



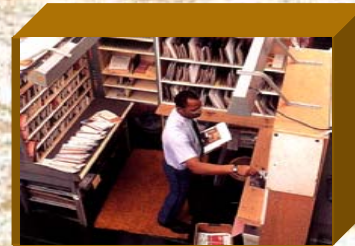
**UNITED STATES  
POSTAL SERVICE**

# **FINANCIAL & OPERATING STATEMENTS**

**(Revised SPLY data for Capital on pages 1 & 13)**

**December, FY 2004**

**December 1 – December 31, 2003**



**Prepared by: Financial Reporting and Analysis**

**Highlights**  
December, 2003 - FY 2004  
(Millions)

December					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 6,582.7	\$ 6,248.5	\$ 334.2	5.3	\$ 6,396.8	2.9
<u>5,829.8</u>	<u>5,924.1</u>	<u>- 94.3</u>	- 1.6	<u>5,417.7</u>	7.6
\$ 752.9	\$ 324.4	\$ 428.5	-	\$ 979.1	-
\$ 118.9	\$ 87.6	[\$ 31.3]	[ 35.7]	\$ 138.1	- 13.9
135.0	132.6	[ 2.3]	[ 1.8]	129.1	4.5

Year-to-Date (October 1 - December 31, 2003)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 18,216.6	\$ 18,120.0	\$ 96.6	0.5	\$ 18,397.6	- 1.0
<u>16,399.9</u>	<u>16,792.3</u>	<u>- 392.4</u>	- 2.3	<u>16,128.2</u>	1.7
\$ 1,816.7	\$ 1,327.7	\$ 489.0	-	\$ 2,269.4	-
\$ 213.9	\$ 372.1	\$ -158.2	- 42.5	\$ 466.3	** - 54.1
372.4	375.6	- 3.2	- 0.9	382.6	- 2.7

[ ] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

\*\*SPLY capital data revised.

Actual Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,637		27,722
Postal Owned Vehicles In Use			
Administrative	5,517	5,512	5,409
Operations	206,706	206,563	201,160
Total Deliveries (000)	141,800	141,627	140,058
City Delivery Routes	164,695	164,778	166,199
Rural Routes	69,919	69,890	69,467
Career Employees (Excludes Inspector General)	719,850	721,329	744,394
Casual Employees	23,328	21,077	35,768
Transitional Employees	11,823	11,818	15,786

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

**Statement of Income & Expense**  
**December, 2003 - FY 2004**  
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	
\$ 6,580.1	\$ 6,246.3	\$ 333.8	5.3	\$ 6,391.6	2.9	<b>Operating Revenue</b>	\$ 18,208.3	\$ 18,113.3	\$ 95.1	0.5	\$ 18,383.6	- 1.0	
<u>5,827.5</u>	<u>5,921.8</u>	<u>- 94.3</u>	<u>- 1.6</u>	<u>5,357.3</u>	<u>8.8</u>	<b>Operating Expense</b>	<u>16,390.9</u>	<u>16,744.0</u>	<u>- 353.0</u>	<u>- 2.1</u>	<u>16,007.5</u>	<u>2.4</u>	
<b>\$ 752.6</b>	<b>\$ 324.5</b>	<b>\$ 428.1</b>	<b>-</b>	<b>\$ 1,034.3</b>	<b>-</b>	<b>Income/(Loss) From Operations</b>	<b>\$ 1,817.4</b>	<b>\$ 1,369.3</b>	<b>\$ 448.1</b>	<b>32.7</b>	<b>\$ 2,376.1</b>	<b>-</b>	
2.6	2.2	0.4	18.2	5.2	- 50.0	<b>Investment Income</b>	8.3	6.7	1.6	23.9	14.0	- 40.7	
2.3	2.3	[ 0.0 ]	[ 0.5 ]	60.4	- 96.2	<b>Interest Expense</b>	9.0	2.1	[ 6.9 ]	NM	120.7	- 92.5	
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<b>Interest on Deferred Retirement Costs</b>	<u>0.0</u>	<u>46.2</u>	<u>- 46.2</u>	<u>- 100.0</u>	<u>0.0</u>	<u>0.0</u>	
<b>\$ 752.9</b>	<b>\$ 324.4</b>	<b>\$ 428.5</b>	<b>-</b>	<b>\$ 979.1</b>	<b>-</b>	<b>Net Income/(Loss)</b>	<b>\$ 1,816.7</b>	<b>\$ 1,327.7</b>	<b>\$ 489.0</b>	<b>-</b>	<b>\$ 2,269.4</b>	<b>-</b>	

[ ]=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 Analysis to the Financial and Operating Statements beginning on page 16.

