



CFO UPDATE

**Mailers' Technical Advisory
Committee Meeting**

August 6, 2008



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

Agenda



- ❑ **Financial Results**
- ❑ **Volume Trends**
- ❑ **Summary**

Financial Results



Preliminary Income Statement

Qtr III, FY 2008



	<u>Actual</u>	<u>SPLY</u>	<u>Var</u>	<u>%SPLY</u>
Volume	48,537	51,387	2,850	-5.5%
Revenue	\$17,920	\$18,385	-\$465	-2.5%
Expense	<u>19,018</u>	<u>18,838</u>	180	1.0%
Net Loss	-\$1,098	-\$453	-\$645	

(Data in Millions)

Numbers may not add due to rounding.

Preliminary Income Statement

Qtr III YTD, FY 2008



	<u>Actual</u>	<u>SPLY</u>	<u>Var</u>	<u>%SPLY</u>
Volume	155,232	161,518	-6,286	-3.9%
Revenue	\$57,220	\$56,413	\$807	1.4%
Operating Expense	<u>58,353</u>	<u>58,118</u>	<u>235</u>	0.4%
Operating Loss	-\$1,133	-\$1,705	\$572	
Prior-Year Escrow	\$0	-\$2,958	\$2,958	
Net Loss	-\$1,133	-\$4,663	\$3,530	

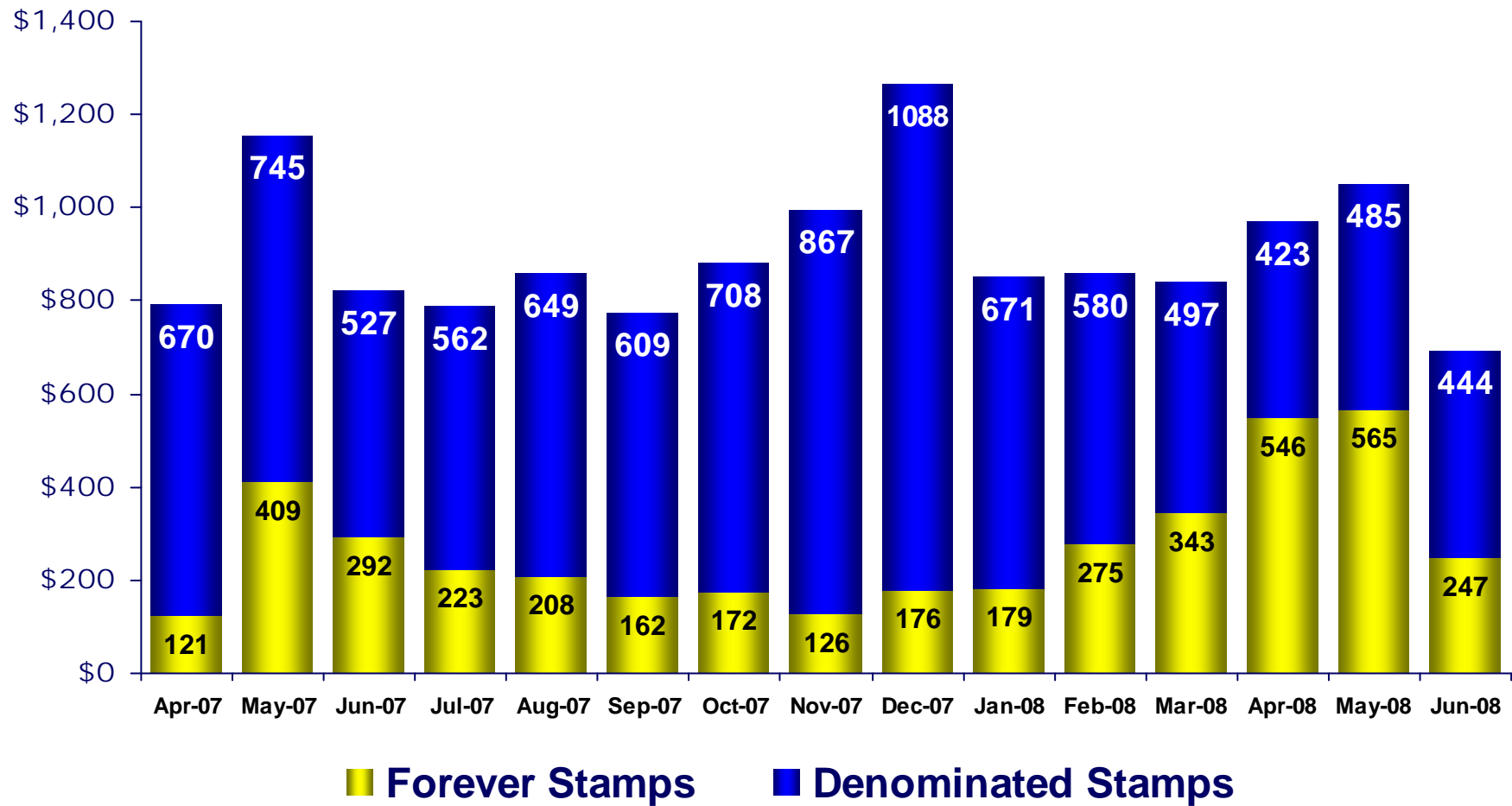
(Data in Millions)

