



**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS

The balance sheet in this report is not adjusted. Please see the [Quarter III Financial Conditions & Results Report](#) for the restated balance sheet, and the [Press Release of December 2, 200](#)



**Accounting Period 10, PFY 2003
May 17 – June 13, 2003**

**Prepared by:
Financial Reporting and Analysis**

Highlights
Accounting Period 10, FY 2003
(Millions)

Accounting Period 10					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 4,886.3	\$ 4,957.7	[\$ - 71.4]	[- 1.4]	\$ 4,678.2	4.4
<u>4,807.9</u>	<u>5,197.4</u>	<u>- 389.5</u>	- 7.5	<u>5,042.7</u>	- 4.7
\$ 78.4	\$ (- 239.7)	\$ 318.1	-	\$ (- 364.5)	-
\$ 269.4	\$ 104.0	[\$ 165.4]	[159.0]	\$ 43.5	519.3
108.5	109.1	- 0.5	- 0.5	111.3	- 2.5
14,306.5	14,424.7	- 118.1	- 0.8	14,560.4	- 1.7

Year-to-Date (September 7, 2002 - June 13, 2003)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 53,708.5	\$ 54,852.6	[\$ - 1,144.1]	[- 2.1]	\$ 50,933.4	5.4
<u>49,063.1</u>	<u>53,586.4</u>	<u>- 4,523.3</u>	- 8.4	<u>51,604.1</u>	- 4.9
\$ 4,645.4	\$ 1,266.2	\$ 3,379.2	-	\$ (- 670.7)	-
\$ 1,012.3	\$ 1,136.4	\$ - 124.1	- 10.9	\$ 686.5	47.5
1,148.2	1,155.1	- 6.9	- 0.6	1,193.4	- 3.8
157,534.3	159,809.0	- 2,274.7	- 1.4	157,131.7	0.3

[] = 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.

** Includes impact of revised Civil Service Retirement System (CSRS) funding requirements as a result of Public Law (PL) 108-18. Refer to notes on page 2 for an explanation of this impact.

Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,641	27,647	27,862
Postal Owned Vehicles In Use			
Administrative	5,610	5,642	5,533
Operations	201,078	201,277	202,845
Total Deliveries (000) ***	140,722	140,550	138,902
City Delivery Routes	165,446	165,222	168,268
Rural Routes	69,537	69,509	69,515
Career Employees (Excludes Inspector General)	735,258	736,082	759,560
Casual Employees	20,079	19,727	20,984
Transitional Employees	11,820	12,845	12,330

*** 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 9 data is shown, as AP 10 data is not yet available for FY 2003.

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

STATEMENT OF INCOME AND EXPENSE
Accounting Period 10, FY 2003
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 4,880.6	\$ 4,955.4	[\$ - 74.8]	[- 1.5]	\$ 4,674.8	4.4	Operating Revenue	\$ 53,665.3	\$ 54,826.1	[\$ - 1,160.8]	[- 2.1]	\$ 50,904.1	5.4
4,757.0	5,046.2	- 289.2	- 5.7	4,889.6	- 2.7	Operating Expense 1)	48,743.8	52,039.1	- 3,295.3	- 6.3	50,073.1	- 2.7
\$ 123.6	\$ (- 90.8)	\$ 214.4	-	\$ - 214.8	-	Income (Loss) From Operations	\$ 4,921.5	\$ 2,787.0	\$ 2,134.5	-	\$ 831.0	-
5.7	2.3	3.4	144.4	3.4	65.6	Investment Income	43.2	26.5	16.7	63.0	29.4	47.2
- 27.8	- 27.4	- 0.4	1.4	- 27.0	2.7	Interest Expense	- 296.2	- 309.0	12.8	- 4.1	- 270.0	9.7
- 23.1	- 123.8	- 100.7	- 81.3	- 126.1	- 81.7	Interest on Deferred Retirement Costs 2)	- 23.1	- 1,238.3	- 1,215.2	- 98.1	- 1,261.1	- 98.2
\$ 78.4	\$ (- 239.7)	\$ 318.1	-	\$ (- 364.5)	-	Net Income/(Loss)	\$ 4,645.4	\$ 1,266.2	\$ 3,379.2	-	\$ (- 670.7)	-

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

As a result of the recently enacted legislation, Postal Civil Service Retirement System Funding Reform Act of 2003, PL 108-18, funding by the Postal Service to the Civil Service Retirement System (CSRS) changed effective at the beginning of the second pay period of Accounting Period (AP) 9. The analysis supporting this law, developed by the Office of Personnel Management (OPM), showed that the net accumulated value of Postal Service payments already made to the fund was approaching the value of the future CSRS benefits applicable to its participants. The deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion and the first payment on this is due on September 30, 2004. Additionally, the law increased the percentage of employer contributions from 7 to 17.4 percent. The following footnotes show how these changes are reflected above and on other pages.

Notes:

- 1) Operating expenses in the current period reflect a \$91.6 million net reduction in expenses related to the adoption of PL 108-18. The reduction in expenses consists of two components: (a) a decrease of \$175.4 million reflecting the reduced deferred retirement costs and (b) an increase in the cost of the employer contributions to the CSRS for active employees of \$83.8 million for one accounting period. Year-to-date expenses have been adjusted by \$1,644.2 million to reflect the cumulative impact of PL 108-18.
- 2) The interest accrued as a result of PL 108-18 entitled as deferred retirement costs was reduced to \$23.1 million. The current period and year-to-date reflects this change. The current period impact is a reduction of \$100.7 million, while the year-to-date reduction totals \$1,215.1 million.

Current period net income on this page and on pages 1 and 4 reflect the above impacts, a total positive impact of \$192.3 million. The year-to-date net income on this page and on pages 1 and 4 reflect a total year-to-date positive impact of \$2,859.3 million.

Total expenses on this page and on pages 1, 7, and 8 also reflect the above impacts. Specific expense lines, personnel compensation, total compensation, interest on deferred retirement costs and CSRS annuitant COLA, operating expenses, on pages 4, 7 and 8 also reflect the above impact.

