



***UNITED STATES
POSTAL SERVICE***

FINANCIAL & OPERATING STATEMENTS

September, FY 2005

September 1 – September 30, 2005

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
September 2005 - FY 2005
(Millions)

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

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

\$ 5,824.1	\$ 5,591.7	\$ 232.4	4.2	\$ 5,844.8	- 0.4	Total Revenue	\$ 69,992.9	\$ 68,340.1	\$ 1,652.8	2.4	\$ 69,028.6	1.4
<u>6,153.7</u>	<u>5,813.4</u>	[340.3]	[5.9]	<u>5,849.3</u>	5.2	Total Expense	<u>68,547.5</u>	<u>68,532.5</u>	[15.0]	[0.0]	<u>65,964.0</u>	3.9
\$ (329.6)	\$ (221.7)	[\$ - 107.9]	NM	\$ (4.5)	NM	Net Income/(Loss)	\$ 1,445.4	\$ (192.4)	\$ 1,637.8	NM	\$ 3,064.6	NM
\$ 1,268.0	\$ 646.6	\$ 621.4	96.1	\$ 715.2	77.3	Capital Commitments	\$ 2,920.7	\$ 3,276.3	[\$ - 355.6]	[- 10.9]	\$ 2,122.2	37.6
120.2	120.1	[0.1]	[0.1]	120.0	0.1	Total Workhours	1,463.3	1,446.1	[17.2]	[1.2]	1,452.3	0.8

[] = Unfavorable variance to budget

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,385	27,388	27,505
Postal Owned Vehicles In Use			
Administrative	6,366	6,319	5,793
Operations	206,808	206,420	206,345
Total Deliveries (000)	144,326	144,173	142,320
City Delivery Routes	164,419	164,435	164,412
Rural Routes	72,695	72,489	70,801
Career Employees (Excludes Inspector General)	703,873	702,946	706,703
Casual Employees	19,182	19,861	20,529
Transitional Employees	8,460	8,504	9,884

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

STATEMENT OF INCOME & EXPENSE
September 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
\$ 5,815.9	\$ 5,588.6	\$ 227.3	4.1	\$ 5,842.0	- 0.4	Operating Revenue	\$ 69,907.4	\$ 68,289.7	\$ 1,617.7	2.4	\$ 68,996.0	1.3
<u>6,132.9</u>	<u>5,793.8</u>	[<u>339.1</u>]	[5.9]	<u>5,831.8</u>	5.2	Operating Expense	<u>68,282.9</u>	<u>68,308.9</u>	<u>- 26.0</u>	- 0.0	<u>65,851.0</u>	3.7
\$ (317.0)	\$ (205.2)	[\$ - 111.8]	NM	\$ 10.2	NM	Income/(Loss) From Operations	\$ 1,624.5	\$ (19.2)	\$ 1,643.7	NM	\$ 3,145.0	NM
8.2	3.1	5.1	164.5	2.8	192.9	Investment Income	85.5	50.4	35.1	69.6	32.6	162.3
0.0	1.5	- 1.5	- 100.0	\$ 0.3	- 100.0	Interest Expense	1.6	6.4	- 4.8	- 75.0	10.0	- 84.0
<u>20.8</u>	<u>18.1</u>	[<u>2.7</u>]	[14.9]	<u>17.2</u>	20.9	Interest on Deferred Retirement Obligations	<u>263.0</u>	<u>217.2</u>	[<u>45.8</u>]	[21.1]	<u>103.0</u>	155.3
\$ (329.6)	\$ (221.7)	[\$ - 107.9]	NM	\$ (4.5)	NM	Net Income/(Loss)	\$ 1,445.4	\$ (192.4)	\$ 1,637.8	NM	\$ 3,064.6	NM

[]=Unfavorable variance to budget

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

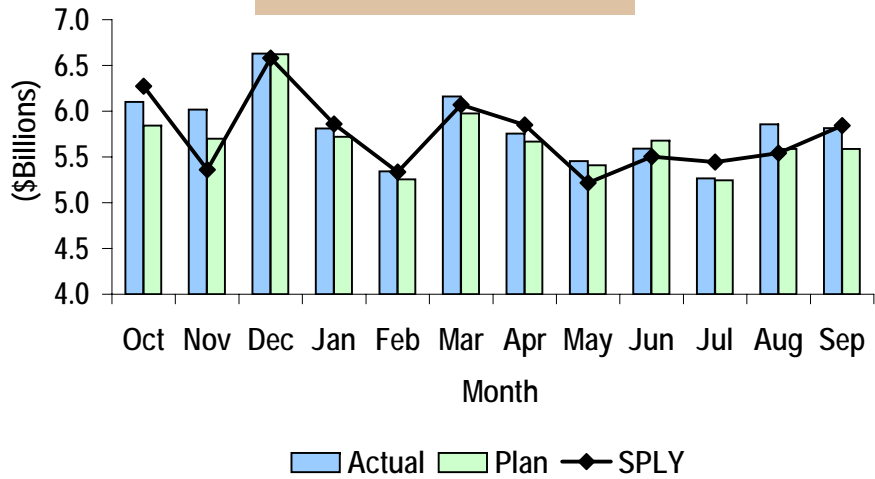
MAIL VOLUME - MAIL REVENUE
(Data in Thousands)

