



**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS

**March, FY 2004
March 1 – March 31, 2004**



Prepared by: Financial Reporting and Analysis

Highlights
March - FY 2004
(Millions)

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 6,073.7	\$ 5,789.6	\$ 284.1	4.9	\$ 5,750.6	5.6
<u>5,746.1</u>	<u>5,847.9</u>	<u>- 101.8</u>	- 1.7	<u>5,348.8</u>	7.4
\$ 327.6	\$ (- 58.3)	\$ 385.9	-	\$ 401.8	-
\$ 463.7	\$ 31.4	\$ 432.3	NM	\$ 23.7	NM
129.3	128.6	[0.7]	[0.6]	126.2	2.4

Year-to-Date (October 1, 2003 - March 31, 2004)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 35,515.1	\$ 35,023.9	\$ 491.2	1.4	\$ 35,493.0	0.1
<u>32,957.9</u>	<u>33,517.9</u>	<u>- 560.0</u>	- 1.7	<u>31,903.8</u>	3.3
\$ 2,557.2	\$ 1,506.0	\$ 1,051.2	-	\$ 3,589.2	-
\$ 825.4	\$ 888.3	[\$ - 62.9]	[- 7.1]	\$ 664.2	24.3
736.7	736.7	- 0.0	- 0.0	748.9	- 1.6

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,606	27,623	27,657
Postal Owned Vehicles In Use			
Administrative	5,779	5,513	5,569
Operations	206,543	206,617	201,136
Total Deliveries (000)	142,178	142,033	140,424
City Delivery Routes	164,574	164,607	165,843
Rural Routes	69,991	69,985	69,488
Career Employees (Excludes Inspector General)	711,937	714,140	737,550
Casual Employees	19,747	19,582	20,084
Transitional Employees	10,051	10,260	13,116

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

** The Capital Commitments plan for March was lower than the actual commitments due to timing issues. Originally, the contract for Multi-Letter Optical Character Reader (MLOCR) equipment was scheduled for February but due to negotiation problems, the contract award was delayed until March.

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

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 6,071.4	\$ 5,787.4	\$ 284.0	4.9	\$ 5,746.5	5.7	Operating Revenue	\$ 35,499.5	\$ 35,010.5	\$ 489.0	1.4	\$ 35,466.8	0.1
<u>5,745.9</u>	<u>5,846.2</u>	<u>- 100.3</u>	- 1.7	<u>5,321.6</u>	8.0	Operating Expense	<u>32,947.3</u>	<u>33,463.8</u>	<u>- 516.5</u>	- 1.5	<u>31,700.4</u>	3.9
\$ 325.5	\$ (- 58.8)	\$ 384.3	-	\$ 424.9	-	Income/(Loss) From Operations	\$ 2,552.2	\$ 1,546.7	\$ 1,005.5	-	\$ 3,766.4	-
2.3	2.2	0.1	4.5	4.1	- 43.9	Investment Income	15.6	13.4	2.2	16.4	26.2	- 40.5
0.2	1.7	- 1.5	- 88.2	27.2	- 99.3	Interest Expense	10.6	7.9	[2.7]	[34.2]	203.4	- 94.8
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0	<u>0.0</u>	0.0	Interest on Deferred Retirement Costs	<u>0.0</u>	<u>46.2</u>	<u>- 46.2</u>	- 100.0	<u>0.0</u>	0.0
\$ 327.6	\$ (- 58.3)	\$ 385.9	-	\$ 401.8	-	Net Income/(Loss)	\$ 2,557.2	\$ 1,506.0	\$ 1,051.2	-	\$ 3,589.2	-

