



UNITED STATES
POSTAL SERVICE

FINANCIAL & OPERATING STATEMENTS

October, FY 2005

October 1 – October 31, 2004

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
 October 2004 - FY 2005
 (Millions)

	Year-to-Date (October 1, 2004 - October 31, 2004)					
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Total Revenue	\$ 6,102.8	\$ 5,844.6	\$ 258.2	4.4	\$ 6,276.7	- 2.8
Total Expense	<u>5,590.1</u>	<u>5,534.7</u>	[<u>55.4</u>]	[1.0]	<u>5,453.4</u>	2.5
Net Income	\$ 512.7	\$ 309.9	\$ 202.8	-	\$ 823.3	-
Capital Commitments	29.0	68.0	[\$ -39.0]	[-57.4]	22.9	26.6
Total Workhours	123.1	120.6	[2.5]	[2.1]	127.5	- 3.4

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,506	27,505	
Postal Owned Vehicles In Use			
Administrative	5,778	5,793	5,531
Operations	206,469	206,345	206,260
Total Deliveries (000) *	142,485	142,320	140,702
City Delivery Routes	164,435	164,412	164,869
Rural Routes	70,900	70,801	69,742
Career Employees (Excludes Inspector General)	705,853	706,703	726,360
Casual Employees	21,102	20,529	17,450
Transitional Employees	10,138	9,884	11,400

* 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
 October 2004 - FY 2005
 (\$ Millions)

	Year-to-Date					
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Operating Revenue	\$ 6,100.2	\$ 5,844.4	\$ 255.8	4.4	\$ 6,274.0	- 2.8
Operating Expense	<u>5,570.5</u>	<u>5,514.9</u>	[<u>55.6</u>]	[1.0]	<u>5,426.9</u>	2.6
Income/(Loss) From Operations	\$ 529.7	\$ 329.5	\$ 200.2	-	\$ 847.1	-
Investment Income	2.6	0.2	2.4	NM	2.7	- 3.7
Interest Expense	1.5	1.7	- 0.2	- 11.8	3.4	- 55.9
Interest on Deferred Retirement Costs	<u>18.1</u>	<u>18.1</u>	<u>0.0</u>	0.0	<u>23.1</u>	- 21.6
Net Income/(Loss)	\$ 512.7	\$ 309.9	\$ 202.8	-	\$ 823.3	-

[]=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)

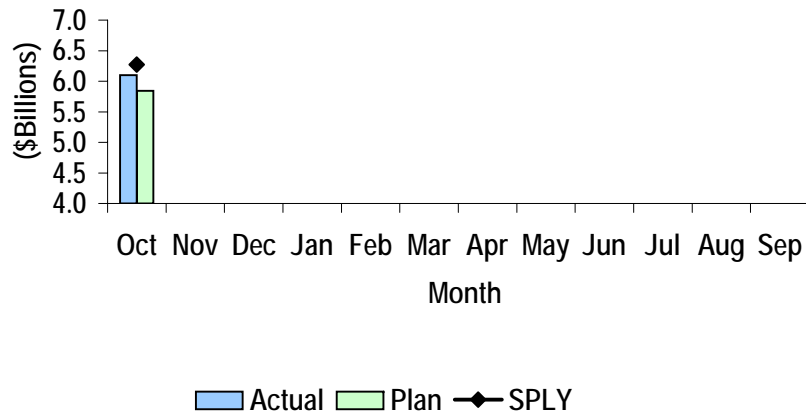
CATEGORY	YEAR-TO-DATE			% SPLY
	October 31, 2004	October 31, 2003		
FIRST-CLASS				
VOLUME	8,330,934	8,655,586		- 3.8
REVENUE	\$ 3,057,275	\$ 3,233,510		- 5.5
REV/PC.	0.3670	0.3736		- 1.8
PRIORITY-MAIL				
VOLUME	68,002	72,388		- 6.1
REVENUE	\$ 352,462	\$ 373,557		- 5.6
REV/PC.	5.1831	5.1605		0.4
EXPRESS MAIL				
VOLUME	4,290	4,561		- 5.9
REVENUE	\$ 67,542	\$ 71,952		- 6.1
REV/PC.	15.7441	15.7755		- 0.2
PERIODICALS				
VOLUME	777,154	863,684		- 10.0
REVENUE	\$ 188,877	\$ 209,787		- 10.0
REV/PC.	0.2430	0.2429		0.1
STANDARD MAIL				
VOLUME	10,111,952	9,453,355		7.0
REVENUE	\$ 1,873,934	\$ 1,810,015		3.5
REV/PC.	0.1853	0.1915		- 3.2
PACKAGE SERVICES				
VOLUME	94,462	105,593		- 10.5
REVENUE	\$ 180,330	\$ 199,064		- 9.4
REV/PC.	1.9090	1.8852		1.3
INTERNATIONAL				
VOLUME	73,285	67,318		8.9
REVENUE	\$ 153,774	\$ 135,915		13.1
REV/PC.	2.0983	2.0190		3.9
ALL OTHER				
VOLUME	51,043	51,685		- 1.2
REVENUE	45	53		- 14.6
ALL MAIL				
VOLUME	19,511,122	19,274,170		1.2
REVENUE	\$ 5,874,239	\$ 6,033,854		- 2.6
REV/PC.	0.3011	0.3131		- 3.8

