



***UNITED STATES
POSTAL SERVICE***

FINANCIAL & OPERATING STATEMENTS

December, FY 2005

December 1 – December 31, 2004

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
December 2004 - FY 2005
(Millions)

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY

Year-to-Date (October 1, 2004 - December 31, 2004)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY

\$ 6,632.9	\$ 6,625.8	\$ 7.1	0.1	\$ 6,582.7	0.8	Total Revenue	\$ 18,796.8	\$ 18,170.5	\$ 626.3	3.4	\$ 18,216.6	3.2
<u>6,096.7</u>	<u>6,192.1</u>	<u>-95.4</u>	-1.5	<u>5,829.8</u>	4.6	Total Expense	<u>17,114.8</u>	<u>17,246.4</u>	<u>-131.6</u>	-0.8	<u>16,399.9</u>	4.4
\$ 536.2	\$ 433.7	\$ 102.5	-	\$ 752.9	-	Net Income/(Loss)	\$ 1,682.0	\$ 924.1	\$ 757.9	-	\$ 1,816.7	-
\$ 360.5	\$ 410.9	[\$ -50.4]	[-12.3]	\$ 151.4	138.1	Capital Commitments	\$ 422.0	\$ 527.7	[\$ -105.7]	[-20.0]	\$ 211.7	99.3
132.5	133.8	-1.3	-0.9	132.4	0.1	Total Workhours	375.8	371.7	[4.2]	[1.1]	373.3	0.7

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

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,499	27,506	27,637
Postal Owned Vehicles In Use			
Administrative	5,742	5,752	5,517
Operations	206,813	206,644	206,706
Total Deliveries (000) *	142,816	142,639	141,033
City Delivery Routes	164,545	164,473	164,695
Rural Routes	71,180	71,045	69,919
Career Employees (Excludes Inspector General)	705,363	705,432	719,850
Casual Employees	20,283	19,520	23,328
Transitional Employees	10,779	10,580	11,823

* At the end of 2004, we adjusted our reporting of rural and highway contract deliveries to customers who have their mail forwarded to a Post Office Box as an alternative to a physical address. Prior to 2004, we included both addresses in our count of "possible" delivery points. We also no longer count a vacant delivery point on rural and highway routes as "possible" delivery points. The real growth of deliveries did not change, however, these adjustments reduced our total delivery points. Monthly SPLY deliveries are estimated based on this new methodology. For further information, please see the 2004 Annual Report on USPS.com.

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

STATEMENT OF INCOME & EXPENSE
December 2004 - FY 2005
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 6,628.2	\$ 6,622.6	\$ 5.6	0.1	\$ 6,580.1	0.7	Operating Revenue	\$ 18,786.1	\$ 18,162.3	\$ 623.8	3.4	\$ 18,208.3	3.2
<u>6,078.6</u>	<u>6,173.7</u>	<u>-95.1</u>	-1.5	<u>5,827.5</u>	4.3	Operating Expense	<u>17,059.0</u>	<u>17,189.8</u>	<u>-130.8</u>	-0.8	<u>16,390.9</u>	4.1
\$ 549.6	\$ 448.9	\$ 100.7	-	\$ 752.6	-	Income/(Loss) From Operations	\$ 1,727.1	\$ 972.5	\$ 754.6	-	\$ 1,817.4	-
4.7	3.2	1.5	46.9	2.6	80.8	Investment Income	10.7	8.2	2.5	30.5	8.3	28.9
0.0	0.3	-0.3	-100.0	2.3	-100.0	Interest Expense	1.5	2.3	-0.8	-34.8	9.0	-83.3
<u>18.1</u>	<u>18.1</u>	<u>-</u>	-	<u>-</u>	-	Interest on Deferred Retirement Costs	<u>54.3</u>	<u>54.3</u>	<u>-</u>	-	<u>-</u>	-
\$ 536.2	\$ 433.7	\$ 102.5	-	\$ 752.9	-	Net Income/(Loss)	\$ 1,682.0	\$ 924.1	\$ 757.9	-	\$ 1,816.7	-

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

MAIL VOLUME - MAIL REVENUE
(Data in Thousands)

