

***UNITED STATES
POSTAL SERVICE***

FINANCIAL & OPERATING STATEMENTS



**Accounting Period 5, PFY 2003
December 28, 2002– January 24, 2003**

**Prepared by:
Financial Reporting and Analysis**

Highlights
Accounting Period 5, FY 2003
(Millions)

Accounting Period 5					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,313.6	\$ 5,419.9	[\$ -106.3]	[-2.0]	\$ 5,051.8	5.2
<u>5,089.4</u>	<u>5,289.1</u>	<u>-199.7</u>	<u>-3.8</u>	<u>5,087.6</u>	<u>0.0</u>
\$ 224.2	\$ 130.8	\$ 93.4	-	\$ (-35.8)	-
\$ 113.5	\$ 152.0	\$ -38.5	-25.3	\$ 127.3	-10.8
109.5	111.8	-2.3	-2.1	114.3	-4.3
15,648.0	15,783.1	[-135.1]	[-0.9]	15,527.1	0.8

Year-to-Date (September 7, 2002 - January 24, 2003)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 27,506.4	\$ 27,954.9	[\$ -448.5]	[-1.6]	\$ 25,953.6	6.0
<u>25,882.6</u>	<u>26,779.4</u>	<u>-896.8</u>	<u>-3.3</u>	<u>25,636.3</u>	<u>1.0</u>
\$ 1,623.8	\$ 1,175.5	\$ 448.3	-	\$ 317.3	-
\$ 571.5	\$ 654.7	\$ -83.2	-12.7	\$ 562.9	1.5
577.7	586.5	-8.7	-1.5	604.3	-4.4
80,823.4	81,837.6	[-1,014.2]	[-1.2]	79,804.2	1.3

[] = 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.

Number Of:	Current Period	Last Period	SPLY
Post Offices	27,722	27,722	27,867
Postal Owned Vehicles In Use			
Administrative	5,413	5,409	5,542
Operations	201,153	201,160	203,742
Possible Total Deliveries (000)	140,197	140,057	138,375
City Delivery Routes	165,515	165,480	168,317
Rural Routes	69,475	69,467	69,477
Career Employees (Excludes Inspector General)	743,646	745,100	769,587
Casual Employees	22,860	47,937	27,261
Transitional Employees	14,528	16,181	13,716

Statement of Income & Expense
Accounting Period 5, FY 2003
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 5,309.8	\$ 5,417.6	[\$ - 107.8]	[- 2.0]	\$ 5,049.6	5.2	Operating Revenue	\$ 27,487.1	\$ 27,940.0	[\$ - 452.9]	[- 1.6]	\$ 25,941.0	6.0
<u>4,935.9</u>	<u>5,134.2</u>	<u>- 198.3</u>	<u>- 3.9</u>	<u>4,935.5</u>	<u>0.0</u>	Operating Expense	<u>25,106.8</u>	<u>25,997.6</u>	<u>- 890.8</u>	<u>- 3.4</u>	<u>24,871.3</u>	<u>0.9</u>
\$ 373.9	\$ 283.4	\$ 90.5	-	\$ 114.1	-	Income (Loss) From Operations	\$ 2,380.3	\$ 1,942.4	\$ 437.9	-	\$ 1,069.7	-
3.8	2.3	1.5	63.4	2.2	75.3	Investment Income	19.3	14.9	4.4	29.5	12.6	53.6
- 29.7	- 31.1	1.4	- 4.4	- 26.0	14.3	Interest Expense	- 156.6	- 162.6	6.0	- 3.7	- 134.5	16.4
<u>- 123.8</u>	<u>- 123.8</u>	<u>0.0</u>	<u>0.0</u>	<u>- 126.1</u>	<u>- 1.8</u>	Interest on Deferred Ret. Liabilities	<u>- 619.2</u>	<u>- 619.2</u>	<u>0.0</u>	<u>0.0</u>	<u>- 630.5</u>	<u>- 1.8</u>
\$ 224.2	\$ 130.8	\$ 93.4	-	\$ (- 35.8)	-	Income/(Loss)	\$ 1,623.8	\$ 1,175.5	\$ 448.3	-	\$ 317.3	-