CATEGORY	Current Period			Year-to-Date		
	Quarter 4 FY 2005	Quarter 4 FY 2004	% SPLY	September 30, FY 2005	September 30, FY 2004	% SPLY
FIRST-CLASS						
VOLUME	23,343,049	23,493,833	- 0.6	98,070,956	97,926,396	0.1
REVENUE	\$ 8,565,075	\$ 8,680,962	- 1.3	\$ 36,061,780	\$ 36,376,845	- 0.9
REV/PC.	\$ 0.3669	\$ 0.3695	- 0.7	\$ 0.3677	\$ 0.3715	- 1.0
PRIORITY-MAIL						
VOLUME	211,384	199,170	6.1	887,477	848,633	4.6
REVENUE	\$ 1,091,806	\$ 1,022,842	6.7	\$ 4,633,607	\$ 4,421,431	4.8
REV/PC.	\$ 5.1650	\$ 5.1355	0.6	\$ 5.2211	\$ 5.2101	0.2
EXPRESS MAIL						
VOLUME	13,796	13,267	4.0	55,475	54,123	2.5
REVENUE	\$ 215,237	\$ 207,277	3.8	\$ 872,282	\$ 852,842	2.3
REV/PC.	\$ 15.6014	\$ 15.6235	- 0.1	\$ 15.7239	\$ 15.7575	- 0.2
PERIODICALS						
VOLUME	2,156,027	2,228,634	- 3.3	9,070,003	9,135,272	- 0.7
REVENUE	\$ 516,029	\$ 538,191	- 4.1	\$ 2,160,763	\$ 2,191,758	- 1.4
REV/PC.	\$ 0.2393	\$ 0.2415	- 0.9	\$ 0.2382	\$ 0.2399	- 0.7
STANDARD MAIL						
VOLUME	25,538,424	24,460,625	4.4	100,942,091	95,563,521	5.6
REVENUE	\$ 4,778,685	\$ 4,624,609	3.3	\$ 18,953,471	\$ 18,122,525	4.6
REV/PC.	\$ 0.1871	\$ 0.1891	- 1.0	\$ 0.1878	\$ 0.1896	- 1.0
PACKAGE SERVICES						
VOLUME	297,189	287,568	3.3	1,165,534	1,131,928	3.0
REVENUE	\$ 512,126	\$ 520,869	- 1.7	\$ 2,201,085	\$ 2,206,874	- 0.3
REV/PC.	\$ 1.7232	\$ 1.8113	- 4.9	\$ 1.8885	\$ 1.9497	- 3.1
INTERNATIONAL						
VOLUME	195,888	192,371	1.8	851,631	843,814	0.9
REVENUE	\$ 418,325	\$ 399,566	4.7	\$ 1,769,713	\$ 1,695,756	4.4
REV/PC.	\$ 2.1355	\$ 2.0771	2.8	\$ 2.0780	\$ 2.0096	3.4
ALL OTHER						
VOLUME	160,589	162,981	- 1.5	699,544	602,056	16.2
REVENUE	\$ 135	\$ 163	- 17.0	\$ 791	\$ 700	12.9
ALL MAIL						
VOLUME	51,916,346	\$ 51,038,446	1.7	211,742,711	206,105,744	2.7
REVENUE	\$ 16,097,419	\$ 15,994,479	0.6	\$ 66,653,491	\$ 65,868,732	1.2
REV/PC.	\$ 0.3101	\$ 0.3134	- 1.1	\$ 0.3148	\$ 0.3196	- 1.5

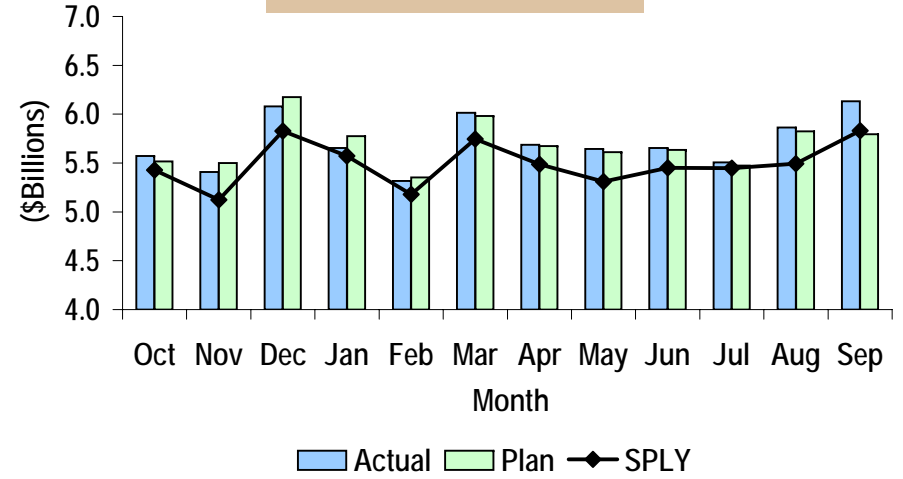
NOTE: Totals may not sum due to rounding.

