

# Financial Update

## Board of Governors' Open Session January 30, 2008

**H. Glen Walker**  
**Chief Financial Officer & Executive Vice President**



## Preliminary Income Statement Qtr I, FY 2008

	<u>Actual</u>	<u>SPLY</u>	<u>VAR</u>	<u>%SPLY</u>
<b>Volume</b>	<b>55,394</b>	<b>57,103</b>	<b>-1,710</b>	<b>-3.0%</b>
<b>Revenue</b>	<b>\$20,377</b>	<b>\$19,689</b>	<b>\$688</b>	<b>3.5%</b>
<b>Expense</b>	<b><u>19,705</u></b>	<b><u>19,702</u></b>	<b><u>3</u></b>	<b>0.0%</b>
<b>Operating Income/Loss</b>	<b>\$672</b>	<b>-\$13</b>	<b>\$685</b>	
<b>Prior-Year Escrow</b>	<b>\$0</b>	<b>\$2,958</b>	<b>-\$2,958</b>	
<b>Net Income/Loss</b>	<b>\$672</b>	<b>-\$2,971</b>	<b>\$3,643</b>	

(Data in Millions)  
Financial Update

Numbers may not add due to rounding



## Revenue Variance to SPLY\*

	<u>Qtr I YTD</u>
<b>Commercial</b>	<b>\$495</b>
<b>Retail</b>	<b>210</b>
<b>Other</b>	<b><u>-17</u></b>
<b>Total Revenue Variance</b>	<b>\$688</b>

(Data in Millions)