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

MAIL VOLUME - MAIL REVENUE

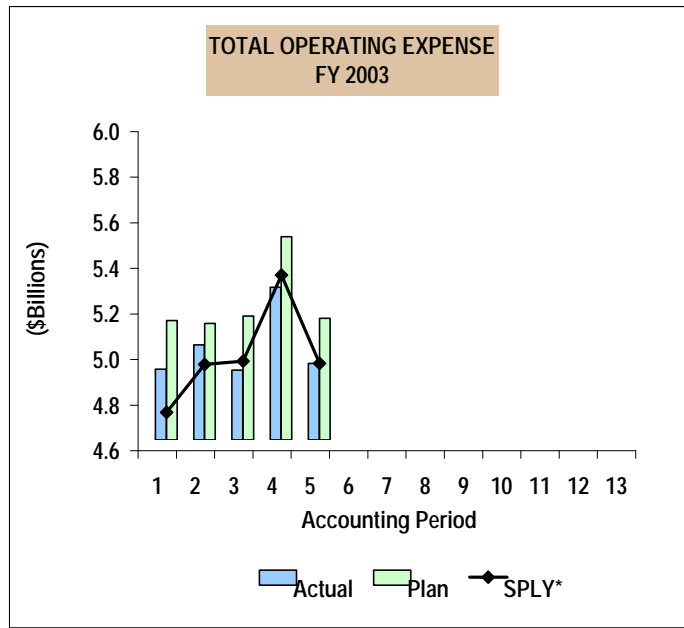
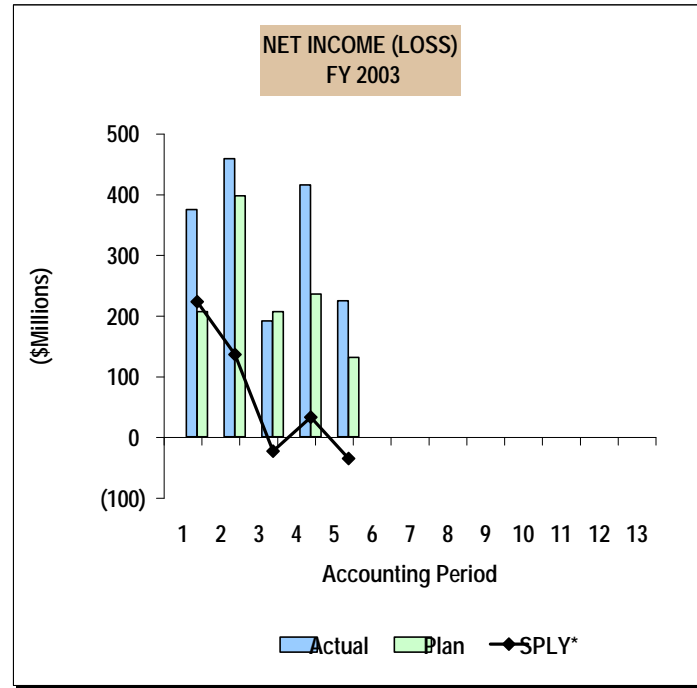
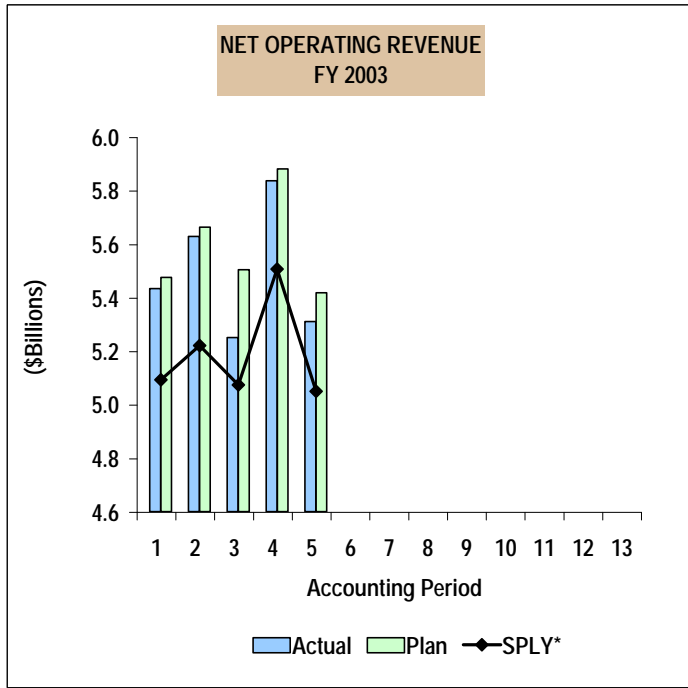
(Data in Thousands)

CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	AP 05 FY 2003	AP 05 FY 2002	% SPLY	AP 05 FY 2003	AP 05 FY 2002	% SPLY
FIRST-CLASS						
VOLUME	8,044,500	8,241,964	- 2.4	39,541,030	40,322,079	- 1.9
REVENUE	\$ 2,967,907	\$ 2,872,274	3.3	\$ 14,821,023	\$ 14,114,510	5.0
REV/PC.	0.3689	0.3485	5.9	0.3748	0.3500	7.1
PRIORITY-MAIL						
VOLUME	63,001	74,730	- 15.7	347,223	409,432	- 15.2
REVENUE	\$ 332,835	\$ 351,283	- 5.3	\$ 1,869,178	\$ 1,941,980	- 3.7
REV/PC.	5.2830	4.7007	12.4	5.3832	4.7431	13.5
EXPRESS MAIL						
VOLUME	4,010	4,471	- 10.3	21,318	23,214	- 8.2
REVENUE	\$ 63,458	\$ 64,647	- 1.8	\$ 343,758	\$ 341,968	0.5
REV/PC.	15.8249	14.4592	9.4	16.1252	14.7311	9.5
PERIODICALS						
VOLUME	750,532	742,175	1.1	3,617,810	3,769,053	- 4.0
REVENUE	\$ 172,267	\$ 156,778	9.9	\$ 881,910	\$ 839,239	5.1
REV/PC.	0.2295	0.2112	8.7	0.2438	0.2227	9.5
STANDARD MAIL						
VOLUME	6,594,485	6,271,803	5.1	36,279,757	34,248,315	5.9
REVENUE	\$ 1,267,673	\$ 1,131,938	12.0	\$ 6,895,128	\$ 6,153,311	12.1
REV/PC.	0.1922	0.1805	6.5	0.1901	0.1797	5.8
PACKAGE SERVICES						
VOLUME	88,485	89,753	- 1.4	457,793	436,353	4.9
REVENUE	\$ 175,176	\$ 166,696	5.1	\$ 950,341	\$ 877,455	8.3
REV/PC.	1.9797	1.8573	6.6	2.0759	2.0109	3.2
INTERNATIONAL						
VOLUME	68,696	66,775	2.9	375,247	389,366	- 3.6
REVENUE	\$ 119,826	\$ 113,040	6.0	\$ 666,091	\$ 665,144	0.1
REV/PC.	1.7443	1.6928	3.0	1.7751	1.7083	3.9
ALL OTHER						
VOLUME	34,325	35,435	- 3.1	183,232	206,400	- 11.2
REVENUE	\$ 140	\$ 43	-	\$ 451	\$ 469	- 3.9
ALL MAIL						
VOLUME	15,648,035	15,527,107	0.8	80,823,410	79,804,213	1.3
REVENUE	\$ 5,099,281	\$ 4,856,698	5.0	\$ 26,427,879	\$ 24,934,075	6.0
REV/PC.	0.3259	0.3128	4.2	0.3270	0.3124	4.7

