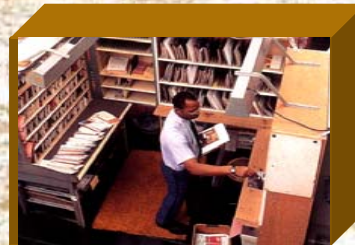




***UNITED STATES  
POSTAL SERVICE***

# **FINANCIAL & OPERATING STATEMENTS**

**September, FY 2004  
September 1 – September 30, 2004**



**Prepared by: Financial Reporting and Analysis**

**HIGHLIGHTS**  
September - FY 2004  
(Millions)

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 5,844.8	\$ 5,665.0	\$ 179.8	3.2	\$ 5,757.0	1.5
<u>5,849.3</u>	<u>5,711.6</u>	[ 137.7 ]	[ 2.4 ]	<u>5,949.4</u>	-1.7
\$ (- 4.5)	\$ (- 46.6)	\$ 42.1	-	\$ ( 192.4)	-
\$ 715.2	\$ 675.2	\$ 40.0	5.9	\$ 630.6	13.4
120.0	120.3	- 0.3	- 0.2	117.6	2.0

Year-to-Date (October 1, 2003 - September 30, 2004)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 69,028.6	\$ 68,906.5	\$ 122.1	0.2	\$ 68,763.8	0.4
<u>65,964.0</u>	<u>66,796.5</u>	<u>- 832.5</u>	- 1.2	<u>64,895.4</u>	1.6
\$ 3,064.6	\$ 2,110.0	\$ 954.6	-	\$ 3,868.4	-
\$ 2,122.2	\$ 3,156.9	[\$- 1,034.7 ]	[ - 32.8 ]	\$ 2,282.0	- 7.0
1,452.3	1,455.5	- 3.2	- 0.2	1,473.8	- 1.5

[ ] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,505	27,513	27,556
Postal Owned Vehicles In Use			
Administrative	5,793	5,805	5,570
Operations	206,345	206,486	203,509
Total Deliveries (000)	142,320	142,830	141,361
City Delivery Routes	164,412	164,452	164,652
Rural Routes	70,801	70,711	69,655
Career Employees (Excludes Inspector General)	706,703	707,023	728,312
Casual Employees	20,529	19,889	17,373
Transitional Employees	9,884	9,688	11,025

STATEMENT OF INCOME & EXPENSE  
September - FY 2004  
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 5,842.0	\$ 5,662.8	\$ 179.2	3.2	\$ 5,752.6	1.6	Operating Revenue	\$ 68,996.0	\$ 68,879.8	\$ 116.2	0.2	\$ 68,529.2	0.7
<u>5,831.8</u>	<u>5,688.4</u>	[ <u>143.4</u> ]	[ 2.5 ]	<u>5,937.8</u>	-1.8	Operating Expense	<u>65,851.0</u>	<u>66,595.7</u>	<u>-744.7</u>	-1.1	<u>63,901.8</u>	3.1
\$ 10.2	\$ ( 25.6 )	\$ 35.8	-	\$ ( 185.2 )	-	Income/(Loss) From Operations	\$ 3,145.0	\$ 2,284.1	\$ 860.9	-	\$ 4,627.4	-
2.8	2.2	0.6	27.3	4.4	-36.4	Investment Income	32.6	26.7	5.9	22.1	57.8	-43.6
0.3	3.5	-3.2	-91.4	-11.5	-102.6	Interest Expense	10.0	22.9	-12.9	-56.3	694.3	-98.6
17.2	19.7	-2.5	-12.7	23.1	-25.5	Interest on Deferred Retirement Obligations	103.0	177.9	-74.9	-42.1	115.5	-10.8
-	-	-	-	-	-	Emergency Preparedness Appropriations**	-	-	-	-	176.8	NM
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Emergency Preparedness Expenses**	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183.8</u>	NM
\$ (- 4.5)	\$ (- 46.6)	\$ 42.1	-	\$ (- 192.4)	-	Net Income/(Loss)	\$ 3,064.6	\$ 2,110.0	\$ 954.6	-	\$ 3,868.4	-

