



***UNITED STATES
POSTAL SERVICE***

FINANCIAL & OPERATING STATEMENTS

June, FY 2005

June 1 – June 30, 2005

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
June 2005 - FY 2005
(Millions)

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

Year-to-Date (October 1, 2004 - June 30, 2005)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY

\$ 5,600.1	\$ 5,683.6	[\$ -83.5]	[-1.5]	\$ 5,505.3	1.7	Total Revenue	\$ 52,986.9	\$ 51,905.1	\$ 1,081.8	2.1	\$ 52,113.9	1.7
<u>5,675.1</u>	<u>5,651.7</u>	<u>[23.4]</u>	<u>[0.4]</u>	<u>5,470.3</u>	3.7	Total Expense	<u>51,269.8</u>	<u>51,386.5</u>	<u>- 116.7</u>	-0.2	<u>49,297.4</u>	4.0
\$ (75.0)	\$ 31.9	[\$ -106.9]	NM	\$ 35.0	NM	Net Income/(Loss)	\$ 1,717.1	\$ 518.6	\$ 1,198.5	NM	\$ 2,816.5	NM
\$ 168.8	\$ 154.8	\$ 14.0	9.0	\$ 123.0	37.2	Capital Commitments	\$ 1,157.7	\$ 1,244.9	[\$ -87.2]	[-7.0]	\$ 1,078.2	
120.1	119.5	[0.6]	[0.5]	116.0	3.6	Total Workhours	1,101.7	1,086.3	[15.4]	[1.4]	1,092.8	0.8

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,421	27,445	27,530
Postal Owned Vehicles In Use			
Administrative	6,155	5,881	5,901
Operations	206,781	206,798	206,631
Total Deliveries (000) *	143,724	143,545	141,704
City Delivery Routes	164,442	164,594	164,448
Rural Routes	71,841	71,513	70,342
Career Employees (Excludes Inspector General)	702,960	702,274	708,805
Casual Employees	22,358	21,408	20,662
Transitional Employees	8,985	9,224	9,640

* 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
 June 2005 - FY 2005
 (\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 5,590.7	\$ 5,678.1	[\$ - 87.4]	[- 1.5]	\$ 5,502.5	1.6	Operating Revenue	\$ 52,929.3	\$ 51,868.6	\$ 1,060.7	2.0	\$ 52,090.6	1.6	
<u>5,652.8</u>	<u>5,633.3</u>	[<u>19.5</u>]	[0.3]	<u>5,451.7</u>	3.7	Operating Expense	<u>51,067.5</u>	<u>51,219.4</u>	<u>- 151.9</u>	- 0.3	<u>49,235.9</u>	3.7	
\$ (62.1)	\$ 44.8	[\$ - 106.9]	NM	\$ 50.8	NM	Income/(Loss) From Operations	\$ 1,861.8	\$ 649.2	\$ 1,212.6	NM	\$ 2,854.7	NM	
9.4	5.5	3.9	70.9	2.8	235.7	Investment Income	57.6	36.5	21.1	57.8	23.3	147.2	
-	0.3	- 0.3	- 100.0	-	NM	Interest Expense	1.6	4.2	- 2.6	- 61.9	10.4	- 84.6	
<u>22.3</u>	<u>18.1</u>	[<u>4.2</u>]	[23.2]	<u>18.6</u>	\$ 19.9	Interest on Deferred Retirement Obligations	<u>200.7</u>	<u>162.9</u>	[<u>37.8</u>]	[23.2]	<u>51.1</u>	292.8	
\$ (75.0)	\$ 31.9	[\$ - 106.9]	NM	\$ 35.0	NM	Net Income/(Loss)	\$ 1,717.1	\$ 518.6	\$ 1,198.5	NM	\$ 2,816.5	NM	

[]=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.

MAIL VOLUME - MAIL REVENUE
(Data in Thousands)