Numbers may not add due to rounding.

Total Stamp Sales



\$ Millions



USPS Perspective



External Environment

- ❑ **Accelerated deterioration in the housing and financial industries**
- ❑ **Government stimulus package had some positive impacts early in the quarter, but evaporated by June 2008**
- ❑ **Economic forecasts continued to decline as the slowdown spread to many other sectors of the economy**
- ❑ **Inflation, driven by fuel prices, increased dramatically**

USPS Perspective



How are we responding?

- Reducing costs beyond the \$1 billion annual target
- Anticipating cost reductions of \$2.0 - \$2.5 billion for fiscal year 2008
- Growing the shipping business and international services
- Improving Service

USPS Perspective



Improving Service

- Record setting service performance in the 3rd quarter
 - Overnight: From 96% SPLY to 97% on time
 - Two Day: From 93% SPLY to 95% on time
 - Three Day: From 91% SPLY to 94% on time

USPS Perspective



4th Quarter Expectations

- No recovery expected
- Accelerate focus on cost reductions – 80% of cost is labor related
- Significant loss for the year is anticipated

Volume Trends



Preliminary Qtr III 2008 Volume



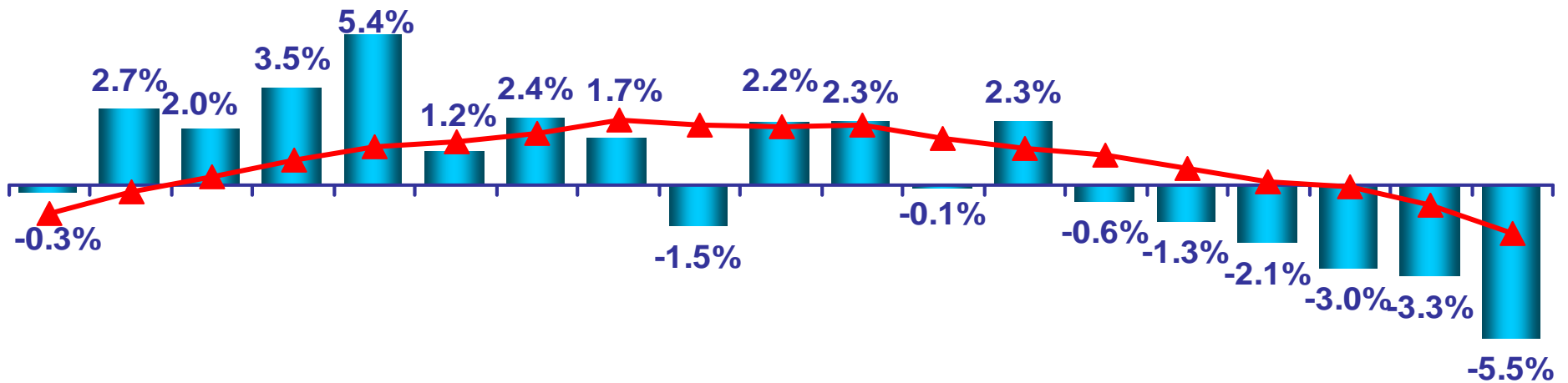
	<u>Volume</u>	<u>% SPLY</u>
First-Class	22.3B	-5.5%
Standard	23.2B	-5.5%
Periodicals	2.2B	-3.3%
Express	12M	-14.3%
Priority	202M	-5.9%
Package Svc	<u>252M</u>	-2.7%
Total All Mail	48.5B	-5.5%