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

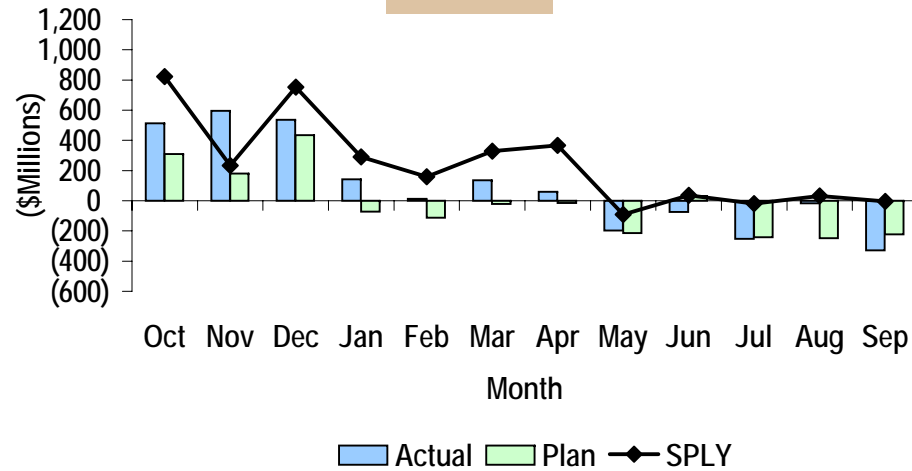
**TOTAL OPERATING REVENUE
FY 2005**



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

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
\$ 1,963.6	\$ 1,972.0	- 0.4	Operating Revenue:	\$ 24,490.0	\$ 25,046.2	- 2.2
			Metered Postage			
849.8	862.4	- 1.5	Stamps and Stamped Paper	11,044.6	11,350.9	- 2.7
1,622.2	1,586.5	2.3	Permit Imprint	17,842.6	16,975.4	5.1
169.4	197.3	- 14.1	Periodicals & Standard	2,141.7	2,172.0	- 1.4
72.7	59.0	23.2	Official Mail	817.0	844.6	- 3.3
854.5	805.2	6.1	Presort First-Class & Package Svc./Permit Imprint	10,378.3	9,535.4	8.8
69.3	58.3	18.9	Box Rents	791.5	779.9	1.5
17.2	68.5	- 74.9	Money Order Fees	208.2	230.7	- 9.8
<u>182.5</u>	<u>228.5</u>	- 20.1	Other	<u>2,039.4</u>	<u>1,932.9</u>	5.5
\$ 5,801.2	\$ 5,837.7	- 0.6	Subtotal	\$ 69,753.3	\$ 68,868.0	1.3
<u>14.7</u>	<u>4.3</u>	241.9	Government Appropriations	<u>154.1</u>	<u>128.0</u>	20.4
\$ 5,815.9	\$ 5,842.0	- 0.4	Total Operating Revenue	\$ 69,907.4	\$ 68,996.0	1.3
<u>8.2</u>	<u>2.8</u>	192.9	Investment Income	<u>85.5</u>	<u>32.6</u>	162.3
<u>\$ 5,824.1</u>	<u>\$ 5,844.8</u>	- 0.4	Total Revenue	<u>\$ 69,992.9</u>	<u>\$ 69,028.6</u>	1.4

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

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

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,704.5	\$ 2,487.7	8.7	Permit Revenue	\$ 31,043.6	\$ 29,270.9	6.1
<u>1,688.9</u>	<u>1,756.0</u>	[- 3.8]	Other Commercial Accounts Revenue	<u>20,802.2</u>	<u>21,734.8</u>	[- 4.3]
\$ 4,393.4	\$ 4,243.7	3.5	Total Commercial Revenue	\$ 51,845.8	\$ 51,005.7	1.6
			Retail Revenue			
1,008.7	1,026.5	[- 1.7]	Retail Postage Revenue	13,484.8	13,385.1	0.7
100.6	89.2	12.8	Retail Services Revenue	1,179.4	1,138.8	3.6
14.4	10.4	38.5	Retail Products Revenue	204.5	166.0	23.2
<u>214.7</u>	<u>180.1</u>	19.2	Other Retail Channels Revenue	<u>2,460.6</u>	<u>2,082.5</u>	18.2
\$ 1,338.4	\$ 1,306.2	2.5	Total Retail Revenue	\$ 17,329.3	\$ 16,772.4	3.3
\$ 5,731.8	\$ 5,549.9	3.3	Total Commercial & Retail Revenue	\$ 69,175.1	\$ 67,778.1	2.1
69.4	33.6	106.5	Other Income	578.2	449.9	28.5
<u>14.7</u>	<u>5.1</u>	188.2	Government Appropriations	<u>154.1</u>	<u>61.7</u>	149.8
\$ 5,815.9	\$ 5,588.6	4.1	Total Operating Revenue	\$ 69,907.4	\$ 68,289.7	2.4
<u>8.2</u>	<u>3.1</u>	164.5	Investment Income	<u>85.5</u>	<u>50.4</u>	69.6
\$ 5,824.1	\$ 5,591.7	4.2	Total Revenue	\$ 69,992.9	\$ 68,340.1	2.4