CATEGORY	Current Period			Year-to-Date		
	Qtr. III FY 2005	Qtr. III FY 2004	% SPLY	Qtr. III FY 2005	Qtr. III FY 2004	% SPLY
FIRST-CLASS						
VOLUME	23,631,379	23,573,127	0.2	74,716,210	74,432,564	0.4
REVENUE	\$ 8,683,906	\$ 8,752,252	- 0.8	\$ 27,490,990	\$ 27,695,883	- 0.7
REV/PC.	\$ 0.3675	\$ 0.3713	- 1.0	\$ 0.3679	\$ 0.3721	- 1.1
PRIORITY-MAIL						
VOLUME	217,628	202,508	7.5	676,064	649,463	4.1
REVENUE	\$ 1,117,560	\$ 1,031,944	8.3	\$ 3,541,369	\$ 3,398,590	4.2
REV/PC.	\$ 5.1352	\$ 5.0958	0.8	\$ 5.2382	\$ 5.2329	0.1
EXPRESS MAIL						
VOLUME	14,403	13,845	4.0	41,679	40,857	2.0
REVENUE	\$ 224,307	\$ 216,066	3.8	\$ 657,045	\$ 645,565	1.8
REV/PC.	\$ 15.5736	\$ 15.6061	- 0.2	\$ 15.7644	\$ 15.8006	- 0.2
PERIODICALS						
VOLUME	2,285,286	2,281,162	0.2	6,915,939	6,906,638	0.1
REVENUE	\$ 539,403	\$ 546,619	- 1.3	\$ 1,643,361	\$ 1,653,566	- 0.6
REV/PC.	\$ 0.2360	\$ 0.2396	- 1.5	\$ 0.2376	\$ 0.2394	- 0.8
STANDARD MAIL						
VOLUME	24,129,374	23,064,197	4.6	75,411,198	71,102,896	6.1
REVENUE	\$ 4,520,866	\$ 4,360,302	3.7	\$ 14,172,508	\$ 13,497,916	5.0
REV/PC.	\$ 0.1874	\$ 0.1891	- 0.9	\$ 0.1879	\$ 0.1898	- 1.0
PACKAGE SERVICES						
VOLUME	265,326	246,248	7.7	868,264	844,361	2.8
REVENUE	\$ 491,504	\$ 478,485	2.7	\$ 1,688,335	\$ 1,686,005	0.1
REV/PC.	\$ 1.8525	\$ 1.9431	- 4.7	\$ 1.9445	\$ 1.9968	- 2.6
INTERNATIONAL						
VOLUME	205,597	200,889	2.3	655,727	651,443	0.7
REVENUE	\$ 438,271	\$ 403,019	8.7	\$ 1,369,078	\$ 1,296,190	5.6
REV/PC.	\$ 2.1317	\$ 2.0062	6.3	\$ 2.0879	\$ 1.9897	4.9
ALL OTHER						
VOLUME	173,256	148,714	16.5	538,867	439,077	22.7
REVENUE	\$ 222	\$ 204	8.8	\$ 655	\$ 537	22.0
ALL MAIL						
VOLUME	50,922,249	\$ 49,730,688	2.4	159,823,948	155,067,297	3.1
REVENUE	\$ 16,016,040	\$ 15,788,893	1.4	\$ 50,563,342	\$ 49,874,252	1.4
REV/PC.	\$ 0.3145	\$ 0.3175	- 0.9	\$ 0.3164	\$ 0.3216	- 1.6

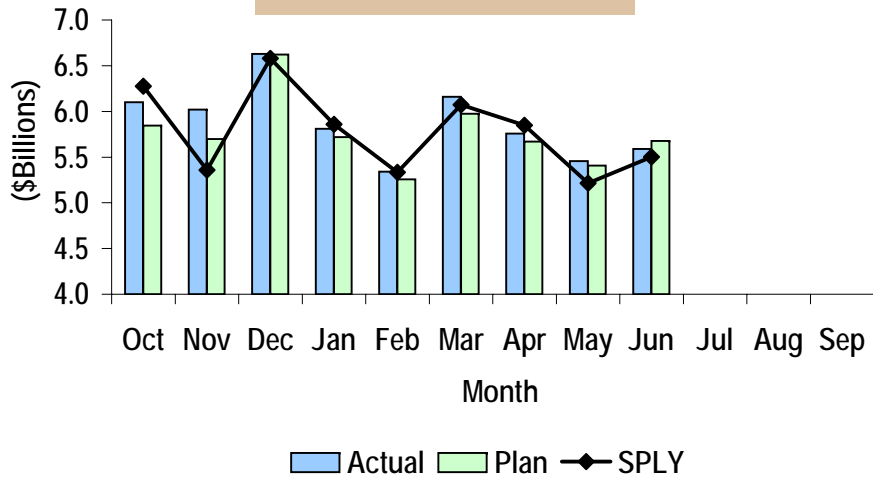
NOTE: Totals may not sum due to rounding.

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.

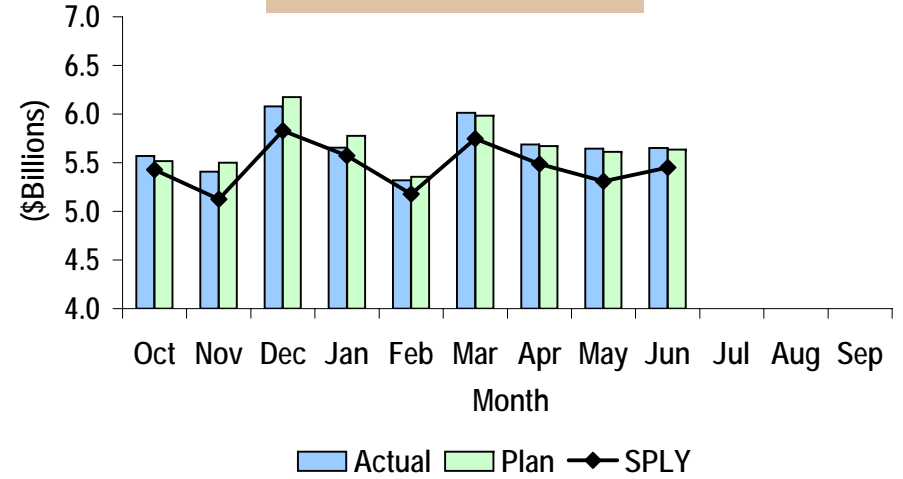
Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31). In order to provide a basis for comparison, FY 2004 data have been recast to reflect these reporting changes. The recast of FY 2004 data uses representative 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.

