



**UNITED STATES  
POSTAL SERVICE**

# FINANCIAL & OPERATING STATEMENTS



**Accounting Period 1, PFY 2003  
September 7 – October 4, 2002**

**Prepared by:  
Financial Reporting and Analysis**

**Highlights**  
**Accounting Period 1, FY 2003**  
**(Millions)**

Year-to-Date (September 7, 2002 - October 4, 2002)						
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
Total Revenue	\$ 5,439.7	\$ 5,480.8	[\$ - 41.1 ]	[ - 0.7 ]	\$ 5,095.6	6.8
Total Expense	<u>5,065.4</u>	<u>5,274.7</u>	<u>- 209.3</u>	- 4.0	<u>4,872.7</u>	4.0
Income/(Loss)	\$ 374.3	\$ 206.1	\$ 168.2	-	\$ 222.9	-
Capital Commitments	\$ 12.6	\$ 380.8	\$ - 368.2	- 96.7	\$ 33.9	- 62.8
Total Work Hours	118.1	119.5	- 1.4	- 1.2	123.8	- 4.6

[ ] = 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 Notes to the Financial and Operating Statements beginning on page 16.

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,791	27,839	27,871
Active Postal Owned Vehicles			
Administrative	5,444	5,444	5,593
Operations	201,591	201,812	203,161
Possible City Deliveries (000)	84,279	84,212	83,810
City Delivery Routes	165,839	165,829	167,606
Rural Routes	69,358	69,369	69,114
Career Employees (Excludes Inspector General)	750,542	752,227	773,820
Casual Employees	18,494	19,065	30,069
Transitional Employees	12,882	12,847	13,830

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

Statement of Income & Expense  
Accounting Period 1, FY 2003  
(\$ Millions)

	Year-to-Date					
	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
Operating Revenue	\$ 5,433.8	\$ 5,475.1	[\$ -41.3]	[-0.8]	\$ 5,092.0	6.6
Operating Expense	<u>4,910.5</u>	<u>5,124.2</u>	<u>-213.7</u>	<u>-4.2</u>	<u>4,721.3</u>	<u>4.0</u>
Income (Loss) From Operations	\$ 523.3	\$ 350.9	\$ 172.4	-	\$ 370.7	-
Investment Income	5.9	5.7	0.2	3.7	3.5	66.9
Interest Expense	-31.1	-26.7	-4.4	16.4	-25.2	23.4
Interest on Deferred Ret. Liabilities	<u>-123.8</u>	<u>-123.8</u>	<u>0.0</u>	<u>0.0</u>	<u>-126.1</u>	<u>-1.8</u>
Income/(Loss)	\$ 374.3	\$ 206.1	\$ 168.2	-	\$ 222.9	-

[ ]=Unfavorable variance to budget

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**MAIL VOLUME - MAIL REVENUE**

