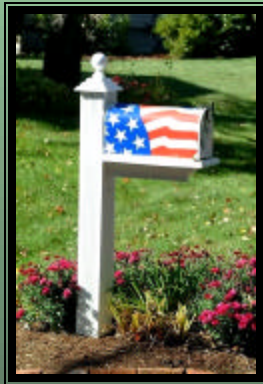




**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS



**Accounting Period 2, PFY 2003
October 5 – November 1, 2002**

**Prepared by:
Financial Reporting and Analysis**

Highlights
Accounting Period 2, FY 2003
(Millions)

Accounting Period 2					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 5,631.3	\$ 5,665.4	[\$ -34.1]	[-0.6]	\$ 5,222.8	7.8
<u>5,172.7</u>	<u>5,268.4</u>	<u>-95.7</u>	-1.8	<u>5,087.0</u>	1.7
\$ 458.6	\$ 397.0	\$ 61.6	-	\$ 135.8	-
49.5	44.6	[\$ 4.9]	[11.0]	178.8	-72.3
116.0	117.0	-1.0	-0.9	121.4	-4.4

Year-to-Date (September 7, 2002 - November 1, 2002)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 11,073.7	\$ 11,146.2	[\$ -72.5]	[-0.7]	\$ 10,319.1	7.3
<u>10,261.4</u>	<u>10,543.1</u>	<u>-281.7</u>	-2.7	<u>9,972.2</u>	2.9
\$ 812.3	\$ 603.1	\$ 209.2	-	\$ 346.9	-
\$ 62.1	\$ 425.4	\$ -363.3	-85.4	\$ 212.7	-70.8
234.2	236.5	-2.3	-1.0	245.2	-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	27,732	27,791	27,871
Active Postal Owned Vehicles			
Administrative	5,424	5,444	5,563
Operations	201,443	201,591	203,263
Possible City Deliveries (000)	84,297	84,279	83,847
City Delivery Routes	165,714	165,839	167,602
Rural Routes	69,360	69,358	69,203
Career Employees (Excludes Inspector General)	748,390	750,542	772,008
Casual Employees	18,471	18,494	29,710
Transitional Employees	13,590	12,882	14,317

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

Statement of Income & Expense
Accounting Period 2, FY 2003
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 5,628.7	\$ 5,663.1	[\$ -34.4]	[-0.6]	\$ 5,220.5	7.8	Operating Revenue	\$ 11,065.2	\$ 11,138.2	[\$ -73.0]	[-0.7]	\$ 10,313.3	7.3	
<u>5,016.8</u>	<u>5,110.6</u>	<u>-93.8</u>	<u>-1.8</u>	<u>4,931.9</u>	<u>1.7</u>	Operating Expense	<u>9,950.5</u>	<u>10,228.8</u>	<u>-278.3</u>	<u>-2.7</u>	<u>9,665.7</u>	<u>2.9</u>	
\$ 611.9	\$ 552.5	\$ 59.4	-	\$ 288.6	-	Income (Loss) From Operations	\$ 1,114.7	\$ 909.4	\$ 205.3	-	\$ 647.6	-	
2.6	2.3	0.3	14.1	2.3	17.0	Investment Income	8.5	8.0	0.5	6.7	5.8	47.5	
-32.1	-34.0	1.9	-5.7	-29.1	10.2	Interest Expense	-63.2	-66.6	3.4	-5.1	-54.3	16.3	
<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>-247.7</u>	<u>-247.7</u>	<u>0.0</u>	<u>0.0</u>	<u>-252.2</u>	<u>-1.8</u>	
\$ 458.6	\$ 397.0	\$ 61.6	-	\$ 135.7	-	Income/(Loss)	\$ 812.3	\$ 603.1	\$ 209.2	-	\$ 346.9	-	

