



**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, 2003](#)



**Accounting Period 9, PFY 2003
April 19 – May 16, 2003**

**Prepared by:
Financial Reporting and Analysis**

Highlights
Accounting Period 9, FY 2003
(Millions)

Accounting Period 9					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,167.3	\$ 5,347.8	[\$ -180.5]	[-3.4]	\$ 4,968.5	4.0
<u>4,995.0</u>	<u>5,384.4</u>	<u>-389.4</u>	-7.2	<u>5,296.3</u>	-5.7
\$ 172.3	\$ (-36.6)	\$ 208.9	-	\$ (-327.8)	-
\$ 31.2	\$ 171.1	\$ -139.9	-81.8	\$ 24.7	26.3
114.8	115.3	-0.5	-0.4	118.6	-3.2

Year-to-Date (September 7, 2002 - May 16, 2003)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 48,826.8	\$ 49,894.9	[\$ -1,068.1]	[-2.1]	\$ 46,263.9	5.5
<u>44,281.1</u>	<u>48,389.1</u>	<u>-4,108.0</u>	-8.5	<u>46,572.2</u>	-4.9
\$ 4,545.7	\$ 1,505.8	\$ 3,039.9	-	\$ (-308.3)	-
\$ 742.9	\$ 1,032.4	\$ -289.5	-28.0	\$ 643.0	15.5
1,039.5	1,045.7	-6.2	-0.6	1,082.0	-3.9
143,329.8	145,384.4	[-2,054.6]	[-1.4]	142,571.3	0.5

[] = 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.

** 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	26,647	27,650	27,866
Postal Owned Vehicles In Use			
Administrative	5,642	5,640	5,568
Operations	201,277	201,308	203,211
Total Deliveries (000) ***	140,550	140,424	138,795
City Delivery Routes	165,222	165,309	168,145
Rural Routes	69,509	69,485	69,570
Career Employees (Excludes Inspector General)	736,082	737,550	761,437
Casual Employees	19,727	20,084	20,966
Transitional Employees	12,845	13,116	12,312

*** 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 8 data is shown, as AP 9 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 9, FY 2003
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 5,161.9	\$ 5,345.5	[\$ - 183.6]	[- 3.4]	\$ 4,964.6	4.0	Operating Revenue	\$ 48,789.2	\$ 49,870.7	[\$ - 1,081.5]	[- 2.2]	\$ 46,238.0	5.5
<u>4,967.2</u>	<u>5,233.2</u>	<u>- 266.0</u>	<u>- 5.1</u>	<u>5,143.2</u>	<u>- 3.4</u>	Operating Expense 1)	<u>44,012.6</u>	<u>46,993.0</u>	<u>- 2,980.4</u>	<u>- 6.3</u>	<u>45,194.2</u>	<u>- 2.6</u>
\$ 194.7	\$ 112.3	\$ 82.4	-	\$ - 178.6	-	Income (Loss) From Operations	\$ 4,776.6	\$ 2,877.7	\$ 1,898.9	-	\$ 1,043.8	-
5.4	2.3	3.1	132.6	3.9	38.8	Investment Income	37.6	24.2	13.4	55.2	25.9	44.8
- 27.8	- 27.4	- 0.4	1.4	- 27.0	2.7	Interest Expense	- 268.5	- 281.6	13.1	- 4.7	- 243.0	10.5
<u>0.0</u>	<u>- 123.8</u>	<u>- 123.8</u>	<u>- 100.0</u>	<u>- 126.1</u>	<u>- 100.0</u>	Interest on Deferred Ret. Liabilities 2)	<u>0.0</u>	<u>- 1,114.5</u>	<u>- 1,114.5</u>	<u>- 100.0</u>	<u>- 1,135.0</u>	<u>- 100.0</u>
\$ 172.3	\$ (- 36.6)	\$ 208.9	-	\$ (- 327.8)	-	Net Income/(Loss)	\$ 4,545.7	\$ 1,505.8	\$ 3,039.9	-	\$ (- 308.3)	-

[]=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 law revised how the Postal Service would provide funding by (a) eliminating the funding required for management-granted increases in CSRS employees' basic pay and for COLAs the government grants retirees, and (b) increasing 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 \$135.2 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 \$177.2 million reflecting one AP's portion of the elimination of funding to the CSRS for increases in CSRS employees' basic pay and annuitants COLAs, and (b) an increase in the cost of the employer contributions to the CSRS for active employees of \$41.9 million for one pay period. Year-to-date expenses have been adjusted by \$1,417.3 million to reflect the cumulative impact through Accounting Period 8 of the elimination of the funding requirement for the increases in CSRS employees' basis and annuitants COLAs.
- 2) The interest accrued as a result of (a) above, entitled as deferred retirement liabilities; ceases to exist as a result of the passage of this law. Therefore, Postal Service will not need to accrue interest for deferred retirement liabilities. The current period and year-to-date reflects this change with zero entries. The current period impact is a reduction of \$123.8 million and year-to-date adjustment for prior periods totals \$990.6 million.

Current net income on this page and on pages 1 and 4 reflect the above impacts. The year-to-date net income on this page and on pages 1 and 4 reflect a total year-to-date expense adjustment of \$2,407.9 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 liabilities and CSRS annuitant COLA, operating expenses, on pages 4, 7 and 8 also reflect the above impact.

