

***UNITED STATES
POSTAL SERVICE***

FINANCIAL & OPERATING STATEMENTS



**Accounting Period 3, PFY 2003
November 2 - November 29, 2002**

**Prepared by:
Financial Reporting and Analysis**

Highlights
Accounting Period 3, FY 2003
(Millions)

Accounting Period 3					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,253.1	\$ 5,506.1	[\$ - 253.0]	[- 4.6]	\$ 5,075.2	3.5
<u>5,062.2</u>	<u>5,299.8</u>	<u>- 237.6</u>	<u>- 4.5</u>	<u>5,098.6</u>	<u>- 0.7</u>
\$ 190.9	\$ 206.3	[\$ - 15.4]	-	\$ (- 23.4)	-
343.6	25.0	[\$ 318.6]	NM	89.6	283.5
112.0	114.3	- 2.3	- 2.0	117.7	- 4.8

Year-to-Date (September 7, 2002 - November 29, 2002)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 16,340.7	\$ 16,652.2	[\$ - 311.5]	[- 1.9]	\$ 15,393.9	6.2
<u>15,330.6</u>	<u>15,842.8</u>	<u>- 512.2</u>	<u>- 3.2</u>	<u>15,071.0</u>	<u>1.7</u>
\$ 1,010.1	\$ 809.4	\$ 200.7	-	\$ 322.9	-
\$ 405.7	\$ 450.4	\$ - 44.7	- 9.9	\$ 302.3	34.2
346.4	350.9	- 4.6	- 1.3	362.8	- 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	27,734	27,732	27,868
Active Postal Owned Vehicles			
Administrative	5,411	5,424	5,548
Operations	201,347	201,443	203,547
Possible Total Deliveries (000) **	139,948	139,775	138,090
City Delivery Routes	165,080	165,714	167,779
Rural Routes	69,406	69,360	69,358
Career Employees (Excludes Inspector General)	746,471	748,390	770,538
Casual Employees	21,505	18,471	33,313
Transitional Employees	15,148	13,590	15,265

** Beginning this accounting period, this line has been modified to include all deliveries: city, rural, post office box and contracted highway deliveries.

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

Statement of Income & Expense
Accounting Period 3, FY 2003
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 5,249.9	\$ 5,503.8	[\$ -253.9]	[-4.6]	\$ 5,073.0	3.5	Operating Revenue	\$ 16,329.0	\$ 16,641.9	[\$ -312.9]	[-1.9]	\$ 15,385.9	6.1	
4,906.5	5,143.1	-236.6	-4.6	4,944.9	-0.8	Operating Expense	14,864.0	15,371.8	-507.8	-3.3	14,610.8	1.7	
\$ 343.4	\$ 360.7	[\$ -17.3]	-	\$ 128.1	-	Income (Loss) From Operations	\$ 1,465.0	\$ 1,270.1	\$ 194.9	-	\$ 775.1	-	
3.2	2.3	0.9	36.9	2.2	43.0	Investment Income	11.7	10.3	1.4	13.5	8.0	46.2	
-31.9	-32.9	1.0	-3.1	-27.6	15.4	Interest Expense	-95.1	-99.5	4.4	-4.5	-81.9	16.0	
-123.8	-123.8	0.0	0.0	-126.1	-1.8	Interest on Deferred Ret. Liabilities	-371.5	-371.5	0.0	0.0	-378.3	-1.8	
\$ 190.9	\$ 206.3	[\$ -15.4]	-	\$ (-23.4)	-	Income/(Loss)	\$ 1,010.1	\$ 809.4	\$ 200.7	-	\$ 322.9	-	

