UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004
FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the year ended December 31, 1994
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from to

Commission file number 1-3579

PITNEY BOWES INC.

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock ($2 par value)	New York Stock Exchange
$2.12 Convertible Cumulative Preference Stock (no par value)	New York Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange

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

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

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

The 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

The aggregate market value of voting stock (common stock and $2.12 preference stock) held by non-affiliates of the Registrant as of March 10, 1995 is $5,346,586,734.

Number of shares of common stock, $2 par value, outstanding as of March 10, 1995 is 150,905,707.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Only the following portions of the Pitney Bowes Inc. 1994 Annual Report to Stockholders are incorporated by reference into Parts I, II and IV of this Form 10-K Annual Report.

   (a) Financial Statements, pages 29 to 42.

   (b) Management's Discussion and Analysis and Summary of Selected Financial Data on pages 21 to 28 excluding the information on page 27 relating to Dividend Policy.

   (c) Stock Information and Stock Exchanges, on page 44.

2. Pitney Bowes Inc. Notice of the 1995 Annual Meeting and Proxy Statement dated March 24, 1995 pages 3, 4, 7, 8, 11 to 13, 19 and portions of pages 2, 5, 9, 10, 14, 18 and 20 are incorporated by reference into Part III of this Form 10-K Annual Report.

PART I

Item 1. Business

Pitney Bowes Inc. and its subsidiaries (the company) operate within two industry segments: business equipment and services, and financial services. The company's operations are in the following geographic areas: the United States, Europe, and Canada and other countries. Financial information concerning revenue, operating profit and identifiable assets by industry segment and geographic area appears on pages 21 and 41 of the Pitney Bowes Inc. 1994 Annual Report to Stockholders and is incorporated herein by reference.

Business Equipment and Services. Business equipment and services consists of four product and service classes: mailing systems, copying systems, facsimile systems and facilities management services. These products and services are sold, rented or leased (see Financial Services) by the company and through dealers.

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

Copying systems include a wide range of copying systems and supplies.

Facsimile systems include a wide range of facsimile systems and supplies.

Facilities management services are provided for a variety of business support functions, including correspondence mail and reprographics management, high volume automated mail center management and related activities such as facsimile, supplies distribution and records management provided by the company's Pitney Bowes Management Services, Inc. subsidiary (PBMS).

In October 1993, the company acquired all outstanding shares of Ameriscribe Corporation (Ameriscribe). Ameriscribe is a nationwide provider of on-site reprographics, mailroom and other office services to industrial corporations and professional service firms on a contract basis. The company consolidated this unit with its facilities management business operated through its wholly-owned subsidiary, PBMS.

In 1994, the company announced its intent to seek buyers for its Dictaphone Corporation (Dictaphone) and Monarch Marking Systems, Inc. (Monarch) subsidiaries. The sales of Dictaphone and Monarch are expected to result in gains at closings which are expected to occur in 1995. The company sold its Wheeler Group Inc. (Wheeler) subsidiary in 1992, a direct mail marketer of office supplies. Dictaphone, Monarch and Wheeler have been classified in the Consolidated Statement of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone, Monarch and Wheeler for all periods presented. (See Note 11, Acquisitions and discontinued operations, of the Notes to Consolidated Financial Statements in the Pitney Bowes Inc. 1994 Annual Report to Stockholders which information is incorporated herein by reference).

Financial Services. The financial services segment includes the company's worldwide financing operations. The company provides lease financing for its products as well as other financial services in the U.S. for the commercial and industrial markets. Lease financing transactions and other financial services are executed through the company's wholly-owned subsidiaries: Pitney Bowes Credit Corporation, including Colonial Pacific Leasing Corporation, Pitney Bowes Real Estate Financing Corporation and Atlantic Mortgage & Investment Corporation in the United States; Pitney Bowes Finance PLC in the U.K.; Adrema Leasing in Germany; Pitney Bowes Finance S.A. in France, Pitney Bowes Finans Norway AS and Pitney Bowes Credit Australia Limited. The company's subsidiary, Pitney Bowes of Canada Ltd., also has a financing division through which leasing arrangements are made available to its customers. The finance operations financed 41 percent, 44 percent and 43 percent of consolidated sales in 1994, 1993 and 1992, respectively.

Since the first quarter of 1993, the company has continued to phase out the business of financing non-Pitney Bowes equipment outside the U.S. The company has completed its inquiry and evaluation, begun in 1993, of the assets and liabilities of its German leasing business. (See Management's Discussion and Analysis in the Pitney Bowes Inc. 1994 Annual Report to Stockholders which information is incorporated herein by reference). In the U.S. the company continues to lease a broad range of other commercial and industrial products. Products financed include both commercial and non-commercial aircraft, over-the-road trucks and trailers, railcars and locomotives and high-technology equipment such as data processing and communications equipment as well as commercial real estate properties. The finance operations have also participated, on a select basis, in certain other types of financial transactions including: syndication of certain lease transactions, senior secured loans in connection with acquisition, leveraged buyout and recapitalization financings and certain project financings as well as mortgage servicing.

Financial services' borrowing strategy is to use a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements to control its sensitivity to interest rate volatility. The company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. Swap agreements have been principally utilized to fix interest rates on commercial paper and/or obtain a lower cost on debt than would otherwise be available absent the swap. The financial services segment may borrow through the sale of commercial paper, under its confirmed bank lines of credit, and by private and public offerings of intermediate- or long-term debt securities. While the company's funding strategy may reduce sensitivity to interest rate changes over the long-term, effective interest costs have been and will continue to be impacted by interest rate changes. The company periodically adjusts prices on its new leasing and financing transactions to reflect changes in interest rates; however, the impact of these rate changes on revenue is usually less immediate than the impact on borrowing costs.

Nonrecurring Items, Net. In 1994, a net nonrecurring credit of $25.4 million resulted from a $118.6 million credit to income for changes made to certain postemployment benefits and the decision to undertake certain strategic actions which resulted in a $93.2 million charge to income.

Since the first quarter of 1994, as part of the company's employee work-life initiatives, employee input was actively sought about benefits, and it was concluded that employees prefer benefits more closely related to their changing work-life needs. As a result, in the third quarter of 1994, the

company significantly reduced or eliminated certain postemployement benefits, specifically service-related company-subsidized life insurance, salary continuance and medical benefits, resulting in a pre-tax credit to income of $118.6 million ($70.9 million net of approximately $47.7 million of income taxes). 1994 postemployment benefit expense was not materially effected by the net impact of the adoption of FAS 112 and these benefit changes, nor is ongoing postemployment benefit expense expected to be materially affected. As a further outgrowth of the above study, the company also instituted, effective January 1, 1995, certain enhancements to its deferred investment plan, including an increase in the company's match of employee contributions.

During the third quarter of 1994, the company adopted a formal plan designed to address the impact of technology on work force requirements and to further refine its strategic focus on core businesses worldwide. The company recorded a $93.2 million charge to income to cover the costs of such actions. The charge includes $61 million of severance and benefit costs for work force reductions, $22 million of asset write downs and $10 million of other exit costs. All but the write downs will result in cash outlays.

The phase-out of older product lines, introduction of new, advanced products and increased need for higher employee skill levels to deliver and service these products will require a work force reduction of approximately 2,000 employees worldwide over the next year, and the future hiring of approximately 850 new employees with these requisite enhanced skills. All costs associated with hiring of new employees were excluded from the charge and will be recognized appropriately in the period incurred.

Current and future advanced product offerings require a smaller, but more highly skilled engineering, manufacturing and service work force to take full advantage of design, production, diagnostic and service strategies. These disciplines account for a work force reduction of more than 850 employees and will require severance and benefit costs of $27 million. Other strategic actions include reengineering and streamlining of order flow, logistics and other administrative processes in the U.S., Europe and the Asia Pacific region which will result in an additional work force reduction of more than 800 employees requiring severance and benefit costs of $22.7 million. The decisions to phase out non-mailing products in Germany and the cessation of further development and marketing of shipping products which cannot be cost-effectively upgraded to new technologies will account for the remaining work force reductions and related severance and benefit costs.

As noted above, included in the plan to refine the strategic business focus of the company are asset write downs of $22 million and $10 million of other exit costs for certain additional actions. Consistent with a refinement of focus on our core businesses, the actions include phasing out non-mailing products in Germany. This decision requires the write down of inventories, lease and rental contracts and other assets to their net realizable value for which $7.4 million has been provided. The decision to cease development and marketing of certain shipping products as noted above has resulted in further inventory and other asset write-offs of $8.6 million. The company has decided to transition a software-based business with its own product offerings to a limited product development and marketing support function. As a result, $6.3 million of goodwill related to the acquisition of this business has been written-off. The $10 million of other exit costs are primarily due to the adoption of a centralized organizational structure in the European financial services businesses that will result in the early termination of a facility lease.

As of December 31, 1994 the company has made severance and benefits payments of $3.4 million to approximately 200 employees separated under the strategic focus initiatives.

Benefits from the strategic focus initiatives (principally reduced employee expense) will be offset, in part, by increased hiring and training expenses to obtain employees with requisite skills. Anticipated net cash savings in 1995 and 1996 approximate $20 million and $30 million, respectively.

In September 1990, the company changed its copier marketing strategy and announced plans to discontinue the remanufacture of used copier equipment. The copier organization now concentrates on new, higher-margin copiers consistent with its marketing strategy directed at serving large corporations and multi-unit installations. Due to this change in strategy and the resultant discontinuance of the equipment remanufacturing process, the company adjusted the estimated useful life of copiers from five years to three years and established a reserve for the disposal of copiers which previously would have been remanufactured, employee severance payments and facility closing costs. The aggregate one-time, pretax charge against 1990 third-quarter earnings was $86.5 million.

Support Services. The company maintains extensive field service organizations in the U.S. and certain other countries to provide support services to customers who have rented, leased or purchased equipment. Such support services, provided primarily on the basis of annual maintenance contracts, accounted for 13 percent, 14 percent and 14 percent of revenue in 1994, 1993 and 1992, respectively.

Marketing. The company's products and services are marketed through an extensive network of offices in the U.S., and through a number of subsidiaries and independent distributors and dealers in many countries throughout the world as well as through direct marketing and outbound telemarketing. The company sells to a variety of business, governmental, institutional and other organizations. It has a broad base of customers, and is not dependent upon any one customer or type of customer for a significant part of its business. The company does not have significant backlog or seasonality relating to its businesses.

Operations Outside the United States. The company's manufacturing operations outside the U.S. are in the United Kingdom.

The company's discontinued operations, Dictaphone and Monarch, have manufacturing operations outside the United States in Australia, Canada, Hong Kong, Mexico, Switzerland, Singapore and the United Kingdom.

Competition. The company has historically been a leading supplier of certain products and services in its business segments, particularly postage meters and mailing machines. However, in both segments it has strong competition from a number of companies. In particular, it is facing competition in many countries for new placements from several postage meter and mailing machine suppliers, and its mailing systems products face some competition from products and services offered as alternative means of message communications. The company's Shipping and Weighing division is experiencing competition from carrier automation initiatives. The company is addressing competitive pressures in this market with the introduction of a new line of comunications-capable low-volume shipping systems in early 1995. PBMS, a market leader in providing mail and related support services to the corporate, financial services, and professional services markets, competes against national, regional and local firms specializing in facilities management. The company believes that its long experience and reputation for product quality, and its sales and support service organizations are important factors in influencing customer choices with respect to its products and services.

The financing business is highly competitive with aggressive rate competition. Leasing companies, commercial finance companies, commercial banks and other financial institutions compete, in varying degrees, in the several markets in which the finance operations do business and range from very large, diversified financial institutions to many small, specialized firms. In view of the market fragmentation and absence of any dominant

competitors which result from such competition, it is not possible to provide a meaningful description of the finance operations' competitive position in these markets.

The company's discontinued operations, Dictaphone and Monarch, have historically been leading suppliers of certain products and services in their businesses, particularly price marking supplies and equipment and voice processing systems.

Research and Development/Patents. The company has research and development programs that are directed towards developing new products and improving the economy and efficiency of its operations, including its production and service methods. Expenditures on research and development totaled $78.6 million, $80.9 million and $85.0 million in 1994, 1993 and 1992, respectively.

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

Material Supplies and Environmental Protection. The company believes it has adequate sources for most parts and materials for the products it manufactures. However, products manufactured by the company rely to an increasing extent on microelectronic components, and temporary shortages of these components have occurred from time to time due to the demands by many users of such components.

The company purchases copiers, facsimile equipment, and scales, primarily from Japanese suppliers. The company believes that it has adequate sources available to it for the foreseeable future for such products.

The company is subject to federal, state and local laws and regulations concerning the environment, and is currently participating in administrative or court proceedings as a participant in various groups of potentially responsible parties. These proceedings are at various stages of activity, and it is impossible to estimate with any certainty the total cost of remediation, the timing and extent of remedial actions which may be required by governmental authorities, and the amount of the liability, if any, of the company. If and when it is possible to make a reasonable estimate of the company's liability with respect to such a matter, a provision would be made as appropriate. Based on the facts presently known to it, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition.

Employee Relations. At December 31, 1994, 32,792 persons were employed by the company, 26,990 in the United States, 5,802 outside the United States. Of this total 5,457 were employed by Monarch and Dictaphone. Employee relations are considered to be very satisfactory. The great majority of employees are not represented by any labor union. Management follows the policy of keeping employees informed of its decisions, and encourages and implements employee suggestions whenever practicable.

Item 2. Properties

The company's World Headquarters and certain other office and manufacturing facilities are located in Stamford, Connecticut. The company maintains research and development operations at a corporate engineering and technology center in Shelton, Connecticut. A sales and service training center is located near Atlanta, Georgia. The company is building a new facility to house its Shipping and Weighing Systems Division in Shelton, Connecticut, which is expected to be completed in 1995. The company believes that its current and planned manufacturing, administrative and sales office properties are adequate for the needs of both of its business segments.

Business Equipment and Services. Business equipment and services products are manufactured in a number of plants principally in Connecticut, as well as in Harlow, England. Most of these facilities are owned by the company. Sales and support services offices, substantially all of which are leased, are located throughout the United States and in a number of other countries.

The company's Pitney Bowes Management Services subsidiary is headquartered in Stamford, Connecticut and leases facilities in 27 cities located throughout the U.S. as well as leased facilities in Toronto, Ontario, Canada and London, England.

Financial Services. Pitney Bowes Credit Corporation leases executive and administrative offices in Norwalk, Connecticut; Jacksonville, Florida; and Tualatin, Oregon. Executive and administrative offices of the financing operations outside the United States are maintained in London, England; Heppenheim, Germany; Paris, France; Mississauga, Ontario, Canada; and North Ryde, Australia. A number of leased regional and district sales offices are located throughout the U.S., Canada and Germany.

The company's discontinued operations, Dictaphone and Monarch, have production facilities in Melbourne, Florida; Dayton, Ohio; Killwangen, Switzerland; Pickering, Ontario, Canada; Mexico City, Mexico; Sydney, Australia; Singapore and Hong Kong. Most of these facilities are owned by the company. Sales and support service offices, substantially all of which are leased, are located throughout the United States and in a number of other countries.

Item 3. Legal Proceedings

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

The company has been advised that the Antitrust Division of the United States Department of Justice is conducting a civil investigation of its postage equipment business to determine whether there is, has been, or may be a violation of the surviving provisions of the 1959 consent decree between the company and the U.S. Department of Justice, and or the antitrust laws. The company intends to cooperate with the Department's investigation.