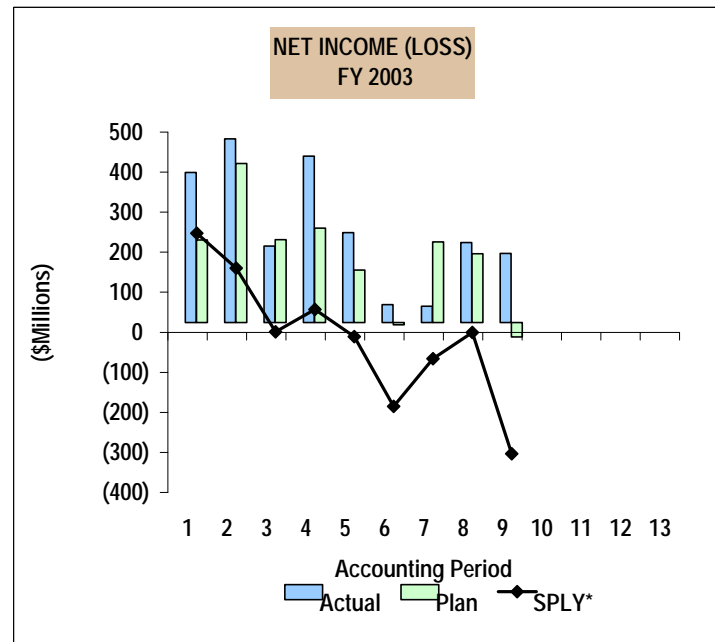
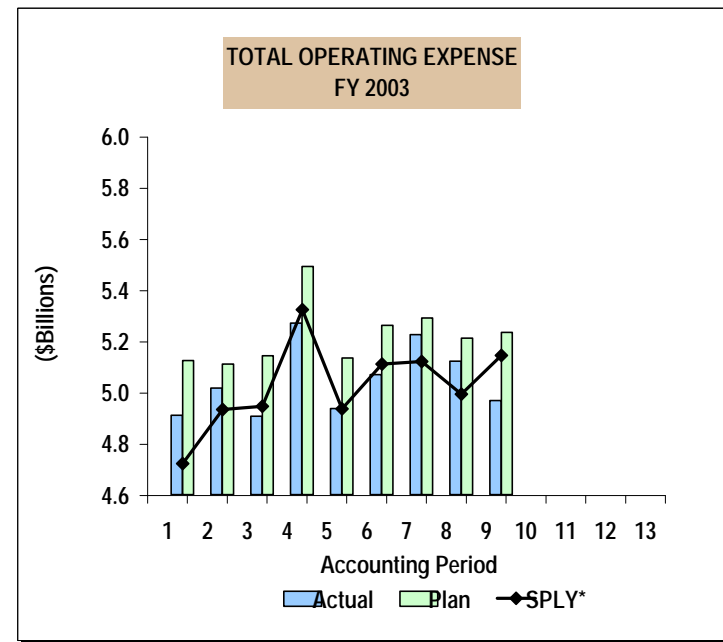
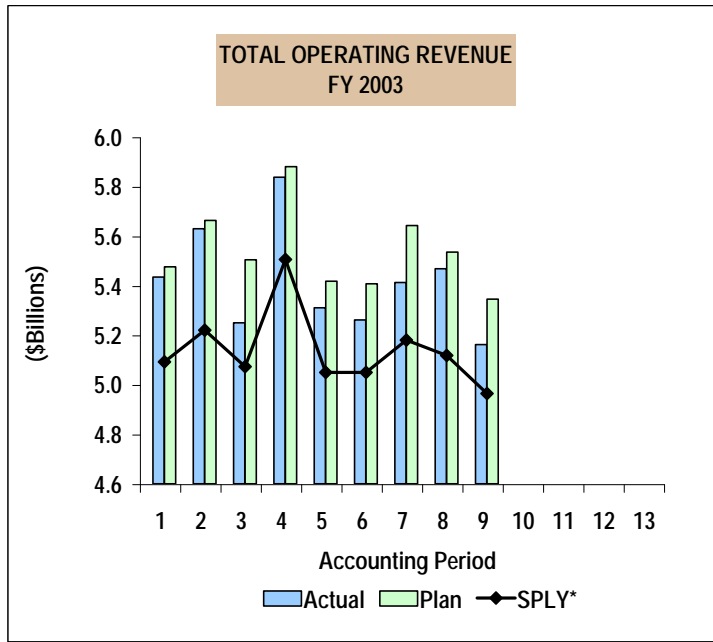
See accompanying Notes to the Financial and Operating Statements beginning on page 16. This includes an analysis of performance excluding CSRS impacts.