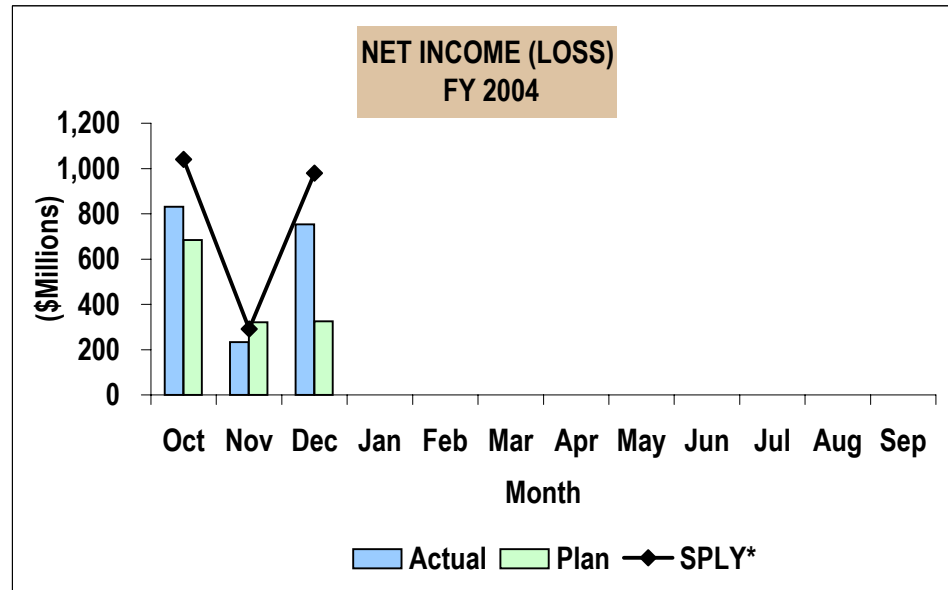
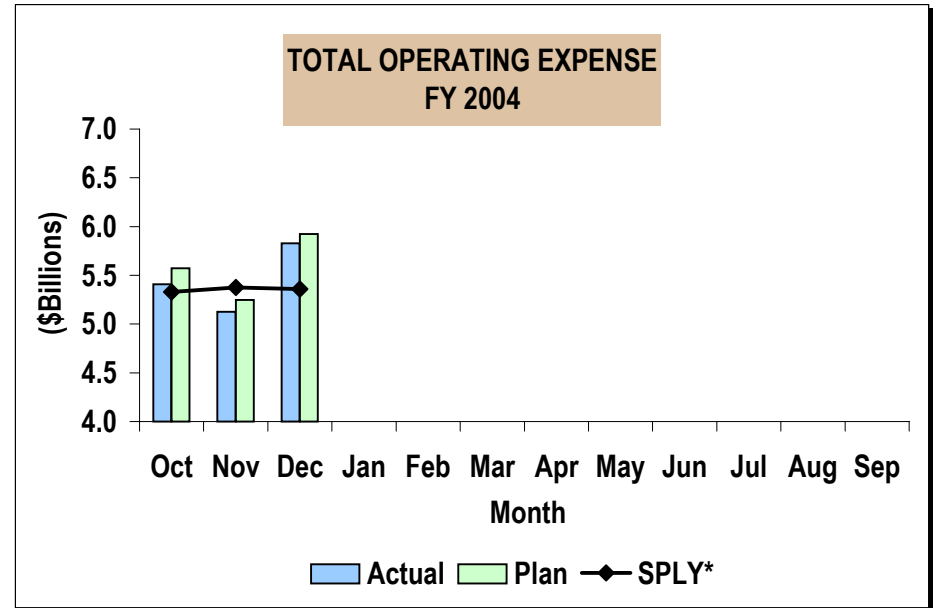
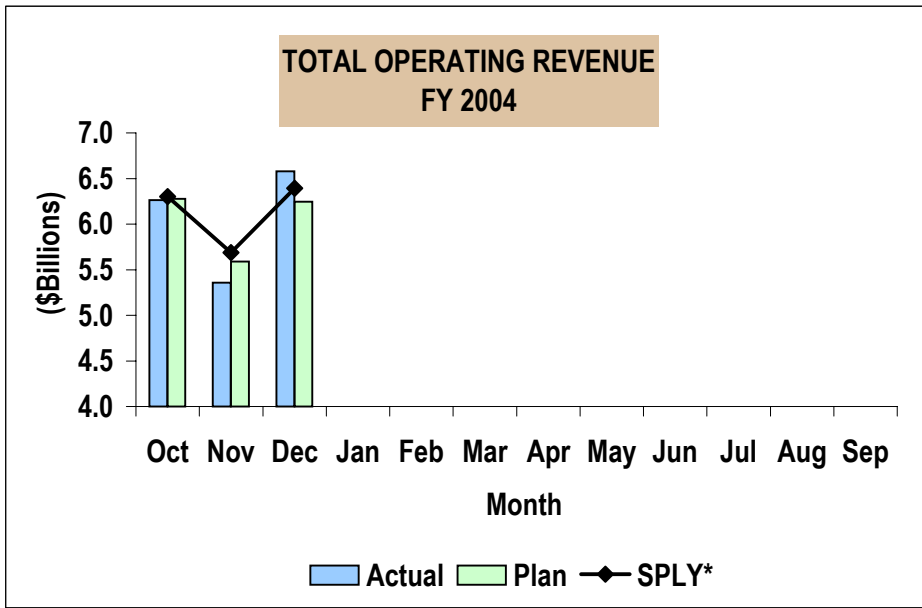
**MAIL VOLUME - MAIL REVENUE**  
(Data in Thousands)