NOTE: Totals may not sum due to rounding.

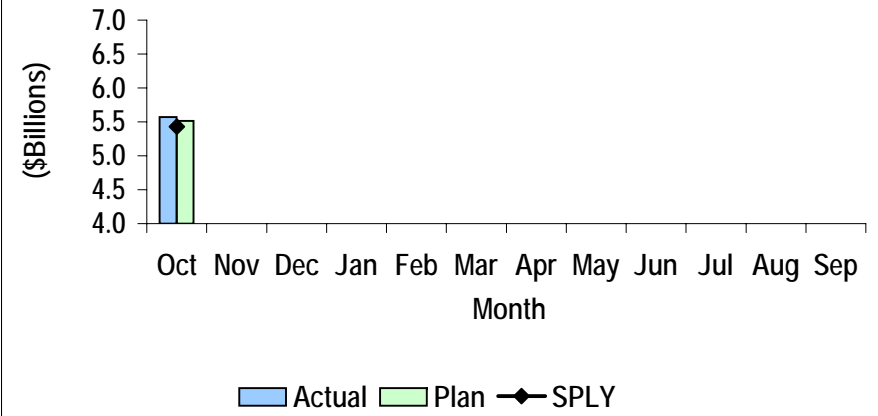
When interpreting monthly RPW percentage changes, users must factor in the number and composition of business days in the relevant time periods.