MAIL VOLUME - MAIL REVENUE (Data in Thousands)						
CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	QTR III FY 2003	QTR III FY 2002	% SPLY	QTR III FY 2003	QTR III FY 2002	% SPLY
FIRST-CLASS						
VOLUME	23,024,366	23,695,705	- 2.8	70,333,093	72,042,582	- 2.4
REVENUE	\$ 8,633,957	\$ 8,363,741	3.2	\$ 26,360,846	\$ 25,273,024	4.3
REV/PC.	0.3750	0.3530	6.2	0.3748	0.3508	6.8
PRIORITY-MAIL						
VOLUME	207,505	241,156	- 14.0	627,150	730,391	- 14.1
REVENUE	\$ 1,062,964	\$ 1,092,425	- 2.7	\$ 3,304,811	\$ 3,396,377	- 2.7
REV/PC.	5.1226	4.5300	13.1	5.2696	4.6501	13.3
EXPRESS MAIL						
VOLUME	13,500	15,387	- 12.3	39,246	43,657	- 10.1
REVENUE	\$ 212,756	\$ 222,412	- 4.3	\$ 626,430	\$ 637,545	- 1.7
REV/PC.	15.7597	14.4545	9.0	15.9616	14.6035	9.3
PERIODICALS						
VOLUME	2,247,556	2,298,498	- 2.2	6,586,347	6,837,733	- 3.7
REVENUE	\$ 542,839	\$ 508,425	6.8	\$ 1,593,984	\$ 1,514,327	5.3
REV/PC.	0.2415	0.2212	9.2	0.2420	0.2215	9.3
STANDARD MAIL						
VOLUME	20,977,333	20,339,816	3.1	63,852,405	61,162,857	4.4
REVENUE	\$ 4,026,249	\$ 3,660,981	10.0	\$ 12,181,486	\$ 10,978,307	11.0
REV/PC.	0.1919	0.1800	6.6	0.1908	0.1795	6.3
PACKAGE SERVICES						
VOLUME	247,321	220,222	12.3	789,330	735,323	7.3
REVENUE	\$ 500,572	\$ 429,082	16.7	\$ 1,617,910	\$ 1,459,567	10.8
REV/PC.	2.0240	1.9484	3.9	2.0497	1.9849	3.3
INTERNATIONAL						
VOLUME	216,731	206,688	4.9	666,610	666,351	0.0
REVENUE	\$ 347,308	\$ 361,491	- 3.9	\$ 1,134,220	\$ 1,151,803	- 1.5
REV/PC.	1.6025	1.7490	- 8.4	1.7015	1.7285	- 1.6
ALL OTHER						
VOLUME	111,464	113,388	- 1.7	333,604	352,384	- 5.3
REVENUE	\$ 436	\$ 451	- 3.3	\$ 1,040	\$ 1,015	2.4
ALL MAIL						
VOLUME	47,045,775	47,130,862	- 0.2	143,227,785	142,571,280	0.5
REVENUE	\$ 15,327,080	\$ 14,639,008	4.7	\$ 46,820,728	\$ 44,411,965	5.4
REV/PC.	0.3258	0.3106	4.9	0.3269	0.3115	4.9

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 9, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
			Operating Revenue:			
\$ 1,913.6	\$ 1,862.3	2.8	Metered Postage	\$ 18,083.4	\$ 17,414.4	3.8
862.1	870.7	- 1.0	Stamps and Stamped Paper	8,385.2	8,080.2	3.8
1,213.5	1,110.9	9.2	Permit Imprint	11,477.1	10,338.2	11.0
178.3	165.5	7.7	Periodicals & Standard	1,579.9	1,500.3	5.3
63.6	64.9	- 2.1	Official Mail	638.7	618.8	3.2
704.7	700.9	0.5	Presort First-Class & Package Svc./Permit Imprint	6,642.8	6,503.4	2.1
55.4	50.8	9.0	Box Rents	524.9	486.0	8.0
14.7	15.8	- 7.0	Money Order Fees	133.1	144.6	- 8.0
<u>153.5</u>	<u>119.1</u>	28.9	Other	<u>1,301.9</u>	<u>1,118.4</u>	16.4
\$ 5,159.4	\$ 4,960.9	4.0	Subtotal	\$ 48,767.0	\$ 46,204.3	5.5
			Government Appropriation:			
<u>2.5</u>	<u>3.7</u>	- 34.3	Revenue Forgone	<u>22.2</u>	<u>33.7</u>	- 34.3
\$ 5,161.9	\$ 4,964.6	4.0	Total Operating Revenue	\$ 48,789.2	\$ 46,238.0	5.5
<u>5.4</u>	<u>3.9</u>	38.8	Investment Income	<u>37.6</u>	<u>25.9</u>	44.8
\$ 5,167.3	\$ 4,968.5	4.0	Total Revenue	\$ 48,826.8	\$ 46,263.9	5.5