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

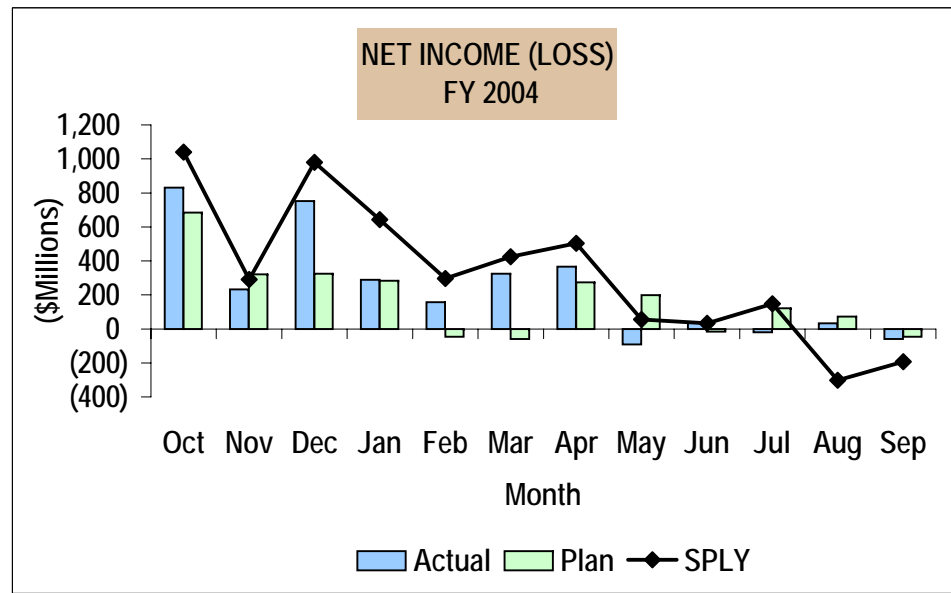
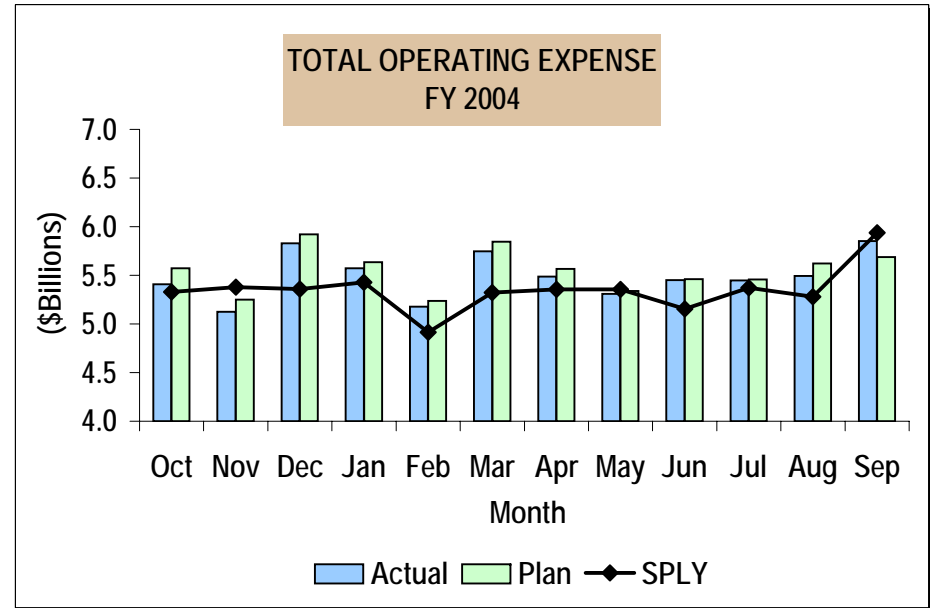
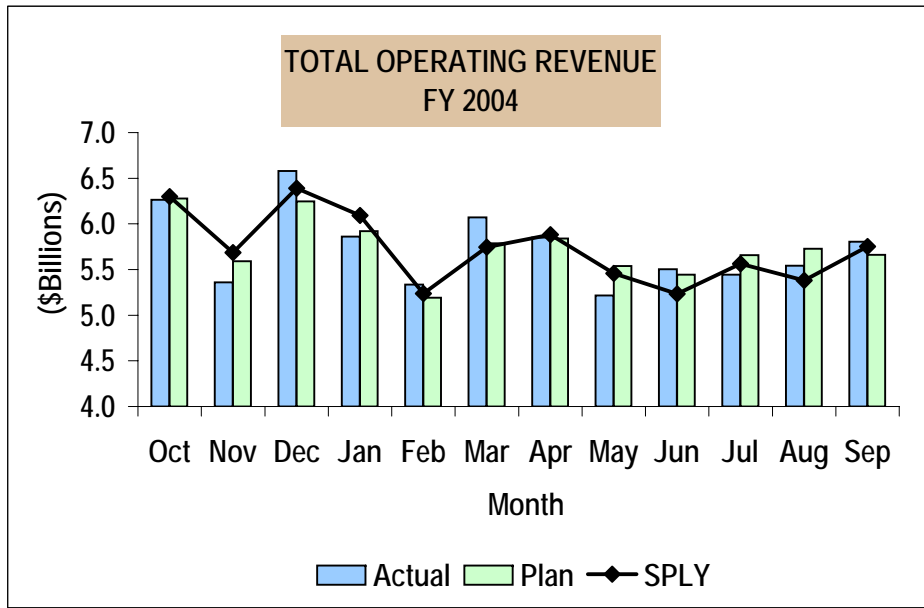
\*\*Beginning in 2004, we are recognizing these funds as operating revenue to the extent that they offset operating expenses. Appropriations utilized to purchase capital equipment will be offset against depreciation expense over the life of the equipment.

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

MAIL VOLUME - MAIL REVENUE (Data in Thousands)						
CATEGORY	CURRENT PERIOD			YEAR END		
	Quarter 4 2004	Quarter 4 2003	% SPLY	September 30, 2004	September 30, 2003	% SPLY
<b>FIRST-CLASS</b>						
VOLUME	23,493,833	23,750,463	- 1.1	97,926,396	99,058,692	- 1.1
REVENUE	\$ 8,680,962	\$ 8,881,872	- 2.3	\$ 36,376,845	\$ 37,048,320	- 1.8
REV/PC.	\$ 0.3695	\$ 0.3740	- 1.2	\$ 0.3715	\$ 0.3740	- 0.7
<b>PRIORITY MAIL</b>						
VOLUME	199,170	192,971	3.2	848,633	859,587	- 1.3
REVENUE	\$ 1,022,842	\$ 992,970	3.0	\$ 4,421,431	\$ 4,494,294	- 1.6
REV/PC.	\$ 5.1355	\$ 5.1457	- 0.2	\$ 5.2101	\$ 5.2284	- 0.4
<b>EXPRESS MAIL</b>						
VOLUME	13,267	13,662	- 2.9	54,123	55,831	- 3.1
REVENUE	\$ 207,277	\$ 214,805	- 3.5	\$ 852,842	\$ 888,073	- 4.0
REV/PC.	\$ 15.6235	\$ 15.7228	- 0.6	\$ 15.7575	\$ 15.9064	- 0.9
<b>PERIODICALS</b>						
VOLUME	2,228,634	2,186,835	1.9	9,135,272	9,319,905	- 2.0
REVENUE	\$ 538,191	\$ 525,604	2.4	\$ 2,191,758	\$ 2,234,823	- 1.9
REV/PC.	\$ 0.2415	\$ 0.2403	0.5	\$ 0.2399	\$ 0.2398	0.1
<b>STANDARD MAIL</b>						
VOLUME	24,460,625	22,569,994	8.4	95,563,521	90,492,235	5.6
REVENUE	\$ 4,624,609	\$ 4,297,580	7.6	\$ 18,122,525	\$ 17,231,322	5.2
REV/PC.	\$ 0.1891	\$ 0.1904	- 0.7	\$ 0.1896	\$ 0.1904	- 0.4
<b>PACKAGE SERVICES</b>						
VOLUME	287,568	281,073	2.3	1,131,928	1,128,516	0.3
REVENUE	\$ 520,869	\$ 513,648	1.4	\$ 2,206,874	\$ 2,215,679	- 0.4
REV/PC.	\$ 1.8113	\$ 1.8275	- 0.9	\$ 1.9497	\$ 1.9634	- 0.7
<b>INTERNATIONAL</b>						
VOLUME	192,371	200,514	- 4.1	843,814	805,192	4.8
REVENUE	\$ 399,566	\$ 379,348	5.3	\$ 1,695,756	\$ 1,586,928	6.9
REV/PC.	\$ 2.0771	\$ 1.8919	9.8	\$ 2.0096	\$ 1.9709	2.0
<b>ALL OTHER</b>						
VOLUME	162,978	112,110	45.4	601,913	464,706	29.5
REVENUE	\$ 163	\$ 117	39.3	\$ 700	\$ 1,288	- 45.7
<b>ALL MAIL</b>						
VOLUME	51,038,446	49,307,622	3.5	206,105,600	202,184,664	1.9
REVENUE	\$ 15,994,479	\$ 15,805,944	1.2	\$ 65,868,732	\$ 65,700,727	0.3
REV/PC.	\$ 0.3134	\$ 0.3206	- 2.2	\$ 0.3196	\$ 0.3250	- 1.7