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

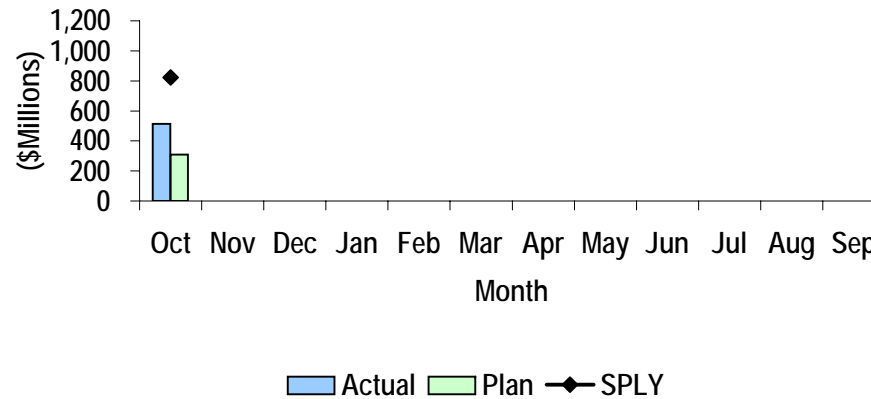
**TOTAL OPERATING REVENUE
FY 2005**



**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
October 2004 - FY 2005
(\$ Millions)

	Year-to-Date		
	Actual	SPLY	% SPLY
Operating Revenue:			
Metered Postage	\$ 2,074.6	\$ 2,232.7	- 7.1
Stamps and Stamped Paper	886.7	960.4	- 7.7
Permit Imprint	1,762.6	1,697.2	3.9
Periodicals & Standard	187.3	208.0	- 10.0
Official Mail	73.9	71.0	4.1
Presort First-Class & Package Svc./Permit Imprint	880.8	857.6	2.7
Box Rents	58.0	61.8	- 6.1
Money Order Fees	18.0	15.6	15.4
Other	<u>153.1</u>	<u>166.7</u>	- 8.2
Subtotal	\$ 6,095.0	\$ 6,271.0	- 2.8
Government Appropriation	<u>5.2</u>	<u>3.0</u>	73.3
Total Operating Revenue	\$ 6,100.2	\$ 6,274.0	- 2.8
Investment Income	<u>2.6</u>	<u>2.7</u>	- 3.7
Total Revenue	\$ 6,102.8	\$ 6,276.7	- 2.8

Note: Totals may not sum due to rounding.

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

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

	Year-to-Date		
	Actual	Budget	% Budget
Commercial Revenue			
Permit Revenue	\$ 2,897.4	\$ 2,614.8	10.8
Other Commercial Accounts Revenue	1,822.3	1,863.5 [- 2.2]
Total Commercial Revenue	\$ 4,719.7	\$ 4,478.3	5.4
Retail Revenue			
Retail Postage Revenue	1,072.9	1,049.5	2.2
Retail Services Revenue	85.8	85.9 [- 0.1]
Retail Products Revenue	14.2	10.9	30.3
Other Retail Channels Revenue	166.5	165.8	0.4
Total Retail Revenue	\$ 1,339.4	\$ 1,312.1	2.1
Total Commercial & Retail Revenue	\$ 6,059.1	\$ 5,790.4	4.6
Other Income	35.9	48.9 [- 26.6]
Government Appropriation	5.2	5.1	2.0
Total Operating Revenue	\$ 6,100.2	\$ 5,844.4	4.4
Investment Income	2.6	0.2	NM
Total Revenue	\$ 6,102.8	\$ 5,844.6	4.4

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

	Year-to-Date					
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Personnel Compensation	\$ 4,509.1	\$ 4,405.2	[\$ 103.9]	[2.4]	\$ 4,471.5	0.8
Non-Personnel Expense:						
Transportation	423.2	400.7	[22.5]	[5.6]	310.9	36.1
Supplies & Services	129.9	172.7	- 42.8	- 24.8	136.3	- 4.7
Other	<u>508.3</u>	<u>536.3</u>	<u>- 28.0</u>	- 5.2	<u>508.2</u>	0.0
Subtotal	<u>\$ 1,061.4</u>	<u>\$ 1,109.7</u>	<u>\$ - 48.4</u>	- 4.4	<u>\$ 955.4</u>	11.1
Total Operating Expense	<u>\$ 5,570.5</u>	<u>\$ 5,514.9</u>	<u>[\$ 55.6]</u>	[1.0]	<u>\$ 5,426.9</u>	2.6
Interest Expense	1.5	1.7	- 0.2	- 11.8	3.4	- 55.9
Interest on Deferred Retirement Costs	<u>18.1</u>	<u>18.1</u>	<u>0.0</u>	0.0	<u>23.1</u>	- 21.6
Total Expense	<u>\$ 5,590.1</u>	<u>\$ 5,534.7</u>	<u>[\$ 55.4]</u>	[1.0]	<u>\$ 5,453.4</u>	2.5

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

ANALYSIS OF OPERATING EXPENSES
Personnel Compensation
October 2004 - FY 2005
(\$ Millions)

