

**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS



**Accounting Period 4, PFY 2003
November 30 – December 27, 2002**

**Prepared by:
Financial Reporting and Analysis**

Highlights
Accounting Period 4, FY 2003
(Millions)

Accounting Period 4					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,840.6	\$ 5,882.8	[\$ - 42.2]	[- 0.7]	\$ 5,508.2	6.0
<u>5,425.5</u>	<u>5,647.5</u>	<u>- 222.0</u>	<u>- 3.9</u>	<u>5,475.6</u>	<u>- 0.9</u>
\$ 415.1	\$ 235.3	\$ 179.8	-	\$ 32.6	-
52.3	52.3	0.0	0.0	133.3	- 60.8
121.6	124.0	- 2.4	- 1.9	127.1	- 4.3

Year-to-Date (September 7, 2002 - December 27, 2002)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 22,186.5	\$ 22,535.1	[\$ - 348.6]	[- 1.5]	\$ 20,903.0	6.1
<u>20,775.1</u>	<u>21,490.4</u>	<u>- 715.3</u>	<u>- 3.3</u>	<u>20,549.0</u>	<u>1.1</u>
\$ 1,411.4	\$ 1,044.7	\$ 366.7	-	\$ 354.0	-
\$ 458.0	\$ 502.7	\$ - 44.7	- 8.9	\$ 435.6	5.1
468.2	474.9	- 6.8	- 1.4	490.0	- 4.5

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Note: Mail Volume numbers are preliminary numbers and are subject to change.

*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	27,722	27,734	27,867
Active Postal Owned Vehicles			
Administrative	5,409	5,411	5,540
Operations	201,160	201,347	203,730
Possible Total Deliveries (000) **	140,057	139,948	138,214
City Delivery Routes	165,480	165,080	167,463
Rural Routes	69,467	69,406	69,446
Career Employees (Excludes Inspector General)	745,100	746,471	769,674
Casual Employees	47,937	21,505	59,138
Transitional Employees	16,181	15,148	15,972

** Beginning in Accounting Period 3, Fiscal Year 2003, this line has been modified to include all deliveries: city, rural, post office box and contracted highway deliveries.
See accompanying Notes to the Financial and Operating Statements beginning on page 16.

Statement of Income & Expense
Accounting Period 4, FY 2003
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 5,836.7	\$ 5,880.5	[\$ - 43.8]	[- 0.7]	\$ 5,505.8	6.0	Operating Revenue	\$ 22,170.9	\$ 22,522.5	[\$ - 351.6]	[- 1.6]	\$ 20,892.6	6.1	
<u>5,269.9</u>	<u>5,491.7</u>	<u>- 221.8</u>	<u>- 4.0</u>	<u>5,322.9</u>	<u>- 1.0</u>	Operating Expense	<u>20,152.9</u>	<u>20,863.6</u>	<u>- 710.7</u>	<u>- 3.4</u>	<u>19,936.0</u>	<u>1.1</u>	
\$ 566.8	\$ 388.8	\$ 178.0	-	\$ 182.9	-	Income (Loss) From Operations	\$ 2,018.0	\$ 1,658.9	\$ 359.1	-	\$ 956.6	-	
3.9	2.3	1.6	66.6	2.4	58.4	Investment Income	15.6	12.6	3.0	23.2	10.4	49.1	
- 31.8	- 32.0	0.2	- 0.4	- 26.6	19.5	Interest Expense	- 126.9	- 131.5	4.6	- 3.5	- 108.6	16.9	
<u>- 123.8</u>	<u>- 123.8</u>	<u>0.0</u>	<u>0.0</u>	<u>- 126.1</u>	<u>- 1.8</u>	Interest on Deferred Ret. Liabilities	<u>- 495.3</u>	<u>- 495.3</u>	<u>0.0</u>	<u>0.0</u>	<u>- 504.4</u>	<u>- 1.8</u>	
\$ 415.1	\$ 235.3	\$ 179.8	-	\$ 32.6	-	Income/(Loss)	\$ 1,411.4	\$ 1,044.7	\$ 366.7	-	\$ 354.0	-	

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

MAIL VOLUME - MAIL REVENUE

(Data in Thousands)