CATEGORY	YEAR-TO-DATE		
	Qtr. 1 FY 2004	Qtr. 1 FY 2003	% SPLY
<b>FIRST-CLASS</b>			
VOLUME	25,866,042	26,049,402	- 0.7
REVENUE	\$ 9,653,706	\$ 9,770,174	- 1.2
REV/PC.	0.3732	0.3751	- 0.5
<b>PRIORITY-MAIL</b>			
VOLUME	233,614	234,706	- 0.5
REVENUE	\$ 1,272,088	\$ 1,282,698	- 0.8
REV/PC.	5.4453	5.4651	- 0.4
<b>EXPRESS MAIL</b>			
VOLUME	13,432	14,121	- 4.8
REVENUE	\$ 216,850	\$ 230,196	- 5.8
REV/PC.	16.1443	16.3017	- 1.0
<b>PERIODICALS</b>			
VOLUME	2,317,060	2,386,762	- 2.9
REVENUE	\$ 562,023	\$ 582,364	- 3.5
REV/PC.	0.2426	0.2440	- 0.6
<b>STANDARD MAIL</b>			
VOLUME	24,890,662	24,839,635	0.2
REVENUE	\$ 4,686,009	\$ 4,694,883	- 0.2
REV/PC.	0.1883	0.1890	- 0.4
<b>PACKAGE SERVICES</b>			
VOLUME	318,235	310,442	2.5
REVENUE	\$ 656,242	\$ 654,231	0.3
REV/PC.	2.0621	2.1074	- 2.1
<b>INTERNATIONAL</b>			
VOLUME	240,355	233,114	3.1
REVENUE	\$ 461,714	\$ 478,909	- 3.6
REV/PC.	1.9210	2.0544	- 6.5
<b>ALL OTHER</b>			
VOLUME	143,653	118,443	21.3
REVENUE	\$ 159	\$ 311	- 48.8
<b>ALL MAIL</b>			
VOLUME	54,023,053	54,186,626	- 0.3
REVENUE	\$ 17,508,791	\$ 17,693,766	- 1.0
REV/PC.	0.3241	0.3265	- 0.7

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 these estimates be used with caution.

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



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

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

**REVENUE BY SOURCE**  
**December, 2003 - FY 2004**  
**(\$ Millions)**

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
			<b>Operating Revenue:</b>			
\$ 2,416.0	\$ 2,383.4	1.4	Metered Postage	\$ 6,494.7	\$ 6,526.4	- 0.5
1,452.2	1,420.9	2.2	Stamps and Stamped Paper	3,341.8	3,422.3	- 2.4
1,297.8	1,216.3	6.7	Permit Imprint	4,373.7	4,425.1	- 1.2
180.2	176.1	2.3	Periodicals & Standard	556.8	577.2	- 3.5
83.9	79.5	5.5	Official Mail	217.9	214.3	1.7
877.4	849.1	3.3	Presort First-Class & Package Svc./Permit Imprint	2,501.7	2,489.1	0.5
76.9	74.1	3.8	Box Rents	189.1	190.0	- 0.5
15.3	15.7	- 2.5	Money Order Fees	44.7	46.6	- 4.1
<u>177.4</u>	<u>173.9</u>	2.1	Other	<u>478.8</u>	<u>484.9</u>	- 1.3
<b>\$ 6,577.1</b>	<b>\$ 6,389.0</b>	<b>2.9</b>	<b>Subtotal</b>	<b>\$ 18,199.2</b>	<b>\$ 18,375.9</b>	<b>- 1.0</b>
			<b>Government Appropriation:</b>			
<u>3.0</u>	<u>2.6</u>	15.4	Revenue Forgone	<u>9.1</u>	<u>7.7</u>	18.2
<b>\$ 6,580.1</b>	<b>\$ 6,391.6</b>	<b>2.9</b>	<b>Total Operating Revenue</b>	<b>\$ 18,208.3</b>	<b>\$ 18,383.6</b>	<b>- 1.0</b>
<u>2.6</u>	<u>5.2</u>	- 50.0	Investment Income	<u>8.3</u>	<u>14.0</u>	- 40.7
<b><u>\$ 6,582.7</u></b>	<b><u>\$ 6,396.8</u></b>	<b>2.9</b>	<b>Total Revenue</b>	<b><u>\$ 18,216.6</u></b>	<b><u>\$ 18,397.6</u></b>	<b>- 1.0</b>

Note: Totals may not sum due to rounding.

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

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

**REVENUE BY CATEGORY**  
December, 2003 - FY 2004  
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			<b>Commercial Revenue</b>			
\$ 2,421.6	\$ 2,291.5	5.7	Permit Revenue	\$ 7,622.5	\$ 7,354.3	3.6
<u>1,900.8</u>	<u>1,894.4</u>	0.3	Other Commercial Accounts Revenue	<u>5,502.8</u>	<u>5,805.6</u>	[ - 5.2 ]
<b>\$ 4,322.4</b>	<b>\$ 4,185.9</b>	<b>3.3</b>	<b>Total Commercial Revenue</b>	<b>\$ 13,125.3</b>	<b>\$ 13,159.9</b>	<b>[ - 0.3 ]</b>
			<b>Retail Revenue</b>			
1,869.7	1,710.7	9.3	Retail Postage Revenue*	4,198.6	4,002.3	4.9
99.8	113.9	[ - 12.4 ]	Retail Services Revenue	257.2	278.9	[ - 7.8 ]
32.9	20.4	61.3	Retail Products Revenue	47.0	51.5	[ - 8.7 ]
<u>218.9</u>	<u>220.0</u>	[ - 0.5 ]	Other Retail Channels Revenue*	<u>462.1</u>	<u>529.7</u>	[ - 12.8 ]
<b>\$ 2,221.3</b>	<b>\$ 2,065.0</b>	<b>7.6</b>	<b>Total Retail Revenue</b>	<b>\$ 4,964.9</b>	<b>\$ 4,862.4</b>	<b>2.1</b>
<b>\$ 6,543.7</b>	<b>\$ 6,250.9</b>	<b>4.7</b>	<b>Total Commercial &amp; Retail Revenue</b>	<b>\$ 18,090.2</b>	<b>\$ 18,022.3</b>	<b>0.4</b>
33.3	- 7.6	NM	Other Income	109.0	81.9	33.1
<u>3.0</u>	<u>3.0</u>	0.0	Revenue Forgone	<u>9.1</u>	<u>9.1</u>	0.0
<b>\$ 6,580.1</b>	<b>\$ 6,246.3</b>	<b>5.3</b>	<b>Total Operating Revenue</b>	<b>\$ 18,208.3</b>	<b>\$ 18,113.4</b>	<b>0.5</b>
<u>2.6</u>	<u>2.2</u>	18.2	Investment Income	<u>8.3</u>	<u>6.7</u>	23.9
<b>\$ 6,582.7</b>	<b>\$ 6,248.5</b>	<b>5.3</b>	<b>Total Revenue</b>	<b>\$ 18,216.6</b>	<b>\$ 18,120.0</b>	<b>0.5</b>