[]=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

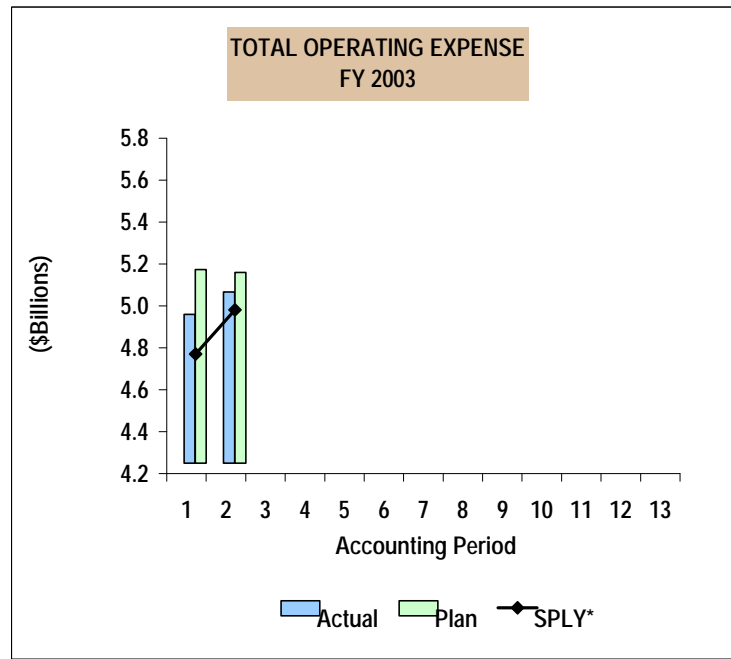
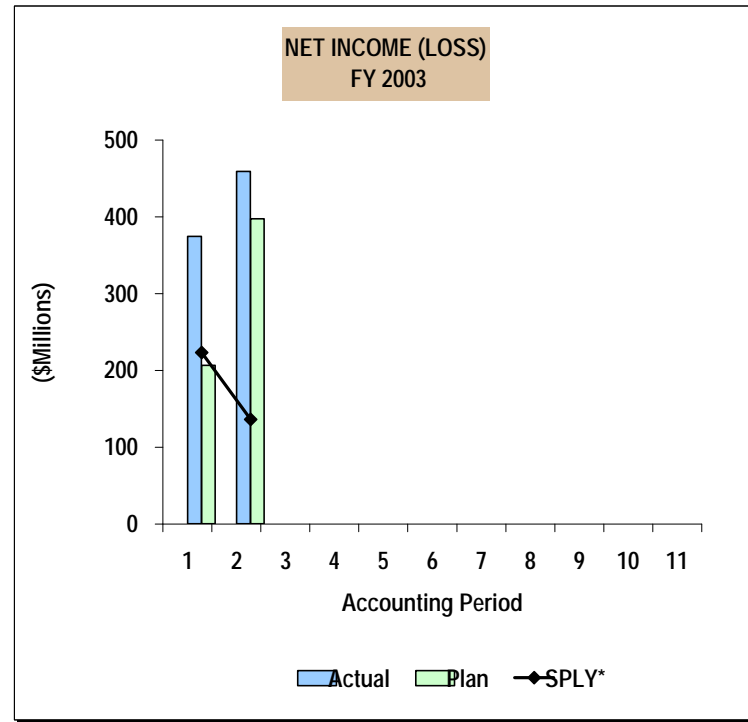
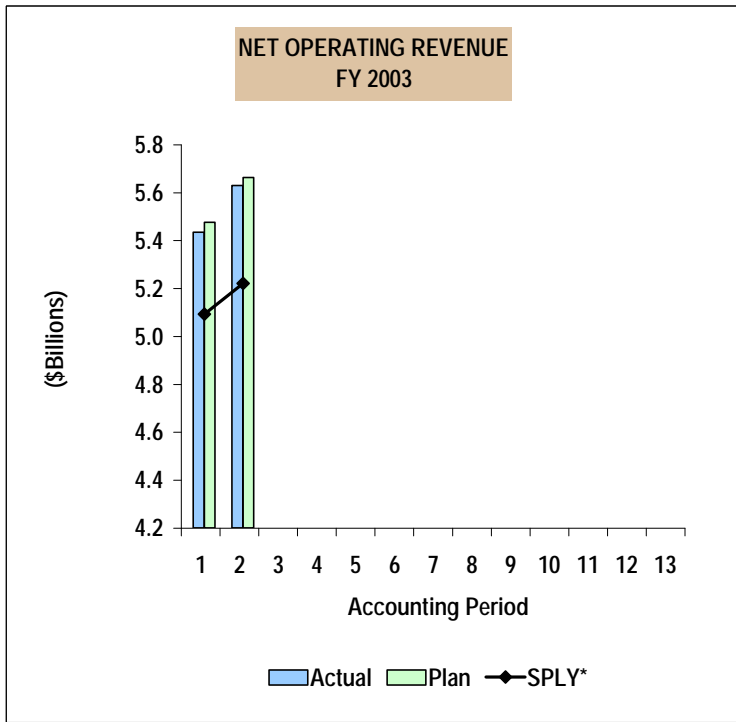
(Data in Thousands)

CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	AP 02 FY 2003	AP 02 FY 2002	% SPLY	AP 02 FY 2003	AP 02 FY 2002	% SPLY
FIRST-CLASS						
VOLUME	7,667,654	7,745,295	- 1.0	15,297,287	15,542,483	- 1.6
REVENUE	\$ 2,874,447	\$ 2,719,167	5.7	\$ 5,742,347	\$ 5,452,469	5.3
REV/PC.	0.3749	0.3511	6.8	0.3754	0.3508	7.0
PRIORITY-MAIL						
VOLUME	64,591	77,674	- 16.8	133,350	152,855	- 12.8
REVENUE	\$ 339,615	\$ 358,756	- 5.3	\$ 694,671	\$ 698,325	- 0.5
REV/PC.	5.2579	4.6187	13.8	5.2094	4.5685	14.0
EXPRESS MAIL						
VOLUME	4,225	4,647	- 9.1	8,640	8,916	- 3.1
REVENUE	\$ 67,591	\$ 67,702	- 0.2	\$ 137,715	\$ 129,841	6.1
REV/PC.	15.9979	14.5690	9.8	15.9392	14.5627	9.5
PERIODICALS						
VOLUME	770,731	820,002	- 6.0	1,512,067	1,536,895	- 1.6
REVENUE	\$ 192,487	\$ 182,273	5.6	\$ 379,449	\$ 348,647	8.8
REV/PC.	0.2497	0.2223	12.4	0.2509	0.2269	10.6
STANDARD MAIL						
VOLUME	8,811,737	7,819,128	12.7	16,385,324	14,934,152	9.7
REVENUE	\$ 1,660,176	\$ 1,414,487	17.4	\$ 3,112,898	\$ 2,700,466	15.3
REV/PC.	0.1884	0.1809	4.1	0.1900	0.1808	5.1
PACKAGE SERVICES						
VOLUME	88,105	84,763	3.9	171,702	167,654	2.4
REVENUE	\$ 174,293	\$ 161,738	7.8	\$ 337,912	\$ 320,297	5.5
REV/PC.	1.9782	1.9081	3.7	1.9680	1.9105	3.0
INTERNATIONAL						
VOLUME	68,207	81,749	- 16.6	140,442	152,691	- 8.0
REVENUE	\$ 122,123	\$ 132,869	- 8.1	\$ 245,255	\$ 248,123	- 1.2
REV/PC.	1.7905	1.6253	10.2	1.7463	1.6250	7.5
ALL OTHER						
VOLUME	39,625	65,151	- 39.2	79,195	\$ 100,472	- 21.2
REVENUE	\$ 81	\$ 137	- 41.1	\$ 161	\$ 235	- 31.7
ALL MAIL _1/						
VOLUME	17,514,876	16,698,409	4.9	33,728,008	32,596,119	3.5
REVENUE	\$ 5,430,812	\$ 5,037,129	7.8	\$ 10,650,404	\$ 9,898,403	7.6
REV/PC.	0.3101	0.3017	2.8	0.3158	0.3037	4.0

_ 1/ Totals may not sum due to rounding.

_2/ Numbers are preliminary and are subject to change.

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 2, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			Operating Revenue:			
\$ 1,984.9	\$ 1,882.3	5.5	Metered Postage	\$ 3,990.5	\$ 3,794.4	5.2
881.8	835.1	5.6	Stamps and Stamped Paper	1,741.5	1,654.0	5.3
1,569.6	1,340.0	17.1	Permit Imprint	2,939.9	2,558.2	14.9
191.0	180.7	5.7	Periodicals & Standard	376.7	346.2	8.8
56.1	59.9	- 6.3	Official Mail	123.5	133.3	- 7.4
740.5	735.6	0.7	Presort First-Class & Package Svc./Permit Imprint	1,475.1	1,426.7	3.4
51.0	47.0	8.4	Box Rents	107.6	98.7	9.0
14.2	15.0	- 5.3	Money Order Fees	29.4	31.5	- 6.7
<u>137.1</u>	<u>121.2</u>	13.1	Other	<u>276.1</u>	<u>262.8</u>	5.1
\$ 5,626.2	\$ 5,216.8	7.8	Subtotal	\$ 11,060.3	\$ 10,305.8	7.3
			Government Appropriation:			
<u>2.5</u>	<u>3.7</u>	- 34.3	Revenue Forgone	<u>4.9</u>	<u>7.5</u>	- 34.3
\$ 5,628.7	\$ 5,220.5	7.8	Total Operating Revenue	\$ 11,065.2	\$ 10,313.3	7.3
<u>2.6</u>	<u>2.3</u>	17.0	Investment Income	<u>8.5</u>	<u>5.8</u>	47.5
\$ 5,631.3	\$ 5,222.8	7.8	Total Revenue	\$ 11,073.7	\$ 10,319.1	7.3

Note: Totals may not sum due to rounding.

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

REVENUE BY CATEGORY
Accounting Period 2, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,550.1	\$ 2,478.5	2.9	Permit Revenue	\$ 4,894.4	\$ 4,798.6	2.0
<u>1,777.4</u>	<u>1,910.1</u>	[6.9]	Other Commercial Accounts Revenue	<u>3,586.7</u>	<u>3,816.5</u>	[6.0]
\$ 4,327.5	\$ 4,388.6	[1.3]	Total Commercial Revenue	\$ 8,481.1	\$ 8,615.1	[1.5]
			Retail Revenue			
1,048.1	1,020.5	2.7	Retail Postage Revenue	2,086.6	2,024.1	3.1
71.9	71.2	0.9	Retail Services Revenue	150.9	144.7	4.3
10.4	8.0	30.5	Retail Products Revenue	21.7	15.7	37.9
<u>135.0</u>	<u>139.6</u>	[3.3]	Other Retail Channels Revenue	<u>254.2</u>	<u>269.9</u>	[5.8]
\$ 1,265.4	\$ 1,239.3	2.1	Total Retail Revenue	\$ 2,513.4	\$ 2,454.4	2.4
\$ 5,592.9	\$ 5,627.9	[0.6]	Total Commercial & Retail Revenue	\$ 10,994.5	\$ 11,069.5	[0.7]
33.3	32.8	1.3	Other Income	65.8	62.8	4.8
<u>2.5</u>	<u>2.4</u>	3.5	Revenue Forgone	<u>4.9</u>	<u>5.9</u>	[15.8]
\$ 5,628.7	\$ 5,663.1	[0.6]	Total Operating Revenue	\$ 11,065.2	\$ 11,138.2	[0.7]
<u>2.6</u>	<u>2.3</u>	14.1	Investment Income	<u>8.5</u>	<u>8.0</u>	6.7
\$ 5,631.3	\$ 5,665.4	[0.6]	Total Revenue	\$ 11,073.7	\$ 11,146.2	[0.7]