[]=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

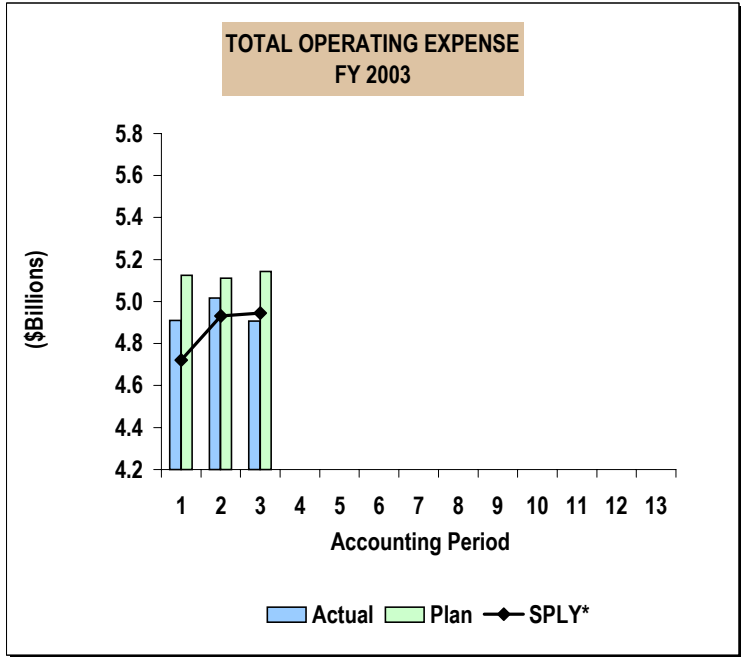
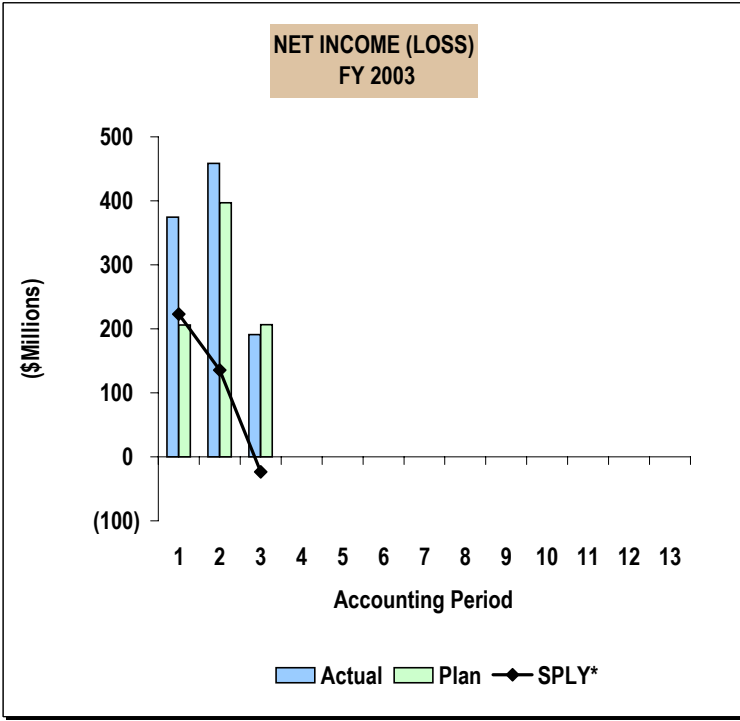
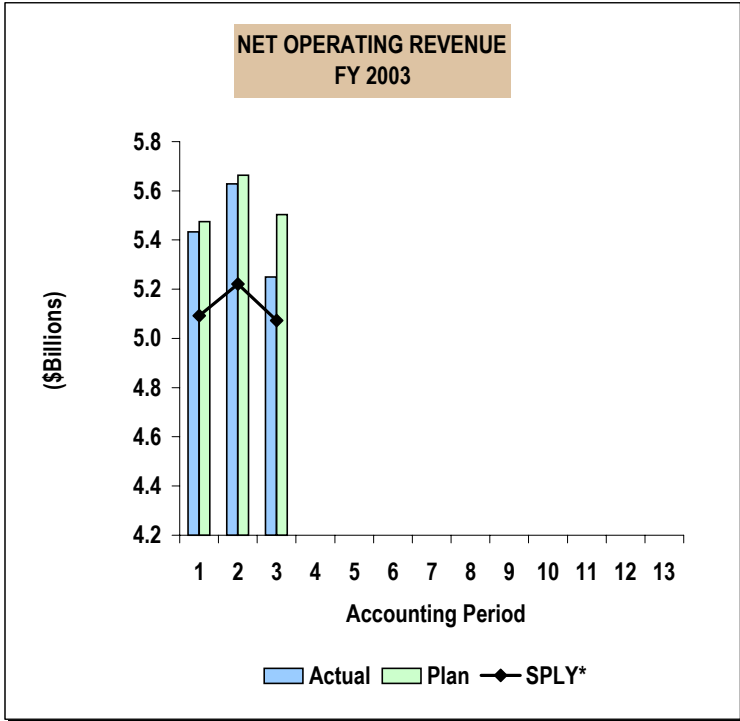
(Data in Thousands)

CATEGORY	YEAR-TO-DATE		
	Qtr. 1	Qtr. 1	% SPLY
	FY 2003	FY 2002	
FIRST-CLASS			
VOLUME	22,695,089	23,323,995	- 2.7
REVENUE	\$ 8,550,719	\$ 8,187,412	4.4
REV/PC.	0.3768	0.3510	7.3
PRIORITY-MAIL			
VOLUME	198,181	228,419	- 13.2
REVENUE	\$ 1,034,031	\$ 1,048,600	- 1.4
REV/PC.	5.2176	4.5907	13.7
EXPRESS MAIL			
VOLUME	12,656	13,382	- 5.4
REVENUE	\$ 201,648	\$ 194,463	3.7
REV/PC.	15.9330	14.5317	9.6
PERIODICALS			
VOLUME	2,170,528	2,290,064	- 5.2
REVENUE	\$ 545,103	\$ 519,299	5.0
REV/PC.	0.2511	0.2268	10.7
STANDARD MAIL			
VOLUME	23,657,266	22,102,368	7.0
REVENUE	\$ 4,490,151	\$ 3,979,126	12.8
REV/PC.	0.1898	0.1800	5.4
PACKAGE SERVICES			
VOLUME	255,959	247,512	3.4
REVENUE	\$ 522,610	\$ 488,059	7.1
REV/PC.	2.0418	1.9719	3.5
INTERNATIONAL			
VOLUME	199,561	215,987	- 7.6
REVENUE	\$ 363,841	\$ 369,925	- 1.6
REV/PC.	1.8232	1.7127	6.5
ALL OTHER			
VOLUME	114,592	\$ 140,062	- 18.2
REVENUE	\$ 233	\$ 426	- 45.5
ALL MAIL _1/			
VOLUME	49,303,830	48,561,789	1.5
REVENUE	\$ 15,708,335	\$ 14,787,311	6.2
REV/PC.	0.3186	0.3045	4.6