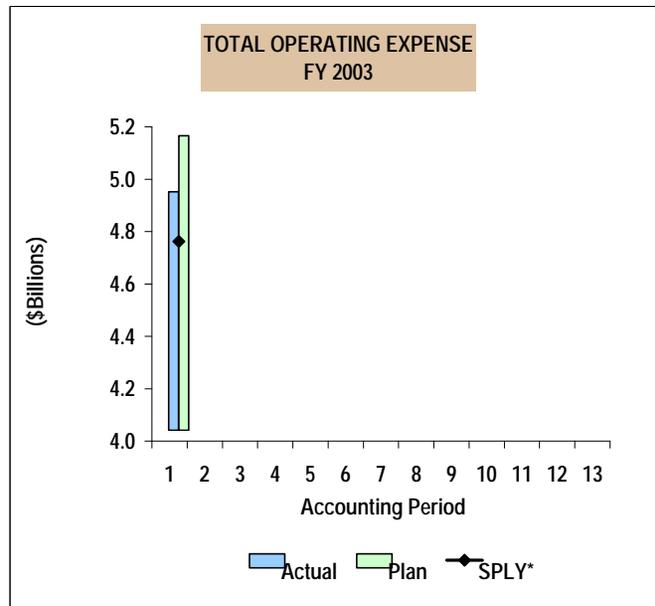
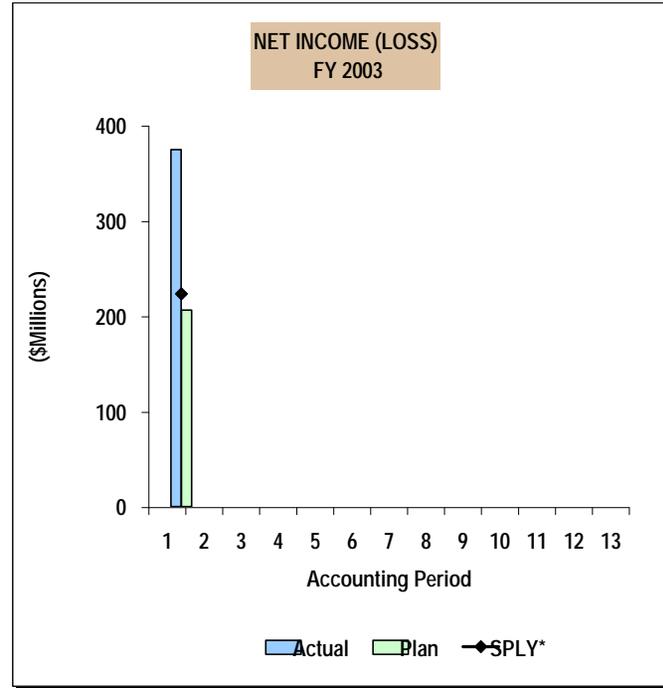
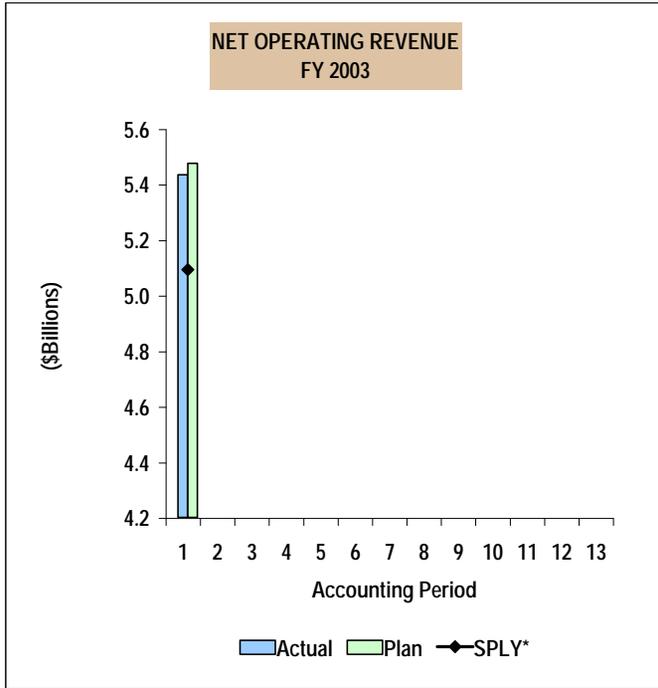
(Data in Thousands)

CATEGORY	YEAR-TO-DATE		
	AP 01 FY 2003	AP 01 FY 2002	% SPLY
<b>FIRST-CLASS</b>			
VOLUME	7,629,633	7,797,188	- 2.1
REVENUE	\$ 2,867,899	\$ 2,733,301	4.9
REV/PC.	0.3759	0.3505	7.2
<b>PRIORITY-MAIL</b>			
VOLUME	68,759	75,181	- 8.5
REVENUE	\$ 355,057	\$ 339,569	4.6
REV/PC.	5.1638	4.5167	14.3
<b>EXPRESS MAIL</b>			
VOLUME	4,415	4,269	3.4
REVENUE	\$ 70,124	\$ 62,138	12.9
REV/PC.	15.8831	14.5556	9.1
<b>PERIODICALS</b>			
VOLUME	741,336	716,893	3.4
REVENUE	\$ 186,962	\$ 166,374	12.4
REV/PC.	0.2522	0.2321	8.7
<b>STANDARD MAIL</b>			
VOLUME	7,573,587	7,115,023	6.4
REVENUE	\$ 1,452,722	\$ 1,285,979	13.0
REV/PC.	0.1918	0.1807	6.1
<b>PACKAGE SERVICES</b>			
VOLUME	83,597	82,891	0.9
REVENUE	\$ 163,620	\$ 158,559	3.2
REV/PC.	1.9572	1.9129	2.3
<b>INTERNATIONAL</b>			
VOLUME	72,235	70,943	1.8
REVENUE	\$ 123,131	\$ 115,255	6.8
REV/PC.	1.7046	1.6246	4.9
<b>ALL OTHER</b>			
VOLUME	39,570	35,322	12.0
REVENUE	\$ 80	\$ 98	- 18.5
<b>ALL MAIL _1/</b>			
VOLUME	16,213,132	15,897,710	2.0
REVENUE	\$ 5,219,595	\$ 4,861,274	7.4
REV/PC.	0.3219	0.3058	5.3

\_1/ Note: Numbers are preliminary and are subject to change.