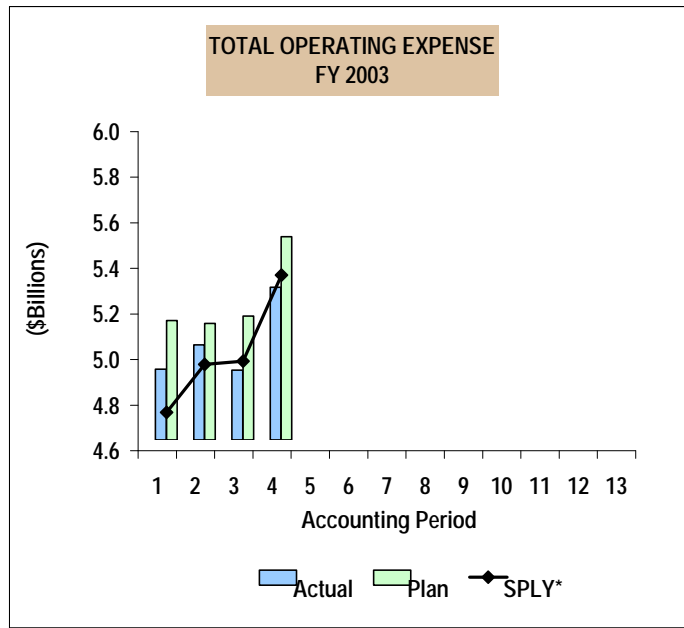
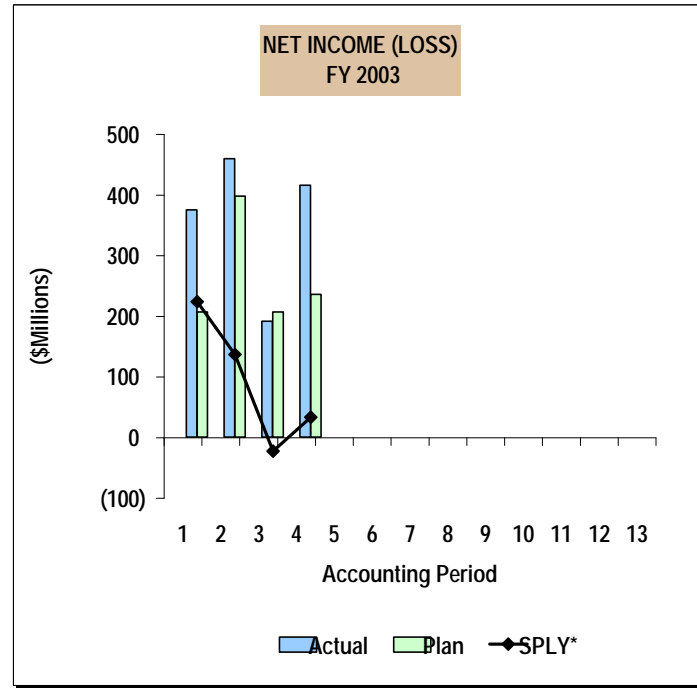
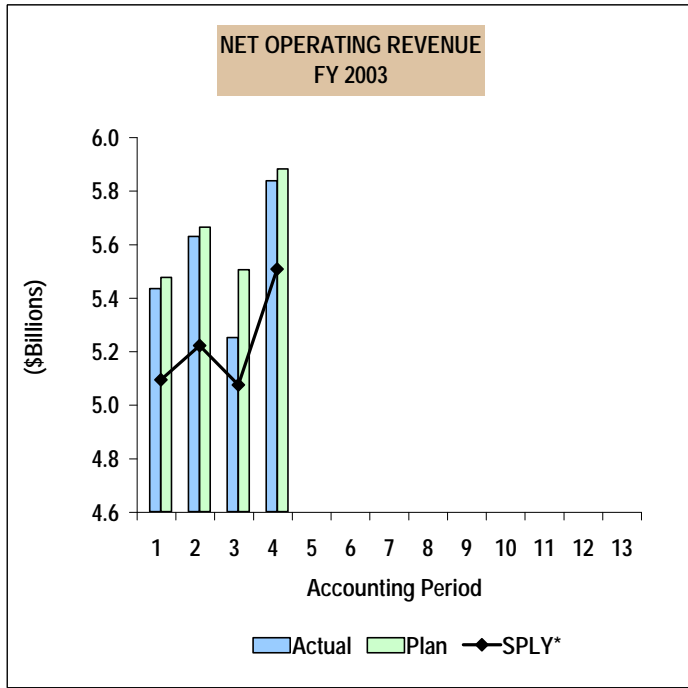
CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	AP 04	AP 04	% SPLY	AP 04	AP 04	% SPLY
	FY 2003	FY 2002		FY 2003	FY 2002	
FIRST-CLASS						
VOLUME	8,801,442	8,756,120	0.5	31,496,530	32,080,115	- 1.8
REVENUE	\$ 3,302,397	\$ 3,054,824	8.1	\$ 11,853,116	\$ 11,242,236	5.4
REV/PC.	0.3752	0.3489	7.5	0.3763	0.3504	7.4
PRIORITY-MAIL						
VOLUME	86,041	106,284	- 19.0	284,222	334,703	- 15.1
REVENUE	\$ 502,313	\$ 542,097	- 7.3	\$ 1,536,343	\$ 1,590,697	- 3.4
REV/PC.	5.8381	5.1005	14.5	5.4054	4.7526	13.7
EXPRESS MAIL						
VOLUME	4,652	5,361	- 13.2	17,308	18,743	- 7.7
REVENUE	\$ 78,652	\$ 82,857	- 5.1	\$ 280,300	\$ 277,320	1.1
REV/PC.	16.9071	15.4555	9.4	16.1948	14.7959	9.5
PERIODICALS						
VOLUME	696,750	736,814	- 5.4	2,867,278	3,026,878	- 5.3
REVENUE	\$ 164,540	\$ 163,162	0.8	\$ 709,643	\$ 682,461	4.0
REV/PC.	0.2362	0.2214	6.6	0.2475	0.2255	9.8
STANDARD MAIL						
VOLUME	6,028,005	5,874,144	2.6	29,685,272	27,976,512	6.1
REVENUE	\$ 1,137,305	\$ 1,042,247	9.1	\$ 5,627,455	\$ 5,021,372	12.1
REV/PC.	0.1887	0.1774	6.3	0.1896	0.1795	5.6
PACKAGE SERVICES						
VOLUME	113,349	99,088	14.4	369,308	346,600	6.6
REVENUE	\$ 252,555	\$ 222,700	13.4	\$ 775,165	\$ 710,759	9.1
REV/PC.	2.2281	2.2475	- 0.9	2.0990	2.0507	2.4
INTERNATIONAL						
VOLUME	106,990	106,604	0.4	306,550	322,591	- 5.0
REVENUE	\$ 182,423	\$ 182,179	0.1	\$ 546,265	\$ 552,104	- 1.1
REV/PC.	1.7050	1.7089	- 0.2	1.7820	1.7115	4.1
ALL OTHER						
VOLUME	34,316	30,901	11.1	148,908	170,963	- 12.9
REVENUE	\$ 78	0	-	\$ 311	\$ 426	- 27.2
ALL MAIL _1/						
VOLUME	15,871,545	15,715,317	1.0	65,175,375	64,277,105	1.4
REVENUE	\$ 5,620,263	\$ 5,290,065	6.2	\$ 21,328,598	\$ 20,077,376	6.2
REV/PC.	0.3541	0.3366	5.2	0.3272	0.3124	4.8