_ 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 3, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
			Operating Revenue:			
\$ 1,851.8	\$ 1,799.3	2.9	Metered Postage	\$ 5,842.3	\$ 5,593.6	4.4
940.4	915.1	2.8	Stamps and Stamped Paper	2,681.9	2,569.5	4.4
1,292.7	1,197.4	8.0	Permit Imprint	4,232.6	3,755.6	12.7
163.4	169.0	- 3.3	Periodicals & Standard	540.1	515.2	4.8
57.0	51.6	10.5	Official Mail	192.5	187.1	2.9
740.8	757.1	- 2.1	Presort First-Class & Package Svc./Permit Imprint	2,215.9	2,183.8	1.5
46.6	43.2	7.9	Box Rents	154.2	141.9	8.6
14.1	14.5	- 2.8	Money Order Fees	43.5	46.1	- 5.6
<u>140.6</u>	<u>122.1</u>	15.2	Other	<u>418.6</u>	<u>381.9</u>	9.6
\$ 5,247.4	\$ 5,069.3	3.5	Subtotal	\$ 16,321.6	\$ 15,374.7	6.2
			Government Appropriation:			
<u>2.5</u>	<u>3.7</u>	- 34.3	Revenue Forgone	<u>7.4</u>	<u>11.2</u>	- 34.3
\$ 5,249.9	\$ 5,073.0	3.5	Total Operating Revenue	\$ 16,329.0	\$ 15,385.9	6.1
<u>3.2</u>	<u>2.2</u>	43.0	Investment Income	<u>11.7</u>	<u>8.0</u>	46.2
\$ 5,253.1	\$ 5,075.2	3.5	Total Revenue	\$ 16,340.7	\$ 15,393.9	6.2

Note: Totals may not sum due to rounding.

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REVENUE BY CATEGORY
Accounting Period 3, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,247.4	\$ 2,323.2	[3.3]	Permit Revenue	\$ 7,141.8	\$ 7,121.8	0.3
<u>1,639.3</u>	<u>1,826.2</u>	[10.2]	Other Commercial Accounts Revenue	<u>5,238.0</u>	<u>5,642.7</u>	[7.2]
\$ 3,886.7	\$ 4,149.4	[6.3]	Total Commercial Revenue	\$ 12,379.8	\$ 12,764.5	[3.0]
			Retail Revenue			
1,104.9	1,095.0	0.9	Retail Postage Revenue	3,191.6	3,119.6	2.3
67.3	72.7	[7.4]	Retail Services Revenue	218.3	217.3	0.4
11.4	8.6	33.4	Retail Products Revenue	33.1	24.3	36.4
<u>140.9</u>	<u>142.1</u>	[0.8]	Other Retail Channels Revenue	<u>395.2</u>	<u>411.1</u>	[3.9]
\$ 1,324.5	\$ 1,318.4	0.4	Total Retail Revenue	\$ 3,838.2	\$ 3,772.3	1.7
\$ 5,211.2	\$ 5,467.8	[4.7]	Total Commercial & Retail Revenue	\$ 16,218.0	\$ 16,536.8	[1.9]
36.2	33.6	7.7	Other Income	103.6	96.9	6.9
<u>2.5</u>	<u>2.4</u>	3.5	Revenue Forgone	<u>7.4</u>	<u>8.2</u>	[10.2]
\$ 5,249.9	\$ 5,503.8	[4.6]	Total Operating Revenue	\$ 16,329.0	\$ 16,641.9	[1.9]
<u>3.2</u>	<u>2.3</u>	36.9	Investment Income	<u>11.7</u>	<u>10.3</u>	13.5
\$ 5,253.1	\$ 5,506.1	[4.6]	Total Revenue	\$ 16,340.7	\$ 16,652.2	[1.9]