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 9, FY 2003
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,140.7	\$ 2,236.8	[- 4.3]	Permit Revenue	\$ 20,144.0	\$ 20,582.4	[- 2.1]
<u>1,699.8</u>	<u>1,831.1</u>	[- 7.2]	Other Commercial Accounts Revenue	<u>15,871.2</u>	<u>16,835.4</u>	[- 5.7]
\$ 3,840.5	\$ 4,067.9	[- 5.5]	Total Commercial Revenue	\$ 36,015.2	\$ 37,417.8	[- 3.7]
			Retail Revenue			
1,041.0	998.8	4.2	Retail Postage Revenue	10,281.6	10,002.1	2.8
79.9	74.9	6.7	Retail Services Revenue	732.2	708.3	3.4
12.6	8.2	53.4	Retail Products Revenue	108.7	81.8	33.0
<u>144.3</u>	<u>136.9</u>	5.4	Other Retail Channels Revenue	<u>1,321.4</u>	<u>1,314.5</u>	0.5
\$ 1,277.8	\$ 1,218.8	4.8	Total Retail Revenue	\$ 12,443.9	\$ 12,106.7	2.7
\$ 5,118.3	\$ 5,286.7	[- 3.2]	Total Commercial & Retail Revenue	\$ 48,459.1	\$ 49,524.5	[- 2.2]
41.1	56.3	[- 27.0]	Other Income	307.9	324.0	[- 5.0]
<u>2.5</u>	<u>2.5</u>	0.0	Revenue Forgone	<u>22.2</u>	<u>22.2</u>	0.0
\$ 5,161.9	\$ 5,345.5	[- 3.4]	Total Operating Revenue	\$ 48,789.2	\$ 49,870.7	[- 2.2]
<u>5.4</u>	<u>2.3</u>	132.6	Investment Income	<u>37.6</u>	<u>24.2</u>	55.2
\$ 5,167.3	\$ 5,347.8	[- 3.4]	Total Revenue	\$ 48,826.8	\$ 49,894.9	[- 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 9, FY 2003
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 3,887.1	\$ 4,078.2	\$ -191.1	- 4.7	\$ 4,051.4	- 4.1	Personnel Compensation**	\$ 34,824.3	\$ 36,776.0	\$ -1,951.7	- 5.3	\$ 35,851.9	- 2.9
Non-Personnel Expense:												
396.7	385.6	[11.1]	[2.9]	395.8	0.2	Transportation	3,546.3	3,686.9	- 140.6	- 3.8	3,613.7	- 1.9
185.9	260.0	- 74.1	- 28.5	209.7	- 11.3	Supplies & Services	1,515.2	2,024.0	- 508.8	- 25.1	1,682.2	- 9.9
<u>497.5</u>	<u>509.4</u>	<u>- 11.9</u>	- 2.3	<u>486.3</u>	2.3	Other	<u>4,126.9</u>	<u>4,506.1</u>	<u>- 379.2</u>	- 8.4	<u>4,046.4</u>	2.0
\$ 1,080.1	\$ 1,155.0	\$ -74.9	- 6.5	\$ 1,091.8	- 1.1	Subtotal	\$ 9,188.3	\$ 10,217.0	\$ -1,028.7	- 10.1	\$ 9,342.3	- 1.6
\$ 4,967.2	\$ 5,233.2	\$ -266.0	- 5.1	\$ 5,143.2	- 3.4	Total Operating Expense**	\$ 44,012.6	\$ 46,993.0	\$ -2,980.4	- 6.3	\$ 45,194.2	- 2.6
27.8	27.4	[0.4]	[1.4]	27.0	2.7	Interest Expense	268.5	281.6	- 13.1	- 4.7	243.0	10.5
<u>0.0</u>	<u>123.8</u>	<u>- 123.8</u>	- 100.0	<u>126.1</u>	- 100.0	Interest on Deferred Ret. Liabilities**	<u>0.0</u>	<u>1,114.5</u>	<u>- 1,114.5</u>	- 100.0	<u>1,135.0</u>	- 100.0
\$ 4,995.0	\$ 5,384.4	\$ -389.4	- 7.2	\$ 5,296.3	- 5.7	Total Expense**	\$ 44,281.1	\$ 48,389.1	\$ -4,108.0	- 8.5	\$ 46,572.2	- 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 9, 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
\$ 29.3	\$ 28.0	[\$ 1.3]	[4.6]	\$ 27.6	6.2	Operations:	\$ 245.5	\$ 243.8	[\$ 1.7]	[0.7]	\$ 236.7	3.7
844.3	835.8	[8.5]	[1.0]	844.1	0.0	-Support	7,741.0	7,797.0	-56.0	-0.7	7,835.1	-1.2
348.8	349.8	-1.0	-0.3	327.8	6.4	-Mail Processing	3,032.0	3,052.2	-20.2	-0.7	2,921.8	3.8
1,184.6	1,171.4	[13.2]	[1.1]	1,158.0	2.3	-Rural Delivery	10,509.7	10,394.9	[114.8]	[1.1]	10,125.3	3.8
85.9	84.9	[1.0]	[1.2]	82.9	3.6	-City Delivery**	757.6	751.5	[6.2]	[0.8]	737.4	2.8
216.1	221.6	-5.5	-2.5	204.7	5.6	-Vehicles Services	1,894.1	1,933.0	-38.9	-2.0	1,808.7	4.7
573.1	562.8	[10.2]	[1.8]	565.6	1.3	-Plant & Equip Maint	5,126.0	5,116.4	[9.6]	[0.2]	5,139.2	-0.3
18.8	20.5	-1.6	-7.9	19.3	-2.3	-Customer Services	164.2	187.5	-23.3	-12.4	174.3	-5.8
27.0	26.7	[0.3]	[1.1]	25.3	6.8	Finance	224.9	231.8	-6.9	-3.0	218.8	2.8
41.6	42.5	-0.9	-2.1	39.6	5.1	Human Resources	355.1	373.0	-17.9	-4.8	316.4	12.2
184.5	176.9	[7.7]	[4.3]	174.5	5.8	Customer Service & Sales	1,564.3	1,525.9	[38.4]	[2.5]	1,489.4	5.0
138.2	153.9	-15.8	-10.3	139.8	-1.2	Administration	1,197.0	1,514.4	-317.3	-21.0	1,544.3	-22.5
\$ 3,692.3	\$ 3,674.8	[\$ 17.5]	[0.5]	\$ 3,609.3	2.3	Total Salaries & Benefits	\$ 32,811.6	\$ 33,121.3	\$ -309.7	-0.9	\$ 32,547.3	0.8
99.7	119.8	-20.1	-16.8	162.4	-38.6	Workers' Compensation	1,057.7	1,078.6	-20.9	-1.9	892.0	18.6
7.7	7.7	0.0	0.0	9.0	-14.2	Unemployment Compensation	69.2	69.2	0.0	0.0	67.8	2.1
0.0	107.9	-107.9	-100.0	107.9	-100.0	Deferred Retirement Cost***	0.0	970.8	-970.8	-100.0	971.3	-100.0
0.0	69.3	-69.3	-100.0	65.3	-100.0	CSRS Annuitant COLA***	0.0	623.7	-623.7	-100.0	607.4	-100.0
79.4	89.4	-10.0	-11.2	72.5	9.5	Annuitant Health Benefits	794.7	804.7	-10.0	-1.2	697.8	13.9
8.0	9.2	-1.2	-13.5	24.9	-68.0	Other Compensation	91.2	107.8	-16.6	-15.4	68.5	33.2
\$ 3,887.1	\$ 4,078.2	\$ -191.1	-4.7	\$ 4,051.4	-4.1	Total Personnel Compensation***	\$ 34,824.3	\$ 36,776.0	\$ -1,951.7	-5.3	\$ 35,851.9	-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.