_ 1/ Totals may not sum due to rounding.

_ 2/ Numbers are preliminary and are subject to change.

NOTE: "These estimates are PRELIMINARY estimates of revenue, pieces and weight by mail class. Limits on available data and statistical variations due to sampling warrant that AP estimates be used with caution. Because of their preliminary nature and potential for revision, decisions based on this AP data may be unwarranted and in error.

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



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REVENUE BY SOURCE
Accounting Period 4, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
			Operating Revenue:			
\$ 2,188.1	\$ 2,101.7	4.1	Metered Postage	\$ 8,030.4	\$ 7,695.3	4.4
1,316.6	1,213.4	8.5	Stamps and Stamped Paper	3,998.5	3,782.5	5.7
1,074.5	979.1	9.7	Permit Imprint	5,307.1	4,734.6	12.1
163.2	161.6	1.0	Periodicals & Standard	703.3	676.8	3.9
79.4	82.0	- 3.1	Official Mail	274.4	271.0	1.2
781.3	746.9	4.6	Presort First-Class & Package Svc./Permit Imprint	2,997.2	2,930.7	2.3
69.7	66.9	4.1	Box Rents	223.9	208.8	7.2
14.4	17.9	- 19.6	Money Order Fees	57.9	64.0	- 9.5
<u>147.0</u>	<u>132.6</u>	10.8	Other	<u>568.4</u>	<u>513.9</u>	10.6
\$ 5,834.2	\$ 5,502.1	6.0	Subtotal	\$ 22,161.1	\$ 20,877.6	6.1
<u>2.5</u>	<u>3.7</u>	- 34.3	Government Appropriation:			
			Revenue Forgone	<u>9.8</u>	<u>15.0</u>	- 34.3
\$ 5,836.7	\$ 5,505.8	6.0	Total Operating Revenue	\$ 22,170.9	\$ 20,892.6	6.1
<u>3.9</u>	<u>2.4</u>	58.4	Investment Income	<u>15.6</u>	<u>10.4</u>	49.1
\$ 5,840.6	\$ 5,508.2	6.0	Total Revenue	\$ 22,186.5	\$ 20,903.0	6.1

Note: Totals may not sum due to rounding.

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

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REVENUE BY CATEGORY
Accounting Period 4, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,067.2	\$ 2,123.2	[2.6]	Permit Revenue	\$ 9,209.0	\$ 9,254.4	[0.5]
<u>1,727.0</u>	<u>1,837.6</u>	[6.0]	Other Commercial Accounts Revenue	<u>6,967.7</u>	<u>7,471.9</u>	[6.7]
\$ 3,794.2	\$ 3,960.8	[4.2]	Total Commercial Revenue	\$ 16,176.7	\$ 16,726.3	[3.2]
			Retail Revenue			
1,712.4	1,581.2	8.3	Retail Postage Revenue	4,903.9	4,706.8	4.2
90.1	97.4	[7.6]	Retail Services Revenue	308.3	315.0	[2.1]
18.7	14.4	30.3	Retail Products Revenue	51.8	38.7	34.0
<u>187.1</u>	<u>189.9</u>	[1.5]	Other Retail Channels Revenue	<u>582.2</u>	<u>596.3</u>	[2.4]
\$ 2,008.3	\$ 1,882.9	6.6	Total Retail Revenue	\$ 5,846.2	\$ 5,656.8	3.3
\$ 5,802.5	\$ 5,843.7	[0.7]	Total Commercial & Retail Revenue	\$ 22,022.9	\$ 22,383.1	[1.6]
31.7	34.4	[7.8]	Other Income	138.2	128.8	7.3
<u>2.5</u>	<u>2.4</u>	3.5	Revenue Forgone	<u>9.8</u>	<u>10.6</u>	[7.2]
\$ 5,836.7	\$ 5,880.5	[0.7]	Total Operating Revenue	\$ 22,170.9	\$ 22,522.5	[1.6]
<u>3.9</u>	<u>2.3</u>	66.6	Investment Income	<u>15.6</u>	<u>12.6</u>	23.2
\$ 5,840.6	\$ 5,882.8	[0.7]	Total Revenue	\$ 22,186.5	\$ 22,535.1	[1.5]