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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EXPENSE ANALYSIS
Accounting Period 3, FY 2003
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 3,923.2	\$ 3,994.1	\$ - 70.9	- 1.8	\$ 3,898.9	0.6	Personnel Compensation	\$ 11,973.8	\$ 12,106.0	\$ - 132.2	- 1.1	\$ 11,650.3	2.8
						Non-Personnel Expense:						
379.4	391.9	- 12.5	- 3.2	391.0	- 3.0	Transportation	1,128.5	1,167.4	- 38.9	- 3.3	1,134.5	- 0.5
163.1	253.6	- 90.5	- 35.7	208.7	- 21.9	Supplies & Services	443.3	613.5	- 170.2	- 27.7	454.1	- 2.4
<u>440.8</u>	<u>503.5</u>	- 62.7	- 12.5	<u>446.3</u>	- 1.2	Other	<u>1,318.4</u>	<u>1,484.9</u>	- 166.5	- 11.2	<u>1,371.9</u>	- 3.9
\$ 983.3	\$ 1,149.0	\$ - 165.7	- 14.4	\$ 1,046.0	- 6.0	Subtotal	\$ 2,890.2	\$ 3,265.8	\$ - 375.6	- 11.5	\$ 2,960.5	- 2.4
\$ 4,906.5	\$ 5,143.1	\$ - 236.6	- 4.6	\$ 4,944.9	- 0.8	Total Operating Expense	\$ 14,864.0	\$ 15,371.8	\$ - 507.8	- 3.3	\$ 14,610.8	1.7
31.9	32.9	- 1.0	- 3.1	27.6	15.4	Interest Expense	95.1	99.5	- 4.4	- 4.5	81.9	16.0
<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>371.5</u>	<u>371.5</u>	<u>0.0</u>	0.0	<u>378.3</u>	- 1.8
\$ 5,062.2	\$ 5,299.8	\$ - 237.6	- 4.5	\$ 5,098.6	- 0.7	Total Expense	\$ 15,330.6	\$ 15,842.8	\$ - 512.2	- 3.2	\$ 15,071.0	1.7

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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ANALYSIS OF OPERATING EXPENSES
Accounting Period 3, 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
						Total Compensation						
						Operations:						
\$ 25.1	\$ 25.4	\$ -0.3	-1.2	\$ 24.4	2.8	-Support	\$ 80.0	\$ 79.4	[\$ 0.6]	[0.8]	\$ 78.0	2.6
845.5	866.7	-21.2	-2.4	866.9	-2.5	-Mail Processing	2,558.7	2,593.3	-34.6	-1.3	2,608.3	-1.9
319.0	325.5	-6.5	-2.0	319.1	-0.0	-Rural Delivery	982.3	1,000.8	-18.5	-1.9	967.8	1.5
1,136.4	1,126.1	[10.3]	[0.9]	1,119.4	1.5	-City Delivery**	3,461.9	3,416.1	[45.8]	[1.3]	3,243.6	6.7
80.0	79.5	[0.5]	[0.6]	78.4	2.0	-Vehicles Services	244.1	242.7	[1.4]	[0.6]	240.4	1.6
201.1	205.2	-4.1	-2.0	193.6	3.9	-Plant & Equip Maint	613.7	625.4	-11.7	-1.9	592.8	3.5
547.4	554.6	-7.2	-1.3	554.0	-1.2	-Customer Services	1,679.5	1,686.6	-7.1	-0.4	1,692.7	-0.8
17.3	20.4	-3.1	-15.1	18.7	-7.3	Finance	54.7	63.6	-8.9	-14.0	59.1	-7.4
23.0	24.5	-1.4	-5.8	22.9	0.7	Human Resources	72.8	75.8	-2.9	-3.9	72.2	0.8
37.0	40.4	-3.4	-8.3	30.5	21.5	Customer Service & Sales	116.3	124.7	-8.4	-6.7	95.4	21.9
161.4	158.2	[3.2]	[2.0]	149.4	8.0	Administration	502.5	492.5	[10.0]	[2.0]	468.0	7.4
125.0	150.1	-25.1	-16.7	158.1	-21.0	Other Salaries & Benefits	395.8	477.0	-81.3	-17.0	690.8	-42.7
\$ 3,518.2	\$ 3,576.3	\$ -58.1	-1.6	\$ 3,535.3	-0.5	Total Salaries & Benefits	\$ 10,762.5	\$ 10,878.0	\$ -115.6	-1.1	\$ 10,809.2	-0.4
119.8	119.8	-0.0	-0.0	78.5	52.7	Workers' Compensation	359.2	359.5	-0.3	-0.1	235.3	52.6
7.7	7.7	[0.0]	[0.0]	6.8	12.8	Unemployment Compensation	23.1	23.1	[0.0]	[0.0]	18.5	25.0
107.9	107.9	0.0	0.0	107.9	0.0	Deferred Retirement Cost	323.6	323.6	0.0	0.0	323.8	-0.1
69.3	69.3	0.0	0.0	69.3	0.0	CSRS Annuitant COLA	207.9	207.9	0.0	0.0	207.8	0.0
89.4	89.4	0.0	0.0	80.5	11.0	Annuitant Health Benefits	268.2	268.2	0.0	0.0	241.6	11.0
10.9	23.6	-12.7	-53.9	20.6	-47.2	Other Compensation	29.3	45.7	-16.3	-35.8	-185.9	-115.8
\$ 3,923.2	\$ 3,994.1	\$ -70.9	-1.8	\$ 3,898.9	0.6	Total Personnel Compensation	\$ 11,973.8	\$ 12,106.0	\$ -132.2	-1.1	\$ 11,650.3	2.8