NOTE: Totals may not sum due to rounding.

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.

**REVENUE BY SOURCE**  
**September - FY 2004**  
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			<b>Operating Revenue:</b>			
\$ 1,972.0	\$ 1,993.4	- 1.1	Metered Postage	\$ 25,046.2	\$ 25,294.1	- 1.0
862.4	937.0	- 8.0	Stamps and Stamped Paper	11,350.9	11,687.3	- 2.9
1,586.5	1,472.1	7.8	Permit Imprint	16,975.4	16,234.6	4.6
197.3	180.2	9.5	Periodicals & Standard	2,172.0	2,214.3	- 1.9
59.0	60.6	- 2.6	Official Mail	844.6	893.8	- 5.5
805.2	735.9	9.4	Presort First-Class & Package Svc./Permit Imprint	9,535.4	9,357.7	1.9
58.3	58.2	0.2	Box Rents	779.9	788.1	- 1.0
68.5	59.3	15.5	Money Order Fees	230.7	230.7	0.0
<u>228.5</u>	<u>76.8</u>	197.5	Other	<u>1,932.9</u>	<u>1,797.9</u>	7.5
<b>\$ 5,837.7</b>	<b>\$ 5,573.5</b>	<b>4.7</b>	<b>Subtotal</b>	<b>\$ 68,868.0</b>	<b>\$ 68,498.5</b>	<b>0.5</b>
<u>4.3</u>	<u>179.1</u>	- 97.6	Government Appropriation	<u>128.0</u>	<u>30.7</u>	316.9
<b>\$ 5,842.0</b>	<b>\$ 5,752.6</b>	<b>1.6</b>	<b>Total Operating Revenue</b>	<b>\$ 68,996.0</b>	<b>\$ 68,529.2</b>	<b>0.7</b>
2.8	4.4	- 36.4	Investment Income	32.6	57.8	- 43.6
<u>0.0</u>	<u>0.0</u>	NM	Emergency Preparedness Appropriations**	<u>0.0</u>	<u>176.8</u>	NM
<b>\$ 5,844.8</b>	<b>\$ 5,757.0</b>	<b>1.5</b>	<b>Total Revenue</b>	<b>\$ 69,028.6</b>	<b>\$ 68,763.8</b>	<b>0.4</b>

Note: Totals may not sum due to rounding.

\*\*Beginning in 2004, we are recognizing these funds as operating revenue to the extent that they offset operating expenses. Appropriations utilized to purchase capital equipment will be offset against depreciation expense over the life of the equipment.

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

**REVENUE BY CATEGORY**  
September - FY 2004  
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			<b>Commercial Revenue</b>			
\$ 2,632.3	\$ 2,400.7	9.6	Permit Revenue	\$ 29,320.5	\$ 28,326.4	3.5
<u>1,724.7</u>	<u>1,877.9</u>	[ - 8.2]	Other Commercial Accounts Revenue	<u>21,768.3</u>	<u>22,878.3</u>	[ - 4.9]
<b>\$ 4,357.0</b>	<b>\$ 4,278.6</b>	<b>1.8</b>	<b>Total Commercial Revenue</b>	<b>\$ 51,088.8</b>	<b>\$ 51,204.7</b>	<b>[ - 0.2]</b>
			<b>Retail Revenue</b>			
1,030.5	1,082.8	[ - 4.8]	Retail Postage Revenue	13,894.9	14,048.9	[ - 1.1]
136.5	110.2	23.9	Retail Services Revenue	1,146.4	1,097.4	4.5
13.9	20.1	[ - 30.8]	Retail Products Revenue	172.3	147.6	16.7
<u>170.4</u>	<u>134.6</u>	26.6	Other Retail Channels Revenue	<u>2,007.4</u>	<u>1,897.0</u>	5.8
<b>\$ 1,351.3</b>	<b>\$ 1,347.7</b>	<b>0.3</b>	<b>Total Retail Revenue</b>	<b>\$ 17,221.0</b>	<b>\$ 17,190.9</b>	<b>0.2</b>
<b>\$ 5,708.3</b>	<b>\$ 5,626.3</b>	<b>1.5</b>	<b>Total Commercial &amp; Retail Revenue</b>	<b>\$ 68,309.8</b>	<b>\$ 68,395.6</b>	<b>[ - 0.1]</b>
129.4	33.5	NM	Other Income	558.2	447.7	24.7
<u>4.3</u>	<u>3.0</u>	43.3	Government Appropriation	<u>128.0</u>	<u>36.5</u>	NM
<b>\$ 5,842.0</b>	<b>\$ 5,662.8</b>	<b>3.2</b>	<b>Total Operating Revenue</b>	<b>\$ 68,996.0</b>	<b>\$ 68,879.8</b>	<b>0.2</b>
<u>2.8</u>	<u>2.2</u>	27.3	Investment Income	<u>32.6</u>	<u>26.7</u>	22.1
<b>\$ 5,844.8</b>	<b>\$ 5,665.0</b>	<b>3.2</b>	<b>Total Revenue</b>	<b>\$ 69,028.6</b>	<b>\$ 68,906.5</b>	<b>0.2</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.