\_2/ Totals may not sum due to rounding.

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



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**REVENUE BY SOURCE**  
**Accounting Period 1, FY 2003**  
**(\$ Millions)**

	Year-to-Date		
	Actual	SPLY	% SPLY
<b>Operating Revenue:</b>			
Metered Postage	\$ 2,005.6	\$ 1,912.1	4.9
Stamps and Stamped Paper	859.7	818.9	5.0
Permit Imprint	1,370.3	1,218.1	12.5
Periodicals & Standard	185.6	165.4	12.2
Official Mail	66.0	71.5	- 7.7
Presort First-Class & Package Svc./Permit Imprint	734.6	691.2	6.3
Box Rents	56.6	51.7	9.5
Money Order Fees	15.2	16.5	- 7.9
Other	<u>137.7</u>	<u>142.9</u>	- 3.6
<b>Subtotal</b>	<b>\$ 5,431.3</b>	<b>\$ 5,088.3</b>	<b>6.7</b>
<b>Government Appropriation:</b>			
Revenue Forgone	<u>2.5</u>	<u>3.7</u>	- 34.3
<b>Total Operating Revenue</b>	<b>\$ 5,433.8</b>	<b>\$ 5,092.0</b>	<b>6.6</b>
Investment Income	<u>5.9</u>	<u>3.5</u>	66.9
<b>Total Revenue</b>	<b>\$ 5,439.7</b>	<b>\$ 5,095.6</b>	<b>6.8</b>

Note: Totals may not sum due to rounding.

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**REVENUE BY CATEGORY**  
**Accounting Period 1, FY 2003**  
**(\$ Millions)**

	Year-to-Date		
	Actual	Budget	% Budget
<b>Commercial Revenue</b>			
Permit Revenue	\$ 2,344.6	\$ 2,318.5	1.1
Other Commercial Accounts Revenue	<u>1,807.9</u>	<u>1,907.9</u>	[ 5.2 ]
<b>Total Commercial Revenue</b>	<b>\$ 4,152.5</b>	<b>\$ 4,226.4</b>	<b>[ 1.7 ]</b>
<b>Retail Revenue</b>			
Retail Postage Revenue	1,038.5	993.8	4.5
Retail Services Revenue	79.0	75.9	4.0
Retail Products Revenue	11.3	12.0	[ 6.1 ]
Other Retail Channels Revenue	<u>119.2</u>	<u>131.8</u>	[ 9.5 ]
<b>Total Retail Revenue</b>	<b>\$ 1,248.0</b>	<b>\$ 1,213.5</b>	<b>2.8</b>
<b>Total Commercial &amp; Retail Revenue</b>	<b>\$ 5,400.5</b>	<b>\$ 5,439.9</b>	<b>[ 0.7 ]</b>
Other Income	30.8	31.7	[ 2.3 ]
Revenue Forgone	<u>2.5</u>	<u>3.5</u>	[ 29.1 ]
<b>Total Operating Revenue</b>	<b>\$ 5,433.8</b>	<b>\$ 5,475.1</b>	<b>[ 0.8 ]</b>
Investment Income	<u>5.9</u>	<u>5.7</u>	3.7
<b>Total Revenue</b>	<b>\$ 5,439.7</b>	<b>\$ 5,480.8</b>	<b>[ 0.7 ]</b>

[ ]=Unfavorable variance to budget

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beginning on page 16.