Preliminary Qtr III YTD FY 2008 Volume



	<u>Volume</u>	<u>% SPLY</u>
First-Class	70.3B	-4.2%
Standard	75.4B	-3.7%
Periodicals	6.6B	-2.2%
Express	37M	-13.2%
Priority	661M	-5.0%
Package Svc	<u>850M</u>	-3.4%
Total All Mail	155.2B	-3.9%

Total Mail Volume



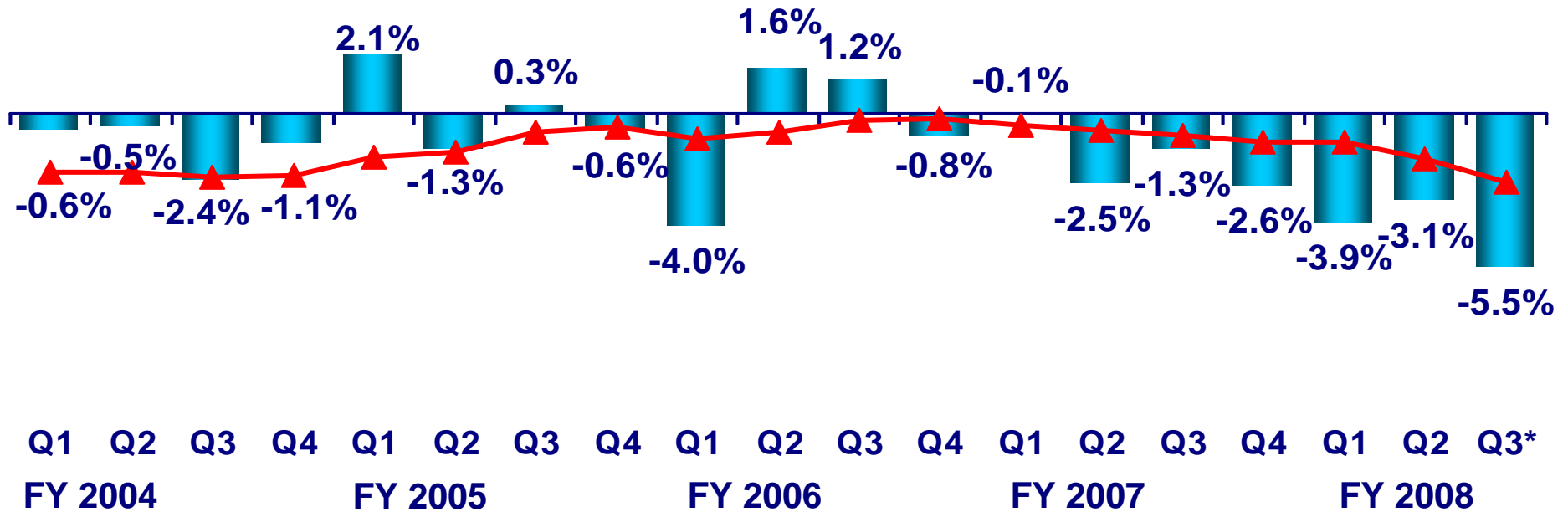
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3*

