

FY 2008 Year End Review

Board of Governors' Open Session November 13, 2008

H. Glen Walker
Chief Financial Officer & Executive Vice President



FY 2008 Financial Results

	<u>Actual</u>	<u>SPLY</u>	<u>Var</u>	<u>%SPLY</u>
Volume	202,703	212,234	[-9,531]	[-4.5%]
Revenue	\$74,968	\$74,973	[-5]	0.0%
Expense (1)	<u>72,174</u>	<u>71,757</u>	<u>417</u>	0.6%
Operating Income (2)	\$2,794	\$ 3,216	-\$422	
RHBF Payments	<u>\$5,600</u>	<u>\$8,358</u>	<u>-\$2,758</u>	
Net Loss	<u><u>-\$2,806</u></u>	<u><u>-\$5,142</u></u>	<u><u>\$2,336</u></u>	

(1) Excluding RHBF Payments

(2) Before RHBF Payments

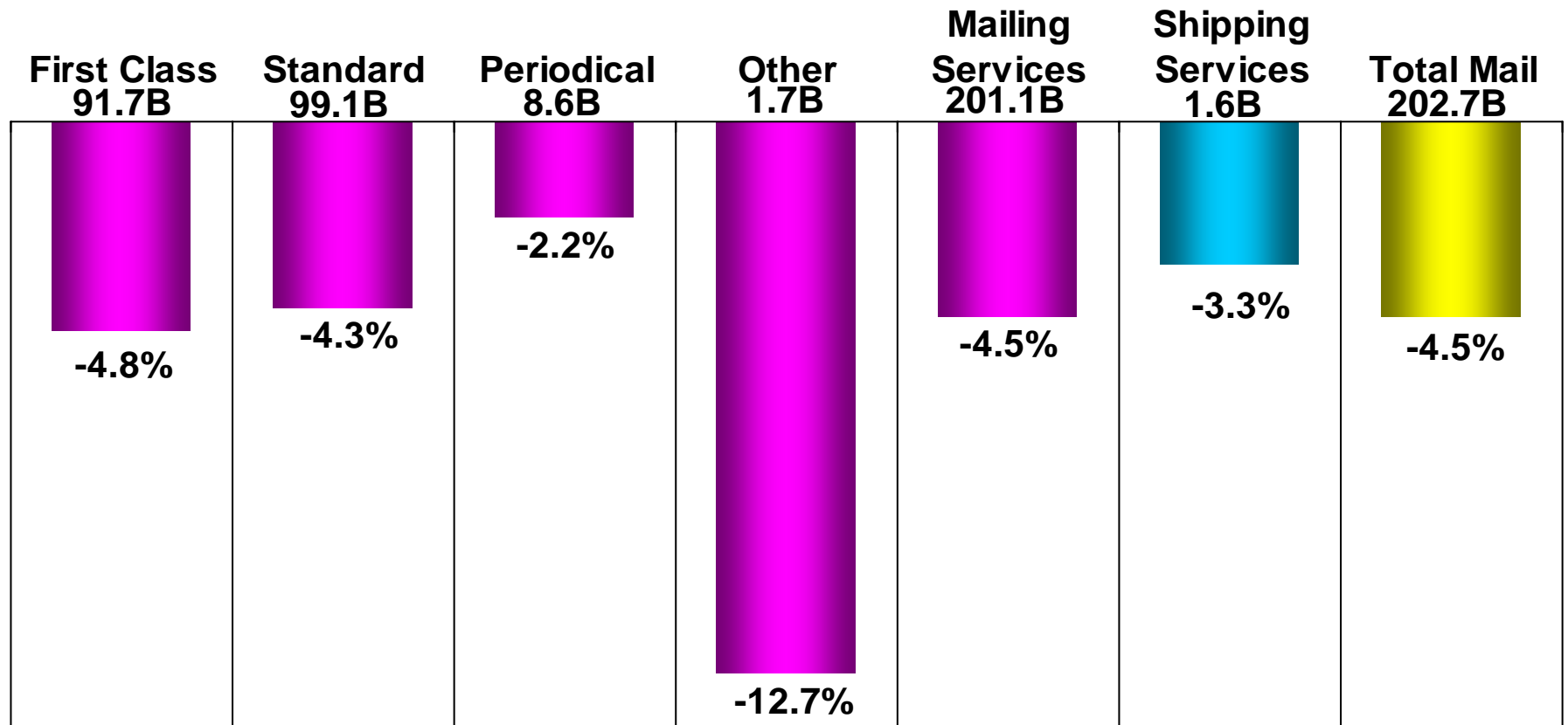
[] = Unfavorable variance to SPLY

Numbers may not add due to rounding.