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

MAIL VOLUME - MAIL REVENUE (Data in Thousands)						
CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	Qtr. II 2004	Qtr. II 2003	% SPLY	Qtr. II 2004	Qtr. II 2003	% SPLY
FIRST-CLASS						
VOLUME	24,874,695	25,098,479	- 0.9	50,740,737	51,147,881	- 0.8
REVENUE	\$ 9,262,439	\$ 9,365,778	- 1.1	\$ 18,916,145	\$ 19,135,952	- 1.1
REV/PC.	0.3724	0.3732	- 0.2	0.3728	0.3741	- 0.4
PRIORITY-MAIL						
VOLUME	213,513	219,039	- 2.5	447,127	453,745	- 1.5
REVENUE	\$ 1,097,078	\$ 1,126,245	- 2.6	\$ 2,369,166	\$ 2,408,943	- 1.7
REV/PC.	5.1382	5.1418	- 0.1	5.2986	5.3090	- 0.2
EXPRESS MAIL						
VOLUME	13,579	14,013	- 3.1	27,012	28,134	- 4.0
REVENUE	\$ 212,649	\$ 221,543	- 4.0	\$ 429,499	\$ 451,739	- 4.9
REV/PC.	15.6601	15.8098	- 0.9	15.9003	16.0567	- 1.0
PERIODICALS						
VOLUME	2,309,279	2,393,175	- 3.5	4,626,339	4,779,938	- 3.2
REVENUE	\$ 544,926	\$ 566,890	- 3.9	\$ 1,106,948	\$ 1,149,254	- 3.7
REV/PC.	0.2360	0.2369	- 0.4	0.2393	0.2404	- 0.5
STANDARD MAIL						
VOLUME	23,328,921	21,714,508	7.4	48,219,583	46,554,143	3.6
REVENUE	\$ 4,442,052	\$ 4,172,636	6.5	\$ 9,128,061	\$ 8,867,519	2.9
REV/PC.	0.1904	0.1922	- 0.9	0.1893	0.1905	- 0.6
PACKAGE SERVICES						
VOLUME	278,174	278,636	- 0.2	596,408	589,079	1.2
REVENUE	\$ 546,252	\$ 549,488	- 0.6	\$ 1,202,494	\$ 1,203,718	- 0.1
REV/PC.	1.9637	1.9721	- 0.4	2.0162	2.0434	- 1.3
INTERNATIONAL						
VOLUME	208,409	184,513	13.0	448,764	417,627	7.5
REVENUE	\$ 436,217	\$ 361,850	20.6	\$ 897,931	\$ 840,759	6.8
REV/PC.	2.0931	1.9611	6.7	2.0009	2.0132	- 0.6
ALL OTHER						
VOLUME	146,810	118,757	23.6	290,463	237,199	22.5
REVENUE	\$ 173	\$ 441	- 60.8	\$ 332	\$ 752	- 55.8
ALL MAIL						
VOLUME	51,373,380	50,021,120	2.7	105,396,433	104,207,745	1.1
REVENUE	\$ 16,541,785	\$ 16,364,871	1.1	\$ 34,050,577	\$ 34,058,637	- 0.0
REV/PC.	0.3220	0.3272	- 1.6	0.3231	0.3268	- 1.2

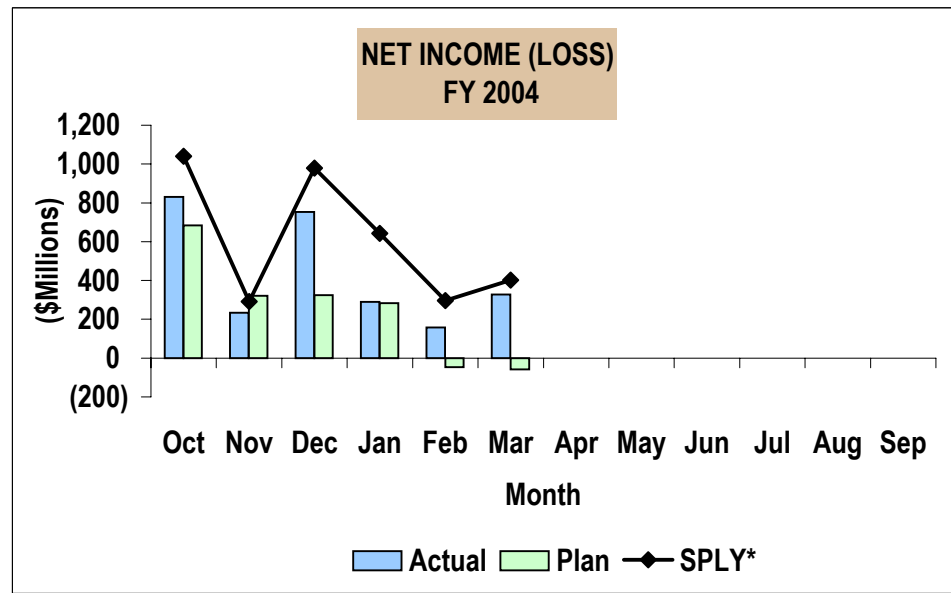
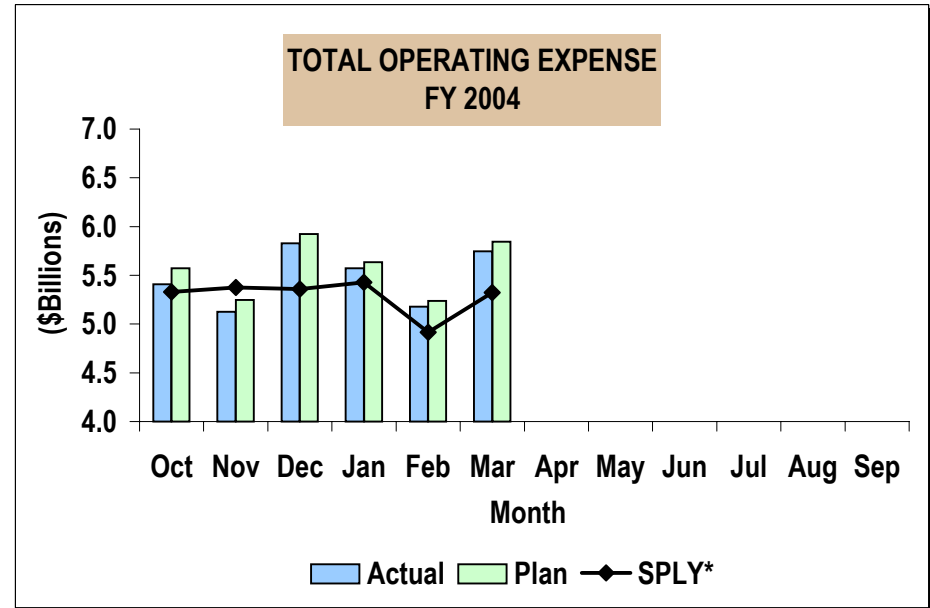
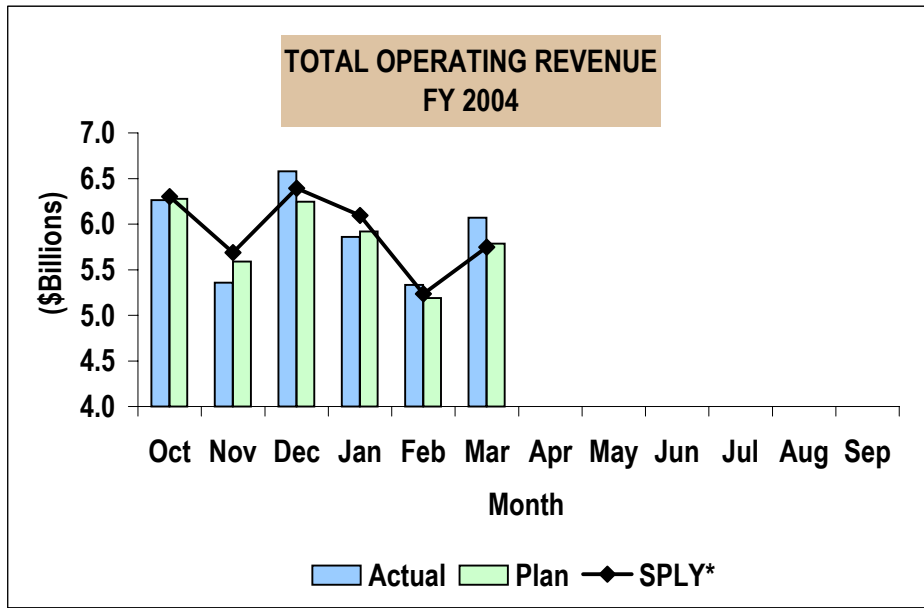
NOTE: Totals may not sum due to rounding.

