

***UNITED STATES
POSTAL SERVICE***

FINANCIAL & OPERATING STATEMENTS



**Accounting Period 8, PFY 2003
March 22 – April 18, 2003**

**Prepared by:
Financial Reporting and Analysis**

Highlights
Accounting Period 8, FY 2003
(Millions)

Accounting Period 8					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,472.9	\$ 5,537.2	[\$ -64.3]	[-1.2]	\$ 5,121.4	6.9
<u>5,273.1</u>	<u>5,365.8</u>	<u>-92.7</u>	<u>-1.7</u>	<u>5,146.4</u>	<u>2.5</u>
\$ 199.8	\$ 171.4	\$ 28.4	-	\$ (-25.0)	-
\$ 46.5	\$ 23.8	[\$ 22.7]	[95.4]	\$ 25.4	83.1
116.0	115.9	[0.1]	[0.1]	119.4	-2.8
15,954.3	15,952.8	1.4	0.0	15,700.5	1.6

Year-to-Date (September 7, 2002 - April 18, 2003)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 43,665.7	\$ 44,547.1	[\$ -881.4]	[-2.0]	\$ 41,302.1	5.7
<u>41,756.9</u>	<u>43,004.7</u>	<u>-1,247.8</u>	<u>-2.9</u>	<u>41,276.4</u>	<u>1.2</u>
\$ 1,908.8	\$ 1,542.4	\$ 366.4	-	\$ 25.7	-
\$ 711.7	\$ 861.3	\$ -149.6	-17.4	\$ 618.3	15.1
924.6	930.5	-5.9	-0.6	963.4	-4.0
128,006.8	129,888.7	[-1,881.8]	[-1.4]	127,115.6	0.7

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,650	27,657	27,866
Postal Owned Vehicles In Use			
Administrative	5,640	5,569	5,598
Operations	201,308	201,136	203,354
Total Deliveries (000) **	140,424	140,424	138,795
City Delivery Routes	165,781	165,319	168,177
Rural Routes	69,485	69,488	69,603
Career Employees (Excludes Inspector General)	737,550	739,277	763,491
Casual Employees	20,084	20,097	22,342
Transitional Employees	13,116	13,394	12,179

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

** Beginning in Accounting Period (AP) 3, Fiscal Year (FY) 2003, this line has been modified to include all deliveries: city, rural, post office box and contracted highway deliveries.

AP 7 data is shown, as AP 8 data is not yet available for FY 2003.

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

Statement of Income & Expense
Accounting Period 8, FY 2003
(\$ Millions)

Current Period						Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 5,468.0	\$ 5,534.9	[\$ - 66.9]	[- 1.2]	\$ 5,117.6	6.8	\$ 43,633.5	\$ 44,525.2	[\$ - 891.7]	[- 2.0]	\$ 41,280.0	5.7
<u>5,121.5</u>	<u>5,211.7</u>	<u>- 90.2</u>	<u>- 1.7</u>	<u>4,993.0</u>	<u>2.6</u>	<u>40,525.6</u>	<u>41,759.9</u>	<u>- 1,234.3</u>	<u>- 3.0</u>	<u>40,051.5</u>	<u>1.2</u>
\$ 346.5	\$ 323.2	\$ 23.3	-	\$ 124.6	-	\$ 3,107.9	\$ 2,765.3	\$ 342.6	-	\$ 1,228.5	-
4.9	2.3	2.6	111.5	3.8	30.4	32.2	21.9	10.3	47.0	22.1	45.8
- 27.8	- 30.3	2.5	- 8.3	- 27.3	1.7	- 240.7	- 254.2	13.5	- 5.3	- 216.0	11.4
<u>- 123.8</u>	<u>- 123.8</u>	<u>0.0</u>	<u>0.0</u>	<u>- 126.1</u>	<u>- 1.8</u>	<u>- 990.6</u>	<u>- 990.6</u>	<u>0.0</u>	<u>0.0</u>	<u>- 1,008.9</u>	<u>- 1.8</u>
\$ 199.8	\$ 171.4	\$ 28.4	-	\$ - 25.0	-	\$ 1,908.8	\$ 1,542.4	\$ 366.4	-	\$ 25.7	-