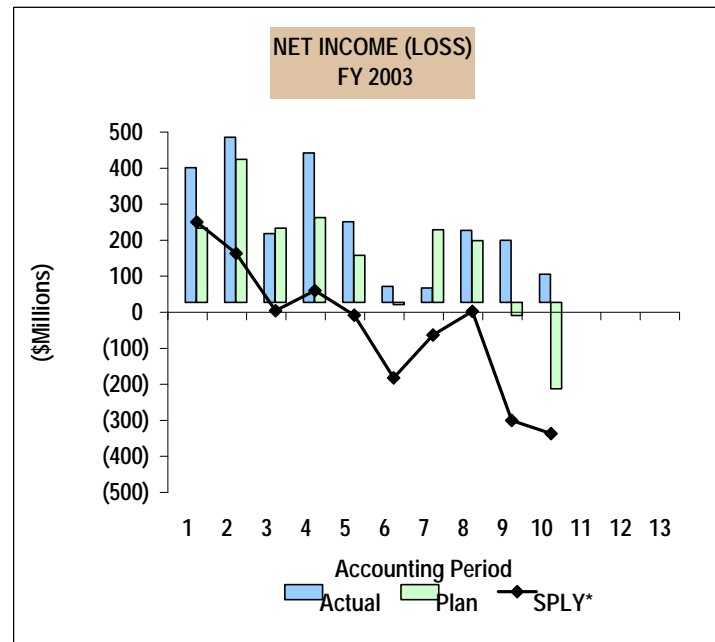
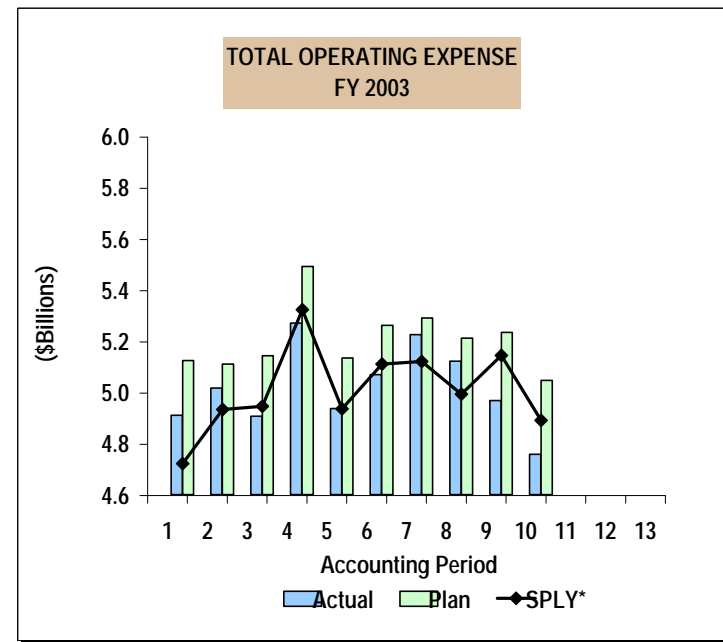
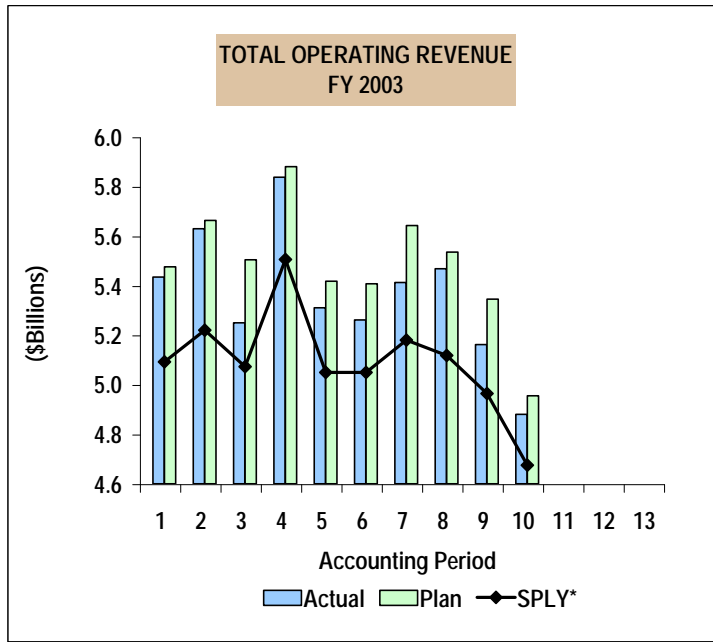
See accompanying Notes to the Financial and Operating Statements beginning on page 16. This includes an analysis of performance excluding CSRS impacts.