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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EXPENSE ANALYSIS
Accounting Period 4, FY 2003
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 4,163.3	\$ 4,239.1	\$ - 75.8	- 1.8	\$ 4,115.3	1.2	Personnel Compensation	\$ 16,146.1	\$ 16,341.7	\$ - 195.6	- 1.2	\$ 15,766.0	2.4
						Non-Personnel Expense:						
455.7	516.3	- 60.6	- 11.7	521.4	- 12.6	Transportation	1,586.5	1,683.4	- 96.9	- 5.8	1,655.0	- 4.1
184.0	226.9	- 42.9	- 18.9	227.0	- 19.0	Supplies & Services	632.0	849.6	- 217.6	- 25.6	681.1	- 7.2
<u>466.9</u>	<u>509.4</u>	<u>- 42.5</u>	- 8.3	<u>459.2</u>	1.7	Other	<u>1,788.3</u>	<u>1,988.9</u>	<u>- 200.6</u>	- 10.1	<u>1,833.9</u>	
\$ 1,106.6	\$ 1,252.6	\$ - 146.0	- 11.7	\$ 1,207.6	- 8.4	Subtotal	\$ 4,006.8	\$ 4,521.9	\$ - 515.1	- 11.4	\$ 4,170.0	- 3.9
\$ 5,269.9	\$ 5,491.7	\$ - 221.8	- 4.0	\$ 5,322.9	- 1.0	Total Operating Expense	\$ 20,152.9	\$ 20,863.6	\$ - 710.7	- 3.4	\$ 19,936.0	1.1
31.8	32.0	- 0.2	- 0.4	26.6	19.5	Interest Expense	126.9	131.5	- 4.6	- 3.5	108.6	16.9
<u>123.8</u>	<u>123.8</u>	<u>0.0</u>	0.0	<u>126.1</u>	- 1.8	Interest on Deferred Ret. Liabilities	<u>495.3</u>	<u>495.3</u>	<u>0.0</u>	0.0	<u>504.4</u>	- 1.8
\$ 5,425.5	\$ 5,647.5	\$ - 222.0	- 3.9	\$ 5,475.6	- 0.9	Total Expense	\$ 20,775.1	\$ 21,490.4	\$ - 715.3	- 3.3	\$ 20,549.0	1.1

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

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ANALYSIS OF OPERATING EXPENSES
Accounting Period 4, FY 2003
Personnel Compensation
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
						<u>Total Compensation</u>						
						Operations:						
\$ 25.4	\$ 26.5	\$ -1.1	-4.1	\$ 25.0	1.6	-Support	\$ 105.5	\$ 105.5	\$ -0.0	-0.0	\$ 103.1	2.3
935.0	973.4	-38.4	-3.9	963.3	-2.9	-Mail Processing	3,496.5	3,572.6	-76.1	-2.1	3,571.8	-2.1
348.3	346.2	[2.1]	[0.6]	332.4	4.8	-Rural Delivery	1,330.9	1,340.6	-9.7	-0.7	1,300.2	2.4
1,170.3	1,170.7	-0.5	-0.0	1,150.8	1.7	-City Delivery**	4,634.8	4,611.1	[23.7]	[0.5]	4,394.2	5.5
89.2	89.3	-0.1	-0.1	87.5	2.0	-Vehicles Services	333.6	332.8	[0.7]	[0.2]	327.9	1.7
213.6	218.5	-4.9	-2.2	204.2	4.6	-Plant & Equip Maint	827.9	846.6	-18.7	-2.2	797.1	3.9
599.3	606.8	-7.6	-1.3	602.2	-0.5	-Customer Services	2,280.7	2,302.9	-22.2	-1.0	2,295.1	-0.6
17.7	20.9	-3.2	-15.2	19.0	-6.9	Finance	72.5	84.5	-12.0	-14.2	78.1	-7.3
23.3	25.2	-1.9	-7.7	23.0	1.3	Human Resources	96.2	100.2	-4.0	-4.0	95.2	
37.7	41.2	-3.5	-8.4	31.4	19.9	Customer Service & Sales	154.1	163.0	-9.0	-5.5	126.8	21.5
166.2	164.4	[1.8]	[1.1]	158.0	5.2	Administration	668.3	656.8	[11.5]	[1.8]	625.9	6.8
135.1	151.2	-16.1	-10.6	146.8	-8.0	Other Salaries & Benefits	532.7	606.9	-74.3	-12.2	837.6	-36.4
\$ 3,761.0	\$ 3,834.3	\$ -73.3	-1.9	\$ 3,743.6	0.5	Total Salaries & Benefits	\$ 14,533.4	\$ 14,723.5	\$ -190.1	-1.3	\$ 14,553.2	-0.1
119.8	119.9	-0.1	-0.1	78.5	52.7	Workers' Compensation	479.0	487.6	-8.5	-1.7	313.8	52.7
7.7	7.7	[0.0]	[0.0]	6.8	12.8	Unemployment Compensation	30.7	30.7	[0.0]	[0.0]	25.3	21.7
107.9	107.9	0.0	0.0	107.9	0.0	Deferred Retirement Cost	431.4	431.4	0.0	0.0	431.7	-0.1
69.3	69.3	0.0	0.0	69.3	0.0	CSRS Annuitant COLA	277.2	277.2	0.0	0.0	277.1	0.0
89.4	89.4	0.0	0.0	80.5	11.0	Annuitant Health Benefits	357.6	357.6	0.0	0.0	322.1	11.0
8.2	10.6	-2.4	-22.9	28.7	-71.5	Other Compensation	36.6	33.6	[3.0]	[9.0]	-157.2	-123.3
\$ 4,163.3	\$ 4,239.1	\$ -75.8	-1.8	\$ 4,115.3	1.2	Total Personnel Compensation	\$ 16,146.1	\$ 16,341.7	\$ -195.6	-1.2	\$ 15,766.0	2.4

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

**The line formerly identified as Other Delivery has been changed to City Delivery to better reflect operations included here. No change was made in recording procedures.

