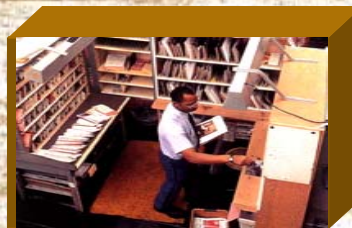




**UNITED STATES  
POSTAL SERVICE**

# **FINANCIAL & OPERATING STATEMENTS**

**May, FY 2004  
May 1 – May 31, 2004**



**Prepared by: Financial Reporting and Analysis**

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

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,219.0	\$ 5,539.5	[\$ - 320.5]	[ - 5.8]	\$ 5,464.8	- 4.5
<u>5,309.8</u>	<u>5,340.4</u>	<u>- 30.6</u>	<u>- 0.6</u>	<u>5,409.0</u>	<u>- 1.8</u>
\$ (- 90.8)	\$ 199.1	[\$ - 289.9]	-	\$ 55.8	-
\$ 46.6	\$ 62.3	[\$ - 15.7]	[ - 25.2]	\$ 116.9	- 60.1
118.1	117.1	[ 1.0]	[ 0.9]	118.9	- 0.7

Year-to-Date (October 1, 2003 - May 31, 2004)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 46,650.6	\$ 46,404.9	\$ 245.7	0.5	\$ 46,943.6	- 0.6
<u>43,752.9</u>	<u>44,426.1</u>	<u>- 673.2</u>	<u>- 1.5</u>	<u>42,771.8</u>	<u>2.3</u>
\$ 2,897.7	\$ 1,978.8	\$ 918.9	-	\$ 4,171.8	-
\$ 956.0	\$ 1,046.9	[\$ - 90.9]	[ - 8.7]	\$ 838.4	14.0
976.7	976.5	[ 0.2]	[ 0.0]	995.3	- 1.9

[ ] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,562	27,591	27,647
Postal Owned Vehicles In Use			
Administrative	5,954	5,974	5,642
Operations	206,606	206,555	201,277
Total Deliveries (000)	142,324	142,238	140,722
City Delivery Routes	164,438	164,480	165,574
Rural Routes	70,158	69,997	69,509
Career Employees (Excludes Inspector General)	709,902	710,692	735,258
Casual Employees	19,248	19,060	20,079
Transitional Employees	9,756	9,938	11,820

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

Government appropriation of \$95.3 million to offset FY 2003 Emergency Preparation Programs expenses are being reclassified as revenue to be consistent with FY 2004 practice.

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

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 5,216.4	\$ 5,537.3	[\$ - 320.9 ]	[ - 5.8 ]	\$ 5,459.3	- 4.4	Operating Revenue	\$ 46,630.1	\$ 46,387.2	\$ 242.9	0.5	\$ 46,906.8	- 0.6
<u>5,309.7</u>	<u>5,338.3</u>	<u>- 28.6</u>	- 0.5	<u>5,354.8</u>	- 0.8	Operating Expense	<u>43,742.6</u>	<u>44,368.6</u>	<u>- 626.0</u>	- 1.4	<u>42,487.2</u>	3.0
\$ (- 93.3)	\$ 199.0	[\$ - 292.3 ]	-	\$ 104.5	-	Income/(Loss) From Operations	\$ 2,887.5	\$ 2,018.6	\$ 868.9	-	\$ 4,419.6	-
2.6	2.2	0.4	18.2	5.5	- 52.7	Investment Income	20.5	17.7	2.8	15.8	36.8	- 44.3
0.1	2.1	- 2.0	- 95.2	31.1	- 99.7	Interest Expense	10.3	11.3	- 1.0	- 8.8	261.5	- 96.1
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	-	<u>23.1</u>	-	Interest on Deferred Retirement Costs	<u>0.0</u>	<u>46.2</u>	<u>- 46.2</u>	- 100.0	<u>23.1</u>	- 100.0
\$ (- 90.8)	\$ 199.1	[\$ - 289.9 ]	-	\$ 55.8	-	Net Income/(Loss)	\$ 2,897.7	\$ 1,978.8	\$ 918.9	-	\$ 4,171.8	-

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

Government appropriation of \$95.3 million to offset FY 2003 Emergency Preparation Programs expenses are being reclassified as revenue to be consistent with FY 2004 practice.