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

MAIL VOLUME - MAIL REVENUE

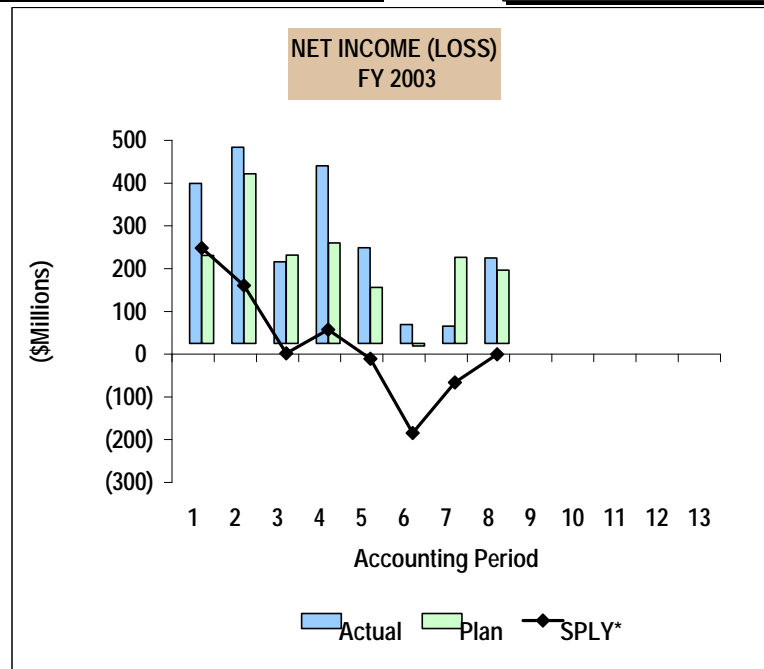
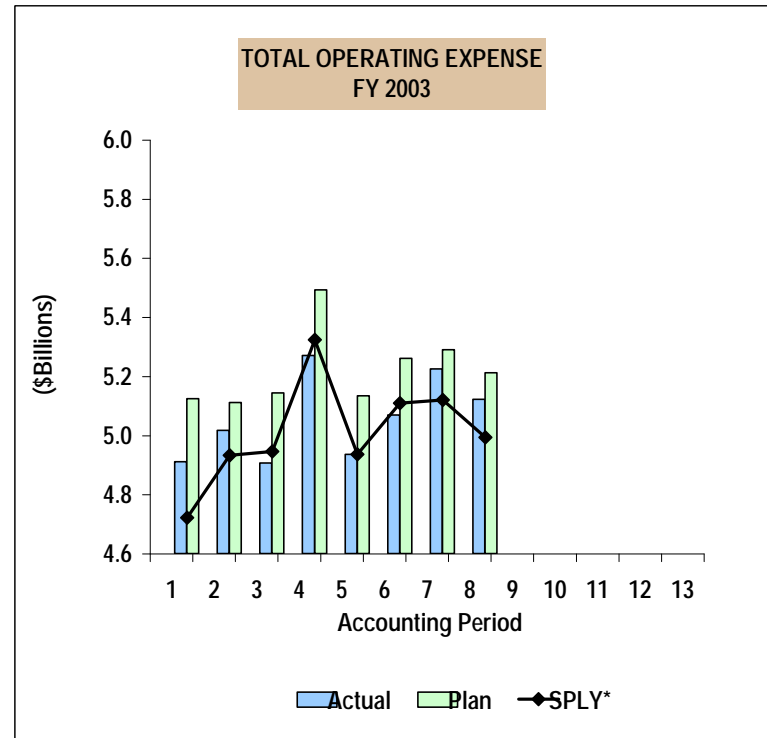
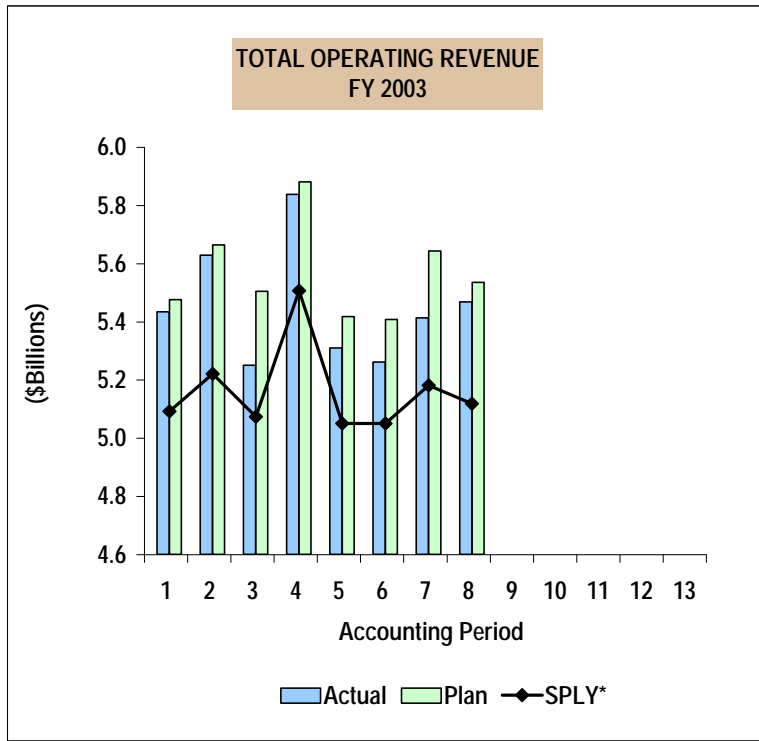
(Data in Thousands)

CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	AP 08 FY 2003	AP 08 FY 2002	% SPLY	AP 08 FY 2003	AP 08 FY 2002	% SPLY
FIRST-CLASS						
VOLUME	7,816,959	7,917,579	- 1.3	62,884,995	64,253,969	- 2.1
REVENUE	\$ 2,952,698	\$ 2,801,022	5.4	\$ 23,582,179	\$ 22,534,014	4.7
REV/PC.	0.3777	0.3538	6.8	0.3750	0.3507	6.9
PRIORITY-MAIL						
VOLUME	72,989	83,175	- 12.2	561,746	653,824	- 14.1
REVENUE	\$ 377,563	\$ 376,138	0.4	\$ 2,972,061	\$ 3,047,001	- 2.5
REV/PC.	5.1729	4.5222	14.4	5.2908	4.6603	13.5
EXPRESS MAIL						
VOLUME	4,561	5,124	- 11.0	34,843	38,571	- 9.7
REVENUE	\$ 72,157	\$ 74,423	- 3.0	\$ 557,036	\$ 563,991	- 1.2
REV/PC.	15.8204	14.5244	8.9	15.9870	14.6222	9.3
PERIODICALS						
VOLUME	714,669	744,507	- 4.0	5,829,108	6,069,931	- 4.0
REVENUE	\$ 175,653	\$ 168,167	4.5	\$ 1,413,846	\$ 1,347,323	4.9
REV/PC.	0.2458	0.2259	8.8	0.2425	0.2220	9.3
STANDARD MAIL						
VOLUME	7,151,572	6,767,956	5.7	57,083,146	54,516,078	4.7
REVENUE	\$ 1,377,623	\$ 1,226,226	12.3	\$ 10,889,841	\$ 9,791,066	11.2
REV/PC.	0.1926	0.1812	6.3	0.1908	0.1796	6.2
PACKAGE SERVICES						
VOLUME	80,850	74,610	8.4	710,412	666,570	6.6
REVENUE	\$ 164,131	\$ 144,198	13.8	\$ 1,454,517	\$ 1,322,016	10.0
REV/PC.	2.0301	1.9327	5.0	2.0474	1.9833	3.2
INTERNATIONAL						
VOLUME	77,616	67,758	14.5	606,729	601,746	0.8
REVENUE	\$ 116,869	\$ 115,796	0.9	\$ 1,019,760	\$ 1,035,227	- 1.5
REV/PC.	1.5057	1.7090	- 11.9	1.6808	1.7204	- 2.3
ALL OTHER						
VOLUME	35,046	39,794	- 11.9	295,851	314,865	- 6.0
REVENUE	\$ 149	\$ 191	-	\$ 901	\$ 932	- 3.3
ALL MAIL						
VOLUME	15,954,262	15,700,502	1.6	128,006,829	127,115,554	0.7
REVENUE	\$ 5,236,844	\$ 4,906,160	6.7	\$ 41,890,141	\$ 39,641,570	5.7
REV/PC.	0.3282	0.3125	5.0	0.3272	0.3119	4.9

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 AP estimates be used with caution.

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



*SPLY data may differ from previous reports due to subsequent adjustments.
See accompanying Notes to the Financial and Operating Statements beginning on page 16.

REVENUE BY SOURCE
Accounting Period 8, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
			Operating Revenue:			
\$ 2,082.3	\$ 1,969.4	5.6	Metered Postage	\$ 16,174.4	\$ 15,552.1	4.0
895.8	851.4	5.2	Stamps and Stamped Paper	7,523.1	7,209.6	4.3
1,298.0	1,155.9	12.3	Permit Imprint	10,263.5	9,227.3	11.2
174.6	166.4	4.9	Periodicals & Standard	1,401.6	1,334.7	5.0
71.0	67.2	5.6	Official Mail	572.1	551.8	3.7
721.8	702.1	2.8	Presort First-Class & Package Svc./Permit Imprint	5,938.1	5,802.5	2.3
55.9	51.0	9.5	Box Rents	469.5	435.2	7.8
15.1	16.0	- 5.6	Money Order Fees	118.3	128.8	- 8.2
<u>151.0</u>	<u>134.4</u>	12.3	Other	<u>1,153.2</u>	<u>1,008.0</u>	14.4
\$ 5,465.5	\$ 5,113.9	6.9	Subtotal	\$ 43,613.8	\$ 41,250.0	5.7
			Government Appropriation:			
<u>2.5</u>	<u>3.7</u>	- 34.3	Revenue Forgone	<u>19.7</u>	<u>30.0</u>	- 34.3
\$ 5,468.0	\$ 5,117.6	6.8	Total Operating Revenue	\$ 43,633.5	\$ 41,280.0	5.7
<u>4.9</u>	<u>3.8</u>	30.4	Investment Income	<u>32.2</u>	<u>22.1</u>	45.8
\$ 5,472.9	\$ 5,121.4	6.9	Total Revenue	\$ 43,665.7	\$ 41,302.1	5.7

Note: Totals may not sum due to rounding.

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REVENUE BY CATEGORY
Accounting Period 8, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,243.6	\$ 2,311.1	[-2.9]	Permit Revenue	\$ 18,003.5	\$ 18,345.5	[-1.9]
<u>1,811.5</u>	<u>1,890.6</u>	[-4.2]	Other Commercial Accounts Revenue	<u>14,168.3</u>	<u>15,004.5</u>	[-5.6]
\$ 4,055.1	\$ 4,201.7	[-3.4]	Total Commercial Revenue	\$ 32,171.8	\$ 33,350.0	[-3.5]
			Retail Revenue			
1,133.5	1,076.1	5.3	Retail Postage Revenue	9,245.1	9,003.3	2.7
79.8	77.8	2.6	Retail Services Revenue	652.3	633.4	3.0
12.6	8.5	48.7	Retail Products Revenue	96.1	73.6	30.7
<u>149.5</u>	<u>137.1</u>	9.0	Other Retail Channels Revenue	<u>1,177.2</u>	<u>1,177.6</u>	0.0
\$ 1,375.4	\$ 1,299.5	5.8	Total Retail Revenue	\$ 11,170.7	\$ 10,887.9	2.6
\$ 5,430.5	\$ 5,501.2	[-1.3]	Total Commercial & Retail Revenue	\$ 43,342.5	\$ 44,237.9	[-2.0]
35.0	31.2	12.2	Other Income	271.3	267.6	1.4
<u>2.5</u>	<u>2.5</u>	0.0	Revenue Forgone	<u>19.7</u>	<u>19.7</u>	0.0
\$ 5,468.0	\$ 5,534.9	[-1.2]	Total Operating Revenue	\$ 43,633.5	\$ 44,525.2	[-2.0]
<u>4.9</u>	<u>2.3</u>	111.5	Investment Income	<u>32.2</u>	<u>21.9</u>	47.0
\$ 5,472.9	\$ 5,537.2	[-1.2]	Total Revenue	\$ 43,665.7	\$ 44,547.1	[-2.0]