[]=Unfavorable variance to budget

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

EXPENSE ANALYSIS
September 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	
\$ 4,597.1	\$ 4,499.1	[\$ 98.0]	[2.2]	\$ 4,381.0	4.9	Personnel Compensation	\$ 53,931.5	\$ 53,875.5	[\$ 56.0]	[0.1]	\$ 52,134.0	3.4	
Non-Personnel Expense:													
486.7	445.0	[41.7]	[9.4]	444.6	9.5	Transportation	5,436.8	5,272.2	[164.6]	[3.1]	4,968.9	9.4	
391.0	331.2	[59.8]	[18.1]	374.6	4.4	Supplies & Services	2,416.0	2,647.1	- 231.1	- 8.7	2,414.0	0.1	
<u>658.1</u>	<u>518.5</u>	<u>[139.6]</u>	[26.9]	<u>631.6</u>	4.2	Other	<u>6,498.6</u>	<u>6,514.1</u>	<u>- 15.5</u>	- 0.2	<u>6,334.1</u>	2.6	
\$ 1,535.8	\$ 1,294.7	[\$ 241.1]	[18.6]	\$ 1,450.8	5.9	Subtotal	\$ 14,351.4	\$ 14,433.4	\$ - 82.0	- 0.6	\$ 13,717.0	4.6	
\$ 6,132.9	\$ 5,793.8	[\$ 339.1]	[5.9]	\$ 5,831.8	5.2	Total Operating Expense	\$ 68,282.9	\$ 68,308.9	\$ - 26.0	- 0.0	\$ 65,851.0	3.7	
0.0	1.5	- 1.5	- 100.0	0.3	- 100.0	Interest Expense	1.6	6.4	- 4.8	- 75.0	10.0	- 84.0	
<u>20.8</u>	<u>18.1</u>	<u>[2.7]</u>	[14.9]	<u>17.2</u>	20.9	Interest on Deferred Retirement Obligations	<u>263.0</u>	<u>217.2</u>	<u>[45.8]</u>	[21.1]	<u>103.0</u>	155.3	
\$ 6,153.7	\$ 5,813.4	[\$ 340.3]	[5.9]	\$ 5,849.3	5.2	Total Expense	\$ 68,547.5	\$ 68,532.5	[\$ 15.0]	[0.0]	\$ 65,964.0	3.9	

[]=Unfavorable variance to budget

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

ANALYSIS OF OPERATING EXPENSES

Personnel Compensation

September 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:							
\$ 37.3	\$ 36.1	[\$ 1.1]	[3.1]	\$ 33.1	12.7	-Support	\$ 425.3	\$ 413.6	[\$ 11.6]	[2.8]	\$ 384.5	10.6	
958.7	953.9	[4.7]	[0.5]	928.3	3.3	-Mail Processing	11,518.5	11,413.5	[105.0]	[0.9]	11,246.7	2.4	
439.5	441.5	- 2.1	- 0.5	400.1	9.9	-Rural Delivery	5,139.8	5,145.4	- 5.7	- 0.1	4,738.1	8.5	
1,421.4	1,396.2	[25.2]	[1.8]	1,346.2	5.6	-City Delivery	16,807.5	16,549.2	[258.3]	[1.6]	16,037.3	4.8	
101.3	98.1	[3.2]	[3.2]	96.3	5.2	-Vehicles Services	1,200.2	1,187.3	[12.8]	[1.1]	1,156.8	3.7	
255.3	259.7	- 4.4	- 1.7	242.5	5.3	-Plant & Equip Maint	3,021.8	3,077.6	- 55.8	- 1.8	2,907.2	3.9	
680.5	678.0	[2.4]	[0.4]	654.0	4.1	-Customer Services	8,086.3	8,018.0	[68.3]	[0.9]	7,805.4	3.6	
18.2	19.3	- 1.1	- 5.6	17.0	7.2	Finance	211.6	233.9	- 22.2	- 9.5	200.5	5.5	
32.5	33.6	- 1.1	- 3.2	30.9	4.9	Human Resources	383.2	375.5	[7.7]	[2.1]	359.6	6.6	
44.6	44.8	- 0.2	- 0.4	47.9	- 6.8	Customer Service & Sales	517.3	526.5	- 9.2	- 1.7	560.0	- 7.6	
215.3	217.6	- 2.4	- 1.1	207.2	3.9	Administration - Field	2,533.5	2,533.2	[0.3]	[0.0]	2,457.7	3.1	
113.1	80.0	[33.1]	[41.4]	109.3	3.5	Other Salaries & Benefits	1,449.7	1,370.5	[79.2]	[5.8]	1,337.7	8.4	
\$ 4,317.7	\$ 4,259.1	[\$ 58.6]	[1.4]	\$ 4,112.8	5.0	Total Salaries & Benefits	\$ 51,294.8	\$ 50,844.3	[\$ 450.5]	[0.9]	\$ 49,191.5	4.3	
69.8	87.6	- 17.8	- 20.3	108.2	- 35.5	Workers' Compensation	838.3	1,250.4	- 412.1	- 33.0	1,239.5	- 32.4	
4.3	6.1	- 1.8	- 30.1	- 4.8	189.2	Unemployment Compensation	41.5	62.2	- 20.7	- 33.4	46.1	- 10.1	
3.3	1.9	[1.4]	[73.7]	2.0	65.0	Deferred Retirement Cost	27.0	22.8	[4.2]	[18.4]	12.2	121.3	
132.7	129.7	[3.0]	[2.3]	120.8	9.9	Annuitant Health Benefits	1,516.0	1,514.0	[2.0]	[0.1]	1,313.0	15.5	
69.4	14.8	[54.6]	[369.6]	42.0	65.2	Other Compensation	214.0	181.8	[32.2]	[17.7]	331.7	- 35.5	
\$ 4,597.1	\$ 4,499.1	[\$ 98.0]	[2.2]	\$ 4,381.0	4.9	Total Personnel Compensation	\$ 53,931.5	\$ 53,875.5	[\$ 56.0]	[0.1]	\$ 52,134.0	3.4	