NOTE: Totals may not sum due to rounding.

NOTE: "This data reflects PRELIMINARY estimates of revenue, pieces and weight by mail class and are subject to change. Limits on available data and statistical variations due to sampling warrant that AP estimates be used with caution.

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



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

REVENUE BY SOURCE
Accounting Period 5, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
			Operating Revenue:			
\$ 2,039.8	\$ 1,979.1	3.1	Metered Postage	\$ 10,070.2	\$ 9,674.4	4.1
858.3	832.0	3.2	Stamps and Stamped Paper	4,856.8	4,614.5	5.3
1,184.6	1,067.2	11.0	Permit Imprint	6,491.7	5,801.8	11.9
170.8	154.8	10.3	Periodicals & Standard	874.1	831.6	5.1
81.4	73.6	10.7	Official Mail	358.8	349.3	2.7
740.6	738.1	0.3	Presort First-Class & Package Svc./Permit Imprint	3,737.8	3,668.8	1.9
62.6	57.9	8.2	Box Rents	286.5	266.6	7.4
14.2	17.7	- 19.8	Money Order Fees	72.1	81.7	- 11.8
<u>155.0</u>	<u>125.5</u>	23.5	Other	<u>726.8</u>	<u>633.6</u>	14.7
\$ 5,307.3	\$ 5,045.9	5.2	Subtotal	\$ 27,474.8	\$ 25,922.3	6.0
			Government Appropriation:			
<u>2.5</u>	<u>3.7</u>	- 34.2	Revenue Forgone	<u>12.3</u>	<u>18.7</u>	- 34.2
\$ 5,309.8	\$ 5,049.6	5.2	Total Operating Revenue	\$ 27,487.1	\$ 25,941.0	6.0
<u>3.8</u>	<u>2.2</u>	75.3	Investment Income	<u>19.3</u>	<u>12.6</u>	53.6
\$ 5,313.6	\$ 5,051.8	5.2	Total Revenue	\$ 27,506.4	\$ 25,953.6	6.0

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 5, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,150.9	\$ 2,203.3	[- 2.4]	Permit Revenue	\$ 11,359.8	\$ 11,457.7	[- 0.9]
<u>1,834.9</u>	<u>1,914.3</u>	[- 4.1]	Other Commercial Accounts Revenue	<u>8,805.6</u>	<u>9,386.3</u>	[- 6.2]
\$ 3,985.8	\$ 4,117.6	[- 3.2]	Total Commercial Revenue	\$ 20,165.4	\$ 20,844.0	[- 3.2]
			Retail Revenue			
1,027.4	1,031.2	[- 0.4]	Retail Postage Revenue	5,931.3	5,738.0	3.4
86.2	79.1	9.0	Retail Services Revenue	394.5	394.1	0.1
10.9	8.6	26.2	Retail Products Revenue	62.7	47.3	32.6
<u>154.6</u>	<u>147.3</u>	5.0	Other Retail Channels Revenue	<u>736.9</u>	<u>743.6</u>	[- 0.9]
\$ 1,279.1	\$ 1,266.2	1.0	Total Retail Revenue	\$ 7,125.4	\$ 6,923.0	2.9
\$ 5,264.9	\$ 5,383.8	[- 2.2]	Total Commercial & Retail Revenue	\$ 27,290.8	\$ 27,767.0	[- 1.7]
42.4	31.3	35.5	Other Income	184.0	160.7	14.5
<u>2.5</u>	<u>2.5</u>	0.0	Revenue Forgone	<u>12.3</u>	<u>12.3</u>	0.0
\$ 5,309.8	\$ 5,417.6	[- 2.0]	Total Operating Revenue	\$ 27,487.1	\$ 27,940.0	[- 1.6]
<u>3.8</u>	<u>2.3</u>	63.4	Investment Income	<u>19.3</u>	<u>14.9</u>	29.5
\$ 5,313.6	\$ 5,419.9	[- 2.0]	Total Revenue	\$ 27,506.4	\$ 27,954.9	[- 1.6]