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

ANALYSIS OF NON-PERSONNEL EXPENSES
Accounting Period 4, FY 2003
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY	
\$ 455.7	\$ 516.3	\$ -60.6	-11.7	\$ 521.4	-12.6	Transportation	\$ 1,586.5	\$ 1,683.4	\$ -96.9	-5.8	\$ 1,655.0	-4.1	
184.0	226.9	-42.9	-18.9	227.0	-19.0	Supplies & Services	632.0	849.6	-217.6	-25.6	681.1	-7.2	
170.8	190.5	-19.7	-10.3	178.6	-4.4	Depreciation	695.8	754.1	-58.3	-7.7	702.7	-1.0	
80.1	79.4	[0.6]	[0.8]	72.4	10.5	Rent	306.7	313.0	-6.3	-2.0	299.5	2.4	
37.5	41.0	-3.5	-8.5	37.5	-0.1	Fuel & Utilities	136.3	150.3	-14.0	-9.3	136.2	0.1	
31.0	32.2	-1.1	-3.5	30.8	0.8	Rural Carrier Equip Maint Allowance	121.7	125.7	-4.0	-3.2	121.6	0.1	
34.7	32.2	[2.5]	[7.8]	31.2	11.1	Vehicle Maintenance	129.5	125.6	[3.9]	[3.1]	120.8	7.2	
28.2	44.0	-15.8	-35.9	27.7	1.8	Information Technology	94.3	186.2	-91.9	-49.4	106.4	-11.4	
11.7	13.0	-1.4	-10.7	9.7	20.5	Building Projects Expensed	40.5	51.3	-10.8	-21.0	47.9	-15.4	
6.3	6.1	[0.3]	[4.6]	6.2	1.9	Contract Job Cleaners	22.9	22.1	[0.7]	[3.3]	21.8	5.0	
14.8	9.6	[5.2]	[54.3]	8.4	76.0	Travel & Relocation	41.0	38.5	[2.4]	[6.3]	33.8	21.2	
13.0	18.8	-5.8	-30.7	17.0	-23.5	Communications	45.9	58.2	-12.3	-21.2	44.5	3.0	
5.7	6.0	-0.3	-5.2	6.0	-6.3	Contract Stations	18.4	19.4	-1.0	-5.4	19.4	-5.4	
3.0	2.3	[0.7]	[30.0]	4.2	-28.5	Printing	6.3	8.7	-2.5	-28.2	8.5	-26.5	
3.4	5.6	-2.2	-39.3	3.8	-11.3	Training	14.0	22.8	-8.7	-38.4	15.2	-7.8	
4.7	5.1	-0.4	-7.3	5.2	-9.3	Carfare & Tolls	17.2	18.6	-1.4	-7.5	18.7	-8.0	
1.3	2.4	-1.1	-45.0	2.4	-44.0	Vehicle Hire	7.1	10.1	-3.0	-29.9	10.8	-34.6	
3.9	3.2	[0.7]	[22.5]	3.5	11.7	Accident Cost	13.3	12.3	[1.0]	[8.3]	13.3	0.2	
-1.7	-3.6	[1.9]	[53.1]	-3.0	44.4	Capitalized Interest	-7.6	-14.3	[6.7]	[46.9]	-13.4	43.4	
18.7	21.8	-3.1	-14.1	17.5	-	Miscellaneous	85.1	86.2	-1.0	-1.2	126.1	-32.5	
\$ 1,106.6	\$ 1,252.6	\$-145.9	-11.7	\$ 1,207.6	-8.4	Total Other Operating Expenses	\$ 4,006.8	\$ 4,521.9	\$-515.1	-11.4	\$ 4,170.0	-3.9	

[]=Unfavorable variance to budget

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

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

STATEMENT OF FINANCIAL POSITION
Accounting Period 4, FY 2003
(\$ Millions)

Assets	December 27, 2002	November 29, 2002	September 30, 2002 *
Current Assets:			
Cash and cash equivalents _1/	\$ 1,606	\$ 706	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	6	6	6
Receivables:			
Foreign countries	651	666	592
U.S. Government	118	102	125
Other	<u>212</u>	<u>225</u>	<u>192</u>
	981	993	909
Less allowances	<u>115</u>	<u>114</u>	<u>112</u>
	866	879	797
Supplies, advances and prepayments	<u>321</u>	<u>324</u>	<u>327</u>
Total Current Assets	2,799	1,915	2,280
Other assets _2/	369	369	368
Property and equipment, at cost:			
Buildings	19,626	19,538	19,513
Equipment	16,642	16,505	16,421
Land	<u>2,784</u>	<u>2,777</u>	<u>2,776</u>
	39,052	38,820	38,710
Less allowances for depreciation	<u>16,846</u>	<u>16,704</u>	<u>16,401</u>
	22,206	22,116	22,309
Construction in progress	1,163	1,230	1,223
Leasehold improvements, net	<u>592</u>	<u>597</u>	<u>604</u>
	23,961	23,943	24,136
Deferred Retirement Costs _3/	<u>33,247</u>	<u>33,424</u>	<u>32,231</u>
Total Assets	<u>\$ 60,376</u>	<u>\$ 59,651</u>	<u>\$ 59,015</u>

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

_2/ Includes \$367 million as of September 30, 2002, November 29, 2002 and December 27, 2002 for appropriation receivable for revenue forgone.