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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EXPENSE ANALYSIS
Accounting Period 8, FY 2003
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 4,087.1	\$ 4,099.1	\$ - 12.0	- 0.3	\$ 4,006.2	2.0	Personnel Compensation	\$ 32,345.4	\$ 32,699.5	\$ - 354.1	- 1.1	\$ 31,799.7	1.7
						Non-Personnel Expense:						
377.0	375.9	[1.1]	[0.3]	379.3	- 0.6	Transportation	3,149.4	3,300.1	- 150.7	- 4.6	3,221.4	- 2.2
171.1	228.4	- 57.3	- 25.1	191.7	- 10.8	Supplies & Services	1,325.8	1,760.9	- 435.1	- 24.7	1,472.5	- 10.0
<u>486.3</u>	<u>508.3</u>	<u>- 22.0</u>	- 4.3	<u>415.8</u>	17.0	Other	<u>3,705.0</u>	<u>3,999.4</u>	<u>- 294.4</u>	- 7.4	<u>3,557.9</u>	4.1
\$ 1,034.4	\$ 1,112.6	\$ - 78.2	- 7.0	\$ 986.8	4.8	Subtotal	\$ 8,180.2	\$ 9,060.4	\$ - 880.2	- 9.7	\$ 8,251.8	- 0.9
\$ 5,121.5	\$ 5,211.7	\$ - 90.2	- 1.7	\$ 4,993.0	2.6	Total Operating Expense	\$ 40,525.6	\$ 41,759.9	\$ - 1,234.3	- 3.0	\$ 40,051.5	1.2
27.8	30.3	- 2.5	- 8.3	27.3	1.7	Interest Expense	240.7	254.2	- 13.5	- 5.3	216.0	11.4
<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>990.6</u>	<u>990.6</u>	<u>0.0</u>	0.0	<u>1,008.9</u>	- 1.8
\$ 5,273.1	\$ 5,365.8	\$ - 92.7	- 1.7	\$ 5,146.4	2.5	Total Expense	\$ 41,756.9	\$ 43,004.7	\$ - 1,247.8	- 2.9	\$ 41,276.4	1.2

[]=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.

ANALYSIS OF OPERATING EXPENSES
Accounting Period 8, FY 2003
Personnel Compensation
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Total Compensation	Actual	Budget	Var. to Budget		SPLY *	% SPLY	
\$ 28.5	\$ 28.0	[\$ 0.5]	[1.7]	\$ 27.3	4.4		Operations:	\$ 216.2	\$ 215.8	[\$ 0.4]	[0.2]	\$ 209.1	3.4
853.2	848.5	[4.7]	[0.6]	856.8	-0.4	-Support	6,894.1	6,961.0	-66.9	-1.0	6,990.7	-1.4	
348.3	352.2	-3.9	-1.1	317.7	9.6	-Mail Processing	2,683.4	2,702.7	-19.4	-0.7	2,594.0	3.4	
1,181.5	1,169.6	[11.9]	[1.0]	1,155.4	2.3	-Rural Delivery	9,321.9	9,223.5	[98.4]	[1.1]	8,967.1	4.0	
85.6	85.2	[0.4]	[0.5]	82.6	3.7	-City Delivery**	671.7	666.6	[5.0]	[0.8]	654.4	2.6	
215.1	221.2	-6.2	-2.8	203.7	5.6	-Vehicles Services	1,677.4	1,711.4	-34.1	-2.0	1,603.7	4.6	
574.0	569.7	[4.3]	[0.7]	571.2	0.5	-Plant & Equip Maint	4,552.1	4,554.0	-2.0	-0.0	4,573.5	-0.5	
18.5	20.6	-2.1	-10.1	19.3	-4.0	-Customer Services	145.4	167.0	-21.6	-12.9	155.0	-6.2	
26.2	26.9	-0.7	-2.6	25.0	4.8	Finance	198.0	205.1	-7.1	-3.5	193.6	2.3	
40.7	42.9	-2.2	-5.0	39.1	4.1	Human Resources	313.4	330.5	-17.2	-5.2	276.8	13.2	
180.3	177.0	[3.3]	[1.9]	171.5	5.2	Customer Service & Sales	1,379.8	1,348.7	[31.2]	[2.3]	1,314.9	4.9	
132.9	152.9	-19.9	-13.0	141.1	-5.8	Administration	1,057.0	1,361.5	-304.5	-22.4	1,404.4	-24.7	
\$ 3,685.0	\$ 3,694.8	\$ -9.8	-0.3	\$ 3,610.7	2.1	Total Salaries & Benefits	\$ 29,110.3	\$ 29,448.0	\$ -337.7	-1.1	\$ 28,937.2	0.6	
119.6	119.8	-0.3	-0.2	112.5	6.3	Workers' Compensation	958.0	958.7	-0.7	-0.1	729.5	31.3	
7.7	7.7	0.0	0.0	9.9	-22.7	Unemployment Compensation	61.5	61.5	0.0	0.0	58.8	4.6	
107.9	107.9	0.0	0.0	107.9	0.0	Deferred Retirement Cost	862.9	862.9	0.0	0.0	863.4	-0.1	
69.3	69.3	0.0	0.0	65.3	6.1	CSRS Annuitant COLA	554.4	554.4	0.0	0.0	542.2	2.3	
89.4	89.4	0.0	0.0	74.5	20.0	Annuitant Health Benefits	715.3	715.3	0.0	0.0	625.3	14.4	
8.2	10.2	-1.9	-19.1	25.3	-67.5	Other Compensation	83.1	98.8	-15.7	-15.9	43.4	-	
\$ 4,087.1	\$ 4,099.1	\$ -12.0	-0.3	\$ 4,006.2	2.0	Total Personnel Compensation	\$ 32,345.4	\$ 32,699.5	\$ -354.1	-1.1	\$ 31,799.7	1.7	

[]=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 renamed to better identify operations.