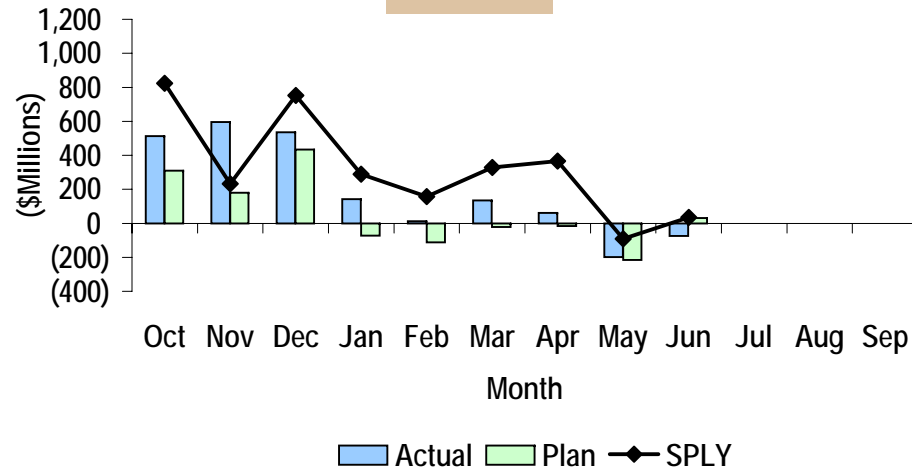
**TOTAL OPERATING REVENUE
FY 2005**



**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
 June 2005 - FY 2005
 (\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
\$ 1,999.4	\$ 2,035.5	- 1.8	Operating Revenue:	\$ 18,628.3	\$ 18,950.9	- 1.7
			Metered Postage			
843.0	898.1	- 6.1	Stamps and Stamped Paper	8,516.9	8,764.2	- 2.8
1,382.1	1,306.2	5.8	Permit Imprint	13,310.3	12,601.6	5.6
185.0	185.1	- 0.1	Periodicals & Standard	1,630.9	1,638.8	- 0.5
68.2	61.1	11.6	Official Mail	616.5	657.3	- 6.2
854.1	757.4	12.8	Presort First-Class & Package Svc./Permit Imprint	7,868.4	7,190.3	9.4
77.1	92.5	- 16.6	Box Rents	591.2	601.1	- 1.6
17.2	14.3	20.3	Money Order Fees	156.4	133.6	17.1
<u>154.9</u>	<u>147.5</u>	5.0	Other	<u>1,538.0</u>	<u>1,444.6</u>	6.5
\$ 5,581.0	\$ 5,497.7	1.5	Subtotal	\$ 52,856.9	\$ 51,982.4	1.7
<u>9.7</u>	<u>4.8</u>	102.1	Government Appropriations	<u>72.4</u>	<u>108.2</u>	- 33.1
\$ 5,590.7	\$ 5,502.5	1.6	Total Operating Revenue	\$ 52,929.3	\$ 52,090.6	1.6
<u>9.4</u>	<u>2.8</u>	235.7	Investment Income	<u>57.6</u>	<u>23.3</u>	147.2
<u>\$ 5,600.1</u>	<u>\$ 5,505.3</u>	1.7	Total Revenue	<u>\$ 52,986.9</u>	<u>\$ 52,113.9</u>	1.7

Note: Totals may not sum due to rounding.

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

REVENUE BY CATEGORY
June 2005 - FY 2005
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,474.8	\$ 2,405.2	2.9	Permit Revenue	\$ 23,341.4	\$ 22,043.1	5.9
<u>1,723.3</u>	<u>1,868.0</u>	[- 7.7]	Other Commercial Accounts Revenue	<u>15,779.4</u>	<u>16,509.5</u>	[- 4.4]
\$ 4,198.1	\$ 4,273.2	[- 1.8]	Total Commercial Revenue	\$ 39,120.8	\$ 38,552.6	1.5
			Retail Revenue			
1,028.6	1,091.8	[- 5.8]	Retail Postage Revenue	10,442.5	10,365.0	0.7
112.3	104.6	7.4	Retail Services Revenue	881.6	870.8	1.2
16.6	13.3	24.8	Retail Products Revenue	158.4	128.5	23.3
<u>193.6</u>	<u>171.0</u>	13.2	Other Retail Channels Revenue	<u>1,851.0</u>	<u>1,585.8</u>	16.7
\$ 1,351.1	\$ 1,380.7	[- 2.1]	Total Retail Revenue	\$ 13,333.5	\$ 12,950.1	3.0
\$ 5,549.2	\$ 5,653.9	[- 1.9]	Total Commercial & Retail Revenue	\$ 52,454.3	\$ 51,502.7	1.8
31.8	19.1	66.5	Other Income	402.6	319.6	26.0
<u>9.7</u>	<u>5.1</u>	90.2	Government Appropriations	<u>72.4</u>	<u>46.3</u>	56.4
\$ 5,590.7	\$ 5,678.1	[- 1.5]	Total Operating Revenue	\$ 52,929.3	\$ 51,868.6	2.0
<u>9.4</u>	<u>5.5</u>	70.9	Investment Income	<u>57.6</u>	<u>36.5</u>	57.8
\$ 5,600.1	\$ 5,683.6	[- 1.5]	Total Revenue	\$ 52,986.9	\$ 51,905.1	2.1