CATEGORY	YEAR-TO-DATE		
	Qtr. 1 FY 2005	Qtr. 1 FY 2004	% SPLY
FIRST-CLASS			
VOLUME	26,428,207	25,887,702	2.1
REVENUE	\$ 9,747,989	\$ 9,661,632	0.9
REV/PC.	\$ 0.3688	\$ 0.3732	- 1.2
PRIORITY-MAIL			
VOLUME	239,616	233,920	2.4
REVENUE	\$ 1,293,977	\$ 1,272,530	1.7
REV/PC.	\$ 5.4002	\$ 5.4400	- 0.7
EXPRESS MAIL			
VOLUME	13,517	13,432	0.6
REVENUE	\$ 217,514	\$ 216,850	0.3
REV/PC.	\$ 16.0919	\$ 16.1443	- 0.3
PERIODICALS			
VOLUME	2,340,169	2,316,182	1.0
REVENUE	\$ 563,485	\$ 562,025	0.3
REV/PC.	\$ 0.2408	\$ 0.2427	- 0.8
STANDARD MAIL			
VOLUME	26,954,372	24,663,658	9.3
REVENUE	\$ 5,053,902	\$ 4,685,930	7.9
REV/PC.	\$ 0.1875	\$ 0.1900	- 1.3
PACKAGE SERVICES			
VOLUME	314,685	319,071	- 1.4
REVENUE	\$ 645,939	\$ 658,925	- 2.0
REV/PC.	\$ 2.0527	\$ 2.0651	- 0.6
INTERNATIONAL			
VOLUME	249,094	242,111	2.9
REVENUE	\$ 507,507	\$ 475,199	6.8
REV/PC.	\$ 2.0374	\$ 1.9627	3.8
ALL OTHER			
VOLUME	219,349	143,882	52.5
REVENUE	\$ 187	\$ 159	17.2
ALL MAIL			
VOLUME	56,759,009	53,819,957	5.5
REVENUE	\$ 18,030,500	\$ 17,533,251	2.8
REV/PC.	\$ 0.3177	\$ 0.3258	- 2.5

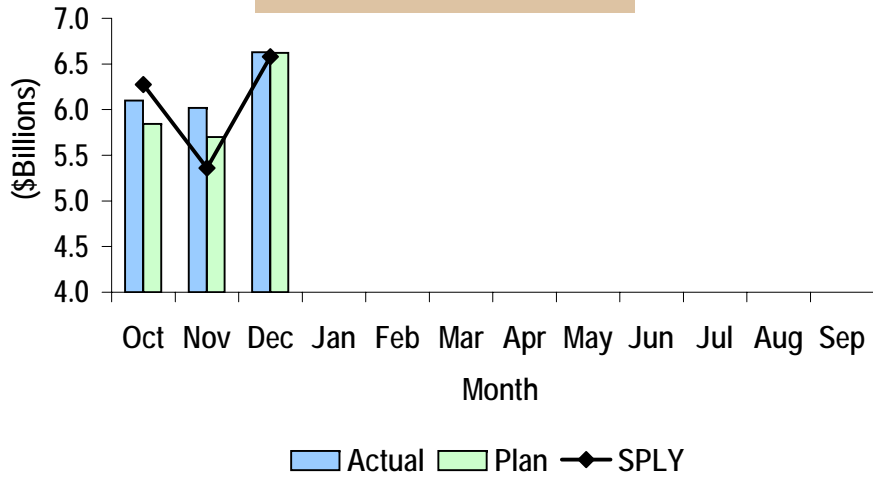
NOTE: Totals may not sum due to rounding.

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.

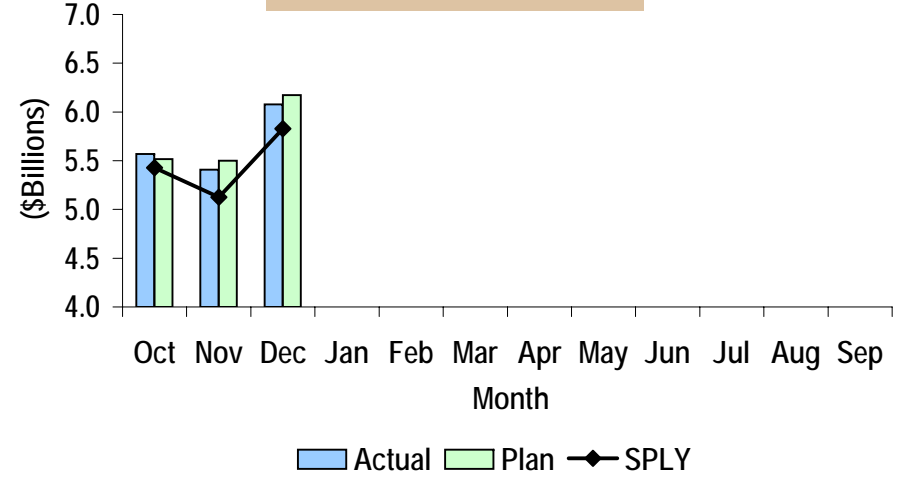
Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31). In order to provide a basis for comparison, FY 2004 data have been recast to reflect these reporting changes. The recast of FY 2004 data uses representative 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. Analysts should use the FY 2005 quarterly reports for SPLY analysis when they are available. When interpreting RPW SPLY changes under monthly reporting, users must factor in the number and composition of business days in the relevant time periods.