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

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

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

Current Period							Year-to-Date					
Actual	Budget	Var. to		SPLY	% SPLY	Description	Actual	Budget	Var. to		SPLY	% SPLY
		Budget	% Budget						Budget	% Budget		
\$ 486.7	\$ 445.0	[\$ 41.7]	[9.4]	\$ 444.6	9.5	Transportation	\$ 5,436.8	\$ 5,272.2	[\$ 164.6]	[3.1]	\$ 4,968.9	9.4
391.0	331.2	[59.8]	[18.1]	374.6	4.4	Supplies & Services	2,416.0	2,647.1	- 231.1	- 8.7	2,414.0	0.1
172.8	192.7	- 19.9	- 10.3	179.4	- 3.7	Depreciation	2,105.1	2,140.9	- 35.8	- 1.7	2,217.6	- 5.1
83.9	88.6	- 4.7	- 5.3	92.3	- 9.1	Rent	1,005.0	1,040.2	- 35.2	- 3.4	995.7	0.9
62.1	65.8	- 3.7	- 5.7	61.1	1.6	Utilities & Heating Fuel	584.6	590.0	- 5.5	- 0.9	561.5	4.1
54.2	53.0	[1.2]	[2.3]	45.5	19.1	Rural Carrier Equip Maint Allowance	449.3	478.9	- 29.5	- 6.2	404.1	11.2
54.5	55.1	- 0.7	- 1.2	55.7	- 2.2	Vehicle Maintenance Services	586.2	559.2	[27.0]	[4.8]	517.9	13.2
68.8	82.8	- 14.0	- 16.9	74.1	- 7.2	Information Technology	398.4	531.5	- 133.1	- 25.0	476.8	- 16.4
42.1	25.4	[16.7]	[65.8]	62.3	- 32.5	Building Projects Expensed	263.4	228.7	[34.7]	[15.2]	294.9	- 10.7
7.5	7.6	- 0.1	- 1.1	6.9	8.9	Contract Job Cleaners	90.0	88.0	[2.0]	[2.3]	85.3	5.5
25.3	20.1	[5.3]	[26.3]	29.5	- 14.1	Travel & Relocation	190.5	217.8	- 27.2	- 12.5	219.3	- 13.1
45.3	23.6	[21.7]	[92.1]	18.2	148.6	Communications	253.5	228.0	[25.5]	[11.2]	218.0	16.3
5.9	6.6	- 0.7	- 10.5	6.0	- 0.7	Contract Stations	73.8	79.7	- 5.9	- 7.4	71.4	3.4
3.0	4.0	- 0.9	- 23.6	1.8	73.4	Printing	24.1	31.1	- 7.0	- 22.5	18.9	27.1
6.9	8.8	- 1.9	- 21.4	5.0	37.9	Training	57.5	75.2	- 17.6	- 23.4	46.4	24.1
2.6	3.3	- 0.8	- 22.7	0.6	317.4	Carfare & Tolls	30.0	34.4	- 4.3	- 12.6	31.7	- 5.3
- 0.3	2.0	- 2.3	- 116.1	2.3	- 113.9	Vehicle Hire	13.4	18.6	- 5.2	- 27.9	19.4	- 30.7
5.6	5.2	[0.3]	[6.4]	5.0	11.7	Accident Costs	51.1	48.3	[2.8]	[5.8]	50.2	1.8
18.0	- 126.1	[144.1]	NM	- 14.1	227.9	Miscellaneous	322.6	123.9	[198.7]	[160.4]	105.1	206.9
\$ 1,535.8	\$ 1,294.7	[\$ 241.1]	[18.6]	\$ 1,450.8	5.9	Total Non-Personnel Expenses	\$ 14,351.4	\$ 14,433.4	\$ - 82.0	- 0.6	\$ 13,717.0	4.6