NOTE: RPW data are reported on a new Fiscal Year basis (October 1-September 30). In addition, RPW data are reported on a calendar month basis.

Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31).

In order to provide a basis for comparison, FY 2003 data have been recast to reflect these reporting changes. The recast of FY 2003 data uses representative data from Accounting, PERMIT, the RPW sample and other input systems and can only provide an approximate basis for calculating changes to same period last year (SPLY) data. Therefore, the changes indicated in this report should be viewed as preliminary and subject to uncertainty.

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
March - FY 2004
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
\$ 2,227.2	\$ 2,133.7	4.4	Operating Revenue:	\$ 12,910.4	\$ 13,004.9	- 0.7
			Metered Postage			
980.5	941.7	4.1	Stamps and Stamped Paper	6,103.4	6,217.6	- 1.8
1,524.7	1,383.8	10.2	Permit Imprint	8,534.0	8,351.3	2.2
194.7	192.8	1.0	Periodicals & Standard	1,096.8	1,138.8	- 3.7
74.7	90.3	- 17.3	Official Mail	458.0	471.5	- 2.9
815.8	777.4	4.9	Presort First-Class & Package Svc./Permit Imprint	4,908.5	4,849.6	1.2
69.0	66.0	4.5	Box Rents	389.0	390.1	- 0.3
16.3	16.2	0.6	Money Order Fees	90.3	93.7	- 3.6
<u>164.3</u>	<u>142.0</u>	15.7	Other	<u>982.4</u>	<u>933.8</u>	5.2
\$ 6,067.2	\$ 5,743.9	5.6	Subtotal	\$ 35,472.8	\$ 35,451.3	0.1
<u>4.2</u>	<u>2.6</u>	61.5	Government Appropriation	<u>26.7</u>	<u>15.5</u>	72.3
\$ 6,071.4	\$ 5,746.5	5.7	Total Operating Revenue	\$ 35,499.5	\$ 35,466.8	0.1
<u>2.3</u>	<u>4.1</u>	- 43.9	Investment Income	<u>15.6</u>	<u>26.2</u>	- 40.5
\$ 6,073.7	\$ 5,750.6	5.6	Total Revenue	\$ 35,515.1	\$ 35,493.0	0.1