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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EXPENSE ANALYSIS
June 2005 - FY 2005
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 4,426.9	\$ 4,542.1	\$ -115.2	-2.5	\$ 4,279.0	3.5	Personnel Compensation	\$ 40,504.9	\$ 40,402.5	[\$ 102.4]	[0.3]	\$ 39,147.0	3.5
Non-Personnel Expense:												
436.5	392.9	[43.6]	[11.1]	411.8	6.0	Transportation	4,055.2	3,873.7	[181.5]	[4.7]	3,682.0	10.1
212.2	208.8	[3.4]	[1.6]	209.3	1.4	Supplies & Services	1,725.2	1,947.5	-222.3	-11.4	1,681.7	2.6
<u>577.2</u>	<u>489.5</u>	<u>[87.7]</u>	[17.9]	<u>551.6</u>	4.6	Other	<u>4,782.2</u>	<u>4,995.7</u>	<u>-213.5</u>	-4.3	<u>4,725.2</u>	1.2
\$ 1,225.9	\$ 1,091.2	[\$ 134.7]	[12.3]	\$ 1,172.7	4.5	Subtotal	\$ 10,562.6	\$ 10,816.9	\$ -254.3	-2.4	\$ 10,088.9	4.7
\$ 5,652.8	\$ 5,633.3	[\$ 19.5]	[0.3]	\$ 5,451.7	3.7	Total Operating Expense	\$ 51,067.5	\$ 51,219.4	\$ -151.9	-0.3	\$ 49,235.9	3.7
-	0.3	-0.3	-100.0	-	-	Interest Expense	1.6	4.2	-2.6	-61.9	10.4	-84.6
<u>22.3</u>	<u>18.1</u>	<u>[4.2]</u>	[23.2]	<u>18.6</u>	19.9	Interest on Deferred Retirement Obligations	<u>200.7</u>	<u>162.9</u>	<u>[37.8]</u>	[23.2]	<u>51.1</u>	292.8
\$ 5,675.1	\$ 5,651.7	[\$ 23.4]	[0.4]	\$ 5,470.3	3.7	Total Expense	\$ 51,269.8	\$ 51,386.5	\$ -116.7	-0.2	\$ 49,297.4	4.0

[]=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 OPERATING EXPENSES

Personnel Compensation

June 2005 - 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:					
\$ 36.5	\$ 36.8	\$ -0.3	-0.7	\$ 32.5	12.2	\$ 315.8	\$ 303.1	[\$ 12.7]	[4.2]	\$ 286.3	10.3
904.5	916.8	-12.4	-1.3	885.0	2.2	8,678.7	8,630.8	[\$ 48.0]	[0.6]	8,494.0	2.2
430.7	447.7	-17.0	-3.8	394.5	9.2	3,815.2	3,809.9	[\$ 5.2]	[0.1]	3,522.5	8.3
1,377.7	1,401.6	-23.9	-1.7	1,328.7	3.7	12,554.3	12,350.6	[\$ 203.8]	[1.6]	11,988.7	4.7
99.4	100.2	-0.9	-0.9	96.1	3.4	898.4	895.4	[\$ 2.9]	[0.3]	866.9	3.6
249.6	257.0	-7.3	-2.8	239.4	4.3	2,261.8	2,299.9	\$ -38.2	-1.7	2,177.8	3.9
657.6	681.4	-23.7	-3.5	642.9	2.3	6,062.0	6,000.1	[\$ 61.9]	[1.0]	5,853.6	3.6
18.2	20.6	-2.5	-12.0	17.1	6.3	157.5	178.5	\$ -21.0	-11.8	149.7	5.2
33.5	34.5	-1.0	-2.8	30.9	8.4	285.9	281.9	[\$ 4.0]	[1.4]	268.1	6.7
43.8	46.6	-2.8	-6.0	47.1	-7.1	386.3	395.7	\$ -9.4	-2.4	417.8	-7.5
214.2	227.4	-13.2	-5.8	206.6	3.7	1,894.3	1,884.9	[\$ 9.4]	[0.5]	1,833.0	3.3
121.2	118.4	[2.9]	[2.4]	107.3	13.0	1,018.5	1,091.7	\$ -73.2	-6.7	1,016.8	0.2
\$ 4,187.0	\$ 4,289.0	\$ -102.0	-2.4	\$ 4,028.2	3.9	\$ 38,328.7	\$ 38,122.6	[\$ 206.1]	[0.5]	\$ 36,875.1	3.9
95.8	104.9	\$ -9.1	-8.7	124.0	-22.7	857.9	953.0	\$ -95.1	-10.0	1,116.0	-23.1
2.6	4.7	-2.1	-43.9	6.3	-58.4	34.3	44.1	\$ -9.8	-22.2	60.8	-43.6
1.9	1.9	0.0	0.0	1.5	26.7	17.1	17.1	\$ 0.0	0.0	4.1	317.1
128.0	129.7	-1.7	-1.3	110.2	16.2	1,121.9	1,125.0	\$ -3.1	-0.3	991.5	13.2
11.6	12.0	-0.4	-3.3	8.7	32.5	145.0	140.7	[\$ 4.3]	[3.1]	99.6	45.6
\$ 4,426.9	\$ 4,542.1	-115.2	-2.5	\$ 4,279.0	3.5	\$ 40,504.9	\$ 40,402.5	[\$ 102.4]	[0.3]	\$ 39,147.0	3.5