[]=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 2, FY 2003
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 3,992.6	\$ 4,030.1	\$ - 37.5	- 0.9	\$ 3,934.2	1.5	Personnel Compensation	\$ 8,040.8	\$ 8,109.7	\$ - 68.9	- 0.8	\$ 7,750.1	3.8
						Non-Personnel Expense:						
377.8	389.4	- 11.6	- 3.0	377.3	0.1	Transportation	751.5	775.8	- 24.3	- 3.1	747.9	0.5
181.9	177.2	[4.7]	[2.7]	154.1	18.1	Supplies & Services	281.5	362.4	- 80.9	- 22.3	245.3	14.7
<u>464.5</u>	<u>513.9</u>	<u>- 49.4</u>	- 9.6	<u>466.3</u>	- 0.4	Other	<u>876.7</u>	<u>980.9</u>	<u>- 104.2</u>	- 10.6	<u>922.4</u>	- 5.0
\$ 1,024.2	\$ 1,080.5	\$ - 56.3	- 5.2	\$ 997.7	2.7	Subtotal	\$ 1,909.7	\$ 2,119.1	\$ - 209.4	- 9.9	\$ 1,915.6	- 0.3
\$ 5,016.8	\$ 5,110.6	\$ - 93.8	- 1.8	\$ 4,931.9	1.7	Total Operating Expense	\$ 9,950.5	\$ 10,228.8	\$ - 278.3	- 2.7	\$ 9,665.7	2.9
32.1	34.0	- 1.9	- 5.7	29.1	10.2	Interest Expense	63.2	66.6	- 3.4	- 5.1	54.3	16.3
<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>247.7</u>	<u>247.7</u>	<u>0.0</u>	0.0	<u>252.2</u>	- 1.8
\$ 5,172.7	\$ 5,268.4	\$ - 95.7	- 1.8	\$ 5,087.0	1.7	Total Expense	\$ 10,261.4	\$ 10,543.1	\$ - 281.7	- 2.7	\$ 9,972.2	2.9

[]=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 2, 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:						
\$ 26.9	\$ 26.5	[\$ 0.3]	[1.3]	\$ 26.2	2.5	-Support	\$ 55.0	\$ 54.0	[\$ 1.0]	[1.9]	\$ 53.6	2.6
853.0	864.0	- 11.0	- 1.3	859.8	- 0.8	-Mail Processing	1,711.4	1,725.9	- 14.5	- 0.8	1,741.4	- 1.7
327.4	332.8	- 5.3	- 1.6	316.1	3.6	-Rural Delivery	663.1	675.4	- 12.3	- 1.8	648.6	2.2
1,156.6	1,145.1	[11.5]	[1.0]	1,125.1	2.8	-Other Delivery	2,324.4	2,289.8	[34.6]	[1.5]	2,124.1	9.4
81.0	81.2	- 0.1	- 0.2	79.8	1.5	-Vehicles Services	164.2	163.3	[0.8]	[0.5]	162.0	1.3
204.2	208.5	- 4.3	- 2.1	196.6	3.8	-Plant & Equip Maint	412.2	420.7	- 8.5	- 2.0	399.2	3.3
558.9	562.6	- 3.6	- 0.6	561.9	- 0.5	-Customer Services	1,130.2	1,132.7	- 2.5	- 0.2	1,138.5	- 0.7
18.3	21.3	- 3.0	- 14.2	19.6	- 6.9	Finance	37.4	43.2	- 5.8	- 13.5	40.4	- 7.4
24.5	25.4	- 1.0	- 3.8	24.3	0.8	Human Resources	49.8	51.3	- 1.6	- 3.1	49.4	0.8
39.1	41.6	- 2.4	- 5.9	31.9	22.6	Customer Service & Sales	79.3	84.3	- 5.1	- 6.0	64.9	22.1
167.5	164.3	[3.2]	[1.9]	151.3	10.7	Administration	341.2	334.0	[7.1]	[2.1]	318.5	7.1
131.9	152.3	- 20.4	- 13.4	186.0	- 29.1	Other Salaries & Benefits	266.6	326.3	- 59.7	- 18.3	532.0	- 49.9
\$ 3,589.3	\$ 3,625.5	\$ - 36.2	- 1.0	\$ 3,578.8	0.3	Total Salaries & Benefits	\$ 7,234.6	\$ 7,301.0	\$ - 66.5	- 0.9	\$ 7,272.6	- 0.5
119.6	119.8	- 0.3	- 0.2	78.4	52.5	Workers' Compensation	239.4	239.7	- 0.3	- 0.1	156.9	52.6
7.7	7.7	[0.0]	[0.1]	6.8	12.7	Unemployment Compensation	15.4	15.4	[0.0]	[0.0]	11.6	32.1
107.9	107.9	0.0	0.0	107.9	0.0	Deferred Retirement Cost	215.7	215.7	0.0	0.0	215.8	- 0.0
69.3	69.3	0.0	0.0	69.3	0.0	CSRS Annuitant COLA	138.6	138.6	0.0	0.0	138.5	0.1
89.4	89.4	0.0	0.0	80.5	11.0	Annuitant Health Benefits	178.8	178.8	0.0	0.0	161.1	11.0
9.4	10.5	- 1.1	- 10.2	12.4	- 24.3	Other Compensation	18.4	20.5	- 2.1	- 10.4	- 206.4	- 108.9
\$ 3,992.6	\$ 4,030.1	\$ - 37.5	- 0.9	\$ 3,934.2	1.5	Total Personnel Compensation	\$ 8,040.8	\$ 8,109.7	\$ - 68.9	- 0.8	\$ 7,750.1	3.8