**EXPENSE ANALYSIS**  
**Accounting Period 1, FY 2003**  
**(\$ Millions)**

	Year-to-Date					
	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
<b>Personnel Compensation</b>	\$ 4,033.4	\$ 4,081.9	\$ - 48.5	- 1.2	\$ 3,811.8	5.8
Non-Personnel Expense:						
Transportation	371.1	386.4	- 15.3	- 3.9	368.4	0.7
Supplies & Services	99.6	188.5	- 88.9	- 47.2	90.9	9.5
Other	<u>406.4</u>	<u>467.4</u>	<u>- 61.0</u>	- 13.1	<u>450.2</u>	- 9.7
<b>Subtotal</b>	<b>\$ 877.1</b>	<b>\$ 1,042.3</b>	<b>\$ - 165.2</b>	<b>- 15.8</b>	<b>\$ 909.5</b>	<b>- 3.6</b>
<b>Total Operating Expense</b>	<b>\$ 4,910.5</b>	<b>\$ 5,124.2</b>	<b>\$ - 213.7</b>	<b>- 4.2</b>	<b>\$ 4,721.3</b>	<b>4.0</b>
Interest Expense	31.1	26.7	[ 4.4 ]	[ 16.4 ]	25.2	23.4
Interest on Deferred Ret. Liabilities	<u>123.8</u>	<u>123.8</u>	<u>0.0</u>	0.0	<u>126.1</u>	- 1.8
<b>Total Expense</b>	<b>\$ 5,065.4</b>	<b>\$ 5,274.7</b>	<b>\$ - 209.3</b>	<b>- 4.0</b>	<b>\$ 4,872.7</b>	<b>4.0</b>

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**ANALYSIS OF OPERATING EXPENSES**  
**Accounting Period 1, FY 2003**  
**Personnel Compensation**  
**(\$ Millions)**

	Year-to-Date					
	Actual	Budget	Var. to Budget		SPLY *	% SPLY
<b><u>Total Compensation</u></b>						
Operations:						
-Support	\$ 28.1	\$ 27.3	[\$ 0.7]	[ 2.7]	\$ 27.3	2.7
-Mail Processing	853.5	864.2	- 10.7	- 1.2	880.5	- 3.1
-Rural Delivery	335.2	342.9	- 7.7	- 2.2	332.5	0.8
-Other Delivery	1,162.5	1,144.2	[ 18.3]	[ 1.6]	997.3	16.6
-Vehicles Services	82.9	82.1	[ 0.8]	[ 0.9]	82.1	1.0
-Plant & Equip Maint	207.2	212.3	- 5.1	- 2.4	202.3	2.4
-Customer Services	568.9	567.8	[ 1.1]	[ 0.2]	576.1	- 1.3
Finance	19.1	22.0	- 2.9	- 13.3	20.8	- 8.0
Human Resources	25.3	25.8	- 0.4	- 1.6	25.1	1.0
Customer Service & Sales	40.0	42.7	- 2.7	- 6.3	33.0	21.4
Administration	173.9	169.7	[ 4.2]	[ 2.5]	167.0	4.1
Other Salaries & Benefits	133.0	175.2	- 42.1	- 24.0	345.9	- 61.5
<b>Total Salaries &amp; Benefits</b>	<b>\$ 3,629.7</b>	<b>\$ 3,676.2</b>	<b>\$ - 46.5</b>	<b>- 1.3</b>	<b>\$ 3,689.6</b>	<b>- 1.6</b>
Workers' Compensation	119.8	120.3	- 0.5	- 0.4	78.5	52.7
Unemployment Compensation	7.7	7.7	[ 0.0]	[ 0.0]	4.8	59.6
Deferred Retirement Cost	107.9	108.8	- 0.9	- 0.8	107.9	0.0
CSRS Annuitant COLA	69.3	69.3	0.0	0.0	69.3	0.0
Annuitant Health Benefits	89.4	89.4	[ 0.0]	[ 0.0]	80.5	11.0
Other Compensation	9.6	10.2	- 0.6	- 6.0	- 218.9	- 104.4
<b>Total Personnel Compensation</b>	<b>\$ 4,033.4</b>	<b>\$ 4,081.9</b>	<b>\$ - 48.5</b>	<b>- 1.2</b>	<b>\$ 3,811.8</b>	<b>5.8</b>

[ ]=Unfavorable variance to budget

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**ANALYSIS OF NON-PERSONNEL EXPENSES**  
**Accounting Period 1, FY 2003**  
**(\$ Millions)**