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

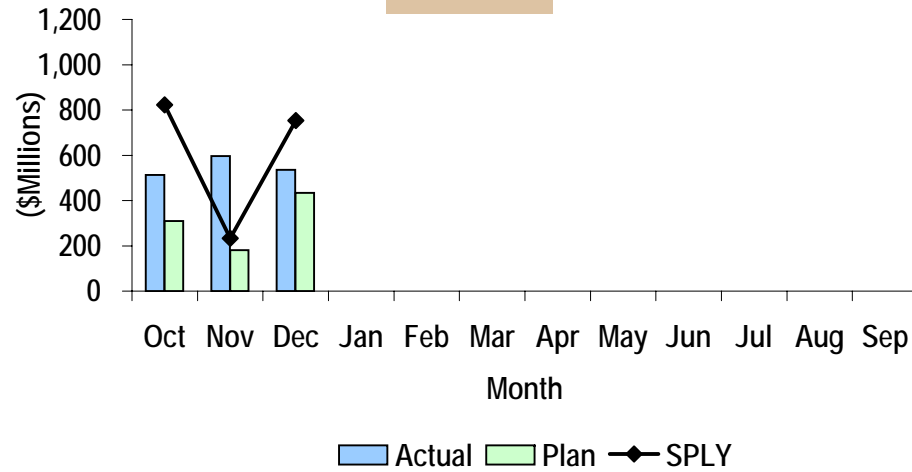
**TOTAL OPERATING REVENUE
FY 2005**



**TOTAL OPERATING EXPENSE
FY 2005**



**NET INCOME
FY 2005**



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

REVENUE BY SOURCE
December 2004 - FY 2005
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
\$ 2,379.2	\$ 2,416.0	- 1.5	Operating Revenue:	\$ 6,439.1	\$ 6,494.7	- 0.9
			Metered Postage			
1,403.8	1,452.2	- 3.3	Stamps and Stamped Paper	3,333.0	3,341.8	- 0.3
1,357.9	1,297.8	4.6	Permit Imprint	4,739.1	4,373.7	8.4
185.0	180.2	2.7	Periodicals & Standard	558.3	556.8	0.3
85.3	83.9	1.7	Official Mail	216.8	217.9	- 0.5
944.8	877.4	7.7	Presort First-Class & Package Svc./Permit Imprint	2,734.9	2,501.7	9.3
84.1	76.9	9.4	Box Rents	197.3	189.1	4.3
17.9	15.3	17.0	Money Order Fees	53.2	44.7	19.0
<u>162.9</u>	<u>177.4</u>	- 8.2	Other	<u>496.8</u>	<u>478.8</u>	3.8
\$ 6,620.9	\$ 6,577.1	0.7	Subtotal	\$ 18,768.5	\$ 18,199.2	3.1
<u>7.3</u>	<u>3.0</u>	143.3	Government Appropriation	<u>17.6</u>	<u>9.1</u>	93.4
\$ 6,628.2	\$ 6,580.1	0.7	Total Operating Revenue	\$ 18,786.1	\$ 18,208.3	3.2
<u>4.7</u>	<u>2.6</u>	80.8	Investment Income	<u>10.7</u>	<u>8.3</u>	28.9
<u>\$ 6,632.9</u>	<u>\$ 6,582.7</u>	0.8	Total Revenue	<u>\$ 18,796.8</u>	<u>\$ 18,216.6</u>	3.2

Note: Totals may not sum due to rounding.

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

REVENUE BY CATEGORY
December 2004 - FY 2005
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,548.0	\$ 2,493.5	2.2	Permit Revenue	\$ 8,228.5	\$ 7,604.8	8.2
<u>1,824.0</u>	<u>1,915.3</u>	[- 4.8]	Other Commercial Accounts Revenue	<u>5,347.6</u>	<u>5,542.0</u>	[- 3.5]
\$ 4,372.0	\$ 4,408.8	[- 0.8]	Total Commercial Revenue	\$ 13,576.1	\$ 13,146.8	3.3
			Retail Revenue			
1,771.8	1,765.5	0.4	Retail Postage Revenue	4,032.4	3,946.4	2.2
112.3	123.4	[- 9.0]	Retail Services Revenue	280.7	293.9	[- 4.5]
27.6	30.1	[- 8.3]	Retail Products Revenue	58.4	52.3	11.7
<u>300.1</u>	<u>251.2</u>	19.5	Other Retail Channels Revenue	<u>699.1</u>	<u>579.0</u>	20.7
\$ 2,211.8	\$ 2,170.2	1.9	Total Retail Revenue	\$ 5,070.6	\$ 4,871.6	4.1
\$ 6,583.8	\$ 6,579.0	0.1	Total Commercial & Retail Revenue	\$ 18,646.7	\$ 18,018.4	3.5
37.1	38.5	[- 3.6]	Other Income	121.8	128.5	[- 5.2]
<u>7.3</u>	<u>5.1</u>	43.1	Government Appropriation	<u>17.6</u>	<u>15.4</u>	14.3
\$ 6,628.2	\$ 6,622.6	0.1	Total Operating Revenue	\$ 18,786.1	\$ 18,162.3	3.4
<u>4.7</u>	<u>3.2</u>	46.9	Investment Income	<u>10.7</u>	<u>8.2</u>	30.5
\$ 6,632.9	\$ 6,625.8	0.1	Total Revenue	\$ 18,796.8	\$ 18,170.5	3.4