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

ANALYSIS OF NON-PERSONNEL EXPENSES
Accounting Period 8, FY 2003
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY
\$ 377.0	\$ 375.9	[\$ 1.1]	[0.3]	\$ 379.3	- 0.6	Transportation	\$ 3,149.4	\$ 3,300.1	\$- 150.8	- 4.6	\$ 3,221.4	- 2.2
171.1	228.4	- 57.3	- 25.1	191.7	- 10.8	Supplies & Services	1,325.8	1,760.9	- 435.1	- 24.7	1,472.5	- 10.0
178.9	190.4	- 11.5	- 6.0	177.0	1.1	Depreciation	1,412.7	1,516.2	- 103.5	- 6.8	1,414.6	- 0.1
74.9	79.1	- 4.2	- 5.3	72.2	3.8	Rent	555.1	569.5	- 14.4	- 2.5	538.7	3.0
40.5	40.0	[0.5]	[1.2]	35.6	13.8	Fuel & Utilities	313.4	326.7	- 13.2	- 4.1	294.5	6.4
32.4	32.3	[0.1]	[0.3]	30.6	5.9	Rural Carrier Equip Maint Allowance	246.1	254.0	- 7.9	- 3.1	240.2	2.5
37.6	33.6	[4.1]	[12.1]	32.4	16.1	Vehicle Maintenance	275.6	259.2	[16.5]	[6.3]	245.5	12.3
36.8	40.1	- 3.4	- 8.4	28.3	29.8	Information Technology	242.1	329.0	- 86.9	- 26.4	206.5	17.3
9.8	14.5	- 4.7	- 32.6	9.3	5.4	Building Projects Expensed	81.6	145.5	- 63.9	- 43.9	85.7	- 4.8
6.0	5.5	[0.5]	[8.8]	5.5	8.5	Contract Job Cleaners	47.2	44.3	[2.9]	[6.6]	44.3	6.6
15.3	12.6	[2.8]	[22.0]	14.0	9.4	Travel & Relocation	95.8	89.2	[6.6]	[7.4]	77.7	23.3
15.0	16.1	- 1.1	- 6.9	16.5	- 9.0	Communications	115.3	126.4	- 11.1	- 8.8	120.0	- 3.9
5.6	6.2	- 0.7	- 10.6	5.8	- 4.8	Contract Stations	42.5	44.4	- 1.9	- 4.3	43.2	- 1.7
2.0	2.1	- 0.2	- 7.1	1.4	37.8	Printing	13.7	19.5	- 5.8	- 29.7	16.6	- 17.6
3.9	6.3	- 2.4	- 37.6	4.8	- 18.7	Training	28.2	46.7	- 18.5	- 39.6	32.1	- 12.2
3.1	4.4	- 1.3	- 29.2	3.3	- 4.3	Carfare & Tolls	30.2	35.9	- 5.6	- 15.7	35.4	- 14.7
1.5	2.4	- 0.9	- 38.0	2.8	- 47.7	Vehicle Hire	14.3	20.3	- 6.0	- 29.4	20.6	- 30.5
4.6	4.8	- 0.1	- 3.0	4.7	- 1.2	Accident Cost	30.1	31.1	- 1.0	- 3.1	30.3	- 0.6
- 0.8	- 3.6	[2.8]	[78.8]	- 1.6	- 53.3	Capitalized Interest	- 11.4	- 28.6	[17.2]	[60.1]	- 20.3	- 43.8
19.1	21.4	- 2.3	- 10.7	- 26.9	-	Miscellaneous	172.4	170.2	[2.2]	[1.3]	132.1	30.5
\$ 1,034.4	\$ 1,112.6	\$ - 78.2	- 7.0	\$ 986.8	4.8	Total Other Operating Expenses	\$ 8,180.2	\$ 9,060.4	\$- 880.2	- 9.7	\$ 8,251.8	- 0.9

[]=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 8, FY 2003			
(\$ Millions)			
Assets	April 18, 2003	March 21, 2003	September 30, 2002 *
Current Assets:			
Cash and cash equivalents _1/	\$ 2,752	\$ 2,027	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	6	6	6
Receivables:			
Foreign countries	685	711	592
U.S. Government	145	130	125
Other	210	209	192
	<u>1,040</u>	<u>1,050</u>	<u>909</u>
Less allowances	<u>117</u>	<u>117</u>	<u>112</u>
	923	933	797
Supplies, advances and prepayments	<u>318</u>	<u>321</u>	<u>327</u>
Total Current Assets	3,999	3,287	2,280
Other assets _2/	368	368	368
Property and equipment, at cost:			
Buildings	19,713	19,748	19,513
Equipment	16,946	16,887	16,421
Land	<u>2,786</u>	<u>2,787</u>	<u>2,776</u>
	39,445	39,422	38,710
Less allowances for depreciation	<u>17,424</u>	<u>17,287</u>	<u>16,401</u>
	22,021	22,135	22,309
Construction in progress	910	925	1,223
Leasehold improvements, net	<u>599</u>	<u>607</u>	<u>604</u>
	23,530	23,667	24,136
Deferred Retirement Costs _3/	<u>32,539</u>	<u>32,716</u>	<u>32,231</u>
Total Assets	<u>\$ 60,436</u>	<u>\$ 60,038</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/ Appropriation receivable for revenue forgone.

