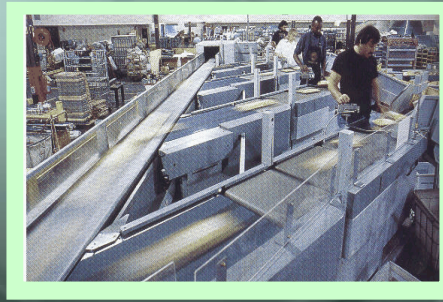




**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS



October, FY 2006

October 1 – October 31, 2005

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
 October 2005 - FY 2006
 (Millions)

	Year-to-Date (October 1, 2005 - October 31, 2005)					
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Total Revenue	\$ 5,993.1	\$ 6,191.2	[\$ - 198.1]	[- 3.2]	\$ 6,102.8	- 1.8
Total Expense	<u>5,716.5</u>	<u>5,770.2</u>	<u>- 53.7</u>	- 0.9	<u>5,590.1</u>	2.3
Net Income Before Escrow Allocation *	\$ 276.6	\$ 421.0	[\$ - 144.4]	-	\$ 512.7	-
Escrow Allocation *	<u>250.0</u>					
Gain After Escrow Allocation *	<u>\$ 26.6</u>					
Capital Commitments	\$ 48.7	\$ 28.3	\$ 20.4	72.1	\$ 29.0	67.9
Total Workhours	122.8	120.6	[2.2]	[1.9]	123.1	- 0.3

[] = Unfavorable variance to budget

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,370	27,385	27,506
Postal Owned Vehicles In Use			
Administrative	6,352	6,366	5,778
Operations	207,956	206,808	206,469
Total Deliveries (000)	144,503	144,326	142,485
City Delivery Routes	164,385	164,419	164,435
Rural Routes	72,827	72,695	70,900
Career Employees (Excludes Inspector General)	703,282	703,873	705,853
Casual Employees	19,532	19,182	21,102
Transitional Employees	8,529	8,460	10,138

*Public Law (PL) 108-18, The Postal Civil Service Retirement System Funding Reform Act of 2003 requires that the U. S. Postal Service, beginning in FY 2006 hold in escrow an amount equal to the difference between the CSRS retirement costs before and after the implementation of this law. The Office of Personnel Management (OPM) calculates this amount and based on their latest estimate we are allocating \$250 million per month for purposes of assessing our financial position.

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

STATEMENT OF INCOME & EXPENSE
 October 2005 - FY 2006
 (\$ Millions)

	Year-to-Date					
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Operating Revenue	\$ 5,985.5	\$ 6,179.3	[\$ - 193.8]	[- 3.1]	\$ 6,100.2	- 1.9
Operating Expense	<u>5,693.3</u>	<u>5,746.9</u>	<u>- 53.6</u>	- 0.9	<u>5,570.5</u>	2.2
Income/(Loss) From Operations	\$ 292.2	\$ 432.4	[\$ - 140.2]	-	\$ 529.7	-
Investment Income	7.6	11.9	[- 4.3]	[- 36.1]	2.6	192.3
Interest Expense	1.4	1.5	- 0.1	- 6.7	1.5	- 6.7
Interest on Deferred Retirement Costs	<u>21.8</u>	<u>21.8</u>	<u>0.0</u>	0.0	<u>18.1</u>	20.4
Net Income Before Escrow Allocation *	\$ 276.6	\$ 421.0	[\$ - 144.4]	-	\$ 512.7	-
Escrow Allocation *	<u>250.0</u>					
Gain After Escrow Allocation *	<u>\$ 26.6</u>					

[]=Unfavorable variance to budget

* See footnote on page 1.

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

MAIL VOLUME - MAIL REVENUE
(Data in Thousands)