[]=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 NON-PERSONNEL EXPENSES
Accounting Period 2, FY 2003
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY
\$ 377.8	\$ 389.4	\$ -11.6	-3.0	\$ 377.3	0.1	Transportation	\$ 751.5	\$ 775.8	\$ -24.3	-3.1	\$ 747.9	0.5
181.9	177.2	[4.7]	[2.7]	154.1	18.1	Supplies & Services	281.5	362.4	-80.9	-22.3	245.3	14.7
174.9	188.9	-14.0	-7.4	175.9	-0.6	Depreciation	349.7	374.4	-24.7	-6.6	346.3	1.0
75.6	77.4	-1.8	-2.3	72.5	4.4	Rent	150.6	154.0	-3.5	-2.2	151.5	-0.6
38.8	39.7	-0.9	-2.3	37.3	4.0	Fuel & Utilities	64.2	72.5	-8.3	-11.5	64.2	0.1
30.2	31.0	-0.8	-2.6	29.9	1.1	Rural Carrier Equip Maint Allowance	61.7	63.9	-2.3	-3.5	62.1	-0.7
33.3	32.3	[1.0]	[3.1]	32.0	4.3	Vehicle Maintenance	61.6	62.1	-0.5	-0.8	60.5	1.9
35.7	61.3	-25.6	-41.8	31.1	14.7	Information Technology	41.8	96.1	-54.3	-56.5	40.6	3.0
9.7	12.2	-2.6	-21.0	9.6	0.4	Building Projects Expensed	18.9	21.0	-2.1	-10.2	24.4	-22.9
5.6	5.4	[0.2]	[4.0]	5.2	8.1	Contract Job Cleaners	11.0	10.7	[0.3]	[2.6]	10.2	6.9
8.3	10.6	-2.3	-21.4	8.9	-6.7	Travel & Relocation	16.4	19.5	-3.2	-16.2	16.0	2.5
14.0	13.9	[0.1]	[1.1]	10.9	28.9	Communications	24.5	23.4	[1.1]	[4.7]	14.8	65.8
5.4	6.2	-0.8	-12.4	5.9	-8.3	Contract Stations	11.5	12.4	-0.9	-7.3	12.8	-9.7
1.5	2.3	-0.8	-33.8	1.1	33.4	Printing	1.5	3.9	-2.3	-60.3	1.4	8.5
3.6	5.5	-1.9	-33.8	3.8	-5.2	Training	7.2	11.5	-4.3	-37.4	7.5	-4.4
3.9	4.5	-0.6	-12.3	4.4	-10.8	Carfare & Tolls	8.2	9.0	-0.8	-8.5	9.0	-8.6
1.4	2.4	-0.9	-39.6	2.9	-49.7	Vehicle Hire	3.5	5.4	-1.8	-34.1	6.0	-41.0
4.0	3.1	[0.9]	[27.4]	4.3	-7.3	Accident Cost	6.5	5.9	[0.6]	[9.4]	5.4	19.0
-1.7	-3.6	[1.9]	[53.5]	-3.1	47.1	Capitalized Interest	-4.3	-7.1	[2.9]	[39.9]	-7.3	41.5
20.2	20.8	-0.6	-3.0	33.8	-	Miscellaneous	42.3	42.3	-0.1	-0.2	97.1	-56.5
\$ 1,024.2	\$ 1,080.5	\$ -56.3	-5.2	\$ 997.7	2.7	Total Other Operating Expenses	\$ 1,909.7	\$ 2,119.1	\$ -209.4	-9.9	\$ 1,915.6	-0.3

[]=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 2, FY 2003
(\$ Millions)