**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 9, 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		
\$ 396.7	\$ 385.6	[\$ 11.1]	[2.9]	\$ 395.8	0.2	Transportation	\$ 3,546.3	\$ 3,686.9	\$ -140.6	- 3.8	\$ 3,613.7	- 1.9
185.9	260.0	- 74.1	- 28.5	209.7	- 11.3	Supplies & Services	1,515.2	2,024.0	- 508.9	- 25.1	1,682.2	- 9.9
177.7	191.0	- 13.3	- 7.0	177.2	0.3	Depreciation	1,590.3	1,707.2	- 116.8	- 6.8	1,591.8	- 0.1
77.4	76.7	[0.8]	[1.0]	74.7	3.7	Rent	633.2	645.4	- 12.2	- 1.9	613.4	3.2
35.3	41.2	- 5.9	- 14.4	37.2	- 5.1	Fuel & Utilities	349.7	369.1	- 19.4	- 5.3	331.7	5.4
32.8	32.4	[0.4]	[1.3]	30.8	6.7	Rural Carrier Equip Maint Allowance	278.9	286.4	- 7.4	- 2.6	271.0	2.9
35.3	33.6	[1.7]	[5.1]	32.4	9.2	Vehicle Maintenance	311.0	291.7	[19.3]	[6.6]	277.9	11.9
41.7	34.7	[7.0]	[20.2]	39.5	5.5	Information Technology	284.7	363.7	- 78.9	- 21.7	246.0	15.8
37.5	16.7	[20.8]	[125.1]	15.7	138.6	Building Projects Expensed	119.6	159.3	- 39.7	- 24.9	101.4	17.9
6.2	5.5	[0.7]	[12.8]	5.5	13.2	Contract Job Cleaners	53.5	50.0	[3.6]	[7.1]	49.8	7.4
15.1	12.5	[2.6]	[20.6]	11.5	31.5	Travel & Relocation	110.8	101.5	[9.3]	[9.2]	89.2	24.3
15.8	17.7	- 1.9	- 10.8	17.9	- 11.6	Communications	131.8	144.1	- 12.3	- 8.5	137.9	- 4.4
5.8	6.1	- 0.3	- 5.6	5.8	- 0.4	Contract Stations	48.3	50.5	- 2.2	- 4.3	49.0	- 1.4
1.4	3.4	- 2.0	- 58.9	2.5	- 43.2	Printing	15.2	22.9	- 7.7	- 33.8	19.1	- 20.6
3.5	6.6	- 3.1	- 46.5	4.4	- 19.5	Training	31.7	52.7	- 21.0	- 39.9	36.5	- 13.1
3.0	4.7	- 1.7	- 35.9	4.5	- 33.7	Carfare & Tolls	33.5	40.6	- 7.1	- 17.5	40.0	- 16.2
1.5	2.3	- 0.9	- 37.0	2.2	- 32.9	Vehicle Hire	16.1	22.6	- 6.5	- 28.9	22.8	- 29.5
4.2	5.3	- 1.1	- 21.6	4.6	- 9.2	Accident Cost	34.3	36.7	- 2.4	- 6.5	34.9	- 1.7
3.4	- 3.6	[6.9]	[194.2]	- 1.7	- 299.4	Capitalized Interest	- 8.0	- 32.1	[24.1]	[75.0]	- 22.0	- 63.4
- 0.1	22.5	- 22.6	- 100.5	21.8	- 100.6	Miscellaneous	92.2	193.9	- 101.7	- 52.5	156.1	- 40.9
\$ 1,080.1	\$ 1,155.0	\$ - 74.9	- 6.5	\$ 1,091.8	- 1.1	Total Non-Personnel Expenses	\$ 9,188.3	\$ 10,217.0	\$ - 1,028.7	- 10.1	\$ 9,342.3	- 1.6

[]=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 9, FY 2003
(\$ Millions)

Assets	May 16, 2003	April 18, 2003	September 30, 2002 *
Current Assets:			
Cash and cash equivalents _1/	\$ 3,107	\$ 2,752	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	5	6	6
Receivables:			
Foreign countries	688	685	592
U.S. Government	173	145	125
Other	205	210	192
	<u>1,066</u>	<u>1,040</u>	<u>909</u>
Less allowances	<u>118</u>	<u>117</u>	<u>112</u>
	948	923	797
Supplies, advances and prepayments	<u>316</u>	<u>318</u>	<u>327</u>
Total Current Assets	4,376	3,999	2,280
Other assets _2/	368	368	368
Property and equipment, at cost:			
Buildings	19,726	19,713	19,513
Equipment	16,991	16,946	16,421
Land	<u>2,808</u>	<u>2,786</u>	<u>2,776</u>
	39,525	39,445	38,710
Less allowances for depreciation	<u>17,570</u>	<u>17,424</u>	<u>16,401</u>
	21,955	22,021	22,309
Construction in progress	875	910	1,223
Leasehold improvements, net	<u>590</u>	<u>599</u>	<u>604</u>
	23,420	23,530	24,136
Deferred Retirement Costs _3/	<u>5,824</u>	<u>32,539</u>	<u>32,231</u>
Total Assets	<u>\$ 33,988</u>	<u>\$ 60,436</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 liability for CSRS to OPM was decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on this deferred retirement liability 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 9, FY 2003
(\$ Millions)