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

CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	May 2004	May 2003	% SPLY	May 2004	May 2003	% SPLY
<b>FIRST-CLASS</b>						
VOLUME	7,475,085	8,003,515	- 6.6	66,436,608	67,591,293	- 1.7
REVENUE	\$ 2,765,769	\$ 2,988,276	- 7.4	\$ 24,743,797	\$ 25,286,210	- 2.1
REV/PC.	0.3700	0.3734	- 0.9	0.3724	0.3741	- 0.4
<b>PRIORITY-MAIL</b>						
VOLUME	63,087	66,452	- 5.1	584,428	598,993	- 2.4
REVENUE	\$ 320,872	\$ 336,642	- 4.7	\$ 3,069,720	\$ 3,152,717	- 2.6
REV/PC.	5.0862	5.0659	0.4	5.2525	5.2634	- 0.2
<b>EXPRESS MAIL</b>						
VOLUME	4,379	4,788	- 8.5	36,166	37,736	- 4.2
REVENUE	\$ 68,451	\$ 75,545	- 9.4	\$ 572,604	\$ 603,537	- 5.1
REV/PC.	15.6317	15.7780	- 0.9	15.8327	15.9937	- 1.0
<b>PERIODICALS</b>						
VOLUME	676,313	785,471	- 13.9	6,119,390	6,400,585	- 4.4
REVENUE	\$ 163,236	\$ 186,911	- 12.7	\$ 1,466,699	\$ 1,533,271	- 4.3
REV/PC.	0.2414	0.2380	1.4	0.2397	0.2396	0.1
<b>STANDARD MAIL</b>						
VOLUME	7,337,958	7,102,800	3.3	63,769,551	61,408,712	3.8
REVENUE	\$ 1,383,133	\$ 1,347,060	2.7	\$ 12,087,407	\$ 11,701,780	3.3
REV/PC.	0.1885	0.1897	- 0.6	0.1895	0.1906	- 0.5
<b>PACKAGE SERVICES</b>						
VOLUME	73,409	79,917	- 8.1	752,446	753,962	- 0.2
REVENUE	\$ 147,402	\$ 158,991	- 7.3	\$ 1,514,894	\$ 1,538,222	- 1.5
REV/PC.	2.0080	1.9895	0.9	2.0133	2.0402	- 1.3
<b>INTERNATIONAL</b>						
VOLUME	69,396	64,403	7.8	585,807	548,217	6.9
REVENUE	\$ 121,200	\$ 132,380	- 8.4	\$ 1,158,801	\$ 1,096,034	5.7
REV/PC.	1.7465	2.0555	- 15.0	1.9781	1.9993	- 1.1
<b>ALL OTHER</b>						
VOLUME	47,834	35,891	33.3	395,067	315,877	25.1
REVENUE	\$ 68	\$ 139	- 51.4	\$ 486	\$ 1,040	- 53.3
<b>ALL MAIL</b>						
VOLUME	15,747,460	16,143,237	- 2.5	138,679,463	137,655,377	0.7
REVENUE	\$ 4,970,131	\$ 5,225,945	- 4.9	\$ 44,614,407	\$ 44,912,811	- 0.7
REV/PC.	0.3156	0.3237	- 2.5	0.3217	0.3263	- 1.4

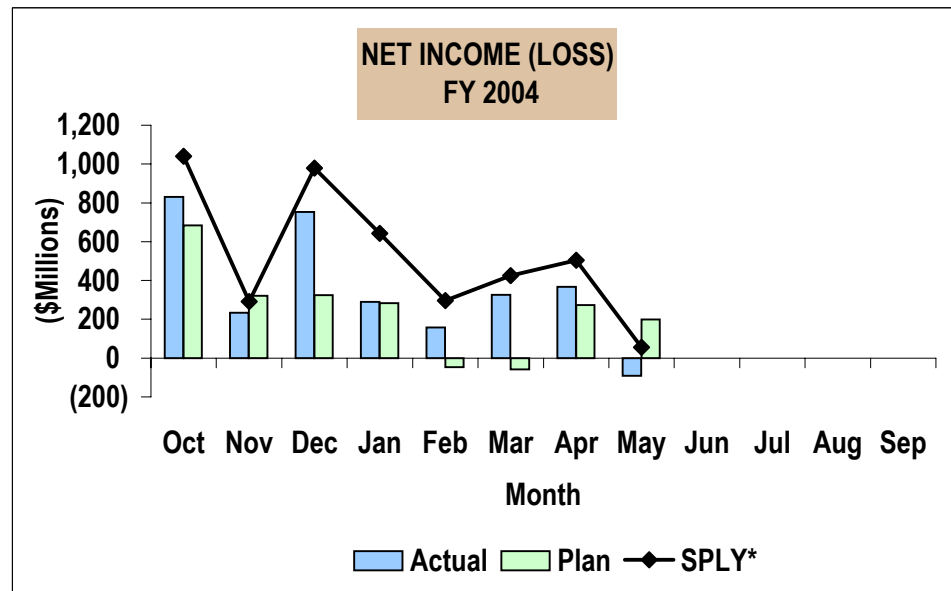
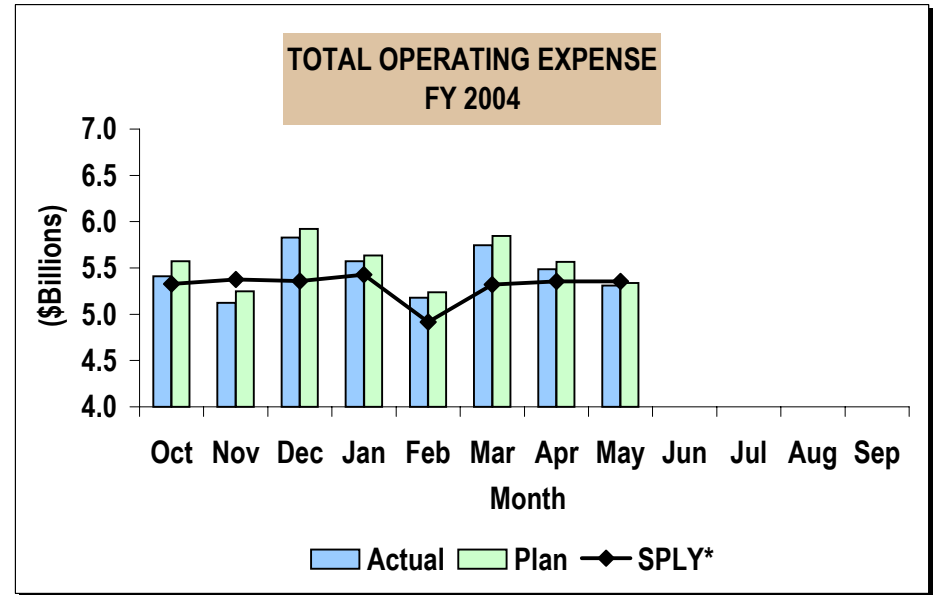
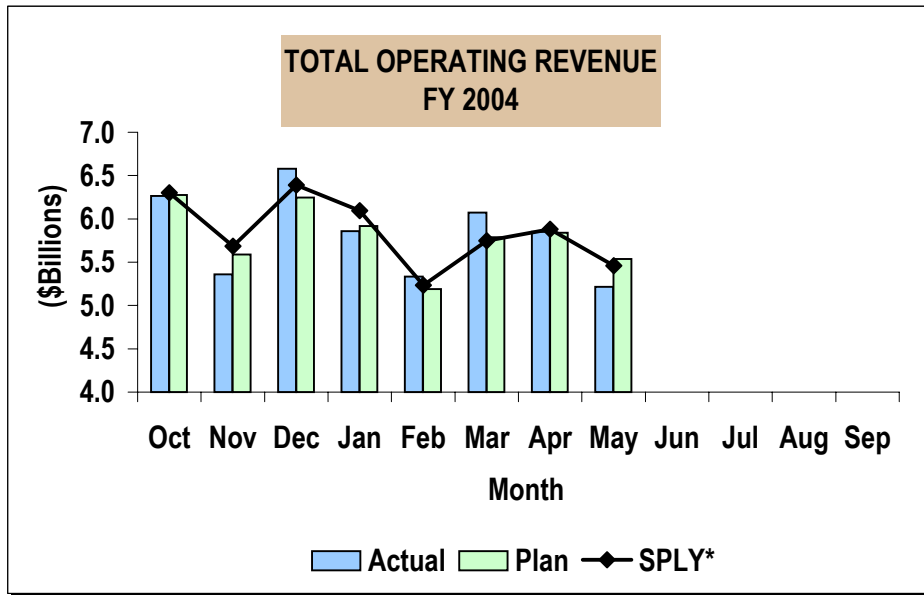
NOTE: Totals may not sum due to rounding.