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
March - FY 2004
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,600.2	\$ 2,398.8	8.4	Permit Revenue	\$ 14,909.3	\$ 14,324.6	4.1
<u>1,938.1</u>	<u>1,939.3</u>	[- 0.1]	Other Commercial Accounts Revenue	<u>11,136.1</u>	<u>11,512.7</u>	[- 3.3]
\$ 4,538.3	\$ 4,338.1	4.6	Total Commercial Revenue	\$ 26,045.4	\$ 25,837.3	0.8
			Retail Revenue			
1,210.0	1,156.8	4.6	Retail Postage Revenue	7,543.8	7,363.3	2.5
100.5	90.9	10.6	Retail Services Revenue	542.8	542.5	0.1
13.6	12.6	7.9	Retail Products Revenue	86.5	91.1	[- 5.0]
<u>171.5</u>	<u>160.0</u>	7.2	Other Retail Channels Revenue	<u>1,016.0</u>	<u>997.3</u>	1.9
\$ 1,495.6	\$ 1,420.3	5.3	Total Retail Revenue	\$ 9,189.1	\$ 8,994.2	2.2
\$ 6,033.9	\$ 5,758.4	4.8	Total Commercial & Retail Revenue	\$ 35,234.5	\$ 34,831.5	1.2
33.3	26.0	28.1	Other Income	238.3	160.7	48.3
<u>4.2</u>	<u>3.0</u>	40.0	Government Appropriation	<u>26.7</u>	<u>18.3</u>	45.9
\$ 6,071.4	\$ 5,787.4	4.9	Total Operating Revenue	\$ 35,499.5	\$ 35,010.5	1.4
<u>2.3</u>	<u>2.2</u>	4.5	Investment Income	<u>15.6</u>	<u>13.4</u>	16.4
\$ 6,073.7	\$ 5,789.6	4.9	Total Revenue	\$ 35,515.1	\$ 35,023.9	1.4

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

EXPENSE ANALYSIS
March - FY 2004
(\$ Millions)

Current Period						Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 4,543.7	\$ 4,613.4	\$ - 69.7	- 1.5	\$ 4,215.4	7.8	\$ 26,205.1	\$ 26,398.0	\$ - 192.9	- 0.7	\$ 25,040.4	4.7
Personnel Compensation											
Non-Personnel Expense:											
421.4	426.5	- 5.1	- 1.2	366.5	15.0	2,452.7	2,626.0	- 173.3	- 6.6	2,497.4	- 1.8
229.2	231.6	- 2.4	- 1.0	191.0	20.0	1,129.0	1,225.0	- 96.0	- 7.8	1,135.7	- 0.6
551.6	574.7	- 23.1	- 4.0	548.7	0.5	3,160.5	3,214.8	- 54.3	- 1.7	3,026.9	4.4
\$ 1,202.2	\$ 1,232.8	\$ - 30.6	- 2.5	\$ 1,106.2	8.7	\$ 6,742.2	\$ 7,065.8	\$ - 323.6	- 4.6	\$ 6,660.0	1.2
Subtotal											
\$ 5,745.9	\$ 5,846.2	\$ - 100.3	- 1.7	\$ 5,321.6	8.0	\$ 32,947.3	\$ 33,463.8	\$ - 516.5	- 1.5	\$ 31,700.4	3.9
Total Operating Expense											
0.2	1.7	- 1.5	- 88.2	27.2	- 99.3	10.6	7.9	[2.7]	[34.2]	203.4	- 94.8
0.0	0.0	-	-	0.0	-	0.0	46.2	-	-	0.0	-
Interest Expense											
Interest on Deferred Retirement Costs											
\$ 5,746.1	\$ 5,847.9	\$ - 101.8	- 1.7	\$ 5,348.8	7.4	\$ 32,957.9	\$ 33,517.9	\$ - 560.0	- 1.7	\$ 31,903.8	3.3
Total Expense											

[]=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
March - 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:						
\$ 35.9	\$ 35.5	[\$ 0.4]	[1.3]	\$ 30.9	16.1	-Support	\$ 188.8	\$ 190.7	\$ -1.9	-1.0	\$ 174.1	8.5
958.8	981.5	-22.7	-2.3	929.4	3.2	-Mail Processing	5,747.0	5,828.5	-81.4	-1.4	5,611.4	2.4
413.3	418.7	-5.4	-1.3	376.0	9.9	-Rural Delivery	2,326.2	2,331.8	-5.7	-0.2	2,172.0	7.1
1,385.6	1,395.0	-9.3	-0.7	1,275.5	8.6	-City Delivery	7,984.2	7,915.3	[68.9]	[0.9]	7,552.8	5.7
101.5	101.3	[0.3]	[0.3]	92.0	10.4	-Vehicles Services	578.2	577.0	[1.1]	[0.2]	545.1	6.1
253.0	261.6	-8.7	-3.3	233.1	8.5	-Plant & Equip Maint	1,451.1	1,487.0	-35.9	-2.4	1,360.2	6.7
686.6	682.7	[3.9]	[0.6]	612.4	12.1	-Customer Services	3,914.9	3,912.7	[2.2]	[0.1]	3,692.6	6.0
17.7	20.8	-3.1	-14.7	20.0	-11.2	Finance	99.4	116.6	-17.2	-14.7	117.4	-15.4
33.1	34.6	-1.5	-4.4	28.6	15.9	Human Resources	177.7	181.5	-3.8	-2.1	160.1	11.0
51.1	53.7	-2.7	-5.0	43.3	18.0	Customer Service & Sales	277.3	289.6	-12.4	-4.3	253.1	9.6
235.2	217.1	[18.1]	[8.3]	192.3	22.3	Administration - Field	1,219.4	1,193.4	[25.9]	[2.2]	1,116.4	9.2
122.7	158.7	-36.0	-22.7	146.4	-16.2	Other Salaries & Benefits	721.8	823.0	-101.2	-12.3	855.5	-15.6
\$ 4,294.6	\$ 4,361.2	\$ -66.6	-1.5	\$ 3,979.8	7.9	Total Salaries & Benefits	\$ 24,685.9	\$ 24,847.2	\$ -161.3	-0.6	\$ 23,610.6	4.6
123.9	124.6	-0.7	-0.6	121.4	2.1	Workers' Compensation	743.8	747.8	-4.0	-0.5	751.5	-1.0
6.4	7.7	-1.3	-17.4	4.6	39.4	Unemployment Compensation	41.8	46.0	-4.2	-9.2	33.9	23.1
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	661.0	661.0	0.0	0.0	566.0	16.8
8.7	9.7	-1.0	-10.3	12.0	-27.6	Other Compensation	72.7	92.3	-19.6	-21.3	78.3	-7.1
\$ 4,543.7	\$ 4,613.4	\$ -69.7	-1.5	\$ 4,215.5	7.8	Total Personnel Compensation	\$ 26,205.2	\$ 26,398.0	\$ -192.8	-0.7	\$ 25,040.4	4.7