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

None.

Executive Officers of the Registrant

Executive
Officer

Name	Age	Title	Since
George B. Harvey	63	Chairman, President and Chief Executive Officer	1967
Carmine F. Adimando	50	Vice President - Finance and Administration, and Treasurer	1982
Marc C. Breslawsky	52	Vice-Chairman	1985
Michael J. Critelli	46	Vice-Chairman	1988
Steven J. Green	43	Vice President - Controller	1988
Douglas A. Riggs	50	Vice President - Communications, Planning, Secretary and General Counsel	1988
Carole F. St. Mark	52	President and Chief Executive Officer - Pitney Bowes Business Services	1985
Johnna G. Torsone	44	Vice President - Personnel	1993

There is no family relationship among the above officers, all of whom have served in various corporate, division or subsidiary positions with the company for at least the past five years except for Johnna G. Torsone. Prior to joining the company in October 1990, Ms. Torsone was a partner with the New York law firm of Parker, Chapin, Flattau & Klimpl where she practiced employment and labor law for 14 years.

PART II

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

The sections entitled "Stock Information" and "Stock Exchanges" on page 44 of the Pitney Bowes Inc. 1994 Annual Report to Stockholders are incorporated herein by reference. At December 31, 1994, the company had 31,226 common stockholders of record.

Item 6. Selected Financial Data

The section entitled "Summary of Selected Financial Data" on page 28 of the Pitney Bowes Inc. 1994 Annual Report to Stockholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The section entitled "Management's Discussion and Analysis" on pages 21 to 27 of the Pitney Bowes Inc. 1994 Annual Report to Stockholders is incorporated herein by reference, except for the section on page 27 relating to "Dividend Policy."

Item 8. Financial Statements and Supplementary Data

The financial statements, together with the report thereon of Price Waterhouse LLP dated January 31, 1995, appearing on pages 29 to 42 of the Pitney Bowes Inc. 1994 Annual Report to Stockholders are incorporated herein by reference.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Except for the information regarding the company's executive officers (see "Executive Officers of the Registrant" on page 8), the information called for by this Item is incorporated herein by reference to the sections entitled "Election of Directors" and "Security Ownership of Directors and Executive Officers" on pages 2 to 5 and 7 and 8 of the Pitney Bowes Inc. Notice of the 1995 Annual Meeting and Proxy Statement.

Item 11. Executive Compensation

The sections entitled "Directors' Compensation", "Executive Officer Compensation", "Severance and Change of Control Arrangements" and "Pension Benefits" on pages 8 to 14, and 18 to 20 of the Pitney Bowes Inc. Notice of the 1995 Annual Meeting and Proxy Statement are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The section entitled "Security Ownership of Directors and Executive Officers" on pages 7 and 8 of the Pitney Bowes Inc. Notice of the 1995 Annual Meeting and Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)

1. Financial statements - see Item 8 on page 9 and "Index to Financial Statements and Schedules" on page 16.

2. Financial statement schedules - see "Index to Financial Statements and Schedules" on page 16.

3. Exhibits (numbered in accordance with Item 601 of Regulation S-K).

Reg. S-K Exhibit	Description	Status or Incorporation by Reference
(3)(a)	Restated Certificate of Incorporation, as amended	Incorporated by reference to Exhibit (3a) to Form 10-K as filed with the Commission on March 30, 1993. (Commission file number 1-3579)
(b)	By-laws	Incorporated by reference to Exhibit (1) to Form 8-K as filed with the Commission on March 13, 1993. (Commission file number 1-3579)
(4)(a)	Form of Indenture dated as of November 15, 1987 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (4a) to Form 10-K as filed with the Commission on March 24, 1988. (Commission file number 1-3579)
(b)	Form of Debt Securities	Incorporated by reference to Exhibit (4b) to Form 10-K as filed with the Commission on March 24, 1988.

(Commission file number 1-3579)

(c)	Form of First Supplemental Indenture dated as of June 1, 1989 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (1) to Form 8-K as filed with the Commission on June 16, 1989. (Commission file number 1-3579)
(d)	Form of Indenture dated as of April 15, 1990 between the company and Chemical Bank, as successor to Manufacturers Hanover Trust Company, as Trustee	Incorporated by reference to Exhibit (4.1) to Registration Statement on Form S-3(No. 33-33948) as filed with the Commission on March 28, 1990.
(e)	Forms of Debt Securities	Incorporated by reference to Exhibit (4) to Form 10-Q as filed with the Commission on May 14, 1990. (Commission file number 1-3579)
(f)	Form of Indenture dated as of May 1, 1985 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4a) to Registration Statement on Form S-3(No. 2-97411) as filed with the Commission on May 1, 1985.
(g)	Letter Agreement between Pitney Bowes Inc. and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4b) to Registration Statement on Form S-3(No. 2-97411) as filed with the Commission on May 1, 1985.
(h)	Form of First Supplemental Indenture dated as of December 1, 1986 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4b) to Registration Statement on Form S-3(No. 33-10766) as filed with the Commission on December 12, 1986.
(i)	Form of Second Supplemental Indenture dated as of February 15, 1989 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4c) to Registration Statement on Form S-3(No. 33-27244) as filed with the Commission on February 24, 1989.
(j)	Form of Third Supplemental Indenture dated as of May 1, 1989 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (1) to Form 8-K as filed with the Commission on May 16, 1989. (Commission file number 1-3579)

The company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10% of the total assets of the company; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The company agrees to furnish copies of such instruments to the Securities and Exchange Commission upon request.

Executive Compensation Plans:

(10)(a)	Retirement Plan for Directors of Pitney Bowes Inc.	Incorporated by reference to Exhibit (10a) to Form 10-K as filed with the Commission on March 30, 1993. (Commission file number 1-3579)
(b)	Deferred Compensation Plan for Directors	Incorporated by reference to Exhibit (10b) to Form 10-K as filed with the Commission on March 30, 1993. (Commission file number 1-3579)
(c)	Pitney Bowes Inc. Directors' Stock Plan	Incorporated by reference to Exhibit (10a) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(d)	Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (10b) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(e)	Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated)	Incorporated by reference to Exhibit (10c) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(f)	1979 Pitney Bowes Stock Option Plan (as amended and restated)	Incorporated by reference to Exhibit (10d) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(g)	Pitney Bowes Severance Plan, as amended, dated December 12, 1988	Incorporated by reference to Exhibit (10) to Form 10-K as filed with the Commission on March 23, 1989. (Commission file number 1-3579)
(11)	Statement re computation of per share earnings	Exhibit (i)
(12)	Computation of ratio of earnings to fixed charges	Exhibit (ii)
(13)	Portions of annual report to security holders	Exhibit (iii)
(21)	Subsidiaries of the registrant	Exhibit (iv)
(23)	Consent of experts and counsel	Exhibit (v)
(27)	Financial Data Schedule	Exhibit (vi)

(b) No reports on Form 8-K were filed for the three months ended December 31, 1994.

SIGNATURES

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

Pitney Bowes Inc.

By /s/ George B. Harvey
(George B. Harvey)
Chairman, President and Chief
Executive Officer

Date March 30, 1995

SIGNATURES

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

Signature	Title	Date
/s/ George B. Harvey George B. Harvey	Chairman, President and Chief Executive Officer - Director	March 30, 1995
/s/ Carmine F. Adimando Carmine F. Adimando	Vice President-Finance and Administration, and Treasurer (principal financial officer)	March 30, 1995
/s/ Steven J. Green Steven J. Green	Vice President-Controller (principal accounting officer)	March 30, 1995
/s/ Linda G. Alvarado Linda G. Alvarado	Director	March 30, 1995
/s/ Marc C. Breslawsky Marc C. Breslawsky	Director	March 30, 1995
/s/ William E. Butler William E. Butler	Director	March 30, 1995

/s/ Colin G. Campbell Colin G. Campbell	Director	March 30, 1995
/s/ Michael J. Critelli Michael J. Critelli	Director	March 30, 1995
/s/ John C. Emery, Jr. John C. Emery, Jr.	Director	March 30, 1995

Signature	Title	Date
/s/ Charles E. Hugel Charles E. Hugel	Director	March 30, 1995
/s/ David T. Kimball David T. Kimball	Director	March 30, 1995
Leroy D. Nunery	Director	
/s/ Phyllis S. Sewell Phyllis S. Sewell	Director	March 30, 1995
Arthur R. Taylor	Director	

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

The additional financial data should be read in conjunction with the financial statements in the Pitney Bowes Inc. 1994 Annual Report to Stockholders. Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto. Also, separate financial statements of less than 100 percent owned companies, which are accounted for by the equity method, have been omitted because they do not constitute significant subsidiaries.

ADDITIONAL FINANCIAL DATA

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULES

To the Board of Directors
of Pitney Bowes Inc.

Our audits of the consolidated financial statements referred to in our report dated January 31, 1995 appearing on page 42 of the Pitney Bowes Inc. 1994 Annual Report to Stockholders (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed by reference in Item 14(a)2 of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/Price Waterhouse LLP
Price Waterhouse LLP

Stamford, Connecticut
January 31, 1995

PITNEY BOWES INC.

SCHEDULE II - VALUATION AND QUALIFYING
ACCOUNTS AND RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1992 TO 1994

(Dollars in thousands)

Description	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Balance at end of year
Allowance for doubtful accounts				
1994	$16,691	$ 4,262	$ 4,044(2)	$ 16,909

1993	$16,578	$ 9,024(1)	$ 8,911(2)	$ 16,691
1992	$17,786	$ 4,364	$ 5,572(2)	$ 16,578
Allowance for credit losses on finance receivables				
1994	$116,512	$64,933	$68,354(2)	$113,091
1993	$ 96,975	$84,524	$64,987(2)	$116,512
1992	$ 88,703	$85,642	$77,370(2)	$ 96,975
Reserve for transition costs(4)				
1994	$ 344	$93,258	$28,709(5)	$ 64,893
1993	$ 1,627	$ -	$ 1,283(3)	$ 344
1992	$ 8,835	$ -	$ 7,208(3)	$ 1,627
Valuation allowance for deferred tax asset(4)				
1994	$25,975	$12,867	$ 1,310	$ 37,532
1993	$28,800	$ 2,059	$ 4,884	$ 25,975
1992	$ -	$29,365	$ 565	$ 28,800

<FN>
(1) Includes $1,300 of additions applicable to a business at acquisition.
(2) Principally uncollectible accounts written off.
(3) Amounts paid.
(4) Included in balance sheet as a liability.
(5) Includes amounts for asset write downs and amounts paid.

PITNEY BOWES INC. EXHIBIT (i)

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

(Dollars in thousands, except share data)	Years Ended December 31, 1994	1993(1)	1992(1)	1991(1)	1990(1)
Primary					
Income from continuing operations(2)	$ 348,428	$ 305,690	$ 260,736	$ 242,649	$ 159,155
Discontinued operations	45,161	47,495	54,129	52,648	54,137
Effect of accounting changes	(119,532)	-	(214,631)	-	-
Net income	$ 274,057	$ 353,185	$ 100,234	$ 295,297	$ 213,292
Weighted average number of common shares outstanding	156,459,437	157,766,700	157,562,020	158,180,010	157,379,940
Preference stock, $2.12 cumulative convertible	847,430	905,231	1,085,684	1,386,566	1,613,714
Stock option and purchase plans	421,761	696,721	581,782	371,838	232,180
Convertible loan stock	-	-	5,926	16,266	23,926
Total common and common equivalent shares outstanding	157,728,628	159,368,652	159,235,412	159,954,680	159,249,760
Income per common and common equivalent share - primary:					
Continuing operations	$ 2.21	$ 1.92	$ 1.64	$ 1.52	$ 1.00
Discontinued operations	.29	.30	.34	.33	.34
Effect of accounting changes	(.76)	-	(1.35)	-	-
Net income	$ 1.74	$ 2.22	$ .63	$ 1.85	$ 1.34
Fully Diluted					
Income from continuing operations(2)	$ 348,430	$ 305,694	$ 260,740	$ 242,653	$ 159,163
Discontinued operations	45,161	47,495	54,129	52,648	54,137
Effect of accounting changes	(119,532)	-	(214,631)	-	-
Net income	$ 274,059	$ 353,189	$ 100,238	$ 295,301	$ 213,300
Weighted average number of common shares outstanding	156,459,437	157,766,700	157,562,020	158,180,010	157,379,940
Preference stock, $2.12 cumulative convertible	847,430	905,231	1,085,684	1,386,566	1,613,714
Stock option and purchase plans	439,756	706,981	606,915	410,102	245,294
Convertible loan stock	-	-	5,926	16,266	23,926
Preferred stock, 4% cumulative convertible	14,265	23,464	26,409	28,930	37,862
Convertible debentures	-	-	-	-	15,800
Total common and common equivalent shares outstanding	157,760,888	159,402,376	159,286,954	160,021,874	159,316,536
Income per common and common equivalent share - fully diluted:					
Continuing operations	$ 2.21	$ 1.92	$ 1.64	$ 1.52	$ 1.00
Discontinued operations	.29	.30	.34	.33	.34
Effect of accounting changes	(.76)	-	(1.35)	-	-
Net income	$ 1.74	$ 2.22	$ .63	$ 1.85	$ 1.34

<FN>

(1) Reclassified to reflect discontinued operations.

(2) Income from continuing operations was adjusted for preferred dividends and interest on convertible debt.

PITNEY BOWES INC. EXHIBIT (ii)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (1)

(Dollars in thousands)

	Years Ended December 31,				
	1994	1993(2)	1992(2)	1991(2)	1990(2)
Income from continuing operations before income taxes	$566,507	$498,860	$411,954	$388,997	$248,567
Add:					
Interest expense	194,115	189,292	230,764	257,595	263,340
Portion of rents representative of the interest factor	42,339	33,842	33,786	32,503	29,554
Amortization of capitalized interest	914	914	914	914	849
Income as adjusted	$803,875	$722,908	$677,418	$680,009	$542,310
Fixed charges:					
Interest expense	$194,115	$189,292	$230,764	$257,595	$263,340
Capitalized interest	733	-	-	-	1,567
Portion of rents representative of the interest factor	42,339	33,842	33,786	32,503	29,554
	$237,187	$223,134	$264,550	$290,098	$294,461
Ratio of earnings to fixed charges	3.39	3.24	2.56	2.34	1.84

<FN>

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

(2) Reclassified to reflect discontinued operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Segments

Pitney Bowes operates within two industry segments: business equipment and services and financial services.

Business equipment and services includes: postage meters and mailing, shipping and facsimile systems, copiers and copier supplies, and mailroom, reprographics and related facilities management services.

The financial services segment includes the worldwide financing operations of the company. This segment provides lease financing for the company's products as well as other financial services for the commercial and industrial markets.

Dictaphone Corporation (Dictaphone) and Monarch Marking Systems, Inc. (Monarch) subsidiaries have been classified as discontinued operations and are, therefore, excluded from the following segment data. (See Note 11 to the consolidated financial statements.)

Revenue and operating profit by business segment and geographic area for the years 1992 to 1994 were as follows:

	Revenue		
(in millions)	1994	1993*	1992*
Industry segments:			
Business equipment and services	$2,586	$2,386	$2,255
Financial services	685	614	633
Total	$3,271	$3,000	$2,888
Geographic areas:			
United States	$2,851	$2,550	$2,355
Europe	293	303	351
Canada and other	231	251	262
Inter-area revenue	(104)	(104)	(80)
Total	$3,271	$3,000	$2,888

	Operating profit		
(in millions)	1994	1993*	1992*
Industry segments:			
Business equipment and services	$ 425	$ 371	$ 319
Financial services	227	209	201
Total	$ 652	$ 580	$ 520
Geographic areas:			

United States	$ 655	$ 524	$ 459
Europe	(13)	28	25
Canada and other	19	33	38
Inter-area profit	(9)	(5)	(2)
Total	$ 652	$ 580	$ 520

*Reclassified to reflect discontinued operations.