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

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EXPENSE ANALYSIS
December 2004 - FY 2005
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 4,775.8	\$ 4,861.3	\$ - 85.5	- 1.8	\$ 4,584.2	4.2	Personnel Compensation	\$ 13,641.2	\$ 13,630.7	[\$ 10.5]	[0.1]	\$ 13,130.0	3.9
						Non-Personnel Expense:						
561.2	497.2	[64.0]	[12.9]	483.1	16.2	Transportation	1,418.6	1,288.7	[129.9]	[10.1]	1,177.4	20.5
209.9	259.3	- 49.4	- 19.1	211.6	- 0.8	Supplies & Services	477.4	628.0	- 150.6	- 24.0	515.0	- 7.3
<u>531.7</u>	<u>555.9</u>	<u>- 24.2</u>	- 4.4	<u>548.6</u>	- 3.1	Other	<u>1,521.8</u>	<u>1,642.4</u>	<u>- 120.6</u>	- 7.3	<u>1,568.5</u>	- 3.0
\$ 1,302.8	\$ 1,312.4	\$ - 9.6	- 0.7	\$ 1,243.3	4.8	Subtotal	\$ 3,417.8	\$ 3,559.1	\$ - 141.3	- 4.0	\$ 3,260.9	4.8
\$ 6,078.6	\$ 6,173.7	\$ - 95.1	- 1.5	\$ 5,827.5	4.3	Total Operating Expense	\$ 17,059.0	\$ 17,189.8	\$ - 130.8	- 0.8	\$ 16,390.9	4.1
0.0	0.3	- 0.3	- 100.0	2.3	- 100.0	Interest Expense	1.5	2.3	- 0.8	- 34.8	9.0	- 83.3
<u>18.1</u>	<u>18.1</u>	<u>-</u>	-	<u>-</u>	NM	Interest on Deferred Retirement Costs	<u>54.3</u>	<u>54.3</u>	<u>-</u>	-	<u>-</u>	NM
\$ 6,096.7	\$ 6,192.1	\$ - 95.4	- 1.5	\$ 5,829.8	4.6	Total Expense	\$ 17,114.8	\$ 17,246.4	\$ - 131.6	- 0.8	\$ 16,399.9	4.4

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

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ANALYSIS OF OPERATING EXPENSES

Personnel Compensation

December 2004 - FY 2005

(\$ Millions)

Current Period						Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Total Compensation											
Operations:											
\$ 33.2	\$ 33.0	[\$ 0.2]	[0.5]	\$ 31.5	5.4	\$ 97.6	\$ 96.5	[\$ 1.2]	[1.2]	\$ 91.7	6.5
1,069.9	1,099.0	- 29.1	- 2.7	1,033.9	3.5	2,996.4	2,987.2	[9.2]	[0.3]	2,918.5	2.7
446.9	459.2	- 12.3	- 2.7	409.2	9.2	1,256.8	1,265.3	- 8.6	- 0.7	1,158.6	8.5
1,457.3	1,480.3	- 23.0	- 1.6	1,375.7	5.9	4,230.6	4,179.6	[51.0]	[1.2]	3,976.4	6.4
109.1	108.4	[0.7]	[0.6]	103.9	4.9	301.8	302.5	- 0.7	- 0.2	288.0	4.8
262.6	274.2	- 11.6	- 4.2	250.1	5.0	751.0	773.2	- 22.2	- 2.9	719.7	4.4
739.7	743.7	- 4.0	- 0.5	703.7	5.1	2,060.2	2,038.4	[21.9]	[1.1]	1,961.0	5.1
17.5	19.0	- 1.5	- 8.0	16.8	3.8	50.7	55.3	- 4.6	- 8.2	49.5	2.6
31.1	31.2	- 0.1	- 0.2	30.0	3.8	90.8	91.5	- 0.7	- 0.8	86.5	4.9
43.6	48.7	- 5.1	- 10.4	47.3	- 7.8	126.9	143.0	- 16.1	- 11.3	136.4	- 7.0
211.1	218.6	- 7.5	- 3.4	212.9	- 0.8	612.5	617.3	- 4.8	- 0.8	593.5	3.2
107.8	104.9	[2.8]	[2.7]	118.5	- 9.1	327.9	357.0	- 29.1	- 8.1	396.5	- 17.3
\$ 4,529.8	\$ 4,620.2	\$ - 90.4	- 2.0	\$ 4,333.6	4.5	\$ 12,903.2	\$ 12,906.8	\$ - 3.6	- 0.0	\$ 12,376.2	4.3
107.9	104.2	[3.7]	[3.5]	124.1	- 13.0	323.6	312.6	[11.0]	[3.5]	372.0	- 13.0
4.5	6.6	- 2.1	- 31.6	7.1	- 36.5	13.6	19.7	- 6.2	- 31.3	21.3	- 36.2
1.9	1.9	0.0	0.0	0.0	NM	5.7	5.7	0.0	0.0	0.0	NM
118.1	115.7	[2.5]	[2.1]	110.2	7.2	353.7	347.0	[6.7]	[1.9]	330.5	7.0
13.6	12.7	[0.9]	[6.9]	9.2	47.0	41.5	38.9	[2.6]	[6.7]	30.0	38.0
\$ 4,775.8	\$ 4,861.3	\$ - 85.5	- 1.8	\$ 4,584.2	4.2	\$ 13,641.2	\$ 13,630.7	[\$ 10.5]	[0.1]	\$ 13,130.0	3.9