[]=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
March - FY 2004
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY	
			% Budget							% Budget			
\$ 421.4	\$ 426.5	\$ -5.1	-1.2	\$ 366.5	15.0	Transportation	\$ 2,452.7	\$ 2,626.0	\$ -173.3	-6.6	\$ 2,497.4	-1.8	
229.2	231.6	-2.4	-1.0	191.0	20.0	Supplies & Services	1,129.0	1,225.0	-96.0	-7.8	1,135.7	-0.6	
180.3	191.0	-10.7	-5.6	200.5	-10.1	Depreciation	1,126.1	1,131.7	-5.6	-0.5	1,159.5	-2.9	
82.8	84.1	-1.3	-1.5	78.7	5.3	Rent	499.8	485.9	[13.9]	[2.9]	474.3	5.4	
61.3	51.4	[9.9]	[19.2]	54.0	13.6	Fuel & Utilities	280.3	261.4	[18.9]	[7.2]	259.5	8.0	
30.0	33.0	-3.1	-9.3	32.0	-6.4	Rural Carrier Equip Maint Allowance	191.9	204.8	-12.9	-6.3	198.0	-3.0	
55.2	42.3	[12.8]	[30.3]	45.7	20.7	Vehicle Maintenance	249.2	220.9	[28.3]	[12.8]	231.4	7.7	
37.0	60.0	-23.0	-38.3	45.8	-19.2	Information Technology	218.4	292.8	-74.4	-25.4	209.8	4.1	
24.0	16.3	[7.6]	[46.7]	11.8	102.7	Building Projects Expensed	119.1	90.5	[28.7]	[31.7]	59.2	101.3	
6.5	7.0	-0.5	-7.1	6.8	-3.6	Contract Job Cleaners	42.7	39.3	[3.3]	[8.5]	38.8	9.9	
23.3	18.5	[4.9]	[26.3]	19.7	18.6	Travel & Relocation	98.8	82.7	[16.1]	[19.5]	77.8	27.0	
18.3	20.1	-1.8	-9.0	19.4	-5.5	Communications	105.3	114.4	-9.1	-7.9	103.2	2.0	
6.9	6.6	[0.4]	[5.5]	5.8	20.0	Contract Stations	35.6	37.4	-1.8	-4.9	31.0	15.0	
1.5	2.8	-1.3	-45.5	2.3	-35.3	Printing	8.7	14.8	-6.1	-41.1	11.5	-24.0	
5.3	6.3	-0.9	-15.0	3.9	35.6	Training	20.7	33.3	-12.6	-37.8	23.1	-10.3	
4.5	4.5	-0.0	-0.4	4.3	4.8	Carfare & Tolls	16.4	24.8	-8.4	-33.9	27.1	-39.5	
2.0	2.2	-0.3	-11.9	1.7	16.0	Vehicle Hire	10.2	12.6	-2.4	-18.8	11.0	-7.1	
6.5	4.5	[2.0]	[43.5]	8.2	-20.9	Accident Cost	25.7	22.7	[3.0]	[13.3]	28.4	-9.3	
6.4	24.0	-17.7	-73.5	8.2	-22.3	Miscellaneous	111.4	144.6	-33.3	-23.0	83.4	33.5	
\$ 1,202.2	\$ 1,232.8	\$ -30.6	-2.5	\$ 1,106.2	8.7	Total Non-Personnel Expenses	\$ 6,742.1	\$ 7,065.8	\$ -323.7	-4.6	\$ 6,660.0	1.2	

[]=Unfavorable variance to budget

Totals may not sum due to rounding.