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

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

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

Assets	September 30, 2005	September 30, 2004*
Current Assets:		
Cash and cash equivalents _1/	\$ 930	\$ 877
Receivables:		
Foreign countries	590	621
U.S. Government	280	327
Other	<u>188</u>	<u>187</u>
Receivables before allowances	1,058	1,135
Less allowances	<u>50</u>	<u>111</u>
Total receivables, net	1,008	1,024
Supplies, advances and prepayments	<u>200</u>	<u>220</u>
Total Current Assets	2,138	2,121
Other Assets, principally revenue forgone appropriations receivable	376	361
Property and Equipment, at Cost:		
Buildings	20,480	20,171
Equipment	18,664	17,277
Land	2,878	2,810
Leasehold improvements	<u>1,172</u>	<u>1,103</u>
	43,194	41,361
Less allowances for depreciation and amortization	<u>22,400</u>	<u>20,656</u>
	20,794	20,705
Construction in progress	<u>1,895</u>	<u>1,792</u>
Total property and equipment, net	<u>22,689</u>	<u>22,497</u>
Total Assets	<u>\$ 25,203</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
September 2005 - FY 2005
(\$ Millions)

Liabilities and Net Capital	September 30, 2005	September 30, 2004*
Current Liabilities:		
Compensation and benefits	\$ 2,852	\$ 2,640
Estimated prepaid postage	1,200	1,256
Payables and accrued expenses:		
Commercial vendors & accrued expenses	1,568	1,711
Foreign countries	688	778
U.S. government	76	87
Total payables and accrued expenses	<u>2,332</u>	<u>2,576</u>
Customer deposit accounts	1,720	1,606
Outstanding postal money orders	830	767
Prepaid box rent & other deferred revenue	477	425
Debt	-	1,800
Total Current Liabilities	<u>9,411</u>	<u>11,070</u>
Non-Current Liabilities:		
Workers' compensation costs	6,695	6,651
Employees' accumulated leave	2,016	2,006
Deferred revenue	692	288
Long term portion capital lease obligations	644	652
Other	369	381
Total Non-Current Liabilities	<u>10,416</u>	<u>9,978</u>
Total Liabilities	<u>19,827</u>	<u>21,048</u>
Net Capital:		
Capital contributions of the U.S. government	3,034	3,034
Retained earnings since reorganization	2,342	897
Total Net Capital	<u>5,376</u>	<u>3,931</u>
Total Liabilities and Net Capital	<u>\$ 25,203</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 September 30, 2005
(\$ Millions)

	September 30, 2005	September 30, 2004*
Cash flows from operating activities:		
Net Income	\$ 1,445	\$ 3,065
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,089	2,145
Loss on disposals of property and equipment, net	5	71
(Increase) decrease in revenue forgone appropriations receivable	(15)	4
(Decrease) increase in workers' compensation liability	(58)	343
Increase in employees' accumulated leave	10	74
(Decrease) increase in other liabilities	(119)	170
Changes in current assets and liabilities:		
Decrease in receivables, net	16	167
Decrease in supplies, advances and prepayments	20	146
Increase in compensation and benefits	314	106
(Decrease) in estimated prepaid postage	(56)	(93)
(Decrease) in payables and accrued expenses	(199)	(34)
Increase in customers deposit accounts	114	40
Increase (decrease) in outstanding postal money orders	63	(1)
Increase (decrease) in prepaid box rent & other deferred revenue	52	(368)
Net cash provided by operating activities	3,681	5,835
Cash flows from investing activities:		
Purchase of property and equipment	(2,317)	(1,685)
Proceeds from sale of property and equipment	31	26
Net cash used in investing activities	(2,286)	(1,659)
Cash flows from financing activities:		
U.S. government appropriation - received	503	-
U.S. government appropriation - expended	(45)	(92)
Issuance of debt	-	-
Payments on debt	(1,800)	(5,473)
Net cash used in financing activities	(1,342)	(5,565)
Net Increase (decrease) in cash and cash equivalents	53	(1,389)
Cash and cash equivalents at beginning of year	877	2,266
Cash and cash equivalents at end of year	\$ 930	\$ 877

* Audited year-end data.

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

CAPITAL INVESTMENTS
September 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	\$ 193.3	\$ 579.4	\$ 129.3	\$ 229.8	\$ 250.1	\$ 160.8
BUILDING IMPROVEMENTS	515.2	465.3	508.6	448.3	225.1	295.6
MAIL PROCESSING EQUIPMENT	1,174.9	995.1	797.2	734.9	1,018.5	620.8
VEHICLES	240.6	328.2	184.9	157.9	120.9	130.4
RETAIL EQUIPMENT	1.2	26.4	28.7	57.7	52.4	112.0
POSTAL SUPPORT EQUIPMENT	795.5	881.9	473.5	619.5	366.0	364.9
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 2,920.7	\$ 3,276.3	\$ 2,122.2	\$ 2,248.0	\$ 2,032.9	\$ 1,684.7

Note: Totals may not sum due to rounding.