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

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EXPENSE ANALYSIS
Accounting Period 5, FY 2003
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 3,928.6	\$ 4,019.6	\$ - 91.0	- 2.3	\$ 3,914.8	0.4	Personnel Compensation	\$ 20,085.3	\$ 20,361.8	\$ - 276.5	- 1.4	\$ 19,681.4	2.1
						Non-Personnel Expense:						
441.8	452.8	- 11.0	- 2.4	447.1	- 1.2	Transportation	2,034.1	2,133.7	- 99.6	- 4.7	2,101.3	- 3.2
166.2	218.2	- 52.0	- 23.8	204.8	- 18.8	Supplies & Services	793.8	1,067.7	- 273.9	- 25.7	884.6	- 10.3
<u>399.3</u>	<u>443.6</u>	<u>- 44.3</u>	- 10.0	<u>368.8</u>	8.3	Other	<u>2,193.6</u>	<u>2,434.4</u>	<u>- 240.8</u>	- 9.9	<u>2,204.0</u>	- 0.5
\$ 1,007.3	\$ 1,114.6	\$ - 107.3	- 9.6	\$ 1,020.7	- 1.3	Subtotal	\$ 5,021.5	\$ 5,635.8	\$ - 614.3	- 10.9	\$ 5,189.9	- 3.2
\$ 4,935.9	\$ 5,134.2	\$ - 198.3	- 3.9	\$ 4,935.5	0.0	Total Operating Expense	\$ 25,106.8	\$ 25,997.6	\$ - 890.8	- 3.4	\$ 24,871.3	0.9
29.7	31.1	- 1.4	- 4.4	26.0	14.3	Interest Expense	156.6	162.6	- 6.0	- 3.7	134.5	16.4
<u>123.8</u>	<u>123.8</u>	<u>0.0</u>	0.0	<u>126.1</u>	- 1.8	Interest on Deferred Ret. Liabilities	<u>619.2</u>	<u>619.2</u>	<u>0.0</u>	0.0	<u>630.5</u>	- 1.8
\$ 5,089.4	\$ 5,289.1	\$ - 199.7	- 3.8	\$ 5,087.6	0.0	Total Expense	\$ 25,882.6	\$ 26,779.4	\$ - 896.8	- 3.3	\$ 25,636.3	1.0

[]=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 5, 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
\$ 25.4	\$ 26.4	\$ -1.0	-3.8	\$ 24.9	1.9		Operations:	\$ 130.9	\$ 131.9	\$ -1.1	-0.8	\$ 128.0
836.2	854.0	-17.8	-2.1	853.9	-2.1	-Support	4,336.2	4,428.5	-92.4	-2.1	4,426.1	-2.0
323.4	326.3	-2.8	-0.9	314.1	3.0	-Mail Processing	1,654.5	1,666.7	-12.3	-0.7	1,614.3	2.5
1,131.1	1,120.9	[10.2]	[0.9]	1,106.1	2.3	-Rural Delivery	5,768.6	5,731.0	[37.5]	[0.7]	5,500.3	4.9
81.5	82.0	-0.5	-0.7	79.6	2.3	-City Delivery**	415.3	414.7	[0.6]	[0.1]	407.6	1.9
204.2	210.4	-6.2	-2.9	196.0	4.2	-Vehicles Services	1,032.7	1,056.8	-24.0	-2.3	993.0	4.0
546.9	556.1	-9.2	-1.7	554.0	-1.3	-Plant & Equip Maint	2,829.7	2,858.9	-29.2	-1.0	2,849.2	-0.7
17.4	20.4	-3.0	-14.9	18.7	-7.1	-Customer Services	89.9	105.0	-15.1	-14.4	96.9	-7.2
23.6	25.3	-1.7	-6.8	23.2	1.5	Finance	119.9	125.4	-5.5	-4.4	118.5	1.3
37.5	40.2	-2.7	-6.6	35.0	7.2	Human Resources	191.9	203.2	-11.3	-5.6	162.1	18.4
166.0	165.2	[0.8]	[0.5]	158.4	4.8	Customer Service & Sales	833.7	822.4	[11.3]	[1.4]	784.4	6.3
122.0	168.1	-46.0	-27.4	142.1	-14.2	Administration	655.9	774.8	-118.9	-15.3	979.5	-33.0
\$ 3,515.3	\$ 3,595.2	\$ -79.9	-2.2	\$ 3,506.0	0.3	Other Salaries & Benefits	\$ 18,059.1	\$ 18,319.4	\$ -260.3	-1.4	\$ 18,059.8	-0.0
119.8	119.8	-0.0	-0.0	78.3	52.9	Total Salaries & Benefits	598.8	599.2	-0.4	-0.1	392.1	52.7
7.7	7.7	0.0	0.0	6.8	12.8	Workers' Compensation	38.4	38.4	0.0	0.0	32.1	19.8
107.9	107.9	0.0	0.0	107.9	0.0	Unemployment Compensation	539.3	539.3	0.0	0.0	539.6	-0.1
69.3	69.3	0.0	0.0	69.3	0.0	Deferred Retirement Cost	346.5	346.5	0.0	0.0	346.3	0.1
89.4	89.4	0.0	0.0	80.5	11.0	CSRS Annuitant COLA	447.1	447.1	0.0	0.0	402.7	11.0
19.2	30.3	-11.1	-36.5	65.9	-70.8	Annuitant Health Benefits	56.1	71.9	-15.8	-22.0	-91.2	-161.6
\$ 3,928.6	\$ 4,019.6	\$ -91.0	-2.3	\$ 3,914.8	0.4	Other Compensation	\$ 20,085.3	\$ 20,361.8	\$ -276.5	-1.4	\$ 19,681.4	2.1
						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.