\*Updated January 31, 2008

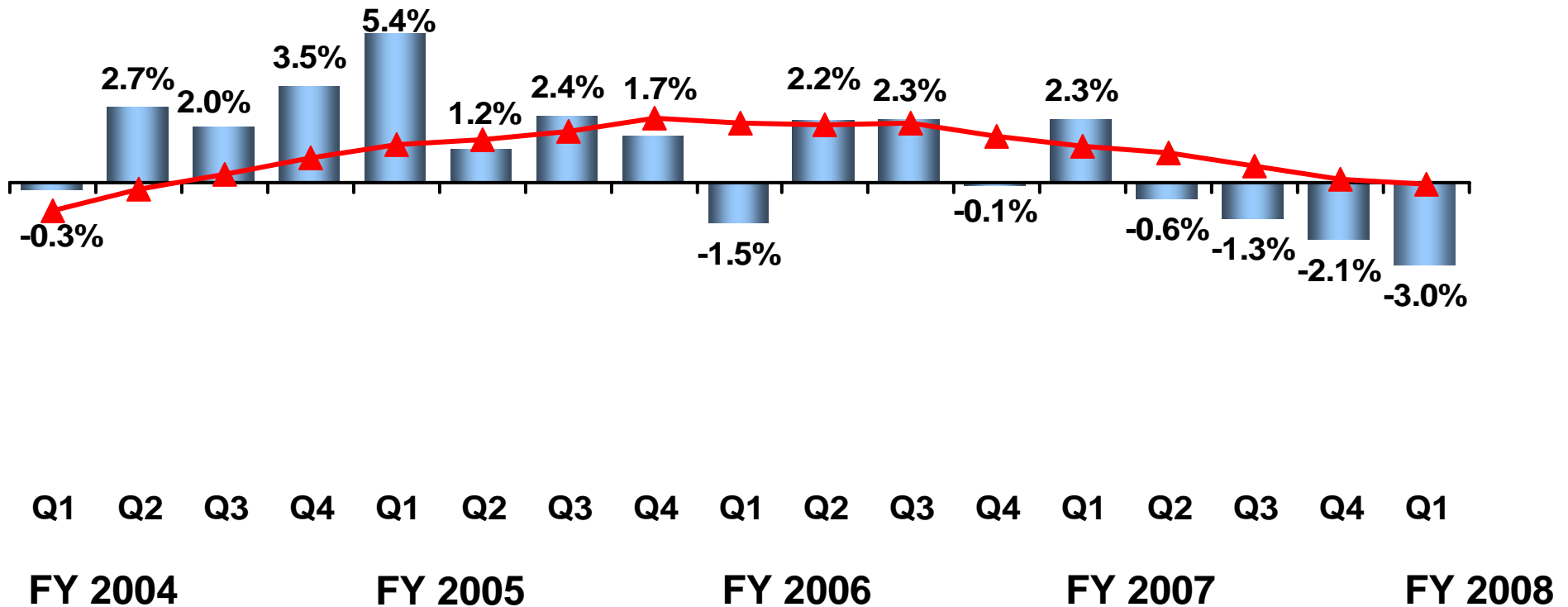


## Volume Performance

	<b>Qtr I</b>	<b>SPLY</b>
	<b><u>YTD</u></b>	<b><u>Change</u></b>
<b>First-Class</b>	<b>24.4B</b>	<b>-3.9%</b>
<b>Standard</b>	<b>27.7B</b>	<b>-2.6%</b>
<b>Periodicals</b>	<b>2.2B</b>	<b>+1.2%</b>
<b>Express</b>	<b>12M</b>	<b>-10.9%</b>
<b>Priority</b>	<b>240M</b>	<b>-4.9%</b>
<b>Package Svc.</b>	<b><u>318M</u></b>	<b><u>-3.4%</u></b>
<b>Total All Mail</b>	<b>55.4B</b>	<b>-3.0%</b>



