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PITNEY BOWES INC /DE/
Form 8-K
October 21, 2002

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

FORM 8 - K
CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 17, 2002

PITNEY BOWES INC.

Commission File Number: 1-3579

State of Incorporation
Delaware

IRS Employer Identification No.
06-0495050

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

Item 5 - Other Events.

The registrant's press release dated October 17, 2002 regarding its financial results for the period ended September 30, 2002, including consolidated statements of income and selected segment data for the three and nine months ended September 30, 2002 and 2001, and consolidated balance sheets at September 30, 2002, June 30, 2002 and September 30, 2001, are attached.

The registrant is also providing additional information regarding the composition of its Capital Services lease related assets included in its Consolidated Balance Sheet:

(Dollars in millions)

September 30,

Leveraged leases

\$

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Finance receivables
Other assets
Rental equipment

Total

\$
=====

Capital Services finance receivables are composed of the following:

Assets held for sale
Single investor leases:
 Large ticket single investor leases
 Imagistics lease portfolio

Total

\$
=====

Item 7 - Financial Statements and Exhibits.

c. Exhibits.

The following exhibits are furnished in accordance with the provisions of Item 601 of Regulation S-K:

Exhibit	Description
(1)	Pitney Bowes Inc. press release dated October 17, 2002.

Signatures

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

PITNEY BOWES INC.

October 21, 2002

/s/ B.P. Nolop

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

/s/ A.F. Henock

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

EXHIBIT 1

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PITNEY BOWES THIRD QUARTER 2002 EARNINGS IN LINE WITH GUIDANCE

- o Diluted Earnings Per Share of 61 Cents
- o 2.5 Million Shares Repurchased During The Quarter
- o Free Cash Flow of \$127 Million

STAMFORD, Conn., October 17, 2002 - Pitney Bowes Inc. (NYSE: PBI) today announced third quarter results that include an eight percent increase in diluted earnings per share from continuing operations to 61 cents, which compares with 57 cents from continuing operations for the third quarter of 2001, excluding special items.

Revenue grew seven percent to \$1.11 billion and income from continuing operations was \$146.9 million, which compares with income from continuing operations of \$140.2 million in last year's third quarter excluding special items, and \$122.1 million including special items.

Commenting on the quarter, Pitney Bowes Chairman and CEO Michael J. Critelli said, "We are pleased with our improved performance this quarter. We achieved positive organic revenue growth in all major business lines: Global Mailing, Management Services and Document Messaging Technologies. In addition, we completed our acquisition of PSI, which will enable us to better serve our customers by helping to reduce cost and speed the delivery of mail. This transaction is an important component of our expansion into the mail stream, and underscores the value of Pitney Bowes products, software and integrated business solutions in helping companies reduce the cost and enhance the efficiency of their communications flow.

(2)

"The success of our new product launches is a testament to the strength of the Pitney Bowes brand. Our revolutionary DM series of digital mailing systems featuring Intellilink technology has experienced customer satisfaction unparalleled in our history of new product launches. We will continue to leverage our brand strength to help engineer the flow of communications between posts and carriers and our mutual customers, and the flow of high value communications between large enterprises and their customers," Mr. Critelli continued.

The Global Mailing Segment includes worldwide revenue and related expenses from the sale, rental and financing of mail finishing, mail creation and shipping equipment, related supplies and services, presort mail services, postal payment solutions, small business solutions and software. With the launch of DeliverAbility(TM), the company is adding mail and package tracking and tracing capability at the desktop. In the third quarter, Global Mailing revenue and operating profit both increased ten percent when compared with the prior year. Excluding the revenue from the acquisitions of Secap SA and PSI Group Inc. and the impact of favorable foreign currency, Global Mailing revenue increased four percent. Global Mailing in the U.S. benefited from the placement of new digital mailing systems and improved demand for its mail creation and distribution solutions products.

Outside of the U.S., Global Mailing experienced double-digit revenue growth, supported by improved business trends in the UK and Canada, and revenue from the acquisition of Secap SA. Excluding the revenue from Secap SA and the favorable impact of foreign currency, Global Mailing's international revenue grew about two percent. This revenue growth was achieved despite lower revenue in Germany, where demand for mailing equipment has slowed in a post meter migration environment.