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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



**ANALYSIS OF OPERATING EXPENSES**  
**December, 2003 - FY 2004**  
**Personnel Compensation**  
**(\$ Millions)**

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
						<b>Total Compensation</b>						
						Operations:						
\$ 31.5	\$ 32.8	\$ -1.3	-3.8	\$ 27.4	14.9	-Support	\$ 91.7	\$ 93.3	\$ -1.6	-1.8	\$ 85.2	7.6
1,033.9	1,073.5	-39.6	-3.7	973.4	6.2	-Mail Processing	2,918.5	2,981.9	-63.4	-2.1	2,881.6	1.3
409.2	407.2	[ 2.0]	[ 0.5]	363.0	12.7	-Rural Delivery	1,158.6	1,144.1	[ 14.6]	[ 1.3]	1,094.6	5.8
1,375.7	1,364.0	[ 11.8]	[ 0.9]	1,201.6	14.5	-City Delivery	3,976.4	3,944.9	[ 31.5]	[ 0.8]	3,803.1	4.6
103.9	103.7	[ 0.2]	[ 0.2]	94.4	10.1	-Vehicles Services	288.0	289.2	-1.2	-0.4	274.5	4.9
250.1	262.5	-12.4	-4.7	226.1	10.6	-Plant & Equip Maint	719.7	748.2	-28.5	-3.8	678.8	6.0
703.7	700.9	[ 2.7]	[ 0.4]	622.8	13.0	-Customer Services	1,961.0	1,958.3	[ 2.6]	[ 0.1]	1,872.7	4.7
16.8	19.7	-2.9	-14.6	18.8	-10.5	Finance	49.5	56.0	-6.6	-11.7	58.7	-15.7
30.0	31.7	-1.8	-5.6	25.1	19.4	Human Resources	86.5	90.7	-4.2	-4.6	78.0	11.0
47.3	50.5	-3.3	-6.4	40.7	16.2	Customer Service & Sales	136.4	145.4	-9.0	-6.2	125.3	8.9
212.9	209.6	[ 3.3]	[ 1.6]	173.0	23.1	Administration	593.5	596.1	-2.5	-0.4	541.1	9.7
118.5	126.1	-7.6	-6.0	142.8	-17.0	Other Salaries & Benefits	396.5	361.3	[ 35.2]	[ 9.7]	446.0	-11.1
<b>\$ 4,333.6</b>	<b>\$ 4,382.3</b>	<b>\$ -48.7</b>	<b>-1.1</b>	<b>\$ 3,909.1</b>	<b>10.9</b>	<b>Total Salaries &amp; Benefits</b>	<b>\$ 12,376.2</b>	<b>\$ 12,409.4</b>	<b>\$ -33.2</b>	<b>-0.3</b>	<b>\$ 11,939.5</b>	<b>3.7</b>
124.1	124.6	-0.5	-0.4	121.3	2.3	Workers' Compensation	372.0	373.9	-1.9	-0.5	387.7	-4.0
7.1	7.7	-0.6	-8.0	4.6	55.3	Unemployment Compensation	21.3	23.0	-1.8	-7.7	20.3	4.8
0.0	0.0	0.0	NM	0.0	NM	Deferred Retirement Cost	0.0	3.6	-3.6	-100.0	0.0	NM
110.2	110.2	0.0	0.0	87.7	25.7	Annuitant Health Benefits	330.5	330.5	0.0	0.0	273.1	21.0
9.2	11.9	-2.6	-22.0	9.9	-6.8	Other Compensation	30.0	34.0	-3.9	-11.5	35.1	-14.3
<b>\$ 4,584.2</b>	<b>\$ 4,636.6</b>	<b>\$ -52.4</b>	<b>-1.1</b>	<b>\$ 4,132.5</b>	<b>10.9</b>	<b>Total Personnel Compensation</b>	<b>\$ 13,130.0</b>	<b>\$ 13,174.4</b>	<b>\$ -44.3</b>	<b>-0.3</b>	<b>\$ 12,655.5</b>	<b>3.7</b>