MAIL VOLUME - MAIL REVENUE (Data in Thousands)						
CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	AP 10 FY 2003	AP 10 FY 2002	% SPLY	AP 10 FY 2003	AP 10 FY 2002	% SPLY
FIRST-CLASS						
VOLUME	7,207,683	7,295,259	- 1.2	77,540,776	79,337,842	- 2.3
REVENUE	\$ 2,684,423	\$ 2,535,818	5.9	\$ 29,045,269	\$ 27,808,842	4.4
REV/PC.	0.3724	0.3476	7.1	0.3746	0.3505	6.9
PRIORITY-MAIL						
VOLUME	61,414	72,266	- 15.0	688,564	802,657	- 14.2
REVENUE	\$ 312,006	\$ 327,611	- 4.8	\$ 3,616,817	\$ 3,723,988	- 2.9
REV/PC.	5.0804	4.5334	12.1	5.2527	4.6396	13.2
EXPRESS MAIL						
VOLUME	4,213	4,722	- 10.8	43,459	48,379	- 10.2
REVENUE	\$ 66,214	\$ 68,265	- 3.0	\$ 692,645	\$ 705,810	- 1.9
REV/PC.	15.7166	14.4568	8.7	15.9379	14.5892	9.2
PERIODICALS						
VOLUME	692,343	771,495	- 10.3	7,278,690	7,609,228	- 4.3
REVENUE	\$ 166,255	\$ 161,432	3.0	\$ 1,760,240	\$ 1,675,759	5.0
REV/PC.	0.2401	0.2092	14.8	0.2418	0.2202	9.8
STANDARD MAIL						
VOLUME	6,168,484	6,252,146	- 1.3	70,020,889	67,415,004	3.9
REVENUE	\$ 1,169,616	\$ 1,107,912	5.6	\$ 13,351,102	\$ 12,086,220	10.5
REV/PC.	0.1896	0.1772	7.0	0.1907	0.1793	6.4
PACKAGE SERVICES						
VOLUME	73,221	71,916	1.8	862,551	807,239	6.9
REVENUE	\$ 140,176	\$ 134,651	4.1	\$ 1,758,086	\$ 1,594,219	10.3
REV/PC.	1.9144	1.8723	2.2	2.0382	1.9749	3.2
INTERNATIONAL						
VOLUME	63,966	61,356	4.3	730,575	727,707	0.4
REVENUE	\$ 112,215	\$ 114,872	- 2.3	\$ 1,246,435	\$ 1,266,675	- 1.6
REV/PC.	1.7543	1.8722	- 6.3	1.7061	1.7406	- 2.0
ALL OTHER						
VOLUME	35,200	31,213	12.8	368,804	383,597	- 3.9
REVENUE	\$ 50	\$ 82	- 39.0	\$ 1,090	\$ 1,097	- 0.6
ALL MAIL						
VOLUME	14,306,524	14,560,374	- 1.7	157,534,309	157,131,654	0.3
REVENUE	\$ 4,650,954	\$ 4,450,644	4.5	\$ 51,471,682	\$ 48,862,609	5.3
REV/PC.	0.3251	0.3057	6.4	0.3267	0.3110	5.1

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.

**Includes impact of revised CSRS funding requirements as a result of PL 108-18. Refer to notes on page 2 for an explanation of this impact.

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

REVENUE BY SOURCE
Accounting Period 10, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
			Operating Revenue:			
\$ 1,835.0	\$ 1,765.3	3.9	Metered Postage	\$ 19,918.4	\$ 19,179.7	3.9
826.5	785.2	5.2	Stamps and Stamped Paper	9,211.7	8,842.9	4.2
1,096.2	1,040.9	5.3	Permit Imprint	12,573.3	11,379.1	10.5
164.8	159.7	3.2	Periodicals & Standard	1,744.6	1,659.9	5.1
62.3	63.7	-2.2	Official Mail	702.3	685.1	2.5
667.1	657.5	1.5	Presort First-Class & Package Svc./Permit Imprint	7,309.9	7,161.0	2.1
72.6	68.0	6.8	Box Rents	597.6	554.0	7.8
14.2	12.5	13.6	Money Order Fees	147.2	157.1	-6.3
<u>139.4</u>	<u>118.3</u>	17.9	Other	<u>1,435.7</u>	<u>1,247.8</u>	15.1
\$ 4,878.1	\$ 4,671.1	4.4	Subtotal	\$ 53,640.7	\$ 50,866.6	5.5
			Government Appropriation:			
<u>2.5</u>	<u>3.7</u>	-34.3	Revenue Forgone	<u>24.6</u>	<u>37.5</u>	-34.3
\$ 4,880.6	\$ 4,674.8	4.4	Total Operating Revenue	\$ 53,665.3	\$ 50,904.1	5.4
<u>5.7</u>	<u>3.4</u>	65.6	Investment Income	<u>43.2</u>	<u>29.4</u>	47.2
\$ 4,886.3	\$ 4,678.2	4.4	Total Revenue	\$ 53,708.5	\$ 50,933.5	5.4

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.

REVENUE BY CATEGORY
Accounting Period 10, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 1,971.4	\$ 2,034.1	[- 3.1]	Permit Revenue	\$ 22,115.4	\$ 22,616.5	[- 2.2]
<u>1,628.1</u>	<u>1,713.3</u>	[- 5.0]	Other Commercial Accounts Revenue	<u>17,500.6</u>	<u>18,548.9</u>	[- 5.7]
\$ 3,599.5	\$ 3,747.4	[- 3.9]	Total Commercial Revenue	\$ 39,616.0	\$ 41,165.4	[- 3.7]
			Retail Revenue			
1,007.5	926.9	8.7	Retail Postage Revenue	11,289.1	10,929.0	3.3
96.0	74.6	28.7	Retail Services Revenue	828.2	782.9	5.8
11.5	7.6	51.0	Retail Products Revenue	120.2	89.4	34.5
<u>127.7</u>	<u>122.2</u>	4.5	Other Retail Channels Revenue	<u>1,449.1</u>	<u>1,436.7</u>	0.9
\$ 1,242.7	\$ 1,131.3	9.8	Total Retail Revenue	\$ 13,686.6	\$ 13,238.0	3.3
\$ 4,842.2	\$ 4,878.7	[- 0.7]	Total Commercial & Retail Revenue	\$ 53,302.6	\$ 54,403.4	[- 2.0]
35.9	74.2	[- 51.6]	Other Income	338.1	398.1	[- 15.1]
<u>2.5</u>	<u>2.5</u>	0.0	Revenue Forgone	<u>24.6</u>	<u>24.6</u>	0.0
\$ 4,880.6	\$ 4,955.4	[- 1.5]	Total Operating Revenue	\$ 53,665.3	\$ 54,826.1	[- 2.1]
<u>5.7</u>	<u>2.3</u>	144.4	Investment Income	<u>43.2</u>	<u>26.5</u>	63.0
\$ 4,886.3	\$ 4,957.7	[- 1.4]	Total Revenue	\$ 53,708.5	\$ 54,852.6	[- 2.1]

[]=Unfavorable variance to budget
Note: Totals may not sum due to rounding.