_3/ Represents the Postal Service's deferred retirement liability for CSRS 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

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

STATEMENT OF FINANCIAL POSITION			
Accounting Period 8, FY 2003			
(\$ Millions)			
Liabilities and Equities	April 18, 2003	March 21, 2003	September 30, 2002 *
**Current Liabilities:			
Compensation and employees' benefits	\$ 5,311	\$ 5,216	\$ 5,113
Estimated prepaid postage	1,511	1,510	1,500
Payables and accrued expenses:			
Foreign countries	840	824	748
U.S. Government	256	221	246
Other - Including Emergency Preparedness Appropriations	<u>2,228</u>	<u>2,351</u>	<u>1,167</u>
	3,324	3,396	2,161
Appropriation for free & reduced rate mail	14	17	0
Prepaid permit mail and box rentals	1,984	2,009	2,011
Outstanding postal money orders	842	821	986
Current portion of debt	<u>751</u>	<u>751</u>	<u>3,815</u>
Total Current Liabilities	13,737	13,720	15,586
Long-term debt, less current portion	6,524	6,524	7,300
Other Liabilities:			
Amounts payable for retirement benefits _3/	31,495	31,495	30,046
Workers' compensation claims	6,706	6,586	5,815
Employees' accumulated leave	2,009	1,922	2,088
Other	<u>1,386</u>	<u>1,435</u>	<u>1,182</u>
Total Other Liabilities	41,596	41,438	39,131
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	<u>- 4,455</u>	<u>- 4,678</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>- 1,421</u>	<u>- 1,644</u>	<u>- 3,002</u>
Total Liabilities and Equity	<u>\$ 60,436</u>	<u>\$ 60,038</u>	<u>\$ 59,015</u>

_3/ Represents the Postal Service's deferred retirement liability for CSRS 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.

**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.

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

STATEMENT OF CASH FLOWS	
Fiscal Year 2003	
(\$ Millions)	
For the Fiscal Year through April 18, 2003	
Cash flows from operating activities:	
Net income/(loss) (Government Fiscal Year Basis)	\$ 1,581
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation and amortization	1,396
Increase/(decrease) in other liabilities	204
Increase/(decrease) in employees' accumulated leave	(79)
Increase/(decrease) in non-current workers' compensation claims	891
Increase/(decrease) in retirement, net	1,141
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits	198
Increase/(decrease) in deferred revenue	(2)
Increase/(decrease) in payables and accrued expenses	1,163
(Increase)/decrease in receivables	(126)
(Increase)/decrease in supplies, advances and prepayments	9
Increase/(decrease) in outstanding postal money orders	(144)
Net cash provided by operating activities	6,232
Cash flows from investing activities:	
Sale/(purchase) of U.S. Government securities, net	0
Purchase and sale of property and equipment, net	(790)
Net cash used in investing activities	(790)
Cash flows from financing activities:	
Increase/(decrease) in debt	(3,840)
(Increase)/decrease in other non-current assets	0
Net cash used by financing activities	(3,840)
Net (decrease)/increase in cash and cash equivalents	1,602
Cash and cash equivalents at beginning of period	1,156
Cash and cash equivalents at end of period	\$ 2,758

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

CAPITAL INVESTMENTS
FY 2003
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	A/P 8 Year-to-Date			A/P 8 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 25.8	\$ 37.1	\$ 16.0	\$ 76.9	\$ 157.4	\$ 140.9
BUILDING IMPROVEMENTS	59.0	93.8	46.4	91.7	146.9	119.2
MAIL PROCESSING EQUIPMENT	481.5	509.5	432.1	364.0	361.5	681.1
VEHICLES	20.4	25.8	- 3.8	40.5	117.5	104.4
RETAIL EQUIPMENT	2.6	4.1	6.1	4.4	102.4	32.2
POSTAL SUPPORT EQUIPMENT	122.3	191.0	121.5	135.1	175.4	147.5
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 711.7	\$ 861.3	\$ 618.3	\$ 712.7	\$ 1,061.0	\$ 1,225.3