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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ANALYSIS OF NON-PERSONNEL EXPENSES
June 2005 - 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
\$ 436.5	\$ 392.9	[\$ 43.6]	[11.1]	\$ 411.8	6.0	Transportation	\$ 4,055.2	\$ 3,873.7	[\$ 181.5]	[4.7]	\$ 3,682.0	10.1
212.2	208.8	[3.4]	[1.6]	209.3	1.4	Supplies & Services	1,725.2	1,947.5	- 222.3	- 11.4	1,681.7	2.6
172.5	177.1	- 4.6	- 2.6	182.3	- 5.4	Depreciation	1,543.0	1,608.8	- 65.8	- 4.1	1,633.0	- 5.5
84.7	84.6	[0.1]	[0.1]	82.5	2.6	Rent	771.4	781.9	- 10.5	- 1.3	742.8	3.8
47.3	44.6	[2.7]	[6.0]	52.7	- 10.1	Utilities & Heating Fuel	421.0	416.9	[4.2]	[1.0]	411.1	2.4
34.1	37.9	- 3.8	- 10.0	28.2	20.7	Rural Carrier Equip Maint Allowance	323.0	355.9	- 32.9	- 9.2	296.5	8.9
47.4	45.0	[2.4]	[5.3]	51.7	- 8.4	Vehicle Maintenance Services	426.2	398.7	[27.5]	[6.9]	379.6	12.3
47.1	34.8	[12.2]	[35.2]	35.2	33.6	Information Technology	251.6	339.9	- 88.3	- 26.0	314.5	- 20.0
19.6	20.1	- 0.6	- 2.8	25.9	- 24.4	Building Projects Expensed	170.9	158.9	[12.0]	[7.6]	190.2	- 10.1
7.2	7.4	- 0.3	- 3.4	6.6	9.2	Contract Job Cleaners	65.4	65.6	- 0.2	- 0.3	63.5	3.0
23.2	15.8	[7.4]	[46.7]	19.6	18.4	Travel & Relocation	171.3	157.1	[14.2]	[9.0]	153.6	11.5
20.5	18.9	[1.6]	[8.5]	21.4	- 4.3	Communications	167.5	167.2	[0.4]	[0.2]	160.7	4.3
6.1	6.6	- 0.5	- 7.5	5.9	2.9	Contract Stations	56.1	58.7	- 2.6	- 4.4	53.5	4.8
2.3	2.4	- 0.1	- 3.9	2.5	- 9.6	Printing	18.2	22.5	- 4.3	- 19.0	14.3	27.4
6.2	6.1	[0.1]	[1.4]	3.2	90.1	Training	43.4	52.2	- 8.8	- 16.9	32.7	32.6
2.4	2.8	- 0.4	- 12.8	3.9	- 37.3	Carfare & Tolls	22.5	26.5	- 4.0	- 15.0	25.3	- 11.0
0.8	1.6	- 0.7	- 48.0	1.2	- 30.7	Vehicle Hire	11.3	14.1	- 2.8	- 20.1	14.3	- 21.4
4.4	3.7	[0.7]	[18.4]	4.4	1.6	Accident Costs	36.7	35.1	[1.6]	[4.6]	39.1	- 6.3
51.5	- 20.0	[71.5]	NM	24.3	111.9	Miscellaneous	282.7	335.8	- 53.1	- 15.8	200.4	41.1
\$ 1,225.9	\$ 1,091.2	[\$ 134.7]	[12.3]	\$ 1,172.7	4.5	Total Non-Personnel Expenses	\$ 10,562.6	\$ 10,816.9	\$ - 254.3	- 2.4	\$ 10,088.9	4.7

[]=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
June 2005 - FY 2005
(\$ Millions)

Assets	June 30, 2005	June 30, 2004	September 30, 2004*
Current Assets:			
Cash and cash equivalents _1/	\$ 3,004	\$ 533	\$ 877
Receivables:			
Foreign countries	666	655	621
U.S. Government	251	224	327
Other	<u>170</u>	<u>202</u>	<u>187</u>
Receivables before allowances	1,087	1,081	1,135
Less allowances	<u>112</u>	<u>97</u>	<u>111</u>
Total receivables, net	975	984	1,024
Supplies, advances and prepayments	<u>155</u>	<u>348</u>	<u>220</u>
Total Current Assets	4,134	1,865	2,121
Other Assets, principally revenue forgone appropriations receivable	361	365	361
Property and Equipment, at Cost:			
Buildings	20,344	20,098	20,171
Equipment	18,221	17,256	17,277
Land	2,806	2,819	2,810
Leasehold improvements	<u>1,138</u>	<u>1,117</u>	<u>1,103</u>
	42,509	41,290	41,361
Less allowances for depreciation and amortization	<u>22,035</u>	<u>20,219</u>	<u>20,656</u>
	20,474	21,071	20,705
Construction in progress	<u>2,008</u>	<u>1,428</u>	<u>1,792</u>
Total property and equipment, net	22,482	22,499	22,497
Total Assets	<u>\$ 26,977</u>	<u>\$ 24,729</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

June 2005 - FY 2005

(\$ Millions)