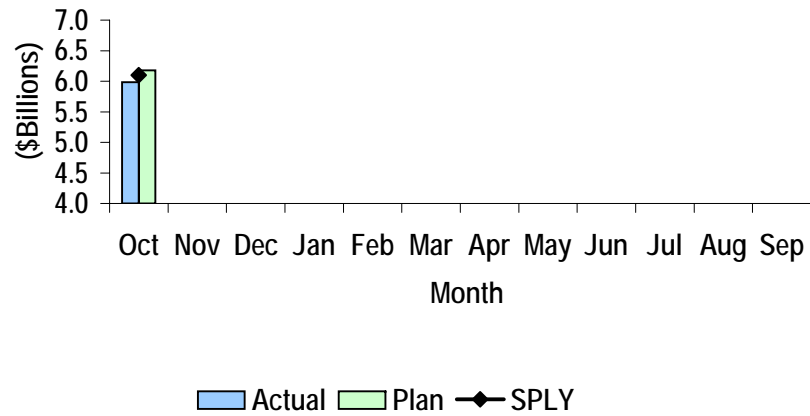
CATEGORY	YEAR-TO-DATE			% SPLY
	October 31, 2005	October 31, 2004		
FIRST-CLASS				
VOLUME	8,033,020	8,322,919		- 3.5
REVENUE	\$ 2,938,681	\$ 3,056,888		- 3.9
REV/PC.	\$ 0.3658	\$ 0.3673		- 0.4
PRIORITY-MAIL				
VOLUME	72,089	68,339		5.5
REVENUE	\$ 373,445	\$ 354,148		5.4
REV/PC.	\$ 5.1803	\$ 5.1822		- 0.0
EXPRESS MAIL				
VOLUME	4,498	4,290		4.8
REVENUE	\$ 70,875	\$ 67,542		4.9
REV/PC.	\$ 15.7570	\$ 15.7441		0.1
PERIODICALS				
VOLUME	797,968	777,861		2.6
REVENUE	\$ 193,310	\$ 188,924		2.3
REV/PC.	\$ 0.2423	\$ 0.2429		- 0.3
STANDARD MAIL				
VOLUME	9,654,260	10,112,062		- 4.5
REVENUE	\$ 1,830,931	\$ 1,874,463		- 2.3
REV/PC.	\$ 0.1897	\$ 0.1854		2.3
PACKAGE SERVICES				
VOLUME	93,795	94,254		- 0.5
REVENUE	\$ 171,163	\$ 180,039		- 4.9
REV/PC.	\$ 1.8249	\$ 1.9101		- 4.5
INTERNATIONAL				
VOLUME	73,955	69,410		6.5
REVENUE	\$ 149,652	\$ 152,146		- 1.6
REV/PC.	\$ 2.0236	\$ 2.1920		- 7.7
ALL OTHER				
VOLUME	91,430	53,662		70.4
REVENUE	-	-		-
ALL MAIL				
VOLUME	18,821,014	19,502,796		- 3.5
REVENUE	\$ 5,728,059	\$ 5,874,150		- 2.5
REV/PC.	\$ 0.3043	\$ 0.3012		1.0

NOTE: Totals may not sum due to rounding.

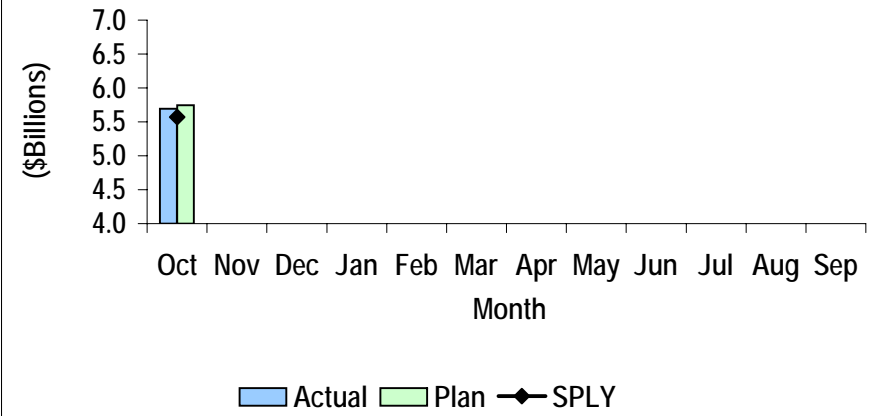
When interpreting RPW SPLY changes under monthly reporting, users must factor in the number and composition of business days in the relevant time periods.

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

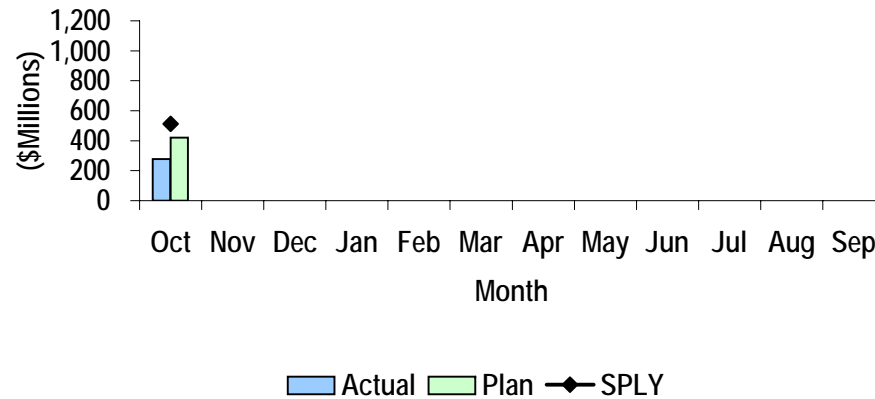
**TOTAL OPERATING REVENUE
FY 2006**



**TOTAL OPERATING EXPENSE
FY 2006**



**NET INCOME
FY 2006**



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

REVENUE BY SOURCE
October 2005 - FY 2006
(\$ Millions)