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

**ANALYSIS OF NON-PERSONNEL EXPENSES**  
**December, 2003 - FY 2004**  
**(\$ Millions)**

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY
\$ 483.1	\$ 462.4	[\$ 20.7]	[ 4.5]	\$ 544.9	- 11.3	Transportation	\$ 1,177.4	\$ 1,293.1	\$ - 115.7	- 8.9	\$ 1,310.4	- 10.1
211.6	268.7	- 57.1	- 21.2	206.1	2.7	Supplies & Services	515.0	713.4	- 198.4	- 27.8	569.5	- 9.6
187.6	192.2	- 4.6	- 2.4	191.5	- 2.0	Depreciation	574.6	568.2	[ 6.3]	[ 1.1]	579.1	- 0.8
88.1	80.1	[ 8.0]	[ 10.0]	75.9	16.0	Rent	246.7	241.1	[ 5.6]	[ 2.3]	232.7	6.0
45.2	41.1	[ 4.1]	[ 10.0]	41.1	10.0	Fuel & Utilities	121.4	119.6	[ 1.8]	[ 1.5]	117.1	3.6
30.4	42.2	- 11.8	- 27.9	31.0	- 1.9	Rural Carrier Equip Maint Allowance	105.1	109.1	- 4.0	- 3.7	106.0	- 0.9
43.6	36.5	[ 7.1]	[ 19.5]	38.2	14.2	Vehicle Maintenance	113.7	104.9	[ 8.9]	[ 8.5]	112.7	0.9
49.3	62.2	- 12.9	- 20.7	34.4	43.5	Information Technology	111.9	137.0	- 25.1	- 18.3	95.4	17.3
22.9	14.6	[ 8.2]	[ 56.5]	9.8	133.4	Building Projects Expensed	60.8	41.5	[ 19.3]	[ 46.5]	26.8	127.1
6.8	6.7	[ 0.1]	[ 1.0]	6.7	1.7	Contract Job Cleaners	21.7	19.1	[ 2.6]	[ 13.6]	19.7	9.9
15.1	12.3	[ 2.8]	[ 22.9]	17.8	- 15.5	Travel & Relocation	46.5	38.1	[ 8.4]	[ 22.0]	36.4	27.8
25.0	17.1	[ 7.9]	[ 45.9]	19.2	30.4	Communications	54.4	41.7	[ 12.7]	[ 30.5]	52.1	4.4
6.8	6.7	[ 0.1]	[ 1.4]	5.7	19.5	Contract Stations	17.3	17.9	- 0.6	- 3.3	12.6	37.5
1.7	2.7	- 0.9	- 35.1	3.2	- 45.9	Printing	3.7	6.7	- 3.1	- 45.5	5.7	- 35.9
2.3	5.7	- 3.4	- 59.6	3.5	- 33.6	Training	7.8	16.3	- 8.4	- 51.9	12.4	- 36.8
1.6	4.3	- 2.6	- 61.6	5.0	- 67.2	Carfare & Tolls	5.7	12.9	- 7.2	- 55.7	15.0	- 61.8
1.4	2.0	- 0.7	- 33.6	1.3	0.7	Vehicle Hire	4.6	6.0	- 1.4	- 24.0	5.5	- 16.3
4.1	3.7	[ 0.4]	[ 10.5]	3.0	36.5	Accident Cost	12.4	11.1	[ 1.3]	[ 11.9]	11.1	11.5
16.8	24.0	- 7.3	- 30.2	- 13.4	225.3	Miscellaneous	60.3	72.1	- 11.8	- 16.4	32.0	88.6
<b>\$ 1,243.3</b>	<b>\$ 1,285.2</b>	<b>\$ - 41.9</b>	<b>- 3.3</b>	<b>\$ 1,224.8</b>	<b>1.5</b>	<b>Total Non-Personnel Expenses</b>	<b>\$ 3,260.9</b>	<b>\$ 3,569.6</b>	<b>\$ - 308.7</b>	<b>- 8.6</b>	<b>\$ 3,352.0</b>	<b>- 2.7</b>

[ ]=Unfavorable variance to budget

Totals may not sum due to rounding.

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

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

**STATEMENT OF FINANCIAL POSITION**  
**December, 2003 - FY 2004**  
**(\$ Millions)**

<b>Assets</b>	<b>December 31, 2003</b>	<b>September 30, 2003*</b>
<b>Current Assets:</b>		
Cash and cash equivalents _1/	\$ 559	\$ 2,266
<b>Receivables:</b>		
Foreign countries	777	744
U.S. Government	383	359
Other	<u>198</u>	<u>194</u>
<b>Receivables before allowances</b>	1,358	1,297
Less allowances	<u>106</u>	<u>106</u>
<b>Total receivables, net</b>	1,252	1,191
Supplies, advances and prepayments	<u>344</u>	<u>366</u>
<b>Total Current Assets</b>	<b>2,155</b>	<b>3,823</b>
Other Assets, Principally Revenue Forgone Appropriations Receivable	365	365
<b>Property and Equipment, at Cost:</b>		
Buildings	19,800	19,759
Equipment	17,295	17,166
Land	2,814	2,809
Leasehold improvements, net	<u>1,072</u>	<u>1,060</u>
	40,981	40,794
Less allowances for depreciation and amortization	<u>19,199</u>	<u>18,717</u>
	21,782	22,077
Construction in progress	<u>1,083</u>	<u>977</u>
<b>Total Property and Equipment, Net</b>	<u>22,865</u>	<u>23,054</u>
<b>Total Assets</b>	<b>\$ <u>25,385</u></b>	<b>\$ <u>27,242</u></b>

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

\* Audited year-end data.