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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ANALYSIS OF NON-PERSONNEL EXPENSES
 December 2004 - FY 2005
 (\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Description	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 561.2	\$ 497.2	[\$ 64.0]	[12.9]	\$ 483.1	16.2	Transportation	\$ 1,418.6	\$ 1,288.7	[\$ 129.9]	[10.1]	\$ 1,177.4	20.5
209.9	259.3	- 49.4	- 19.1	211.6	- 0.8	Supplies & Services	477.4	628.0	- 150.6	- 24.0	515.0	- 7.3
167.1	178.9	- 11.8	- 6.6	187.6	- 10.9	Depreciation	499.0	543.6	- 44.6	- 8.2	566.0	- 11.8
90.4	89.8	[0.6]	[0.7]	88.1	2.6	Rent	258.7	261.0	- 2.3	- 0.9	246.7	4.9
45.1	46.3	- 1.2	- 2.6	45.2	- 0.2	Fuel & Utilities	124.1	127.1	- 3.0	- 2.3	121.4	2.2
35.5	36.2	- 0.8	- 2.1	30.4	16.5	Rural Carrier Equip Maint Allowance	98.8	119.5	- 20.7	- 17.3	105.1	- 5.9
51.9	43.3	[8.6]	[19.9]	43.6	18.9	Vehicle Maintenance	137.7	115.3	[22.3]	[19.4]	113.7	21.0
26.7	42.5	- 15.7	- 37.0	49.3	- 45.8	Information Technology	70.1	152.8	- 82.7	- 54.1	111.9	- 37.4
28.3	21.3	[7.0]	[32.9]	22.9	23.7	Building Projects Expensed	66.4	52.9	[13.6]	[25.7]	60.8	9.3
6.7	8.2	- 1.5	- 18.1	6.8	- 0.7	Contract Job Cleaners	20.5	22.6	- 2.1	- 9.3	21.7	- 5.6
19.3	14.8	[4.5]	[30.3]	15.1	28.0	Travel & Relocation	53.4	43.9	[9.5]	[21.7]	46.5	14.8
19.7	19.0	[0.6]	[3.3]	25.0	- 21.4	Communications	51.8	54.9	- 3.1	- 5.7	54.4	- 4.8
6.7	7.1	- 0.4	- 5.5	6.8	- 1.5	Contract Stations	18.3	19.1	- 0.8	- 3.9	17.3	6.0
2.2	2.3	- 0.1	- 4.4	1.7	25.4	Printing	8.0	6.1	[1.9]	[31.0]	3.7	116.2
3.4	5.8	- 2.4	- 40.8	2.3	47.9	Training	11.4	15.7	- 4.4	- 27.6	7.8	45.3
2.6	3.1	- 0.6	- 17.7	1.6	55.5	Carfare & Tolls	7.0	8.9	- 1.9	- 21.1	5.7	22.8
1.1	1.5	- 0.4	- 28.8	1.4	- 20.1	Vehicle Hire	3.4	4.7	- 1.3	- 26.8	4.6	- 25.2
4.8	4.8	- 0.0	- 0.8	4.1	16.0	Accident Cost	13.5	12.7	[0.8]	[6.5]	12.4	8.7
20.4	31.2	- 10.8	- 34.5	16.8	21.6	Miscellaneous	79.7	81.7	- 2.0	- 2.4	68.9	15.7
\$ 1,302.8	\$ 1,312.4	- 9.6	- 0.7	\$ 1,243.3	4.8	Total Non-Personnel Expenses	\$ 3,417.8	\$ 3,559.1	\$ - 141.3	- 4.0	\$ 3,260.9	4.8

[]=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
December 2004 - FY 2005
(\$ Millions)

Assets	December 31, 2004	December 31, 2003	September 30, 2004*
Current Assets:			
Cash and cash equivalents _1/	\$ 737	\$ 559	\$ 877
Receivables:			
Foreign countries	676	777	621
U.S. Government	296	384	327
Other	<u>242</u>	<u>198</u>	<u>187</u>
Receivables before allowances	1,214	1,359	1,135
Less allowances	<u>114</u>	<u>106</u>	<u>111</u>
Total receivables, net	1,100	1,253	1,024
Supplies, advances and prepayments	<u>178</u>	<u>345</u>	<u>220</u>
Total Current Assets	2,015	2,157	2,121
Revenue forgone appropriations receivable	361	364	361
Property and Equipment, at Cost:			
Buildings	20,220	19,812	20,171
Equipment	17,592	17,295	17,277
Land	2,809	2,814	2,810
Leasehold improvements	<u>1,108</u>	<u>577</u>	<u>1,103</u>
	41,729	40,498	41,361
Less allowances for depreciation and amortization	<u>21,116</u>	<u>18,719</u>	<u>20,656</u>
	20,613	21,779	20,705
Construction in progress	<u>1,955</u>	<u>1,082</u>	<u>1,792</u>
Total property, plant and equipment, net	22,568	22,861	22,497
Total Assets	<u>\$ 24,944</u>	<u>\$ 25,382</u>	<u>\$ 24,979</u>

_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.