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

ANALYSIS OF NON-PERSONNEL EXPENSES
Accounting Period 5, FY 2003
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY	
\$ 441.8	\$ 452.8	\$ -11.0	-2.4	\$ 447.1	-1.2	Transportation	\$ 2,034.1	\$ 2,133.7	\$ -99.6	-4.7	\$ 2,101.3	-3.2	
166.2	218.2	-52.0	-23.8	204.8	-18.8	Supplies & Services	793.8	1,067.7	-273.9	-25.7	884.6	-10.3	
176.2	189.0	-12.8	-6.8	177.7	-0.9	Depreciation	877.0	943.1	-66.1	-7.0	880.5	-0.4	
14.5	14.4	[0.2]	[1.2]	10.2	42.9	Rent	316.4	327.6	-11.2	-3.4	309.6	2.2	
35.3	44.2	-8.9	-20.2	40.4	-12.6	Fuel & Utilities	171.8	194.8	-23.0	-11.8	176.5	-2.7	
29.2	29.6	-0.5	-1.7	28.0	4.0	Rural Carrier Equip Maint Allowance	150.9	155.3	-4.5	-2.9	149.6	0.9	
33.8	32.9	[0.9]	[2.7]	29.4	14.9	Vehicle Maintenance	163.3	158.5	[4.8]	[3.0]	150.3	8.7	
35.7	30.3	[5.3]	[17.5]	27.2	30.9	Information Technology	132.3	216.7	-84.4	-38.9	132.2	0.1	
10.3	29.8	-19.6	-65.6	7.8	30.9	Building Projects Expensed	50.8	81.1	-30.3	-37.4	55.7	-8.9	
5.8	5.4	[0.3]	[5.7]	5.3	8.6	Contract Job Cleaners	28.7	27.7	[1.0]	[3.6]	27.1	5.8	
7.1	10.4	-3.3	-31.9	8.3	-14.0	Travel & Relocation	47.5	50.1	-2.6	-5.2	42.1	12.9	
18.7	16.6	[2.1]	[12.8]	20.9	-10.7	Communications	64.6	74.8	-10.2	-13.6	65.4	-1.3	
6.4	6.2	[0.2]	[2.9]	6.2	3.8	Contract Stations	24.9	25.7	-0.8	-3.0	25.6	-2.8	
1.9	2.5	-0.6	-24.5	2.7	-29.5	Printing	8.2	11.2	-3.0	-26.9	11.3	-27.2	
2.6	4.8	-2.2	-45.0	3.1	-14.4	Training	16.5	27.6	-11.1	-40.2	18.3	-9.9	
4.6	4.1	[0.5]	[13.1]	3.9	17.3	Carfare & Tolls	21.9	22.6	-0.7	-3.2	22.6	-3.0	
1.4	3.0	-1.6	-52.2	2.6	-43.7	Vehicle Hire	8.8	13.0	-4.3	-32.7	13.3	-34.2	
3.0	3.2	-0.2	-6.6	2.7	9.6	Accident Cost	16.3	15.9	[0.4]	[2.3]	16.0	1.5	
-1.4	-3.6	[2.1]	[59.5]	-2.5	42.1	Capitalized Interest	-8.9	-17.8	[9.0]	[50.4]	-15.9	44.2	
14.4	20.6	-6.2	-30.2	-5.1	-	Miscellaneous	102.7	106.6	-3.9	-3.7	123.7	-17.0	
\$ 1,007.3	\$ 1,114.6	\$-107.3	-9.6	\$ 1,020.7	-1.3	Total Other Operating Expenses	\$ 5,021.5	\$ 5,635.8	\$-614.3	-10.9	\$ 5,189.9	-3.2	

[]=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 5, FY 2003			
(\$ Millions)			
Assets	January 24, 2003	December 27, 2002	September 30, 2002 *
Current Assets:			
Cash and cash equivalents _1/	\$ 1,114	\$ 1,606	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	6	6	6
Receivables:			
Foreign countries	658	651	592
U.S. Government	118	118	125
Other	215	212	192
	<u>991</u>	<u>981</u>	<u>909</u>
Less allowances	116	115	112
	<u>875</u>	<u>866</u>	<u>797</u>
Supplies, advances and prepayments	<u>317</u>	<u>321</u>	<u>327</u>
Total Current Assets	2,312	2,799	2,280
Other assets _2/	368	369	368
Property and equipment, at cost:			
Buildings	19,624	19,626	19,513
Equipment	16,673	16,642	16,421
Land	<u>2,782</u>	<u>2,784</u>	<u>2,776</u>
	39,079	39,052	38,710
Less allowances for depreciation	<u>16,991</u>	<u>16,846</u>	<u>16,401</u>
	22,088	22,206	22,309
Construction in progress	1,150	1,163	1,223
Leasehold improvements, net	<u>622</u>	<u>592</u>	<u>604</u>
	23,860	23,961	24,136
Deferred Retirement Costs _3/	<u>33,070</u>	<u>33,247</u>	<u>32,231</u>
Total Assets	<u>\$ 59,610</u>	<u>\$ 60,376</u>	<u>\$ 59,015</u>

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

_2/ Appropriation receivable for revenue forgone.