NOTE: RPW data are reported on a new Fiscal Year basis (October 1-September 30). In addition, RPW data are reported on a calendar month basis.

Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31).

In order to provide a basis for comparison, FY 2003 data have been recast to reflect these reporting changes. The recast of FY 2003 data uses representative data from Accounting, PERMIT, the RPW sample and other input systems and can only provide an approximate basis for calculating changes to same period last year (SPLY) data. Therefore, the changes indicated in this report should be viewed as preliminary and subject to uncertainty.

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**  
**May - FY 2004**  
**(\$ Millions)**

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
\$ 1,902.6	\$ 2,038.6	- 6.7	<b>Operating Revenue:</b>	\$ 16,965.4	\$ 17,266.4	- 1.7
			Metered Postage			
837.2	920.5	- 9.0	Stamps and Stamped Paper	7,866.0	8,105.1	- 2.9
1,285.9	1,258.8	2.2	Permit Imprint	11,295.4	11,004.1	2.6
161.9	185.1	- 12.5	Periodicals & Standard	1,453.7	1,519.4	- 4.3
70.4	66.6	5.7	Official Mail	596.2	613.8	- 2.9
732.3	749.1	- 2.2	Presort First-Class & Package Svc./Permit Imprint	6,432.9	6,386.7	0.7
58.0	62.6	- 7.3	Box Rents	508.6	515.5	- 1.3
13.8	15.7	- 12.1	Money Order Fees	119.3	124.8	- 4.4
<u>151.4</u>	<u>159.7</u>	- 5.2	Other	<u>1,289.2</u>	<u>1,255.0</u>	2.7
<b>\$ 5,213.5</b>	<b>\$ 5,456.7</b>	<b>- 4.5</b>	<b>Subtotal</b>	<b>\$ 46,526.7</b>	<b>\$ 46,790.8</b>	<b>- 0.6</b>
<u>2.9</u>	<u>2.6</u>	11.5	Government Appropriation	<u>103.4</u>	<u>116.0</u>	- 10.9
<b>\$ 5,216.4</b>	<b>\$ 5,459.3</b>	<b>- 4.4</b>	<b>Total Operating Revenue</b>	<b>\$ 46,630.1</b>	<b>\$ 46,906.8</b>	<b>- 0.6</b>
<u>2.6</u>	<u>5.5</u>	- 52.7	Investment Income	<u>20.5</u>	<u>36.8</u>	- 44.3
<b><u>\$ 5,219.0</u></b>	<b><u>\$ 5,464.8</u></b>	<b>- 4.5</b>	<b>Total Revenue</b>	<b><u>\$ 46,650.6</u></b>	<b><u>\$ 46,943.6</u></b>	<b>- 0.6</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**  
**May - FY 2004**  
**(\$ Millions)**