**EXPENSE ANALYSIS**  
**September - FY 2004**  
**(\$ Millions)**

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 4,381.0	\$ 4,365.9	[\$ 15.1]	[ 0.3]	\$ 4,218.4	3.9	Personnel Compensation	\$ 52,134.0	\$ 52,446.8	\$ - 312.8	- 0.6	\$ 50,427.6	3.4
						Non-Personnel Expense:						
444.6	446.2	- 1.6	- 0.4	583.7	- 23.8	Transportation	4,968.9	5,121.2	- 152.3	- 3.0	4,989.1	- 0.4
374.6	310.1	[ 64.5]	[ 20.8]	308.0	21.6	Supplies & Services	2,420.3	2,553.1	- 132.8	- 5.2	2,389.3	1.3
<u>631.6</u>	<u>566.2</u>	<u>[ 65.4]</u>	<u>[ 11.5]</u>	<u>653.7</u>	- 3.4	Other	<u>6,327.8</u>	<u>6,474.6</u>	<u>- 146.8</u>	- 2.3	<u>6,095.8</u>	3.8
<b>\$ 1,450.8</b>	<b>\$ 1,322.5</b>	<b>[\$ 128.3]</b>	<b>[ 9.7]</b>	<b>\$ 1,719.4</b>	<b>- 15.6</b>	<b>Subtotal</b>	<b>\$ 13,717.0</b>	<b>\$ 14,148.9</b>	<b>\$ - 431.9</b>	<b>- 3.1</b>	<b>\$ 13,474.2</b>	<b>1.8</b>
<b>\$ 5,831.8</b>	<b>\$ 5,688.4</b>	<b>[\$ 143.4]</b>	<b>[ 2.5]</b>	<b>\$ 5,937.8</b>	<b>- 1.8</b>	<b>Total Operating Expense</b>	<b>\$ 65,851.0</b>	<b>\$ 66,595.7</b>	<b>\$ - 744.7</b>	<b>- 1.1</b>	<b>\$ 63,901.8</b>	<b>3.1</b>
0.3	3.5	- 3.2	- 91.4	- 11.5	- 102.6	Interest Expense	10.0	22.9	- 12.9	- 56.3	694.3	- 98.6
17.2	19.7	- 2.5	- 12.7	23.1	- 25.5	Interest on Deferred Retirement Obligation	103.0	177.9	- 74.6	- 41.9	115.5	- 10.6
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	NM	<u>0.0</u>	NM	Emergency Preparedness Expenses*	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	NM	<u>183.8</u>	NM
<b>\$ 5,849.3</b>	<b>\$ 5,711.6</b>	<b>[\$ 137.7]</b>	<b>[ 2.4]</b>	<b>\$ 5,949.4</b>	<b>- 1.7</b>	<b>Total Expense</b>	<b>\$ 65,964.0</b>	<b>\$ 66,796.5</b>	<b>\$ - 832.5</b>	<b>- 1.2</b>	<b>\$ 64,895.4</b>	<b>1.6</b>

[ ]=Unfavorable variance to budget  
Note: Totals may not sum due to rounding.

\*\*Beginning in 2004, we are recognizing these funds as operating revenue to the extent that they offset operating expenses. Appropriations utilized to purchase capital equipment will be offset against depreciation expense over the life of the equipment.