<u>Description</u>	Year-to-Date					
	Actual	Budget	Var. to		SPLY *	% SPLY
			Budget	% Budget		
Transportation	\$ 371.1	\$ 386.4	\$ -15.3	-3.9	\$ 368.4	0.7
Supplies & Services	99.6	188.5	-88.9	-47.2	90.9	9.5
Depreciation	174.9	185.5	-10.7	-5.7	170.4	2.6
Rent	75.1	76.5	-1.4	-1.9	79.0	-5.0
Fuel & Utilities	23.3	32.5	-9.2	-28.4	24.2	-3.9
Rural Carrier Equip Maint Allowance	31.4	32.9	-1.4	-4.4	32.2	-2.5
Vehicle Maintenance	28.2	29.7	-1.6	-5.3	28.4	-0.8
Information Technology	6.3	34.8	-28.4	-81.8	9.5	-33.1
Building Projects Expensed	9.2	8.7	[ 0.4 ]	[ 5.0 ]	14.8	-38.0
Contract Job Cleaners	5.3	5.3	[ 0.1 ]	[ 1.3 ]	5.0	5.6
Travel & Relocation	8.0	8.9	-0.9	-10.0	7.1	14.1
Communications	10.1	9.6	[ 0.5 ]	[ 4.9 ]	3.5	185.2
Contract Stations	5.9	6.3	-0.4	-6.6	6.8	-14.1
Printing	0.0	1.5	-1.5	-98.3	0.3	-90.4
Training	3.8	6.0	-2.2	-36.7	3.7	1.7
Carfare & Tolls	4.1	4.5	-0.3	-7.8	4.6	-9.5
Vehicle Hire	1.8	3.0	-1.2	-39.7	3.1	-42.2
Accident Cost	2.5	2.9	-0.4	-13.1	1.2	114.3
Capitalized Interest	-2.6	-3.6	[ 0.9 ]	[ 26.3 ]	-4.2	37.4
Miscellaneous	19.1	22.3	-3.2	-14.4	60.5	-68.5
<b>Total Other Operating Expenses</b>	<b>\$ 877.1</b>	<b>\$ 1,042.3</b>	<b>\$-165.2</b>	<b>-15.8</b>	<b>\$ 909.5</b>	<b>-3.6</b>

[ ]=Unfavorable variance to budget

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

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**STATEMENT OF FINANCIAL POSITION**  
**Accounting Period 1, FY 2003**  
**(\$ Millions)**

<b>Assets</b>	<b>October 4, 2002</b>	<b>September 30, 2002 *</b>
<b>Current Assets:</b>		
Cash and cash equivalents _1/	\$ 855	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	6	6
<b>Receivables:</b>		
Foreign countries	615	592
U.S. Government	162	125
Other	<u>208</u>	<u>192</u>
	985	909
Less allowances	<u>112</u>	<u>112</u>
	873	797
Supplies, advances and prepayments	<u>325</u>	<u>327</u>
<b>Total Current Assets</b>	<b>2,059</b>	<b>2,280</b>
Other assets _2/	369	368
<b>Property and equipment, at cost:</b>		
Buildings	19,528	19,513
Equipment	16,434	16,421
Land	<u>2,777</u>	<u>2,776</u>
	38,739	38,710
Less allowances for depreciation	<u>16,416</u>	<u>16,401</u>
	22,323	22,309
Construction in progress	1,187	1,223
Leasehold improvements, net	<u>613</u>	<u>604</u>
	24,123	24,136
Deferred Retirement Costs _3/	<u>33,778</u>	<u>32,231</u>
<b>Total Assets</b>	<b><u>\$ 60,329</u></b>	<b><u>\$ 59,015</u></b>

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

\_2/ Includes \$367 million as of September 30, 2002 and \$367 million as of October 4, 2002 appropriation receivable for revenue forgone.

\_3/ Represents the Postal Service's deferred retirement liability to OPM for increases in b annuitants' COLAs. Amounts applicable to future periods are capitalized as deferred and amortized over 30 years for basic pay and 15 years for annuitants' COLAs.

\* Audited year-end data

STATEMENT OF FINANCIAL POSITION		
Accounting Period 1, FY 2003		
(\$ Millions)		
Liabilities and Equities	October 4, 2002	September 30, 2002*
<b>**Current Liabilities:</b>		
Compensation and employees' benefits	\$ 4,851	\$ 5,113
Estimated prepaid postage	1,501	1,500
<b>Payables and accrued expenses:</b>		
Foreign countries	771	748
U.S. Government	259	246
Other - Including Emergency Preparedness Appropriations	<u>2,205</u>	<u>1,167</u>
	3,235	2,161
Appropriation for free & reduced rate mail	32	0
Prepaid permit mail and box rentals	2,017	2,011
Outstanding postal money orders	983	986
Current portion of debt	<u>2,608</u>	<u>3,815</u>
<b>Total Current Liabilities</b>	<b>15,227</b>	<b>15,586</b>
<b>Long-term debt, less current portion</b>	<b>7,300</b>	<b>7,300</b>
<b>Other Liabilities:</b>		
Amounts payable for retirement benefits _3/	31,495	30,046
Workers' compensation claims	5,867	5,815
Employees' accumulated leave	1,949	2,088
Other	<u>1,446</u>	<u>1,182</u>
<b>Total Other Liabilities</b>	<b>40,757</b>	<b>39,131</b>
Capital Contributions of the US Government	3,034	3,034
Deficit Since Reorganization	<u>- 5,989</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>- 2,955</u>	<u>- 3,002</u>
<b>Total Liabilities and Equity</b>	<b><u>\$ 60,329</u></b>	<b><u>\$ 59,015</u></b>