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			<b>Commercial Revenue</b>			
\$ 2,235.0	\$ 2,271.9	[ - 1.6]	Permit Revenue	\$ 19,664.2	\$ 18,997.3	3.5
1,674.4	1,855.1	[ - 9.7]	Other Commercial Accounts Revenue	14,679.3	15,307.7	[ - 4.1]
<b>\$ 3,909.4</b>	<b>\$ 4,127.0</b>	<b>[ - 5.3]</b>	<b>Total Commercial Revenue</b>	<b>\$ 34,343.5</b>	<b>\$ 34,305.0</b>	<b>0.1</b>
			<b>Retail Revenue</b>			
1,018.6	1,119.7	[ - 9.0]	Retail Postage Revenue	9,693.0	9,680.8	0.1
84.7	88.0	[ - 3.8]	Retail Services Revenue	718.6	720.1	[ - 0.2]
13.7	9.1	50.5	Retail Products Revenue	114.7	88.4	29.8
147.6	150.7	[ - 2.1]	Other Retail Channels Revenue	1,347.8	1,310.9	2.8
<b>\$ 1,264.6</b>	<b>\$ 1,367.5</b>	<b>[ - 7.5]</b>	<b>Total Retail Revenue</b>	<b>\$ 11,874.1</b>	<b>\$ 11,800.2</b>	<b>0.6</b>
<b>\$ 5,174.0</b>	<b>\$ 5,494.5</b>	<b>[ - 5.8]</b>	<b>Total Commercial &amp; Retail Revenue</b>	<b>\$ 46,217.6</b>	<b>\$ 46,105.2</b>	<b>0.2</b>
39.5	39.8	[ - 0.8]	Other Income	309.1	257.7	19.9
2.9	3.0	[ - 3.3]	Government Appropriation	103.4	24.3	325.5
<b>\$ 5,216.4</b>	<b>\$ 5,537.3</b>	<b>[ - 5.8]</b>	<b>Total Operating Revenue</b>	<b>\$ 46,630.1</b>	<b>\$ 46,387.2</b>	<b>0.5</b>
2.6	2.2	18.2	Investment Income	20.5	17.7	15.8
<b>\$ 5,219.0</b>	<b>\$ 5,539.5</b>	<b>[ - 5.8]</b>	<b>Total Revenue</b>	<b>\$ 46,650.6</b>	<b>\$ 46,404.9</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.

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

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 4,243.1	\$ 4,213.6	[\$ 29.5]	[ 0.7]	\$ 4,309.1	- 1.5
401.0	413.2	- 12.2	- 3.0	399.2	0.5
182.6	190.9	- 8.3	- 4.3	187.0	- 2.4
<u>483.0</u>	<u>520.6</u>	<u>- 37.6</u>	<u>- 7.2</u>	<u>459.5</u>	<u>5.1</u>
\$ 1,066.6	\$ 1,124.7	\$ - 58.1	- 5.2	\$ 1,045.7	2.0
\$ 5,309.7	\$ 5,338.3	\$ - 28.6	- 0.5	\$ 5,354.8	- 0.8
0.1	2.1	- 2.0	- 95.2	31.1	- 99.7
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-</u>	<u>23.1</u>	<u>-</u>
\$ 5,309.8	\$ 5,340.4	\$ - 30.6	- 0.6	\$ 5,409.0	- 1.8

Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 34,855.4	\$ 34,996.8	\$ - 141.4	- 0.4	\$ 33,598.5	3.7
3,250.2	3,444.7	- 194.5	- 5.6	3,298.3	- 1.5
1,473.4	1,630.9	- 157.5	- 9.7	1,495.0	- 1.4
<u>4,163.6</u>	<u>4,296.2</u>	<u>- 132.6</u>	<u>- 3.1</u>	<u>4,095.4</u>	<u>1.7</u>
\$ 8,887.2	\$ 9,371.8	\$ - 484.6	- 5.2	\$ 8,888.7	- 0.0
\$ 43,742.6	\$ 44,368.6	\$ - 626.0	- 1.4	\$ 42,487.2	3.0
10.3	11.3	- 1.0	- 8.8	261.5	- 96.1
<u>0.0</u>	<u>46.2</u>	<u>- 46.2</u>	<u>- 100.0</u>	<u>23.1</u>	<u>- 100.0</u>
\$ 43,752.9	\$ 44,426.1	\$ - 673.2	- 1.5	\$ 42,771.8	2.3

[ ]=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.



**ANALYSIS OF OPERATING EXPENSES**  
**Personnel Compensation**  
**May - FY 2004**  
**(\$ 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:					
\$ 31.2	\$ 31.0	[\$ 0.2]	[ 0.7]	\$ 31.5	- 0.7	\$ 253.7	\$ 254.6	\$ - 0.8	- 0.3	\$ 236.8	7.1
912.7	904.0	[ 8.6]	[ 1.0]	933.1	- 2.2	7,607.0	7,693.6	- 86.6	- 1.1	7,457.9	2.0
397.5	394.4	[ 3.1]	[ 0.8]	382.6	3.9	3,126.2	3,135.6	- 9.4	- 0.3	2,930.4	6.7
1,294.4	1,260.7	[ 33.8]	[ 2.7]	1,321.8	- 2.1	10,653.0	10,518.7	[ 134.3]	[ 1.3]	10,162.6	4.8
93.7	94.2	- 0.4	- 0.5	94.4	- 0.7	770.8	768.1	[ 2.7]	[ 0.4]	732.4	5.2
239.2	241.2	- 2.0	- 0.8	238.3	0.4	1,937.3	1,981.0	- 43.7	- 2.2	1,830.8	5.8
626.7	623.0	[ 3.6]	[ 0.6]	629.9	- 0.5	5,213.5	5,197.0	[ 16.4]	[ 0.3]	4,953.6	5.2
16.4	18.6	- 2.2	- 11.8	20.3	- 19.3	132.7	155.2	- 22.5	- 14.5	157.8	- 15.9
29.2	30.3	- 1.1	- 3.6	28.7	1.6	237.1	241.5	- 4.5	- 1.9	217.3	9.1
45.0	48.4	- 3.4	- 7.1	44.7	0.7	370.6	388.9	- 18.3	- 4.7	342.7	8.1
203.2	202.3	[ 1.0]	[ 0.5]	193.2	5.2	1,626.0	1,609.3	[ 16.8]	[ 1.0]	1,520.8	6.9
104.4	113.5	- 9.0	- 8.0	155.6	- 32.9	908.9	997.9	- 89.0	- 8.9	1,157.2	- 21.5
<b>\$ 3,993.6</b>	<b>\$ 3,961.5</b>	<b>[\$ 32.1]</b>	<b>[ 0.8]</b>	<b>\$ 4,074.1</b>	<b>- 2.0</b>	<b>\$ 32,836.8</b>	<b>\$ 32,941.4</b>	<b>\$ - 104.6</b>	<b>- 0.3</b>	<b>\$ 31,700.4</b>	<b>3.6</b>
124.1	124.6	- 0.6	- 0.4	121.2	2.4	992.0	997.1	- 5.1	- 0.5	993.8	- 0.2
6.3	7.7	- 1.3	- 17.3	4.6	39.2	54.5	61.3	- 6.9	- 11.2	43.1	26.5
0.0	0.0	0.0	-	1.8	-	0.0	3.6	- 3.6	- 100.0	1.8	-
110.2	110.2	0.0	0.0	97.7	12.8	881.3	881.3	0.0	0.0	761.3	15.8
8.9	9.6	- 0.7	- 7.0	9.8	- 8.9	90.8	112.1	- 21.3	- 19.0	98.2	- 7.5
<b>\$ 4,243.1</b>	<b>\$ 4,213.6</b>	<b>[\$ 29.5]</b>	<b>[ 0.7]</b>	<b>\$ 4,309.1</b>	<b>- 1.5</b>	<b>\$ 34,855.4</b>	<b>\$ 34,996.8</b>	<b>\$ - 141.4</b>	<b>- 0.4</b>	<b>\$ 33,598.5</b>	<b>3.7</b>
						<b>Total Personnel Compensation</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.