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

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

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

ANALYSIS OF NON-PERSONNEL EXPENSES
Accounting Period 3, FY 2003
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY
\$ 379.4	\$ 391.9	\$ -12.6	-3.2	\$ 391.0	-3.0	Transportation	\$ 1,128.5	\$ 1,167.4	\$ -38.9	-3.3	\$ 1,134.5	-0.5
163.1	253.6	-90.5	-35.7	208.7	-21.9	Supplies & Services	443.3	613.5	-170.2	-27.7	454.1	-2.4
174.8	189.3	-14.5	-7.6	177.9	-1.7	Depreciation	524.8	563.6	-38.9	-6.9	524.2	0.1
75.0	79.7	-4.7	-6.0	75.6	-0.8	Rent	226.2	233.8	-7.7	-3.3	227.0	-0.4
33.9	36.1	-2.2	-6.0	33.9	0.1	Fuel & Utilities	98.5	109.4	-10.9	-10.0	98.4	0.1
28.9	30.0	-1.1	-3.6	28.7	0.9	Rural Carrier Equip Maint Allowance	90.6	93.9	-3.3	-3.5	90.8	-0.2
33.2	30.7	[2.5]	[8.2]	29.2	13.9	Vehicle Maintenance	94.9	93.3	[1.6]	[1.7]	89.6	5.8
23.9	49.9	-26.1	-52.2	37.3	-36.1	Information Technology	65.5	146.0	-80.4	-55.1	77.9	-15.9
11.5	17.2	-5.6	-32.7	13.8	-16.3	Building Projects Expensed	30.4	38.3	-7.9	-20.5	38.2	-20.5
5.5	5.4	[0.1]	[2.5]	5.3	3.9	Contract Job Cleaners	16.5	16.1	[0.4]	[2.7]	15.6	6.1
9.7	10.3	-0.5	-5.3	9.4	3.2	Travel & Relocation	26.2	29.6	-3.4	-11.6	25.4	3.1
12.9	16.0	-3.1	-19.2	12.6	2.8	Communications	32.8	39.3	-6.6	-16.7	27.5	19.4
0.7	1.0	-0.3	-29.8	0.6	14.9	Contract Stations	12.5	13.5	-0.9	-6.8	13.4	-6.3
1.8	2.6	-0.8	-29.2	3.0	-38.1	Printing	3.3	6.4	-3.1	-48.0	4.4	-23.3
3.2	6.0	-2.8	-46.2	3.8	-15.1	Training	10.8	17.3	-6.5	-37.7	11.4	-5.6
3.9	4.5	-0.5	-12.2	4.4	-11.2	Carfare & Tolls	12.3	13.5	-1.2	-8.8	13.4	-8.5
1.6	2.2	-0.6	-28.4	2.4	-34.3	Vehicle Hire	5.4	7.1	-1.7	-23.7	8.4	-35.3
3.0	3.1	-0.1	-2.3	4.4	-31.2	Accident Cost	9.5	9.1	[0.4]	[4.2]	9.8	-3.5
-1.6	-3.6	[1.9]	[54.6]	-3.0	46.8	Capitalized Interest	-5.9	-10.7	[4.8]	[44.8]	-10.4	43.1
18.7	23.1	-4.4	-19.0	7.2	-	Miscellaneous	64.2	65.3	-1.1	-1.8	107.0	-40.0
\$ 983.3	\$ 1,149.0	\$-165.7	-14.4	\$ 1,046.0	-6.0	Total Other Operating Expenses	\$ 2,890.2	\$ 3,265.8	\$-375.6	-11.5	\$ 2,960.5	-2.4

[]=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 3, FY 2003
(\$ Millions)

Assets	November 29, 2002	November 1, 2002	September 30, 2002 *
Current Assets:			
Cash and cash equivalents _1/	\$ 706	\$ 842	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	6	6	6
Receivables:			
Foreign countries	666	636	592
U.S. Government	102	85	125
Other	<u>225</u>	<u>209</u>	<u>192</u>
	993	930	909
Less allowances	<u>114</u>	<u>113</u>	<u>112</u>
	879	817	797
Supplies, advances and prepayments	<u>324</u>	<u>321</u>	<u>327</u>
Total Current Assets	1,915	1,986	2,280
Other assets _2/	369	369	368
Property and equipment, at cost:			
Buildings	19,538	19,535	19,513
Equipment	16,505	16,467	16,421
Land	<u>2,777</u>	<u>2,777</u>	<u>2,776</u>
	38,820	38,779	38,710
Less allowances for depreciation	<u>16,704</u>	<u>16,558</u>	<u>16,401</u>
	22,116	22,221	22,309
Construction in progress	1,230	1,221	1,223
Leasehold improvements, net	<u>597</u>	<u>604</u>	<u>604</u>
	23,943	24,046	24,136
Deferred Retirement Costs _3/	<u>33,424</u>	<u>33,602</u>	<u>32,231</u>
Total Assets	<u>\$ 59,651</u>	<u>\$ 60,003</u>	<u>\$ 59,015</u>

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

_2/ Includes \$367 million as of September 30, 2002, November 1, 2002, and November 29, 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 3, FY 2003
(\$ Millions)