	Year-to-Date		
	Actual	SPLY	% SPLY
Operating Revenue:			
Metered Postage	\$ 1,977.3	\$ 2,074.6	- 4.7
Stamps and Stamped Paper	849.0	886.7	- 4.3
Permit Imprint	1,726.7	1,762.6	- 2.0
Periodicals & Standard	191.6	187.3	2.3
Official Mail	71.8	73.9	- 2.8
Presort First-Class & Package Svc./Permit Imprint	918.5	880.8	4.3
Box Rents	58.9	58.0	1.6
Money Order Fees	17.5	18.0	- 2.8
Other	<u>161.2</u>	<u>153.1</u>	5.3
Subtotal	\$ 5,972.5	\$ 6,095.0	- 2.0
Government Appropriations	<u>13.0</u>	<u>5.2</u>	150.0
Total Operating Revenue	\$ 5,985.5	\$ 6,100.2	- 1.9
Investment Income	<u>7.6</u>	<u>2.6</u>	192.3
Total Revenue	\$ 5,993.1	\$ 6,102.8	- 1.8

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

REVENUE BY CATEGORY
October 2005 - FY 2006
(\$ Millions)

	Year-to-Date		
	Actual	Budget	% Budget
Commercial Revenue			
Permit Revenue	\$ 2,899.1	\$ 3,066.2	[-5.4]
Other Commercial Accounts Revenue	<u>1,685.2</u>	<u>1,763.8</u>	[-4.5]
Total Commercial Revenue	\$ 4,584.3	\$ 4,830.0	[-5.1]
Retail Revenue			
Retail Postage Revenue	1,022.2	981.6	4.1
Retail Services Revenue	92.1	89.6	2.8
Retail Products Revenue	14.7	13.7	7.3
Other Retail Channels Revenue	<u>215.3</u>	<u>204.6</u>	5.2
Total Retail Revenue	\$ 1,344.3	\$ 1,289.5	4.2
Total Commercial & Retail Revenue	\$ 5,928.6	\$ 6,119.5	[-3.1]
Other Income	43.9	50.7	[-13.4]
Government Appropriations	<u>13.0</u>	<u>9.0</u>	44.4
Total Operating Revenue	\$ 5,985.5	\$ 6,179.3	[-3.1]
Investment Income	<u>7.6</u>	<u>11.9</u>	[-36.1]
Total Revenue	\$ 5,993.1	\$ 6,191.2	[-3.2]

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

EXPENSE ANALYSIS
October 2005 - FY 2006
(\$ Millions)

	Year-to-Date					
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Personnel Compensation	\$ 4,583.3	\$ 4,573.9	[\$ 9.4]	[0.2]	\$ 4,509.1	1.6
Non-Personnel Expense:						
Transportation	438.2	450.0	- 11.8	- 2.6	423.2	3.5
Supplies & Services	146.2	163.6	- 17.4	- 10.6	129.9	12.5
Other	<u>525.6</u>	<u>559.4</u>	<u>- 33.8</u>	- 6.0	<u>508.3</u>	3.4
Subtotal	<u>\$ 1,110.0</u>	<u>\$ 1,173.0</u>	<u>\$ - 63.0</u>	- 5.4	<u>\$ 1,061.4</u>	4.6
Total Operating Expense	<u>\$ 5,693.3</u>	<u>\$ 5,746.9</u>	<u>\$ - 53.6</u>	- 0.9	<u>\$ 5,570.5</u>	2.2
Interest Expense	1.4	1.5	- 0.1	- 6.7	1.5	- 6.7
Interest on Deferred Retirement Costs	<u>21.8</u>	<u>21.8</u>	<u>0.0</u>	0.0	<u>18.1</u>	20.4
Total Expense	<u>\$ 5,716.5</u>	<u>\$ 5,770.2</u>	<u>\$ - 53.7</u>	- 0.9	<u>\$ 5,590.1</u>	2.3

[]=Unfavorable variance to budget

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

ANALYSIS OF OPERATING EXPENSES
Personnel Compensation
October 2005 - FY 2006
(\$ Millions)

