

# **Financial Update**

**Board of Governors'  
Open Session  
February 4, 2009**

**Anthony Morrow  
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# Financial Performance Quarter I Overview

- ❑ Volume decline of 5.2 billion pieces, or 9.3%, driven by the economic recession**
- ❑ Eighth consecutive quarter of accelerating volume declines**
- ❑ Revenue decline of \$1.3 billion compared to Q1, FY 2008**
- ❑ 27 million fewer workhours used – reduction of 7.5%**
- ❑ Some cost benefit from low inflation, but significant cost pressure from labor wage increases**



# Preliminary Income Statement Quarter I FY 2009

|                   | <u>Actual</u>  | <u>SPLY</u>   | <u>Var</u>      | <u>%SPLY</u> |
|-------------------|----------------|---------------|-----------------|--------------|
| Revenue           | \$19,101       | \$20,377      | -\$1,276        | -6.3%        |
| Expense           | <u>19,485</u>  | <u>19,705</u> | <u>-220</u>     | -1.1%        |
| <b>Net Income</b> | <b>-\$ 384</b> | <b>\$ 672</b> | <b>-\$1,056</b> |              |

(Data in Millions)

Numbers may not add due to rounding



# Preliminary Revenue Variance To SPLY Quarter I FY 2009

| (\$ in Millions)         | <u>Revenue</u>      | <u>SPLY<br/>Var</u> |
|--------------------------|---------------------|---------------------|
| <b>*Mailing Services</b> | <b>\$16,761</b>     | <b>-\$1,235</b>     |
| <b>Shipping Services</b> | <u><b>2,340</b></u> | <u><b>-42</b></u>   |
| <b>Total Revenue</b>     | <b>\$19,101</b>     | <b>-\$1,276</b>     |

\*Includes Interest & Investment Income

Numbers may not add due to rounding



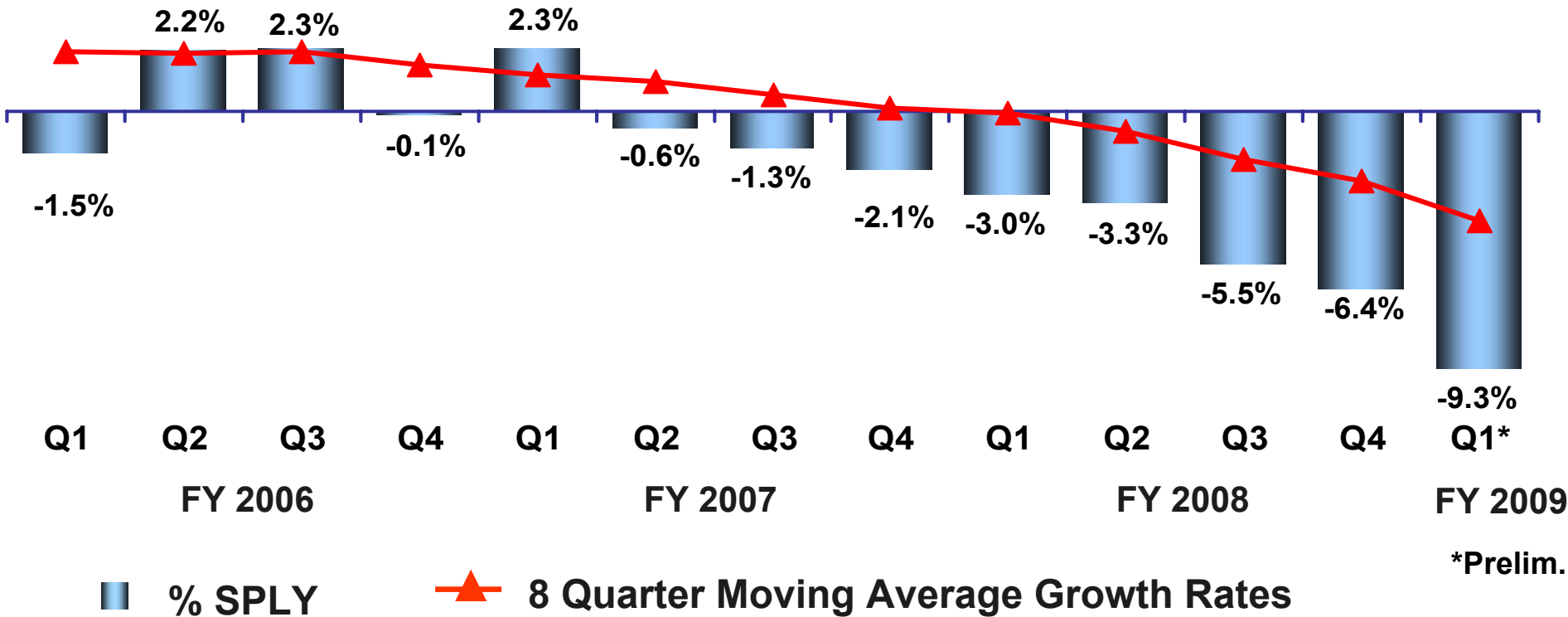
## Preliminary Quarter I FY 2009 Volumes