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

EXPENSE ANALYSIS
Accounting Period 10, FY 2003
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 3,773.0	\$ 3,944.3	\$ - 171.3	- 4.3	\$ 3,875.1	- 2.6	Personnel Compensation**	\$ 38,605.7	\$ 40,733.9	\$ - 2,128.2	- 5.2	\$ 39,727.6	- 2.8
Non-Personnel Expense:												
373.9	369.1	[4.8]	[1.3]	380.9	- 1.8	Transportation	3,890.3	4,052.9	- 162.6	- 4.0	3,981.1	- 2.3
157.0	193.1	- 36.1	- 18.7	176.8	- 11.2	Supplies & Services	1,665.8	2,221.4	- 555.6	- 25.0	1,859.0	- 10.4
<u>453.1</u>	<u>539.7</u>	<u>- 86.6</u>	- 16.0	<u>456.8</u>	- 0.8	Other	<u>4,582.1</u>	<u>5,030.9</u>	<u>- 448.8</u>	- 8.9	<u>4,505.4</u>	1.7
\$ 984.0	\$ 1,101.9	\$ - 117.9	- 10.7	\$ 1,014.5	- 3.0	Subtotal	\$ 10,138.2	\$ 11,305.2	\$ - 1,167.0	- 10.3	\$ 10,345.5	- 2.0
\$ 4,757.0	\$ 5,046.2	\$ - 289.2	- 5.7	\$ 4,889.6	- 2.7	Total Operating Expense**	\$ 48,743.8	\$ 52,039.1	\$ - 3,295.3	- 6.3	\$ 50,073.1	- 2.7
27.8	27.4	[0.4]	[1.4]	27.0	2.7	Interest Expense	296.2	309.0	- 12.8	- 4.1	270.0	9.7
<u>23.1</u>	<u>123.8</u>	<u>- 100.7</u>	- 81.3	<u>126.1</u>	- 81.7	Interest on Deferred Retirement Costs**	<u>23.1</u>	<u>1,238.3</u>	<u>- 1,215.2</u>	- 98.1	<u>1,261.1</u>	- 98.2
\$ 4,807.9	\$ 5,197.4	\$ - 389.5	- 7.5	\$ 5,042.7	- 4.7	Total Expense**	\$ 49,063.1	\$ 53,586.4	\$ - 4,523.3	- 8.4	\$ 51,604.1	- 4.9

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

**Includes impact of revised CSRS funding requirements as a result of PL 108-18. Refer to notes on page 2 for an explanation of this impact.

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

ANALYSIS OF OPERATING EXPENSES
Accounting Period 10, 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
\$ 28.3	\$ 28.4	\$ -0.1	-0.4	\$ 26.0	9.1		Operations:	\$ 273.7	\$ 272.9	[\$ 0.8]	[0.3]	\$ 262.7
816.6	812.0	[4.6]	[0.6]	787.1	3.7	-Support	8,557.7	8,615.5	-57.8	-0.7	8,622.5	-0.8
338.8	340.0	-1.2	-0.4	318.8	6.3	-Mail Processing	3,371.1	3,393.7	-22.6	-0.7	3,240.7	4.0
1,156.4	1,153.4	[3.0]	[0.3]	1,108.5	4.3	-Rural Delivery	11,668.0	11,561.4	[106.6]	[0.9]	11,233.8	3.9
84.4	83.6	[0.8]	[0.9]	79.6	6.0	-City Delivery**	841.8	836.0	[5.9]	[0.7]	817.0	3.0
211.8	218.1	-6.4	-2.9	196.4	7.8	-Vehicles Services	2,106.3	2,153.3	-47.0	-2.2	2,005.2	5.0
558.7	554.0	[4.7]	[0.9]	538.9	3.7	-Plant & Equip Maint	5,686.1	5,677.9	[8.2]	[0.1]	5,678.1	0.1
17.8	20.1	-2.3	-11.4	18.2	-1.8	-Customer Services	182.1	207.9	-25.9	-12.4	192.4	-5.4
26.5	26.8	-0.3	-1.2	23.6	12.3	Finance	251.4	259.2	-7.8	-3.0	242.4	3.7
40.8	43.0	-2.2	-5.1	37.6	8.4	Human Resources	395.8	416.9	-21.1	-5.1	354.0	11.8
181.3	180.4	[0.9]	[0.5]	165.9	9.3	Customer Service & Sales	1,748.6	1,718.0	[30.6]	[1.8]	1,655.3	5.6
121.7	81.2	[40.6]	[50.0]	140.2	-13.2	Administration	1,320.5	1,563.4	-242.9	-15.5	1,684.5	-21.6
\$ 3,583.1	\$ 3,541.1	[\$ 42.0]	[1.2]	\$ 3,440.8	4.1	Other Salaries & Benefits	\$ 36,403.0	\$ 36,676.1	\$ -273.0	-0.7	\$ 35,988.7	1.2
99.8	119.8	-20.1	-16.7	162.5	-38.6	Total Salaries & Benefits	1,157.5	1,198.4	-40.9	-3.4	1,054.4	9.8
-0.3	7.7	-8.0	-104.0	8.9	-103.4	Workers' Compensation	68.9	76.8	-8.0	-10.4	76.7	-10.2
1.8	107.9	-106.1	-98.3	107.9	-98.3	Unemployment Compensation	1.8	1,078.6	-1,076.8	-99.8	1,079.2	-99.8
0.0	69.3	-69.3	-100.0	65.3	-100.0	Deferred Retirement Cost***	0.0	693.0	-693.0	-100.0	672.7	-100.0
80.4	89.4	-9.0	-10.1	72.5	10.9	CSRS Annuitant COLA***	875.1	894.1	-19.0	-2.1	770.3	13.6
8.2	9.1	-0.9	-9.5	17.1	-52.0	Annuitant Health Benefits	99.4	116.8	-17.4	-14.9	85.6	16.2
\$ 3,773.0	\$ 3,944.3	\$ -171.3	-4.3	\$ 3,875.1	-2.6	Other Compensation	\$ 38,605.7	\$ 40,733.9	\$ -2,128.2	-5.2	\$ 39,727.6	-2.8
						Total Personnel Compensation***						

[]=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.

***Includes impact of revised CSRS funding requirements as a result of PL 108-18. Refer to notes on page 2 for an explanation of this impact.