**ANALYSIS OF NON-PERSONNEL EXPENSES**

**May - FY 2004**

**(\$ Millions)**

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY
\$ 401.0	\$ 413.3	\$ -12.3	-3.0	\$ 399.2	0.4	Transportation	\$ 3,250.2	\$ 3,444.7	\$ -194.5	-5.6	\$ 3,298.2	-1.5
182.6	190.9	-8.3	-4.4	187.0	-2.4	Supplies & Services	1,473.4	1,630.9	-157.5	-9.7	1,495.0	-1.4
168.4	188.7	-20.4	-10.8	193.5	-13.0	Depreciation	1,480.5	1,508.9	-28.4	-1.9	1,543.7	-4.1
80.2	82.1	-1.9	-2.3	79.4	1.1	Rent	660.3	650.9	[ 9.5 ]	[ 1.5 ]	630.9	4.7
40.5	37.8	[ 2.7 ]	[ 7.1 ]	39.3	3.1	Fuel & Utilities	358.3	343.3	[ 15.1 ]	[ 4.4 ]	342.6	4.6
30.6	29.7	[ 0.9 ]	[ 3.0 ]	47.9	-36.2	Rural Carrier Equip Maint Allowance	268.2	273.0	-4.9	-1.8	278.3	-3.6
41.9	37.0	[ 4.9 ]	[ 13.3 ]	36.0	16.4	Vehicle Maintenance	327.9	295.1	[ 32.8 ]	[ 11.1 ]	304.2	7.8
31.4	47.2	-15.8	-33.5	28.0	12.0	Information Technology	279.1	377.3	-98.2	-26.0	291.2	-4.2
21.4	18.7	[ 2.7 ]	[ 14.2 ]	41.9	-49.0	Building Projects Expensed	164.2	151.5	[ 12.7 ]	[ 8.4 ]	111.4	47.4
6.4	6.9	-0.5	-7.5	7.0	-8.3	Contract Job Cleaners	55.9	53.6	[ 2.4 ]	[ 4.4 ]	52.0	7.6
17.1	14.4	[ 2.8 ]	[ 19.4 ]	15.8	8.6	Travel & Relocation	134.0	115.5	[ 18.5 ]	[ 16.0 ]	109.9	21.9
18.3	18.9	-0.5	-2.8	17.6	4.1	Communications	139.2	152.8	-13.6	-8.9	137.5	1.2
6.0	6.6	-0.6	-9.0	5.7	5.0	Contract Stations	47.6	51.3	-3.7	-7.3	42.4	12.2
1.5	2.3	-0.8	-34.0	1.7	-10.6	Printing	11.5	19.8	-8.4	-42.2	14.9	-22.9
4.8	5.3	-0.5	-10.3	3.3	42.4	Training	29.5	44.2	-14.8	-33.4	30.6	-3.7
2.4	3.8	-1.3	-35.6	4.0	-38.9	Carfare & Tolls	21.2	31.6	-10.4	-33.0	32.4	-34.5
1.0	2.1	-1.0	-50.0	2.1	-49.9	Vehicle Hire	12.9	16.7	-3.8	-22.6	15.7	-17.7
4.9	3.6	[ 1.4 ]	[ 38.7 ]	4.3	13.7	Accident Cost	34.8	31.5	[ 3.3 ]	[ 10.4 ]	33.0	5.7
6.1	15.6	-9.5	-61.2	-68.0	-108.9	Miscellaneous	138.6	179.1	-40.6	-22.7	124.8	11.0
<b>\$ 1,066.6</b>	<b>\$ 1,124.7</b>	<b>\$ -58.1</b>	<b>-5.2</b>	<b>\$ 1,045.7</b>	<b>2.0</b>	<b>Total Non-Personnel Expenses</b>	<b>\$ 8,887.2</b>	<b>\$ 9,371.8</b>	<b>\$ -484.6</b>	<b>-5.2</b>	<b>\$ 8,888.7</b>	<b>-0.0</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**