Certain reclassifications have been made to previously reported Balance Sheet amounts.

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

STATEMENT OF FINANCIAL POSITION
December 2004 - FY 2005
(\$ Millions)

Liabilities and Net Capital	December 31, 2004	December 31, 2003	September 30, 2004*
Current Liabilities:			
Compensation and benefits	\$ 2,336	\$ 3,823	\$ 2,640
Estimated prepaid postage	1,244	1,349	1,256
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,502	1,625	1,739
Foreign countries	825	963	778
U.S. government	<u>68</u>	<u>117</u>	<u>87</u>
Total payables and accrued expenses	2,395	2,705	2,604
Customer deposit advances	1,765	1,590	1,606
Outstanding postal money orders	786	771	767
Prepaid box rent & other deferred revenue	389	387	397
Debt	<u>0</u>	<u>2,251</u>	<u>1,800</u>
Total Current Liabilities	8,915	12,876	11,070
Non-Current Liabilities:			
Workers' compensation	6,963	6,697	6,651
Employees' accumulated leave	2,132	2,016	2,006
Other	<u>1,321</u>	<u>1,113</u>	<u>1,321</u>
Total Other Non-Current Liabilities	10,416	9,826	9,978
Total Liabilities	19,331	22,702	21,048
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings (deficit) since reorganization	<u>2,579</u>	<u>(354)</u>	<u>897</u>
Total Net Capital	5,613	2,680	3,931
Total Liabilities and Net Capital	<u>\$ 24,944</u>	<u>\$ 25,382</u>	<u>\$ 24,979</u>

Certain reclassifications have been made to previously reported Balance Sheet amounts.

* Audited year-end data.

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

STATEMENT OF CASH FLOWS
Fiscal Year 2005 through December 31, 2004
(\$ Millions)

	December 31, 2004	September 30, 2004*
Cash flows from operating activities:		
Net Income	\$ 1,682	\$ 3,065
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	499	2,145
Loss on disposals of property and equipment, net	4	71
Decrease in revenue forgone appropriations	-	4
Increase in USPS workers' compensation liability	312	343
Increase in employees' accumulated leave	126	74
Increase in other liabilities	-	170
Changes in current assets and liabilities:		
(Increase) decrease in receivables, net	(76)	167
Decrease in supplies, advances and prepayments	42	146
(Decrease) increase in compensation and benefits	(304)	106
(Decrease) in estimated prepaid postage	(12)	(93)
(Decrease) in payables and accrued expenses	(207)	(412)
Increase in customers deposits accounts	159	40
Increase (decrease) in outstanding postal money orders	19	(1)
(Decrease) increase in prepaid box rent & other deferred revenue	(8)	10
Net cash provided by operating activities	2,236	5,835
Cash flows from investing activities:		
Purchase of property and equipment	(576)	(1,685)
Proceeds from sale of property and equipment	2	26
Net cash used in investing activities	(574)	(1,659)
Cash flows from financing activities:		
U.S. government appropriations expended	(2)	(92)
Issuance of debt	-	-
Payments on debt	(1,800)	(5,473)
Net cash (used in) provided by financing activities	(1,802)	(5,565)
Net (decrease) in cash and cash equivalents	(140)	(1,389)
Cash and cash equivalents at beginning of year	877	2,266
Cash and cash equivalents at end of period	\$ 737	\$ 877

* Audited year-end data.

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

CAPITAL INVESTMENTS
December 2004 - FY 2005
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 30.8	\$ 42.8	\$ 12.2	\$ 61.2	\$ 53.5	\$ 35.3
BUILDING IMPROVEMENTS	24.2	55.9	29.7	100.3	81.2	60.5
MAIL PROCESSING EQUIPMENT	1.2	31.4	[- 9.5]	192.0	251.6	162.6
VEHICLES	0.5	10.9	130.4	52.7	54.6	32.7
RETAIL EQUIPMENT	1.7	5.9	25.8	39.6	23.0	18.3
POSTAL SUPPORT EQUIPMENT	363.6	380.7	23.1	130.5	132.4	75.8
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 422.0	\$ 527.7	\$ 211.7	\$ 576.4	\$ 596.3	\$ 385.1

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	December 31, 2004	September 30, 2004
CONSTRUCTION AND BUILDING PURCHASE	\$ 160.4	\$ 192.0
BUILDING IMPROVEMENTS	303.1	380.5
MAIL PROCESSING EQUIPMENT	1,392.9	1,601.1
VEHICLES	67.5	126.0
RETAIL EQUIPMENT	57.1	94.9
POSTAL SUPPORT EQUIPMENT	631.7	413.9
TOTAL RESOURCES ON ORDER	\$ 2,612.7	\$ 2,808.4