_3/ Represents the Postal Service's deferred retirement liability for CSRS to OPM for increases in basic pay and annuitants' COLAs. Amounts applicable to future periods are capitalized as deferred retirement costs and amortized over 30 years for basic pay and 15 years for annuitants' COLAs.

* Audited year-end data

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

STATEMENT OF FINANCIAL POSITION			
Accounting Period 5, FY 2003			
(\$ Millions)			
Liabilities and Equities	January 24, 2003	December 27, 2002	September 30, 2002 *
**Current Liabilities:			
Compensation and employees' benefits	\$ 5,035	\$ 4,892	\$ 5,113
Estimated prepaid postage	1,507	1,505	1,500
Payables and accrued expenses:			
Foreign countries	828	795	748
U.S. Government	261	236	246
Other - Including Emergency Preparedness Appropriations	<u>2,278</u>	<u>2,380</u>	<u>1,167</u>
	3,367	3,411	2,161
Appropriation for free & reduced rate mail	22	24	0
Prepaid permit mail and box rentals	2,013	2,079	2,011
Outstanding postal money orders	802	794	986
Current portion of debt	<u>951</u>	<u>1,151</u>	<u>3,815</u>
Total Current Liabilities	13,697	13,856	15,586
Long-term debt, less current portion	6,524	7,300	7,300
Other Liabilities:			
Amounts payable for retirement benefits _3/	31,495	31,495	30,046
Workers' compensation claims	6,347	6,227	5,815
Employees' accumulated leave	1,812	1,970	2,088
Other	<u>1,441</u>	<u>1,446</u>	<u>1,182</u>
Total Other Liabilities	41,095	41,138	39,131
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	<u>- 4,740</u>	<u>- 4,952</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>- 1,706</u>	<u>- 1,918</u>	<u>- 3,002</u>
Total Liabilities and Equity	<u>\$ 59,610</u>	<u>\$ 60,376</u>	<u>\$ 59,015</u>

_3/ Represents the Postal Service's deferred retirement liability for CSRS to OPM for increases in basic pay and annuitants' COLAs. Amounts applicable to future periods are capitalized as deferred retirement costs and amortized over 30 years for basic pay and 15 years for annuitants' COLAs.

* 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 January 24, 2003	
Cash flows from operating activities:	
Net income/(loss) (Government Fiscal Year Basis)	\$ 1,296
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation and amortization	865
Increase/(decrease) in other liabilities	259
Increase/(decrease) in employees' accumulated leave	(276)
Increase/(decrease) in non-current workers' compensation claims	532
Increase/(decrease) in retirement, net	610
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits	(78)
Increase/(decrease) in deferred revenue	31
Increase/(decrease) in payables and accrued expenses	1,206
(Increase)/decrease in receivables	(78)
(Increase)/decrease in supplies, advances and prepayments	10
Increase/(decrease) in outstanding postal money orders	(184)
Net cash provided by operating activities	4,193
Cash flows from investing activities:	
Sale/(purchase) of U.S. Government securities, net	0
Purchase and sale of property and equipment, net	(589)
Net cash used in investing activities	(589)
Cash flows from financing activities:	
Increase/(decrease) in debt	(3,640)
(Increase)/decrease in other non-current assets	0
Net cash used by financing activities	(3,640)
Net (decrease)/increase in cash and cash equivalents	(36)
Cash and cash equivalents at beginning of period	1,150
Cash and cash equivalents at end of period	\$ 1,114

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 5 Year-to-Date			A/P 5 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 12.7	\$ 15.1	\$ 10.1	\$ 46.8	\$ 86.0	\$ 113.7
BUILDING IMPROVEMENTS	25.8	38.6	30.9	54.7	72.7	81.3
MAIL PROCESSING EQUIPMENT	443.7	459.5	423.1	267.2	215.4	528.0
VEHICLES	2.8	0.3	16.4	10.2	49.2	84.0
RETAIL EQUIPMENT	1.5	0.0	5.8	3.2	34.8	25.9
POSTAL SUPPORT EQUIPMENT	85.0	141.2	76.6	66.5	100.6	97.2
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 571.5	\$ 654.7	\$ 562.9	\$ 448.7	\$ 558.7	\$ 930.2