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	September 30, 2005	September 30, 2004
CONSTRUCTION AND BUILDING PURCHASE	\$ 149.0	\$ 192.0
BUILDING IMPROVEMENTS	419.5	380.5
MAIL PROCESSING EQUIPMENT	2,017.9	1,601.1
VEHICLES	202.7	126.0
RETAIL EQUIPMENT	38.5	94.9
POSTAL SUPPORT EQUIPMENT	579.8	413.9
TOTAL RESOURCES ON ORDER	\$ 3,407.4	\$ 2,808.4

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

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

September 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
822	[0]	[0.0]	777	5.9	Operations:	9,606	[207]	[2.2]	9,077	5.8
27,299	[173]	[0.6]	27,438	- 0.5	-Support	336,210	[7,738]	[2.4]	336,737	- 0.2
15,068	[234]	[1.6]	14,281	5.5	-Mail Processing	179,549	[1,710]	[1.0]	171,628	4.6
38,566	[202]	[0.5]	38,555	0.0	-Rural Delivery	471,071	[7,481]	[1.6]	464,683	1.4
2,614	[32]	[1.3]	2,615	0.0	-City Delivery	31,880	[180]	[0.6]	31,947	- 0.2
6,632	- 351	- 5.0	6,692	- 0.9	-Vehicles Services	80,867	- 2,214	- 2.7	81,302	- 0.5
19,108	- 61	- 0.3	19,367	- 1.3	-Plant & Equip Maint	233,953	[3,179]	[1.4]	233,237	0.3
418	- 56	- 11.9	415	0.7	-Customer Services	4,981	- 615	- 11.0	4,911	1.4
759	- 10	- 1.4	753	0.8	Finance	8,989	[152]	[1.7]	8,772	2.5
1,138	- 21	- 1.8	1,260	- 9.6	Human Resources	13,559	- 338	- 2.4	14,860	- 8.8
5,648	- 13	- 0.2	5,758	- 1.9	Customer Service & Sales	67,865	[573]	[0.9]	68,051	- 0.3
2,088	- 49	- 2.3	2,118	- 1.4	Administration	24,722	- 856	- 3.3	27,116	- 8.8
120,161	[79]	[0.1]	120,029	0.1	Other	1,463,253	[17,197]	[1.2]	1,452,321	0.8
					Total Workhours					

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
10.5%	8.0%	9.8%	Overtime Ratio Per 100 Workhours	10.5%	8.2%	9.5%

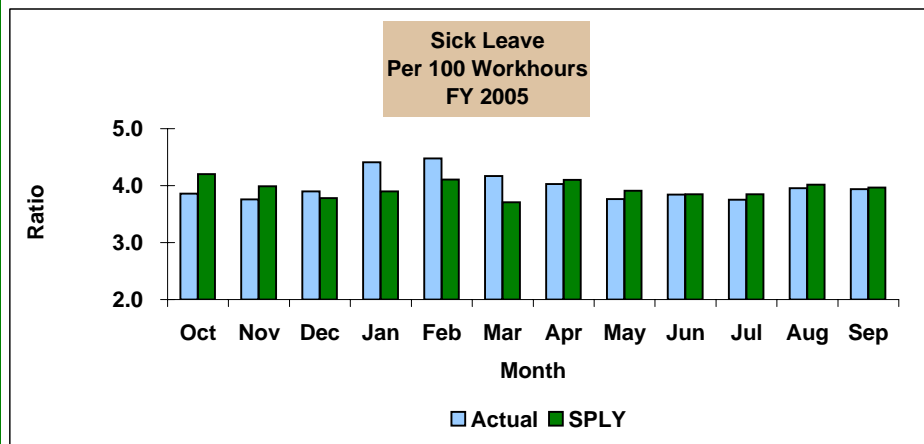
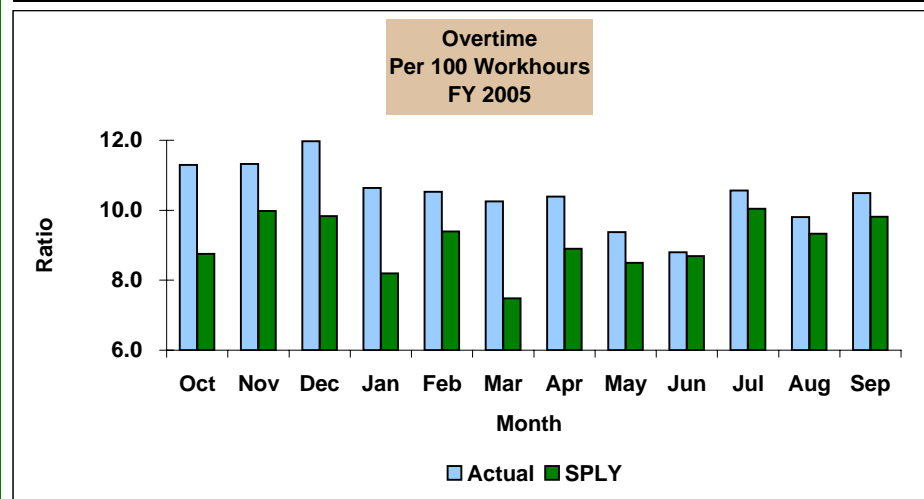
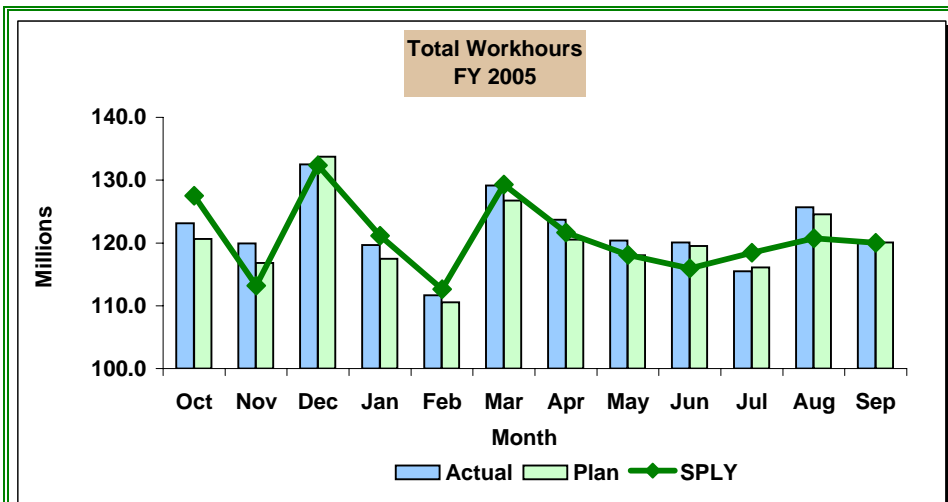
Sick Leave					
Actual	SPLY		Actual	SPLY	
3.9%	4.0%	Sick Leave Ratio Per 100 Workhours	4.0%	4.2%	