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

**STATEMENT OF FINANCIAL POSITION**  
**December, 2003 - FY 2004**  
**(\$ Millions)**

<b>Liabilities and Net Capital</b>	<b>December 31, 2003</b>	<b>September 30, 2003*</b>
<b>Current Liabilities:</b>		
Compensation and benefits	\$ 3,061	\$ 2,518
Estimated prepaid postage	1,349	1,349
<b>Payables and accrued expenses:</b>		
Foreign countries	963	879
U.S. Government	120	112
Unexpended appropriations	406	406
Other	2,101	1,863
<b>Total payables and accrued expenses</b>	<u>3,590</u>	<u>3,260</u>
Prepaid box rentals, permit and metered mail	1,973	1,925
Outstanding postal money orders	771	768
Current portion of debt	<u>2,250</u>	<u>7,273</u>
<b>Total Current Liabilities</b>	<b>12,994</b>	<b>17,093</b>
<b>Other Liabilities:</b>		
Workers' compensation claims	6,697	6,324
Employees' accumulated leave	2,001	1,932
Other	<u>1,010</u>	<u>1,027</u>
<b>Total Other Liabilities</b>	<u>9,708</u>	<u>9,283</u>
<b>Total Liabilities</b>	<b>22,702</b>	<b>26,376</b>
<b>Net Capital:</b>		
Capital contributions of the U.S. government	3,034	3,034
Deficit since reorganization	<u>(351)</u>	<u>(2,168)</u>
<b>Total Net Capital</b>	<u>2,683</u>	<u>866</u>
<b>Total Liabilities and Net Capital</b>	<b><u>\$ 25,385</u></b>	<b><u>\$ 27,242</u></b>

\* Audited year-end data.

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

**STATEMENT OF CASH FLOWS**  
**Fiscal Year 2004 through December 31, 2003**  
**(\$ Millions)**

**Cash flows from operating activities:**

Net income/(loss)	\$ 1,817
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation, amortization and loss on disposal of property and equipment, net	574
Increase/(decrease) in other liabilities	(18)
Increase/(decrease) in employees' accumulated leave	69
Increase/(decrease) in workers' compensation claims	349
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits	567
Increase/(decrease) in deferred revenue	-
Increase/(decrease) in payables and accrued expenses	330
(Increase)/decrease in receivables	(61)
(Increase)/decrease in supplies, advances and prepayments	22
Increase/(decrease) in prepaid box rentals, permit and metered mail	48
Increase/(decrease) in outstanding postal money orders	3

**Net cash provided by operating activities** **3,700**

**Cash flows from investing activities:**

Purchase of property and equipment	(387)
Proceeds from sale of property and equipment	3

**Net cash used in investing activities** **(384)**

**Cash flows from financing activities:**

Issuance of debt	-
Payments on debt	(5,023)

**Net cash used in financing activities** **(5,023)**

**Net decrease in cash and cash equivalents** **(1,707)**

**Cash and cash equivalents at beginning of year** **2,266**

**Cash and cash equivalents at end of period** **\$ 559**

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

**CAPITAL INVESTMENTS**  
**FY 2004**  
**(\$ Millions)**

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS			SPLY*
	December Year-to-Date			December Year-to-Date			
	ACTUAL	PLAN	SPLY*	ACTUAL	PLAN	SPLY*	
CONSTRUCTION AND BUILDING PURCHASE	\$ 12.3	\$ 26.0	\$ 7.3	\$ 33.6	\$ 61.9	\$ 30.4	
BUILDING IMPROVEMENTS	29.7	20.2	12.8	54.8	58.4	45.4	
MAIL PROCESSING EQUIPMENT	- 9.5	37.3	339.0	169.9	184.3	225.6	
VEHICLES	130.4	151.0	- 3.2	55.0	44.4	2.8	
RETAIL EQUIPMENT	26.7	40.3	16.6	20.0	21.4	2.3	
POSTAL SUPPORT EQUIPMENT	24.3	97.3	93.8	82.3	77.8	41.1	
<b>TOTAL COMMITMENTS/CASH OUTLAYS</b>	<b>\$ 213.9</b>	<b>\$ 372.1</b>	<b>\$ 466.3</b>	<b>\$ 415.6</b>	<b>\$ 448.2</b>	<b>\$ 347.5</b>	

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

MAJOR CATEGORIES	December 31, 2003	September 30, 2003
CONSTRUCTION AND BUILDING PURCHASE	\$ 216.9	\$ 238.2
BUILDING IMPROVEMENTS	161.6	186.7
MAIL PROCESSING EQUIPMENT	1,230.1	1,409.5
VEHICLES	147.0	71.6
RETAIL EQUIPMENT	185.1	178.4
POSTAL SUPPORT EQUIPMENT	252.5	310.5
<b>TOTAL RESOURCES ON ORDER</b>	<b>\$ 2,193.2</b>	<b>\$ 2,394.9</b>

Note: Totals may not sum due to rounding.

\*SPLY capital data revised.