FY 2004 FY 2005 FY 2006 FY 2007 FY 2008

■ % SPLY ▲ 8 Quarter Moving Average Growth Rates

*Preliminary

First-Class Mail Volume

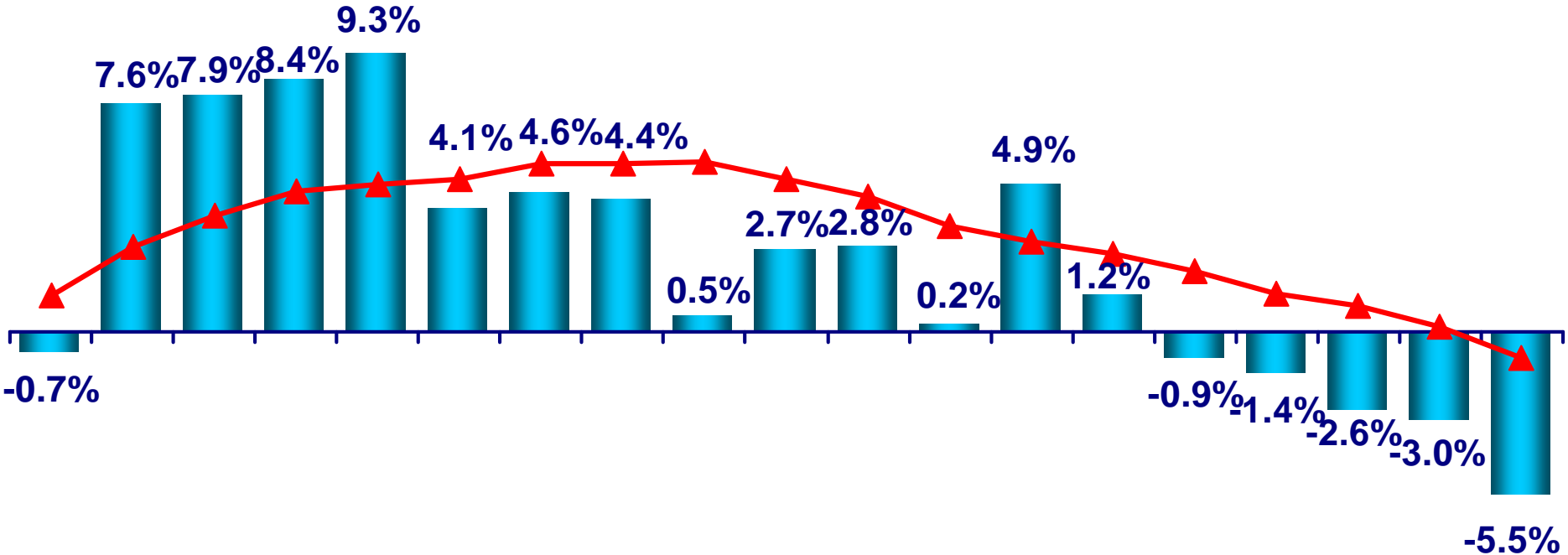


■ % SPLY

▲ 8 Quarter Moving Average Growth Rates

*Preliminary

Standard Mail Volume



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3*