May - FY 2004

(\$ Millions)

<b>Assets</b>	<b>May 31, 2004</b>	<b>September 30, 2003*</b>
<b>Current Assets:</b>		
Cash and cash equivalents _1/	\$ 184	\$ 2,266
<b>Receivables:</b>		
Foreign countries	649	744
U.S. Government	501	359
Consignment	54	50
Other	<u>150</u>	<u>144</u>
<b>Receivables before allowances</b>	<u>1,354</u>	<u>1,297</u>
Less allowances	<u>97</u>	<u>106</u>
Total receivables, net	1,257	1,191
Supplies, advances and prepayments	<u>343</u>	<u>366</u>
<b>Total Current Assets</b>	<b>1,784</b>	<b>3,823</b>
Other assets, principally revenue forgone appropriations receivable	364	365
<b>Property and Equipment, at Cost:</b>		
Buildings	20,100	19,759
Equipment	17,218	17,166
Land	2,818	2,809
Leasehold improvements	<u>1,116</u>	<u>1,060</u>
	41,252	40,794
Less allowances for depreciation and amortization	<u>20,093</u>	<u>18,717</u>
	21,159	22,077
Construction in progress	<u>1,400</u>	<u>977</u>
<b>Total property, plant and equipment, net</b>	<u>22,559</u>	<u>23,054</u>
<b>Total Assets</b>	<b><u>\$ 24,707</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**

May - FY 2004

(\$ Millions)

<b>Liabilities and Net Capital</b>	<b>May 31, 2004</b>	<b>September 30, 2003*</b>
<b>Current Liabilities:</b>		
Compensation and benefits	\$ 3,358	\$ 2,518
Estimated prepaid postage	1,349	1,349
<b>Payables and accrued expenses:</b>		
Foreign countries	1,007	879
U.S. Government	97	112
Unexpended appropriations	327	406
Other	<u>1,365</u>	<u>1,863</u>
<b>Total payables and accrued expenses</b>	<b>2,796</b>	<b>3,260</b>
Permit, metered mail and prepaid box rentals	1,835	1,925
Outstanding postal money orders	840	768
Debt	<u>307</u>	<u>7,273</u>
<b>Total Current Liabilities</b>	<b>10,485</b>	<b>17,093</b>
<b>Other Liabilities:</b>		
Workers' compensation	7,318	6,324
Employees' accumulated leave	2,164	1,932
Other	<u>976</u>	<u>1,027</u>
<b>Total Other Liabilities</b>	<b>10,458</b>	<b>9,283</b>
<b>Total Liabilities</b>	<b>20,943</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>730</u>	<u>(2,168)</u>
<b>Total Net Capital</b>	<b>3,764</b>	<b>866</b>
<b>Total Liabilities and Net Capital</b>	<b><u>\$ 24,707</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 May 31, 2004**  
**(\$ Millions)**

<b>Cash flows from operating activities:</b>	
Net income	\$ 2,898
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,461
Loss on disposals of property and equipment, net	19
Decrease in other assets, principally revenue forgone appropriations receivable	1
Increase in USPS workers' compensation	994
Increase in employees' accumulated leave	232
Decrease in other liabilities	(51)
Changes in current assets and liabilities:	
Increase in receivables, net	(66)
Decrease in supplies, advances and prepayments	23
Increase in compensation and benefits	840
Estimated prepaid postage	0
Decrease in payables and accrued expenses	(385)
Decrease in permit, metered mail and prepaid box rentals	(90)
Increase in outstanding postal money orders	72
	<hr/>
<b>Net cash provided by operating activities</b>	<b>5,948</b>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment, net	(996)
Proceeds from sale of property and equipment	11
	<hr/>
<b>Net cash used in investing activities</b>	<b>(985)</b>
<b>Cash flows from financing activities:</b>	
U.S. government appropriations expended	(79)
Issuance of debt	-
Payments on debt	(6,966)
	<hr/>
<b>Net cash used in financing activities</b>	<b>(7,045)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,082)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,266</b>
	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 184</b>

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

**CAPITAL INVESTMENTS**

**May - FY 2004**

**(\$ Millions)**

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 50.1	\$ 56.4	\$ 32.8	\$ 97.7	\$ 192.4	\$ 83.3
BUILDING IMPROVEMENTS	129.8	136.7	73.4	157.6	185.8	108.1
MAIL PROCESSING EQUIPMENT	498.7	499.6	578.3	422.6	484.7	424.6
VEHICLES	173.3	163.6	20.8	88.0	158.5	52.2
RETAIL EQUIPMENT	32.4	42.3	2.8	53.6	81.9	5.1
POSTAL SUPPORT EQUIPMENT	71.8	148.3	130.4	176.2	216.7	157.4
<b>TOTAL COMMITMENTS/CASH OUTLAYS</b>	<b>\$ 956.0</b>	<b>\$ 1,046.9</b>	<b>\$ 838.4</b>	<b>\$ 995.8</b>	<b>\$ 1,320.0</b>	<b>\$ 830.8</b>