Identifiable assets by business segment and geographic area for the years 1992 to 1994 were as follows:

	Identifiable assets		
(in millions)	1994	1993*	1992*
Industry segments:			
Business equipment and services	$1,978	$1,901	$1,665
Financial services	4,897	4,441	4,352
Total	$6,875	$6,342	$6,017
Geographic areas:			
United States	$6,317	$5,743	$5,103
Europe	331	389	493
Canada and other	433	476	610
Total	$7,081	$6,608	$6,206

*Reclassified to reflect discontinued operations.

Events Impacting Comparability

The company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112), as of January 1, 1994. FAS 112 required that postemployment benefits be recognized on the accrual basis of accounting. Postemployment benefits include primarily company provided medical benefits to disabled employees and company provided life insurance as well as other disability- and death-related benefits to former or inactive employees, their beneficiaries and covered dependents.

The one-time effect of adopting FAS 112 was a non-cash, after-tax charge of $119.5 million (net of approximately $80.5 million of income taxes), or 76 cents per share. Additional information with respect to accounting for postemployment benefits is disclosed in note 10 to the consolidated financial statements.

Based on an extensive strategic review on how best to capitalize on its strengths and competitive position, the company determined to concentrate its energies and resources on products and services which facilitate the preparation, organization, movement, delivery, tracking, storage and retrieval of documents, packages, letters and other materials, in hard copy and digital form for its customers. Accordingly, in the third quarter of 1994, the company announced its intent to seek buyers for its Dictaphone and Monarch subsidiaries. The sales of Dictaphone and Monarch are expected to result in gains at closings which are expected to occur in 1995. Dictaphone and Monarch have been classified in the Consolidated Statement of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone and Monarch for all periods presented.

With the fourth quarter 1993 acquisition of Ameriscribe Corporation (Ameriscribe), the company continued the expansion of its facilities management business. Ameriscribe, a nationwide provider of on-site reprographics, mailroom and other office services to industrial corporations and professional service firms on a contract basis, was integrated with the com-

pany's mailroom management organization. The transaction was accounted for by the purchase method. See note 11 to the consolidated financial statements.

The Omnibus Budget Reconciliation Act of 1993 (the Tax Act), enacted August 10, 1993, increased U.S. corporate income tax rates from 34 percent to 35 percent, retroactive to January 1, 1993. The liability method of accounting for income taxes requires the effect of the change in tax laws or rates on current earnings and accumulated deferred income taxes to be reflected in the period when the new legislation is enacted. Consequently, the company recorded $22.0 million of additional taxes against 1993 income from continuing operations ($5.4 million on 1993 earnings and $16.6 million on deferred taxes).

In the fourth quarter of 1992, the company adopted retroactively to January 1, 1992, Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106), which addresses health care and other welfare benefits provided to retirees. FAS 106 required a change from the cash basis of accounting to the accrual basis of accounting for nonpension postretirement benefits. The transition effect of adopting this standard on the immediate recognition basis, which was recorded in the first quarter of 1992, was a one-time, after-tax charge of $215 million or $1.35 per share; the 1992 incremental after-tax costs on 1992 income from continuing operations amounted to $14 million or $.09 per share. In early 1993, the company announced several changes to its health care plans which have significantly reduced the ongoing incremental impact of FAS 106 on earnings. Among these changes was the establishment of plan cost maximums in order to more effectively control future medical costs. Additional information with respect to accounting for nonpension postretirement benefits is disclosed in note 10 to the consolidated financial statements.

In 1992, the company sold its Wheeler Group Inc. (Wheeler) subsidiary, a direct mail marketer of office supplies. The sale of Wheeler for approximately $80 million in cash resulted in a $2.7 million after-tax gain. Wheeler has been classified in the Consolidated Statement of Income as a discontinued operation; revenue and income from continuing operations exclude the results of Wheeler for all periods presented.

Results of Continuing Operations

Revenue increased nine percent in 1994 primarily as a result of growth in the U.S. operations, especially in the facilities management, mailing, financial services and facsimile businesses as well as improved performance in the United Kingdom. Favorable foreign currency impacts in the U.K. and Germany were mostly offset by a weakening Canadian dollar. Growth was slowed by unfavorable performances in Germany and in the low-end shipping market in the U.S. In 1993, revenue increased four percent as a result of growth in the mailing, shipping and facilities management businesses in the U.S. Revenue growth in 1993 was slowed by sluggish economies worldwide, particularly in Germany, Canada and the U.K., as well as significant unfavorable foreign currency impacts in these countries. Additionally, revenue growth in both 1994 and 1993 was depressed by the company's first-quarter 1993 decision to phase out the business of financing non-Pitney Bowes equipment outside of the U.S. Income per share from continuing operations increased 15 percent to $2.21 per share in 1994 compared with a 17 percent increase to $1.92 per share in 1993. In 1994 income from continuing operations included the effect of a nonrecurring $25.4 million pretax credit. The credit was the result of a $118.6 million credit to income due to changes made in certain postemployment benefits offset, in part, by a $93.2 million charge to income covering strategic actions. This net credit added only $3.5

million, or two cents per share to income from continuing operations because some of the strategic actions were taken in countries where the company is unable to recognize associated tax benefits. In 1993, income from continuing operations was impacted by the enactment of the Tax Act as outlined in the Events Impacting Comparability section above. Excluding the effect of the nonrecurring net credit in 1994 and the impact of the Tax Act on deferred taxes in 1993, income per share from continuing operations would have been eight percent above the prior year. Excluding the impact of the Tax Act on 1993 earnings and deferred taxes, income per share from continuing operations in 1993 was $2.06 per share, an increase of 26 percent over 1992.

Sales revenue, all of which is generated by the business equipment and services segment, increased 11 percent in 1994 and 10 percent in 1993. The 1994 increase was driven by aggressive expansion of the facilities management contract base, including the late 1993 acquisition of Ameriscribe, strong growth in sales of facsimile supplies to support the growing plain-paper equipment base and copier and production mail product placements in the U.S., as well as strong mailing equipment sales in the U.K. These growth factors were partly offset by greater revenue in 1993 from PROM (memory chip) and scale chart sales resulting from parcel and postal rate changes in the U.S. and 1994 sales declines in Germany and the U.S. shipping business. The unfavorable comparison in the U.S. shipping business, particularly in the low-volume segment was due principally to enhanced 1993 revenue due to special marketing programs as well as increased competitive pressure from carrier automation initiatives in 1994. The company is addressing competitive pressures in this market with the introduction of a new line of communications-capable low-volume shipping systems in early 1995. In Germany, 1993 record results included sales for equipment upgrades necessitated by consolidation of the East and West German postal zones. Additionally, the decision in the third quarter 1994 to phase out sales of non-mailing products as part of the company's formal plan of strategic refinement negatively impacted sales revenue. In 1994, both price increases and foreign currency impacts had less than a one percent favorable impact on sales growth. The 1993 increase included strong growth in mailing, shipping, copier and facsimile product placements in the U.S. Sales growth in 1993 was partly offset by significant unfavorable foreign currency impacts, as well as price declines

on certain shipping, facsimile and copier equipment. Foreign currency impacts lowered 1993 sales growth outside the U.S., primarily in the U.K., Canada and Germany by 10 percent. Strong sales revenue growth from continued expansion of the company's facilities management business including the late 1993 acquisition of Ameriscribe contributed to the increase.

Rentals and financing revenue, included in both the business equipment and services and financial services segments, increased ten percent in 1994 compared with a one percent decrease in 1993. While foreign exchange impacts in 1994 were not significant, if foreign currency impacts primarily attributable to weakening of the British pound, Canadian dollar and German mark are excluded, rentals and financing revenue increased one percent in 1993.

Rental revenue increased nine percent and four percent in 1994 and 1993, respectively. These increases, particularly in 1994 are due to mailing price increases, higher numbers of postage meters on rental, including a greater mix of higher-yielding Postage By Phone(R) and electronic meters in service, as well as a greater mix of plain paper facsimile equipment placements partly offset, in 1993, by the unfavorable foreign currency impacts noted above.

Financing revenue increased 11 percent in 1994, reflecting a greater contribution from sales of finance assets than in 1993, and included the sale of operating lease assets which generated approximately $45 million in revenue. Financing revenue also benefited from portfolio growth, increased leveraged lease revenue and fee-based income partly offset by lower lease rates and the decision to phase out the business of financing non-Pitney Bowes equipment outside of the U.S.

Financing revenue decreased three percent in 1993 primarily as a result of the company's first-quarter decision to phase out the business of financing non-Pitney Bowes equipment outside of the U.S. As part of this strategy, the company sold approximately $120 million of external finance assets in Canada in the second quarter of 1993. Financing revenue also decreased as a result of unfavorable revenue impacts associated with a partnership lease transaction (discussed below).

Support services revenue which is derived from the business equipment and services segment, declined slightly in 1994 and was up one percent in 1993. In 1994, a decline in the non-U.S. mailing equipment service base and a shift in mix of shipping service agreements to low-volume products were mostly offset by price increases on mailing contracts. The increase in 1993 was primarily due to price increases, as well as the continued expansion of the inserter, shipping and facsimile service bases. In 1993, these increases were partly offset by negative foreign currency swings and a decline in the copier and non-U.S. mailing equipment service agreement bases.

The cost of sales to sales revenue ratio increased to 58.4 percent in 1994 from 55.2 percent in 1993 and 54.6 percent in 1992. The ratio increases were due to the growing significance of the company's facilities management business which includes most of its expenses in cost of sales, particularly in 1994 due to the full year impact of the Ameriscribe acquisition. In 1994 and 1993, increased engineering support of the company's many new products, reduced margins on certain of the company's mailing, shipping and facsimile products and, in 1994, unfavorable LIFO expense negatively impacted these ratios. These factors were partly offset by favorable LIFO effects in 1993 and 1992 and improved margins at the company's facilities management and copier operations for all periods and, in 1992, in the company's German business equipment operation. Results in 1993 also benefited from high-margin PROM and scale chart sales. The company believes that its facilities management business will continue to increase through growth in the contract base and, as a result, the cost of sales to sales revenue ratio is also expected to increase further.

The cost of rentals and financing to rentals and financing revenue ratio was 32.3 percent in 1994, 31.7 percent in 1993, and 30.7 percent in 1992. The increase in 1994 resulted from increased asset sale activity, including the sales of lower-margin operating lease assets with a cost of $42.6 million offset, in part, by favorable mailing rental equipment margins in the U.S. The increase in 1993 reflects the increased credit loss provision established in the financial services segment during the year which included an approximately $14 million second-quarter charge for potential losses in Germany. The growing impact of amortization of purchased mortgage servicing rights associated with the company's mortgage servicing subsidiary also increased the cost ratio in all periods.

Selling, service and administrative expenses as a percentage of revenue were 35.7 percent in 1994, 37.3 percent in 1993 and 39.2 percent in 1992. The ratios benefited from lower relative expenses related to the facilities management business particularly in 1994, after the Ameriscribe acquisition, effective management of overall U.S. employee benefit costs and continued cost containment programs throughout the company. Also, 1994 benefited from a patent royalty settlement and a special cash payment pursuant to a corporate reorganization of the acquirer of Wheeler. In 1993, expense reductions resulted from the establishment of retiree medical coverage maximums. In 1992, however, this ratio was unfavorably impacted by $22 million due to the adoption of the accounting standard for nonpension postretirement benefits which largely offset the favorable impact of the company's cost reduction programs in that year.

Research and development expenses declined three percent in 1994 and five percent in 1993. These declines were caused by the completion of the primary development cycle for certain of the company's major new mailing products, with the most significant new products launched in 1992. These products currently use ongoing engineering support to improve functionality and increase manufacturing efficiencies. This support is recorded in cost of sales. In addition, the company has maintained its cost containment programs while continuing to significantly invest in new product development focusing on electronic technology and software development.

Net interest expense increased six percent in 1994 while decreasing 19 percent in 1993. In 1994 the increase was due to higher short-term interest rates and average borrowing levels. Increased borrowing levels were used primarily to fund treasury stock repurchases and investments in finance assets. It is anticipated that this unfavorable comparison will continue if interest rates continue to rise. In 1993, the decline in interest expense resulted from lower short- and long-term interest rates on the company's debt as well as a gradual shift in borrowings to lower interest bearing short-term notes payable. On a swap adjusted basis, the ratio of notes payable to the sum of notes payable and long-term debt was 58 percent in 1994 compared to 57 percent in 1993. The company's practice is to manage its interest rate risk, most of which is in the financial services segment, through the use of a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements.

In 1994, as noted above, a net nonrecurring credit of $25.4 million resulted from a $118.6 million credit to income for changes made to certain postemployment benefits and the decision to undertake certain strategic actions which resulted in a $93.2 million charge to income.

Since the first quarter of 1994, as part of the company's employee work-life initiatives, employee input was actively sought about benefits, and it was concluded that employees prefer benefits more closely related to their changing work-life needs. As a result, in the third quarter of 1994, the company significantly reduced or eliminated certain postemployment benefits, specifically service-related company-subsidized life insurance, salary continuance and medical benefits, resulting in a pre-tax credit to income of $118.6 million ($70.9 million net of approximately $47.7 million of income taxes). 1994 postemployment benefit expense was not materially effected by the net impact of the adoption of FAS 112 discussed in Events Impacting Comparability above and these benefit changes, nor is ongoing postemployment benefit expense expected to be materially affected. As a further outgrowth of the above study, the company also instituted, effective January 1, 1995, certain enhancements to its deferred investment plan, including an increase in the company's match of employee contributions.

Secondly, during the third quarter of 1994, the company adopted a formal plan designed to address the impact of technology on work force requirements and to further refine its strategic focus on core businesses worldwide. The company recorded a $93.2 million charge to income to cover the costs of such actions. The charge includes $61 million of severance and benefit costs for work force reductions, $22 million of asset write downs and $10 million of other exit costs. All but the asset write downs will result in cash outlays.

The phase-out of older product lines, introduction of new, advanced products and increased need for higher employee skill levels to deliver and service these products will require a work force reduction of approximately 2,000 employees worldwide over the coming year, and the future hiring of approximately 850 new employees with these requisite enhanced skills. All costs associated with hiring of new employees were excluded from the charge and will be recognized appropriately in the period incurred.

Current and future advanced product offerings require a smaller, but more highly skilled engineering, manufacturing and service work force to take full advantage of design, production, diagnostic and service strategies. These disciplines account for a work force reduction of more than 850 employees and will require severance and benefit costs of $27 million. Other strategic actions include reengineering and streamlining of order flow, logistics and other administrative processes in the U.S., Europe and the Asia Pacific region which will result in an additional work force reduction of more than 800 employees requiring severance and benefit costs of $22.7 million. The decisions to phase out non-mailing products in Germany and the cessation of further development and marketing of shipping products which cannot be cost-effectively upgraded to new technologies will account for the remaining work force reductions and related severance and benefit costs.