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

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

Assets	March 31, 2004	September 30, 2003*
Current Assets:		
Cash and cash equivalents _1/	\$ 250	\$ 2,266
Receivables:		
Foreign countries	615	744
U.S. Government	436	359
Consignment	54	50
Other	148	144
Receivables before allowances	<u>1,253</u>	<u>1,297</u>
Less allowances	<u>108</u>	<u>106</u>
Total receivables, net	1,145	1,191
Supplies, advances and prepayments	<u>343</u>	<u>366</u>
Total Current Assets	1,738	3,823
Other assets, principally revenue forgone appropriations receivable	364	365
Property and Equipment, at Cost:		
Buildings	19,851	19,759
Equipment	17,318	17,166
Land	2,817	2,809
Leasehold improvements	1,105	1,060
	<u>41,091</u>	<u>40,794</u>
Less allowances for depreciation and amortization	<u>19,755</u>	<u>18,717</u>
	21,336	22,077
Construction in progress	<u>1,300</u>	<u>977</u>
Total Property and Equipment, Net	<u>22,636</u>	<u>23,054</u>
Total Assets	\$ <u>24,738</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
March - FY 2004
(\$ Millions)

Liabilities and Net Capital	March 31, 2004	September 30, 2003*
Current Liabilities:		
Compensation and benefits	\$ 2,886	\$ 2,518
Estimated prepaid postage	1,349	1,349
Payables and accrued expenses:		
Foreign countries	871	879
U.S. Government	99	112
Unexpended appropriations	398	406
Other	1,485	1,863
Total payables and accrued expenses	<u>2,853</u>	<u>3,260</u>
Permit, metered mail and prepaid box rentals	1,911	1,925
Outstanding postal money orders	792	768
Debt	<u>1,494</u>	<u>7,273</u>
Total Current Liabilities	11,285	17,093
Other Liabilities:		
Workers' compensation	7,069	6,324
Employees' accumulated leave	1,962	1,932
Other	<u>999</u>	<u>1,027</u>
Total Other Liabilities	<u>10,030</u>	<u>9,283</u>
Total Liabilities	21,315	26,376
Net Capital:		
Capital contributions of the U.S. government	3,034	3,034
Retained earnings (deficit) since reorganization	<u>389</u>	<u>(2,168)</u>
Total Net Capital	<u>3,423</u>	<u>866</u>
Total Liabilities and Net Capital	<u>\$ 24,738</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 March 31, 2004
(\$ Millions)

Cash flows from operating activities:	
Net income	\$ 2,557
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,111
Loss on disposals of property and equipment, net	15
Decrease in other assets	1
Increase in USPS workers' compensation	745
Decrease in Post Office Dept. workers' compensation	(24)
Increase in employees' accumulated leave	30
Decrease in other liabilities	(28)
Changes in current assets and liabilities:	
Increase in receivables, net	46
Decrease in Supplies, advances and prepayments	23
Increase in compensation and benefits	392
Increase in estimated prepaid postage	-
Increase in payables and accrued expenses	(407)
Increase in permit, metered mail and prepaid box rentals	(14)
Increase in outstanding postal money orders	24
Net cash provided by operating activities	4,471
Cash flows from investing activities:	
Purchase of property and equipment, net	(714)
Proceeds from sale of property and equipment	6
Net cash used in investing activities	(708)
Cash flows from financing activities:	
U.S. government appropriations expended	-
Issuance of debt	-
Payments on debt	(5,779)
Net cash used in financing activities	(5,779)
Net decrease in cash and cash equivalents	(2,016)
Cash and cash equivalents at beginning of year	2,266
Cash and cash equivalents at end of period	\$ 250

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

CAPITAL INVESTMENTS

March - FY 2004

(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 38.7	\$ 42.0	\$ 19.2	\$ 65.4	\$ 139.8	\$ 70.6
BUILDING IMPROVEMENTS	90.7	78.2	43.9	113.2	133.9	82.7
MAIL PROCESSING EQUIPMENT	449.1	453.8	466.9	289.7	363.1	346.2
VEHICLES	162.1	\$ 153.6	20.1	67.5	106.3	31.8
RETAIL EQUIPMENT	26.7	41.5	3.0	38.6	54.2	4.6
POSTAL SUPPORT EQUIPMENT	58.2	119.1	111.0	140.3	163.9	119.2
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 825.4	\$ 888.3	\$ 664.2	\$ 714.6	\$ 961.2	\$ 655.2

RESOURCES ON ORDER

(\$ Millions)

MAJOR CATEGORIES	Year-to-Date March 31, 2004	Year-to-Date September 30, 2003
CONSTRUCTION AND BUILDING PURCHASE	\$ 202.1	\$ 238.2
BUILDING IMPROVEMENTS	155.6	186.7
MAIL PROCESSING EQUIPMENT	1,566.8	1,409.5
VEHICLES	166.2	71.6
RETAIL EQUIPMENT	166.3	178.4
POSTAL SUPPORT EQUIPMENT	226.1	310.5
TOTAL RESOURCES ON ORDER	\$ 2,483.1	\$ 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

March - FY 2004
(Data in Thousands)