Liabilities and Equities	May 16, 2003	April 18, 2003	September 30, 2002 *
**Current Liabilities:			
Compensation and employees' benefits	\$ 2,131	\$ 5,311	\$ 5,113
Estimated prepaid postage	1,503	1,511	1,500
Payables and accrued expenses:			
Foreign countries	830	840	748
U.S. Government	191	256	246
Other - Including Emergency Preparedness Appropriations	<u>2,224</u>	<u>2,228</u>	<u>1,167</u>
	3,245	3,324	2,161
Appropriation for free & reduced rate mail	12	14	0
Prepaid permit mail and box rentals	1,935	1,984	2,011
Outstanding postal money orders	835	842	986
Current portion of debt	<u>751</u>	<u>751</u>	<u>3,815</u>
Total Current Liabilities	10,412	13,737	15,586
Long-term debt, less current portion	6,524	6,524	7,300
Other Liabilities:			
Amounts payable for retirement benefits _3/	5,824	31,495	30,046
Workers' compensation claims	6,806	6,706	5,815
Employees' accumulated leave	2,088	2,009	2,088
Other	<u>1,379</u>	<u>1,386</u>	<u>1,182</u>
Total Other Liabilities	16,097	41,596	39,131
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	<u>- 2,079</u>	<u>- 4,455</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>955</u>	<u>- 1,421</u>	<u>- 3,002</u>
Total Liabilities and Equity	<u>\$ 33,988</u>	<u>\$ 60,436</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 liability for CSRS to OPM was decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on this deferred retirement liability 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 May 16, 2003

Cash flows from operating activities:

Net income/(loss) (Government Fiscal Year Basis)	\$	3,957
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Depreciation and amortization		1,574
Increase/(decrease) in other liabilities		197
Increase/(decrease) in employees' accumulated leave		0
Increase/(decrease) in non-current workers' compensation claims		991
Increase/(decrease) in retirement, net *		2,185
Changes in current assets and liabilities:		
Increase/(decrease) in accrued compensation and benefits *		(2,982)
Increase/(decrease) in deferred revenue		(61)
Increase/(decrease) in payables and accrued expenses		1,084
(Increase)/decrease in receivables		(151)
(Increase)/decrease in supplies, advances and prepayments		11
Increase/(decrease) in outstanding postal money orders		(151)
Net cash provided by operating activities		6,654

Cash flows from investing activities:

Sale/(purchase) of U.S. Government securities, net		1
Purchase and sale of property and equipment, net		(858)
Net cash used in investing activities		(857)

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

1,957

Cash and cash equivalents at beginning of period

1,156

Cash and cash equivalents at end of period

\$ 3,113

* 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 liability for CSRS to OPM was decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on this deferred retirement liability 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 9 Year-to-Date			A/P 9 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 27.6	\$ 47.4	\$ 16.7	\$ 82.6	\$ 181.1	\$ 148.5
BUILDING IMPROVEMENTS	72.6	97.6	51.3	104.2	169.3	131.0
MAIL PROCESSING EQUIPMENT	492.3	508.5	439.5	413.4	417.9	732.2
VEHICLES	20.8	147.2	- 3.5	51.5	143.9	105.2
RETAIL EQUIPMENT	2.6	14.1	7.3	4.7	124.7	34.4
POSTAL SUPPORT EQUIPMENT	127.0	217.6	131.7	150.4	192.5	160.8
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 742.9	\$ 1,032.4	\$ 643.0	\$ 806.8	\$ 1,229.5	\$ 1,312.1

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

MAJOR CATEGORIES	May 16, 2003	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 66.4	\$ 132.3
BUILDING IMPROVEMENTS	97.9	157.1
MAIL PROCESSING EQUIPMENT	1,028.5	964.6
VEHICLES	115.1	145.8
RETAIL EQUIPMENT	38.9	40.9
POSTAL SUPPORT EQUIPMENT	71.2	95.2
TOTAL RESOURCES ON ORDER	\$ 1,418.0	\$ 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 9, 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>					
747	[20]	[2.7]	747	- 0.1	Operations:	6,390	[55]	[0.9]	6,403	- 0.2
26,487	- 370	- 1.4	28,214	- 6.1	-Support	251,170	- 4,605	- 1.8	269,712	- 6.9
13,159	- 123	- 0.9	13,358	- 1.5	-Mail Processing	115,171	- 1,180	- 1.0	119,793	- 3.9
36,411	[249]	[0.7]	36,989	- 1.6	-Rural Delivery	325,175	[2,645]	[0.8]	329,699	- 1.4
2,515	- 3	- 0.1	2,582	- 2.6	-City Delivery **	22,576	[24]	[0.1]	23,137	- 2.4
6,427	- 272	- 4.1	6,502	- 1.1	-Vehicles Services	57,338	- 1,673	- 2.8	57,697	- 0.6
17,937	[71]	[0.4]	18,643	- 3.8	-Plant & Equip Maint	163,635	- 338	- 0.2	171,492	- 4.6
518	- 57	- 9.8	564	- 8.2	-Customer Services	4,641	- 662	- 12.5	5,130	- 9.5
710	- 7	- 0.9	704	0.9	Finance	6,022	- 183	- 2.9	6,085	- 1.0
1,191	- 55	- 4.4	1,202	- 0.9	Human Resources	10,365	- 599	- 5.5	9,747	6.3
5,405	[170]	[3.2]	5,322	1.6	Customer Service & Sales	47,001	[1,136]	[2.5]	46,560	0.9
3,279	- 122	- 3.6	3,795	- 13.6	Administration	30,026	- 840	- 2.7	36,579	- 17.9
114,785	- 501	- 0.4	118,623	- 3.2	Other					
					<u>Total Work Hours</u>	<u>1,039,509</u>	<u>- 6,222</u>	<u>- 0.6</u>	<u>1,082,032</u>	<u>- 3.9</u>