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	April 18, 2003	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 76.5	\$ 132.3
BUILDING IMPROVEMENTS	99.0	157.1
MAIL PROCESSING EQUIPMENT	1,066.7	964.6
VEHICLES	125.8	145.8
RETAIL EQUIPMENT	39.1	40.9
POSTAL SUPPORT EQUIPMENT	81.8	95.2
TOTAL RESOURCES ON ORDER	\$ 1,488.9	\$ 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 8, 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
742	[20]	[2.8]	734	1.1	-Support	5,642	[34]	[0.6]	5,656	- 0.2
27,144	- 70	- 0.3	28,649	- 5.3	-Mail Processing	224,648	- 4,265	- 1.9	241,492	- 7.0
13,223	- 163	- 1.2	13,794	- 4.1	-Rural Delivery	102,040	- 1,039	- 1.0	106,434	- 4.1
36,525	[480]	[1.3]	36,865	- 0.9	-City Delivery **	288,732	[2,379]	[0.8]	292,707	- 1.4
2,535	[13]	[0.5]	2,569	- 1.3	-Vehicles Services	20,063	[28]	[0.1]	20,555	- 2.4
6,461	- 209	- 3.1	6,453	0.1	-Plant & Equip Maint	50,897	- 1,419	- 2.7	51,180	- 0.6
18,229	[158]	[0.9]	18,818	- 3.1	-Customer Services	145,691	- 427	- 0.3	152,847	- 4.7
523	- 54	- 9.3	563	- 7.0	Finance	4,124	- 605	- 12.8	4,566	- 9.7
705	- 14	- 1.9	693	1.7	Human Resources	5,313	- 175	- 3.2	5,381	- 1.3
1,189	- 62	- 5.0	1,181	0.6	Customer Service & Sales	9,174	- 547	- 5.6	8,546	7.3
5,395	[146]	[2.8]	5,319	1.4	Administration	41,588	[957]	[2.4]	41,237	0.8
3,319	- 107	- 3.1	3,747	- 11.4	Other	26,690	- 802	- 2.9	32,784	- 18.6
115,990	[137]	[0.1]	119,387	- 2.8	Total Work Hours	924,603	- 5,879	- 0.6	963,385	- 4.0

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
7.6%	7.5%	7.2%	Overtime Ratio Per 100 Work Hours	8.3%	8.3%	8.0%

Sick Leave						
Actual	Budget	SPLY		Actual	Budget	SPLY
4.0%	--	4.1%	Sick Leave Ratio Per 100 Work Hours	4.1%	--	4.0%

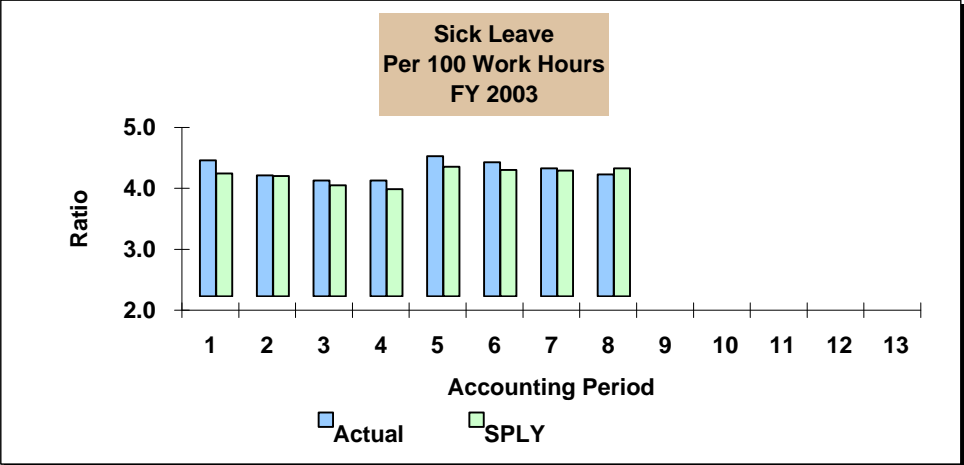
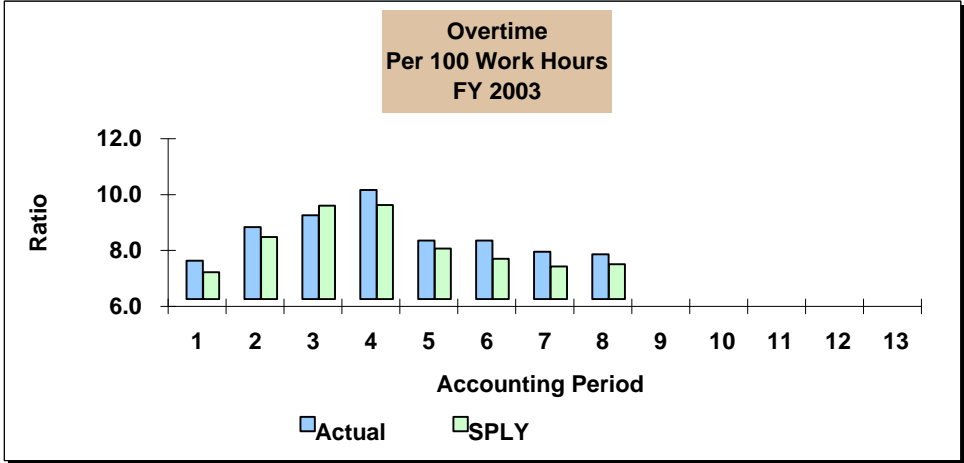
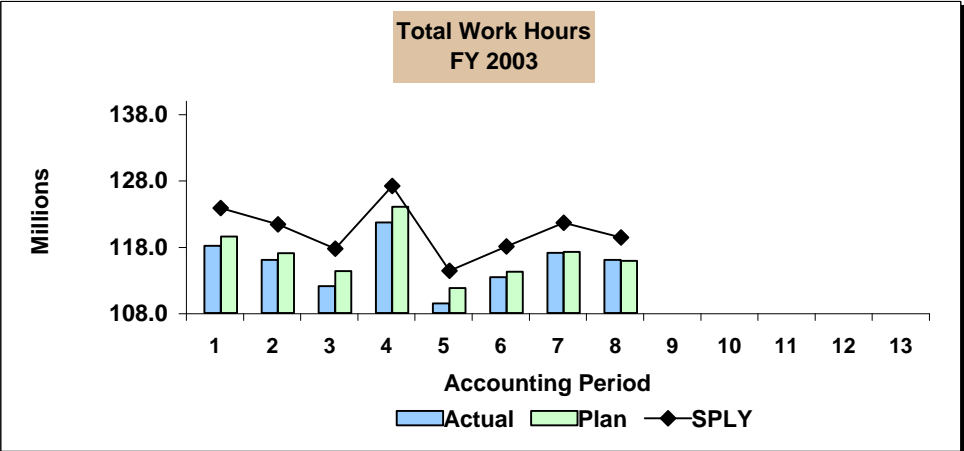
[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

