

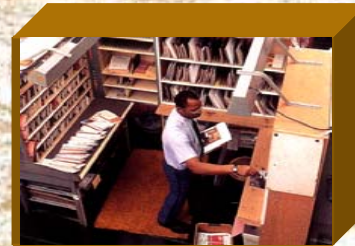


**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS

February, FY 2004

February 1 – February 29, 2004



Prepared by: Financial Reporting and Analysis

Highlights
February - FY 2004
(Millions)

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,337.3	\$ 5,193.1	\$ 144.2	2.8	\$ 5,239.7	1.9
<u>5,179.2</u>	<u>5,239.6</u>	<u>- 60.4</u>	- 1.2	<u>4,943.5</u>	4.8
\$ 158.1	\$ - 46.5	\$ 204.6	-	\$ 296.2	-
\$ 55.2	\$ 440.0	[\$ - 384.8]	[- 87.5]	\$ 29.4	87.8
112.7	111.5	[1.2]	[1.1]	113.4	- 0.6

Year-to-Date (October 1, 2003 - February 29, 2004)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 29,441.0	\$ 29,234.3	\$ 206.7	0.7	\$ 29,742.4	- 1.0
<u>27,200.4</u>	<u>27,670.0</u>	<u>- 469.6</u>	- 1.7	<u>26,543.6</u>	2.5
\$ 2,240.6	\$ 1,564.3	\$ 676.3	-	\$ 3,198.8	-
\$ 361.7	\$ 856.9	[\$ - 495.2]	[- 57.8]	\$ 640.5	- 43.5
607.3	608.3	- 1.0	- 0.2	622.6	- 2.5

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,623	27,635	27,694
Postal Owned Vehicles In Use			
Administrative	5,513	5,504	5,409
Operations	206,617	206,626	201,115
Total Deliveries (000)	142,033	141,947	140,281
City Delivery Routes	164,607	164,634	165,863
Rural Routes	69,985	69,950	69,489
Career Employees (Excludes Inspector General)	714,140	716,361	739,277
Casual Employees	19,582	19,181	20,097
Transitional Employees	10,260	10,549	13,394

* SPLY data may differ from previous reports due to subsequent adjustments

** Capital Commitments plan has been restated.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

Statement of Income & Expense
February - FY 2004
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 5,335.0	\$ 5,190.9	\$ 144.1	2.8	\$ 5,235.6	1.9	Operating Revenue	\$ 29,427.7	\$ 29,223.2	\$ 204.5	0.7	\$ 29,720.3	- 1.0
<u>5,178.6</u>	<u>5,237.7</u>	<u>- 59.1</u>	<u>- 1.1</u>	<u>4,916.1</u>	<u>5.3</u>	Operating Expense	<u>27,190.0</u>	<u>27,617.5</u>	<u>- 427.5</u>	<u>- 1.5</u>	<u>26,367.3</u>	<u>3.1</u>
\$ 156.4	\$ - 46.8	\$ 203.2	-	\$ 319.5	-	Income/(Loss) From Operations	\$ 2,237.7	\$ 1,605.7	\$ 632.1	-	\$ 3,353.0	-
2.3	2.2	0.1	4.5	4.1	- 43.9	Investment Income	13.3	11.1	2.2	19.8	22.1	- 39.8
0.6	1.9	- 1.3	- 68.4	27.4	- 97.8	Interest Expense	10.4	6.3	[4.1]	65.1	176.3	- 94.1
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	Interest on Deferred Retirement Costs	<u>0.0</u>	<u>46.2</u>	<u>- 46.2</u>	<u>- 100.0</u>	<u>0.0</u>	<u>0.0</u>
\$ 158.1	\$ - 46.5	\$ 204.6	-	\$ 296.2	-	Net Income/(Loss)	\$ 2,240.6	\$ 1,564.3	\$ 676.3	-	\$ 3,198.8	-