As noted above, included in the plan to refine the strategic business focus of the company are asset write downs of $22 million and $10 million of other exit costs for certain additional actions. Consistent with a refinement of focus on our core businesses, these actions include phasing out non-mailing products in Germany. This decision requires the write down of inventories, lease and rental contracts and other assets to their net realizable value for which $7.4 million has been provided. The decision to cease development and marketing of certain shipping products as noted above also resulted in inventory and other asset write-offs of $8.6 million. The company has decided to transition a software-based business with its own product offerings to a limited product development and marketing support function. As a result, $6.3 million of goodwill related to the acquisition of this business has been written-off. The $10 million of other exit costs are primarily due to the adoption of a centralized organizational structure in the European financial services businesses that will result in the early termination of a facility lease.

As of December 31, 1994 the company had made severance and benefit payments of $3.4 million to approximately 200 employees separated under the strategic focus initiatives.

Benefits from the strategic focus initiatives (primarily reduced employee expense) will be offset, in part, by increased hiring and training expenses to obtain employees with requisite skills. Anticipated net cash savings in 1995 and 1996 approximate $20 million and $30 million, respectively.

Industry segment operating profit reflects the factors discussed above and in the Financial Services discussion below. Operating profit of the business equipment and services segment increased 14 percent in 1994 compared to 17 percent in 1993. Excluding the impact of nonrecurring items, in 1994, operating profit increased five percent reflecting strong performances by the mailing, facsimile, copier and facilities management businesses in the U.S. partly offset by weaknesses in the shipping business in the U.S. and the Canadian and German mailing operations.

The 1993 results compared favorably to 1992 which included an incremental cost for the adoption of the accounting standard for nonpension postretirement benefits. Excluding the effect of the accounting change, operating profit of this segment increased 10 percent in 1993, reflecting strong performances by the mailing, shipping, copier, facsimile and facilities management businesses in the U.S., partly offset by weaknesses in the Canadian and European mailing operations.

Operating profit in the financial services segment increased nine percent in 1994 compared to four percent in 1993. Operating profit growth in 1994 benefited from lower relative credit loss provisions offset, in part, by lower lease rates, increasing interest rates and a lower contribution from finance asset sales. In 1993, operating profit growth benefited from a lower interest rate environment partly offset by commensurately lower new lease rates and increased relative credit loss provisions. Both 1994 and 1993 were unfavorably impacted by the decision to phase out the external financing business outside of the U.S.

The effective tax rate was 38.5 percent in 1994, 38.7 percent in 1993 and 36.7 percent in 1992. The 1994 effective tax rate includes the impact of approximately $28 million of strategic actions for which the company could not realize associated tax benefits offset, in part, by higher levels of tax exempt income and research and development tax credits. The 1993 effective tax rate reflects the impacts of the Tax Act discussed in Events Impacting Comparability above. Excluding the impact of the tax legislation, the effective tax rate for 1993 was 34.3 percent. Further affecting this rate was the tax impact of a partnership lease transaction and research and development tax credits.

In the fourth quarter of 1994, the company completed the purchase of a lease portfolio whereby it receives all rights to the value of the underlying equipment at lease termination and certain tax benefits over the portfolio life. The transaction will have the effect of reducing the current period tax liabilities and associated effective tax rates over the portfolio life.

Although not affecting income, deferred translation gains amounted to $6 million in 1994 versus losses of $20 million and $60 million in 1993 and 1992, respectively. In 1994 the gains resulted primarily from the strengthening of the British pound. In both 1993 and 1992, losses resulted primarily from the weakening of the British pound. The Canadian dollar, which weakened in 1992 through 1994, contributed to these impacts.

As part of the company's review of the impacts of technology on its core businesses and the desire of worldwide postal services to transition to all electronic postage meters, the estimated service lives of postage meters was revised effective January 1, 1995. The meter base has been segregated according to technology content. Mechanical meters, which constitute approximately 60 percent of the meter base, will have their depreciable lives shortened while electronic meters will have their depreciable lives increased due to better security, functionality and limited risk of technological obsolescence. These changes in depreciable lives will be accounted for as a change in accounting estimate and are not expected to be material to 1995 results of operations.

Financial Services

The financial services operations provide lease financing for Pitney Bowes products in the U.S., Canada, the U.K., Germany, France and Australia. Since the first quarter of 1993, the company has continued to phase out the business of financing non-Pitney Bowes equipment outside the U.S. These actions included the second quarter 1993 sale of approximately $120 million of finance assets in Canada. Additionally, in January 1994 Pitney Bowes Credit Corporation (PBCC) sold approximately $88 million of assets previously transferred from the German leasing business, in a privately placed transaction with a third-party investor. This transaction had no material effect on the company's results of operations.

The company has completed its inquiry and evaluation, begun in 1993, of the assets and liabilities of its German leasing business. At this time, the company believes that sufficient reserves for credit losses are in place to provide for currently expected losses. As part of the orderly liquidation of assets from leasing non-Pitney Bowes products in Germany, the company continues to bill and collect accounts and repossess and remarket collateral where possible. These activities are expected to continue for the remainder of the lease terms.

The company is scrutinizing the circumstances surrounding the losses. German authorities have undertaken criminal proceedings with respect to the conduct of certain German lessees of non-Pitney Bowes products and, at the request of the company, with respect to the disposition of the company's German leasing business assets. These proceedings include the former general manager of the company's Germany leasing business and others involved in that business. The principals of one of the company's large German leasing accounts have been convicted of fraud against the company and others. The company is a party to certain civil litigation and is continuing its evaluation of additional actions it can take against former management personnel of its German leasing business and others.

The company's management continues to believe there are sufficient opportunities for profitable growth in its domestic external financing business and plans to make future external investments solely in the U.S. market.

Prior to the first quarter 1993 announcement noted above, the company had offered financial services to the commercial and industrial markets in the U.S., Canada, the U.K., Germany, France and Australia. Condensed financial information of the company's consolidated finance operations is disclosed in note 15 to the consolidated financial statements. The finance operations financed 41 percent of consolidated sales from continuing operations in 1994, 44 percent in 1993 and 43 percent in 1992.

Total financial services revenue amounted to $685 million in 1994 up 11 percent from 1993. Total financial services assets increased to $4.9 billion at year-end 1994, up 10 percent from $4.5 billion in 1993 which was up two percent from $4.4 billion in 1992. To fund finance assets, borrowings were $3.2 billion in 1994 and $2.9 billion in 1993. Borrowing requirements for the funding of new business were reduced by the proceeds received from the sale of approximately $190 million, $160 million and $200 million of finance assets during 1994, 1993 and 1992, respectively. In addition to the $400 million of borrowings available under shelf registration statements, the financial services segment had approximately $1.7 billion of unused lines of credit outstanding at year-end 1994, largely supporting commercial paper borrowings.

Accounting Changes

In addition to the adoptions of FAS 112 in 1994 and FAS 106 in 1992 as discussed in Events Impacting Comparability above, the company also adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109) in 1992, Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", and Statement of Financial Accounting Standards No.119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" in 1994. Other than the impacts of FAS 112 and FAS 106 discussed in Events Impacting Comparability above, none of these statements significantly affected the company's reported results. In May 1993, Statement of Financial Accounting Standards No. 114, (FAS 114) "Accounting by Creditors for Impairment of a Loan" was issued. Subsequently in October 1994 an amendment of FAS 114, Statement of Financial Accounting Standards No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures" was issued. Both statements must be adopted by January 1, 1995. Neither of these pronouncements is expected to materially affect the company.

Liquidity and Capital Resources

The current ratio reflects the company's practice of utilizing a balanced mix of debt maturities to fund finance assets. The current ratio declined to .52 to 1 at December 31, 1994 compared to .59 to 1 at December 31, 1993 as a result of increased short-term borrowings which funded the repurchase of shares of common stock, increased investment in finance assets, the redemption of long-term debt and increased inventory levels. The company enters into interest rate swap agreements principally through its financial services business segment. It has been the practice and objective of the company to use a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements to control its sensitivity to interest rate volatility. The company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. Swap agreements, as noted above, have been principally utilized to fix interest rates on commercial paper and/or obtain a lower cost on debt than would otherwise be available absent the swap.

The ratio of total debt to the total of such debt and stockholders' equity was 66.3 percent at December 31, 1994, compared to 61.3 percent at December 31, 1993. This ratio was unfavorably impacted by the company's required first quarter 1994 adoption of FAS 112, the repurchase of approximately 7.7 million shares of common stock for $268 million and increased investment in finance assets. These factors were partially offset by the sale of certain finance assets and the strategic decision to phase out the business of financing non-Pitney Bowes equipment outside of the U.S. as well as the company's strong operating cash flow. The shares repurchased in 1994 are in anticipation of the sales of Dictaphone and Monarch as well as for issuance under the company's stock purchase and option plans. It is expected that the board of directors will consider further authorization to repurchase the company's common stock in connection with the divestitures as appropriate.

Of the approximately $71 million in cash required to pay severance and benefit related costs as well as certain other costs related to the company's strategic refocus actions, $3.4 million was paid out in 1994 with the remaining outlays expected principally in 1995. Asset write-downs and other provisions of approximately $22 million included in the strategic refocus did not require cash expenditures. In addition, the company's financial services business in the U.S. is required to fund approximately $54 million of additional investment in three leveraged lease transactions in February 1995.

As part of the company's non-financial services shelf registrations, a medium-term note facility was established permitting issuance of up to $100 million in debt securities with maturities ranging from more than one year up to 30 years on which $32 million remain available at December 31, 1994. The company also has an additional $300 million remaining on shelf registrations filed with the Securities and Exchange Commission. In January 1993, the company repaid $100 million of 8.875 percent notes which matured and were previously issued under these shelf registrations.

PBCC has $400 million available from a $500 million shelf registration statement filed with the Securities and Exchange Commission. This registration statement should meet PBCC's long-term financing needs for the next two years. In March 1994, PBCC issued $200 million of 5.625 percent notes due in February 1997. In April 1994, PBCC redeemed $100 million of 10.65 percent notes due in April 1999. PBCC had previously sold an option on a notional principal amount of $100 million to enable a counterparty to require PBCC to pay a fixed rate of 10.67 percent for five years starting April 1, 1994. The counterparty has exercised that option. In September 1994, PBCC redeemed $100 million of 10.125 percent notes due in 1997.

At year-end 1994, the company had unused lines of credit and revolving credit facilities totaling $2.2 billion in the U.S. and $108 million outside the U.S. largely supporting commercial paper borrowings. Amounts available under credit agreements, shelf registrations and commercial paper and medium-term note programs, in addition to cash generated internally and by the anticipated sales of Dictaphone and

Monarch, are expected to be sufficient to provide for financing needs in the next two years. Information with respect to debt maturities is disclosed in note 5 to the consolidated financial statements.

Capital Investment

During 1994, net investments in fixed assets included $126 million in net additions to property, plant and equipment and $213 million in net additions to rental equipment and related inventories compared with $96 million and $193 million, respectively, in 1993. These additions included expenditures for normal plant and manufacturing equipment. In the case of rental equipment, the additions included the production of postage meters and the purchase of facsimile and copier equipment for both new placements and upgrade programs.

At December 31, 1994, commitments for the acquisition of property, plant and equipment reflected plant and manufacturing equipment improvements as well as rental equipment for new and replacement programs. The company is also building a new facility to house its Shipping and Weighing Systems Division in Shelton, Connecticut, which is expected to be completed in 1995.

As previously reported, the company's financial services segment has made senior secured loans and commitments in connection with acquisition, leveraged buyout and recapitalization financings. At December 31, 1994, the company had a total of $2.5 million of such senior secured loans and commitments outstanding compared to $13.9 million at December 31, 1993. The company has not participated in unsecured or subordinated debt financing in any highly leveraged transactions.

Environmental and Regulatory Matters

The company is subject to federal, state and local laws and regulations concerning the environment, and is currently participating in administrative or court proceedings as a participant in various groups of potentially responsible parties. These proceedings are at various stages of activity, and it is impossible to estimate with any certainty the total cost of remediation, the timing and extent of remedial actions which may be required by governmental authorities, and the amount of the liability, if any, of the company. If and when it is possible to make a reasonable estimate of the company's liability with respect to such a matter, a provision would be made as appropriate. Based on facts presently known to it, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition.

On January 31, 1995, the United States Postal Service (USPS) issued proposed regulations addressing the manufacture, distribution, and use of postage meters. The proposed regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems (CMRS) and other issues. In general, the proposed regulations impose reporting and performance obligations on meter manufacturers, prescribe potential administrative sanctions for failure to meet these obligations and would require a restructuring of the fund management system of CMRS to give the USPS more direct control over meter licensee deposits. The company is currently drafting its comments on the proposed regulations. The actions required of the company to implement the proposed regulations cannot yet be determined. It is the intent of the company to adopt strategies that would minimize any negative financial impact to the company of final regulations when issued.

Effects of Inflation and Foreign Exchange

Inflation, even though moderate in recent years, continues to have an effect on worldwide economies and the way companies operate. In addition to increasing labor costs and operating expenses, the company is also impacted by the higher costs associated with replacement of fixed assets and especially rental equipment assets. In the face of increasing costs, the company has generally been able to maintain profit margins through productivity and efficiency improvements, continual review of both manufacturing capacity and operating expense levels and, to an extent, price increases.

The results of the company's international operations are subject to currency fluctuations. The company enters into foreign exchange contracts for purposes other than trading primarily to minimize its risk of loss from fluctuations in exchange rates on the settlement of firm and budgeted intercompany receivables and payables arising in connection with transfers of finished goods inventories between affiliates as well as certain intercompany loans.

At December 31, 1994, the company had approximately $141.5 million of foreign exchange contracts outstanding, maturing through 1997, to buy or sell various currencies. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values and interest and exchange rates. However, the company does not anticipate non-performance by the counterparties as they are composed of a number of major international financial institutions. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

Dividend Policy

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

SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data) Pitney Bowes Inc.

Years ended December 31	1994	1993	1992	1991	1990
Total revenue	$3,270,613	$3,000,386	$2,887,583	$2,803,160	$2,656,397
Costs and expenses	2,729,472	2,501,526	2,475,629	2,414,163	2,321,330
Nonrecurring items, net	(25,366)	-	-	-	86,500
Income from continuing operations before income taxes	566,507	498,860	411,954	388,997	248,567
Provision for income taxes	218,077	193,166	151,215	146,346	89,409
Income from continuing operations	348,430	305,694	260,739	242,651	159,158
Discontinued operations	45,161	47,495	54,129	52,648	54,137
Effect of accounting changes	(119,532)	-	(214,631)	-	-
Net income	$ 274,059	$ 353,189	$ 100,237	$ 295,299	$ 213,295
Income per common and common equivalent share:					
Continuing operations	$2.21	$1.92	$1.64	$1.52	$1.00
Discontinued operations	.29	.30	.34	.33	.34
Effect of accounting changes	(.76)	-	(1.35)	-	-
Net income	$1.74	$2.22	$.63	$1.85	$1.34
Total dividends on common, preference and preferred stock	$162,714	$142,142	$123,112	$107,948	$94,819
Dividends per share of common stock	$1.04	$.90	$.78	$.68	$.60
Average common and common equivalent shares outstanding	157,728,628	159,368,652	159,235,412	159,954,680	159,249,760
Balance sheet at December 31					
Total assets	$ 7,399,720	$ 6,793,816	$ 6,498,752	$ 6,380,580	$ 6,060,545
Long-term debt	$ 779,217	$ 847,316	$ 1,015,401	$ 1,058,763	$ 1,099,396
Capital lease obligations	$ 23,147	$ 29,462	$ 32,161	$ 35,755	$ 36,560
Stockholders' equity	$ 1,745,069	$ 1,871,595	$ 1,652,881	$ 1,800,683	$ 1,589,414
Book value per common share	$ 11.52	$ 11.81	$ 10.50	$ 11.31	$ 10.07
Ratios					
Profit margin-continuing operations:					
Pretax earnings	17.3%	16.6%	14.3%	13.9%	9.4%
After-tax earnings	10.7%	10.2%	9.0%	8.7%	6.0%
Return on stockholders' equity - before accounting changes	22.6%	18.9%	19.0%	16.4%	13.4%
Debt to total capital	66.3%	61.3%	64.5%	62.8%	65.4%
Other					
Common stockholders of record	31,226	31,189	30,828	29,588	31,323
Total employees	32,792	32,539	28,958	29,421	29,942
Postage meters in service, U.S., U.K. and Canada	1,480,692	1,445,689	1,413,448	1,393,774	1,386,387

See notes, pages 33 through 42

CONSOLIDATED STATEMENT OF INCOME

(Dollars in thousands, except per share data) Pitney Bowes Inc.