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	January 24, 2003	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 95.3	\$ 132.3
BUILDING IMPROVEMENTS	105.9	157.1
MAIL PROCESSING EQUIPMENT	1,125.9	964.6
VEHICLES	138.4	145.8
RETAIL EQUIPMENT	39.2	40.9
POSTAL SUPPORT EQUIPMENT	113.0	95.2
TOTAL RESOURCES ON ORDER	\$ 1,617.7	\$ 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 5, 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
633	- 25	- 3.9	646	- 2.1	Operations:	3,426	- 29	- 0.9	3,475	- 1.4
26,765	- 970	- 3.5	28,870	- 7.3	-Support	143,315	- 4,849	- 3.3	154,904	- 7.5
12,128	- 169	- 1.4	12,636	- 4.0	-Mail Processing	63,156	- 692	- 1.1	65,753	- 3.9
34,218	- 6	- 0.0	34,813	- 1.7	-Rural Delivery	179,511	[537]	[0.3]	182,331	- 1.5
2,379	- 33	- 1.4	2,439	- 2.5	-City Delivery	12,496	- 54	- 0.4	12,842	- 2.7
6,071	- 250	- 3.9	6,133	- 1.0	-Vehicles Services	31,564	- 940	- 2.9	31,770	- 0.6
17,197	- 380	- 2.2	18,099	- 5.0	-Plant & Equip Maint	90,997	- 1,313	- 1.4	95,595	- 4.8
479	- 81	- 14.6	536	- 10.7	-Customer Services	2,560	- 428	- 14.3	2,858	- 10.4
607	- 41	- 6.3	622	- 2.4	Finance	3,227	- 153	- 4.5	3,308	- 2.5
1,067	- 90	- 7.8	1,047	1.9	Human Resources	5,640	- 371	- 6.2	5,043	11.8
4,833	[48]	[1.0]	4,808	0.5	Customer Service & Sales	25,287	[301]	[1.2]	25,143	0.6
3,074	- 311	- 9.2	3,699	- 16.9	Administration	16,564	- 722	- 4.2	21,310	- 22.3
109,451	- 2,309	- 2.1	114,348	- 4.3	Other	577,742	- 8,712	- 1.5	604,334	- 4.4
					Total Work Hours					

			Overtime		
Actual	Budget	SPLY	Actual	Budget	SPLY
8.1%	8.1%	7.8%	8.6%	8.7%	8.4%

Overtime Ratio
Per 100 Work Hours

			Sick Leave		
Actual	Budget	SPLY	Actual	Budget	SPLY
4.3%	--	4.1%	4.1%	--	4.0%

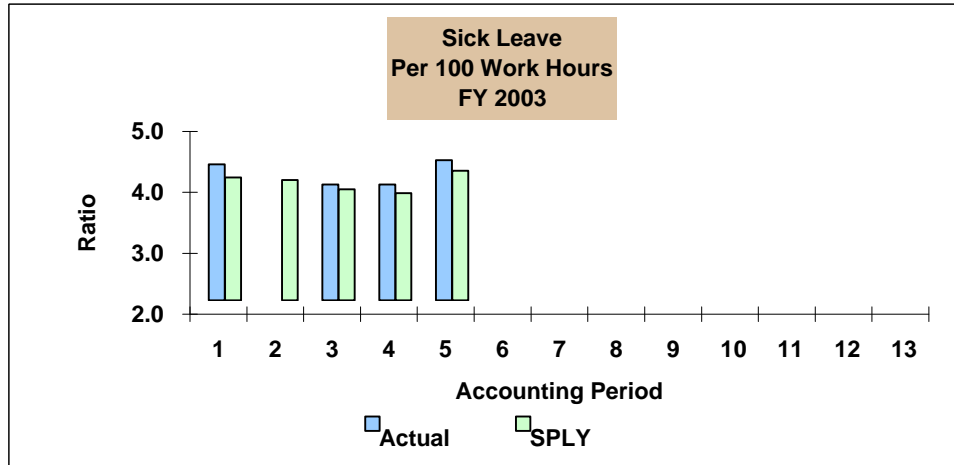
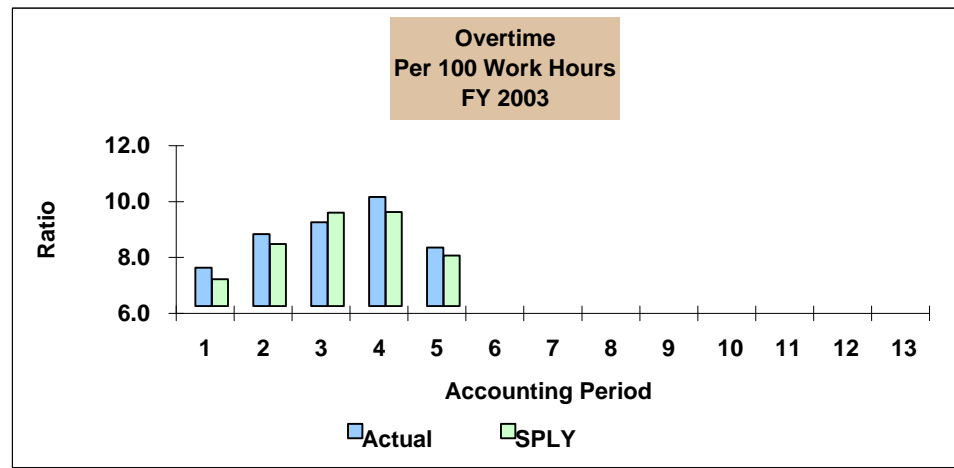
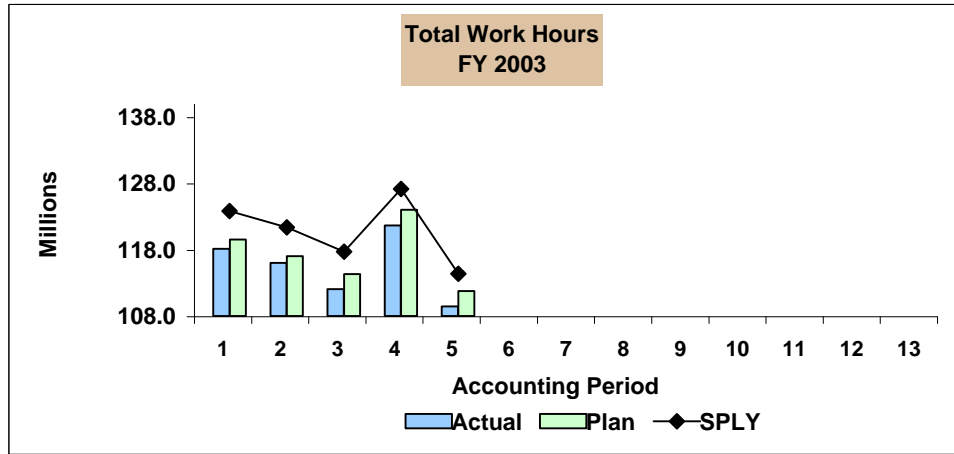
Sick Leave Ratio
Per 100 Work Hours