	Year-to-Date					
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Total Compensation						
Operations:						
-Support	32.8	31.7	[\$ 1.1]	[3.6]	\$ 32.8	0.1
-Mail Processing	988.4	953.1	[35.3]	[3.7]	967.9	2.1
-Rural Delivery	410.2	406.5	[3.6]	[0.9]	392.9	4.4
-City Delivery	1,417.7	1,357.9	[59.8]	[4.4]	1,356.0	4.6
-Vehicles Services	98.1	97.8	[0.3]	[0.3]	96.8	1.3
-Plant & Equip Maint	250.8	253.0	- 2.2	- 0.9	245.8	2.0
-Customer Services	666.2	651.4	[14.8]	[2.3]	660.4	0.9
Finance	17.1	18.2	- 1.1	- 6.0	17.7	- 3.3
Human Resources	29.7	30.1	- 0.4	- 1.2	30.6	- 3.1
Customer Service & Sales	42.5	48.6	- 6.2	- 12.7	48.3	- 12.0
Administration - Field	198.6	201.5	- 2.8	- 1.4	207.1	- 4.1
Other Salaries & Benefits	113.1	117.3	- 4.2	- 3.6	161.7	- 30.1
Total Salaries & Benefits	\$ 4,265.2	\$ 4,167.1	[\$ 98.1]	[2.4]	\$ 4,218.0	1.1
Workers' Compensation	104.1	103.2	[0.9]	[0.9]	123.8	- 15.9
Unemployment Compensation	6.6	6.6	[0.0]	[0.5]	7.1	- 6.7
Deferred Retirement Cost	1.9	1.9	[0.0]	[1.1]	1.8	5.6
Annuitant Health Benefits	117.6	115.6	[2.0]	[1.7]	110.2	6.7
Other Compensation	13.6	10.8	[2.8]	[25.9]	10.6	28.6
Total Personnel Compensation	\$ 4,509.1	\$ 4,405.2	[\$ 103.9]	[2.4]	\$ 4,471.5	0.8

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

Description	Year-to-Date					
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Transportation	423.2	400.7	[\$ 22.5] [5.6]		\$ 310.9	36.1
Supplies & Services	129.9	172.7	- 42.8	- 24.8	136.3	- 4.7
Depreciation	168.2	193.0	- 24.8	- 12.9	201.1	- 16.4
Rent	83.4	83.6	- 0.2	- 0.2	75.8	10.0
Fuel & Utilities	36.3	38.8	- 2.4	- 6.3	37.9	- 4.2
Rural Carrier Equip Maint Allowance	46.6	49.3	- 2.7	- 5.5	46.1	1.2
Vehicle Maintenance	36.5	33.9	[2.7] [7.8]		33.3	9.6
Information Technology	35.6	41.6	- 6.0	- 14.5	25.7	38.7
Building Projects Expensed	19.1	14.8	[4.3] [29.3]		21.3	- 10.3
Contract Job Cleaners	6.4	7.1	- 0.6	- 9.1	6.8	- 5.3
Travel & Relocation	11.6	13.9	- 2.3	- 16.3	16.1	- 27.9
Communications	14.4	16.5	- 2.1	- 12.8	11.9	21.2
Contract Stations	6.0	6.2	- 0.3	- 4.1	5.6	5.9
Printing	3.1	1.6	[1.6] [103.1]		0.8	284.6
Training	4.3	4.8	- 0.5	- 9.7	3.3	31.8
Carfare & Tolls	2.6	2.8	- 0.2	- 8.7	1.2	109.7
Vehicle Hire	1.2	1.5	- 0.3	- 21.9	1.4	- 12.8
Accident Cost	4.9	3.7	[1.2] [31.6]		4.2	16.8
Miscellaneous	28.1	23.2	[4.9] [21.0]		15.8	77.6
Total Non-Personnel Expenses	1,061.4	1,109.7	\$ - 48.4	- 4.4	\$ 955.4	11.1

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

Assets	October 31, 2004	October 31, 2003	September 30, 2004*
Current Assets:			
Cash and cash equivalents _1/	\$ 290	\$ 290	\$ 877
Receivables:			
Foreign countries	616	748	621
U.S. Government	321	339	327
Other	186	198	187
Receivables before allowances	<u>1,123</u>	<u>1,285</u>	<u>1,135</u>
Less allowances	112	104	111
Total receivables, net	<u>1,011</u>	<u>1,181</u>	<u>1,024</u>
Supplies, advances and prepayments	199	352	220
Total Current Assets	1,500	1,823	2,121
Revenue forgone appropriations receivable	361	364	361
Property and Equipment, at Cost:			
Buildings	20,181	19,782	20,171
Equipment	17,487	17,225	17,277
Land	2,811	2,814	2,810
Leasehold improvements	1,105	554	1,103
	<u>41,584</u>	<u>40,375</u>	<u>41,361</u>
Less allowances for depreciation and amortization	20,812	18,387	20,656
	<u>20,772</u>	<u>21,988</u>	<u>20,705</u>
Construction in progress	1,699	971	1,792
Total property, plant and equipment, net	<u>22,471</u>	<u>22,959</u>	<u>22,497</u>
Total Assets	\$ <u>24,332</u>	\$ <u>25,146</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
October 2004 - FY 2005
(\$ Millions)