Liabilities and Net Capital	June 30, 2005	June 30, 2004	September 30, 2004*
Current Liabilities:			
Compensation and benefits	\$ 3,786	\$ 3,836	\$ 2,640
Estimated prepaid postage	1,258	1,349	1,256
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,105	1,315	1,739
Foreign countries	799	751	778
U.S. government	54	105	87
Total payables and accrued expenses	<u>1,958</u>	<u>2,171</u>	<u>2,604</u>
Customer deposit accounts	1,649	1,549	1,606
Outstanding postal money orders	765	783	767
Prepaid box rent & other deferred revenue	405	397	397
Debt	-	-	1,800
Total Current Liabilities	<u>9,821</u>	<u>10,085</u>	<u>11,070</u>
Non-Current Liabilities:			
Workers' compensation	7,502	7,442	6,651
Employees' accumulated leave	2,141	2,127	2,006
Other	1,865	1,393	1,321
Total Other Non-Current Liabilities	<u>11,508</u>	<u>10,962</u>	<u>9,978</u>
Total Liabilities	21,329	21,047	21,048
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings since reorganization	2,614	648	897
Total Net Capital	<u>5,648</u>	<u>3,682</u>	<u>3,931</u>
Total Liabilities and Net Capital	<u>\$ 26,977</u>	<u>\$ 24,729</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 June 30, 2005
(\$ Millions)

	June 30, 2005	June 30, 2004	September 30, 2004*
Cash flows from operating activities:			
Net Income	\$ 1,717	\$ 2,816	\$ 3,065
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,543	1,633	2,145
Loss on disposals of property and equipment, net	2	27	71
Decrease in revenue forgone appropriations	-	-	4
Increase in USPS workers' compensation liability	851	1,118	343
Increase in employees' accumulated leave	135	195	74
Increase in other liabilities	544	242	170
Changes in current assets and liabilities:			
Decrease in receivables, net	49	207	167
Decrease in supplies, advances and prepayments	65	18	146
Increase in compensation and benefits	1,146	1,318	106
Increase (decrease) in estimated prepaid postage	2	-	(93)
(Decrease) in payables and accrued expenses	(646)	(937)	(412)
Increase (decrease) in customers deposit accounts	43	(17)	40
(Decrease) increase in outstanding postal money orders	(2)	15	(1)
Increase in prepaid box rent & other deferred revenue	8	10	10
Net cash provided by operating activities	5,457	6,645	5,835
Cash flows from investing activities:			
Purchase of property and equipment	(1,554)	(1,116)	(1,685)
Proceeds from sale of property and equipment	24	11	26
Net cash (used in) investing activities	(1,530)	(1,105)	(1,659)
Cash flows from financing activities:			
U.S. government appropriation - expended	-	-	(92)
Issuance of debt	-	-	-
Payments on debt	(1,800)	(7,273)	(5,473)
Net cash (used in) provided by financing activities	(1,800)	(7,273)	(5,565)
Net Increase (decrease) in cash and cash equivalents	2,127	(1,733)	(1,389)
Cash and cash equivalents at beginning of year	877	2,266	2,266
Cash and cash equivalents at end of period	\$ 3,004	\$ 533	\$ 877

* Audited year-end data.

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

CAPITAL INVESTMENTS

June 2005 - FY 2005

(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 152.2	\$ 273.6	\$ 60.7	\$ 162.6	\$ 165.9	\$ 111.2
BUILDING IMPROVEMENTS	208.0	287.7	160.2	310.6	171.4	185.4
MAIL PROCESSING EQUIPMENT	242.9	122.2	596.1	513.8	659.3	506.4
VEHICLES	32.4	17.1	170.3	128.6	99.9	91.5
RETAIL EQUIPMENT	1.0	20.2	30.0	55.4	43.8	69.9
POSTAL SUPPORT EQUIPMENT	521.2	524.1	61.3	383.2	268.4	151.9
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 1,157.7	\$ 1,244.9	\$ 1,078.6	\$ 1,554.3	\$ 1,408.6	\$ 1,116.3

RESOURCES ON ORDER

(\$ Millions)

MAJOR CATEGORIES	June 30, 2005	September 30, 2004
CONSTRUCTION AND BUILDING PURCHASE	\$ 177.9	\$ 192.0
BUILDING IMPROVEMENTS	271.9	380.5
MAIL PROCESSING EQUIPMENT	1,304.9	1,601.1
VEHICLES	23.7	126.0
RETAIL EQUIPMENT	40.6	94.9
POSTAL SUPPORT EQUIPMENT	556.3	413.9
TOTAL RESOURCES ON ORDER	\$ 2,375.3	\$ 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

June 2005 - FY 2005

(Data in Thousands)

Current Period					Total Workhours	Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
828	[8]	[1.0]	741	11.6	Operations:	7,179	[230]	[3.3]	6,780	5.9
26,234	[452]	[1.8]	25,832	1.6	-Support	255,033	[5,691]	[2.3]	256,052	- 0.4
15,097	- 106	- 0.7	13,835	9.1	-Mail Processing	133,641	[1,617]	[1.2]	127,621	4.7
39,226	[623]	[1.6]	37,668	4.1	-Rural Delivery	353,791	[6,709]	[1.9]	348,448	1.5
2,656	[39]	[1.5]	2,599	2.2	-City Delivery	24,024	[56]	[0.2]	24,084	- 0.2
6,724	- 114	- 1.7	6,566	2.4	-Vehicles Services	60,913	- 1,330	- 2.1	61,239	- 0.5
19,088	- 8	- 0.0	18,754	1.8	-Plant & Equip Maint	176,494	[3,329]	[1.9]	175,622	0.5
429	- 73	- 14.5	407	5.5	-Customer Services	3,727	- 571	- 13.3	3,679	1.3
793	[16]	[2.0]	733	8.1	Finance	6,745	[125]	[1.9]	6,572	2.6
1,157	- 32	- 2.7	1,219	- 5.1	Human Resources	10,187	- 279	- 2.7	11,135	- 8.5
5,675	- 178	- 3.0	5,489	3.4	Customer Service & Sales	50,926	[726]	[1.4]	50,779	0.3
2,167	- 67	- 3.0	2,107	2.8	Administration	19,007	- 887	- 4.5	20,785	- 8.6
120,074	[560]	[0.5]	115,951	3.6	Other	1,101,666	[15,415]	[1.4]	1,092,795	0.8
					Total Workhours					