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



**ANALYSIS OF OPERATING EXPENSES**  
**Personnel Compensation**  
**September - FY 2004**  
**(\$ Millions)**

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
						<u>Total Compensation</u>						
						Operations:						
33.1	31.9	[\$ 1.2]	[ 3.7]	\$ 54.0	- 38.8	-Support	384.5	381.3	[\$ 3.2]	[ 0.8]	\$ 382.7	0.5
928.3	936.7	- 8.4	- 0.9	1,626.7	- 42.9	-Mail Processing	11,246.7	11,377.2	- 130.4	- 1.1	11,758.8	- 4.4
400.1	403.7	- 3.6	- 0.9	659.3	- 39.3	-Rural Delivery	4,738.1	4,769.3	- 31.2	- 0.7	4,716.8	0.5
1,346.2	1,329.4	[ 16.8]	[ 1.3]	2,249.4	- 40.2	-City Delivery	16,037.3	15,923.7	[ 113.6]	[ 0.7]	16,248.6	- 1.3
96.3	94.6	[ 1.7]	[ 1.8]	161.5	- 40.4	-Vehicles Services	1,156.8	1,150.8	[ 6.1]	[ 0.5]	1,171.1	- 1.2
242.5	250.1	- 7.6	- 3.0	406.4	- 40.3	-Plant & Equip Maint	2,907.2	2,978.2	- 71.0	- 2.4	2,934.0	- 0.9
654.0	643.8	[ 10.1]	[ 1.6]	1,090.8	- 40.0	-Customer Services	7,805.4	7,807.9	- 2.5	- 0.0	7,887.6	- 1.0
17.0	18.5	- 1.5	- 8.4	33.1	- 48.7	Finance	200.5	230.4	- 29.8	- 12.9	245.9	- 18.5
30.9	30.1	[ 0.8]	[ 2.7]	50.6	- 38.9	Human Resources	359.6	360.8	- 1.2	- 0.3	356.2	0.9
47.9	49.5	- 1.6	- 3.2	78.8	- 39.2	Customer Service & Sales	560.0	578.3	- 18.3	- 3.2	555.9	0.7
207.2	203.0	[ 4.3]	[ 2.1]	207.3	- 0.1	Administration - Field	2,457.7	2,429.0	[ 28.7]	[ 1.2]	2,323.7	5.8
109.3	136.7	- 27.3	- 20.0	- 2,634.3	104.2	Other Salaries & Benefits	1,337.7	1,424.4	- 86.8	- 6.1	- 993.5	234.6
<b>\$ 4,112.8</b>	<b>\$ 4,128.0</b>	<b>\$ - 15.2</b>	<b>- 0.4</b>	<b>\$ 3,983.7</b>	<b>3.2</b>	<b>Total Salaries &amp; Benefits</b>	<b>\$ 49,191.5</b>	<b>\$ 49,411.2</b>	<b>\$ - 219.7</b>	<b>- 0.4</b>	<b>\$ 47,587.8</b>	<b>3.4</b>
108.2	100.6	[ 7.6]	[ 7.6]	114.8	- 5.7	Workers' Compensation	1,239.5	1,445.6	- 206.1	- 14.3	1,472.4	- 15.8
- 4.8	7.6	- 12.4	- 162.8	3.7	- 229.0	Unemployment Compensation	46.1	92.0	- 45.9	- 49.9	60.4	- 23.8
2.0	6.0	- 4.0	- 66.7	1.8	11.1	Deferred Retirement Cost	12.2	21.6	- 9.4	- 43.5	9.0	35.6
120.8	110.2	[ 10.6]	[ 9.6]	96.7	24.9	Annuitant Health Benefits	1,313.0	1,322.0	- 9.0	- 0.7	1,133.0	15.9
42.0	13.5	[ 28.5]	[ 210.8]	17.7	137.3	Other Compensation	331.7	154.4	[ 177.3]	[ 114.8]	164.9	101.1
<b>\$ 4,381.0</b>	<b>\$ 4,365.9</b>	<b>[\$ 15.1]</b>	<b>[ 0.3]</b>	<b>\$ 4,218.4</b>	<b>3.9</b>	<b>Total Personnel Compensation</b>	<b>\$ 52,134.0</b>	<b>\$ 52,446.8</b>	<b>\$ - 312.8</b>	<b>- 0.6</b>	<b>\$ 50,427.6</b>	<b>3.4</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 NON-PERSONNEL EXPENSES**  
**September - FY 2004**  
**(\$ Millions)**

Current Period						Year-to-Date						
Actual	Budget	Var. to		SPLY *	% SPLY	Description	Actual	Budget	Var. to		SPLY *	% SPLY
		Budget	% Budget						Budget	% Budget		
444.6	446.2	\$ -1.6	-0.4	\$ 583.7	-23.8	Transportation	4,968.9	5,121.2	\$ -152.3	-3.0	\$ 4,989.1	-0.4
374.6	310.1	[ 64.5]	[ 20.8]	308.0	21.6	Supplies & Services	2,420.3	2,553.1	-132.8	-5.2	2,261.1	7.0
179.4	185.7	-6.3	-3.4	250.9	-28.5	Depreciation	2,217.6	2,267.7	-50.1	-2.2	2,369.7	-6.4
92.3	82.3	[ 10.0]	[ 12.2]	81.3	13.5	Rent	995.7	977.0	[ 18.7]	[ 1.9]	947.2	5.1
61.1	47.7	[ 13.4]	[ 28.1]	50.0	22.3	Fuel & Utilities	561.5	532.3	[ 29.3]	[ 5.5]	528.1	6.3
45.5	30.5	[ 15.0]	[ 49.3]	21.0	117.0	Rural Carrier Equip Maint Allowance	404.1	394.5	[ 9.6]	[ 2.4]	395.8	2.1
55.7	40.4	[ 15.3]	[ 38.0]	51.3	8.6	Vehicle Maintenance	517.9	454.2	[ 63.7]	[ 14.0]	463.2	11.8
74.1	52.8	[ 21.3]	[ 40.3]	109.1	-32.1	Information Technology	476.8	553.6	-76.7	-13.9	542.3	-12.1
62.3	32.0	[ 30.3]	[ 94.9]	63.3	-1.5	Building Projects Expensed	294.9	268.4	[ 26.6]	[ 9.9]	174.9	68.6
6.9	6.4	[ 0.5]	[ 7.5]	10.7	-35.5	Contract Job Cleaners	85.3	80.6	[ 4.6]	[ 5.7]	83.7	1.8
29.5	23.1	[ 6.4]	[ 27.6]	26.7	10.3	Travel & Relocation	219.3	188.8	[ 30.5]	[ 16.1]	189.5	15.7
18.2	19.4	-1.2	-6.2	13.3	36.6	Communications	218.0	226.4	-8.4	-3.7	204.4	6.6
6.0	6.5	-0.5	-8.2	9.4	-36.3	Contract Stations	71.4	76.7	-5.3	-7.0	69.5	2.7
1.8	3.0	-1.2	-41.3	4.3	-58.7	Printing	18.9	28.8	-9.8	-34.2	26.3	-28.1
5.0	5.9	-0.8	-14.2	6.5	-22.4	Training	46.4	62.8	-16.4	-26.1	47.2	-1.8
0.6	3.7	-3.1	-83.4	5.2	-88.0	Carfare & Tolls	31.7	44.2	-12.4	-28.2	45.7	-30.7
2.3	1.8	[ 0.5]	[ 27.3]	0.3	NM	Vehicle Hire	19.4	22.6	-3.2	-14.3	20.3	-4.5
5.0	4.2	[ 0.8]	[ 19.5]	-0.2	NM	Accident Cost	50.2	48.3	[ 1.9]	[ 3.9]	51.5	-2.7
-14.1	20.9	-35.0	-167.4	124.7	-111.3	Miscellaneous	98.8	247.8	-149.0	-60.1	64.4	53.4
<b>1,450.8</b>	<b>1,322.5</b>	<b>[ 128.3]</b>	<b>[ 9.7]</b>	<b>\$ 1,719.4</b>	<b>-15.6</b>	<b>Total Non-Personnel Expenses</b>	<b>13,717.0</b>	<b>14,148.9</b>	<b>\$ -431.9</b>	<b>-3.1</b>	<b>\$ 13,474.2</b>	<b>1.8</b>

[ ]=Unfavorable variance to budget  
Totals may not sum due to rounding.