Years ended December 31	1994	1993*	1992*
Revenue from:			
Sales	$1,418,304	$1,278,859	$1,158,740
Rentals and financing	1,441,183	1,309,361	1,319,248
Support services	411,126	412,166	409,595
Total revenue	3,270,613	3,000,386	2,887,583

Costs and expenses:			
Cost of sales	828,221	705,438	633,155
Cost of rentals and financing	466,070	415,521	404,602
Selling, service and administrative	1,167,422	1,120,607	1,132,129
Research and development	78,618	80,874	84,984
Interest expense	194,115	189,292	230,764
Interest income	(4,974)	(10,206)	(10,005)
Nonrecurring items, net	(25,366)	-	-
Total costs and expenses	2,704,106	2,501,526	2,475,629
Income from continuing operations before income taxes	566,507	498,860	411,954
Provision for income taxes	218,077	193,166	151,215
Income from continuing operations	348,430	305,694	260,739
Discontinued operations	45,161	47,495	54,129
Income before effect of changes in accounting principles	393,591	353,189	314,868
Effect of changes in accounting principles	(119,532)	-	(214,631)
Net income	$ 274,059	$353,189	$ 100,237
Income per common and common equivalent share:			
Continuing operations	$ 2.21	$ 1.92	$ 1.64
Discontinued operations	.29	.30	.34
Effect of changes in accounting principles	(.76)	-	(1.35)
Net income	$ 1.74	$ 2.22	$ .63

*Reclassified to reflect discontinued operations.

See notes, pages 33 through 42

CONSOLIDATED BALANCE SHEET

(Dollars in thousands) Pitney Bowes Inc.

December 31	1994	1993
Assets		
Current assets:		
Cash and cash equivalents	$ 75,106	$ 54,653
Short-term investments, at cost which approximates market	639	1,153
Accounts receivable, less allowances: 1994, $16,909; 1993, $16,691	422,276	411,810
Finance receivables, less allowances: 1994, $36,224; 1993, $39,488	1,050,090	994,998
Inventories	430,641	394,744
Other current assets and prepayments	104,992	79,391
Total current assets	2,083,744	1,936,749
Property, plant and equipment, net	578,650	555,038
Rental equipment and related inventories, net	695,343	641,588
Property leased under capital leases, net	12,633	15,451
Long-term finance receivables, less allowances: 1994, $76,867; 1993, $77,024	3,086,401	2,895,952
Investment in leveraged leases	481,308	301,645
Goodwill, net of amortization: 1994, $40,984; 1993, $33,640	222,445	231,309
Other assets	239,196	216,084

Total assets	$7,399,720	$6,793,816

Liabilities and stockholders' equity

Current liabilities:		
Accounts payable and accrued liabilities	$ 828,396	$ 675,559
Income taxes payable	194,427	200,110
Notes payable and current portion of long-term obligations	2,626,231	2,081,872
Advance billings	329,415	315,840
Total current liabilities	3,978,469	3,273,381
Deferred taxes on income	453,438	409,660
Long-term debt	779,217	847,316
Other noncurrent liabilities	443,527	391,864
Total liabilities	5,654,651	4,922,221
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	48	68
Cumulative preference stock, no par value, $2.12 convertible	2,790	2,969
Common stock, $2 par value (240,000,000 shares authorized; 161,668,956 shares issued)	323,338	323,338
Capital in excess of par value	35,200	36,762
Retained earnings	1,785,513	1,674,168
Cumulative translation adjustments	(41,617)	(47,319)
Treasury stock, at cost (10,392,953 shares)	(360,203)	(118,391)
Total stockholders' equity	1,745,069	1,871,595
Total liabilities and stockholders' equity	$7,399,720	$6,793,816

See notes, pages 33 through 42

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

(Dollars in thousands) Pitney Bowes Inc.

Years ended December 31	1994	1993	1992
Cash flows from operating activities:			
Net income	$ 274,059	$ 353,189	$ 100,237
Effect of changes in accounting principles	119,532	-	214,631
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	268,293	247,884	235,990
Nonrecurring items, net	(25,710)	(1,283)	(7,208)
Cash used for strategic initiatives	(3,386)	-	-
Increase (decrease) in deferred taxes on income	119,180	81,811	(8,679)
Change in assets and liabilities:			
Accounts receivable	(8,500)	(11,346)	9,791
Sales-type lease receivables	(173,691)	(136,667)	(99,528)
Inventories	(43,801)	(51,286)	(19,370)
Other current assets and prepayments	(22,762)	(17,012)	(2,298)
Accounts payable and accrued liabilities	14,658	48,451	32,808
Income taxes payable	(332)	(13,085)	64,830
Advance billings	12,826	3,102	977
Other, net	(61,937)	(63,771)	(22,078)
Net cash provided by operating activities	468,429	439,987	500,103
Cash flows from investing activities:			
Short-term investments	600	537	2,900
Net investment in fixed assets	(345,593)	(291,783)	(224,563)

Net investment in direct-finance lease receivables	(72,170)	108,991	(115,077)
Investment in leveraged leases	(104,665)	(8,174)	(60,964)
Proceeds from sale of subsidiary	-	-	80,000
Net investment in companies acquired	-	(8,428)	(15,639)
Net cash used in investing activities	(521,828)	(198,857)	(333,343)
Cash flows from financing activities:			
Increase in notes payable	555,457	195,024	202,666
Proceeds from long-term obligations	200,000	-	100,200
Principal payments on long-term obligations	(275,333)	(244,503)	(318,540)
Proceeds from issuance of stock	22,702	22,544	23,827
Stock repurchases	(268,419)	(86,861)	(89,392)
Dividends paid	(162,714)	(142,142)	(123,112)
Net cash provided by (used in) financing activities	71,693	(255,938)	(204,351)
Effect of exchange rate changes on cash	2,159	(1,555)	(4,921)
Increase (decrease) in cash and cash equivalents	20,453	(16,363)	(42,512)
Cash and cash equivalents at beginning of year	54,653	71,016	113,528
Cash and cash equivalents at end of year	$ 75,106	$ 54,653	$ 71,016
Interest paid	$ 203,747	$ 199,176	$ 226,892
Income taxes paid	$ 99,379	$ 124,034	$ 126,865

See notes, pages 33 through 42

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Dollars in thousands) Pitney Bowes Inc.

	Preferred stock	Preference stock	Common stock	Capital in excess of par value	Retained earnings	Cumulative translation adjustments	Treasury stock, at cost
Balance, January 1, 1992	$ 113	$ 4,417	$ 161,669	$157,449	$1,494,772	$ 33,208	$ (50,945)
Net income - 1992					100,237		
Cash dividends:							
Preferred ($2.00 per share)					(4)		
Preference ($2.12 per share)					(277)		
Common ($.78 per share)					(122,831)		
Issuances under dividend reinvestment and stock plans				244	867		21,444
Conversions to common stock	(6)	(1,256)		(2,460)	(4,514)		8,236
Conversions of debt				(250)			320
Issuance for company acquired				12	195		702
Repurchase of common stock							(89,392)
Translation adjustments						(60,419)	
Tax credits relating to stock options				1,350			
Two-for-one stock split			161,669	(156,345)	(5,324)		
Balance, December 31, 1992	107	3,161	323,338	-	1,463,121	(27,211)	(109,635)
Net income - 1993					353,189		
Cash dividends:							
Preferred ($2.00 per share)					(3)		
Preference ($2.12 per share)					(239)		
Common ($.90 per share)					(141,900)		
Issuances under dividend reinvestment and stock plans				5,987			20,071
Conversions to common stock	(39)	(192)		(1,539)			1,770
Issuance for company acquired				31,329			56,264
Repurchase of common stock							(86,861)
Translation adjustments						(20,108)	
Tax credits relating to stock options				985			
Balance, December 31, 1993	68	2,969	323,338	36,762	1,674,168	(47,319)	(118,391)
Net income - 1994					274,059		
Cash dividends:							
Preferred ($2.00 per share)					(2)		
Preference ($2.12 per share)					(223)		
Common ($1.04 per share)					(162,489)		
Issuances under dividend reinvestment and stock plans				(801)			23,635
Conversions to common stock	(20)	(179)		(1,813)			2,012
Issuance for company acquired				40			960
Repurchase of common stock							(268,419)
Translation adjustments						5,702	
Tax credits relating to stock options				1,012			

Balance, December 31, 1994	$ 48	$ 2,790	$323,338	$ 35,200	$1,785,513	$(41,617)	$(360,203)

See notes, pages 33 through 42

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Pitney Bowes Inc.

1. Summary of significant accounting policies

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

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

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

Fixed assets and depreciation. Property, plant and equipment are stated at cost. Major improvements which add to productive capacity or extend the life of an asset are capitalized while repairs and maintenance are charged to expense as incurred. Rental equipment is depreciated on the straight-line method. Other depreciable assets are depreciated using either the straight-line method or accelerated methods. Properties leased under capital leases are amortized on a straight-line basis over the primary lease terms.

Rental arrangements and advance billings. The company rents equipment to its customers, primarily postage meters and mailing, shipping, copier and facsimile systems under short-term rental agreements, generally for periods of three months to three years. Charges for equipment rental and maintenance contracts are billed in advance; the related revenue is included in advance billings and taken into income as earned.

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

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

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

The company has, from time to time, sold selected finance assets. The company follows Statement of Financial Accounting Standards No. 77, "Reporting by Transferors for Transfers of Receivables with Recourse," when accounting for its sale of finance assets. The difference between the sale price and the net receivable, exclusive of residuals, is recognized as a gain or loss.

The company's investment in leveraged leases consist of rentals receivable net of principal and interest on the related nonrecourse debt, estimated residual value of the leased property and unearned income. The unearned income is recognized as leveraged lease revenue in income from investments over the lease term.

Goodwill. Goodwill represents the excess of cost over the value of net tangible assets acquired in business combinations and is amortized using the straight-line method over appropriate periods, principally 40 years. The recoverability of goodwill is assessed by determining whether the unamortized balance can be recovered from expected future cash flows from the applicable operation.

Revenue. Sales revenue is primarily recognized when a product is shipped.

Costs and expenses. Operating expenses of field sales and service offices are included in selling, service and administrative expenses because no meaningful allocation of such expenses to cost of sales, rentals and financing or support services is practicable.

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

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

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

It has not been necessary to provide for income taxes on $481 million of cumulative undistributed earnings of subsidiaries outside the U.S. These earnings will be either indefinitely reinvested or remitted substantially free of additional tax. Determination of the liability that would result in the event all of these earnings were remitted to the U.S. is not practicable. It is estimated, however, that withholding taxes on such remittances would approximate $29 million.

Nonpension postretirement benefits and postemployment benefits. The company provides certain health care and life insurance benefits to eligible retirees and their dependents. Substantially all of the company's U.S. and Canadian employees become eligible for retiree health care benefits after reaching age 55 and with the completion of the required service period. Postemployment benefits include primarily company provided medical benefits to disabled employees and company provided life insurance as well as other disability- and death-related benefits to former or inactive employees, their beneficiaries and covered dependents. It is the company's practice to fund amounts for these nonpension postretirement and postemployment benefits as incurred.

Income per share. Income per share is based on the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares include preference stock, stock option and purchase plan shares and convertible debt.

Deposits in trust. The company's customers electing the use of the Pitney Bowes Postage By Phone(R) meter setting system, a computerized system developed by the company for the resetting of postage meters via telephone, are required to make deposits with a trustee to cover expected postage usage. Such funds, which are not available to the company, are transferred to the respective postal services upon resettings of meters for which the company receives fees. Deposits in trust are not included in the company's Consolidated Balance Sheet.

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

The company enters into foreign exchange contracts for purposes other than trading primarily to minimize its risk of loss from fluctuations in exchange rates on the settlement of firm and budgeted intercompany receivables and payables arising in connection with transfers of finished goods inventories between affiliates as well as certain intercompany loans. Gains and losses on foreign exchange contracts entered into as hedges are deferred and recognized as part of the cost of the underlying transaction. Gains and losses related to changes in the value of speculative contracts are recognized in income currently. At December 31, 1994, the company had approximately $141.5 million of foreign exchange contracts outstanding, maturing through 1997, to buy or sell various currencies. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values and interest and exchange rates. However, the company does not anticipate non-performance by the counterparties as they are composed of a number of major international financial institutions. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

Foreign currency transaction and translation gains and (losses) were $0.1 million, $(1.1) million and $3.6 million in 1994, 1993 and 1992, respectively.

2. Inventories

Inventories consist of the following:

December 31	1994	1993
Raw materials and work in process	$111,051	$ 98,647
Supplies and service parts	114,429	98,773
Finished products	205,161	197,324
Total	$430,641	$394,744

Had all inventories valued at LIFO been stated at current costs, inventories would have been $45.1 million and $41.4 million higher than reported at December 31, 1994 and 1993, respectively.

3. Fixed assets

December 31	1994	1993
Land	$ 39,698	$ 38,171
Buildings	337,417	306,384
Machinery and equipment	840,901	792,294
	1,218,016	1,136,849
Accumulated depreciation	(639,366)	(581,811)
Property, plant and equipment, net	$ 578,650	$ 555,038
Rental equipment and related inventories	$1,484,698	$1,426,395
Accumulated depreciation	(789,355)	(784,807)
Rental equipment and related inventories, net	$ 695,343	$ 641,588
Property leased under capital leases	$ 38,644	$ 48,792
Accumulated amortization	(26,011)	(33,341)
Property leased under capital leases, net	$ 12,633	$ 15,451

4. Current liabilities

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

December 31	1994	1993
Accounts payable-trade	$ 242,090	$ 187,480
Accrued salaries, wages and commissions	93,289	94,092
Accrued pension benefits	108,313	80,898
Accrued nonpension postretirement benefits	15,500	15,500
Accrued postemployment benefits	15,084	-
Miscellaneous accounts payable and accrued liabilities	354,120	297,589
Accounts payable and accrued liabilities	$ 828,396	$ 675,559
Notes payable and overdrafts	$2,556,783	$2,000,364
Current portion of long-term debt	66,987	78,222
Current portion of capital lease obligations	2,461	3,286

Notes payable and current portion of long-term obligations	$2,626,231	$2,081,872

In countries outside the U.S., banks generally lend to non-finance subsidiaries of the company on an overdraft or term-loan basis. These overdraft arrangements and term-loans, for the most part, are extended on an uncommitted basis by banks and do not require compensating balances or commitment fees.