[]=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.

September 2005 - FY 2005

Information: For the month there was an equal number of delivery days and business days as same period last year. Year-to-date there was one more weekday than last year due to the National Day of Mourning for former President Ronald Reagan that occurred in Fiscal Year 2004.

Analysis of the Financial and Operating Statements

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

For September, Total Revenue was \$232 million or 4.2% over plan, and \$21 million or 0.4% under same period last year (SPLY). Commercial Revenue was over plan by \$150 million or 3.5% and Retail Revenue was over plan \$32 million or 2.5%. In September, combined Total Commercial Revenue and Retail Revenue were \$24 million more than SPLY. Most of the increase in revenue to SPLY for September was reflected in Permit Imprint and Presort First and Packages Services/Permit Imprint, \$36 million and \$49 million over SPLY, respectively.

Year-to-date, Total Revenue is \$1.7 billion or 2.4% over plan with the largest contributor being Permit Revenue at \$1.8 billion or 6.1% more than plan. Conversely, Other Commercial Accounts, \$933 million or 4.3% less than plan, is negatively impacting the Total Revenue performance to plan. YTD, Total Revenue is \$964 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. This month's money order escheatments were \$3 million. YTD, they are \$39 million.

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

For September, Total Expenses were \$340 million or 5.9% above plan. Personnel costs were \$98 million or 2.2% above plan and non-personnel costs were above plan by \$241 million or 18.6%. Most of the non-personnel plan over run was in Supplies and Services at \$60 million above plan or 18.1% and Transportation costs at \$42 million above plan or 9.4%. Communications and Building Projects Expensed also contributed to the plan over run. Combined, these items were \$38 million above plan. Compared to SPLY, this month's Total Expenses were increased by \$304 million or 5.2%.

Year-to-date, personnel costs are \$56 million or 0.1% above plan, while non-personnel expenses are \$82 million or 0.6% below plan. The largest contributors to the non-personnel plan underrun are Information Technology, \$133 million below and Supplies and Services, \$231 million below. Conversely, Transportation was \$165 million or 3.1% above plan. YTD Total Expenses are \$2.6 billion or 3.9% above SPLY. The drivers of this increase over SPLY, included an increase in volume and deliveries, increased fuel prices, labor contract increases, health benefits and COLA costs.

September 2005 - FY 2005

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter 4, FY 2005 was 878 million pieces or 1.7% above SPLY. Standard Mail volumes, at 1.1 billion pieces or 4.4% over SPLY, continue to be positive. This was primarily the result of the increasing strength of direct marketing channels. Conversely, First-Class Mail volumes and Periodicals were below their Quarter 4, 2004 levels.

Year-to-date, Total Mail Volume is 2.7% or 5.6 billion pieces over SPLY. Over 2.4 billion of the 5.6 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 5.4 billion pieces or 5.6%. YTD, First-Class Mail volume is 0.1% more than SPLY generating \$315 million or 0.9% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2005 Capital Commitments YTD through September 2005 are \$2,921 million compared to a plan of \$3,276 million. This represents a plan underrun of about \$356 million or 10.9%. This plan underrun can be attributed to delays in the development of programs.

The Cash Outlays YTD are \$2,248 million versus a plan of \$2,033 million, representing a \$215 million overrun to plan. The plan overrun in Cash Outlays can be attributed to projects such as the Ventilation Filtration System and Biohazard Detection System projects, as well as repair and alterations to older postal facilities.

Workhours - Pages 1, 14 and 15

Total Workhours for September 2005 were 0.1 million hours or 0.1% above plan, and 0.1 million hours or 0.1% above September 2004. Together, City Delivery and Rural Delivery increased 0.8 million hours over SPLY. This month's increase in workhours above SPLY was a reflection of the increase in workload and the occurrence of one additional delivery day than last year.

Total Workhours for September 2005 YTD are 17.2 million hours or 1.2% above plan, and 10.9 million hours above SPLY. The most significant plan overruns lie in Delivery Services by 9.2 million hours, Mail Processing by 7.7 million hours, and Customer Services by 3.2 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 14.3 million hours above SPLY.