Liabilities and Net Capital	October 31, 2004	October 31, 2003	September 30, 2004*
Current Liabilities:			
Compensation and benefits	\$ 3,191	\$ 2,908	\$ 2,640
Estimated prepaid postage	1,251	1,349	1,256
Payables and accrued expenses:			
Commercial vendors & other accrued expenses	1,351	1,798	1,739
Foreign countries	828	956	778
U.S. government	89	130	87
Total payables and accrued expenses	<u>2,268</u>	<u>2,884</u>	<u>2,604</u>
Customer deposit advances	1,674	1,555	1,606
Outstanding postal money orders	824	789	767
Prepaid box rent & other deferred revenue	397	387	397
Debt	<u>200</u>	<u>4,001</u>	<u>1,800</u>
Total Current Liabilities	9,805	13,873	11,070
Non-Current Liabilities:			
Workers' compensation	6,755	6,448	6,651
Employees' accumulated leave	2,009	2,015	2,006
Other	1,319	1,129	1,321
Total Other Non-Current Liabilities	<u>10,083</u>	<u>9,592</u>	<u>9,978</u>
Commitments and contingencies--			
Total Liabilities	19,888	23,465	21,048
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings (deficit) since reorganization	1,410	(1,353)	897
Total Net Capital	<u>4,444</u>	<u>1,681</u>	<u>3,931</u>
Total Liabilities and Net Capital	<u>\$ 24,332</u>	<u>\$ 25,146</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 October 31, 2004
(\$ Millions)

	October 31, 2004	September 30, 2004
Cash flows from operating activities:		
Net Income	\$ 513	3,065
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	167	2,145
Loss on disposals of property and equipment, net	1	71
Decrease in revenue forgone appropriations receivable	-	4
Increase in workers' compensation liability	104	343
Increase in employees' accumulated leave	3	74
(Decrease) increase in other non-current liabilities	(2)	170
Changes in current assets and liabilities:		
Decrease in receivables, net	13	167
Decrease in supplies, advances and prepayments	21	146
Increase in compensation and benefits	551	106
(Decrease) in estimated prepaid postage	(5)	(93)
(Decrease) in payables and accrued expenses	(336)	(412)
Increase in customer advances	68	40
Increase (decrease) in outstanding postal money orders	57	(1)
Increase in prepaid box rent and other deferred revenue	-	<u>10</u>
Net cash provided by operating activities	1,155	5,835
Cash flows from investing activities:		
Purchase of property and equipment	(142)	(1,685)
Proceeds from sale of property and equipment	-	<u>26</u>
Net cash used in investing activities	(142)	(1,659)
Cash flows from financing activities:		
U.S. government appropriations received	-	-
U.S. government appropriations expended	-	(92)
Issuance of debt	-	-
Payments on debt	<u>(1,600)</u>	<u>(5,473)</u>
Net cash used in financing activities	(1,600)	(5,565)
Net (decrease) in cash and cash equivalents	(587)	(1,389)
Cash and cash equivalents at beginning of year	877	<u>2,266</u>
Cash and cash equivalents at end of period	\$ 290	\$ 877

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

CAPITAL INVESTMENTS
October 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	\$ 2.5	\$ 13.9	\$ 2.3	\$ 17.7	\$ 17.7	\$ 10.5
BUILDING IMPROVEMENTS	2.4	8.8	10.6	29.7	29.7	20.9
MAIL PROCESSING EQUIPMENT	2.3	4.9	4.7	51.1	62.1	38.0
VEHICLES	0.1	0.0	0.0	12.7	12.7	8.3
RETAIL EQUIPMENT	0.8	1.9	[-0.8]	4.8	4.8	7.2
POSTAL SUPPORT EQUIPMENT	20.9	38.4	6.0	28.3	38.3	20.5
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 29.0	\$ 68.0	\$ 22.9	\$ 144.3	\$ 165.3	\$ 105.4