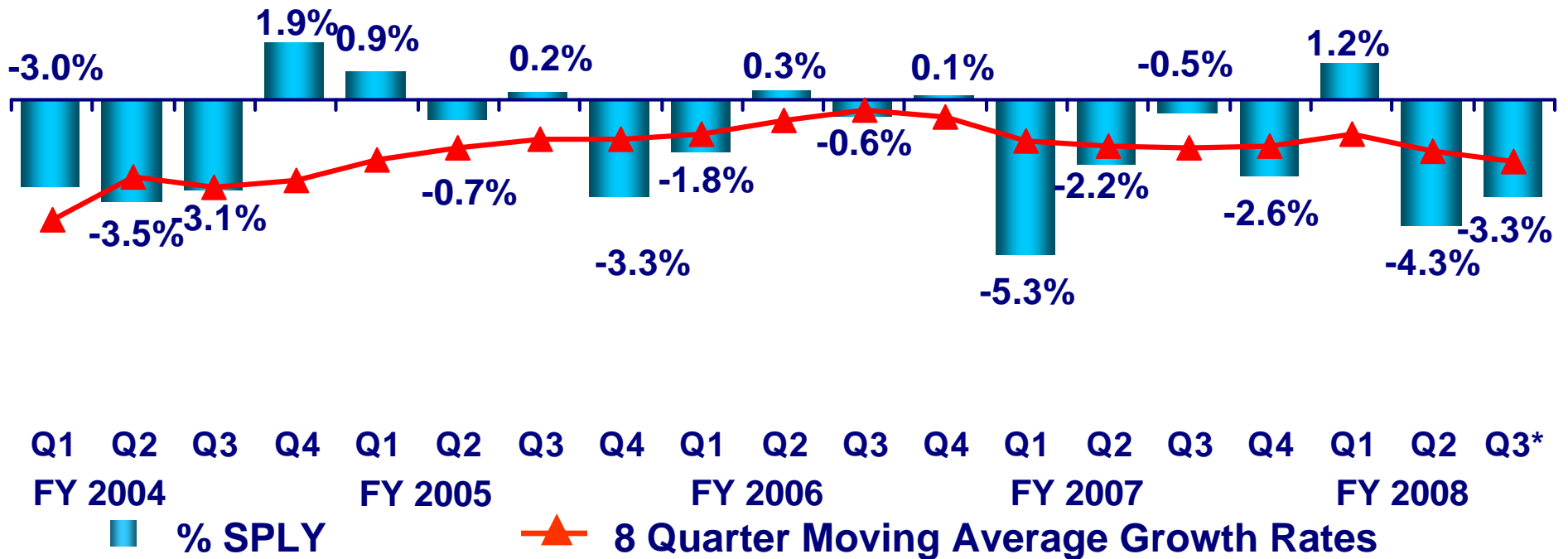
FY 2004 FY 2005 FY 2006 FY 2007 FY 2008

■ % SPLY

▲ 8 Quarter Moving Average Growth Rates

*Preliminary

Periodicals Volume

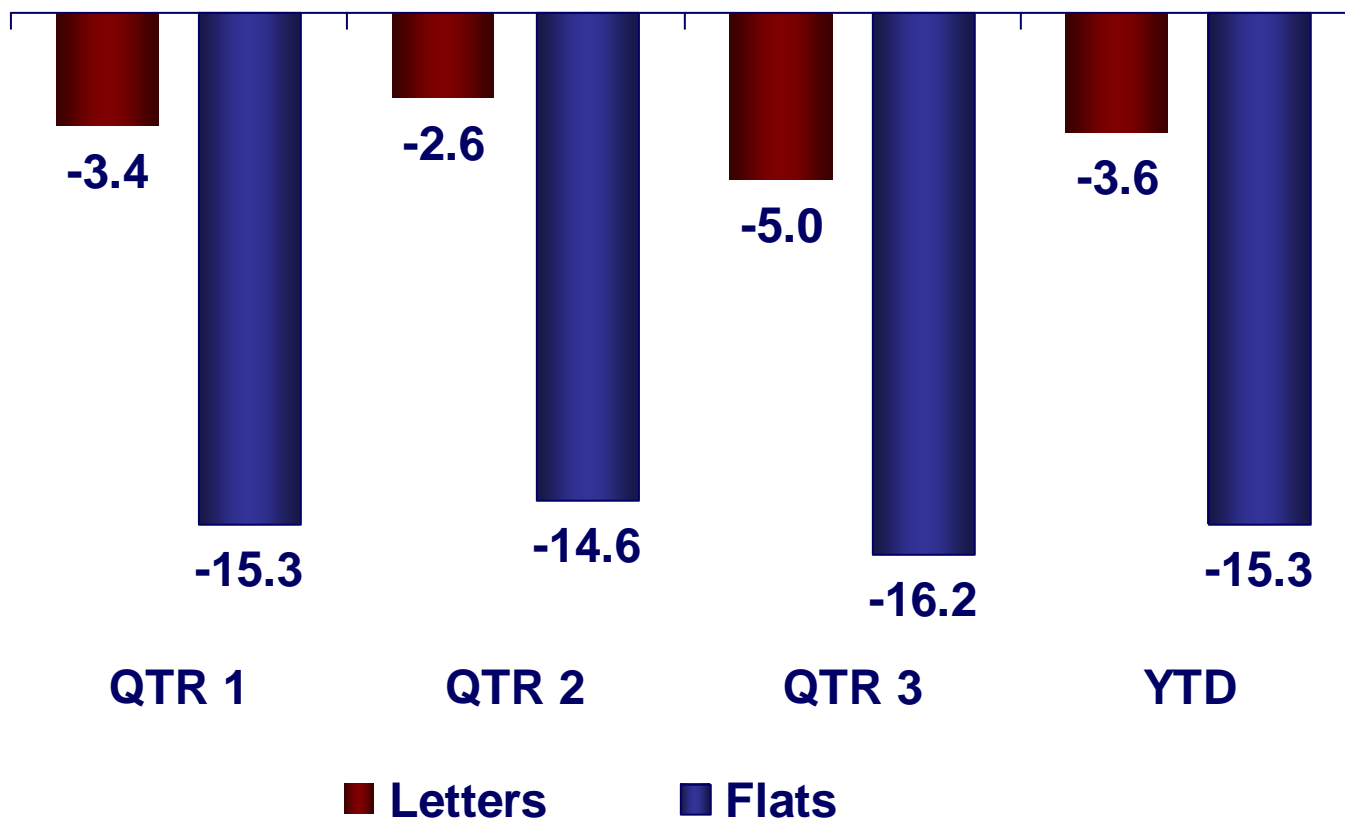


*Preliminary

First-Class Mail Volume Q3 YTD Shape



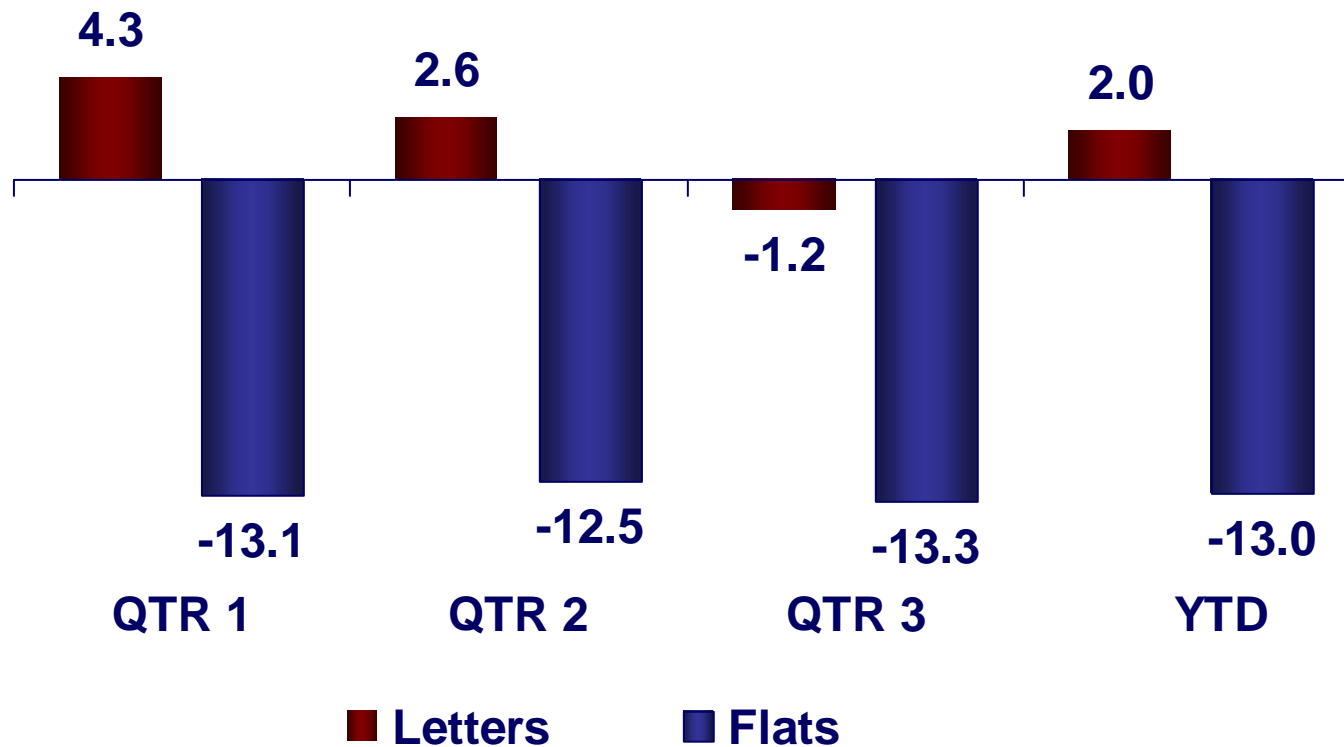
Growth from SPLY



Standard Mail Volume Q3 YTD Shape



Growth from SPLY



Summary



- Economic environment has been very poor for fiscal year 2008**
- High inflation driven by fuel increases**
- Anticipated record high COLAs in September 2008 and March 2009**



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