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
December 2004 - FY 2005
(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>					
751	- 3	- 0.4	755	- 0.5	Operations:	2,239	[21]	[0.9]	2,215	1.1
32,892	[13]	[0.0]	33,117	- 0.7	-Support	90,276	[1,889]	[2.1]	90,739	- 0.5
15,799	- 71	- 0.4	14,858	6.3	-Mail Processing	44,727	[698]	[1.6]	42,304	5.7
41,246	- 482	- 1.2	40,934	0.8	-Rural Delivery	119,895	[1,936]	[1.6]	117,557	2.0
2,933	[8]	[0.3]	2,963	- 1.0	-City Delivery	8,134	- 26	- 0.3	8,146	- 0.2
7,007	- 425	- 5.7	7,117	- 1.5	-Vehicles Services	20,307	- 838	- 4.0	20,570	- 1.3
21,725	[66]	[0.3]	21,628	0.5	-Plant & Equip Maint	60,520	[1,218]	[2.1]	59,636	1.5
413	- 61	- 12.8	421	- 1.9	-Customer Services	1,214	- 176	- 12.7	1,234	- 1.7
724	[4]	[0.5]	738	- 1.9	Finance	2,172	[42]	[2.0]	2,176	- 0.2
1,139	- 111	- 8.9	1,270	- 10.3	Human Resources	3,353	- 352	- 9.5	3,692	- 9.2
5,800	- 1	- 0.0	6,027	- 3.8	Customer Service & Sales	16,738	[269]	[1.6]	16,757	- 0.1
2,061	- 199	- 8.8	2,536	- 18.7	Administration	6,252	- 505	- 7.5	8,246	- 24.2
132,491	- 1,264	- 0.9	132,364	0.1	Other					
					<u>Total Workhours</u>	375,827	[4,177]	[1.1]	373,270	0.7

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
12.0%	9.2%	9.8%	Overtime Ratio Per 100 Workhours	11.5%	8.6%	10.2%

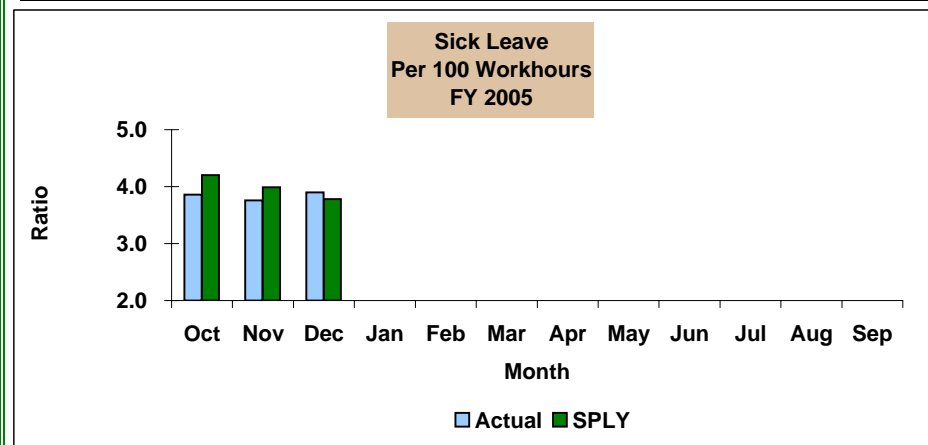
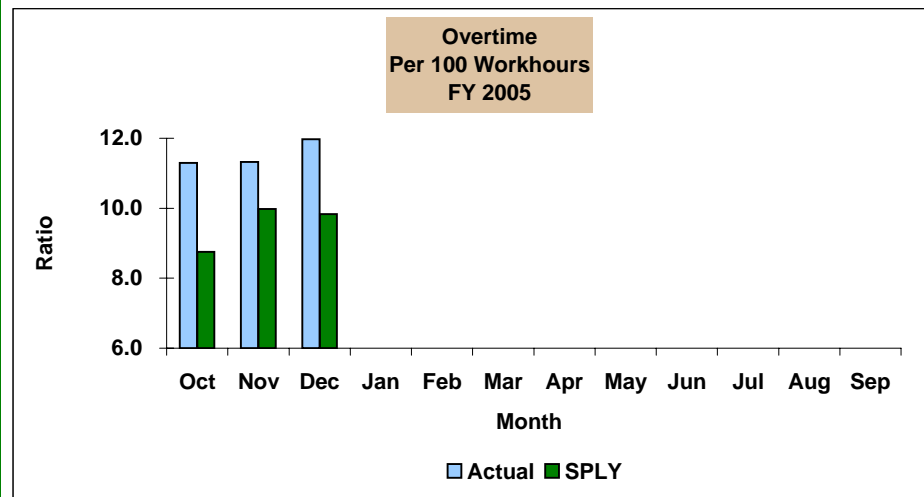
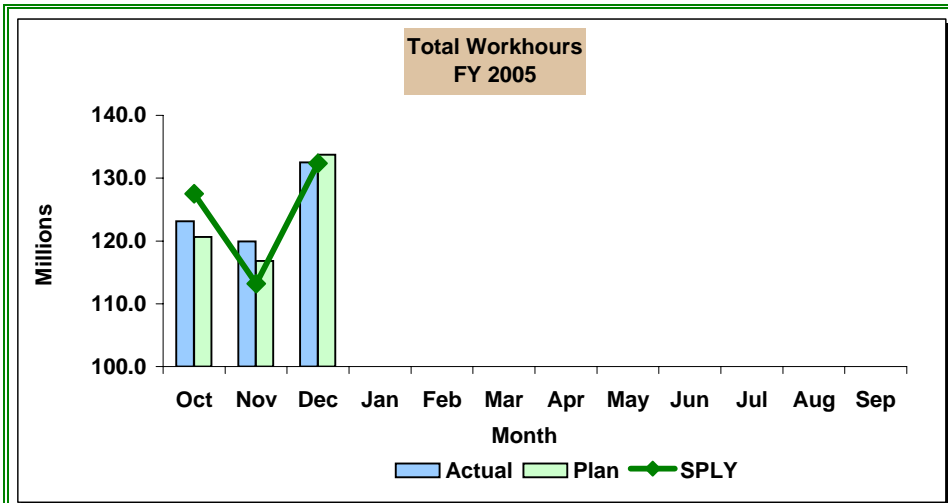
Sick Leave				
Actual	SPLY		Actual	SPLY
3.9%	3.8%	Sick Leave Ratio Per 100 Workhours	3.9%	4.4%