Notes payable of the company's U.S. operations and financial services segment were issued as commercial paper, loans against bank lines of credit, or to trust departments of banks and others at below prevailing

prime rates. Fees paid to maintain lines of credit were $2.6 million, $2.8 million and $2.3 million in 1994, 1993 and 1992, respectively.

At December 31, 1994, notes payable and overdrafts outside the U.S. totaled $9.6 million and U.S. notes payable totaled $2.5 billion. Unused credit facilities outside the U.S. totaled $108.4 million at December 31, 1994 of which $73.2 million were for finance operations. In the U.S., the company had $2.2 billion of unused credit facilities in place at December 31, 1994 largely in support of commercial paper borrowings of which $1.6 billion were for the finance operations. The weighted average interest rates were 5.7% and 3.2% on notes payable and overdrafts outstanding at December 31, 1994 and 1993, respectively.

The company periodically enters into interest rate swap and swap option agreements as a means of managing interest rate exposure on both its U.S. and non-U.S. debt. The interest differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The company is exposed to credit losses in the event of non-performance by the other parties to the interest rate swap agreements to the extent of the differential between the fixed- and variable-rates; such exposure is considered minimal.

The company enters into interest rate swap agreements principally through its financial services business segment. It has been the policy and objective of the company to use a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements to control its sensitivity to interest rate volatility. The company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. Swap agreements, as noted above, have been principally utilized to fix interest rates on commercial paper and/or obtain a lower cost on debt than would otherwise be available absent the swap. At December 31, 1994, the company had outstanding interest rate swap agreements with notional principal amounts of $509.9 million and terms expiring at various dates from 1995 to 2004. The company exchanged variable commercial paper rates on an equal notional amount of notes payable and overdrafts for fixed rates ranging from 5.50% to 11.63%. No interest rate swap option agreements were outstanding at December 31, 1994. Deferred gains and/or losses on terminated interest rate swap contracts were not material at December 31, 1994 and 1993.

5. Long-term debt

December 31	1994	1993
Non-financial services debt:		
7.85% to 8.72% notes due 1995	$ -	$ 9,000
Other, various due dates (5.50% to 8.00%)	750	807
	750	9,807

Financial services debt:		
Senior notes:		
6.56% to 7.48% notes due 1995-1997	45,500	75,000
5.63% notes due 1997	200,000	-
10.13% notes due 1997	-	100,000
10.65% notes due 1999	-	100,000
8.80% notes due 2003	150,000	150,000
8.63% notes due 2008	100,000	100,000
9.25% notes due 2008	100,000	100,000
8.55% notes due 2009	150,000	150,000
Canadian dollar notes due 1995-2000 (8.47% to 12.50%)	29,856	58,055
Other, various due dates (9.92% to 10.50%)	3,111	4,454
Total long-term debt	$779,217	$847,316

The company has a medium-term note facility which was established as a part of the company's shelf registrations, permitting issuance of up to $100 million in debt securities of which $32 million remain available. Securities issued under this medium-term note facility would have maturities ranging from more than one year up to 30 years. The company also has an additional $300 million remaining on shelf registrations filed with the Securities and Exchange Commission.

Pitney Bowes Credit Corporation (PBCC) has $400 million available from a $500 million shelf registration statement filed with the Securities and Exchange Commission.

In March 1994, PBCC issued $200 million of 5.63 percent notes due in February 1997. In April 1994, PBCC redeemed $100 million of 10.65 percent notes due in April 1999. PBCC had previously sold an option on a notional principal amount of $100 million to enable a counterparty to require PBCC to pay a fixed rate of 10.67 percent for five years starting April 1, 1994. The counterparty exercised that option. In September 1994, PBCC redeemed $100 million of 10.13 percent notes due in September 1997.

The annual maturities of the outstanding debt during each of the next five years are as follows: 1995, $67.0 million; 1996, $6.4 million; 1997, $251.4 million; 1998, $5.5 million and 1999, $3.7 million.

Under terms of their senior and subordinated loan agreements, certain of the finance operations are required to maintain earnings before taxes and interest charges at prescribed levels. With respect to such loan agreements, the company will endeavor to have these finance operations maintain compliance with such terms and, under certain loan agreements, is obligated, if necessary, to pay to these finance operations amounts sufficient to maintain a prescribed ratio of income available for fixed charges. The company has not been required to make any such payments to maintain income available for fixed charge coverage. The company does not guarantee payment of any of the finance operations' obligations.

6. Capital stock and capital in excess of par value

At December 31, 1994, 240,000,000 shares of common stock, 600,000 shares of cumulative preferred stock, and 5,000,000 shares of preference stock were authorized, and 151,276,003 shares of common stock (net of 10,392,953 shares of treasury stock), 954 shares of 4% Convertible Cumulative Preferred Stock (4% preferred stock) and 103,017 shares of $2.12 Convertible Preference Stock ($2.12 preference stock) were issued and outstanding. The balance of unreserved and unissued preferred stock (599,046 shares) and preference stock (4,896,983 shares) may be issued in the future by the board of directors, which will determine the dividend rate, terms of redemption, terms of conversion (if any) and other pertinent features. Unreserved and unissued common stock (exclusive of treasury stock) at December 31, 1994 amounted to 67,000,520 shares.

In October 1993, the company acquired all outstanding shares and options of Ameriscribe Corporation in exchange for 2,257,792 shares of Pitney Bowes common stock. See Note 11 to the consolidated financial statements.

The 4% preferred stock outstanding, which is entitled to cumulative dividends at the rate of $2 per year, is redeemable at the option of the company, in whole or in part at any time, at the price of $50 per share, plus dividends accrued to the redemption date. Each share of the 4% preferred stock is convertible into 12.12 shares of common stock, subject to adjustment in certain events.

The $2.12 preference stock is entitled to cumulative dividends at the rate of $2.12 per year and is redeemable at the option of the company at the rate of $28 per share. Each share of the $2.12 preference stock is convertible into eight shares of common stock, subject to adjustment in certain events.

At December 31, 1994, an aggregate of 835,698 shares of common stock was reserved for issuance upon conversion of the 4% preferred stock (11,562 shares) and $2.12 preference stock (824,136 shares). In addition, 1,595,031 shares of common stock were reserved for issuance under the company's dividend reinvestment and other corporate plans.

Each share of common stock outstanding has attached one preference share purchase right. The rights, which are subject to certain anti-dilution adjustments, become exercisable in certain circumstances, after which they will entitle the holder to purchase 1/400 of a share of Series A Junior Participating Preference Stock. If, after the rights become exercisable, the company is involved in a merger or certain other transactions, the holder will be entitled to buy stock in the surviving company at a 50 percent discount.

7. Stock plans

Transactions under the company's stock plans are summarized below:

Common stock	Shares	Price per share
January 1, 1993, shares reserved	2,287,764	$ 7-$36
Shares offered 1993 (price approximates market value at date of grant)	842,231	$38-$43
Shares issued 1993	(705,462)	$ 7-$31
Shares canceled 1993	(132,506)	$22-$42
December 31, 1993, shares reserved	2,292,027	$ 7-$43
Shares offered 1994 (price approximates market value at date of grant)	1,009,102	$32-$40
Shares issued 1994	(519,765)	$ 7-$38
Shares canceled 1994	(152,398)	$30-$42
December 31, 1994, shares reserved	2,628,966	$10-$43

Of the common shares reserved at December 31, 1994, options for 1,301,248 are exercisable. At December 31, 1994, there remain 1,316,410 common shares for which rights to purchase may be granted under the stock purchase plans. In addition, stock-based awards representing up to 4,954,419 common shares may be granted under other stock plans.

8. Taxes on income

In 1992, the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109), effective retroactively to January 1, 1992. Application of FAS 109 required no cumulative effect adjustment primarily due to the company's previous use of the liability method of accounting for income taxes. The adoption of this new standard had no significant effect on the company's tax provision for 1992.

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

Years ended December 31	1994	1993	1992
Income from continuing operations before income taxes:			
U.S.	$565,375	$437,167	$339,598
Outside the U.S.	1,132	61,693	72,356
Total	$566,507	$498,860	$411,954
Provision for income taxes:			
U.S. federal:			
Current	$ 37,644	$ 79,666	$ 46,128
Deferred	123,037	53,497	51,363
	160,681	133,163	97,491
U.S. state and local:			
Current	12,856	20,065	11,276
Deferred	31,295	14,834	15,532
	44,151	34,899	26,808
Outside the U.S.:			
Current	19,342	40,311	25,172
Deferred	(6,097)	(15,207)	1,744
	13,245	25,104	26,916
Total current	69,842	140,042	82,576
Total deferred	148,235	53,124	68,639
Total	$218,077	$193,166	$151,215

Deferred tax liabilities and (assets)

December 31	1994	1993
Deferred tax liabilities:		
Depreciation	$ 58,441	$ 42,789
Deferred profit (for tax purposes) on sales to finance subsidiaries	316,630	308,897
Lease revenue and related depreciation	578,916	520,110
Other	46,667	30,561
Deferred tax liabilities	1,000,654	902,357
Deferred tax assets:		
Nonpension postretirement benefits	(141,153)	(147,183)
Pension liability	(36,068)	(26,051)
Inventory and equipment capitalization	(30,095)	(25,214)

Net operating loss carryforwards	(43,528)	(32,543)
Alternative minimum tax (AMT) credit carryforwards	(65,485)	(71,571)
Strategic focus reserve	(27,007)	-
Postemployment benefits	(34,320)	-
Other	(87,753)	(98,414)
Valuation allowance	37,532	25,975
Deferred tax assets	(427,877)	(375,001)
Net deferred taxes	$ 572,777	$ 527,356

Net deferred taxes includes $119.3 million and $117.7 million for 1994 and 1993, respectively, of current deferred taxes which are included in income taxes payable in the Consolidated Balance Sheet.

The deferred tax asset for net operating losses and related valuation allowance changed due to the company's refinement of its strategic focus outside the U.S. and additional losses incurred during 1994 by foreign subsidiaries. As of December 31, 1994, approximately $101.4 million of net operating loss carryforwards were available to the company. Most of these losses, as well as the company's alternative minimum tax credit, can be carried forward indefinitely.

In 1993, the company completed a transaction whereby it contributed certain commercial aircraft, subject to direct finance leases, to a partnership. The partnership transaction had the effect of reducing the company's obligation for previously accrued deferred taxes. The reduction in deferred taxes has been recognized as a reduction in 1993 income tax expense. Also in 1993, the company recorded additional tax expense in the U.S. as a result of the Omnibus Budget Reconciliation Act of 1993.

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

Percent of pretax income	1994	1993	1992
U.S. federal statutory rate	35.0%	35.0%	34.0%
State and local income taxes	5.1	4.5	4.2
Rate adjustment for deferred taxes	-	3.2	-
Partnership tax benefits	(.8)	(2.3)	-
Other	(.8)	(1.7)	(1.5)
Effective income tax rates	38.5%	38.7%	36.7%

9. Retirement plans

The company has several defined benefit and defined contribution pension plans covering substantially all employees worldwide. Benefits are primarily based on employees' compensation and years of service. Company contributions are determined based on the funding requirements of U.S. federal and other governmental laws and regulations.

Total pension expense amounted to $50.2 million in 1994, $46.4 million in 1993 and $40.4 million in 1992. Net pension expense for defined benefit plans for 1994, 1993 and 1992 included the following components:

	United States			Foreign		
	1994	1993	1992	1994	1993	1992
Service cost - benefits earned during period	$ 35,908	$ 30,797	$ 27,319	$ 5,975	$ 5,971	$ 6,913
Interest cost on projected benefit obligations	65,745	62,241	56,133	10,090	9,163	10,005
Actual return on assets	6,880	(85,971)	(37,861)	(10,681)	(31,494)	(2,684)
Net (deferral) and amortization	(67,094)	30,804	(11,085)	(1,502)	19,896	(10,978)
Net periodic defined benefit pension expense(a)	$ 41,439	$ 37,871	$ 34,506	$ 3,882	$ 3,536	$ 3,256

(a) Net periodic defined benefit pension expense for continuing operations in the U.S. was $38.1 million, $35.1 million and $31.6 million for 1994, 1993 and 1992, respectively. Net periodic defined benefit pension expense for continuing operations outside the U.S. was $4.1 million, $3.5 million and $3.3 million for 1994, 1993 and 1992, respectively.

The funded status at December 31, 1994 and 1993 for the company's defined benefit plans was:

	United States		Foreign	
	1994	1993	1994	1993
Actuarial present value of:				
Vested benefits	$526,832	$561,874	$107,064	$ 97,471
Accumulated benefit obligations	$581,639	$632,317	$107,283	$ 97,714
Projected benefit obligations	$798,933	$854,589	$128,942	$124,286
Plan assets at fair value, primarily stocks and bonds, adjusted by:	670,182	689,622	137,494	136,900
Unrecognized net loss (gain)	26,191	90,078	(6,997)	(10,889)
Unrecognized net asset	(19,906)	(23,236)	(17,877)	(20,281)
Unamortized prior service costs from plan amendments	27,686	30,159	9,928	10,952
	704,153	786,623	122,548	116,682
Net pension liability	$ 94,780	$ 67,966	$ 6,394	$ 7,604
Assumptions for defined benefit plans(b):				
Discount rate	8.75%	7.50%	6.7%- 9.0%	6.7%- 9.5%
Rate of increase in future compensation levels	5.75%	5.00%	3.5%- 6.5%	4.0%- 7.0%
Expected long-term rate of return on plan assets	9.50%	9.50%	9.0%-10.0%	8.5%-10.0%

(b) Pension costs are determined using assumptions as of the beginning of the year while the funded status of the plans is determined using assumptions as of the end of the year.

10. Nonpension postretirement and postemployment benefits

In the fourth quarter of 1992, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106). This statement requires that the cost of these benefits be recognized over the period the employee provides credited service to the company rather than recognized on a cash basis, when incurred.

The transition effect of adopting FAS 106 on the immediate recognition basis was retroactively reflected as of January 1, 1992, as a one-time, after-tax charge of $214.6 million (net of approximately $139.7 million of income taxes), or $1.35 per share. Application of this standard resulted in additional 1992 annual expenses, which totaled $22.4 million on income from continuing operations before income taxes and $14.2 million after income taxes. In the first quarter of 1993, the company announced certain changes to its health care plans, including plan cost maximums, which should significantly reduce the ongoing incremental impact of FAS 106 on future earnings.

Net nonpension postretirement benefit costs consisted of the following components:

Years ended December 31	1994	1993
Service cost-benefits earned during the period	$ 10,140	$ 9,249
Interest cost on accumulated postretirement benefit obligations	19,379	21,146
Net (deferral) and amortization	(19,143)	(18,647)
Net periodic postretirement benefit costs(a)	$ 10,376	$ 11,748

(a) Net periodic postretirement benefit costs for continuing operations was $9.8 million and $10.8 million for 1994 and 1993, respectively.

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

December 31	1994	1993
Accumulated postretirement benefit obligations:		
Retirees and dependents	$165,397	$174,999
Fully eligible active plan participants	38,792	54,583
Other active plan participants	63,751	76,229
Unrecognized net gain (loss)	16,179	(28,215)
Unrecognized prior service cost	81,650	100,306
Accrued nonpension postretirement benefits	$365,769	$377,902

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 11.75% and 12% in 1994 and 1993, respectively. This was assumed to gradually decline to 5.75% and 5% by the year 2000 and remaining at that level thereafter for 1994 and 1993, respectively. A one-percentage-point increase in the assumed health care cost trend rate would increase the year-end accumulated postretirement benefit obligations by approximately $15 million as of December 31, 1994 and the net periodic postretirement health care cost by $1.2 million in 1994.