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
7.4%	7.0%	6.7%	Overtime Ratio Per 100 Work Hours	8.2%	8.1%	7.8%

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

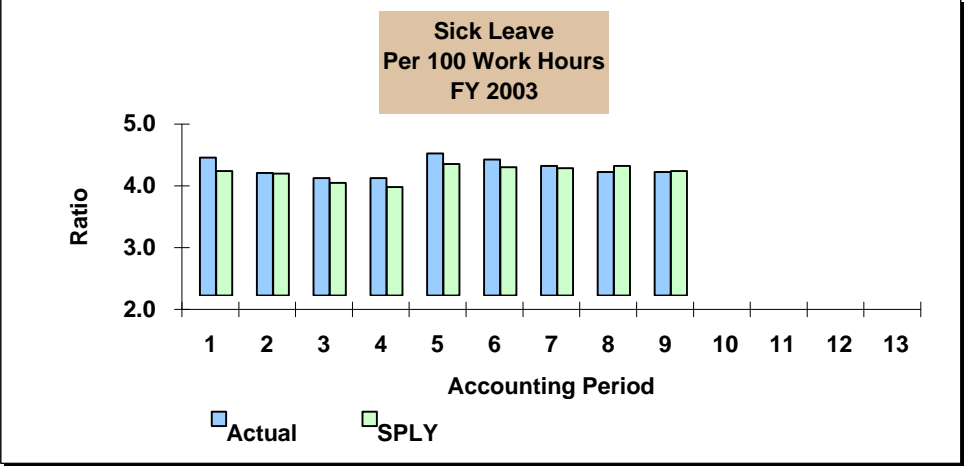
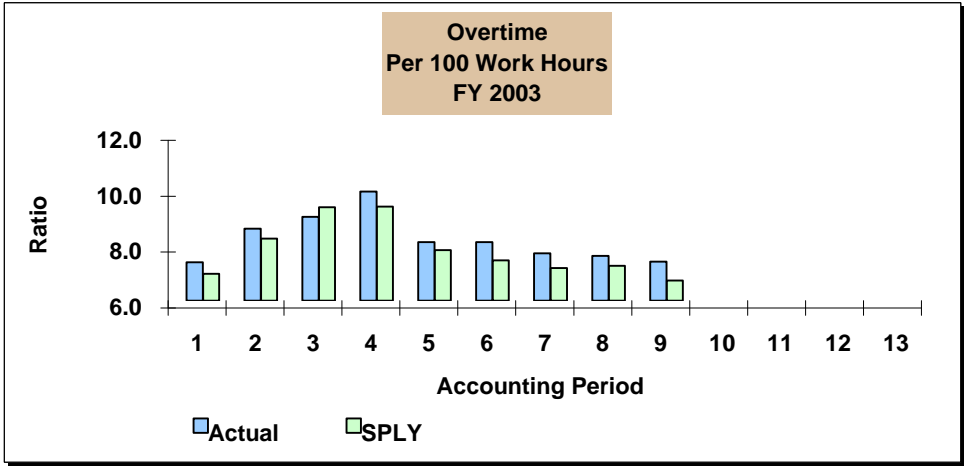
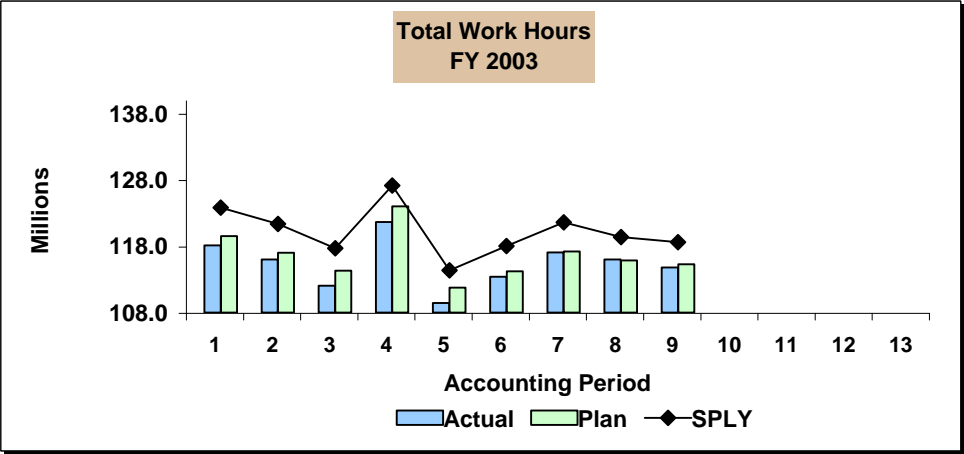
[]=Unfavorable variance to budget

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 9, 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 explained on page 2 to performance excluding impacts.