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

**STATEMENT OF FINANCIAL POSITION**  
**September - FY 2004**  
(\$ Millions)

Assets	September 30, 2004	September 30, 2003
<b>Current Assets:</b>		
Cash and cash equivalents _1/	\$ 877	\$ 2,266
<b>Receivables:</b>		
Foreign countries	621	744
U.S. Government	327	359
Consignment	48	50
Other	<u>139</u>	<u>144</u>
<b>Receivables before allowances</b>	<u>1,135</u>	<u>1,297</u>
Less allowances	<u>111</u>	<u>106</u>
<b>Total receivables, net</b>	<u>1,024</u>	<u>1,191</u>
Supplies, advances and prepayments	<u>220</u>	<u>366</u>
<b>Total Current Assets</b>	<b>2,121</b>	<b>3,823</b>
Revenue forgone		
Appropriations Receivable	361	365
<b>Property and Equipment, at Cost:</b>		
Buildings	20,171	19,759
Equipment	17,277	17,166
Land	2,810	2,809
Leasehold improvements	<u>1,103</u>	<u>1,060</u>
	41,361	40,794
Less allowances for depreciation and amortization	<u>20,656</u>	<u>18,717</u>
	20,705	22,077
Construction in progress	<u>1,792</u>	<u>977</u>
<b>Total property and equipment, net</b>	<u>22,497</u>	<u>23,054</u>
<b>Total Assets</b>	<b>\$ <u>24,979</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.

Certain comparative prior year amounts in the Financial Statements and accompanying notes have been reclassified to conform to the current year presentation.

These reclassifications had no effect on previously reported operating income and net income.

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

**STATEMENT OF FINANCIAL POSITION**  
September - FY 2004  
(\$ Millions)

Liabilities and Net Capital	September 30, 2004	September 30, 2003
<b>Current Liabilities:</b>		
Compensation and benefits	\$ 2,640	\$ 2,518
Estimated prepaid postage	1,256	1,349
<b>Payables and accrued expenses:</b>		
Commercial vendors & accrued expenses	1,739	2,146
Foreign countries	778	879
U.S. government	<u>87</u>	<u>83</u>
<b>Total payables and accrued expenses</b>	2,604	3,108
Customer deposit accounts	1,606	1,566
Outstanding postal money orders	767	768
Prepaid box rentals & other deferred revenue	397	387
Debt	<u>1,800</u>	<u>7,273</u>
<b>Total Current Liabilities</b>	<b>11,070</b>	<b>16,969</b>
<b>Non-Current Liabilities:</b>		
Workers' compensation costs	6,651	6,324
Employees' accumulated leave	2,006	1,932
Other	<u>1,321</u>	<u>1,151</u>
<b>Total Non-Current Liabilities</b>	<b>9,978</b>	<b>9,407</b>
<b>Total Liabilities</b>	<b>21,048</b>	<b>26,376</b>
<b>Net Capital:</b>		
Capital contributions of the U.S. government	3,034	3,034
Retained earnings (deficit) since reorganization	<u>897</u>	<u>(2,168)</u>
<b>Total Net Capital</b>	<b>3,931</b>	<b>866</b>
<b>Total Liabilities and Net Capital</b>	<b><u>\$ 24,979</u></b>	<b><u>\$ 27,242</u></b>

Certain comparative prior year amounts in the Financial Statements and accompanying notes have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported operating income and net income. See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

**STATEMENT OF CASH FLOWS**  
**Through September 30th**  
**(\$ Millions)**

	2004	2003
<b>Cash flows from operating activities:</b>		
Net Income	\$ 3,065	\$ 3,868
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,145	2,295
Loss on disposals of property and equipment, net	71	64
Decrease in revenue forgone appropriations receivable	4	3
Increase in workers' compensation liability	343	526
Increase (Decrease) in employees' accumulated leave	74	(156)
Increase (Decrease) in other non-current liabilities	170	(31)
Changes in current assets and liabilities:		
Decrease (Increase) in receivables, net	167	(394)
Decrease (Increase) in supplies, advances and prepayments	146	(39)
Increase (Decrease) in compensation and benefits	106	(427)
Decrease in estimated prepaid postage	(93)	(151)
(Decrease) Increase in payables and accrued expenses	(412)	1,201
Increase (Decrease) in customer deposit accounts	40	(138)
Decrease in outstanding postal money orders	(1)	(218)
Increase in prepaid box rent and other deferred revenue	10	2
<b>Net cash provided by operating activities</b>	<b>5,835</b>	<b>6,405</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,685)	(1,314)
Proceeds from sale of property and equipment	26	37
<b>Net cash used in investing activities</b>	<b>(1,659)</b>	<b>(1,277)</b>
<b>Cash flows from financing activities:</b>		
U.S. government appropriations - received	0	0
U.S. government appropriations - expended	(92)	(177)
Issuance of debt	-	4,609
Payments on debt	(5,473)	(8,450)
<b>Net cash (used in) provided by financing activities</b>	<b>(5,565)</b>	<b>(4,018)</b>
<b>Net (Decrease) Increase in cash and cash equivalents</b>	<b>(1,389)</b>	<b>1,110</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,266</b>	<b>1,156</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 877</b>	<b>\$ 2,266</b>