_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

STATEMENT OF FINANCIAL POSITION
Accounting Period 4, FY 2003
(\$ Millions)

Liabilities and Equities	December 27, 2002	November 29, 2002	September 30, 2002 *
**Current Liabilities:			
Compensation and employees' benefits	\$ 4,892	\$ 4,722	\$ 5,113
Estimated prepaid postage	1,505	1,504	1,500
Payables and accrued expenses:			
Foreign countries	795	804	748
U.S. Government	236	208	246
Other - Including Emergency Preparedness Appropriations	<u>2,380</u>	<u>2,247</u>	<u>1,167</u>
	3,411	3,259	2,161
Appropriation for free & reduced rate mail	24	27	0
Prepaid permit mail and box rentals	2,079	2,082	2,011
Outstanding postal money orders	794	828	986
Current portion of debt	<u>1,151</u>	<u>1,295</u>	<u>3,815</u>
Total Current Liabilities	13,856	13,717	15,586
Long-term debt, less current portion	7,300	7,300	7,300
Other Liabilities:			
Amounts payable for retirement benefits _3/	31,495	31,495	30,046
Workers' compensation claims	6,227	6,107	5,815
Employees' accumulated leave	1,970	1,901	2,088
Other	<u>1,446</u>	<u>1,450</u>	<u>1,182</u>
Total Other Liabilities	41,138	40,953	39,131
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	<u>- 4,952</u>	<u>- 5,353</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>- 1,918</u>	<u>- 2,319</u>	<u>- 3,002</u>
Total Liabilities and Equity	\$ 60,376	\$ 59,651	\$ 59,015

_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.

STATEMENT OF CASH FLOWS	
Fiscal Year 2003	
(\$ Millions)	
For the Fiscal Year through December 27, 2002	
Cash flows from operating activities:	
Net income/(loss) (Government Fiscal Year Basis)	\$ 1,084
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation and amortization	685
Increase/(decrease) in other liabilities	264
Increase/(decrease) in employees' accumulated leave	(118)
Increase/(decrease) in non-current workers' compensation claims	412
Increase/(decrease) in retirement, net	433
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits	(221)
Increase/(decrease) in deferred revenue	97
Increase/(decrease) in payables and accrued expenses	1,250
(Increase)/decrease in receivables	(70)
(Increase)/decrease in supplies, advances and prepayments	6
Increase/(decrease) in outstanding postal money orders	(192)
Net cash provided by operating activities	3,630
Cash flows from investing activities:	
Sale/(purchase) of U.S. Government securities, net	0
Purchase of property and equipment, net	(510)
Net cash used in investing activities	(510)
Cash flows from financing activities:	
Increase/(decrease) in debt	(2,664)
(Increase)/decrease in other non-current assets	0
Net cash used by financing activities	(2,664)
Net (decrease)/increase in cash and cash equivalents	456
Cash and cash equivalents at beginning of period	1,150
Cash and cash equivalents at end of period	\$ 1,606

CAPITAL INVESTMENTS
FY 2003
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	A/P 4 Year-to-Date			A/P 4 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 10.8	\$ 5.1	\$ 9.5	\$ 36.2	\$ 63.1	\$ 104.8
BUILDING IMPROVEMENTS	19.7	36.5	22.0	42.4	54.1	67.3
MAIL PROCESSING EQUIPMENT	350.0	320.1	326.6	238.6	168.8	471.3
VEHICLES	[- 3.3]	0.3	2.5	2.9	31.6	78.2
RETAIL EQUIPMENT	1.5	0.0	5.2	3.1	21.1	22.8
POSTAL SUPPORT EQUIPMENT	79.3	140.8	69.8	44.6	74.8	75.0
TOTAL COMMITMENTS/CASH OUTLAYS *	\$ 458.0	\$ 502.7	\$ 435.6	\$ 367.7	\$ 413.5	\$ 819.5

Note: Totals may not sum due to rounding.

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	December 27, 2002	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 104.4	\$ 132.3
BUILDING IMPROVEMENTS	113.2	157.1
MAIL PROCESSING EQUIPMENT	1,073.0	964.6
VEHICLES	139.6	145.8
RETAIL EQUIPMENT	39.3	40.9
POSTAL SUPPORT EQUIPMENT	129.3	95.2
TOTAL RESOURCES ON ORDER	\$ 1,598.8	\$ 1,535.9

Note: Totals may not sum due to rounding.