| <u>Category</u>       | <u>Volume</u> | <u>SPLY</u><br><u>Var</u> | <u>% SPLY</u> |
|-----------------------|---------------|---------------------------|---------------|
| First-Class           | 22.7B         | -1.8B                     | -7.2%         |
| Standard              | 24.6B         | -3.0B                     | -11.0%        |
| Periodicals           | 2.1B          | -0.1B                     | -3.5%         |
| Package Services      | 0.2B          | -0.0B                     | -8.4%         |
| Mailing Services      | 49.8B         | -5.1B                     | -9.3%         |
| Shipping Services     | 0.4B          | -0.0B                     | -10.5%        |
| <b>Total All Mail</b> | <b>50.2B</b>  | <b>-5.2B</b>              | <b>-9.3%</b>  |

(Data in Billions)



# Total Mail Volume





# Preliminary Expense Variance to SPLY Quarter I FY 2009

| <b>(\$ in Millions)</b>        | <b><u>Var</u></b>  |
|--------------------------------|--------------------|
| <b>*Total Personnel Comp.</b>  | <b>-\$12M</b>      |
| <b>Transportation</b>          | <b>-92M</b>        |
| <b>Supplies &amp; Services</b> | <b>-82M</b>        |
| <b>All Other</b>               | <b><u>-34M</u></b> |
| <b>Total Expense</b>           | <b>-\$220M</b>     |

\*Includes Retiree Health Benefits



## Quarter I FY 2009 Workhours



| <b><u>Category</u></b>   | <b><u>Actual</u></b> | <b><u>SPLY Var</u></b> | <b><u>% SPLY</u></b> |
|--------------------------|----------------------|------------------------|----------------------|
| <b>City Delivery</b>     | <b>110.8M</b>        | <b>-6.0M</b>           | <b>-5.2%</b>         |
| <b>Mail Processing</b>   | <b>70.9M</b>         | <b>-10.8M</b>          | <b>-13.2%</b>        |
| <b>Customer Services</b> | <b>48.1M</b>         | <b>-6.1M</b>           | <b>-11.3%</b>        |
| <b>Rural Delivery</b>    | <b>45.6M</b>         | <b>-1.5M</b>           | <b>-3.1%</b>         |
| <b>All Other</b>         | <b><u>56.4M</u></b>  | <b><u>-2.3M</u></b>    | <b><u>-3.9%</u></b>  |
| <b>Total Workhours</b>   | <b>331.8M</b>        | <b>-26.7M</b>          | <b>-7.5%</b>         |

(Data in Millions)

Numbers may not add due to rounding



# Preliminary Total Factor Productivity Quarter I FY 2009

|                                  |  | <u>Actual</u> |
|----------------------------------|--|---------------|
| <b>Workload</b>                  |   | <b>-6.6%</b>  |
| <b>Resource Usage</b>            |   | <b>-6.3%</b>  |
| <b>Total Factor Productivity</b> |  | <b>-0.3%</b>  |



# Price Impact of Resources Used\*

## Preliminary Quarter I

|                           | <b>% SPLY<br/><u>Var</u></b> |
|---------------------------|------------------------------|
| <b>Labor</b>              | <b>+6.8%</b>                 |
| <b>Materials</b>          | <b>+1.1%</b>                 |
| <b>Capital</b>            | <b>+3.8%</b>                 |
| <b>Total Price Impact</b> | <b>+5.6%</b>                 |

\*Does not impact TFP calculation, but does impact the Financial Statements

# Financial Outlook

- ❑ **No economic recovery expected this year**
- ❑ **Projected volume decline of 12 to 15 billion pieces this year**
- ❑ **Continued emphasis on reducing costs; \$5.9 billion in cost reductions deployed over FY 2009 - 2010**

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