Assets	November 1, 2002	October 4, 2002	September 30, 2002 *
Current Assets:			
Cash and cash equivalents _1/	\$ 842	\$ 855	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	6	6	6
Receivables:			
Foreign countries	636	615	592
U.S. Government	85	162	125
Other	209	208	192
	930	985	909
Less allowances	113	112	112
	817	873	797
Supplies, advances and prepayments	321	325	327
Total Current Assets	1,986	2,059	2,280
Other assets _2/	369	369	368
Property and equipment, at cost:			
Buildings	19,535	19,528	19,513
Equipment	16,467	16,434	16,421
Land	2,777	2,777	2,776
	38,779	38,739	38,710
Less allowances for depreciation	16,558	16,416	16,401
	22,221	22,323	22,309
Construction in progress	1,221	1,187	1,223
Leasehold improvements, net	604	613	604
	24,046	24,123	24,136
Deferred Retirement Costs _3/	33,602	33,778	32,231
Total Assets	\$ 60,003	\$ 60,329	\$ 59,015

_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, October 4, 2002, and November 1, 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 2, FY 2003
(\$ Millions)

Liabilities and Equities	November 1, 2002	October 4, 2002	September 30, 2002 *
**Current Liabilities:			
Compensation and employees' benefits	\$ 4,587	\$ 4,851	\$ 5,113
Estimated prepaid postage	1,503	1,501	1,500
Payables and accrued expenses:			
Foreign countries	798	771	748
U.S. Government	294	259	246
Other - Including Emergency Preparedness Appropriations	<u>2,264</u>	<u>2,205</u>	<u>1,167</u>
	3,356	3,235	2,161
Appropriation for free & reduced rate mail	29	32	0
Prepaid permit mail and box rentals	2,077	2,017	2,011
Outstanding postal money orders	901	983	986
Current portion of debt	<u>1,851</u>	<u>2,608</u>	<u>3,815</u>
Total Current Liabilities	14,304	15,227	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	5,987	5,867	5,815
Employees' accumulated leave	1,980	1,949	2,088
Other	<u>1,454</u>	<u>1,446</u>	<u>1,182</u>
Total Other Liabilities	40,916	40,757	39,131
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	<u>- 5,551</u>	<u>- 5,989</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>- 2,517</u>	<u>- 2,955</u>	<u>- 3,002</u>
Total Liabilities and Equity	<u>\$ 60,003</u>	<u>\$ 60,329</u>	<u>\$ 59,015</u>

_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 CASH FLOWS	
Fiscal Year 2003	
(\$ Millions)	
For the Fiscal Year through November 1, 2002	
Cash flows from operating activities:	
Net income/(loss) (Government Fiscal Year Basis)	\$ 485
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation and amortization	165
Increase/(decrease) in other liabilities	272
Increase/(decrease) in employees' accumulated leave	(108)
Increase/(decrease) in non-current workers' compensation claims	172
Increase/(decrease) in retirement, net	78
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits	(526)
Increase/(decrease) in deferred revenue	98
Increase/(decrease) in payables and accrued expenses	1,195
(Increase)/decrease in receivables	(21)
(Increase)/decrease in supplies, advances and prepayments	6
Increase/(decrease) in outstanding postal money orders	(85)
Net cash provided by operating activities	1,731
Cash flows from investing activities:	
Sale/(purchase) of U.S. Government securities, net	0
Purchase of property and equipment, net	(75)
Net cash used in investing activities	(75)
Cash flows from financing activities:	
Increase/(decrease) in debt	(1,964)
(Increase)/decrease in other non-current assets	0
Net cash used by financing activities	(1,964)
Net (decrease)/increase in cash and cash equivalents	(308)
Cash and cash equivalents at beginning of period	1,150
Cash and cash equivalents at end of period	\$ 842

CAPITAL INVESTMENTS
FY 2003
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	A/P 2 Year-to-Date			A/P 2 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 7.3	\$ 2.5	\$ 4.8	\$ 16.4	\$ 20.0	\$ 74.5
BUILDING IMPROVEMENTS	8.6	32.9	13.2	11.8	18.0	36.4
MAIL PROCESSING EQUIPMENT	26.6	320.1	174.8	75.8	82.0	147.8
VEHICLES	[-3.4]	0.2	1.6	2.5	3.0	48.4
RETAIL EQUIPMENT	[-0.3]	0.0	5.2	1.2	2.0	14.7
POSTAL SUPPORT EQUIPMENT	23.4	69.6	13.1	18.8	20.0	39.3
TOTAL COMMITMENTS/CASH OUTLAYS *	\$ 62.1	\$ 425.4	\$ 212.7	\$ 126.5	\$ 145.0	\$ 361.1