\_3/ Represents the Postal Service's deferred retirement liability to OPM for increases in basic pay and annuitants' COLAs. Amounts applicable to future periods are capitalized as deferred retirement costs and amortized over 30 years for basic pay and 15 years for annuitants' COLAs.

\* Audited year-end data

\*\*Note: For reporting during the postal operating year (September 7, 2002 through September 5, 2003) certain salary and benefit impacts from the Compensation and employees' benefits line are shown in the Other Payables and accrued expenses line. For official end of the year reporting, this is reversed.

<b>STATEMENT OF CASH FLOWS</b>	
<b>Fiscal Year 2003</b>	
<b>(\$ Millions)</b>	
<b>For the Fiscal Year through October 4, 2002</b>	
<b>Cash flows from operating activities:</b>	
Net income/(loss) (Government Fiscal Year Basis)	\$ 47
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation and amortization	166
Increase/(decrease) in other liabilities	264
Increase/(decrease) in employees' accumulated leave	(139)
Increase/(decrease) in non-current workers' compensation claims	52
Increase/(decrease) in retirement, net	(98)
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits	(262)
Increase/(decrease) in deferred revenue	39
Increase/(decrease) in payables and accrued expenses	1,074
(Increase)/decrease in receivables	(77)
(Increase)/decrease in supplies, advances and prepayments	2
Increase/(decrease) in outstanding postal money orders	(3)
<b>Net cash provided by operating activities</b>	<b>1,065</b>
<b>Cash flows from investing activities:</b>	
Sale/(purchase) of U.S. Government securities, net	0
Purchase of property and equipment, net	(153)
<b>Net cash used in investing activities</b>	<b>(153)</b>
<b>Cash flows from financing activities:</b>	
Increase/(decrease) in debt	(1,207)
(Increase)/decrease in other non-current assets	0
<b>Net cash used by financing activities</b>	<b>(1,207)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(295)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,150</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 855</b>

**CAPITAL INVESTMENTS**  
**FY 2003**  
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	A/P 1 Year-to-Date			A/P 1 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 1.2	\$ 0.5	\$ 2.4	\$ 7.1	\$ 7.1	\$ 58.7
BUILDING IMPROVEMENTS	3.4	1.9	5.6	- 1.3	- 1.3	16.1
MAIL PROCESSING EQUIPMENT	4.4	320.0	16.5	16.0	16.0	72.6
VEHICLES	0.0	0.1	0.5	0.5	0.5	23.4
RETAIL EQUIPMENT	- 0.3	0.0	5.2	1.0	1.0	11.1
POSTAL SUPPORT EQUIPMENT	4.0	58.3	3.6	8.8	8.8	13.8
<b>TOTAL COMMITMENTS/CASH OUTLAYS</b>	<b>\$ 12.6</b>	<b>\$ 380.8</b>	<b>\$ 33.9</b>	<b>\$ 32.2</b>	<b>\$ 32.2</b>	<b>\$ 195.7</b>