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

## WORKHOURS & OVERTIME/SICK LEAVE RATIOS

December, 2003 - FY 2004

(Data in Thousands)

Current Period						Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
					<u>Total Workhours</u>					
					<b>Operations:</b>					
764	- 19	- 2.4	721	6.0	-Support	2,214	- 43	- 1.9	2,243	- 1.3
33,769	- 66	- 0.2	34,219	- 1.3	-Mail Processing	90,341	- 2,634	- 2.8	95,841	- 5.7
15,258	[ 427 ]	[ 2.9 ]	13,868	10.0	-Rural Delivery	42,369	[ 330 ]	[ 0.8 ]	41,604	1.8
41,599	[ 1,289 ]	[ 3.2 ]	38,720	7.4	-City Delivery	117,264	[ 644 ]	[ 0.6 ]	118,825	- 1.3
3,005	[ 72 ]	[ 2.5 ]	2,898	3.7	-Vehicles Services	8,120	- 96	- 1.2	8,270	- 1.8
7,233	- 231	- 3.1	6,969	3.8	-Plant & Equip Maint	20,510	- 1,044	- 4.8	20,726	- 1.0
21,961	[ 642 ]	[ 3.0 ]	20,558	6.8	-Customer Services	59,470	- 131	- 0.2	60,146	- 1.1
426	- 91	- 17.5	541	- 21.2	Finance	1,231	- 253	- 17.0	1,673	- 26.4
819	[ 58 ]	[ 7.7 ]	709	15.5	Human Resources	2,073	- 125	- 5.7	2,012	3.0
1,293	- 42	- 3.1	1,204	7.5	Customer Service & Sales	3,688	- 202	- 5.2	3,689	- 0.0
6,252	[ 477 ]	[ 8.3 ]	5,228	19.6	Administration	16,909	[ 347 ]	[ 2.1 ]	16,477	2.6
2,609	- 170	- 6.1	3,496	- 25.4	Other	8,216	- 18	- 0.2	11,124	- 26.1
134,990	[ 2,348 ]	[ 1.8 ]	129,131	4.5	<b>Total Workhours</b>	372,404	- 3,227	- 0.9	382,630	- 2.7

Overtime					
Actual	Budget	SPLY			
10.7%	9.5%	9.9%	<b>Overtime Ratio</b>		

**Overtime Ratio  
Per 100 Workhours**

Actual	Budget	SPLY
9.8%	8.9%	9.1%

Sick Leave					
Actual	Budget	SPLY			
4.3%	3.9%	4.1%	<b>Sick Leave Ratio</b>		

**Sick Leave Ratio  
Per 100 Workhours**

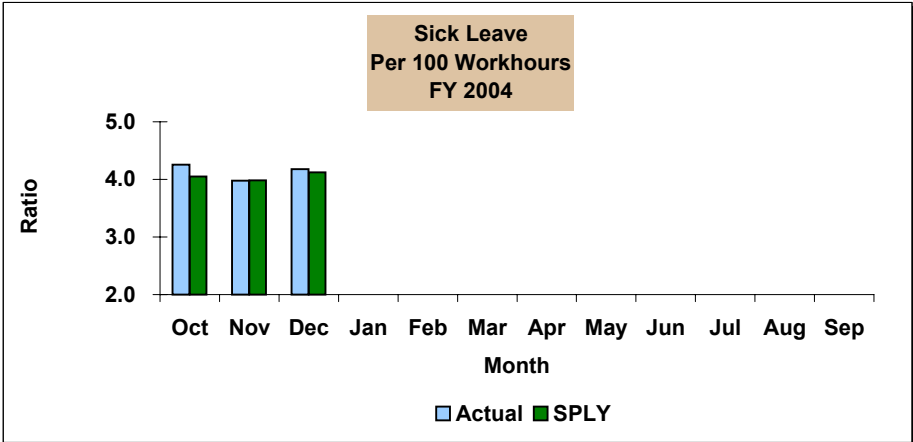
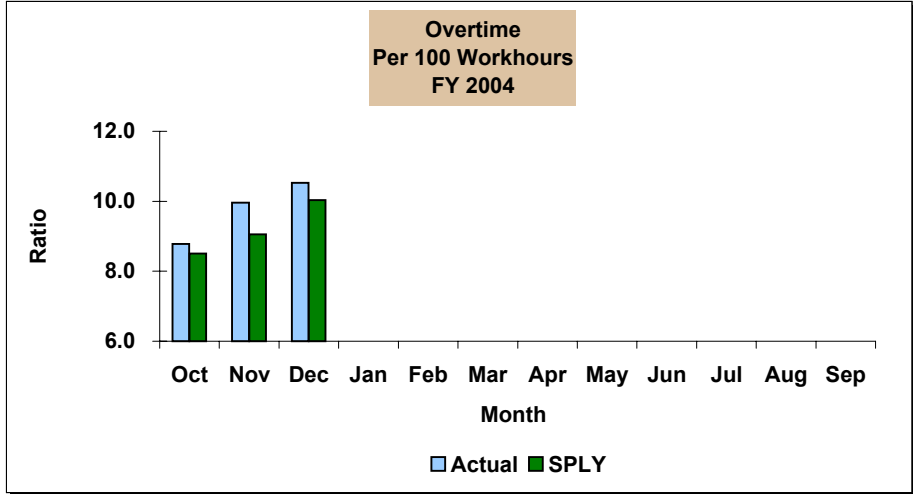
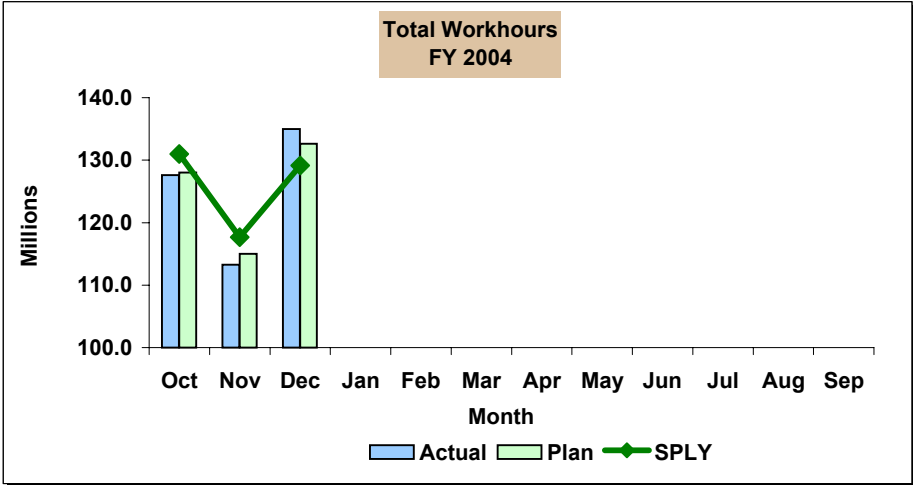
Actual	Budget	SPLY
4.2%	3.8%	4.0%