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

**CAPITAL INVESTMENTS**

September - FY 2004

(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 129.3	\$ 219.5	\$ 238.2	\$ 160.8	\$ 298.9	\$ 118.7
BUILDING IMPROVEMENTS	508.6	456.2	244.8	295.6	291.1	185.9
MAIL PROCESSING EQUIPMENT	797.2	1,816.2	1,075.1	620.8	840.7	569.0
VEHICLES	184.9	195.2	140.7	130.4	269.7	215.0
RETAIL EQUIPMENT	28.7	64.9	150.9	112.0	134.3	13.4
POSTAL SUPPORT EQUIPMENT	473.5	405.0	432.3	364.9	319.1	212.0
<b>TOTAL COMMITMENTS/CASH OUTLAYS</b>	<b>\$ 2,122.2</b>	<b>\$ 3,156.9</b>	<b>\$ 2,282.0</b>	<b>\$ 1,684.7</b>	<b>\$ 2,153.8</b>	<b>\$ 1,314.0</b>

**RESOURCES ON ORDER**

(\$ Millions)

MAJOR CATEGORIES	September 30, 2004	September 30, 2003
CONSTRUCTION AND BUILDING PURCHASE	\$ 192.0	\$ 238.2
BUILDING IMPROVEMENTS	380.5	186.7
MAIL PROCESSING EQUIPMENT	1,601.1	1,409.5
VEHICLES	126.0	71.6
RETAIL EQUIPMENT	94.9	178.4
POSTAL SUPPORT EQUIPMENT	413.9	310.5
<b>TOTAL RESOURCES ON ORDER</b>	<b>\$ 2,808.4</b>	<b>\$ 2,394.9</b>

Note: Totals may not sum due to rounding.

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

**WORKHOURS & OVERTIME/SICK LEAVE RATIOS**

September - FY 2004

(Data in Thousands)

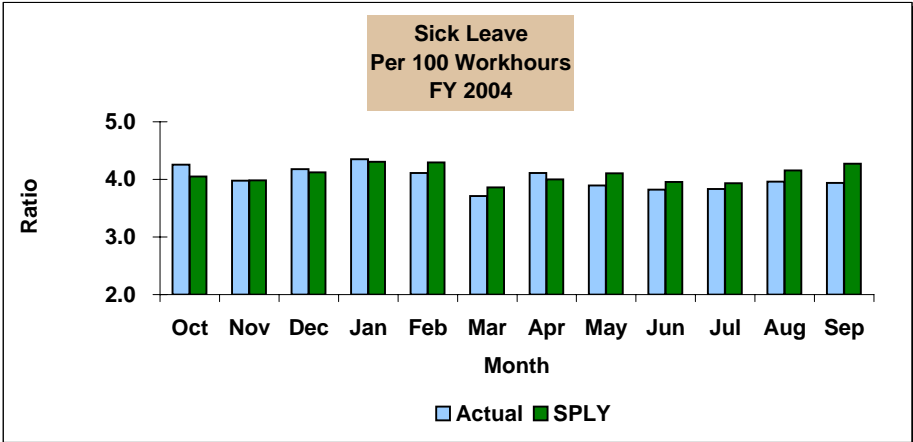
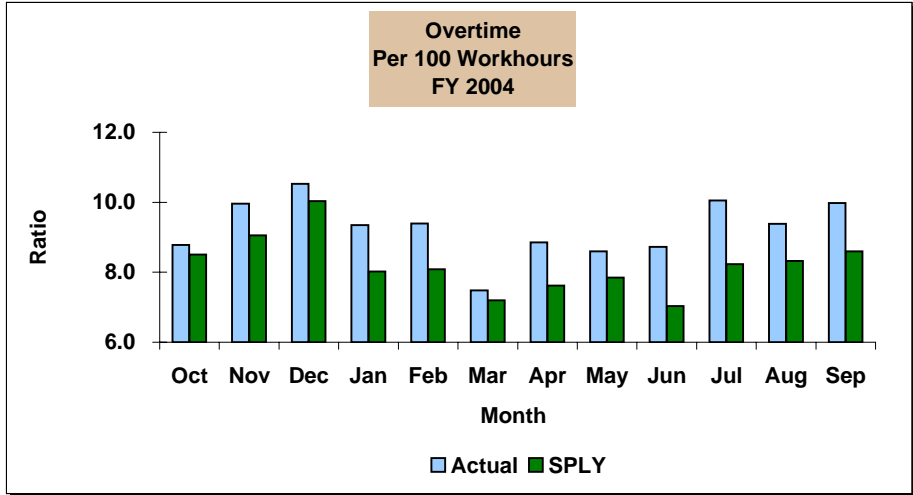
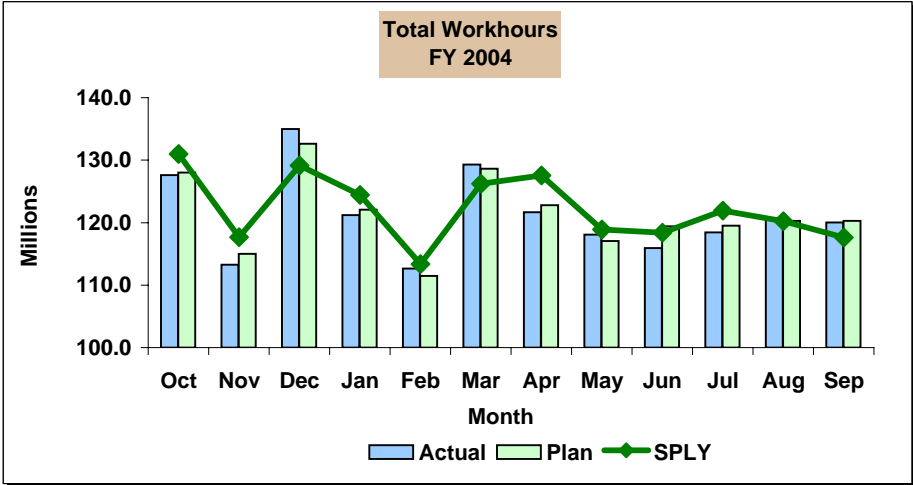
Current Period						Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Var. to Budget	% Budget	SPLY	% SPLY
					<u>Total Workhours</u>					
777	[ 28 ]	[ 3.7 ]	762	2.0	Operations:	9,077	[ 24 ]	[ 0.3 ]	9,102	- 0.3
27,438	- 366	- 1.3	26,757	2.5	-Support	336,737	- 3,308	- 1.0	347,964	- 3.2
14,281	- 43	- 0.3	13,771	3.7	-Mail Processing	171,628	- 646	- 0.4	166,873	2.8
38,555	[ 125 ]	[ 0.3 ]	37,398	3.1	-Rural Delivery	464,683	[ 884 ]	[ 0.2 ]	464,300	0.1
2,615	[ 7 ]	[ 0.3 ]	2,580	1.4	-City Delivery	31,947	- 85	- 0.3	32,111	- 0.5
6,692	- 338	- 4.8	6,607	1.3	-Vehicles Services	81,302	- 2,490	- 3.0	81,807	- 0.6
19,367	[ 224 ]	[ 1.2 ]	18,701	3.6	-Plant & Equip Maint	233,237	[ 1,001 ]	[ 0.4 ]	232,529	0.3
415	- 66	- 13.7	441	- 5.8	-Customer Services	4,911	- 873	- 15.1	6,280	- 21.8
753	[ 40 ]	[ 5.6 ]	615	22.5	Finance	8,772	[ 41 ]	[ 0.5 ]	8,606	1.9
1,260	- 54	- 4.1	1,255	0.4	Human Resources	14,860	- 600	- 3.9	14,844	0.1
5,758	[ 159 ]	[ 2.8 ]	5,825	- 1.1	Customer Service & Sales	68,051	[ 899 ]	[ 1.3 ]	68,271	- 0.3
2,118	[ 32 ]	[ 1.5 ]	2,932	- 27.8	Administration	27,116	[ 1,986 ]	[ 7.9 ]	41,106	- 34.0
120,029	- 252	- 0.2	117,644	2.0	Other					
					<u>Total Workhours</u>	1,452,321	- 3,166	- 0.2	1,473,793	- 1.5