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

MAIL VOLUME - MAIL REVENUE

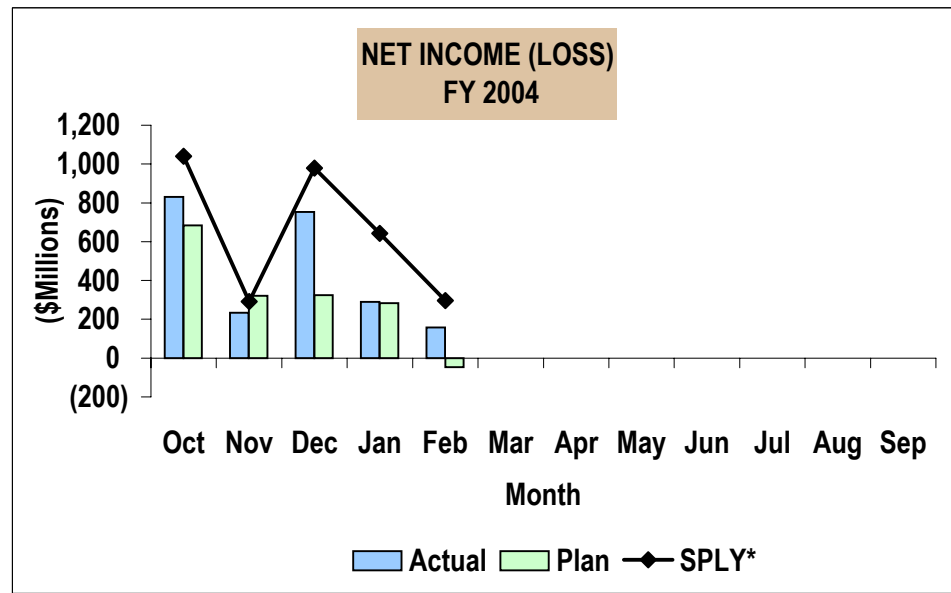
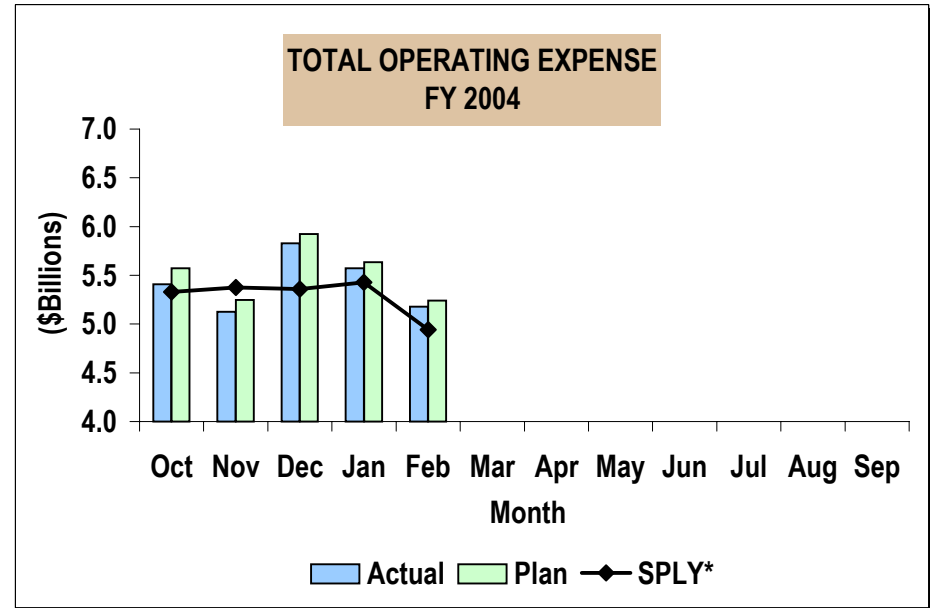
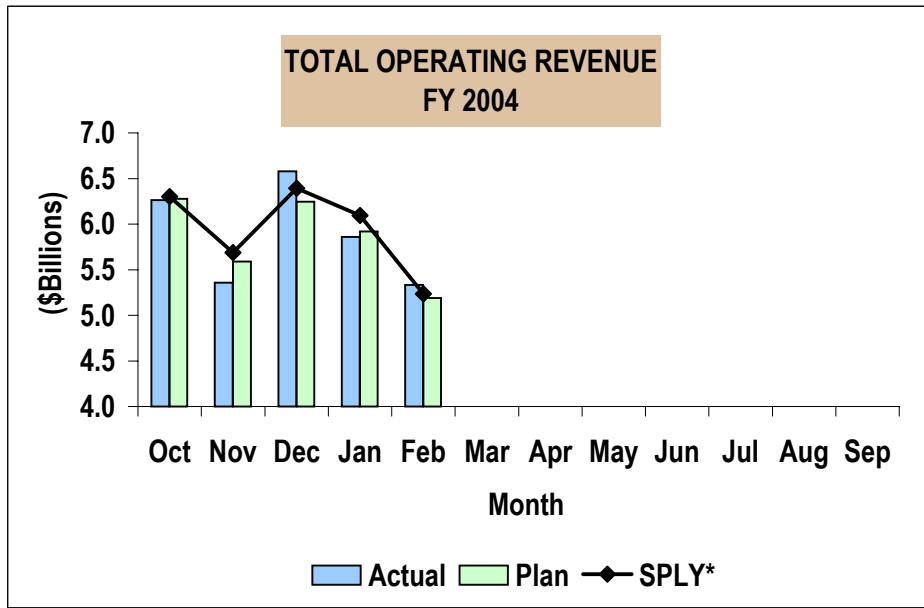
(Data in Thousands)

CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	February 2004	February 2003	% SPLY	February 2004	February 2003	% SPLY
FIRST-CLASS						
VOLUME	7,543,047	7,602,009	- 0.8	42,288,494	42,967,017	- 1.6
REVENUE	\$ 2,805,470	\$ 2,845,072	- 1.4	\$ 15,723,058	\$ 16,061,999	- 2.1
REV/PC.	0.3719	0.3743	- 0.6	0.3718	0.3738	- 0.5
PRIORITY-MAIL						
VOLUME	68,073	69,352	- 1.8	370,619	379,717	- 2.4
REVENUE	\$ 353,940	\$ 360,760	- 1.9	\$ 1,981,852	\$ 2,034,553	- 2.6
REV/PC.	5.1994	5.2019	- 0.0	5.3474	5.3581	- 0.2
EXPRESS MAIL						
VOLUME	4,322	4,456	- 3.0	22,072	23,134	- 4.6
REVENUE	\$ 67,909	\$ 70,427	- 3.6	\$ 352,440	\$ 372,870	- 5.5
REV/PC.	15.7124	15.8050	- 0.6	15.9677	16.1178	- 0.9
PERIODICALS						
VOLUME	778,083	757,227	2.8	3,810,338	3,985,223	- 4.4
REVENUE	\$ 183,476	\$ 177,638	3.3	\$ 910,611	\$ 954,818	- 4.6
REV/PC.	0.2358	0.2346	0.5	0.2390	0.2396	- 0.3
STANDARD MAIL						
VOLUME	7,433,346	6,723,818	10.6	40,050,914	38,991,702	2.7
REVENUE	\$ 1,377,303	\$ 1,289,904	6.8	\$ 7,506,298	\$ 7,408,231	1.3
REV/PC.	0.1853	0.1918	- 3.4	0.1874	0.1900	- 1.4
PACKAGE SERVICES						
VOLUME	88,219	82,707	6.7	502,587	492,154	2.1
REVENUE	\$ 169,343	\$ 166,426	1.8	\$ 1,014,693	\$ 1,015,653	- 0.1
REV/PC.	1.9196	2.0122	- 4.6	2.0189	2.0637	- 2.2
INTERNATIONAL						
VOLUME	74,210	55,851	32.9	381,563	355,891	7.2
REVENUE	\$ 136,144	\$ 105,562	29.0	\$ 754,339	\$ 717,135	5.2
REV/PC.	1.8346	1.8901	- 2.9	1.9770	2.0150	- 1.9
ALL OTHER						
VOLUME	42,461	36,894	15.1	235,202	\$ 198,185	18.7
REVENUE	\$ 54	\$ 154	- 65.0	\$ 282	\$ 604	- 53.3
ALL MAIL						
VOLUME	16,031,762	15,332,314	4.6	87,661,789	87,393,023	0.3
REVENUE	\$ 5,093,638	\$ 5,015,943	1.5	\$ 28,243,573	\$ 28,565,863	- 1.1
REV/PC.	0.3177	0.3271	- 2.9	0.3222	0.3269	- 1.4

NOTE: Totals may not sum due to rounding.

NOTE: This data reflects PRELIMINARY estimates of revenue, pieces and weight by mail class and are subject to change. Limits on available data and statistical variations due to sampling warrant that these estimates be used with caution.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.



*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

REVENUE BY SOURCE
February - FY 2004
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
\$ 1,957.9	\$ 1,972.5	- 0.7	Operating Revenue:	\$ 10,683.2	\$ 10,871.2	- 1.7
			Metered Postage			
866.3	877.2	- 1.2	Stamps and Stamped Paper	5,123.1	5,276.0	- 2.9
1,289.9	1,213.8	6.3	Permit Imprint	7,009.3	6,967.5	0.6
182.0	175.7	3.6	Periodicals & Standard	902.1	945.9	- 4.6
66.6	67.0	- 0.6	Official Mail	383.3	381.2	0.6
738.7	719.3	2.7	Presort First-Class & Package Svc./Permit Imprint	4,092.7	4,072.2	0.5
60.1	61.2	- 1.8	Box Rents	320.0	324.1	- 1.3
14.4	15.0	- 4.0	Money Order Fees	74.0	77.5	- 4.5
<u>148.8</u>	<u>131.3</u>	13.3	Other	<u>817.5</u>	<u>791.8</u>	3.2
\$ 5,324.7	\$ 5,233.0	1.8	Subtotal	\$ 29,405.2	\$ 29,707.4	- 1.0
			Government Appropriation:			
<u>10.3</u>	<u>2.6</u>	296.2	Revenue Forgone	<u>22.5</u>	<u>12.9</u>	74.4
\$ 5,335.0	\$ 5,235.6	1.9	Total Operating Revenue	\$ 29,427.7	\$ 29,720.3	- 1.0
<u>2.3</u>	<u>4.1</u>	- 43.9	Investment Income	<u>13.3</u>	<u>22.1</u>	- 39.8
<u>\$ 5,337.3</u>	<u>\$ 5,239.7</u>	1.9	Total Revenue	<u>\$ 29,441.0</u>	<u>\$ 29,742.4</u>	- 1.0

Note: Totals may not sum due to rounding.

*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

REVENUE BY CATEGORY
February - FY 2004
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,263.7	\$ 2,136.3	6.0	Permit Revenue	\$ 12,309.1	\$ 11,925.7	3.2
<u>1,692.5</u>	<u>1,738.7</u>	[- 2.7]	Other Commercial Accounts Revenue	<u>9,198.0</u>	<u>9,573.4</u>	[- 3.9]
\$ 3,956.2	\$ 3,875.0	2.1	Total Commercial Revenue	\$ 21,507.1	\$ 21,499.1	0.0
			Retail Revenue			
1,078.9	1,048.7	2.9	Retail Postage Revenue*	6,399.6	6,206.6	3.1
86.8	81.5	6.5	Retail Services Revenue	442.3	451.5	[- 2.0]
12.5	12.0	4.2	Retail Products Revenue	73.0	78.6	[- 7.1]
<u>152.9</u>	<u>144.3</u>	6.0	Other Retail Channels Revenue*	<u>778.9</u>	<u>837.4</u>	[- 7.0]
\$ 1,331.1	\$ 1,286.5	3.5	Total Retail Revenue	\$ 7,693.8	\$ 7,574.1	1.6
\$ 5,287.3	\$ 5,161.5	2.4	Total Commercial & Retail Revenue	\$ 29,200.9	\$ 29,073.2	0.4
37.4	26.4	41.6	Other Income	204.4	134.8	51.6
<u>10.3</u>	<u>3.0</u>	-	Revenue Forgone	<u>22.5</u>	<u>15.2</u>	48.0
\$ 5,335.0	\$ 5,190.9	2.8	Total Operating Revenue	\$ 29,427.7	\$ 29,223.2	0.7
<u>2.3</u>	<u>2.2</u>	4.5	Investment Income	<u>13.3</u>	<u>11.1</u>	19.8
\$ 5,337.3	\$ 5,193.1	2.8	Total Revenue	\$ 29,441.0	\$ 29,234.3	0.7