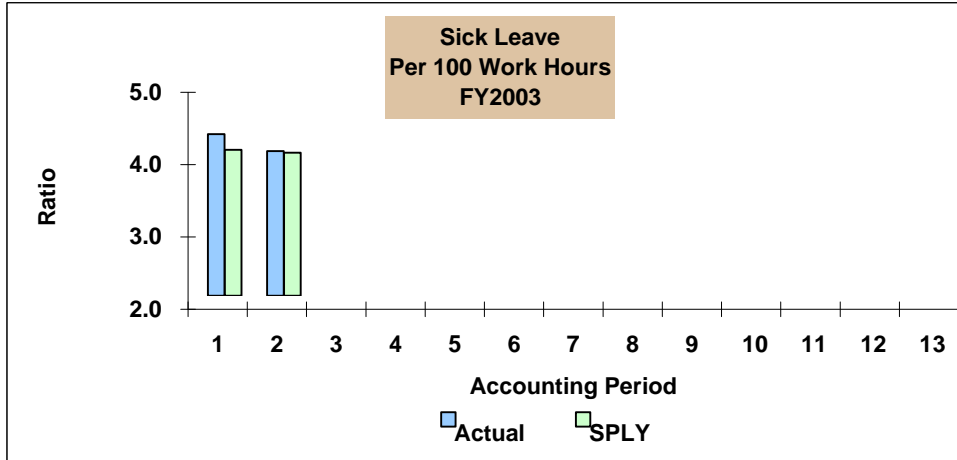
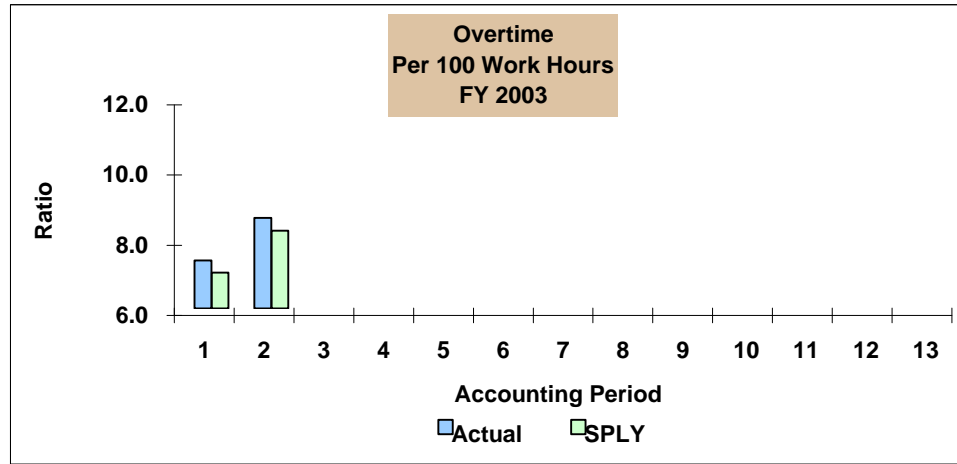
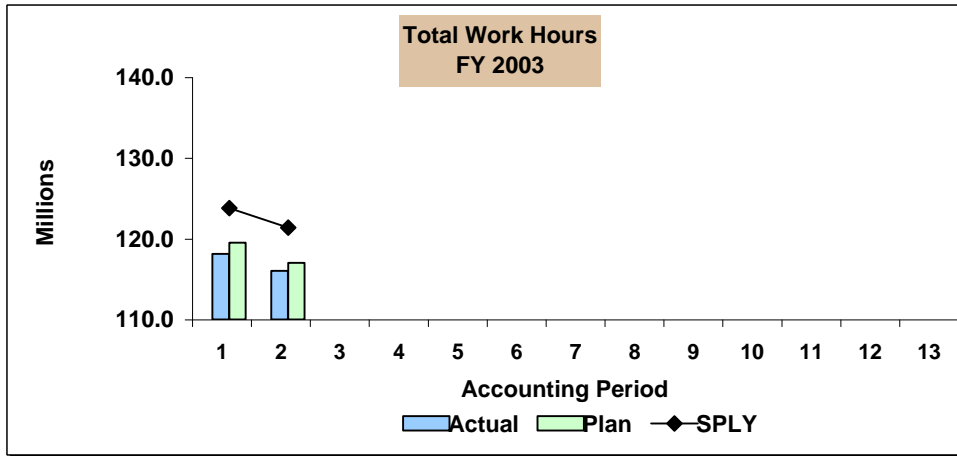
Note: Totals may not sum due to rounding.

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	November 1, 2002	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 121.9	\$ 132.3
BUILDING IMPROVEMENTS	138.5	157.1
MAIL PROCESSING EQUIPMENT	915.3	964.6
VEHICLES	140.0	145.8
RETAIL EQUIPMENT	39.4	40.9
POSTAL SUPPORT EQUIPMENT	99.5	95.2
TOTAL RESOURCES ON ORDER	\$ 1,454.6	\$ 1,536.0

Note: Totals may not sum due to rounding.

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



See accompanying Notes to the Financial and Operating Statements

WORK HOURS & OVERTIME/SICK LEAVE RATIOS
 Accounting Period 2, 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
720	[14]	[2.0]	727	- 1.0	Operations:	1,480	[34]	[2.3]	1,493	- 0.9
28,235	- 657	- 2.3	30,141	- 6.3	-Support	56,453	- 1,427	- 2.5	60,771	- 7.1
12,649	- 147	- 1.2	13,145	- 3.8	-Mail Processing	25,704	- 369	- 1.4	26,864	- 4.3
36,425	[317]	[0.9]	36,707	- 0.8	-Rural Delivery	73,481	[492]	[0.7]	74,571	- 1.5
2,486	- 6	- 0.2	2,548	- 2.4	-Other Delivery	5,038	- 12	- 0.2	5,179	- 2.7
6,388	- 153	- 2.3	6,379	0.1	-Vehicles Services	12,919	- 359	- 2.7	13,003	- 0.6
18,179	- 225	- 1.2	19,081	- 4.7	-Plant & Equip Maint	36,816	- 443	- 1.2	38,757	- 5.0
530	- 88	- 14.3	587	- 9.8	-Customer Services	1,087	- 176	- 13.9	1,219	- 10.8
673	- 21	- 3.0	693	- 2.9	Finance	1,375	- 36	- 2.5	1,416	- 2.9
1,173	- 58	- 4.8	1,017	15.3	Human Resources	2,390	- 120	- 4.8	2,075	15.2
5,168	[113]	[2.2]	5,126	0.8	Customer Service & Sales	10,548	[223]	[2.2]	10,476	0.7
3,382	- 103	- 3.0	5,215	- 35.1	Administration	6,943	- 107	- 1.5	9,337	- 25.6
116,007	- 1,016	- 0.9	121,367	- 4.4	Other	234,235	- 2,301	- 1.0	245,160	- 4.5
					Total Work Hours					