The Enterprise Solutions Segment includes Pitney Bowes Management Services (PBMS) and Document Messaging Technologies (DMT). Revenue from PBMS includes facilities management contracts for advanced mailing, reprographic, document management and other value-added services to large enterprises. Revenue from DMT includes sales, service and financing of high speed, software-enabled

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production mail systems, sorting equipment, incoming mail systems, electronic statement, billing and payment solutions, and mailing software. The Enterprise Solutions segment reported revenue growth of five percent and operating profit growth of three percent when compared with the prior year.

(3)

PBMS reported revenue growth of six percent to \$247.4 million when compared with the prior year while operating profit declined 20 percent. PBMS continues to generate strong growth in new written business, but this growth is being partially offset by the continued contraction of large enterprise accounts, especially in the financial services and legal sectors. Operating profit was adversely impacted by the costs associated with acquiring new accounts that have not yet generated a full quarter of revenue as well as investments in product technology and infrastructure, especially in Europe.

DMT reported revenue of \$62.4 million for the quarter, an increase of three percent from the prior year, with a greater improvement in operating profit. Worldwide demand for high-speed, software-enabled production mail equipment and mail processing software has remained slow, but appears to be stabilizing. Cost reduction programs initiated earlier in the year resulted in an increase in operating profit over the prior year.

Total Messaging Solutions, the combined results of the Global Mailing and Enterprise Solutions segments, reported an eight percent increase in revenue and a nine percent increase in operating profit.

The Capital Services Segment includes primarily asset- and fee-based income generated by financing or arranging transactions of critical large-ticket customer assets. Revenue for the quarter decreased 24 percent and operating profit decreased 17 percent when compared with the third quarter 2001, which included incremental revenue from asset sales and related fee income. Its operating margins improved due to the decline in interest rate levels.

During the quarter, the company repurchased 2.5 million of its shares outstanding, at a net cost of \$89 million. Free cash flow, excluding payments related to special items, was \$127 million for the third quarter of 2002. Including payments for special items, free cash flow was \$117 million.

The company expects revenue growth for the full year 2002 to be in the range of six to seven percent. Diluted earnings per share from continuing operations are expected to be in the range of 64 to 65 cents for the fourth quarter 2002, and in the range of \$2.37 to \$2.38 for the full year 2002. The company is continuing its discussions with U.S. Air and has recently begun discussions with United Airlines concerning its leased planes and believes its range of potential exposure for both U.S. Air and United Airlines is still consistent with that disclosed in its last Form 10-Q filing.

(4)

Mr. Critelli noted, "As we look to solidify our outlook for 2003, we are evaluating the potential impact of a number of factors. First, we are finalizing plans associated with our growth strategy, which will be presented to our Board of Directors in November. Second, we are reviewing possible actions to reduce our overall exposure in Capital Services to focus exclusively on transactions related to our postal and document-related financing business. Third, we have preliminarily estimated that incremental pension and retiree medical costs for 2003 will be about 12 cents per share. Fourth, we are still evaluating other incremental cost factors such as infrastructure investments, and are continuing to review infrastructure needs. And finally, like most other companies, we are factoring in the risks and opportunities associated with an uncertain economy. We anticipate providing earnings guidance for 2003 as part of our fourth quarter earnings announcement."

Mr. Critelli concluded, "By balancing our short-term and long-term plans, we believe that a combination of on-going cost containment initiatives and continued investment in industry-leading products and services will help us deliver consistently greater shareholder value."

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Third quarter 2002 revenue included \$592.5 million from sales, up nine percent from \$541.9 million in the third quarter of 2001; \$374.4 million from rentals and financing, up two percent from \$365.7 million; and \$147.2 million from support services, up eight percent from \$136.8 million. Net income for the period was \$146.9 million, or 61 cents per diluted share. Income from continuing operations for the third quarter 2001 was \$122.1 million or 49 cents per diluted share which included the following special items: a \$10 million pre-tax charge associated with the company's transition to the next generation of networked technology; and an \$18 million pre-tax charge related to initiatives associated with a restructuring plan. Excluding these special charges, third quarter 2001 income from continuing operations was \$140.2 million, or 57 cents per diluted share and net income was \$135.3 million, or 55 cents per diluted share. Third quarter 2001 net income includes a loss of \$4.9 million from discontinued operations or two cents per diluted share.