Overtime			Overtime Ratio Per 100 Workhours		
Actual	Budget	SPLY	Actual	Budget	SPLY

8.8%	7.7%	8.7%	10.5%	8.2%	9.4%
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Sick Leave		Sick Leave Ratio Per 100 Workhours	
Actual	SPLY	Actual	SPLY

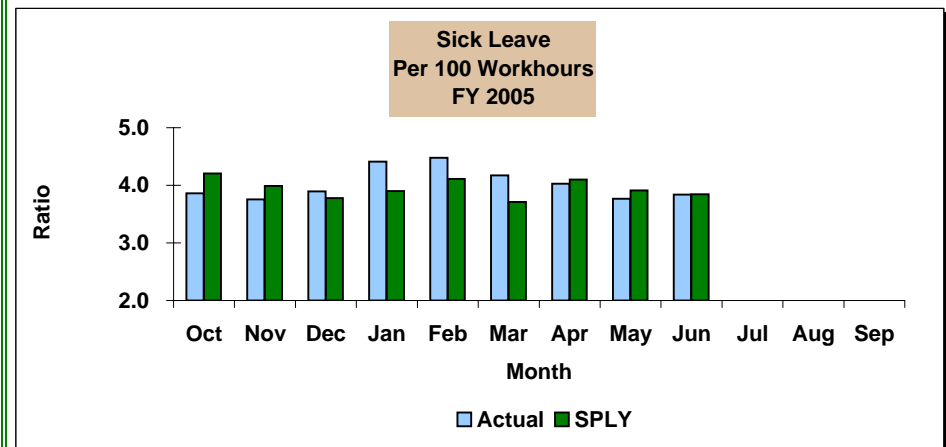
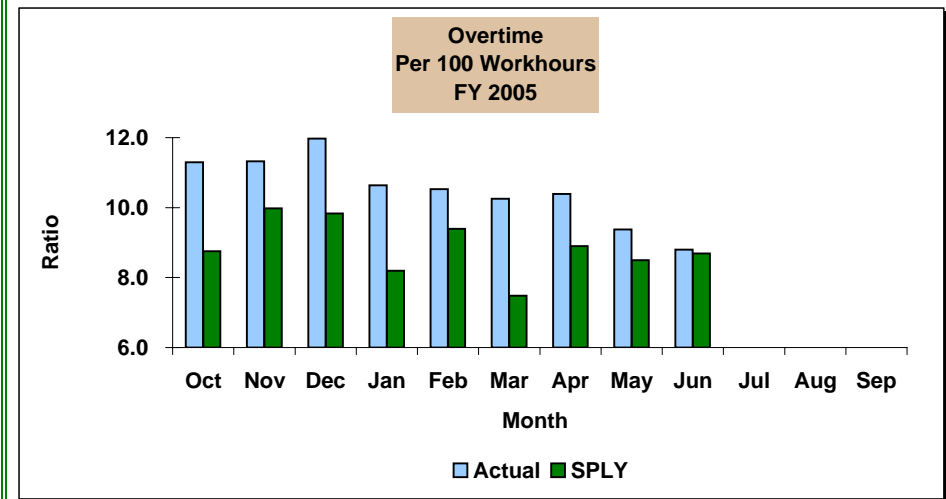
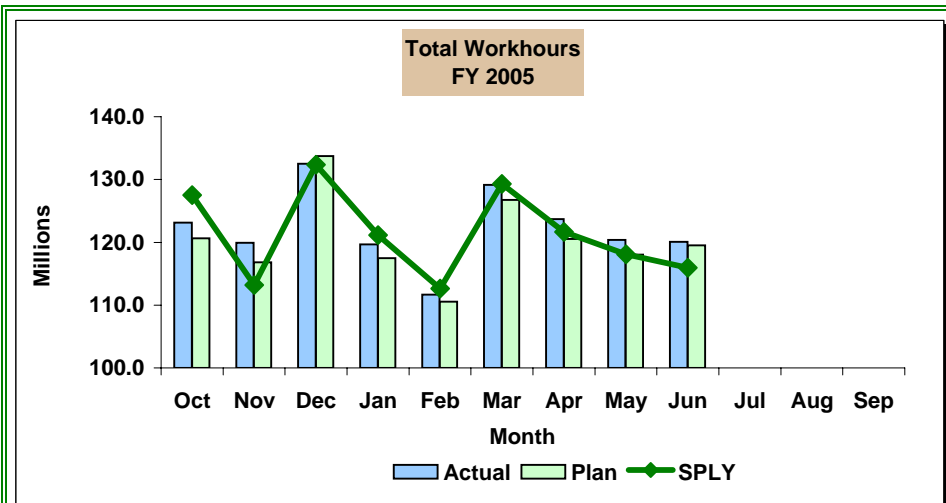
3.8%	3.8%	4.0%	4.3%
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[]=Unfavorable variance to budget

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.