The assumed weighted average discount rate used in determining the accumulated postretirement benefit obligations was 8.75% and 7.5% in 1994 and 1993, respectively.

The company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112) as of January 1, 1994. FAS 112 required that postemployment benefits be recognized on the accrual basis of accounting. The effect of adopting FAS 112 was a one-time non-cash, after-tax charge of $119.5 million (net of approximately $80.5 million of income taxes), or $.76 per share.

Since the first quarter of 1994, as part of the company's employee work-life initiatives, employee input was actively sought about benefits and it was concluded that employees prefer benefits more closely related to their changing work-life needs. As a result, the company significantly reduced or eliminated certain postemployment benefits, specifically service-related company-subsidized life insurance, salary continuance and medical benefits, resulting in an after-tax credit to income of $70.9 million (net of approximately $47.7 million of income taxes). As a further outgrowth of this study, the company also instituted, effective January 1, 1995, certain enhancements to its deferred investment plan, including an increase in the company's match of employee contributions.

11. Acquisitions and discontinued operations

The company has refined its strategic focus, with the intent to capitalize on its strengths and competitive position. Based on an extensive review, the company decided to concentrate its energies and resources on products and services which facilitate the preparation, organization, movement, delivery, tracking, storage and retrieval of documents, packages, letters and other materials, in hard copy and digital form for its customers. Accordingly in 1994, the company announced its intent to seek buyers for its Dictaphone Corporation (Dictaphone) and Monarch Marking Systems, Inc. (Monarch) subsidiaries. The sales of Dictaphone and Monarch are expected to result in gains at closings which are expected to occur in 1995. Dictaphone and Monarch have been classified in the Consolidated Statement of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone and Monarch for all periods presented.

Summary results of Dictaphone and Monarch operations were as follows:

Years ended December 31	1994	1993	1992
Revenue	$552,255	$542,495	$546,541
Income before income taxes	$ 74,843	$ 75,947	$ 83,398
Provision for income taxes	29,682	28,452	31,969
Income from discontinued operations	$ 45,161	$ 47,495	$ 51,429

In October 1993, the company acquired all outstanding shares of Ameriscribe Corporation (Ameriscribe) in exchange for approximately $83 million of Pitney Bowes common stock, plus approximately $5 million of additional shares for outstanding Ameriscribe options. Ameriscribe, a nationwide provider of on-site reprographics, mailroom and other office services to industrial corporations and professional service firms on a contract basis, had revenue of $114 million in 1992. The company consolidated this unit with its facilities management business operated through its wholly-owned subsidiary, Pitney Bowes Management Services, Inc. The transaction was accounted for by the purchase method and the proforma effect on the company's results was not significant.

In 1992, the company sold its Wheeler Group Inc. (Wheeler) subsidiary for approximately $80 million in cash to a group consisting of the subsidiary's management and Butler Capital Corporation. As part of the transaction, the company also invested $4 million in preferred stock with warrants to purchase up to 16 percent of the common stock of the new entity. In 1994, the company exercised the warrants in exchange for common stock of the entity and pursuant to a corporate reorganization by merger of the entity, received common stock in a new entity and a special cash payment. The 1992 sale

resulted in a gain of $2.7 million, net of $13.5 million of income taxes. The Wheeler divestiture was expected to result in a gain at closing, accordingly, the 1992 quarterly seasonal losses Wheeler incurred on $25.9 million of revenue for the seven months ended July 31, 1992 were deferred and offset against the gain on the sale.

12. Nonrecurring items, net

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During the third quarter of 1994, the company adopted a formal plan designed to address the impact of technology on work force requirements and to further refine its strategic focus on core businesses worldwide. The company recorded a $93.2 million charge to income to cover the costs of such actions. The charge includes $61 million of severance and benefit costs for work force reductions, $22 million of asset write downs and $10 million of other exit costs. All but the asset write downs will result in cash outlays.

The phase-out of older product lines, introduction of new, advanced products and increased need for higher employee skill levels to deliver and service these products will require a work force reduction of approximately 2,000 employees worldwide over the next year, and the future hiring of approximately 850 new employees with these requisite enhanced skills. All costs associated with hiring of new employees were excluded from the charge and will be recognized appropriately in the period incurred.

Current and future advanced product offerings require a smaller, but more highly skilled engineering, manufacturing and service work force to take full advantage of design, production, diagnostic and service strategies. These disciplines account for a work force reduction of more than 850 employees and will require severance and benefit costs of $27 million. Other strategic actions include reengineering and streamlining of order flow, logistics and other administrative processes in the U.S., Europe and the Asia Pacific region which will result in an additional work force reduction of more than 800 employees requiring severance and benefit costs of $22.7 million. The decisions to phase out non-mailing products in Germany and the cessation of further development and marketing of shipping products which cannot be cost-effectively upgraded to new technologies will account for the remaining work force reductions and related severance and benefit costs.

As noted above, included in the plan to refine the strategic business focus of the company are asset write downs of $22 million and $10 million of other exit costs for certain additional actions. Consistent with a refinement of focus on our core businesses, these actions include phasing-out non-mailing products in Germany. This decision requires the write down of inventories, lease and rental contracts and other assets to their net realizable value for which $7.4 million has been provided. The decision to cease development and marketing of certain shipping products as noted above has resulted in further inventory and other asset write-offs of $8.6 million. The company has decided to transition a software-based business with its own product offerings to a limited product development and marketing support function. As a result, $6.3 million of goodwill related to the acquisition of this business has been written-off. The $10 million of other exit costs are primarily due to the adoption of a centralized organizational structure in the European financial services businesses that will result in the early termination of a facility lease.

As of December 31, 1994 the company has made severance and benefits payments of $3.4 million to approximately 200 employees separated under the strategic focus initiatives.

Benefits from the strategic focus initiatives (principally reduced employee expense) will be offset, in part, by increased hiring and training expenses to obtain employees with requisite skills. Anticipated net cash savings in 1995 and 1996 approximate $20 million and $30 million, respectively.

13. Commitments and contingencies

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At December 31, 1994, the company's finance subsidiaries had unfunded commitments of $3.0 million to extend credit to customers. The company evaluates each customer's credit worthiness on a case-by-case basis. Upon extension of credit, the amount and type of collateral obtained, if deemed necessary by the company, is based on management's credit assessment of the customer. Fees received under the agreements are recognized over the commitment period. The maximum risk of loss arises from the possible non-performance of the customer to meet the terms of the credit agreement. As part of the company's review of its exposure to risk, adequate provisions are made for finance assets which may be uncollectible.

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

The company is subject to federal, state and local laws and regulations concerning the environment, and is currently participating in administrative or court proceedings as a participant in various groups of potentially responsible parties. These proceedings are at various stages of activity, and it is impossible to estimate with any certainty the total cost of remediation, the timing and extent of remedial actions which may be required by governmental authorities, and the amount of the liability, if any, of the company. If and when it is possible to make a reasonable estimate of the company's liability with respect to such a matter, a provision would be made as appropriate. Based on facts presently known to it, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition.

14. Leases

In addition to factory and office facilities owned, the company leases similar properties, as well as sales and service offices, equipment and other properties, generally under long-term lease agreements extending from three to 25 years. Certain of these leases have been capitalized at the present value of the net lease payments at inception. Amounts included under liabilities represent the present value of remaining lease payments.

Future minimum lease payments under both capital and operating leases as of December 31, 1994 are as follows:

Years ending December 31	Capital leases	Operating leases
1995	$ 5,631	$ 88,268
1996	5,294	60,825
1997	4,976	39,865
1998	4,726	26,567
1999	4,716	20,202
Later years	18,712	68,612
Total minimum lease payments	44,055	$304,339
Less amount representing interest	(18,447)	
Present value of net minimum lease payments	$ 25,608	

Rental expense was $127.0 million, $101.6 million and $101.4 million in 1994, 1993 and 1992, respectively.

15. Financial services

The company has several consolidated finance operations which are engaged in lease financing of the company's products as well as other commercial and industrial transactions in the U.S., Canada, the U.K., Germany, France and Australia. In the first quarter of 1993, the company began phasing out the business of financing non-Pitney Bowes equipment outside of the U.S. Condensed financial data for the consolidated finance operations follows:

Condensed summary of operations Years ended December 31	1994	1993	1992
Internal finance income	$328,380	$328,719	$319,335
External finance income	356,251	285,546	314,016
Revenue	684,631	614,265	633,351
Costs and expenses	276,576	233,491	230,608
Interest, net	175,152	171,982	201,421
Nonrecurring items, net	6,096	-	-
Total expenses	457,824	405,473	432,029
Income before income taxes	226,807	208,792	201,322
Provision for income taxes	72,677	75,012	69,954
Income before effect of changes in accounting principles	154,130	133,780	131,368
Effect of changes in accounting principles	(2,820)	-	(1,866)
Net income	$151,310	$133,780	$129,502

Condensed balance sheet at December 31	1994	1993
Cash and cash equivalents	$ 15,144	$ 8,325
Finance receivables, net	1,050,090	994,998
Other current assets and prepayments	61,054	43,760
Total current assets	1,126,288	1,047,083
Long-term finance receivables, net	3,086,401	2,895,952
Investment in leveraged leases	481,308	301,645
Other assets	225,495	210,616
Total assets	$4,919,492	$4,455,296
Accounts payable and accrued liabilities	$ 410,564	$ 376,634
Income taxes payable	104,662	105,986
Notes payable and current portion of long-term obligations	2,199,843	1,889,902
Total current liabilities	2,715,069	2,372,522
Deferred taxes on income	263,923	232,728
Long-term debt	973,222	997,448
Other noncurrent liabilities	4,983	3,705
Total liabilities	3,957,197	3,606,403
Equity	962,295	848,893
Total liabilities and equity	$4,919,492	$4,455,296

Finance receivables are generally due in monthly, quarterly or semi-annual installments over periods ranging from three to seven years. In addition, 24 percent of the company's net finance assets represent secured commercial and private jet aircraft transactions with lease terms ranging from two to 25 years. The company considers its credit risk for these leases to be minimal since all aircraft lessees are making payments in accordance with lease agreements. The company believes any potential exposure in aircraft investment is mitigated by the value of the collateral as the company retains a security interest in the leased aircraft.

Maturities of gross finance receivables and notes payable for the finance operations are as follows:

Years ending December 31	Gross finance receivables	Notes payable and subordinated debt
1995	$1,451,206	$2,199,843
1996	1,082,113	5,638
1997	747,236	251,407
1998	462,066	5,484
1999	256,723	3,710
Thereafter	1,012,831	706,983
Total	$5,012,175	$3,173,065

Finance operations' net purchases of Pitney Bowes equipment amounted to $617.4 million, $585.1 million and $524.4 million in 1994, 1993 and 1992, respectively.

The components of net finance receivables were as follows:

December 31	1994	1993
Gross finance receivables	$ 5,012,175	$ 4,803,877
Residual valuation	599,430	522,566
Initial direct cost deferred	76,323	68,633
Allowance for credit losses	(113,091)	(116,512)
Unearned income	(1,438,346)	(1,387,614)
Net finance receivables	$ 4,136,491	$ 3,890,950

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

December 31	1994	1993
Net rent receivable	$ 479,027	$ 185,120
Unguaranteed residual valuation	550,516	422,483
Unearned income	(548,235)	(305,958)
Investment in leveraged leases	481,308	301,645

Deferred taxes arising from leveraged leases	(169,537)	(114,093)
Net investment in leveraged leases	$ 311,771	$ 187,552

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

Years ended December 31	1994	1993	1992
Pretax leveraged lease income	$ 6,694	$3,785	$3,281
Income tax effect	5,050	5,381	5,490
Income from leveraged leases	$11,744	$9,166	$8,771

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

Leveraged lease investments totaling $234.4 million are related to commercial real estate facilities, with original lease terms ranging from 17 to 25 years. Also included are nine aircraft transactions with major commercial airlines, with a total investment of $227.4 million and with original lease terms ranging from 22 to 25 years and two transactions involving locomotives with a total investment of $19.5 million with original lease terms ranging from 25 to 38 years.

The company has sold net finance receivables with varying amounts of recourse in privately-placed transactions with third-party investors. The uncollected principal balance of receivables sold and residual guarantee contracts totaled $275.2 million and $379.8 million at December 31, 1994 and 1993, respectively. The maximum risk of loss arises from the possible non-performance of lessees to meet the terms of their contracts and from changes in the value of the underlying equipment. Conversely, these contracts are supported by the underlying equipment value and credit worthiness of customers. As part of the review of its exposure to risk, the company believes adequate provisions have been made for sold receivables which may be uncollectible.

The company has invested in various types of equipment under operating leases; the net investment at December 31, 1994 and 1993 was not significant.

16. Business segment information

For a description of the company's segments and financial information relating to revenue, operating profit and identifiable assets by business segment for the years 1994, 1993 and 1992, see "Segments" on page 21. That information is incorporated herein by reference. The information set forth below should be read in conjunction with such information. Operating profit of each segment is determined by deducting from revenue the related costs and operating expenses directly attributable to the segment. Segment operating profit excludes general corporate expenses, which amounted to $71.7 million in 1994, $74.4 million in 1993 and $88.3 million in 1992, income taxes and net interest other than that related to the financial services segment. Additional segment information is as follows:

Years ended December 31	1994	1993	1992
Depreciation and amortization:			
Business equipment and services	$218,861	$210,591	$202,595
Financial services	32,859	22,849	19,875
Total	$251,720	$233,440	$222,470
Net additions to property, plant and equipment and rental equipment and related inventories:			
Business equipment and services	$246,922	$245,114	$184,882
Financial services	47,087	28,863	1,958
Total	$294,009	$273,977	$186,840

Identifiable assets are those used in the company's operations in each segment and exclude cash and cash equivalents and short-term investments. Identifiable assets of geographic areas include intercompany profits on inventory and rental equipment transferred between segments and intercompany accounts. A reconciliation of identifiable assets to consolidated assets is as follows:

December 31	1994	1993
Identifiable assets by geographic area	$7,081,244	$6,608,214
Inter-area profits	(29,772)	(21,966)
Intercompany accounts	(176,874)	(243,764)
Identifiable assets by industry segment	6,874,598	6,342,484
Cash and cash equivalents and short-term investments	75,745	55,806
General corporate assets	142,928	122,046
Discontinued operations	306,449	273,480
Consolidated assets	$7,399,720	$6,793,816

17. Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, cash equivalents, short-term investments, accounts receivable, accounts payable and notes payable. The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities. The fair value of investment securities is estimated based on quoted market prices, dealer quotes and other estimates.

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

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

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

Residual and conditional commitment guarantee contracts. The fair value of residual and conditional commitment guarantee contracts is based on the projected fair market value of the collateral as compared to the guaranteed amount plus a commitment fee generally required by the counterparty assuming the guarantee.

Commitments to extend credit. The fair value of commitments to extend credit is estimated by comparing current market conditions taking into account the remaining terms of existing agreements and present credit worthiness of the counterparties.