	Year-to-Date					
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
Total Compensation						
Operations:						
-Support	\$ 35.5	\$ 33.9	[\$ 1.6] [	4.6]	\$ 32.8	8.2
-Mail Processing	993.4	967.3	[26.0] [	2.7]	988.4	0.5
-Rural Delivery	442.7	439.0	[3.8] [	0.9]	410.2	7.9
-City Delivery	1,419.6	1,419.2	[0.4] [	0.0]	1,417.7	0.1
-Vehicles Services	100.4	101.2	- 0.8	- 0.8	98.1	2.4
-Plant & Equip Maint	256.1	265.8	- 9.7	- 3.6	250.8	2.1
-Customer Services	679.9	675.9	[4.0] [	0.6]	666.2	2.1
Finance	17.5	18.6	- 1.0	- 5.5	17.1	2.6
Human Resources	29.4	29.6	- 0.3	- 1.0	29.7	- 1.2
Customer Service & Sales	42.6	44.1	- 1.5	- 3.3	42.5	0.3
Administration - Field	205.7	213.2	- 7.5	- 3.5	198.6	3.6
Other Salaries & Benefits	108.8	114.0	- 5.2	- 4.6	113.1	- 3.8
Total Salaries & Benefits	\$ 4,331.6	\$ 4,321.8	[\$ 9.8] [	0.2]	\$ 4,265.2	1.6
Workers' Compensation	99.7	99.7	0.0	0.0	104.1	- 4.2
Unemployment Compensation	4.6	4.6	0.0	0.0	6.6	- 29.8
Deferred Retirement Cost	2.4	2.4	0.0	0.0	1.9	26.3
Annuitant Health Benefits	132.4	133.3	- 0.9	- 0.7	117.6	12.6
Other Compensation	12.6	12.0	[0.6] [	5.5]	13.6	- 7.4
Total Personnel Compensation	\$ 4,583.3	\$ 4,573.9	[\$ 9.4] [	0.2]	\$ 4,509.1	1.6

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

ANALYSIS OF NON-PERSONNEL EXPENSES
 October 2005 - FY 2006
 (\$ Millions)

Description	Year-to-Date						
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
Transportation	\$ 438.2	\$ 450.0	\$ - 11.8	- 2.6	\$ 423.2	3.5	
Supplies & Services	146.2	163.6	- 17.4	- 10.6	129.9	12.5	
Depreciation	174.5	178.3	- 3.8	- 2.1	168.2	3.7	
Rent	81.7	82.4	- 0.8	- 0.9	83.4	- 2.0	
Fuel & Utilities	46.9	41.8	[5.1]	[12.3]	36.3	29.1	
Rural Carrier Equip Maint Allowance	36.8	38.3	- 1.5	- 3.8	46.6	- 21.1	
Vehicle Maintenance	62.4	41.2	[21.2]	[51.4]	36.5	70.9	
Information Technology	36.4	63.1	- 26.7	- 42.3	35.6	2.3	
Building Projects Expensed	15.9	15.1	[0.8]	[5.4]	19.1	- 16.8	
Contract Job Cleaners	7.0	6.9	[0.0]	[0.6]	6.4	8.3	
Travel & Relocation	19.5	12.4	[7.1]	[57.6]	11.6	68.0	
Communications	14.4	12.6	[1.7]	[13.5]	14.4	- 0.1	
Contract Stations	5.7	6.4	- 0.6	- 10.2	6.0	- 3.6	
Printing	0.9	1.6	- 0.7	- 41.4	3.1	- 69.9	
Training	3.7	10.5	- 6.8	- 64.9	4.3	- 15.4	
Carfare & Tolls	2.4	3.0	- 0.6	- 19.8	2.6	- 7.7	
Vehicle Hire	1.2	1.3	- 0.1	- 9.6	1.2	0.5	
Accident Cost	2.8	3.4	- 0.6	- 17.7	4.9	- 43.5	
Miscellaneous	13.4	41.1	- 27.7	- 67.4	28.1	- 52.3	
Total Non-Personnel Expenses	\$ 1,110.0	\$ 1,173.0	\$ - 63.0	- 5.4	\$ 1,061.4	4.6	

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

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

STATEMENT OF FINANCIAL POSITION
October 2005 - FY 2006
(\$ Millions)