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

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



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

## December 2003, FY 2004

### Analysis of the Financial and Operating Statements

In the October and November, 2003 Financial and Operating Statements, data for the pages reflecting the Statement of Financial Position (Assets), Statement of Financial Position (Liabilities) and the Statement of Cash Flows was under development and unavailable as a result of a conversion to a new general ledger system. In this month's Financial and Operating Statements, you will find these pages updated with data as of December 31, 2003 and have been reinstated in this report.

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

Current period, Total Revenue was 5.3% or \$334 million over plan. Retail Postage Revenue and Permit Revenue are contributing to the majority of the Total Revenue overrun to plan, \$289 million. Total Revenue was 2.9% or \$186 million over same period last year (SPLY). The bulk of the increase to SPLY for total revenue was reflected in Permit Imprint, \$82 million over.

Year-to-date (YTD), Total Revenue is \$97 million or 0.5% over plan. Permit Revenue and Retail Postage Revenue are contributing to the majority of the Total Revenue overrun to plan, \$465 million. As compared to SPLY, Total Revenue has decreased 1.0% or \$181 million.

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

Current period, Total Expenses were \$94 million or 1.6% below plan. Both personnel and non-personnel costs were below plan. Total workhours were 1.8% above plan and 4.5% above SPLY (see page 14). The primary contributors of the \$42 million plan underrun in non-personnel costs were Supplies and Services, Information Technology and Rural Carrier Equipment Maintenance Allowance. Combined, they were \$82 million below plan.

YTD, Total Expenses are \$392 million or 2.3% below plan. Most of the YTD plan underrun lies in non-personnel expenses, \$309 million. Supplies and Services and Transportation, were under plan by \$198 million \$116 million, respectively. Transformation Plan initiatives, Supply Chain Management, more effective utilization of our transportation network, and other cost containment initiatives are continuing to drive most of our savings. Reduced workload due to lower than planned mail volume has also had an impact.

For monthly Financial and Operating Statements reporting, Emergency Preparedness Plan expenses are included in operating expenses.

#### Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter I, Fiscal Year (FY) 2004 was 164 million pieces below SPLY or 0.3%. Standard Mail, Package Services and International Mail were above SPLY, while First-Class Mail, Priority Mail, Express Mail, and Periodicals were below their Quarter I, FY 2003 levels.

The Total Mail Revenue for Quarter I, FY 2004 YTD was 1.0% under that reported during the same period last year (SPLY). For Quarter I YTD, the most significant mail volume decrease under SPLY is in the First-Class Mail category, 184 million pieces. Mail Revenue for First-Class Mail for Quarter I YTD is \$116 million under SPLY.

## December 2003, FY 2004

### Analysis of the Financial and Operating Statements (Continued)

#### Capital Commitments - Pages 1 and 13

The Fiscal Year 2004 Capital Commitments YTD through December 31, 2003 are \$214 million compared to a plan of \$372 million. This represents an underrun of about \$158 million or 42.5%.

The Cash Outlays YTD are \$416 million versus a plan of \$448 million, representing a \$32 million overrun to plan.

#### Workhours - Pages 1, 14 and 15

Total workhours for December were 2.3 million hours or 1.8% above plan and 5.9 million hours or 4.5% below December, 2002. Workhour usage was more than same period last year in City Delivery by 2.9 million hours. Both Rural Delivery and Customer Services workhours were above SPLY by 1.4 million each.

Total workhours for December YTD are 10.2 million hours or 2.7% below SPLY. This reduction in workhours reflects the continuation of cost containment activities through the installation of more efficient mail processing equipment and other productivity enhancements, as well as capturing workhours as a result of decreasing workload. To date, Mail Processing workhours have been reduced 5.5 million hours below same period last year. Other Workhours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours also played a major role by using 2.9 million workhours less than SPLY. Additionally, City Delivery realized a reduction to SPLY of 1.6 million hours.