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	October 31, 2004	September 30, 2004
CONSTRUCTION AND BUILDING PURCHASE	\$ 177.0	\$ 192.0
BUILDING IMPROVEMENTS	353.0	380.5
MAIL PROCESSING EQUIPMENT	1,552.2	1,601.1
VEHICLES	113.4	126.0
RETAIL EQUIPMENT	91.0	94.9
POSTAL SUPPORT EQUIPMENT	406.1	413.9
TOTAL RESOURCES ON ORDER	\$ 2,692.7	\$ 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

October 2004 - FY 2005

(Data in Thousands)

	<u>Total Workhours</u>	Year-to-Date				
		Actual	Var. to Budget	% Budget	SPLY	% SPLY
Operations:						
-Support		760	[19]	[2.6]	807	- 5.8
-Mail Processing		29,151	[1,072]	[3.8]	29,833	- 2.3
-Rural Delivery		14,709	[414]	[2.9]	14,508	1.4
-City Delivery		39,894	[1,239]	[3.2]	40,438	- 1.3
-Vehicles Services		2,627	- 32	- 1.2	2,760	- 4.8
-Plant & Equip Maint		6,796	- 224	- 3.2	7,142	- 4.8
-Customer Services		19,443	[384]	[2.0]	20,143	- 3.5
Finance		412	- 53	- 11.4	447	- 7.9
Human Resources		728	[15]	[2.1]	799	- 8.9
Customer Service & Sales		1,128	- 146	- 11.5	1,333	- 15.4
Administration		5,383	- 31	- 0.6	5,853	- 8.0
Other		2,118	- 151	- 6.6	3,434	- 38.3
Total Workhours		123,149	[2,506]	[2.1]	127,497	- 3.4

Overtime			
	Actual	Budget	SPLY

Overtime Ratio Per 100 Workhours	11.3%	8.1%	8.8%
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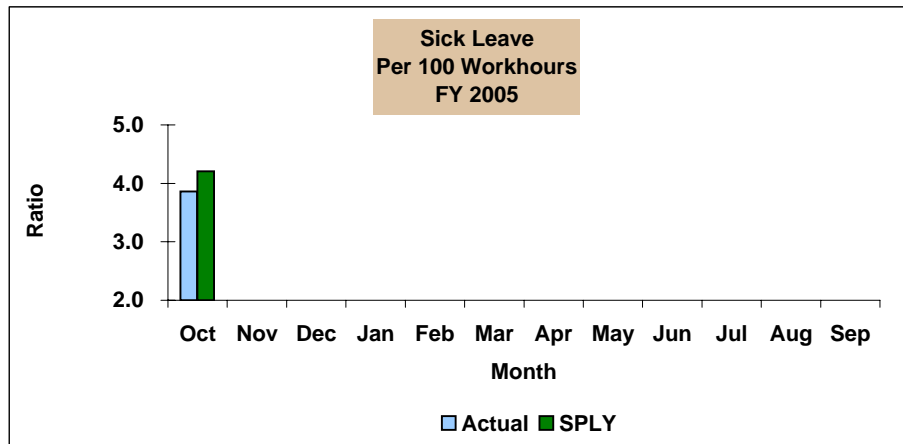
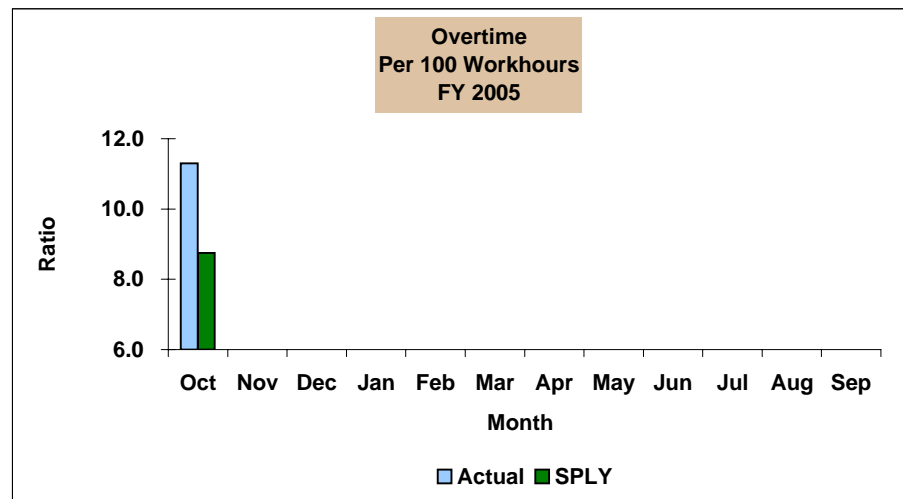
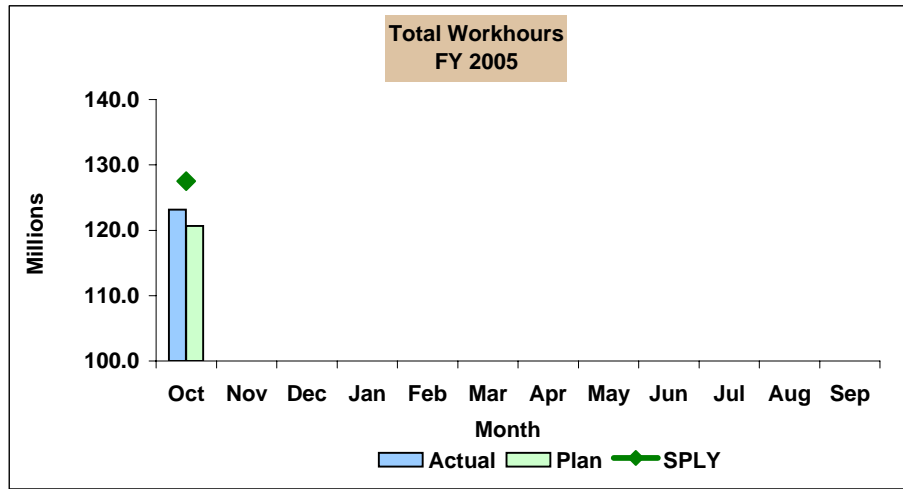
Sick Leave		
	Actual	SPLY