**RESOURCES ON ORDER**

**(\$ Millions)**

MAJOR CATEGORIES	May 31, 2004	September 30, 2003
CONSTRUCTION AND BUILDING PURCHASE	\$ 178.5	\$ 238.2
BUILDING IMPROVEMENTS	148.9	186.7
MAIL PROCESSING EQUIPMENT	1,483.3	1,409.5
VEHICLES	156.8	71.6
RETAIL EQUIPMENT	157.1	178.4
POSTAL SUPPORT EQUIPMENT	203.1	310.5
<b>TOTAL RESOURCES ON ORDER</b>	<b>\$ 2,327.7</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**

May - FY 2004  
(Data in Thousands)

Current Period					Total Workhours	Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
738	[ 8 ]	[ 1.1 ]	758	- 2.6	<b>Operations:</b>	6,040	- 21	- 0.4	6,099	- 1.0
27,136	[ 210 ]	[ 0.8 ]	27,286	- 0.5	-Support	230,220	- 2,294	- 1.0	238,801	- 3.6
14,501	[ 304 ]	[ 2.1 ]	13,865	4.6	-Mail Processing	113,749	- 4	- 0.0	110,545	2.9
37,631	[ 343 ]	[ 0.9 ]	38,041	- 1.1	-Rural Delivery	310,642	[ 1,932 ]	[ 0.6 ]	311,642	- 0.3
2,599	- 21	- 0.8	2,600	- 0.1	-City Delivery	21,491	- 39	- 0.2	21,617	- 0.6
6,697	- 147	- 2.1	6,661	0.5	-Vehicles Services	54,665	- 1,520	- 2.7	54,861	- 0.4
18,742	[ 296 ]	[ 1.6 ]	18,494	1.3	-Plant & Equip Maint	156,947	[ 1,161 ]	[ 0.7 ]	157,488	- 0.3
405	- 75	- 15.5	526	- 23.0	-Customer Services	3,273	- 636	- 16.3	4,411	- 25.8
712	[ 0 ]	[ 0.0 ]	521	36.8	Finance	5,836	- 18	- 0.3	5,629	3.7
1,193	- 67	- 5.3	1,196	- 0.3	Human Resources	9,915	- 492	- 4.7	9,898	0.2
5,617	[ 132 ]	[ 2.4 ]	5,372	4.6	Customer Service & Sales	45,266	[ 730 ]	[ 1.6 ]	45,419	- 0.3
2,120	[ 34 ]	[ 1.6 ]	3,587	- 40.9	Administration	18,661	[ 1,429 ]	[ 8.3 ]	28,921	- 35.5
<b>118,091</b>	<b>[ 1,017 ]</b>	<b>[ 0.9 ]</b>	<b>118,908</b>	<b>- 0.7</b>	<b>Total Workhours</b>	<b>976,703</b>	<b>[ 228 ]</b>	<b>[ 0.0 ]</b>	<b>995,330</b>	<b>- 1.9</b>

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
8.6%	7.4%	7.9%	<b>Overtime Ratio</b>	9.2%	8.2%	8.4%
			<b>Per 100 Workhours</b>			

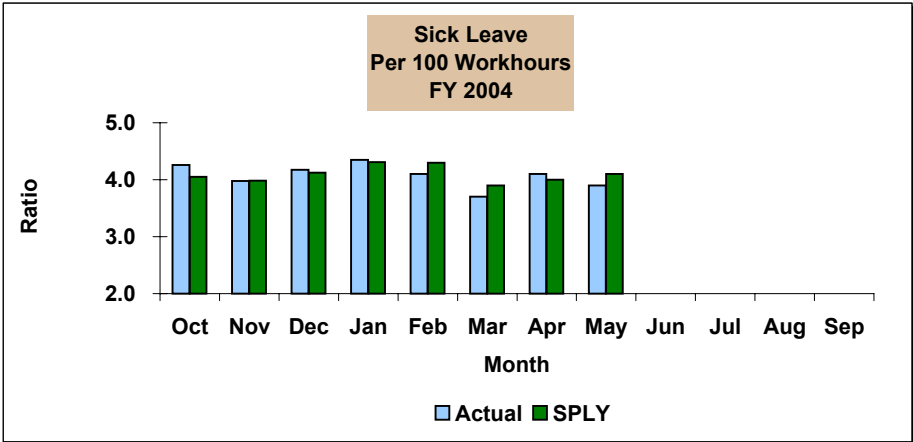
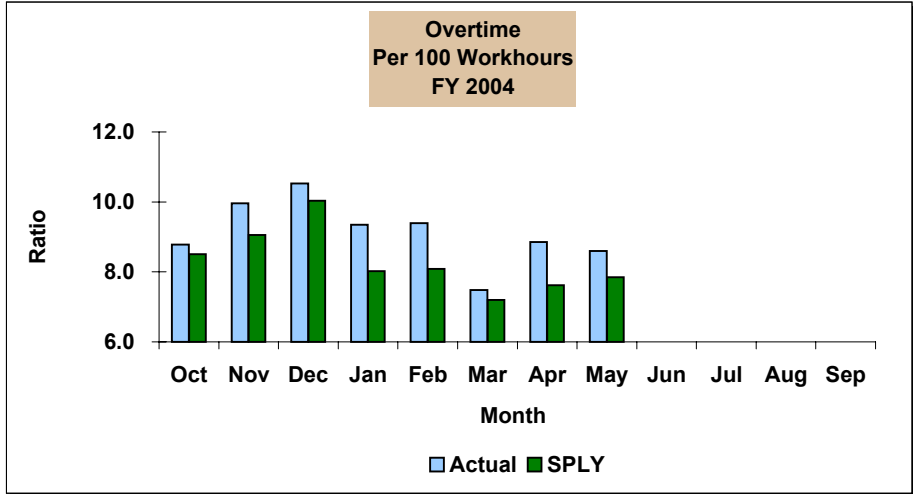
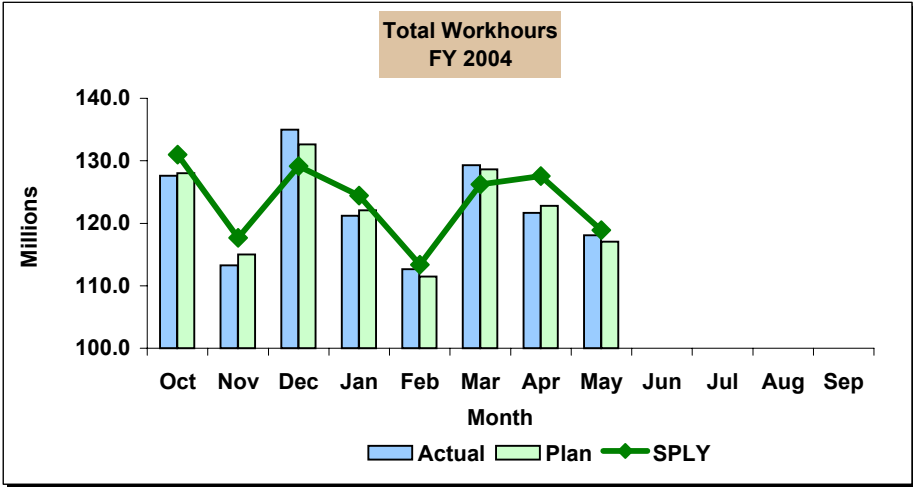
Sick Leave					
Actual	SPLY		Actual	SPLY	
3.9%	4.1%	<b>Sick Leave Ratio</b>	4.1%	4.1%	
		<b>Per 100 Workhours</b>			