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

*Prior to December 2003, Retail Postage Revenue included sales for field Stamps by Mail, local consignments and field vending for POS sites, which should have been included in Other Retail Channels Revenue.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

EXPENSE ANALYSIS
February - FY 2004
(\$ Millions)

Current Period						Year-to-Date							
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 4,066.4	\$ 4,095.4	\$ -29.0	-0.7	\$ 3,864.7	5.2	Personnel Compensation	\$ 21,655.3	\$ 21,739.2	\$ -83.9	-0.4	\$ 20,824.0	4.0	
						Non-Personnel Expense:							
	395.6	420.0	-24.4	-5.8	367.3	7.7	Transportation	2,027.5	2,199.4	-171.9	-7.8	2,123.8	-4.5
	200.3	192.7	[7.6]	[3.9]	188.3	6.4	Supplies & Services	899.2	1,040.6	-141.4	-13.6	945.2	-4.9
	516.3	529.6	-13.3	-2.5	495.8	4.1	Other	2,608.0	2,638.3	-30.3	-1.1	2,474.3	5.4
\$ 1,112.2	\$ 1,142.3	\$ -30.1	-2.6	\$ 1,051.4	5.8	Subtotal	\$ 5,534.7	\$ 5,878.3	\$ -343.6	-5.8	\$ 5,543.3	-0.2	
\$ 5,178.6	\$ 5,237.7	\$ -59.1	-1.1	\$ 4,916.1	5.3	Total Operating Expense	\$ 27,190.0	\$ 27,617.5	\$ -427.5	-1.5	\$ 26,367.3	3.1	
	0.6	1.9	-1.3	-68.4	27.4	-97.8	Interest Expense	10.4	6.3	[4.1]	[65.1]	176.3	-94.1
	0.0	0.0	-	-	0.0	-	Interest on Deferred Retirement Costs	0.0	46.2	-46.2	-100.0	0.0	-
\$ 5,179.2	\$ 5,239.6	\$ -60.4	-1.2	\$ 4,943.5	4.8	Total Expense	\$ 27,200.4	\$ 27,670.0	\$ -469.6	-1.7	\$ 26,543.6	2.5	

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

ANALYSIS OF OPERATING EXPENSES
February - FY 2004
Personnel Compensation
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
						Total Compensation						
						Operations:						
\$ 30.2	\$ 29.7	[\$ 0.5]	[1.8]	\$ 27.3	10.7	-Support	\$ 152.9	\$ 155.0	\$ -2.0	-1.3	\$ 142.9	7.0
886.6	872.9	[13.7]	[1.6]	843.5	5.1	-Mail Processing	4,785.8	4,819.4	-33.6	-0.7	4,681.9	2.2
356.0	357.5	-1.5	-0.4	334.9	6.3	-Rural Delivery	1,912.3	1,910.3	[1.9]	[0.1]	1,796.2	6.5
1,231.1	1,201.8	[29.3]	[2.4]	1,172.0	5.0	-City Delivery	6,595.7	6,493.1	[102.6]	[1.6]	6,277.2	5.1
89.9	88.0	[1.9]	[2.2]	84.3	6.7	-Vehicles Services	476.6	474.6	[1.9]	[0.4]	453.2	5.2
229.7	228.8	[0.9]	[0.4]	212.2	8.3	-Plant & Equip Maint	1,197.8	1,219.7	-21.9	-1.8	1,127.0	6.3
603.4	588.4	[15.0]	[2.5]	566.1	6.6	-Customer Services	3,226.5	3,211.3	[15.3]	[0.5]	3,079.9	4.8
15.4	17.6	-2.2	-12.3	18.3	-15.9	Finance	81.7	93.2	-11.5	-12.4	97.5	-16.2
28.0	29.1	-1.1	-3.7	25.2	11.1	Human Resources	144.6	149.9	-5.4	-3.6	131.5	10.0
43.5	45.6	-2.2	-4.8	39.6	9.8	Customer Service & Sales	226.2	240.0	-13.8	-5.7	209.8	7.9
193.4	186.1	[7.3]	[3.9]	179.3	7.9	Administration	984.8	981.7	[3.1]	[0.3]	924.0	6.6
109.1	187.0	-77.9	-41.7	128.7	-15.2	Other Salaries & Benefits	600.3	692.9	-92.6	-13.4	708.8	-15.3
\$ 3,816.4	\$ 3,832.6	\$ -16.2	-0.4	\$ 3,631.4	5.1	Total Salaries & Benefits	\$ 20,385.2	\$ 20,441.3	\$ -56.0	-0.3	\$ 19,629.8	3.8
124.0	124.3	-0.3	-0.3	121.1	2.4	Workers' Compensation	619.9	622.4	-2.6	-0.4	630.1	-1.6
7.1	7.6	-0.5	-6.4	4.6	56.0	Unemployment Compensation	35.5	38.3	-2.9	-7.5	29.4	20.6
0.0	0.0	0.0	-	0.0	-	Deferred Retirement Cost	0.0	3.6	-3.6	-100.0	0.0	-
110.2	110.2	0.0	0.0	97.7	12.8	Annuitant Health Benefits	550.8	550.8	0.0	0.0	468.4	17.6
8.6	20.7	-12.0	-58.1	10.0	-13.7	Other Compensation	63.9	82.7	-18.8	-22.7	66.4	-3.6
\$ 4,066.4	\$ 4,095.4	\$ -29.0	-0.7	\$ 3,864.7	5.2	Total Personnel Compensation	\$ 21,655.3	\$ 21,739.2	\$ -83.9	-0.4	\$ 20,824.0	4.0