(Data in Millions)



FY 2008 Volume Performance to SPLY





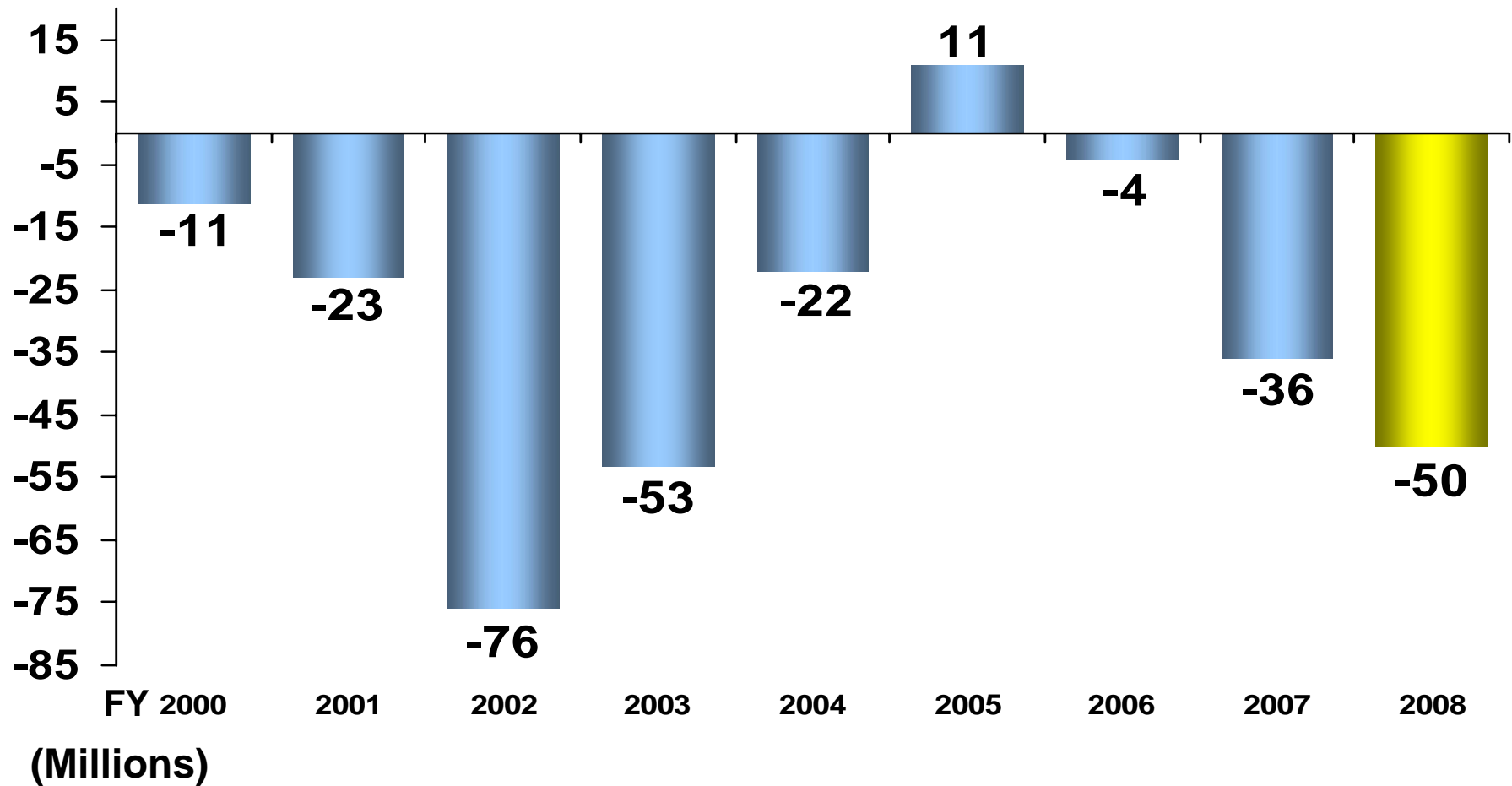
Expense Drivers of Variance To SPLY

Compensation & Benefits	-\$601
Transportation	459
Depreciation	167
Other Expenses	<u>392</u>
Total Expense Variance	\$417