Liabilities and Equities	November 29, 2002	November 1, 2002	September 30, 2002 *
**Current Liabilities:			
Compensation and employees' benefits	\$ 4,722	\$ 4,587	\$ 5,113
Estimated prepaid postage	1,504	1,503	1,500
Payables and accrued expenses:			
Foreign countries	804	798	748
U.S. Government	208	294	246
Other - Including Emergency Preparedness Appropriations	<u>2,247</u>	<u>2,264</u>	<u>1,167</u>
	3,259	3,356	2,161
Appropriation for free & reduced rate mail	27	29	0
Prepaid permit mail and box rentals	2,082	2,077	2,011
Outstanding postal money orders	828	901	986
Current portion of debt	<u>1,295</u>	<u>1,851</u>	<u>3,815</u>
Total Current Liabilities	13,717	14,304	15,586
Long-term debt, less current portion	7,300	7,300	7,300
Other Liabilities:			
Amounts payable for retirement benefits _3/	31,495	31,495	30,046
Workers' compensation claims	6,107	5,987	5,815
Employees' accumulated leave	1,901	1,980	2,088
Other	<u>1,450</u>	<u>1,454</u>	<u>1,182</u>
Total Other Liabilities	40,953	40,916	39,131
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	<u>- 5,353</u>	<u>- 5,551</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>- 2,319</u>	<u>- 2,517</u>	<u>- 3,002</u>
Total Liabilities and Equity	\$ <u>59,651</u>	\$ <u>60,003</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

**Note: For reporting during the postal operating year (September 7, 2002 through September 5, 2003) certain salary and benefit impacts from the Compensation and employees' benefits line are shown in the Other Payables and accrued expenses line. For official end of the year reporting, this is reversed.

STATEMENT OF CASH FLOWS	
Fiscal Year 2003	
(\$ Millions)	
For the Fiscal Year through November 29, 2002	
Cash flows from operating activities:	
Net income/(loss) (Government Fiscal Year Basis)	\$ 683
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation and amortization	165
Increase/(decrease) in other liabilities	268
Increase/(decrease) in employees' accumulated leave	(187)
Increase/(decrease) in non-current workers' compensation claims	292
Increase/(decrease) in retirement, net	256
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits	(391)
Increase/(decrease) in deferred revenue	102
Increase/(decrease) in payables and accrued expenses	1,098
(Increase)/decrease in receivables	(83)
(Increase)/decrease in supplies, advances and prepayments	3
Increase/(decrease) in outstanding postal money orders	(158)
Net cash provided by operating activities	2,048
Cash flows from investing activities:	
Sale/(purchase) of U.S. Government securities, net	0
Purchase of property and equipment, net	28
Net cash used in investing activities	28
Cash flows from financing activities:	
Increase/(decrease) in debt	(2,520)
(Increase)/decrease in other non-current assets	0
Net cash used by financing activities	(2,520)
Net (decrease)/increase in cash and cash equivalents	(444)
Cash and cash equivalents at beginning of period	1,150
Cash and cash equivalents at end of period	\$ 706

CAPITAL INVESTMENTS
FY 2003
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	A/P 3 Year-to-Date			A/P 3 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 8.7	\$ 3.5	\$ 6.8	\$ 24.9	\$ 37.8	\$ 91.4
BUILDING IMPROVEMENTS	13.6	34.4	17.2	28.7	38.5	51.5
MAIL PROCESSING EQUIPMENT	337.3	320.1	205.5	132.1	122.4	288.2
VEHICLES	[- 3.4]	0.3	2.0	2.8	13.7	54.2
RETAIL EQUIPMENT	0.2	0.0	5.2	1.5	3.8	18.2
POSTAL SUPPORT EQUIPMENT	49.2	92.1	65.5	26.5	44.0	56.1
TOTAL COMMITMENTS/CASH OUTLAYS *	\$ 405.7	\$ 450.4	\$ 302.3	\$ 216.5	\$ 260.2	\$ 559.6

Note: Totals may not sum due to rounding.

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	November 29, 2002	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 113.8	\$ 132.3
BUILDING IMPROVEMENTS	125.6	157.1
MAIL PROCESSING EQUIPMENT	1,169.7	964.6
VEHICLES	139.6	145.8
RETAIL EQUIPMENT	39.7	40.9
POSTAL SUPPORT EQUIPMENT	117.6	95.2
TOTAL RESOURCES ON ORDER	\$ 1,706.0	\$ 1,536.0