[]=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.

December 2004 - FY 2005

Information: There is one less Saturday and one more weekday for the month of December compared to same period last year (SPLY). Year-to-date had one more non-holiday weekday than last year, and one less non-holiday Saturday. Because weekday revenues are significantly larger than Saturday revenues, this calendar shift had a positive affect on revenue.

Analysis of the Financial and Operating Statements

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

For December, Total Revenue was \$7 million or 0.1% over plan. Commercial Revenue was under plan by \$37 million or 0.8% and Retail Revenue was over plan \$42 million or 1.9%. In December, Total Revenue was \$50 million or 0.8% over SPLY. Combined Commercial Revenue and Retail Revenue were \$40 million more than SPLY. Permit Imprint Revenue for December was 4.6% (\$60 million) greater than SPLY.

Year-to-date (YTD), Total Revenue is \$626 million or 3.4% over plan with the largest contributor being Permit Revenue at \$624 million more than plan. Conversely, Other Commercial Accounts, driven by customer meter revenue, is \$194 million or 3.5% less than plan negatively impacting the Total Revenue performance to plan. YTD Total Revenue is \$580 million over SPLY.

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

For December, Total Expenses were \$95 million or 1.5% below plan. Personnel costs were \$86 million or 1.8% below plan. Non-personnel costs were also below plan by \$10 million or 0.7%, absorbing overruns in transportation costs caused by increased jet fuel prices. Transportation costs at \$64 million above plan were counter-balanced by reductions in Supplies and Services, \$49 million below plan. Despite increased volume during December, Total Expenses were below plan, which indicates that a major portion of the resulting workload was absorbed. Total Expenses were \$267 million or 4.6% above SPLY during December.

Year-to-date, personnel costs are \$11 million or 0.1% over plan and non-personnel expenses are \$141 million below plan. The largest contributors to the non-personnel plan underruns are Supplies & Services, Information Technology, Depreciation, and Rural Carrier Equipment Maintenance Allowance. Combined, these line items were \$295 below plan YTD. Transformation Plan initiatives, Supply Chain Management, and other cost containment initiatives are continuing to drive most of our savings. Non-personnel expense cost containment activities have assisted in offsetting cost increases in personnel compensation, which has resulted in a \$132 million below plan YTD savings in Total Expense, despite increased volume. YTD Total Expenses are \$715 million or 4.4% above SPLY.

December 2004 - FY 2005

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter I, FY 2005 was 2.9 billion pieces or 5.5% above SPLY. The mail volumes in all major mail category lines were above SPLY levels, except Package Services. Mail volume growth was aided considerably by the impact of the quadrennial election cycle, as well as being driven by the increasing strength of direct marketing channels, surges in credit card marketing, and a calendar shift that added two days to the holiday marketing and mailing season between Thanksgiving and Christmas. First-Class Mail and Standard Mail volumes were 0.5 billion and 2.3 billion pieces over SPLY, respectively.

Capital Investments - Pages 1 and 13

The Fiscal Year 2005 Capital Commitments YTD through December 31, 2004 are \$422 million compared to a plan of \$528 million. This represents a plan underrun of about \$106 million or 20.0%.

The Cash Outlays YTD are \$576 million versus a plan of \$596 million, representing a \$20 million underrun to plan.

Workhours - Pages 1, 14 and 15

Total workhours for December 2004 were 1.3 million hours or 0.9% below plan and slightly above December 2003. The City Delivery and Rural Delivery operations posted the most significant workhour growth to SPLY, 0.9 million hours and 0.3 million hours, respectively. Conversely, Other Workhours and Mail Processing workhours combined were 0.7 million less than SPLY.

Total workhours for December, 2004 YTD are 2.6 million hours or 0.7% above SPLY. This increase in workhours is a reflection of the growth in mail volumes. YTD, the largest contributors to the workhours growth to SPLY were in City Delivery and Rural Delivery workhours. Combined, these operations were 4.8 million hours above SPLY.

For further information, please refer to the Quarter I, FY 2005 report at: <http://www.usps.com/financials/fcr/welcome.htm>