[ ]=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.



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



## May - FY 2004

Information: Fiscal Year 2004 month of May contains one less business reporting day than Fiscal Year 2003 month of May.

### Analysis of the Financial and Operating Statements

Government appropriation of \$95.3 million to offset FY 2003 Emergency Preparation Programs expenses are being reclassified as revenue to be consistent with FY 2004 practice.

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

Current period, Total Revenue was \$321 million or 5.8% under plan. Commercial Revenue and Retail Revenue was below plan by \$218 million or 5.3% and \$103 million or 7.5%, respectively. Total Revenue was \$246 million or 4.5% under same period last year (SPLY). Combined Commercial Revenue and Retail Revenue were \$240 million less than SPLY.

Year-to-date (YTD), Total Revenue is \$246 million or 0.5% over plan. The biggest driver of Total Revenue plan overrun is Permit Revenue at \$667 million greater than plan. Other Commercial Accounts contribute to the major decrease below plan by \$628 million or 4.1%. As compare to SPLY, YTD Total Revenue has decreased \$293 million or 0.6%.

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

Current period, Total Expenses were \$31 million or 0.6% below plan. While personnel costs were \$30 million or 0.7% above plan, non-personnel costs were below plan by \$58 million or 5.2%. The primary contributors of the \$58 million plan underrun in non-personnel costs were Transportation, Supplies & Services, Depreciation and Information Technology. Combined, these contributors were \$57 million below plan. Total Expenses were \$99 million or 1.8% below SPLY during May.

Year-to-date, Total Expenses are \$673 million or 1.5% below plan. YTD, personnel costs are \$141 million below plan, while non-personnel expenses are \$485 million below plan. The largest contributors to the non-personnel plan underrun are Transportation, Supplies & Services and Information Technology which are \$195 million, \$158 million and \$98 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. Some positive impact to non-personnel savings are derived from the timing of payment for invoices versus planned payment. This favorable expense performance has been achieved despite continuing increases in fuel costs and 16% increase in annuitant health benefits.

#### Mail Volume and Revenue - Page 3

Total Mail Volume for May, 2004, Fiscal Year (FY) 2004 was 396 million pieces or 2.5% under SPLY. First-Class Mail, Priority Mail, Express Mail, Periodical Mail, and Packages were below SPLY, while Standard Mail and International Mail were over their May, 2003 levels.

Fiscal Year 2004 YTD Total Mail Volume is 0.7% or 1.0 billion pieces over SPLY. The most significant mail volume increase over SPLY for FY 2004 YTD is in the Standard Mail category at 2.4 billion pieces or 3.8% over. YTD, First-Class Mail volume is 1.7% less than SPLY, generating \$542 million or 2.1% less revenue than SPLY.

## May - FY 2004

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

#### Capital Investments - Pages 1 and 13

The Fiscal Year 2004 Capital Commitments YTD through May 31, 2004 are \$956 million compared to a plan of \$1,047 million. This represents an underrun of about \$91 million or 8.7%.

The Cash Outlays YTD are \$996 million versus a plan of \$1,320 million, representing a \$324 million underrun to plan.

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

Total workhours for May 2004 were 1.0 million hours or 0.9% above plan and 0.8 million hours or 0.7% below May 2003. Every functional operation produced workhours above plan, except Vehicles Services, Plant & Equipment Maintenance, Finance and Customer Service & Sales. Mail Processing, City Delivery and Other Workhours posted the most workhour savings to SPLY, 0.2 million hours, 0.4 million hours and 1.5 million hours below SPLY, respectively. The overrun in workhours is more a function of plan spread than performance.

Total workhours for May, 2004 YTD are 18.6 million hours or 1.9% below SPLY and basically even with plan. 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 8.6 million hours or 3.6% below SPLY. Other Workhours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours also played a major role by using 10.3 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.