# Total Mail Volume



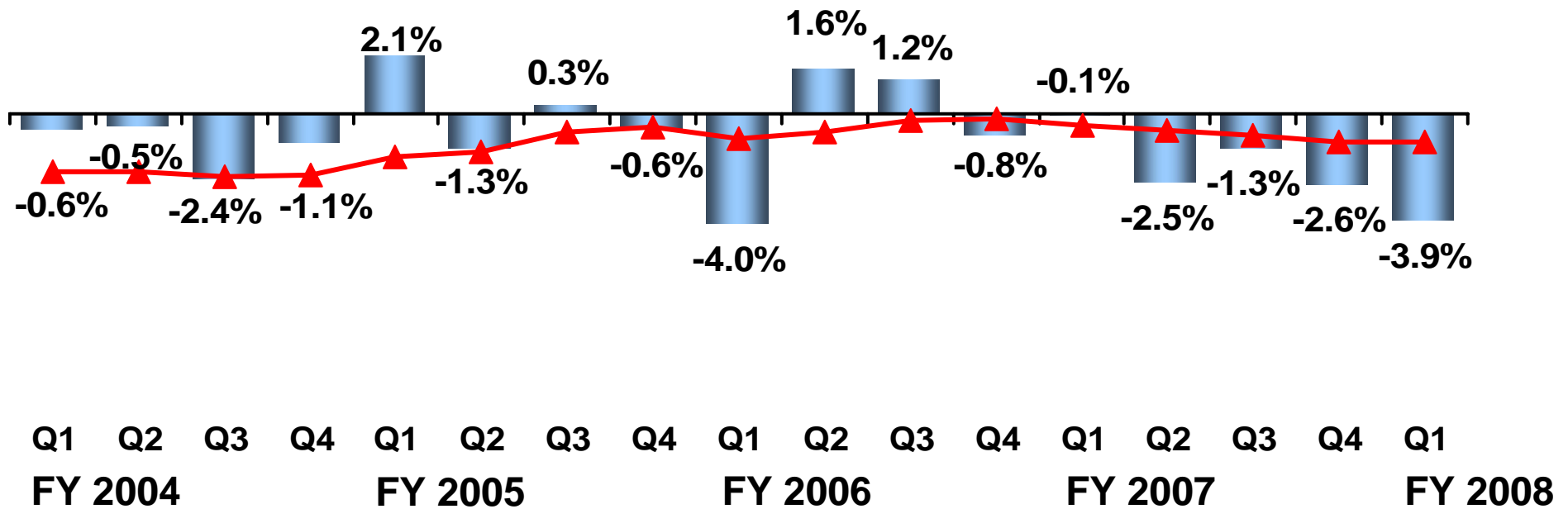
■ % SPLY

▲ 8 Quarter Moving Average Growth Rates

Financial Update



# First-Class Mail Volume



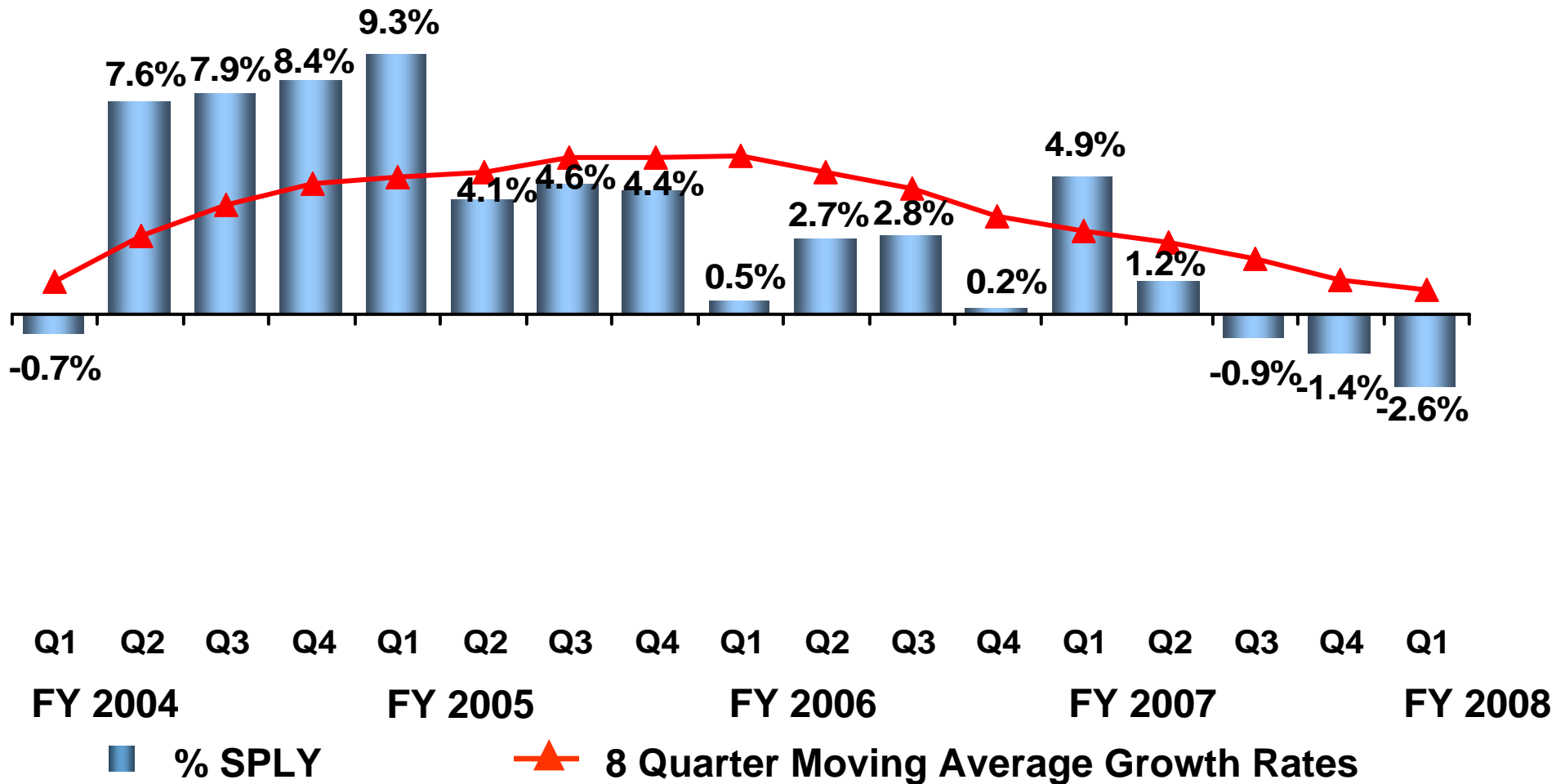
■ % SPLY

▲ 8 Quarter Moving Average Growth Rates

Financial Update



# Standard Mail Volume



Financial Update



## Expense Variance to SPLY\*

	<u>Qtr I YTD</u>
<b>Retiree Health Benefits</b>	<b>+\$66</b>
<b>Transportation</b>	<b>-2</b>
<b>Compensation &amp; Benefits</b>	<b>-97</b>
<b>Supplies &amp; Services</b>	<b>+37</b>
<b>Workers Compensation</b>	<b>-170</b>
<b>Depreciation</b>	<b>+83</b>
<b>Other</b>	<b><u>+86</u></b>
<b>Total Expense Variance</b>	<b>+\$3</b>

(Data in Millions)

\*Updated January 31, 2008





## FY 2008 Debt through Quarter I YTD

<b>Beginning Debt</b>	<b>\$4.2</b>
<b>Payment of Debt</b>	<b><u>-\$1.0</u></b>
<b>Ending Debt</b>	<b>\$3.2</b>

(Data in Billions)



## Summary

- ❑ The economic environment worsened in the 1<sup>st</sup> Quarter putting pressure on volumes and revenues**
  - Housing**
  - Financial Industry**
  - Rising Fuel Prices**
  - Business and consumer confidence declined**
  
- ❑ Much more volatility clouds the outlook going forward**
  - Focus intensively on the customer to generate revenue**
  - Accelerate Reduction of cost**

# Financial Update

## Board of Governors' Open Session January 30, 2008

**H. Glen Walker**  
**Chief Financial Officer & Executive Vice President**