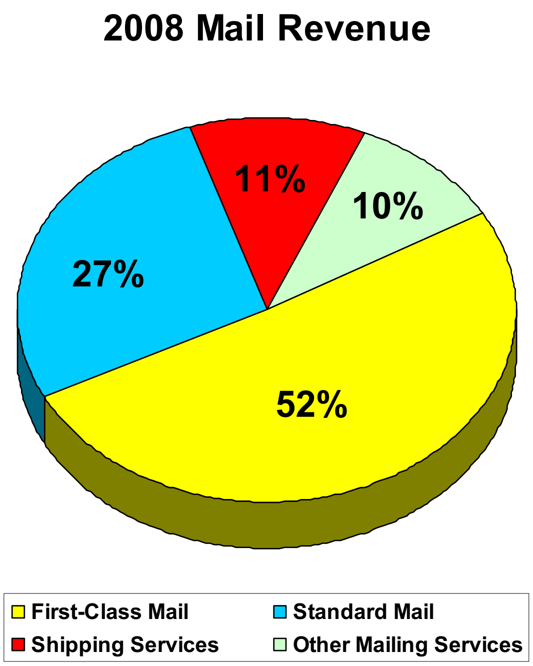
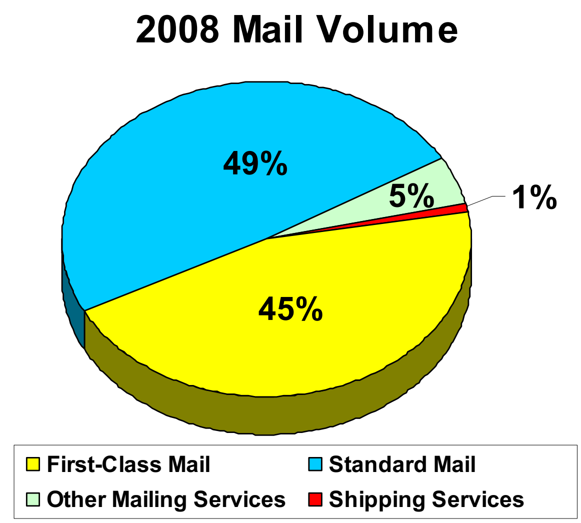


Operating Revenue	2008	2007	2006
(Dollars in millions)			
First-Class Mail	$ 38,179	$ 38,405	$ 37,605
Standard Mail	20,586	20,779	19,876
Periodicals	2,295	2,188	2,215
Package Services	1,845	1,812	1,751
Other Mailing Services*	3,645	3,720	3,715
Total Mailing Services	**66,550**	**66,904**	**65,162**
Total Shipping Services	**8,382**	**7,874**	**7,488**
Total Operating Revenue	**$ 74,932**	**$ 74,778**	**$ 72,650**

** Special services revenue and other income included in "Other" category.*

The current recession has had an adverse effect on advertising mail, particularly with regard to credit card, mortgage, and home equity solicitations. While the trouble in the financial services sector is routinely making headlines, we have also experienced noteworthy declines from mail order catalogue retailers, printing and publishing businesses, and the services sector.



Mailing Services

While Standard Mail volume exceeds First-Class Mail volume, First-Class Mail remains, by far, the largest revenue generator, as illustrated by the two previous revenue charts.

Mail Volume By Type	2008	2007	2006
(Pieces in millions)			
First-Class Mail	91,697	96,297	98,016
Standard Mail	99,084	103,516	102,460
Periodicals	8,605	8,796	9,023
Package Services	846	914	919
Other Mailing Services*	896	1,081	1,084
Total Mailing Services	**201,128**	**210,604**	**211,502**
Total Shipping Services	**1,575**	**1,630**	**1,636**
Total Mail Volume by Type	**202,703**	**212,234**	**213,138**

** Free mail for the blind included in the "Other" category.*

The First-Class Mail category now includes First-Class Mail International. First-Class Mail revenue decreased $226 million, or 0.6%, while volume decreased by 4.6 billion pieces, or 4.8%, in 2008. The revenue decrease occurred in spite of two price increases. Only non-automation presort and First-Class International letters experienced increases in volume. The most significant decline was in single-piece First-Class letters, with a decrease of over 3 billion pieces of mail. The long-term continued decline in single-piece volume reflects the impact of electronic diversion as businesses, nonprofit organizations, governments, and households continue to move their correspondence and transactions to electronic alternatives, such as Internet bill payment, automatic deduction, and direct deposit. The rate of decline accelerated significantly in 2008 as the economy weakened. Presorted First-Class Mail also decreased. This is a reflection of the general curtailment of advertising spending. This curtailment of advertising has significantly impacted both First-Class Mail and Standard Mail.