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 3, 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
654	- 5	- 0.7	659	- 0.6	Operations:					
27,879	- 1,077	- 3.7	30,193	- 7.7	-Support	2,133	[27]	[1.3]	2,151	- 0.9
12,123	- 182	- 1.5	12,655	- 4.2	-Mail Processing	84,350	- 2,571	- 3.0	90,966	- 7.3
35,113	- 120	- 0.3	35,826	- 2.0	-Rural Delivery	37,818	- 559	- 1.5	39,520	- 4.3
2,397	- 5	- 0.2	2,457	- 2.4	-City Delivery	108,601	[374]	[0.3]	110,398	- 1.6
6,123	- 166	- 2.6	6,145	- 0.4	-Vehicles Services	7,431	- 18	- 0.2	7,636	- 2.7
17,497	- 375	- 2.1	18,459	- 5.2	-Plant & Equip Maint	19,048	- 506	- 2.6	19,149	- 0.5
492	- 83	- 14.4	545	- 9.7	-Customer Services	54,350	- 758	- 1.4	57,217	- 5.0
621	- 30	- 4.7	637	- 2.6	Finance	1,580	- 259	- 14.1	1,764	- 10.4
1,080	- 89	- 7.6	945	14.4	Human Resources	1,997	- 64	- 3.1	2,053	- 2.7
4,893	[71]	[1.5]	4,832	1.2	Customer Service & Sales	3,470	- 208	- 5.6	3,020	14.9
3,158	- 222	- 6.6	4,309	- 26.7	Administration	15,439	[280]	[1.8]	15,308	0.9
					Other	10,157	- 296	- 2.8	13,647	- 25.6
112,031	- 2,283	- 2.0	117,664	- 4.8	Total Work Hours	346,373	- 4,559	- 1.3	362,829	- 4.5

			Overtime		
Actual	Budget	SPLY	Actual	Budget	SPLY

9.0%	9.4%	9.3%	Overtime Ratio	8.3%	8.5%	8.2%
			Per 100 Work Hours			

			Sick Leave		
Actual	Budget	SPLY	Actual	Budget	SPLY

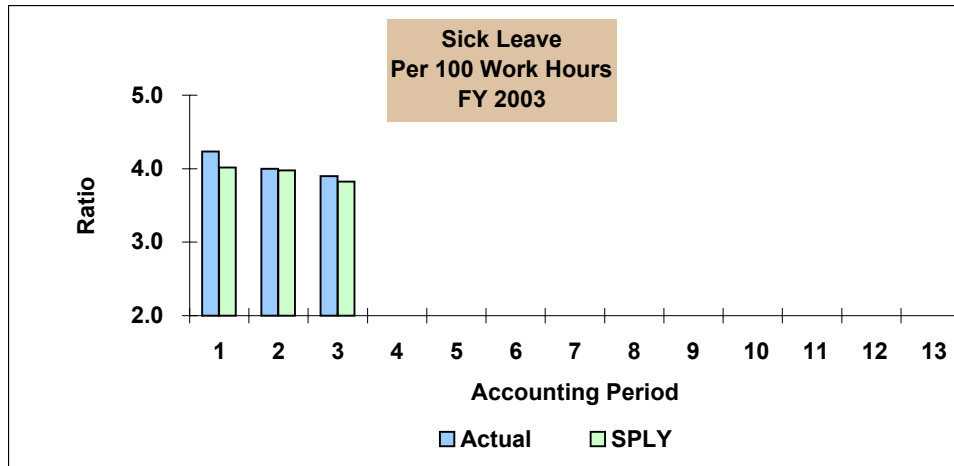
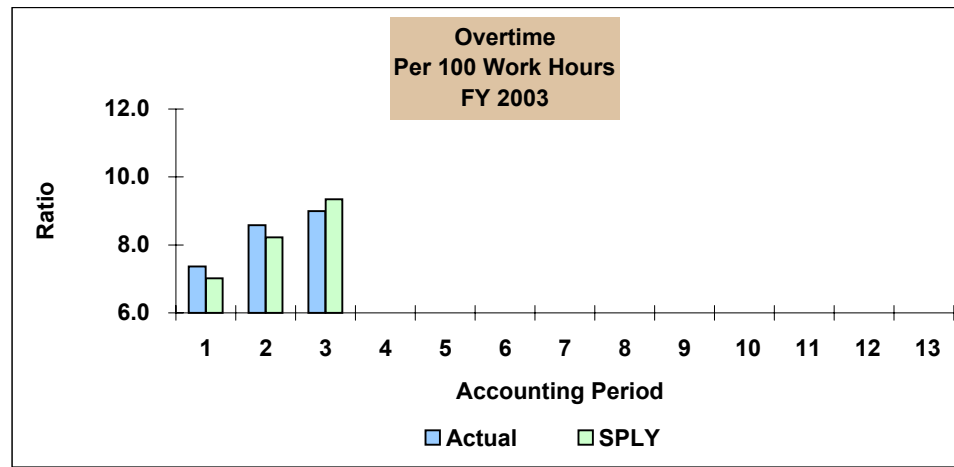
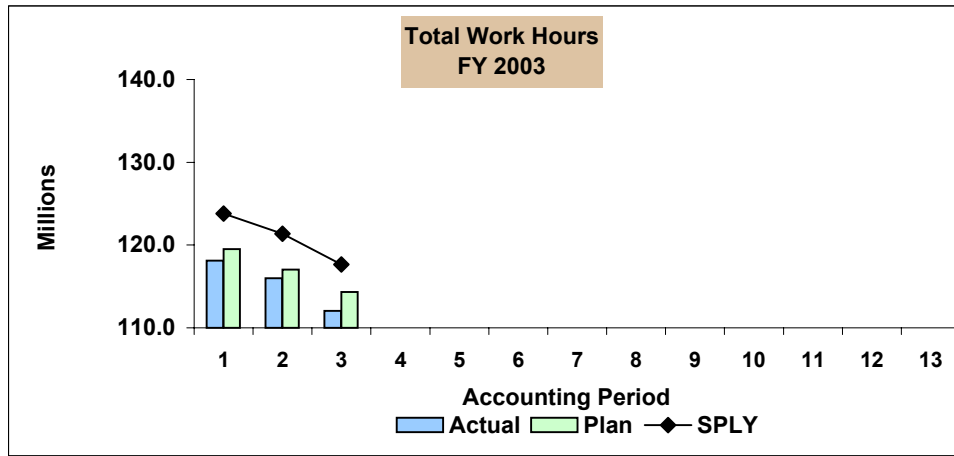
3.9%	--	3.8%	Sick Leave Ratio	4.1%	--	4.0%
			Per 100 Work Hours			