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

ANALYSIS OF NON-PERSONNEL EXPENSES
Accounting Period 10, FY 2003
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY	
			% Budget							% Budget			
\$ 373.9	\$ 369.1	[\$ 4.8]	[1.3]	\$ 380.9	- 1.8	Transportation	\$ 3,890.3	\$ 4,052.9	\$ -162.6	- 4.0	\$ 3,981.1	- 2.3	
157.0	193.1	- 36.1	- 18.7	176.8	- 11.2	Supplies & Services	1,665.8	2,221.4	- 555.6	- 25.0	1,859.0	- 10.4	
178.1	192.0	- 14.0	- 7.3	179.6	- 0.9	Depreciation	1,768.4	1,899.2	- 130.8	- 6.9	1,771.4	- 0.2	
75.2	79.3	- 4.0	- 5.1	74.4	1.1	Rent	708.3	725.2	- 16.9	- 2.3	687.8	3.0	
30.7	42.3	- 11.6	- 27.5	38.3	- 19.7	Fuel & Utilities	380.7	407.8	- 27.1	- 6.7	369.9	2.9	
31.5	32.0	- 0.5	- 1.6	29.4	6.8	Rural Carrier Equip Maint Allowance	310.4	318.4	- 8.0	- 2.5	300.4	3.3	
32.8	30.8	[2.0]	[6.5]	30.4	7.8	Vehicle Maintenance	343.9	317.9	[26.0]	[8.2]	308.3	11.5	
27.6	51.1	- 23.5	- 46.0	19.2	43.6	Information Technology	312.7	414.3	- 101.6	- 24.5	265.2	17.9	
16.3	26.9	- 10.7	- 39.6	8.0	102.2	Building Projects Expensed	129.0	178.6	- 49.6	- 27.8	109.4	17.9	
6.6	6.0	[0.5]	[8.8]	6.3	3.7	Contract Job Cleaners	60.1	56.0	[4.1]	[7.2]	56.1	7.1	
15.6	13.3	[2.4]	[17.9]	11.7	33.0	Travel & Relocation	126.4	115.0	[11.4]	[9.9]	100.9	25.3	
13.6	21.7	- 8.1	- 37.2	18.3	- 25.7	Communications	146.4	165.8	- 19.4	- 11.7	156.2	- 6.3	
5.4	6.0	- 0.5	- 9.0	5.5	- 0.2	Contract Stations	53.8	56.5	- 2.7	- 4.7	54.5	- 1.2	
1.7	2.6	- 0.9	- 33.2	2.8	- 38.5	Printing	16.8	25.5	- 8.7	- 34.1	21.9	- 23.3	
3.1	6.2	- 3.0	- 48.9	3.4	- 7.5	Training	34.9	58.9	- 24.0	- 40.8	39.9	- 12.6	
3.1	4.5	- 1.4	- 31.6	5.0	- 38.7	Carfare & Tolls	36.8	45.0	- 8.2	- 18.2	45.0	- 18.2	
1.2	2.1	- 0.9	- 41.7	2.1	- 42.6	Vehicle Hire	17.6	24.1	- 6.4	- 26.8	24.9	- 29.4	
3.5	4.8	- 1.4	- 28.4	4.9	- 29.4	Accident Cost	37.8	42.2	- 4.5	- 10.6	39.8	- 5.2	
- 0.5	- 3.6	[3.1]	[85.7]	- 1.7	- 70.2	Capitalized Interest	- 4.8	- 35.7	[30.9]	[86.6]	- 23.7	- 79.8	
7.6	21.7	- 14.1	- 65.2	19.0	- 60.3	Miscellaneous ¹	102.8	216.0	- 113.2	- 52.4	177.2	- 42.0	
\$ 984.0	\$ 1,101.9	\$ - 117.9	- 10.7	\$ 1,014.5	- 3.0	Total Non-Personnel Expenses	\$ 10,138.2	\$ 11,305.2	\$ - 1,167.0	- 10.3	\$ 10,345.5	- 2.0	

[]=Unfavorable variance to budget

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

1) The current period includes an \$8.3 million negative adjustment from Emergency Preparedness Plan appropriations. The year-to-date amount is \$104.7 million.

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

STATEMENT OF FINANCIAL POSITION
Accounting Period 10, FY 2003
(\$ Millions)

Assets	June 13, 2003	May 16, 2003	September 30, 2002 *
Current Assets:			
Cash and cash equivalents _1/	\$ 3,249	\$ 3,107	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	5	5	6
Receivables:			
Foreign countries	714	688	592
U.S. Government	205	173	125
Other	203	205	192
	<u>1,122</u>	<u>1,066</u>	<u>909</u>
Less allowances	<u>118</u>	<u>118</u>	<u>112</u>
	1,004	948	797
Supplies, advances and prepayments	<u>312</u>	<u>316</u>	<u>327</u>
Total Current Assets	4,570	4,376	2,280
Other assets _2/	368	368	368
Property and equipment, at cost:			
Buildings	19,736	19,726	19,513
Equipment	16,988	16,991	16,421
Land	<u>2,821</u>	<u>2,808</u>	<u>2,776</u>
	39,545	39,525	38,710
Less allowances for depreciation	<u>17,705</u>	<u>17,570</u>	<u>16,401</u>
	21,840	21,955	22,309
Construction in progress	901	875	1,223
Leasehold improvements, net	<u>582</u>	<u>590</u>	<u>604</u>
	23,323	23,420	24,136
Deferred Retirement Costs _3/	<u>5,799</u>	<u>5,824</u>	<u>32,231</u>
Total Assets	<u>\$ 34,060</u>	<u>\$ 33,988</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 foregone.

_3/ Public Law 108-18 (PL 108-18), The Postal Civil Service Retirement Reform Act of 2003 revised Postal Service funding of the Civil Service Retirement System. The normal cost contribution on basic pay was increased from 7% to 17.4% effective May 3, 2003. In addition, the deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on the deferred retirement costs is due on September 30, 2004.