June 2005 - FY 2005

Information: There was one more *delivery* day and one more *business* day in June 2005 as compared to June of last year, because of the National Day of Mourning for former President Ronald Reagan, which occurred on Friday, June 11, 2004. Year-to-date (YTD), the number of delivery days in 2005 compared to 2004 are the same.

Analysis of the Financial and Operating Statements

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

For June, Total Revenue was \$84 million or 1.5% under plan, and \$95 million or 1.7% over same period last year (SPLY). Commercial Revenue was under plan by \$75 million or 1.8% and Retail Revenue was under plan \$30 million or 2.1%. In June, combined Total Commercial Revenue and Retail Revenue were \$83 million more than SPLY. Most of the decreased revenue to SPLY for June was in Metered Postage and Stamps and Stamped Paper, which declined by \$91 million. Permit Imprint and Presort First and Package Services/Permit Imprint reflect a combined increase of \$173 million more than SPLY.

Year-to-date, Total Revenue is \$1.1 billion or 2.1% over plan with the largest contributor being Permit Revenue at \$1.3 billion or 5.9% more than plan. Conversely, Other Commercial Accounts, \$730 million or 4.4% less than plan, is negatively impacting the Total Revenue performance to plan. YTD, Total Revenue is \$873 million over SPLY.

Beginning in FY 2005, money order escheatments are being reported on a monthly basis as opposed to reporting them on an annual basis at the end of year. YTD, they are \$29 million.

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

For June, Total Expenses were \$23 million or 0.4% above plan. Personnel costs were \$115 million or 2.5% below plan. Non-personnel costs were above plan by \$135 million or 12.3%. A major portion of the plan overrun occurred in transportation costs caused by increased fuel prices. Transportation costs were above plan by \$44 million. For SPLY, Total Expenses were increased by \$205 million or 3.7%. The drivers of this increase over SPLY included additional volume and deliveries, increased fuel prices, health benefits and COLA costs.

Year-to-date, personnel costs are \$102 million or 0.3% above plan and non-personnel expenses are \$254 million or 2.4% below plan. The largest contributor to the non-personnel plan underrun was Supplies & Services at \$222 million or 11.4% below plan. Some of this underrun YTD is due to deferral of some planned spending for future months and reprioritization of funds, which will result in some plan shifts in the upcoming months. 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 \$117 million below plan YTD savings in Total Expense. YTD Total Expenses are \$2.0 billion or 4.0% above SPLY.

June 2005 - FY 2005

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Quarter III volume was 1.2 billion pieces or 2.4% above same quarter last year, with all mail classes increasing over last year and the most significant increase being reflected in Standard Mail, at 1.1 billion pieces above Quarter III of last year.

Year-to-date, Total Mail Volume is 3.1% or 4.8 billion pieces over SPLY. Over 2.4 billion of the 4.8 billion pieces increase occurred in November 2004. The most significant mail volume increase over SPLY for YTD is in the lower revenue-per-piece Standard Mail category, which increased 4.3 billion pieces or 6.1%. YTD, First-Class Mail volume is 0.4% more than SPLY generating \$205 million or 0.7% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2005 Capital Commitments YTD through June 2005 are \$1,158 million compared to a plan of \$1,245 million. This represents a plan underrun of about \$87 million or 7.0%.

The Cash Outlays YTD are \$1,554 million versus a plan of \$1,409 million, representing a \$146 million overrun to plan.

Workhours - Pages 1, 14 and 15

Total Workhours for June 2005 were 0.6 million hours or 0.5% above plan, and 4.1 million hours or 3.6% above June 2004. The Rural Delivery and City Delivery operations posted the most significant workhour growth to SPLY, 1.3 million hours and 1.6 million hours, respectively. In comparing workhours for June 2005 to the previous year, it should be noted that the National Day of Mourning (NDM) on June 11, 2004 in honor of former President Reagan lowered the number of workhours used during June 2004, as it was a paid holiday for the Federal Government, including the United States Postal Service. The estimated effect of the NDM in 2004 reduced 2.2 million hours in delivery functions, 0.6 million hours in distribution functions and 0.4 million hours in all other (including administrative) functions.

Total Workhours for June 2005 YTD are 15.4 million hours or 1.4% above plan, and 8.9 million hours above SPLY. The most significant plan overruns lie in City Delivery by 6.7 million hours, Mail Processing by 5.7 million hours and Customer Services by 3.3 million hours. These overruns in workhours are a reflection of growth in mail volume above plan and continued growth in delivery points. YTD, major contributors to the workhours growth to SPLY are City Delivery and Rural Delivery workhours. Combined these operations workhours are 11.4 million hours above SPLY. YTD, our workload increased. Without productivity improvement, this workload would have required the equivalent of 9.4 million additional workhours. Continued cost control kept workhour usage to an increase of 8.9 million workhours over the comparable period last year, even after accounting for the 3.2 million workhour increase over last year due to the National Day of Mourning.

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