[]=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 5, FY 2003

Notes to the Financial and Operating Statements

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

Current period, Total Revenue was 2.0% or \$106 million under plan. Commercial Revenue was 3.2% or \$132 million under plan. The biggest drivers of the Commercial Revenue plan under run were Customer Meters at \$87 million below, and First-Class Permit Imprint Mail at \$28 million below. Retail Postage at our retail outlets was \$3.8 million under plan, however, Total Retail Revenue was 1.0% or \$13 million over plan. Total Revenue grew by 5.2% or \$262 million over SPLY. The bulk of the increase to SPLY for total revenue was reflected in Permit Imprint and Metered Postage at \$117 million and \$61 million over, respectively. 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.

Year-to-date (YTD), Total Revenue is \$449 million or 1.6% under plan. As compared to SPLY, Total Revenue has increased 6.0% fueled by a rate change on June 30, 2002. Most of the YTD plan under run, \$581 million, exists in Other Commercial Accounts. Of this amount, nearly \$596 million lies in Customer Meters. Compared to SPLY, YTD Total Revenue is 6.0% or \$1,553 million above. Permit Imprint, Metered Postage, and Stamps and Stamped Paper revenue combined are \$1.3 billion above SPLY.

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

Total Expenses were \$200 million or 3.8% under plan. Both personnel and non-personnel costs were below plan. The biggest driver of the \$91 million underrun to plan in personnel costs was a continuation of cost containment activities.

Work hours were 2.1% below plan (see page 15) in both operational and non-operational areas. The biggest drivers of the \$107 million plan underrun in non-personnel costs, excluding Capitalized Interest expense, were Supplies and Services, Building Projects Expenses, Depreciation, and Transportation which were \$52 million, \$20 million, \$13 million, and \$11 million below plan, respectively.

YTD, Total Expenses were \$897 million or 3.3% below plan. Most of the YTD plan underrun lies in Supplies and Services, \$274 million below; Transportation, \$100 million below; Information Technology, \$84 million below; and Depreciation, \$66 million below. Supply Chain Management, our Advanced Computing Environment and general belt tightening have assisted in this area. City Delivery personnel compensation is \$38M above plan resulting from an increase in City Delivery work hour usage, 0.5 million hours more than planned partially spurred by the continuation in the growth of delivery points.

Accounting Period 5, FY 2003

Notes to the Financial and Operating Statements

Mail Volume and Revenue - Page 3

Total Mail Volume for Accounting Period 5, Fiscal Year (FY) 2003, was 0.8% or 0.1 billion pieces above SPLY. All classes of mail, except First-Class, Priority Mail, and Express Mail were above their Accounting Period 5, FY 2002, levels.

The total mail revenue for Accounting Period 5, FY 2003 YTD was 6.0% above that reported during the same period last year (SPLY). 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

The Fiscal Year capital commitments for AP 5 YTD, FY 2003 were \$571.5 million compared to a plan of \$654.7 million. This represents an underrun of about \$83.2 million or 12.7%. The single largest commitment made thus far in FY 2003 was \$315 million for the Automated Package Processing Systems project which has a projected return on investment of 24.4%.

The cash outlays were \$448.7 million versus a plan of \$558.7 million, representing a \$110.0 million underrun to plan.

Work Hours - Pages 1, 14 and 15

Total work hours for the accounting period were 2.3 million hours below plan and 4.9 million hours below same period last year. A major contributor to the under run to same period last year was Mail Processing, which was 2.1 million hours less than SPLY. This reduction is all across the entire mail processing function, 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 outlined in the Transformation Plan, as well as capturing work hours as a result of decreasing workload. In the coming accounting periods, adjustments will be made to field budgets reflecting a continued projection of decreased 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 0.6 million hours below same period last year. These hours are now accounted for in the Customer Service and Sales line.

Total work hours for AP 5 YTD were reduced 26.6 million hours or 4.4% 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. To date, Mail Processing work hours have been reduced 11.6 million hours below same period last year.

The AP 5 Overtime Ratio of 8.1, which was on target to budget and above SPLY, was mostly influenced by the increase in Delivery Services overtime, 7.4% above SPLY. This was driven by an increase in delivery points and fewer career employees than last year.