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

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



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

Accounting Period 3, FY 2003

Notes to the Financial and Operating Statements

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

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

Total Revenue was 4.6% or \$253 million under plan. Commercial Revenue was 6.3% or \$263 million under plan. The biggest drivers of the Commercial Revenue plan under run were Customer Meters at \$164 million below, and First-Class Permit Revenue at \$58 million below. Retail Revenue was 0.4% or \$6 million over plan. The biggest driver of the Retail Revenue plan over run was for postage at our retail outlets at \$9 million over. Total Revenue grew by 3.5% or \$178 million over SPLY. The bulk of the increase to SPLY for total revenue was reflected in Permit Revenue at \$76 million over.

Year-to-date (YTD), Total Revenue is \$312 million or 1.9% under plan. As compared to SPLY, total revenue has increased 6.2% fueled by a rate change on June 30, 2002. Most of the YTD plan under run, \$405 million, exists in Other Commercial Accounts. Of this amount, nearly \$361 million lies in Customer Meters. Compared to SPLY, YTD Total Revenue is 6.2% or \$947 million above. Metered Postage and Permit Imprint revenue combined are \$726 million above SPLY.

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

Total Expenses were \$238 million, or 4.5%, under plan. Both personnel and non-personnel costs were below plan. The biggest drivers of the \$71 million underrun to plan in personnel costs was a continuation of cost containment activities. Work hours were 2.0% below plan (see page 15) in both operation and non-operational areas. The biggest drivers of the \$166 million underrun in non-personnel costs, excluding Capitalized Interest expense, were Information Technology and Supplies and Services, which were \$26 million and \$90 million below plan, respectively.

YTD, Total Expenses were \$512 million or 3.2% below plan. Most of the YTD plan under run lies in Supplies and Services, \$170 million below, Information Technology, \$80 million below, and Transportation, \$39 million below. Supply chain management, our Advanced Computing Environment and general belt tightening has assisted in this area. Transportation costs were also \$12 million below plan. City Delivery personnel compensation is \$45.8M above plan. This line includes expenses for uniform allowances. Volatility of employee uniform allowance payments by accounting period from one year to another has caused the increase over SPLY. The Compositional Forward Looking Delta, which reflects step pay increases, is another factor impacting City Delivery personnel compensation. This issue will be addressed in Accounting Period 4.

Accounting Period 3, FY 2003

Notes to the Financial and Operating Statements

Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter I YTD, Fiscal Year (FY) 2003, covering the period September 7, 2002 through November 29, 2002, was 1.5% or 0.7 billion pieces above SPLY. Standard and Package Services were the only classes of mail, above their Quarter I, FY 2002, levels. 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. However, in total, mail volume grew slower than expected in the FY 2003 Integrated Financial Plan. This primarily reflects the slower economic activity than forecasted.

The total mail revenue reported for Quarter I YTD, FY 2003, was 6.2% above that reported during the same period last year (SPLY). Last year's performance was unfavorably impacted by the events of September 11th. 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.

Capital Commitments - Pages 1 and 13

AP 3, FY 2003 YTD capital commitments are \$45 million lower than planned. The single largest commitment made thus far in FY 2003 was \$314 million for the Automated Package Processing Systems project which has a projected return in investment of 24.4%.

Work Hours - Pages 1, 14 and 15

Total work hours for the accounting period were 2.3 million hours below plan and 5.6 million hours below same period last year. A major contributor to the under run to same period last year was Mail Processing, which was 2.3 million hours. This reduction is across all mail processing functions, including automated mechanized and manual distribution; remote barcoding operations; platform and indirect operations; and supervision. These reductions are a direct result of cost containment and efficiency improvement activities contained in the Transformation Plan, as well as capturing work hours as a result of decreasing workload.

Additionally, Other Work Hours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours, played a major role. It should be noted that Other Work Hours were 1.2 million below same period last year. These hours are now accounted for in the Customer Service and Sales line.

Total work hours for AP 3 YTD were reduced 16.5 million hours or 4.5% below SPLY. This reduction in work hours reflects the continuation of cost containment activities through the installation of more efficient mail processing equipment and other efficiency improvements.