Overtime			Overtime Ratio		
Actual	Budget	SPLY	Actual	Budget	SPLY

8.6%	8.6%	8.2%	Per 100 Work Hours	8.0%	8.0%	7.6%
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Sick Leave			Sick Leave Ratio		
Actual	Budget	SPLY	Actual	Budget	SPLY

4.0%	--	4.0%	Per 100 Work Hours	4.1%	--	4.0%
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[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

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

Accounting Period 2, FY 2003

Notes to the Financial and Operating Statements

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

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

Total Revenue was 0.6%, or \$34 million under plan. Although Total Revenue was slightly under plan, it grew by 7.8% over the same period last year fueled by a range on June 30, 2002 and a volume increase of 4.9%. There was an underrun to plan in Commercial Revenue which was partially offset by an overrun in Retail Revenue. Total Commercial Revenue was 1.3%, or \$61 million, under plan. The biggest driver of the underrun was in Customer Meters, \$111 million under plan; however, revenue from Standard mail was strong at \$157 million over plan. First Class Permit Revenue was \$59 million under plan. Retail Revenue was 2.1%, or \$26 million, over plan. The biggest drivers of the overrun were in Stamps - Walk In and Post Office Meters, \$14 million and \$13 million over plan, respectively.

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

Total Expenses were \$96 million, or 1.8%, under plan. Both personnel and non-personnel costs were below plan. The biggest drivers of the \$38 million underrun to plan in personnel costs was a continuation of cost containment activities. Work hours were 0.9% below plan (see page 15) in both operation and non-operational areas. The biggest drivers of the \$58 million underrun in non-personnel costs were in Information Technology, which was \$26 million below plan, and in Depreciation, which was \$14 million below plan. Supply chain management, our Advanced Computing Environment and general belt tightening has assisted in this area. Transportation costs were also \$12 million below plan.

Mail Volume and Revenue - Page 3

Total Mail Volume for Accounting Period (AP) 2, Fiscal Year (FY) 2003, was 4.9% or 0.8 billion pieces above SPLY. Standard and Package Services were the only classes of mail, above their AP 2, FY 2002, levels. It should be noted that annual drives conducted by non-profit organizations resulted in a considerable increase in non-profit mailings above that recorded for the same period last year. This accounting period, total mail volume is 1.3 billion pieces or 8.0% more than the prior accounting period.

Year-to-date, total mail volumes were 1.1 billion or 3.5% more than reported for the same period last year. Mail volume increases in the Standard and Package Services categories is contributing favorably to the year-to-date results. It is believed that, in general, these mail volumes performed better than the same period last year because of slowing improving United States economy, a renewed confidence by our customers in the USPS and a weak performing period last year. Because of the latter reason, this improved volume scenario may not continue. Some of the increase in volume could also be a result of an improvement reflected in service performance and safety measures implemented following the September 11th and anthrax events.

The total mail revenue reported in AP 2, FY 2003, was 7.8% above that reported during the same period last year (SPLY). It is noted that last year was affected by the September 11th and anthrax events. Also contributing to this performance was the new postage rate structure implemented on June 30, 2002, which provided a 7.7% revenue increase across all mail categories.

Accounting Period 2, FY 2003

Notes to the Financial and Operating Statements

Capital Commitments - Pages 1 and 13

AP 2, FY 2003 YTD capital commitments are lower than planned due to the Automated Package Processing Systems project, which was scheduled to be committed in AP 1 but was delayed to AP 3.

Work Hours - Pages 1, 14, and 15

Other Work Hours relate to Limited Duty, Rehabilitation, and Headquarters General Management hours. For AP 2, FY 2003 YTD, Other Work Hours were approximately 2.4 million hours below same period last year. These hours are now accounted for in the Customer Service and Sales line.

Total work hours for the AP 2 were 1.0 million hours below plan and 5.4 million hours 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. Primary contributors to the underrun to same period last year were Mail Processing and Other work hours, 1.9 million hours and 1.8 million hours below, respectively.

Total work hours for AP 2 YTD were reduced 10.9 million hours or 4.5% below SPLY. This reduction in work hours reflects the installation of more efficient mail processing equipment and a decline of 24,033 in career complement from the same period last year.