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

The estimated fair value of the company's financial instruments is as follows:

December 31, 1994	Carrying value*	Fair value
Investment securities	$ 7,490	$ 7,553
Loan receivables	$ 265,795	$ 268,342
Long-term debt	$(860,295)	$(855,670)
Interest rate swaps	$ (3,180)	$ (17,855)
Foreign currency exchange contracts	$ 704	$ 329
Residual and conditional commitment guarantee contracts	$ (3,870)	$ (3,798)
Commitments to extend credit	-	$ (450)
Transfer of receivables with recourse	$ (31,556)	$ (31,556)

December 31, 1993	Carrying value*	Fair value
Investment securities	$ 8,550	$12,068
Loan receivables	$ 206,630	$ 213,509
Long-term debt	$(947,553)	$(1,040,286)
Interest rate swaps	$ (15,365)	$ (75,591)
Foreign currency exchange contracts	$ 265	$ 2,645

Residual and conditional commitment guarantee contracts	$ (3,733)	$ (3,741)
Commitments to extend credit	-	$ (2,003)
Transfer of receivables with recourse	$ (30,526)	$ (30,526)

*Carrying value includes accrued interest and deferred fee income.

18. Quarterly financial data (unaudited)

Summarized quarterly financial data (in millions of dollars, except for per share data) for 1994 and 1993 follows:

	Three Months Ended			
1994	March 31	June 30	Sept. 30	Dec. 31
Total revenue	$ 745	$818	$806	$902
Cost of sales and rentals and financing	$ 286	$330	$312	$366
Income from continuing operations	$ 82	$ 87	$ 85	$ 94
Discontinued operations	10	12	11	13
Effect of a change in accounting for postemployment benefits	(120)	-	-	-
Net income	$ (28)	$ 99	$ 96	$107
Income per common and common equivalent share:				
Continuing operations	$ .51	$.55	$.54	$.61
Discontinued operations	.07	.07	.07	.08
Effect of a change in accounting for post-employment benefits	(.75)	-	-	-
Net income	$(.17)	$.62	$.61	$.69

	Three Months Ended			
1993	March 31	June 30	Sept. 30	Dec. 31
Total revenue	$703	$739	$724	$834
Cost of sales and rentals and financing	$261	$282	$265	$313
Income from continuing operations	$ 70	$ 76	$ 59	$101
Discontinued operations	12	11	10	14
Net income	$ 82	$ 87	$ 69	$115
Income per common and common equivalent share:				
Continuing operations	$.44	$.48	$.37	$.63
Discontinued operations	.08	.07	.06	.09
Net income	$.52	$.55	$.43	$.72

Report of Independent Accountants

Price Waterhouse LLP   LOGO MARK

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Pitney Bowes Inc. and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 10 to the consolidated financial statements, the company adopted a new accounting standard for postemployment benefits in 1994 and elected to adopt a new accounting standard for postretirement benefits other than pensions in 1992.

/s/Price Waterhouse

Stamford, Connecticut
January 31, 1995

DIRECTORS AND OFFICERS

Directors

Linda G. Alvarado
President
Alvarado Construction, Inc.
commercial and industrial general contractor

Marc C. Breslawsky
Vice Chairman
Pitney Bowes Inc.

William E. Butler
Chairman and Chief Executive Officer
Eaton Corporation
manufacturer of engineered products serving automotive, industrial, commercial and defense markets

Colin G. Campbell
President
Rockefeller Brothers Fund

Michael J. Critelli

Vice Chairman
Pitney Bowes Inc.

John C. Emery, Jr.
Vice Chairman
The Robbins Company
and former Chairman, President
and Chief Executive Officer
Emery Air Freight Corporation

George B. Harvey
Chairman, President
and Chief Executive Officer
Pitney Bowes Inc.

Charles E. Hugel
Retired Chairman
and Chief Executive Officer
Combustion Engineering, Inc.
principal products are power generation and process equipment and systems

David T. Kimball
Retired Chairman and
Chief Executive Officer
General Signal Corporation
manufacturer of instrumentation and control systems and industrial equipment

Leroy D. Nunery
Vice President, Human
and Information Resources
National Basketball Association

Phyllis Shapiro Sewell
Retired Senior Vice President
Federated Department Stores, Inc.
retailer

Arthur R. Taylor
President, Muhlenberg College
and Chairman, Arthur Taylor & Co.
investment firm

Corporate Officers

George B. Harvey
Chairman, President and
Chief Executive Officer

Carmine F. Adimando
Vice President - Finance
and Administration, and Treasurer

Marc C. Breslawsky
Vice Chairman

Michael J. Critelli
Vice Chairman

Steven J. Green
Vice President - Controller

Douglas A. Riggs
Vice President - Communications,
Planning, Secretary and General Counsel

Carole F. St. Mark

President and Chief Executive Officer
Pitney Bowes Business Services

Johnna G. Torsone
Vice President - Personnel

STOCKHOLDER INFORMATION

World Headquarters

Pitney Bowes Inc
1 Elmcroft RD
Stamford CT 06926-0700
(203) 356-5000

Annual Meeting

Stockholders are cordially invited to attend the 1995 Annual Meeting at 10:00 a.m., Monday, May 8, 1995, at Pitney Bowes World Headquarters in Stamford, Connecticut. A notice of the meeting, proxy statement and proxy will be mailed to each stockholder under separate cover.

10-K Report

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

MSC 6140
Investor Relations
Pitney Bowes Inc
1 Elmcroft RD
Stamford CT 06926-0700

Stock Exchanges

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

Comments

Comments concerning the Annual Report should be addressed to:

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

Stockholder Inquiries

Common, preference and preferred stockholders may call the company's registrar and transfer agent Chemical Bank at (800) 648-8170 or may write to the following addresses:

For lost securities requirements and securities processing (transfers, redemptions, conversions):

Chemical Bank
JAF Building
PO BOX 2862
New York NY 10116-2862

For change of address and account consolidations (combining two or more accounts):

Chemical Bank
JAF Building
PO BOX 3070
New York NY 10116-3070

For transfer inquiries, replacement dividend checks, tax information and other inquiries:

Chemical Bank
JAF Building
PO BOX 3068
New York NY 10116-3068

For dividend reinvestment enrollment requests and other dividend reinvestment information:

Chemical Bank
JAF Building
PO BOX 3069
New York NY 10116-3069

Stockholders may contact Pitney Bowes Stockholder Services at:

MSC 6313
Stockholder Services
Pitney Bowes Inc
1 Elmcroft RD
Stamford CT 06926-0700
(203) 351-6088

Investor Inquiries
....

All investor inquiries about Pitney Bowes should be addressed to:

MSC 6140
Investor Relations
Pitney Bowes Inc
1 Elmcroft RD
Stamford CT 06926-0700

Transfer Agent, Registrar, Dividend Reinvestment Agent and Successor Rights Agent
....

Common, Preference and Preferred Stock

Equity Services
Chemical Bank
450 West 33RD ST FL 15
New York NY 10001-2697

Stock Information
....

Dividends per common share

Quarter	1994	1993
First	$ .26	$.225
Second	.26	.225
Third	.26	.225
Fourth	.26	.225
Total	$1.04	$ .90

Quarterly price ranges of common stock

	1994	
Quarter	High	Low
First	46 3/8	39 7/8
Second	42 3/8	37
Third	39 1/4	34 1/2
Fourth	36 1/2	29 1/4

	1993	
Quarter	High	Low
First	43 3/8	38 3/4
Second	44 1/2	39 5/8
Third	44	37 1/4
Fourth	43 3/4	36 1/4

Trademarks

7 SERIES, 8 SERIES, ADDRESSRIGHT, ARRIVAL, BUSINESS BASICS, CUSTOMER SATISFACTION GUARANTEE, PARAGON, POSTAGE BY PHONE, SEND-IT, SMART TOUCH, SPECTRUM, STAR and VALUE ADDED MAINTENANCE SYSTEM are trademarks or service marks of Pitney Bowes Inc.

PITNEY BOWES INC.
SUBSIDIARIES OF THE REGISTRANT

The Registrant, Pitney Bowes Inc., a Delaware Corporation, has no parent.

The following are subsidiaries of the Registrant
(as of December 31, 1994)

Company name	Country or state of incorporation
Adrema Leasing Corporation	Delaware
Adrema Maschinen und Auto-Leasing GmbH	Germany
Adrema Maschinenbau Inc.	Delaware
Adrema Mobilien Leasing GmbH	Germany
Andeen Enterprises, Inc.	Panama
Artec International Corporation	California
Atlantic Mortgage & Investment Corporation	Florida
B. Williams Corp.	Delaware
Canadian Office Services Ltd.	Canada
Cascade Microfilm Systems, Inc.	California
Chas. P. Young Health Fitness & Management, Inc.	New York
Colonial Pacific Leasing Corporation	Massachusetts
Datarite Systems Ltd.	England
Dictaphone Canada Ltd./Ltee.	Canada
Dictaphone Company Ltd.	England
Dictaphone Corporation	Delaware
Dictaphone Deutschland GmbH	Germany
Dictaphone International A.G.	Switzerland
Dictaphone Netherlands B.V.	Netherlands
Dodwell Pitney Bowes K.K. (50% owned)	Japan
DSP Inc.	Connecticut
ECL Finance Company, N.V.	Netherlands
Elmcroft Road Realty Corporation	Connecticut
Harlow Aircraft Inc.	Delaware
Informatech	California
La Agricultora Ecuatoriana S.A.	Ecuador
Monarch Marking Systems Australia Pty. Ltd.	Australia
Monarch Marking Systems de Mexico S.A. de C.V.	Mexico
Monarch Marking Systems, Inc.	Delaware
Monarch Marking Systems Ltd.	Canada
Monarch Marking Systems N.Z. Ltd.	New Zealand
Monarch Marking (S.E.A.) Pte. Ltd.(55% owned)	Singapore
Monarch Service Bureau Limited	Hong Kong
Norlin Australia Investment Pty. Ltd.	Australia
Norlin Industries Limited	Canada
Norlin Music (U.K.) Ltd.	England
PB Forms, Inc.	Nebraska
PB Funding Corporation	Delaware
PB Global Holdings Inc.	Connecticut
PB Global Holdings II Inc.	Connecticut
PB Global Holdings III Inc.	Connecticut

SUBSIDIARIES OF THE REGISTRANT (continued)

Country or
state of

Company name	incorporation
PB Global Holdings IV Inc.	Connecticut
PB Leasing Corporation	Delaware
PB Leasing International Corporation	Delaware
PB Leasing Services Inc.	Nevada
PBA Foreign Sales Corporation	Barbados
PB World Trade Corporation (Disc)	Delaware
PB CFSC I Inc.	Virgin Islands
PBL Holdings Inc.	Nevada
PB Nikko FSC Ltd.	Bermuda
PB Nihon FSC Ltd.	Bermuda
Pickering Canada Pty. Limited	Australia
Pitney Bowes AG	Switzerland
Pitney Bowes Australia Pty. Limited	Australia
Pitney Bowes Australia FAS Pty. Ltd.	Australia
Pitney Bowes Austria Ges.m.b.H	Austria
Pitney Bowes of Canada Ltd.	Canada
Pitney Bowes China Inc.	Delaware
Pitney Bowes Credit Australia Limited	Australia
Pitney Bowes Credit Corporation	Delaware
Pitney Bowes Data Systems, Ltd.	England
Pitney Bowes de Mexico, S.A. de C.V.	Mexico
Pitney Bowes Deutschland GmbH	Germany
Pitney Bowes Espana, S.A.	Spain
Pitney Bowes Finance S.A.	France
Pitney Bowes Finans Norway AS	Norway
Pitney Bowes Finance PLC	England
Pitney Bowes France S.A.	France
Pitney Bowes Holdings Ltd.	England
Pitney Bowes Holding SNC	France
Pitney Bowes Hong Kong Inc.	Delaware
Pitney Bowes Insurance Agency, Inc.	Connecticut
Pitney Bowes International	Ireland
Pitney Bowes Italia S.r.l.	Italy
Pitney Bowes (Ireland) Limited	Ireland
Pitney Bowes Leasing Ltd.	Canada
Pitney Bowes Locations S.A.	France
Pitney Bowes Management Services, Inc.	Delaware
Pitney Bowes Management Services Canada, Inc.	Canada
Pitney Bowes Management Services Limited	England
Pitney Bowes Marking Systems Ltd.	Delaware
Pitney Bowes Marking Systems Ltd.	England
Pitney Bowes Oy	Finland
Pitney Bowes plc	England
Pitney Bowes Properties Inc.	Connecticut
Pitney Bowes Real Estate Financing Corporation	Delaware
Pitney Bowes Servicios, S.A. de C.V.	Mexico
Pitney Bowes Shelton Realty Inc.	Connecticut
Pitney Bowes Svenska Aktiebolag	Sweden

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation
Pitney Bowes World Trade Corporation (FSC)	Virgin Islands
PREFCO I Inc.	Delaware
PREFCO I LP Inc.	Delaware
PREFCO II Inc.	Delaware
PREFCO II LP Inc.	Delaware

PREFCO III Inc.	Delaware
PREFCO III LP Inc.	Delaware
PREFCO IV Inc.	Delaware
PREFCO IV LP Inc.	Delaware
PREFCO V Inc.	Delaware
PREFCO V LP Inc.	Delaware
PREFCO VI Inc.	Delaware
PREFCO VI LP Inc.	Delaware
PREFCO VII Inc.	Delaware
PREFCO VII LP Inc.	Delaware
PREFCO VIII Inc.	Delaware
PREFCO VIII LP Inc.	Delaware
PREFCO IX Inc.	Delaware
PREFCO IX LP Inc.	Delaware
PREFCO X Inc.	Delaware
PREFCO X LP Inc.	Delaware
PREFCO XI Inc.	Delaware
PREFCO XI LP Inc.	Delaware
PREFCO XII Inc.	Delaware
PREFCO XII LP Inc.	Delaware
PREFCO XIII Inc.	Delaware
PREFCO XIII LP Inc.	Delaware
PREFCO XIV Inc.	Delaware
PREFCO XIV LP Inc.	Delaware
PREFCO XV Inc.	Delaware
PREFCO XV LP Inc.	Delaware
RE Properties Management Corporation	Delaware
Remington Customer Finance Pty. Limited	Australia
Remington (PNG) Pty. Limited	Papua New Guinea
Remington Pty. Limited	Australia
ROM Holdings Pty. Limited	Australia
ROM Securities Pty. Limited	Australia
Sales and Service Training Center Inc.	Georgia
TECO/Pitney Bowes Co., Ltd. (50% owned)	Taiwan
Time-Sensitive Delivery Guide Inc.	Delaware
Tower FSC, Ltd.	Bermuda
Universal Postal Frankers Ltd.	England
Walnut Street Corp.	Delaware
1136 Corporation	Delaware
75 V Corp.	Delaware

EXHIBIT (v)

CONSENT OF INDEPENDENT ACCOUNTANTS

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

Form	Reference
Form S-8	No. 33-5291
Form S-8	No. 33-4549
Form S-8	No. 33-22238
Form S-8	No. 33-5765
Form S-8	No. 33-41182
Form S-3	No. 33-5289
Form S-3	No. 33-5290
Form S-3	No. 33-18280
Form S-3	No. 33-25730
Form S-3	No. 33-21723
Form S-3	No. 33-27244
Form S-3	No. 33-33948

of Pitney Bowes Inc. of our report dated January 31, 1995 appearing in the Pitney Bowes Inc. 1994 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference in the aforementioned Registration Statements of our report on the financial statement schedules, which appears in this Form 10-K.

/s/Price Waterhouse LLP
Price Waterhouse LLP

Stamford, Connecticut
March 30, 1995

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC. CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING FOOTNOTE #3 FIXED ASSETS AND STATEMENT RE COMPUTATION OF PER SHARE EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<FN>

<F1>Includes a change in accounting for postemployment benefits.

</FN>