\$ in Millions

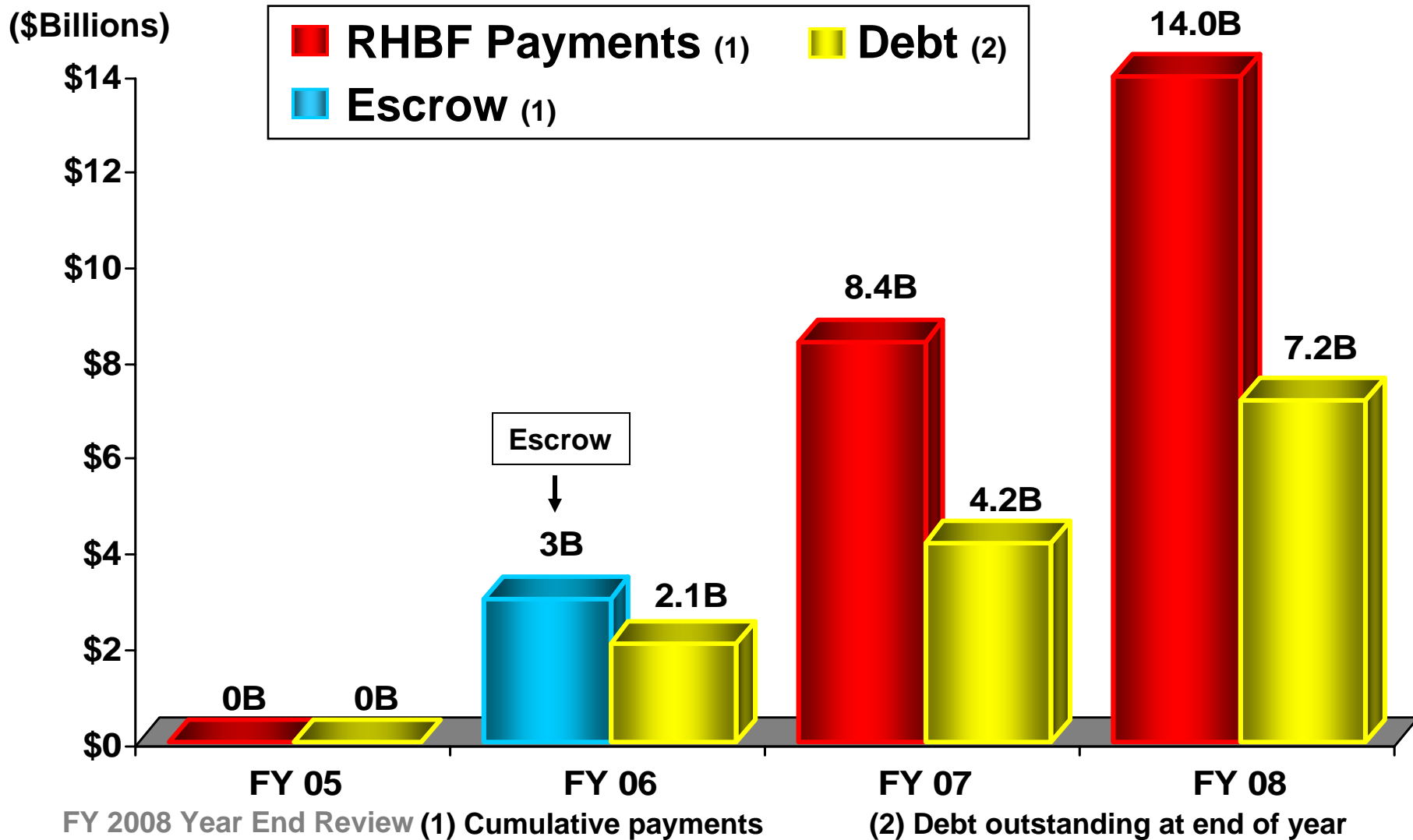


Total Workhour Savings





Outstanding Debt and Cumulative RHBF Payments





FY 2008 Summary

- Financially challenging year**
- Volumes down and cost inflation up driven by fuel and labor costs**
- Revenue flat on last year**
- Managed by reducing costs \$2.2B**
- Focus on customer service**
- Organized and focused on growth opportunities**



FY 2009 Outlook

- No economic recovery anticipated**
- Continued volume declines → 8 billion pieces**
- Carryover impact to 2009 from rising inflation in 2008 as well as increases to wages and benefits**
- Focus on service to our customers and opportunities for growth**
- Focus on unprecedented across the board cost reductions**



Management's Recommendation:

**Board approval of the FY 2008 Audited
Annual Report
(Board Vote)**

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