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
10.0%	7.9%	8.6%	Overtime Ratio Per 100 Workhours	9.3%	8.0%	8.3%

Sick Leave				
Actual	SPLY		Actual	SPLY
3.9%	4.3%	Sick Leave Ratio Per 100 Workhours	4.1%	4.1%

[ ]=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.



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



## September- FY 2004

### Analysis of the Financial and Operating Statements

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

For September, Total Revenue was \$180 million or 3.2% over plan. Commercial Revenue was over plan by \$78 million or 1.8% and Retail Revenue was over plan \$4 million or 0.3%. In September, Total Revenue was \$88 million or 1.5% over same period last year (SPLY). Combined Commercial Revenue and Retail Revenue were \$69 million more than SPLY.

Year-to-date (YTD), Total Revenue is \$122 million or 0.2% over plan. Permit Revenue at \$994 million more than plan is the primary driver of the Total Revenue increase over plan. Conversely, Other Commercial Accounts at \$1,110 million or 4.9% less than plan is negatively impacting the Total Revenue performance to plan. YTD Total Revenue is \$265 million over SPLY.

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

For September, Total Expenses were \$138 million or 2.4% above plan. Personnel costs were \$15 million or 0.3% above plan. Non-personnel costs were also above plan by \$128 million or 9.7%. The primary contributors of the non-personnel expense plan over run were Supplies and Services, Building Projects Expensed and Information Technology. Combined, these contributors were \$116 million over plan. Total Expenses were \$100 million or 1.7% below SPLY during September.

Year-to-date, Total Expenses are \$833 million or 1.2% below plan. YTD, personnel costs and non-personnel expenses are \$313 million and \$432 million below plan, respectively. The largest contributors to the non-personnel plan underrun are Transportation, Supplies & Services, and Information Technology, which are \$152 million, \$133 million and \$77 million below plan, 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. These cost containment activities have assisted in offsetting cost increases in other areas. Retiree health benefits have risen 16% or \$180 million above SPLY, YTD. The non-personnel lines most impacted by the increase in energy related prices, Vehicle Maintenance and Fuel & Utilities have risen a total of \$88 million above SPLY, YTD. Despite rising fuel costs, Total Transportation costs were \$20 million below SPLY YTD as a result of using less dedicated airplanes to move the mail during the peak holiday season and also by increasing the use of surface transportation and the FedEx network.

## September - FY 2004

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

#### Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter 4, FY 2004 was 1.7 billion pieces or 3.5% above SPLY. Priority Mail, Periodicals, Standard Mail and Package Services were above SPLY, while First-Class Mail, Express Mail and International Mail were below their Quarter 4, 2003 levels.

Year-to-date, Total Mail Volume is 1.9% or 3.9 billion pieces above SPLY. The most significant mail volume increase above SPLY for FY 2004 YTD is in the lower revenue-per-piece Standard Mail category, which increased 5.1 billion pieces or 5.6%. YTD, First-Class Mail volume is 1.1% less than SPLY, generating \$671 million or 1.8% less revenue than SPLY.

#### Capital Investments - Pages 1 and 13

The Fiscal Year 2004 Capital Commitments YTD through September 30, 2004 are \$2,122.2 million compared to a plan of \$3,156.9 million. This represents an underrun of about \$1,035 million or 32.8%.

The Cash Outlays YTD are \$1,685 million versus a plan of \$2,154 million, representing a \$469 million underrun to plan.

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

Total workhours for September 2004 were 0.3 million hours or 0.2% below plan and 2.4 million hours or 2.0% above September 2003. The City Delivery, Mail Processing and Customer Services operations posted the most significant workhour growth to SPLY, 1.2 million hours, 0.7 million hours and 0.7 million hours, respectively.

Total workhours for September, 2004 YTD are 21.5 million hours or 1.5% 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. To date, Mail Processing workhours have been reduced 11.2 million hours or 3.2% below SPLY. Other Workhours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours also played a major role by using 14.0 million hours less than SPLY. The reduction in Limited Duty and Rehabilitation hours is directly impacted by the initiative to include these operations in our calculation of productivity improvement opportunity.