* Audited year-end data

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

STATEMENT OF FINANCIAL POSITION
Accounting Period 10, FY 2003
(\$ Millions)

Liabilities and Equities	June 13, 2003	May 16, 2003	September 30, 2002 *
**Current Liabilities:			
Compensation and employees' benefits	\$ 2,143	\$ 2,131	\$ 5,113
Estimated prepaid postage	1,494	1,503	1,500
Payables and accrued expenses:			
Foreign countries	848	830	748
U.S. Government	201	191	246
Other - Including Emergency Preparedness Appropriations	<u>2,115</u>	<u>2,224</u>	<u>1,167</u>
	3,164	3,245	2,161
Appropriation for free & reduced rate mail	10	12	0
Prepaid permit mail and box rentals	1,930	1,935	2,011
Outstanding postal money orders	874	835	986
Current portion of debt	<u>751</u>	<u>751</u>	<u>3,815</u>
Total Current Liabilities	10,366	10,412	15,586
Long-term debt, less current portion	6,524	6,524	7,300
Other Liabilities:			
Amounts payable for retirement benefits _3/	5,799	5,824	30,046
Workers' compensation claims	6,906	6,806	5,815
Employees' accumulated leave	2,034	2,088	2,088
Other	<u>1,376</u>	<u>1,379</u>	<u>1,182</u>
Total Other Liabilities	16,115	16,097	39,131
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	<u>- 1,979</u>	<u>- 2,079</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>1,055</u>	<u>955</u>	<u>- 3,002</u>
Total Liabilities and Equity	<u>\$ 34,060</u>	<u>\$ 33,988</u>	<u>\$ 59,015</u>

_3/ Public Law 108-18 (PL 108-18), The Postal Civil Service Retirement Reform Act of 2003 revised Postal Service funding of the Civil Service Retirement System. The normal cost contribution on basic pay was increased from 7% to 17.4% effective May 3, 2003. In addition, the deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on the deferred retirement costs is due on September 30, 2004.

* 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.

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 June 13, 2003

Cash flows from operating activities:

Net income/(loss) (Government Fiscal Year Basis)	\$ 4,057
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation and amortization	1,751
Increase/(decrease) in other liabilities	194
Increase/(decrease) in employees' accumulated leave	(54)
Increase/(decrease) in non-current workers' compensation claims	1,091
Increase/(decrease) in retirement, net *	2,185
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits *	(2,970)
Increase/(decrease) in deferred revenue	(77)
Increase/(decrease) in payables and accrued expenses	1,003
(Increase)/decrease in receivables	(207)
(Increase)/decrease in supplies, advances and prepayments	15
Increase/(decrease) in outstanding postal money orders	(112)
Net cash provided by operating activities	6,876

Cash flows from investing activities:

Sale/(purchase) of U.S. Government securities, net	1
Purchase and sale of property and equipment, net	(938)
Net cash used in investing activities	(937)

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

2,099

Cash and cash equivalents at beginning of period

1,156

Cash and cash equivalents at end of period

\$ 3,255

* Public Law 108-18 (PL 108-18), The Postal Civil Service Retirement Reform Act of 2003 revised Postal Service funding of the Civil Service Retirement System. The normal cost contribution on basic pay was increased from 7% to 17.4% effective May 3, 2003. In addition, the deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on the deferred retirement costs is due on September 30, 2004.

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 10 Year-to-Date			A/P 10 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 34.2	\$ 57.9	\$ 27.4	\$ 86.6	\$ 203.2	\$ 154.3
BUILDING IMPROVEMENTS	82.1	98.2	66.1	117.3	199.2	141.2
MAIL PROCESSING EQUIPMENT	585.2	560.5	445.0	441.0	477.3	753.0
VEHICLES	142.3	147.2	- 3.3	55.3	165.7	105.7
RETAIL EQUIPMENT	18.4	46.0	7.9	5.0	144.0	35.6
POSTAL SUPPORT EQUIPMENT	150.1	226.7	143.6	181.8	214.4	171.9
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 1,012.3	\$ 1,136.4	\$ 686.5	\$ 887.1	\$ 1,403.8	\$ 1,361.7

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

MAJOR CATEGORIES	June 13, 2003	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 67.8	\$ 132.3
BUILDING IMPROVEMENTS	93.6	157.1
MAIL PROCESSING EQUIPMENT	1,092.4	964.6
VEHICLES	232.8	145.8
RETAIL EQUIPMENT	54.3	40.9
POSTAL SUPPORT EQUIPMENT	61.4	95.2
TOTAL RESOURCES ON ORDER	\$ 1,602.3	\$ 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 10, FY 2003

(Data in Thousands)

Current Period					Year-to-Date					
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
					<u>Total Work Hours</u>					
					Operations:					
687	- 1	- 0.2	685	0.3	-Support	7,073	[50]	[0.7]	7,088	- 0.2
24,987	- 277	- 1.1	26,439	- 5.5	-Mail Processing	276,078	- 4,946	- 1.8	296,162	- 6.8
12,610	- 20	- 0.2	12,383	1.8	-Rural Delivery	127,764	- 1,232	- 1.0	132,176	- 3.3
34,443	[189]	[0.6]	34,938	- 1.4	-City Delivery **	359,633	[2,841]	[0.8]	364,639	- 1.4
2,401	[14]	[0.6]	2,447	- 1.9	-Vehicles Services	24,968	[30]	[0.1]	25,585	- 2.4
6,131	- 234	- 3.7	6,127	0.1	-Plant & Equip Maint	63,472	- 1,912	- 2.9	63,823	- 0.5
16,955	[135]	[0.8]	17,475	- 3.0	-Customer Services	180,609	- 197	- 0.1	188,969	- 4.4
466	- 61	- 11.7	520	- 10.4	Finance	5,105	- 721	- 12.4	5,650	- 9.6
666	- 5	- 0.7	646	3.1	Human Resources	6,691	- 184	- 2.7	6,732	- 0.6
1,114	- 61	- 5.2	1,113	0.1	Customer Service & Sales	11,477	- 662	- 5.5	10,860	5.7
5,091	[54]	[1.1]	5,046	0.9	Administration	52,225	[1,026]	[2.0]	51,606	1.2
2,992	- 275	- 8.4	3,493	- 14.3	Other	33,071	- 1,034	- 3.0	40,074	- 17.5
108,543	- 541	- 0.5	111,312	- 2.5	Total Work Hours	1,148,166	- 6,941	- 0.6	1,193,363	- 3.8