Sick Leave Ratio Per 100 Workhours	3.9%	4.2%
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[]=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.

October 2004 - FY 2005

Information: October 2005 had one more Saturday and two less weekdays.

Analysis of the Financial and Operating Statements

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

Year-to-date (YTD), Total Revenue is \$258 million or 4.4% over plan. Permit Revenue accounts contribute to the majority of the Total Revenue overrun to plan, \$283 million, with First-Class Permit Imprint and Standard Mail Permit Imprint being the largest contributors. YTD Total Revenue, driven by two less weekdays than SPLY, is \$174 million less than last year.

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

Year-to-date, Total Expenses are \$55 million or 1.0% above plan. YTD, personnel costs are \$104 million above plan, while non-personnel expenses are \$48 million below plan. The personnel costs were driven by additional workhours required during the period to handle an increase in workload and political mailings. The largest contributors to the non-personnel plan underrun are Supplies & Services and Depreciation, which are \$43 million and \$25 million below plan, respectively. YTD, Total Expenses are \$137 million above SPLY with personnel costs and non-personnel expenses at \$38 million above and \$106 million above, respectively. The overall increase in YTD non-personnel expenses to SPLY arises primarily from an increase in Transportation costs, \$112 million more than last year. This increase was driven by an increase in payments in jet fuel.

October 2004 - FY 2005

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Year-to-date, Total Mail Volume is 1.2% or 237 million pieces above SPLY. The most significant mail volume increase above SPLY for FY 2005 YTD is in the lower revenue-per-piece Standard Mail category which increased 659 million pieces or 7.0%. YTD, First-Class Mail volume is 3.8% less than SPLY, generating \$176 million or 5.5% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2005 Capital Commitments YTD through October 31, 2004 are \$29 million compared to a plan of \$68 million. This represents an underrun of about \$39 million or 57.4%.

The Cash Outlays YTD are \$144 million versus a plan of \$165 million, representing a \$21 million underrun to plan.

Workhours - Pages 1, 14 and 15

Total workhours for October, 2004 YTD are 4.3 million hours or 3.4% below SPLY. The reduction in October's workhours YTD is due to one less delivery day this year than last year. To date, Mail Processing and Customer Services workhours combined have been reduced 1.4 million hours below SPLY. Other Workhours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours also played a major role by using 1.3 million hours less than SPLY.