(5)

For the nine-month period ended September 30, 2002, revenue was \$3.245 billion, up seven percent from \$3.032 billion in 2001. Net income for year-to-date 2002 was \$419.5 million or \$1.73 per diluted share compared to income from continuing operations for the same period of 2001 which, excluding special items, was \$416.3 million, or \$1.68 per diluted share. Year-to date pre-tax restructuring charges for 2001 totaled approximately \$122 million of which \$89 million was related to continuing operations. Year-to-date net income for 2001, which also included a net pre-tax gain of \$362 million from settling a lawsuit with Hewlett-Packard and a pre-tax charge of \$258 million associated with the company's transition to the next generation of networked technology, was \$398.2 million or \$1.60 per diluted share. The year-to-date net income for 2001 included a loss of \$15.7 million from discontinued operations, or approximately six cents per diluted share.

Pitney Bowes senior management will discuss the company's financial results in a conference call today, scheduled for 5 p.m. EDT. Instructions for listening to the conference call over the WEB are available on the Investor Relations page of the company's web site at www.pitneybowes.com

Pitney Bowes is a \$4 billion global provider of integrated mail and document management solutions headquartered in Stamford, Connecticut. The company serves over 2 million businesses of all sizes through direct and dealer operations in more than 130 countries. For additional information on the company, its products and solutions visit www.pitneybowes.com.

The statements contained in this news release that are not purely historical are forward-looking statements with the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements may be identified by their use of forward-looking terminology such as the words "expects," "projects," "estimates," "anticipates," "intends" and other similar words. Such forward-looking statements include, but are not limited to, statements about business reach and customer demand, pending and possible acquisitions, restructuring charges, preliminary estimated 2003 pension and medical costs and our preliminary future outlook, including our expected revenue for the fourth quarter and full year 2002, and our expected diluted earnings per share for the fourth quarter and for the full year 2002 and preliminary outlook of factors for 2003. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to: severe adverse changes in the economic environment, changes in international or national political or economic conditions, including terrorist attacks, timely development and acceptance of new products or gaining product approval; successful entry into new markets; changes in interest rates; and changes in postal regulations, as more fully outlined in the company's 2001 Form 10-K Annual Report filed with the Securities and Exchange Commission. In addition, the forward-looking statements are subject to change based on the timing and

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specific terms of any announced acquisitions or possible restructuring or other one-time or special items. The forward-looking statements contained in this news release are made as of the date hereof and we do not assume any obligation to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

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Note: Consolidated statements of income for the three and nine months ended September 30, 2002 and 2001, and consolidated balance sheets at September 30, 2002, June 30, 2002, and September 30, 2001, are attached.

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months
	2002	2001	2002
	-----	-----	-----
Revenue from:			
Sales and management services	\$ 592,481	\$ 541,947	\$ 1,702,488
Rentals and financing	374,383	365,684	1,114,488
Support services	147,207	136,849	428,488
	-----	-----	-----
Total revenue	1,114,071	1,044,480	3,244,488
	-----	-----	-----
Costs and expenses:			
Cost of sales and management services	356,753	332,909	1,030,488
Cost of rentals and financing	91,082	85,169	271,488
Cost of meter transition (*)	-	10,300	-
Selling, service and administrative	377,336	344,850	1,095,488
Research and development	33,925	31,554	104,488
Other income (*)	-	-	-
Interest, net	41,190	45,315	131,488
Restructuring charges (*)	-	17,879	-
	-----	-----	-----
Total costs and expenses	900,286	867,976	2,634,488
	-----	-----	-----
Income from continuing operations before income taxes	213,785	176,504	610,488
Provision for income taxes	66,899	54,406	191,488
	-----	-----	-----
Income from continuing operations	146,886	122,098	419,488
Discontinued operations	-	(4,884)	-
	-----	-----	-----
Net income	\$ 146,886	\$ 117,214	\$ 419,488
	=====	=====	=====

Basic earnings per share

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Continuing operations	\$	0.62	\$	0.50	\$	1
Discontinued operations		-		(0.02)		
		-----		-----		-----
Net income		0.62		0.48		1
Special items after-tax (*)		-		0.07		
Discontinued operations		-		0.02		
		-----		-----		-----
Income from continuing operations excluding special items	\$	0.62	\$	0.57	\$	1
		=====		=====		=====
Diluted earnings per share						
Continuing operations	\$	0.61	\$	0.49	\$	1
Discontinued operations		-		(0.02)		
		-----		-----		-----
Net income		0.61		0.47		1
Special items after-tax (*)		-		0.07		
Discontinued operations		-		0.02		
		-----		-----		-----
Income from continuing operations excluding special items	\$	0.61	\$	0.57	\$	1
		=====		=====		=====
Average common and potential common shares outstanding		240,323,222		247,279,863		242,545,
		=====		=====		=====

Pitney Bowes Inc.
Consolidated Balance Sheets
(Unaudited)