Overtime			Overtime Ratio Per 100 Work Hours		
Actual	Budget	SPLY	Actual	Budget	SPLY
7.3%	7.2%	7.0%	8.1%	8.0%	7.7%

Sick Leave			Sick Leave Ratio Per 100 Work Hours		
Actual	Budget	SPLY	Actual	Budget	SPLY
3.9%	--	3.9%	4.1%	--	4.0%

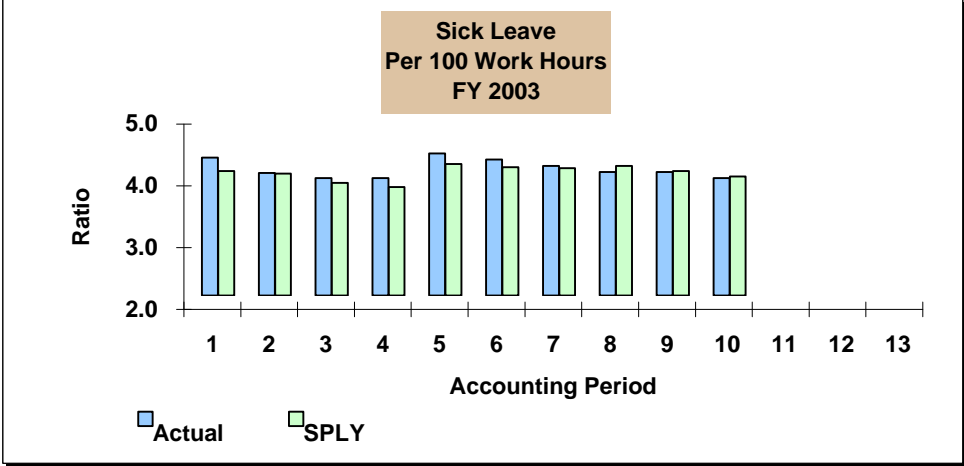
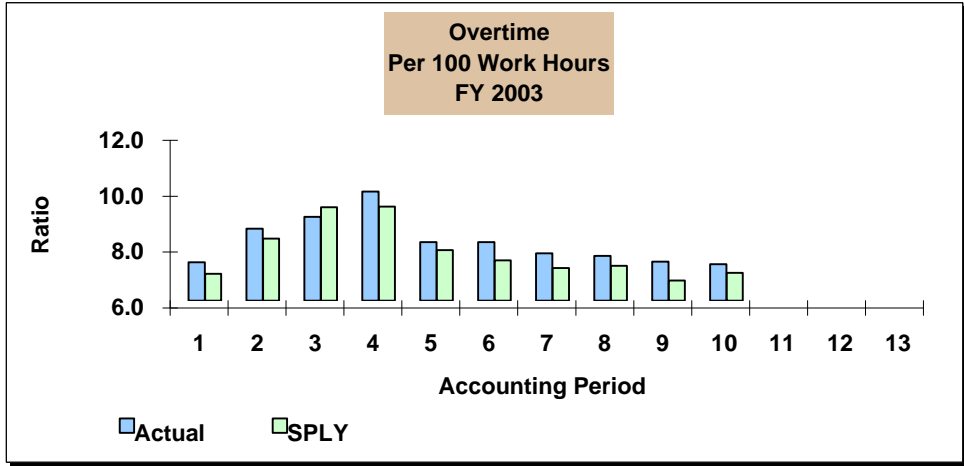
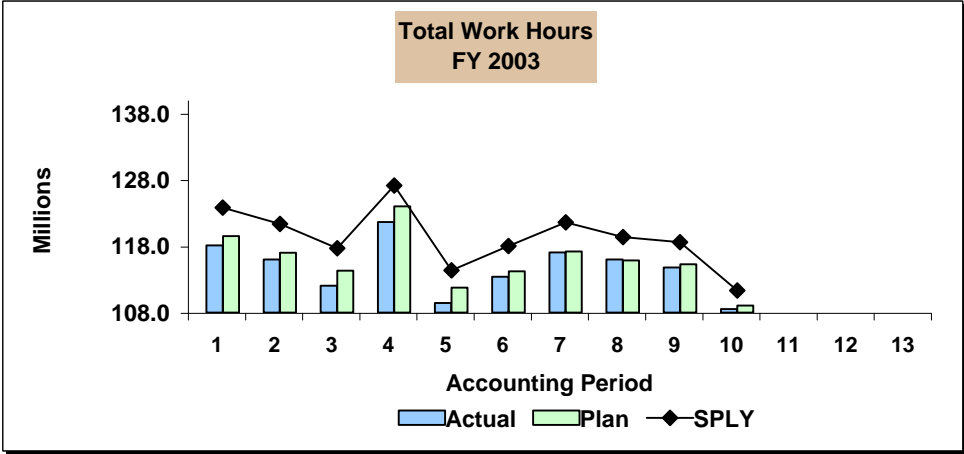
[]=Unfavorable variance to budget

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 10, FY 2003

Notes to the Financial and Operating Statements

The following provides a crosswalk from performance including the impacts of the recently enacted CSRS legislation (PL 108-18) explained on page 2 to performance, excluding the impacts.