Current Period					Total Workhours	Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
872	[31]	[3.7]	818	6.6	Operations:	4,506	- 21	- 0.5	4,529	- 0.5
29,066	- 472	- 1.6	28,935	0.5	-Support	175,122	- 2,241	- 1.3	182,117	- 3.8
15,067	- 101	- 0.7	14,333	5.1	-Mail Processing	84,625	- 22	- 0.0	82,356	2.8
41,217	[220]	[0.5]	39,608	4.1	-Rural Delivery	233,291	[1,426]	[0.6]	233,458	- 0.1
2,875	[28]	[1.0]	2,742	4.9	-City Delivery	16,171	- 35	- 0.2	16,248	- 0.5
7,255	- 214	- 2.9	7,061	2.7	-Vehicles Services	41,090	- 1,156	- 2.7	41,155	- 0.2
21,040	[462]	[2.2]	20,562	2.3	-Plant & Equip Maint	118,180	[452]	[0.4]	118,763	- 0.5
447	- 97	- 17.8	568	- 21.3	-Customer Services	2,457	- 488	- 16.6	3,322	- 26.1
822	[8]	[1.0]	794	3.5	Finance	4,378	- 8	- 0.2	4,282	2.2
1,391	- 32	- 2.3	1,274	9.2	Human Resources	7,440	- 344	- 4.4	7,386	0.7
6,665	[652]	[10.8]	5,756	15.8	Customer Service & Sales	34,106	[988]	[3.0]	33,545	1.7
2,601	[229]	[9.6]	3,781	- 31.2	Administration	15,356	[1,429]	[10.3]	21,707	- 29.3
129,318	[714]	[0.6]	126,231	2.4	Other	736,720	- 19	- 0.0	748,867	- 1.6
					Total Workhours					

Overtime			Overtime Ratio Per 100 Workhours		
Actual	Budget	SPLY	Actual	Budget	SPLY
7.5%	7.6%	7.2%	9.3%	8.4%	8.5%

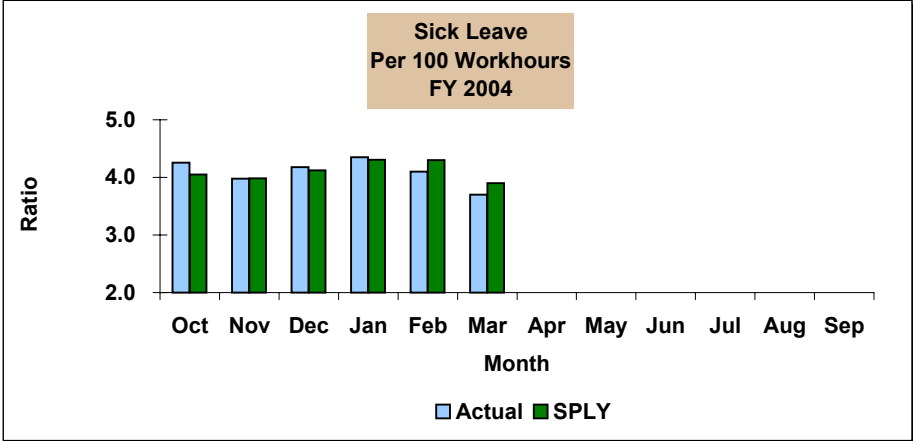
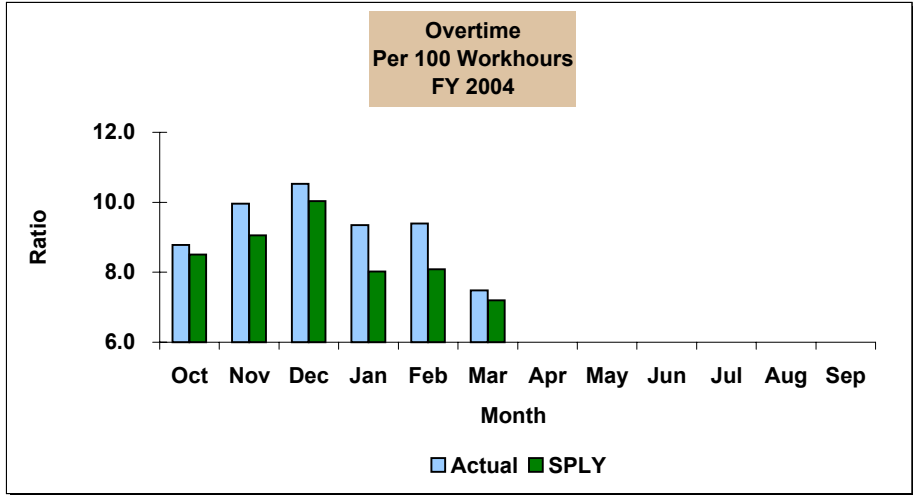
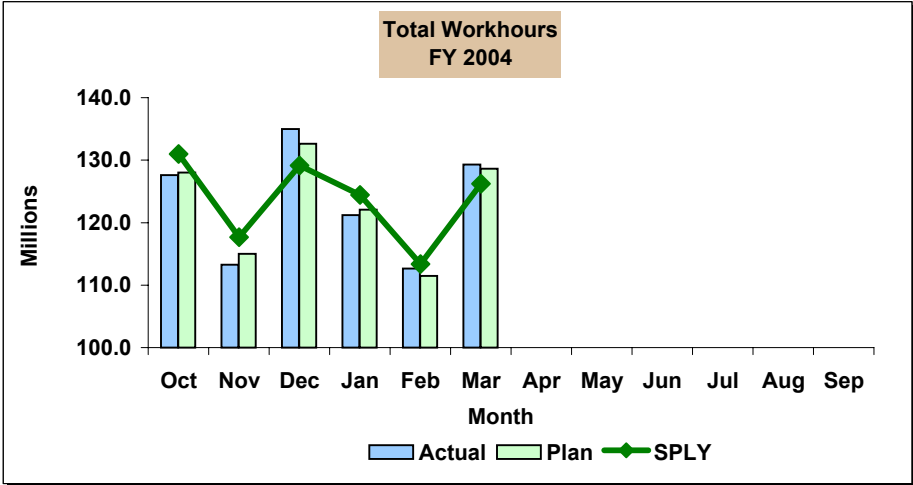
Sick Leave		Sick Leave Ratio Per 100 Workhours	
Actual	SPLY	Actual	SPLY
3.7%	3.9%	4.2%	4.1%