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

WORK HOURS & OVERTIME/SICK LEAVE RATIOS
 Accounting Period 4, FY 2003
 (Data in Thousands)

Current Period					Total Work Hours	Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
662	- 30	- 4.3	678	- 2.4	Operations:	2,794	- 3	- 0.1	2,829	- 1.3
32,115	- 1,586	- 4.7	35,061	- 8.4	-Support	116,497	- 4,122	- 3.4	126,030	- 7.6
13,227	[46]	[0.3]	13,597	- 2.7	-Mail Processing	51,044	- 513	- 1.0	53,118	- 3.9
36,631	[105]	[0.3]	37,121	- 1.3	-Rural Delivery	145,249	[496]	[0.3]	147,515	- 1.5
2,688	- 1	- 0.1	2,767	- 2.9	-City Delivery	10,119	- 20	- 0.2	10,403	- 2.7
6,428	- 203	- 3.1	6,487	- 0.9	-Vehicles Services	25,484	- 701	- 2.7	25,636	- 0.6
19,384	- 252	- 1.3	20,267	- 4.4	-Plant & Equip Maint	73,771	- 992	- 1.3	77,492	- 4.8
502	- 87	- 14.8	558	- 10.1	-Customer Services	2,082	- 346	- 14.3	2,322	- 10.4
621	- 49	- 7.2	633	- 1.9	Finance	2,618	- 113	- 4.2	2,687	- 2.6
1,101	- 97	- 8.2	976	12.7	Human Resources	4,573	- 280	- 5.8	3,996	14.4
5,049	[22]	[0.4]	5,027	0.4	Customer Service & Sales	20,478	[286]	[1.4]	20,335	0.7
3,236	- 225	- 6.5	3,964	- 18.4	Administration	13,445	- 460	- 3.3	17,610	- 23.7
121,644	- 2,357	- 1.9	127,135	- 4.3	Other	468,152	- 6,771	- 1.4	489,972	- 4.5
					Total Work Hours					

Current Period			Overtime		
Actual	Budget	SPLY	Actual	Budget	SPLY
9.9%	9.6%	9.4%	8.7%	8.8%	8.5%

Overtime Ratio
Per 100 Work Hours

Current Period			Sick Leave		
Actual	Budget	SPLY	Actual	Budget	SPLY
3.9%	--	3.8%	4.1%	--	3.9%

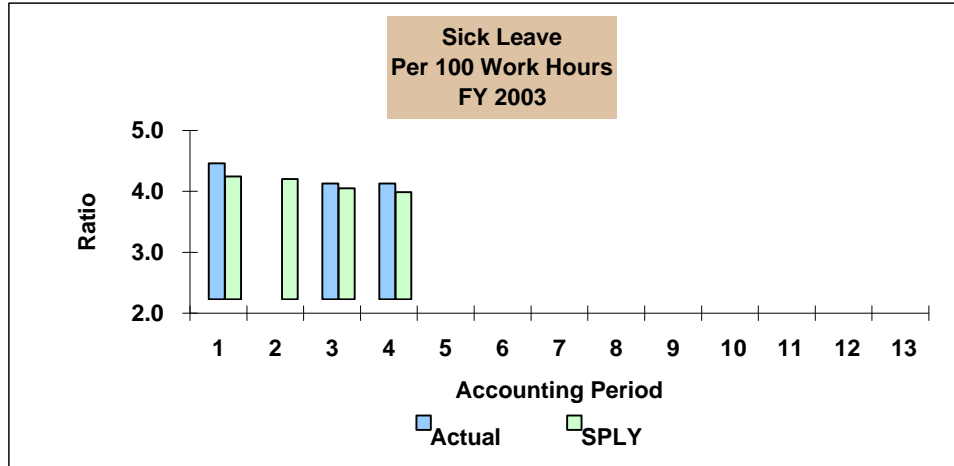
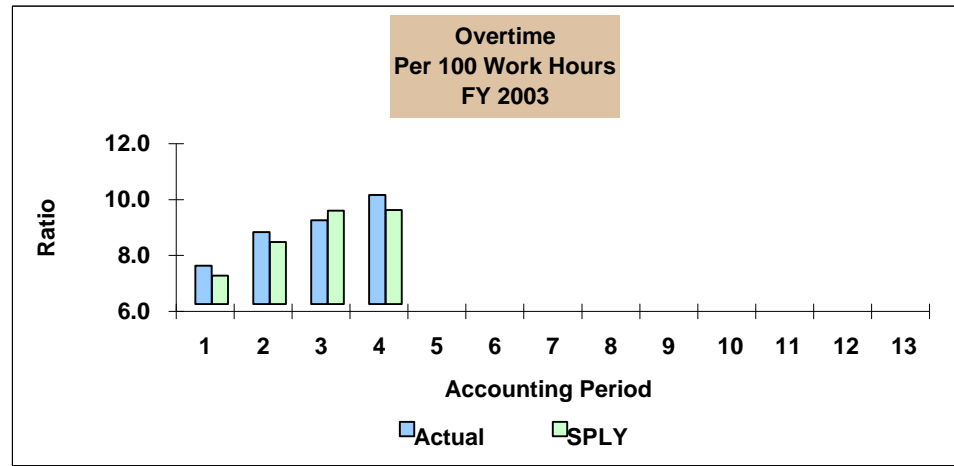
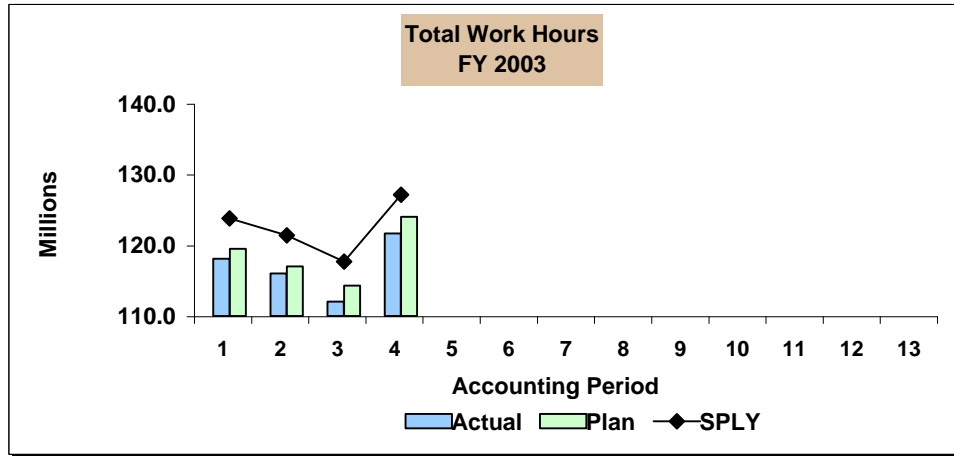
Sick Leave Ratio
Per 100 Work Hours

[]=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.