Accounting Period 10 Performance						
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
1. Total Expenses Including PL 108-18 Impact (From page 1)	\$ 4,807.9	\$ 5,197.4	[\$ - 389.5]	- 7.5	\$ 5,042.7	- 4.7
2. Employer Share Increase from 7% to 17.4%	- 83.8					
3. Reduction of Funding for CSRS Deferred Retirement Costs ¹	175.4					
4. Reduction of Interest Expense Related to CSRS Deferred Retirement Costs ²	100.7					
5. Total Expenses without impacts of PL 108-18 (Sum of lines 1 thru 4)	\$ 5,000.2	\$ 5,197.4	[\$ - 197.2]	- 3.8	\$ 5,042.7	- 0.8
6. Total Revenue (From page 1)	4,886.3	4,957.7	[\$ - 71.4]	- 1.4	4,678.2	4.4
7. Net Income without impacts of PL 108-18 (Line 6 minus Line 5)	\$ - 113.9	\$ - 239.7	\$ 125.8	-	\$ - 364.5	-

Year-to-Date Through Accounting Period 10 Performance						
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
1. Total Expenses Including PL 108-18 Impact (From page 1)	\$ 49,063.1	\$ 53,586.4	[\$ - 4,523.3]	- 8.4	\$ 51,604.1	- 4.9
2. Employer Share Increase from 7% to 17.4%	- 125.7					
3. Reduction of Funding for CSRS Deferred Retirement Costs ¹	1,769.9					
4. Reduction of Interest Expense Related to CSRS Deferred Retirement Costs ²	1,215.1					
5. Total Expenses without impacts of PL 108-18 (Sum of lines 1 thru 4)	\$ 51,922.4	\$ 53,586.4	[\$ - 1,664.0]	- 3.1	\$ 51,604.1	0.6
6. Total Revenue (From page 1)	53,708.5	54,852.6	[\$ - 1,144.1]	- 2.1	50,933.4	5.4
7. Net Income without impacts of PL 108-18 (Line 6 minus Line 5)	\$ 1,786.1	\$ 1,266.2	\$ 519.9	-	\$ - 670.7	-

1) This is the savings on the reduced principle as a result of PL 108-18 lowering the deferred retirement costs. The original amount accrued for this was \$177.2 million per accounting period, while the current amount is \$1.8 million.

2) This is the interest savings as a result of the lowered deferred retirement costs. The original amount accrued for this was \$123.8 million per accounting period, while the current amount is \$23.1 million.

The following Notes to Financial and Operating Statements refer to performance without the impacts from PL 108-18.

Accounting Period 10, FY 2003

Notes to the Financial and Operating Statements (Continued)

The following Notes to the Financial and Operating Statements refer to performance without the impacts from the CSRS legislation.

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

Current period, Total Revenue was 1.4% or \$71 million under plan. Commercial Revenue was 3.9% or \$148 million under plan. The biggest drivers of the Commercial Revenue plan underrun were Customer Meters at \$81 million below, and First-Class Permit Imprint Mail at \$46 million below. Total Retail Revenue was 9.8% or \$111 million above plan. Total Revenue grew by 4.4% or \$208 million over same period last year (SPLY). The bulk of the increase to SPLY for total revenue was reflected in Metered Postage, Permit Imprint, and Stamps and Stamped Paper at \$70 million, \$55 million and \$41 million over SPLY, respectively. Contributing to this performance was the new postage rate structure implemented on June 30, 2002, and volume increases in Package Services and International Mail.

Year-to-date (YTD), Total Revenue is \$1,144 million or 2.1% under plan. Other Commercial Accounts contribute to the majority of the Total Revenue underrun to plan, \$1,048 million, with Customer Meters being the largest contributor. As compared to SPLY, Total Revenue has increased 5.4% or \$2,775 million driven by the rate change on June 30, 2002, and a volume increase of 0.3%. Permit Imprint, Metered Postage, and Stamps and Stamped Paper revenue combined are \$2.3 billion of this total revenue change to SPLY amount.

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

Current period, Total Expenses were \$197 million or 3.8% below plan. Both personnel and non-personnel costs were below plan. Total work hours were 0.5% below plan and 2.5% below SPLY (see page 14). Favorable work hour performance to SPLY was offset in part by increases in benefits expenses, primarily health benefits.

The biggest drivers of the \$118 million plan underrun in non-personnel costs were Supplies and Services and Information Technology, which were \$36 million and \$24 million below plan, respectively.

YTD, Total Expenses were \$1,664 million or 3.1% below plan. Most of the YTD plan underrun lies in Personnel Compensation, \$484 million; Supplies and Services, \$556 million; Transportation, \$162 million; Depreciation, \$131 million; Information Technology, \$102 million; and Building Projects Expensed, \$50 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 than planned 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 about \$67 million above plan resulting from an increase in City Delivery work hour usage, 2.8 million hours more than planned, partially spurred by the continuation in the growth of delivery points.

Mail Volume and Revenue - Page 3

Total Mail Volume for Accounting Period (AP) 10, Fiscal Year (FY) 2003, was 253.9 million pieces below SPLY, or 1.7%. Package Services and International Mail were above SPLY, while First-Class, Priority Mail, Express Mail, Periodicals and Standard Mail were below their Accounting Period 10, FY 2002, levels.

The Total Mail Revenue for AP 10, FY 2003 YTD was 4.5% 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 the 0.3% increase in total mail volume.

Accounting Period 10, FY 2003

Notes to the Financial and Operating Statements (Continued)

Capital Commitments - Pages 1 and 13

The Fiscal Year Capital Commitments through YTD, Accounting Period 10, FY 2003 were \$1,012 million compared to a plan of \$1,136 million. This represents an underrun of about \$124 million or 10.9%. 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 \$887 million versus a plan of \$1,404 million, representing a \$517 million underrun to plan.

Work Hours - Pages 1, 14 and 15

Total work hours for the accounting period were 0.5 million hours or 0.5% below plan and 2.8 million hours below same period last year. The Mail processing function, which includes automated, mechanized and manual distribution, remote barcoding operations, platform operations, and supervision was 1.5 million work hours less than SPLY. An additional 1.0 million work hours were reduced in City Delivery Service and Customer Service combined. These reductions are a direct result of cost containment and efficiency improvement activities outlined in the Transformation Plan. 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 0.5 million hours below same period last year.

Total work hours for AP 10 YTD were reduced 45.2 million hours or 3.8% 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, as well as capturing work hours as a result of decreasing workload. To date, Mail Processing work hours have been reduced 20.1 million hours below same period last year. City and Rural Delivery, combined with Customer Service clerk work hours, contributed to a reduction of 17.8 million work hours to SPLY.

The AP 10 Overtime Ratio of 7.3, which was above plan and SPLY, was mostly influenced by the increase in Delivery Services overtime, 2.7% above SPLY. This was driven by an increase in delivery points and fewer career Delivery Service employees than last year.