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

ANALYSIS OF NON-PERSONNEL EXPENSES
February - FY 2004
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to		SPLY *	% SPLY	Description	Actual	Budget	Var. to		SPLY *	% SPLY
		Budget	% Budget						Budget	% Budget		
\$ 395.6	\$ 420.0	\$ -24.4	-5.8	\$ 367.3	7.7	Transportation	\$ 2,027.5	\$ 2,199.5	\$ -171.9	-7.8	\$ 2,123.8	-4.5
200.3	192.7	[7.6]	[3.9]	188.3	6.4	Supplies & Services	899.2	1,040.6	-141.3	-13.6	945.2	-4.9
184.9	182.1	[2.9]	[1.6]	182.8	1.1	Depreciation	945.6	940.7	[4.9]	[0.5]	959.0	-1.4
85.3	82.7	[2.7]	[3.2]	84.0	1.6	Rent	417.0	401.6	[15.3]	[3.8]	395.7	5.4
50.4	48.2	[2.2]	[4.7]	44.1	14.4	Fuel & Utilities	219.1	211.1	[8.0]	[3.8]	205.6	6.6
28.9	30.9	-2.0	-6.6	30.7	-6.1	Rural Carrier Equip Maint Allowance	161.9	170.7	-8.8	-5.2	165.9	-2.4
41.5	38.1	[3.4]	[8.9]	36.9	12.6	Vehicle Maintenance	194.0	178.5	[15.5]	[8.7]	185.7	4.5
39.2	46.6	-7.4	-15.9	28.3	38.3	Information Technology	183.2	232.8	-49.7	-21.3	163.7	11.9
18.3	15.0	[3.3]	[22.3]	11.5	59.3	Building Projects Expensed	95.9	72.1	[23.8]	[33.0]	47.3	102.5
5.1	6.3	-1.2	-19.2	6.0	-14.8	Contract Job Cleaners	34.7	32.4	[2.3]	[7.2]	32.1	8.3
15.5	12.3	[3.2]	[26.2]	12.5	24.0	Travel & Relocation	75.4	63.9	[11.5]	[18.1]	54.8	37.7
15.5	19.8	-4.4	-22.0	16.3	-5.1	Communications	87.2	94.4	-7.2	-7.6	83.9	3.9
4.8	6.2	-1.4	-22.3	6.0	-19.6	Contract Stations	28.7	30.9	-2.2	-7.2	25.2	13.9
1.9	2.4	-0.5	-21.5	1.6	19.9	Printing	7.2	12.0	-4.8	-40.2	9.1	-21.2
4.0	5.9	-1.9	-32.0	4.0	-0.1	Training	15.4	27.4	-12.0	-43.8	19.2	-19.8
2.6	4.1	-1.5	-36.5	2.8	-5.1	Carfare & Tolls	11.8	20.3	-8.5	-41.8	22.8	-48.3
1.9	2.2	-0.3	-15.7	1.9	-2.3	Vehicle Hire	8.3	10.5	-2.2	-21.2	9.3	-11.5
3.0	3.6	-0.7	-18.6	5.8	-48.9	Accident Cost	19.3	18.2	[1.1]	[6.1]	20.3	-4.8
13.5	23.2	-9.7	-42.0	20.5	-34.4	Miscellaneous	103.5	121.0	-17.4	-14.4	74.9	38.3
\$ 1,112.2	\$ 1,142.3	\$ -30.1	-2.6	\$ 1,051.4	5.8	Total Non-Personnel Expenses	\$ 5,534.7	\$ 5,878.3	\$ -343.7	-5.8	\$ 5,543.3	-0.2

[]=Unfavorable variance to budget

Totals may not sum due to rounding.