[]=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.

March - FY 2004

Analysis of the Financial and Operating Statements

Information: March 2004 had one less Saturday and Sunday and two more weekdays. For revenue this results in 1.5 additional weighted business days and 1.8 additional weighted delivery days for expenses.

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

Current period, Total Revenue was 4.9% or \$284 million over plan. Together, Permit Imprint Revenue and Total Retail Revenue contributed \$277 million of the Total Revenue overrun to plan. Total Revenue was 5.6% or \$323 million over same period last year (SPLY). The bulk of this increase was Permit Imprint Revenue, at \$195 million greater than SPLY.

Year-to-date (YTD), Total Revenue is \$491 million or 1.4% over plan. Permit Revenue and Retail Postage Revenue are contributing to the majority of the Total Revenue overrun to plan, \$765 million. As compared to SPLY, Total Revenue has increased 0.1% or \$22 million.

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

Current period, Total Expenses were \$102 million or 1.7% below plan. While personnel costs were \$70 million or 1.5% below plan, non-personnel costs were below plan by \$31 million or 2.5%. We planned a 2.4 million workhour increase, but realized an increase of 3.1 million hours. This overrun was mainly due to a volume increase of 7.8%. The primary contributors of the \$31 million plan underrun in non-personnel costs were Information Technology and Depreciation. Combined, they were \$34 million below plan. Although under plan, total expenses did grow 7.4% or \$397 million during March, driven by an extra 1.5 weighted delivery days, 12.8% growth in retiree health benefits and 13.6% percent growth in fuel and utilities.

YTD, Total Expenses are \$560 million or 1.7% under plan. YTD, personnel costs were \$193 million under plan, while non-personnel expenses were \$324 million under plan. The largest contributors to the non-personnel plan underrun were Transportation and Supplies and Services, which were \$173 million and \$96 million, under plan 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.

Mail Volume and Revenue - Page 3

Total Mail Volume for March, 2004, Fiscal Year (FY) 2004 was 1.3 billion pieces above SPLY or 7.8%. First-Class Mail, Priority Mail, Periodical Mail, Standard Mail, and International Mail were above SPLY, while Express Mail and Package Services were below their March, 2003 levels. Quarter II volume was 2.7% above same quarter last year.

FY 2004 YTD Total Mail Volume is 1.1% above SPLY. The most significant mail volume increase above SPLY for FY 2004 YTD is in the Standard Mail category at 1.7 billion pieces or 3.6% above. YTD, First-Class Mail volume is 0.8% less than same period last year, generating \$220 million or 1.1% less revenue than SPLY.

March - FY 2004

Analysis of the Financial and Operating Statements (Continued)

Capital Investments - Pages 1 and 13

The Capital Commitments plan for March was lower than the actual commitments due to timing issues. Originally, the contract for Multi-Letter Optical Character Reader (MLOCR) equipment was scheduled for February but due to negotiation problems, the contract award was delayed until March.

The Fiscal Year 2004 Capital Commitments YTD through March 31, 2004 are \$825 million compared to a plan of \$888 million. This represents an underrun of about \$63 million or 7.1%.

The Cash Outlays YTD are \$724 million versus a plan of \$961 million, representing a \$237 million underrun to plan.

Workhours - Pages 1, 14 and 15

Total workhours for March, 2004 were 0.7 million hours or 0.6% above plan and 3.1 million hours or 2.4% above March, 2003. The majority of this month's workhour usage increase to SPLY emanated from the City Delivery and Rural Delivery workhours category, which combined were 2.3 million hours above SPLY. This increase to SPLY was basically driven by an increase of 1.5 additional weighted delivery days in March 2004 versus March 2003.

Total workhours for March YTD are 12.1 million hours or 1.6% 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. To date, Mail Processing workhours have been reduced 7.0 million hours or 3.8% below SPLY. Other Workhours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours also played a major role by using 6.4 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.