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

Accounting Period 4, FY 2003

Notes to the Financial and Operating Statements

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

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

Total Revenue was 0.7% or \$42 million under plan. Commercial Revenue was 4.2% or \$167 million under plan. The biggest drivers of the Commercial Revenue plan under run were Customer Meters at \$114 million below, and Standard Mail at \$26 million below. Postage at our retail outlets was \$131 million over plan, which made Total Retail Revenue 6.6% or \$125 million over plan. Total Revenue grew by 6.0% or \$332 million over SPLY. The bulk of the increase to SPLY for total revenue was reflected in Stamps and Stamped Paper, Permit Revenue and Metered Postage at \$103 million, \$95 million and \$86 million over, respectively. 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.

Year-to-date (YTD), Total Revenue is \$349 million or 1.5% under plan. As compared to SPLY, Total Revenue has increased 6.1% fueled by a rate change on June 30, 2002. Most of the YTD plan under run, \$504 million, exists in Other Commercial Accounts. Of this amount, nearly \$509 million lies in Customer Meters. Compared to SPLY, YTD Total Revenue is 6.1% or \$1,284 million above. Permit Imprint, Metered Postage, and Stamps and Stamped Paper revenue combined are \$1.1 billion above SPLY.

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

Total Expenses were \$222 million or 3.9% under plan. Both personnel and non-personnel costs were below plan. The biggest drivers of the \$76 million underrun to plan in personnel costs was a continuation of cost containment activities. It is noted that Workers' Compensation, a component of personnel compensation, reflects a significant increase above SPLY. This is partially due to a continuation of increasing medical costs related to Workers' Compensation cases, which escalated last year. Our plan reflected this increase.

Work hours were 1.9% below plan (see page 15) in both operational and non-operational areas. The biggest drivers of the \$148 million plan underrun in non-personnel costs, excluding Capitalized Interest expense, were Transportation and Supplies and Services, which were \$61 million and \$43 million below plan, respectively.

YTD, Total Expenses were \$715 million or 3.3% below plan. Most of the YTD plan underrun lies in Supplies and Services, \$218 million below; Transportation, \$97 million below; and Information Technology, \$92 million below. Supply Chain Management, our Advanced Computing Environment and general belt tightening have assisted in this area. City Delivery personnel compensation is \$24M above plan resulting from an increase in City Delivery work hour usage, 0.5 million hours more than planned partially spurred by the increase in mail volume during the holiday season and continuation in the growth of delivery points.

Accounting Period 4, FY 2003

Notes to the Financial and Operating Statements

Mail Volume and Revenue - Page 3

Total Mail Volume for Accounting Period 4, Fiscal Year (FY) 2003, covering the period November 30, 2002 through December 27, 2002, was 1.0% or 0.2 billion pieces above SPLY. All classes of mail, except Priority Mail, Express Mail and Periodicals, were above their Accounting 4, FY 2002, levels. Total Mail Volume for Accounting Period 4 includes holiday mailings. Historically, our largest mailings have occurred during this accounting period.

The total mail revenue for Accounting Period 4, FY 2003 YTD was 1.4% above that reported during the same period last year (SPLY). 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. Last year's performance was unfavorably impacted by the economy, the events of September 11th and the anthrax incidents.

Capital Commitments - Pages 1 and 13

AP 4, FY 2003 YTD, capital commitments are \$45 million lower than planned. The single largest commitment made thus far in FY 2003 was \$315 million for the Automated Package Processing Systems project which has a projected return on investment of 24.4%.

Work Hours - Pages 1, 14 and 15

Total work hours for the accounting period were 2.4 million hours below plan and 5.5 million hours below same period last year. A major contributor to the under run to same period last year was Mail Processing, which was 2.9 million hours less than SPLY. This reduction is all across the entire mail processing function, including automated, mechanized and manual distribution; remote barcoding operations; platform and indirect operations; and supervision. These reductions are a direct result of cost containment and efficiency improvement activities outlined in the Transformation Plan, as well as capturing work hours as a result of decreasing workload. In the coming accounting periods, adjustments will be made to field budgets reflecting a continued projection of decreased workload.

Additionally, Other Work Hours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours, played a major role. It should be noted that Other Work Hours were 0.7 million hours below same period last year. These hours are now accounted for in the Customer Service and Sales line.

Total work hours for AP 4 YTD were reduced 21.8 million hours or 4.5% 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. To date, Mail Processing work hours have been reduced 9.5 million hours below same period last year.

AP 4's Overtime Ratio of 9.9 was above budget and above SPLY, mostly influenced by the increase in Delivery Services overtime. This was driven by an increase in delivery points and fewer career employees than last year.