*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

STATEMENT OF FINANCIAL POSITION

February - FY 2004

(\$ Millions)

Assets	February 29, 2004	September 30, 2003*
Current Assets:		
Cash and cash equivalents _1/	\$ 309	\$ 2,266
Receivables:		
Foreign countries	634	744
U.S. Government	397	359
Other	<u>199</u>	<u>194</u>
Receivables before allowances	1,230	1,297
Less allowances	<u>108</u>	<u>106</u>
Total receivables, net	1,122	1,191
Supplies, advances and prepayments	<u>343</u>	<u>366</u>
Total Current Assets	1,774	3,823
Other Assets, Principally Revenue Forgone Appropriations Receivable	365	365
Property and Equipment, at Cost:		
Buildings	19,835	19,759
Equipment	17,295	17,166
Land	2,816	2,809
Leasehold improvements, net	<u>1,101</u>	<u>1,060</u>
	41,047	40,794
Less allowances for depreciation and amortization	<u>19,580</u>	<u>18,717</u>
	21,467	22,077
Construction in progress	<u>1,206</u>	<u>977</u>
Total Property and Equipment, Net	22,673	23,054
Total Assets	\$ <u>24,812</u>	\$ <u>27,242</u>

_1/ Includes securities with maturities of 90 days or less in accordance with Statement of Financial Accounting Standards (SFAS) No. 95.

* Audited year-end data.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

STATEMENT OF FINANCIAL POSITION
February - FY 2004
(\$ Millions)

Liabilities and Net Capital	February 29, 2004	September 30, 2003*
Current Liabilities:		
Compensation and benefits	\$ 2,492	\$ 2,518
Estimated prepaid postage	1,349	1,349
Payables and accrued expenses:		
Foreign countries	784	879
U.S. Government	91	112
Unexpended appropriations	399	406
Other	1,954	1,863
Total payables and accrued expenses	<u>3,228</u>	<u>3,260</u>
Prepaid box rentals, permit and metered mail	1,873	1,925
Outstanding postal money orders	896	768
Debt	<u>2,062</u>	<u>7,273</u>
Total Current Liabilities	11,900	17,093
Other Liabilities:		
Workers' compensation	6,945	6,324
Employees' accumulated leave	1,854	1,932
Other	<u>1,006</u>	<u>1,027</u>
Total Other Liabilities	<u>9,805</u>	<u>9,283</u>
Total Liabilities	21,705	26,376
Net Capital:		
Capital contributions of the U.S. government	3,034	3,034
Retained earnings (deficit) since reorganization	73	(2,168)
Total Net Capital	<u>3,107</u>	<u>866</u>
Total Liabilities and Net Capital	<u>\$ 24,812</u>	<u>\$ 27,242</u>

* Audited year-end data.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

STATEMENT OF CASH FLOWS
Fiscal Year 2004 through February 29, 2004
(\$ Millions)

Cash flows from operating activities:	
Net income/(loss)	\$ 2,241
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation, amortization and loss on disposal of property and equipment, net	945
Increase/(decrease) in other liabilities	(21)
Increase/(decrease) in employees' accumulated leave	(78)
Increase/(decrease) in workers' compensation claims	621
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits	(26)
Increase/(decrease) in deferred revenue	
Increase/(decrease) in payables and accrued expenses	(25)
(Increase)/decrease in receivables	69
(Increase)/decrease in supplies, advances and prepayments	23
Increase/(decrease) in prepaid box rentals, permit and metered mail	(52)
Increase/(decrease) in outstanding postal money orders	128
Net cash provided by operating activities	3,825
Cash flows from investing activities:	
Purchase of property and equipment	(567)
Proceeds from sale of property and equipment	3
Net cash used in investing activities	(564)
Cash flows from financing activities:	
U.S. government appropriations - received	-
U.S. government appropriations -expended	(7)
Issuance of debt	-
Payments on debt	(5,211)
Net cash used in financing activities	(5,218)
Net decrease in cash and cash equivalents	(1,957)
Cash and cash equivalents at beginning of year	2,266
Cash and cash equivalents at end of period	\$ 309

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

CAPITAL INVESTMENTS
FY 2004
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 33.3	\$ 41.5	\$ 11.0	\$ 53.0	\$ 114.9	\$ 53.1
BUILDING IMPROVEMENTS	61.3	55.8	27.3	86.0	103.5	72.8
MAIL PROCESSING EQUIPMENT	52.2	452.9	450.4	232.0	304.1	286.8
VEHICLES	146.3	\$ 153.6	21.8	68.2	86.9	18.5
RETAIL EQUIPMENT	26.7	41.1	17.6	31.4	39.4	2.9
POSTAL SUPPORT EQUIPMENT	41.8	111.9	112.3	129.4	141.6	83.6
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 361.7	\$ 856.9	\$ 640.5	\$ 600.0	\$ 790.4	\$ 517.8

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	Year-to-Date February 29, 2004	Year-to-Date September 30, 2003
CONSTRUCTION AND BUILDING PURCHASE	\$ 218.5	\$ 238.2
BUILDING IMPROVEMENTS	162.0	186.7
MAIL PROCESSING EQUIPMENT	1,229.8	1,409.5
VEHICLES	149.6	71.6
RETAIL EQUIPMENT	173.6	178.4
POSTAL SUPPORT EQUIPMENT	222.9	310.5
TOTAL RESOURCES ON ORDER	\$ 2,156.5	\$ 2,394.9

Note: Totals may not sum due to rounding.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

February - FY 2004
(Data in Thousands)