**The line formerly identified as Other Delivery has been renamed to better identify operations.

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 8, FY 2003

Notes to the Financial and Operating Statements

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

Current period, Total Revenue was 1.2% or \$64 million under plan. Commercial Revenue was 3.4% or \$147 million under plan. The biggest drivers of the Commercial Revenue plan underrun were Customer Meters at \$78 million below, and First-Class Permit Imprint Mail at \$98 million below. Total Retail Revenue was 5.8% or \$76 million above plan. Total Revenue grew by 6.9% or \$352 million over same period last year (SPLY). The bulk of the increase to SPLY for total revenue was reflected in Permit Imprint and Metered Postage at \$142 million and \$113 million over SPLY, respectively. Contributing to this performance was the new postage rate structure implemented on June 30, 2002, and volume increases in Standard Mail, Package Services and International Mail.

Year-to-date (YTD), Total Revenue is \$881 million or 2.0% under plan. Other Commercial Accounts contribute to the majority of the Total Revenue underrun to plan, \$836M, with Customer Meters being the largest contributor. As compared to SPLY, Total Revenue has increased 5.7% driven by the rate change on June 30, 2002, and a volume increase of 0.7%. Permit Imprint, Metered Postage, and Stamps and Stamped Paper revenue combined are \$2.0 billion of this total revenue change to SPLY amount.

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

Current period, Total Expenses were \$93 million or 1.7% under plan. Both personnel and non-personnel costs were below plan. Total work hours were 0.1% above plan (although a favorable cost per hour kept salaries and benefits under plan) and 2.8% below SPLY (see page 15). Favorable work hour performance to SPLY was offset in part by increases in benefits expenses, primarily health benefits.

The biggest drivers of the \$78 million plan underrun in non-personnel costs were Supplies and Services, which were \$57 million below plan.

YTD, Total Expenses were \$1,248 million or 2.9% below plan. Most of the YTD plan underrun lies in Supplies and Services, \$435 million; Personnel Compensation, \$354 million; Transportation, \$151 million; Depreciation, \$104 million; Information Technology, \$87 million; and Building Projects Expensed, \$64 million. Transformation Plan initiatives, Supply Chain Management, more effective utilization of our transportation network, and other cost containment initiatives have driven many of these savings. Reduced workload due to lower mail volume has also had an impact. The current trend of significant expense underruns may not continue as budgets become more challenging toward the end of the year. City Delivery personnel compensation is \$98 million above plan resulting from an increase in City Delivery work hour usage, 2.4 million hours more than planned, partially spurred by the continuation in the growth of delivery points.

Accounting Period 8, FY 2003

Notes to the Financial and Operating Statements

Mail Volume and Revenue - Page 3

Total Mail Volume for AP 8, Fiscal Year (FY) 2003, was 253.8 million pieces above SPLY, or 1.6%. Standard Mail, Package Services, and International Mail were above SPLY while First-Class, Priority Mail, Express Mail, and Periodicals were below their AP 8, FY 2002, levels.

The Total Mail Revenue for AP 8, FY 2003 YTD was 0.7% above that reported during the same period last year (SPLY). 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, and a 0.7% increase in volume.

Capital Commitments - Pages 1 and 13

The Fiscal Year Capital Commitments through YTD, AP 8, FY 2003 were \$711.7 million compared to a plan of \$861.3 million. This represents an underrun of about \$149.5 million or 17.4%. The single largest commitment made thus far in FY 2003 was \$321 million for the Automated Package Processing Systems project which has a projected return on investment (ROI) of 24.4%.

The Cash Outlays YTD were \$712.7 million versus a plan of \$1,061.0 million, representing a \$348.3 million underrun to plan.

Work Hours - Pages 1, 14 and 15

Total work hours for the accounting period were 0.1 million hours or 0.1% above plan and 3.4 million hours below same period last year. Mail processing function, including automated, mechanized and manual distribution, remote barcoding operations, platform and indirect operations, and supervision was 1.5 million work hours less than SPLY. An additional 1.5 million work hours were reduced in Delivery Service, Customer Service, and Rural Delivery, combined. 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. Other Work Hours category on page 14, relating to Limited Duty, Rehabilitation and Headquarters General Management hours, played a major role in work hour reductions to SPLY. Current period, it should be noted that Other Work Hours were 0.4 million hours below same period last year.

Total work hours for AP 8 YTD were reduced 38.8 million hours or 4.0% 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 productivity enhancements. To date, Mail Processing work hours have been reduced 16.8 million hours below same period last year. City and Rural Delivery, combined with Customer Service clerk work hours, contributed to a reduction of 15.5 million work hours to SPLY. The AP 8 Overtime Ratio of 7.6, which was above plan and SPLY, was mostly influenced by the increase in Delivery Services overtime, 4.4% above SPLY. This was driven by an increase in delivery points, impact of inclement weather, and fewer career Delivery Service employees than last year.