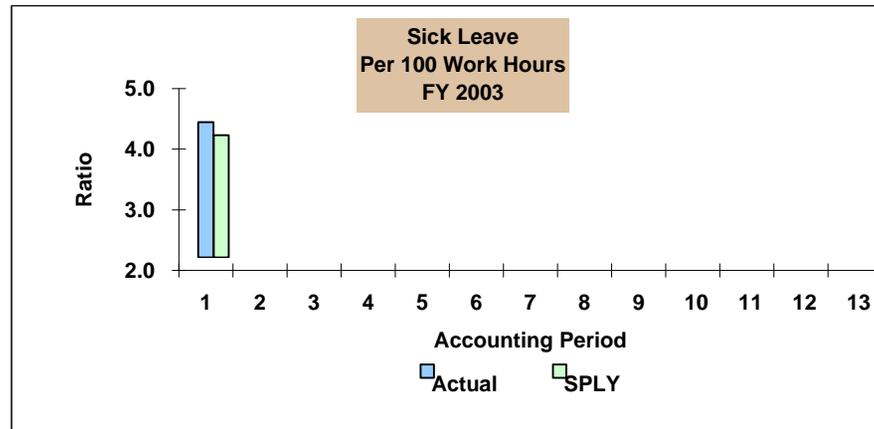
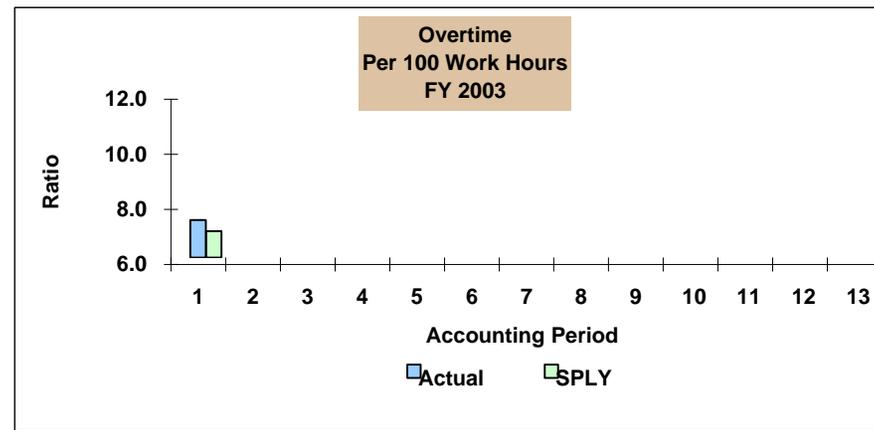
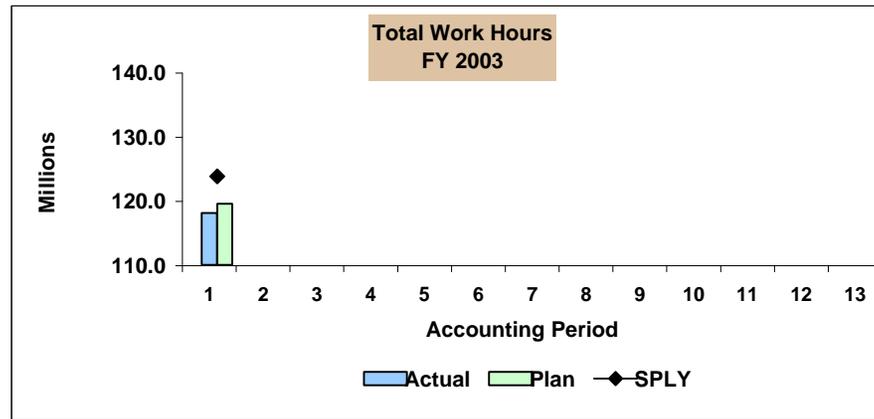
Note: Totals may not sum due to rounding.

**RESOURCES ON ORDER**  
(\$ Millions)

MAJOR CATEGORIES	October 4, 2002	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 125.8	\$ 132.3
BUILDING IMPROVEMENTS	147.1	157.1
MAIL PROCESSING EQUIPMENT	952.8	964.6
VEHICLES	145.3	145.8
RETAIL EQUIPMENT	39.6	40.9
POSTAL SUPPORT EQUIPMENT	90.1	95.2
<b>TOTAL RESOURCES ON ORDER</b>	<b>\$ 1,500.8</b>	<b>\$ 1,536.0</b>

Note: Totals may not sum due to rounding.

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



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

**WORK HOURS & OVERTIME/SICK LEAVE RATIOS**  
**Accounting Period 1, FY 2003**  
**(Data in Thousands)**

	Year-to-Date				
	Actual	Var. to Budget	% Budget	SPLY *	% SPLY
<u>Total Work Hours</u>					
Operations:					
-Support	761	[ 23 ]	[ 3.0 ]	765	- 0.6
-Mail Processing	28,181	- 856	- 2.9	30,628	- 8.0
-Rural Delivery	13,055	- 226	- 1.7	13,719	- 4.8
-Other Delivery	37,029	[ 170 ]	[ 0.5 ]	37,861	- 2.2
-Vehicles Services	2,553	- 3	- 0.1	2,630	- 3.0
-Plant & Equip Maint	6,525	- 215	- 3.2	6,623	- 1.5
-Customer Services	18,607	- 171	- 0.9	19,674	- 5.4
Finance	558	- 90	- 13.9	632	- 11.6
Human Resources	702	- 10	- 1.4	723	- 2.8
Customer Service & Sales	1,217	- 61	- 4.7	1,058	15.0
Administration	5,399	[ 129 ]	[ 2.4 ]	5,350	0.9
Other	3,518	- 85	- 2.4	4,121	- 14.6
<b>Total Work Hours</b>	<b>118,106</b>	<b>- 1,394</b>	<b>- 1.2</b>	<b>123,785</b>	<b>- 4.6</b>