Current Period						Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
					Total Workhours					
719	[22]	[3.1]	701	2.5	Operations:	3,635	- 51	- 1.4	3,704	- 1.9
26,523	[304]	[1.2]	26,812	- 1.1	-Support	146,005	- 1,667	- 1.1	153,184	- 4.7
12,865	- 62	- 0.5	12,544	2.6	-Mail Processing	69,543	[42]	[0.1]	68,028	2.2
35,573	[436]	[1.2]	35,724	- 0.4	-Rural Delivery	192,014	[1,471]	[0.8]	193,854	- 0.9
2,496	[31]	[1.2]	2,473	0.9	-City Delivery	13,295	- 60	- 0.5	13,507	- 1.6
6,454	- 47	- 0.7	6,337	1.9	-Vehicles Services	33,830	- 952	- 2.7	34,094	- 0.8
18,115	[435]	[2.5]	17,913	1.1	-Plant & Equip Maint	97,094	[242]	[0.2]	98,190	- 1.1
378	- 77	- 16.9	512	- 26.2	-Customer Services	2,012	- 390	- 16.2	2,755	- 27.0
680	[5]	[0.7]	670	1.6	Finance	3,555	- 21	- 0.6	3,488	1.9
1,158	- 43	- 3.6	1,143	1.3	Human Resources	6,050	- 322	- 5.1	6,111	- 1.0
5,406	[297]	[5.8]	5,262	2.7	Customer Service & Sales	27,458	[354]	[1.3]	27,784	- 1.2
2,293	- 93	- 3.9	3,277	- 30.0	Administration	12,804	[398]	[3.2]	17,916	- 28.5
112,660	[1,207]	[1.1]	113,369	- 0.6	Other	607,295	- 957	- 0.2	622,614	- 2.5
					Total Workhours					

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
9.4%	8.1%	8.1%	Overtime Ratio	9.7%	8.6%	8.8%
			Per 100 Workhours			

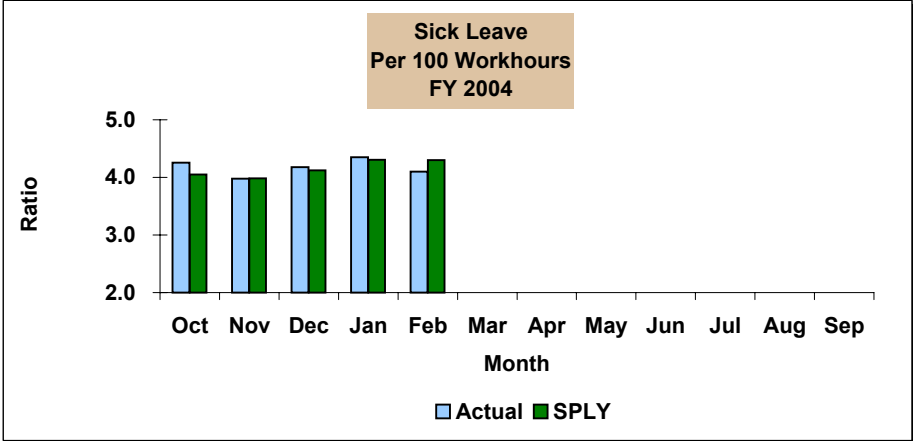
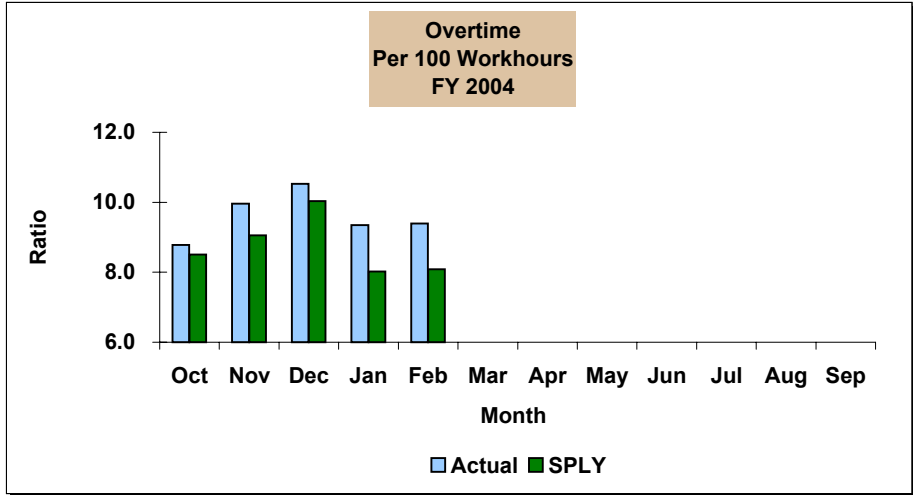
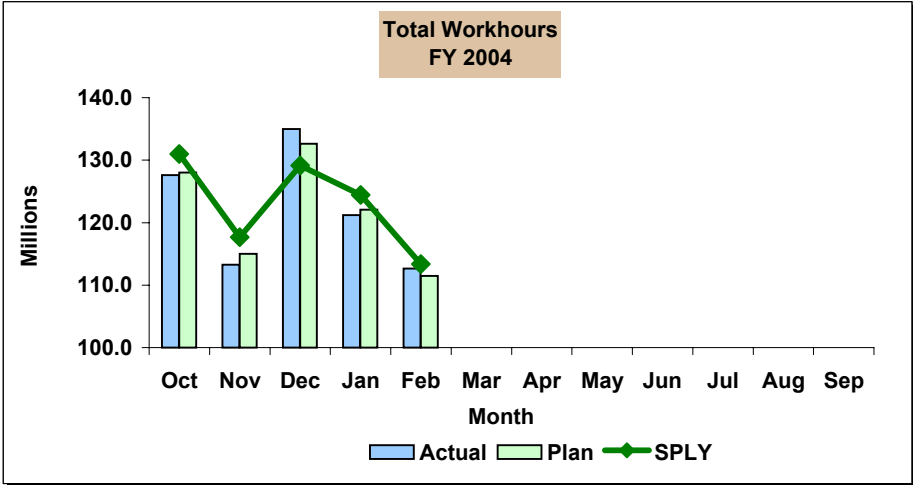
Sick Leave					
Actual	SPLY		Actual	SPLY	
4.1%	4.3%	Sick Leave Ratio	4.3%	4.2%	
		Per 100 Workhours			