In 2007, First-Class Mail revenue increased $800 million, or 2.1%, as volume decreased by 1.7 billion pieces, or 1.8%. First-Class Mail represented 51% of total operating revenues and 45% of total volume in 2007.

First-Class Mail Changes from Prior Year

2008 (Dollars & Pieces in Millions)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenue Change	$ 193	$ 264	$ (180)	$ (503)	$ (226)
Percentage	1.9%	2.8%	-1.9%	-5.4%	-0.6%
Volume Change	(993)	(760)	(1,282)	(1,565)	(4,600)
Percentage	-3.9%	-3.1%	-5.4%	-6.9%	-4.8%

Standard Mail Changes from Prior Year

2008 (Dollars & Pieces in Millions)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenue Change	$ 201	$ 101	$ (161)	$ (334)	$ (193)
Percentage	3.6%	2.0%	-3.2%	-6.3%	-0.9%
Volume Change	(776)	(760)	(1,368)	(1,528)	(4,432)
Percentage	-2.7%	-3.0%	-5.6%	-6.1%	-4.3%

Standard Mail revenue decreased almost $200 million, or 0.9%, in 2008, while volume decreased 4.4 billion pieces or 4.3%. Standard Mail items are primarily advertising materials and are particularly sensitive to economic contractions. The drop in Standard Mail volume is a direct reflection of the poor state of the economy, as we experienced accelerated declines in volume as the year progressed. The decline of 1.5 billion pieces in Quarter IV was only topped in severity by the 2.2 billion-piece decline in Standard Mail in Quarter I of 2002 following the anthrax attacks and the terrorism of September 11, 2001. The decline is primarily due to the curtailment of advertising, which is expected to continue through 2009, before rebounding beginning in 2010.

In 2007, Standard Mail revenue increased $903 million, or 4.5%, compared with 2006 on 1.0% volume growth. The first quarter was favorably impacted by the carryover effect of the January 2006 price increase. A portion of the third quarter and all of the fourth quarter benefited from the May 2007 rate increase. Standard Mail represented 28% of total operating revenues and 49% of total volume in 2007.

Periodicals volume decreased 191 million pieces, or 2.2%, in 2008. Price increases resulted in a revenue increase of $107 million, or 4.9%. Total periodicals volume has fallen by 16.6% over the last ten years. This long-term, steady decline is the result of the ongoing trend in reading preferences rather than the current economic downturn.

Periodicals volume decreased 227 million pieces, or 2.5% in 2007, driven by the same long-term trend noted above. This resulted in a revenue decrease of $27 million, or 1.2%, in spite of the price increase.

Package Services under the new law now includes single-piece Parcel Post, International Inbound Surface Parcel Post, Bound Printed Matter, Media Mail, and Library Mail. Parcel Select and Parcel Return Service are now part of the Shipping Services group. Price increases resulted in a revenue increase of $33 million, or 1.8%, compared to 2007. Package Services volume decreased 68 million pieces, or 7.4%, in 2008. Revenue increased despite volume decreases, due to the May 2007 and May 2008 price increases.

In 2007, Package Services revenues of $1,812 million increased $61 million or 3.5% on a volume decline of 5 million pieces or 0.5%.

Shipping Services

Under the new law, Shipping Services includes Priority Mail, Express Mail, destination entry Parcel Post, Parcel Select Return Service and International Mail, excluding single-piece First-Class International Mail. Collectively these products earned $8,382 million in revenue, a $508 million increase, or 6.5%, while volume declined 55 million pieces, or 3.4%. The pricing structure of this service group does not have the CPI price cap restrictions of Mailing Services as outlined in P.L. 109-435.

Shipping Services revenue in 2007 of $7,874 million was $386 million, or 5.2% greater than 2006 revenues of $7,488 million, despite a volume decline of 6 million pieces, or 0.4%.