Accounting Period 9 Performance						
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
1. Total Expenses Including CSRS Impact (from page 1)	\$ 4,995.0	\$ 5,384.4	[\$ - 389.4]	- 7.2	\$ 5,296.3	- 5.7
2. Employer Share Increase from 7% to 17.4%	- 41.9					
3. Elimination of Funding for CSRS Basic Pay Increases and Annuitant COLA's	177.2					
4. Elimination of Interest Expense Related to Line 2 Items	123.8					
5. Total Expenses Prior to Accounting for CSRS Impacts (sum of lines 1 thru 4)	\$ 5,254.1	\$ 5,384.4	[\$ - 130.3]	- 2.4	\$ 5,296.3	- 0.8
6. Total Revenue (from page 1)	5,167.3	5,347.8	[\$ - 180.5]	- 3.4	4,968.5	4.0
7. Net Income Prior to Accounting for CSRS Impacts (line 6 minus line 5)	\$ - 86.8	\$ - 36.6	[\$ - 50.2]	-	\$ - 327.8	-

Year-to-Date Through Accounting Period 9 Performance						
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
1. Total Expenses Including CSRS Impact (from page 1)	\$ 44,281.1	\$ 48,389.1	[\$ - 4,108.0]	- 8.5	\$ 46,572.2	- 4.9
2. Employer Share Increase from 7% to 17.4%	- 41.9					
3. Elimination of Funding for CSRS Basic Pay Increases and Annuitant COLA's ¹	1,594.5					
4. Elimination of Interest Expense Related to Line 2 Items ²	1,114.4					
5. Total Expenses Prior to Accounting for CSRS Impacts (sum of lines 1 thru 4)	\$ 46,948.1	\$ 48,389.1	[\$ - 1,441.0]	- 3.0	\$ 46,572.2	0.8
6. Total Revenue (from page 1)	48,826.8	49,894.9	[\$ - 1,068.1]	- 2.1	46,263.9	5.5
7. Net Income Prior to Accounting for CSRS Impacts (line 6 minus line 5)	\$ 1,878.7	\$ 1,505.8	\$ 372.9	-	\$ - 308.3	-

1) Includes \$117.2 million for the current period and \$1,417.3 million for prior period adjustments.

2) Includes \$123.8 million for the current period and \$990.6 million for prior period adjustments.

Accounting Period 9, 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 3.4% or \$181 million under plan. Commercial Revenue was 5.5% or \$227 million under plan. The biggest drivers of the Commercial Revenue plan underrun were Customer Meters at \$130 million below, and First-Class Permit Imprint Mail at \$89 million below. Total Retail Revenue was 4.8% or \$59 million above plan. Total Revenue grew by 4.0% or \$199 million over same period last year (SPLY). The bulk of the increase to SPLY for total revenue was reflected in Permit Imprint and Metered Postage at \$103 million and \$51 million over SPLY, respectively. Contributing to this performance was the new postage rate structure implemented on June 30, 2002, and volume increases in Standard Mail, Package Services and International Mail.

Year-to-date (YTD), Total Revenue is \$1,068 million or 2.1% under plan. Other Commercial Accounts contribute to the majority of the Total Revenue underrun to plan, \$964 million, with Customer Meters being the largest contributor. As compared to SPLY, Total Revenue has increased 5.5% or \$2,563 million driven by the rate change on June 30, 2002, and a volume increase of 0.5%. Permit Imprint, Metered Postage, and Stamps and Stamped Paper revenue combined are \$2.1 billion of this total revenue change to SPLY amount.

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

Current period, Total Expenses were \$130 million or 2.4% below plan. Both personnel and non-personnel costs were below plan. Total work hours were 0.4% below plan and 3.2% below SPLY (see page 15). Favorable work hour performance to SPLY was offset in part by increases in benefits expenses, primarily health benefits.

The biggest drivers of the \$75 million plan underrun in non-personnel costs were Supplies and Services, which were \$74 million below plan.

YTD, Total Expenses were \$1,441 million or 3.0% below plan. Most of the YTD plan underrun lies in Supplies and Services, \$508 million; Personnel Compensation, \$399 million; Transportation, \$141 million; Depreciation, \$117 million; Information Technology, \$79 million; and Building Projects Expensed, \$40 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 \$104 million above plan resulting from an increase in City Delivery work hour usage, 2.6 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 Quarter III, Fiscal Year (FY) 2003, was 85.1 million pieces below SPLY, or 0.2%. Standard Mail, Package Services, and International Mail were above SPLY while First-Class, Priority Mail, Express Mail, and Periodicals were below their Quarter III, FY 2002, levels.

The Total Mail Revenue for Quarter III, FY 2003 YTD was 5.4% 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.

Accounting Period 9, FY 2003

Notes to the Financial and Operating Statements (Continued)

Capital Commitments - Pages 1 and 13

The Fiscal Year Capital Commitments through YTD, Quarter III, FY 2003 were \$742.9 million compared to a plan of \$1,032.4 million. This represents an underrun of about \$289.5 million or 28.0%. 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 \$806.8 million versus a plan of \$1,229.4 million, representing a \$422.7 million underrun to plan.

Work Hours - Pages 1, 14 and 15

Total work hours for the accounting period were 0.5 million hours or 0.4% below plan and 3.8 million hours below same period last year. Mail processing function, including automated, mechanized and manual distribution, remote barcoding operations, platform operations, and supervision was 1.7 million work hours less than SPLY. An additional 1.5 million work hours were reduced in City Delivery Service, Customer Service, and Rural Delivery, 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 0.1 million hours below same period last year.

Total work hours for AP 9 YTD were reduced 42.5 million hours or 3.9% 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 18.5 million hours below same period last year. City and Rural Delivery, combined with Customer Service clerk work hours, contributed to a reduction of 17.0 million work hours to SPLY.

The AP 9 Overtime Ratio of 7.4, which was above plan and SPLY, was mostly influenced by the increase in Delivery Services overtime, 7.5% above SPLY. This was driven by an increase in delivery points, impact of inclement weather, and fewer career Delivery Service employees than last year.