Overtime			
	Actual	Budget	SPLY

Overtime Ratio Per 100 Work Hours	7.4%	7.4%	7.0%
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Sick Leave			
	Actual	Budget	SPLY

Sick Leave Ratio Per 100 Work Hours	4.2%	--	4.0%
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[ ]=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 Notes to the Financial and Operating Statements beginning on page 16.

## Accounting Period 1, FY 2003

### Notes to the Financial and Operating Statements

Analysis of performance to SPLY may be skewed due to the events during this period last year. The aftermath of the events of September 11th impacted virtually all aspects of the Postal Service operations.

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

Total Revenue was 0.7% or \$41 million below plan. Although Total Revenue was slightly under plan, it grew by 6.8% over the same period last year fueled by a rate change on June 30, 2002 and a volume increase of 2.0%. There was an underrun to plan in Commercial Revenue which was partially offset by an overrun in Retail Revenue. Total Commercial Revenue was 1.7% or \$74 million below plan. The biggest driver of the commercial underrun was in Customer Meters, \$87 million below plan; however, revenue from Standard Mail was strong at \$63 million over plan. First Class Permit Revenue was \$29 million below plan. Total Retail Revenue was 2.8% or \$34 million over plan. The biggest drivers of the overrun were in Post Office Meters and Stamps - Walk In, \$24 million and \$20 million over plan, respectively.

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

Total Expenses were \$209 million or 4% under plan. Both personnel and non-personnel costs were below plan. The biggest drivers of the \$49 million underrun to plan in personnel costs was a continuation of cost containment activities. Work hours were 1.2% below plan (see page 15) in both operational and non-operational areas. The biggest drivers of the \$166 million underrun in non-personnel costs were in Supplies & Services, which was \$89 million under plan, and in Information Technology, which was \$28 million under plan. Supply chain management, our Advanced Computing Environment and general belt tightening has assisted in this area. Transportation costs were also \$15 million under plan. Interest Expenses were \$5 million over plan.

#### Mail Volume and Revenue - Page 3

Total Mail Volume for Accounting Period (AP) 1, Fiscal Year (FY) 2003 was 2.0% above SPLY. All major classes of mail, with the exception of First-Class and Priority Mail, were above their AP 1, FY 2002, levels. The most significant increases above same period last year were reflected in Standard Mail and Periodicals.

It is believed that, in general, overall mail volumes performed better than the same period last year because of slowly improving United States economy, a renewed confidence by our customers in the USPS and a weak performing period last year. Because of the latter reason, this improved volume scenario may not continue. Some of the increase in volume could also be a result of an improvement reflected in service performance and safety measures implemented following the September 11th and anthrax events.

The total mail revenue reported in AP 1, FY 2003, was 7.4% above that reported during the same period last year. It is noted that last year was affected by the September 11th and anthrax events. Also contributing to this performance was the new postage rate structure implemented on June 30, 2002, which provided a 7.7% revenue increase across all mail categories.

## Accounting Period 1, FY 2003

### Notes to the Financial and Operating Statements

#### Capital Commitments - Pages 1 and 13

AP 1, FY 2003 YTD capital commitments are lower than planned due to the Automated Package Processing Systems project, which was scheduled to be committed in Accounting Period 1 but was delayed to Accounting Period 3.

#### Work Hours - Pages 1, 14, and 15

Other Work Hours relate to Limited Duty, Rehabilitation and Headquarters General Management hours. It should be noted that Other Work Hours were approximately 484,000 hours below same period last year. These hours are now accounted for in the Customer Service and Sales line.

Total work hours for AP 1 YTD were reduced 5.7 million hours or 4.6% below SPLY. This reduction in work hours reflects the continuation of cost containment activities through the installation of more efficient mail processing equipment and other efficiency improvements. This is also reflected in a decline of 23,280 in career complement from the same period last year.