(Dollars in thousands, except per share data)

Assets			9/30/02	6/30/02
-----			-----	-----
Current assets:				
Cash and cash equivalents		\$	268,487	\$ 24,000
Short-term investments, at cost which approximates market			12,631	1,000
Accounts receivable, less allowances:				
9/02 \$34,064 6/02 \$33,392 9/01 \$30,349			423,160	41,000
Finance receivables, less allowances:				
9/02 \$68,228 6/02 \$66,991 9/01 \$57,825			1,675,731	1,620,000
Inventories			206,498	19,000
Other current assets and prepayments			172,568	16,000
Net assets of discontinued operations			-	-
			-----	-----
Total current assets			2,759,075	2,640,000
			-----	-----
Property, plant and equipment, net			595,875	550,000
Rental equipment and related inventories, net			428,934	450,000

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Property leased under capital leases, net	1,719	
Long-term finance receivables, less allowances:		
9/02 \$66,395 6/02 \$66,143 9/01 \$67,879	1,799,052	1,78
Investment in leveraged leases	1,438,484	1,38
Goodwill	809,690	66
Other assets	923,622	81
Net assets of discontinued operations	-	
	-----	-----
Total assets	\$ 8,756,451	\$ 8,30
	=====	=====
Liabilities and stockholders' equity		

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,313,603	\$ 1,28
Income taxes payable	231,115	23
Notes payable and current portion of long-term obligations	1,568,571	1,45
Advance billings	336,598	33
	-----	-----
Total current liabilities	3,449,887	3,31
	-----	-----
Deferred taxes on income	1,340,809	1,28
Long-term debt	2,379,565	2,12
Other noncurrent liabilities	358,340	35
	-----	-----
Total liabilities	7,528,601	7,08
	-----	-----
Preferred stockholders' equity in a subsidiary company	310,000	31
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	24	
Cumulative preference stock, no par value, \$2.12 convertible	1,475	
Common stock, \$1 par value	323,338	32
Capital in excess of par value	-	
Retained earnings	3,864,245	3,78
Accumulated other comprehensive income	(119,403)	(13
Treasury stock, at cost	(3,151,829)	(3,06
	-----	-----
Total stockholders' equity	917,850	91
	-----	-----
Total liabilities and stockholders' equity	\$ 8,756,451	\$ 8,30
	=====	=====

Pitney Bowes Inc.
Revenue and Operating Profit
By Business Segment
September 30, 2002
(Unaudited)

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(Dollars in thousands)

	2002 -----	2001 (2) -----	% Change -----
Third Quarter -----			
Revenue -----			
Global Mailing	\$ 762,630	\$ 694,805	10%
Enterprise Solutions	309,797	294,881	5%
	-----	-----	-----
Total Messaging Solutions	1,072,427	989,686	8%
	-----	-----	-----
Capital Services	41,644	54,794	(24%)
	-----	-----	-----
Total Revenue	\$1,114,071 =====	\$ 1,044,480 =====	7% =====
Operating Profit (1) -----			
Global Mailing	\$ 226,121	\$ 206,403	10%
Enterprise Solutions	18,914	18,332	3%
	-----	-----	-----
Total Messaging Solutions	245,035	224,735	9%
	-----	-----	-----
Capital Services	18,229	22,045	(17%)
	-----	-----	-----
Total Operating Profit	\$ 263,264 =====	\$ 246,780 =====	7% =====

Pitney Bowes Inc.
Revenue and Operating Profit
By Business Segment
September 30, 2002
(Unaudited)

(Dollars in thousands)

	2002 -----	2001 (2) -----	% Change -----
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Year to Date

Revenue

Global Mailing	\$2,211,924	\$ 2,110,294	5%
Enterprise Solutions	900,318	772,353	17%
	-----	-----	-----
Total Messaging Solutions	3,112,242	2,882,647	8%
	-----	-----	-----
Capital Services	132,662	149,020	(11%)
	-----	-----	-----
Total Revenue	\$3,244,904	\$ 3,031,667	7%
	=====	=====	=====

Operating Profit (1)

Global Mailing	\$ 652,789	\$ 637,939	2%
Enterprise Solutions	58,849	56,556	4%
	-----	-----	-----
Total Messaging Solutions	711,638	694,495	2%
	-----	-----	-----
Capital Services	57,795	57,249	1%
	-----	-----	-----
Total Operating Profit	\$ 769,433	\$ 751,744	2%
	=====	=====	=====