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Analysis to the Financial and Operating Statements beginning on page 16.



See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

February - FY 2004

Analysis of the Financial and Operating Statements

(Information: The additional day in February due to leap year was a Sunday.)

Revenue - Pages 1, 2, 3, 4, 5 and 6

Current period, Total Revenue was 2.8% or \$144 million over plan. Together, Permit Revenue and Total Retail Revenue contributed \$172 million of the Total Revenue overrun to plan. Total Revenue was 1.9% or \$98 million over same period last year (SPLY). The bulk of this increase was Permit Revenue, at \$76 million greater than SPLY.

Year-to-date (YTD), Total Revenue is \$207 million or 0.7% over plan. Permit Revenue and Retail Postage Revenue are contributing to the majority of the Total Revenue overrun to plan, \$576 million. As compared to SPLY, Total Revenue has decreased 1.0% or \$301 million.

Expenses - Pages 1, 2, 4, 7, 8 and 9

Current period, Total Expenses were \$60 million or 1.2% below plan. While personnel costs were \$29 million or 0.7% below plan, non-personnel costs were below plan by \$30 million or 2.6%. We planned a 1.9 million workhour reduction, but only achieved a reduction of 700,000 hours. This overrun was due to weather and a volume increase of 4.6%. The primary contributors of the \$30 million plan underrun in non-personnel costs were Transportation and Information Technology. Combined, they were \$32 million below plan.

YTD, Total Expenses are \$470 million or 1.7% below plan. Most of the YTD plan underrun lies in non-personnel expenses, which were \$344 million under plan. Supplies and Services and Transportation, were under plan by \$141 million and \$172 million, respectively. Transformation Plan initiatives, Supply Chain Management, more effective utilization of our transportation network, and other cost containment initiatives are continuing to drive most of our savings. Some positive impact to non-personnel savings are derived from the timing of payment for invoices versus planned payment. Also, reduced workload due to lower than planned mail volume continue to have an impact to personnel costs.

Mail Volume and Revenue - Page 3

Total Mail Volume for February, 2004, Fiscal Year (FY) 2004 was 699 million pieces above SPLY or 4.6%. Periodical Mail, Standard Mail, Packages and International Mail were above SPLY, while First-Class Mail, Priority Mail and Express Mail were below their February, 2003 levels.

FY 2004 YTD Total Mail Volume was 0.3% above SPLY. The most significant mail volume increase above SPLY for FY 2004 YTD is in the Standard Mail category at 1.1 billion pieces or 2.7% above. YTD, First-Class Mail has generated \$339 million or 2.1% less revenue than SPLY.

February - FY 2004

Analysis of the Financial and Operating Statements (Continued)

Capital Investments - Pages 1 and 13

The Fiscal Year 2004 Capital Commitments YTD through February 29, 2004 are \$362 million compared to a plan of \$857 million. This represents an underrun of about \$495 million or 57.8%. The majority of the underrun is related to a delay in the contract award process for the Optical Character Reader (OCR) Enhancement Program.

The Cash Outlays YTD are \$600 million versus a plan of \$790 million, representing a \$190 million overrun to plan.

Workhours - Pages 1, 14 and 15

Total workhours for February, 2004 were 1.2 million hours or 1.1% above plan and 0.7 million hours or 0.6% below February, 2003. Workhour usage was less than SPLY in Mail Processing, City Delivery, Finance and Other. The majority of this month's workhour savings to SPLY emanated from the Other workhours category, which was 1.0 million hours below SPLY primarily in Limited Duty and Rehabilitation workhours (see comments below).

Total workhours for February YTD are 15.3 million hours or 2.5% below SPLY. This reduction in workhours reflects the continuation of cost containment activities through the installation of more efficient mail processing equipment and other productivity enhancements, as well as capturing workhours as a result of decreasing workload. To date, Mail Processing workhours have been reduced 7.2 million hours or 4.7% below SPLY. Other Workhours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours also played a major role by using 5.1 million hours less than SPLY. The reduction in Limited Duty and Rehabilitation hours is directly impacted by the initiative to include these operations in our calculation of productivity improvement opportunity. Additionally, City Delivery, Customer Services and Finance realized a combined reduction to SPLY of 3.7 million hours.