Assets	October 31, 2005	October 31, 2004
Current Assets:		
Cash and cash equivalents _1/	\$ 1,503	\$ 290
Receivables:		
Foreign countries	600	616
U.S. Government	216	321
Other	202	186
Receivables before allowances	<u>1,018</u>	<u>1,123</u>
Less allowances	51	112
Total receivables, net	<u>967</u>	<u>1,011</u>
Supplies, advances and prepayments	<u>179</u>	<u>199</u>
Total Current Assets	2,649	1,500
Revenue forgone appropriations receivable	376	361
Property and Equipment, at Cost:		
Buildings	20,508	20,181
Equipment	18,700	17,487
Land	2,878	2,811
Leasehold improvements	1,179	1,105
	<u>43,265</u>	<u>41,584</u>
Less allowances for depreciation and amortization	<u>22,546</u>	<u>20,812</u>
	20,719	20,772
Construction in progress	<u>1,943</u>	<u>1,699</u>
Total property, plant and equipment, net	<u>22,662</u>	<u>22,471</u>
Total Assets	<u>\$ 25,687</u>	<u>\$ 24,332</u>

_1/ Includes securities with maturities of 90 days or less in accordance with Statement of Financial Accounting Standards (SFAS) No. 95.

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

STATEMENT OF FINANCIAL POSITION
 October 2005 - FY 2006
 (\$ Millions)

Liabilities and Net Capital	October 31, 2005	October 31, 2004
Current Liabilities:		
Compensation and benefits	\$ 3,165	\$ 3,191
Estimated prepaid postage	1,226	1,251
Payables and accrued expenses:		
Commercial vendors & accrued expenses	1,280	1,323
Foreign countries	684	828
U.S. government	73	89
Total payables and accrued expenses	<u>2,037</u>	<u>2,240</u>
Customer deposit accounts	1,742	1,674
Outstanding postal money orders	843	824
Prepaid box rentals & other deferred revenue	471	425
Debt	<u>-</u>	<u>200</u>
Total Current Liabilities	9,484	9,805
Non-Current Liabilities:		
Workers' compensation costs	6,791	6,755
Employees' accumulated leave	2,054	2,009
Deferred revenue	692	288
Long term portion capital lease obligations	644	652
Other	<u>370</u>	<u>379</u>
Total Non-Current Liabilities	10,551	10,083
Total Liabilities	20,035	19,888
Net Capital:		
Capital contributions of the U.S. government	3,034	3,034
Retained earnings since reorganization	<u>2,618</u>	<u>1,410</u>
Total Net Capital	<u>5,652</u>	<u>4,444</u>
Total Liabilities and Net Capital	\$ <u>25,687</u>	\$ <u>24,332</u>

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

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

STATEMENT OF CASH FLOWS
Fiscal Year through October 31st
(\$ Millions)

	October 31, <u>2005</u>	October 31, <u>2004</u>
Cash flows from operating activities:		
Net Income	\$ 276	\$ 513
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	174	167
Loss on disposals of property and equipment, net	(2)	1
Increase in workers' compensation liability	96	104
Increase in employees' accumulated leave	38	3
Decrease (increase) in other non-current liabilities	1	(2)
Changes in current assets and liabilities:		
Decrease in receivables, net	41	13
Decrease in supplies, advances and prepayments	21	21
Increase in compensation and benefits	313	551
Decrease (increase) in estimated prepaid postage	26	(5)
(Decrease) in payables and accrued expenses	(295)	(364)
Increase in customer advances	22	68
Increase in outstanding postal money orders	13	57
(Decrease) increase in prepaid box rent and other deferred revenue	<u>(6)</u>	<u>28</u>
Net cash provided by operating activities	718	1,155
Cash flows from investing activities:		
Purchase of property and equipment	(148)	(142)
Proceeds from sale of property and equipment	<u>3</u>	<u>-</u>
Net cash used in investing activities	(145)	(142)
Cash flows from financing activities:		
U.S. government appropriations - received	-	-
U.S. government appropriations - expended	-	-
Issuance of debt	-	-
Payments on debt	<u>-</u>	<u>(1,600)</u>
Net cash used in financing activities	-	(1,600)
Net increase (decrease) in cash and cash equivalents	573	(587)
Cash and cash equivalents at beginning of year	<u>930</u>	<u>877</u>
Cash and cash equivalents at end of period	<u>\$ 1,503</u>	<u>\$ 290</u>

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

CAPITAL INVESTMENTS
October 2005 - FY 2006
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 2.0	0.0	\$ 2.5	\$ 16.4	\$ 17.7	\$ 17.7
BUILDING IMPROVEMENTS	26.5	22.2	2.4	30.0	32.2	29.7
MAIL PROCESSING EQUIPMENT	5.3	1.8	2.3	47.6	62.1	51.1
VEHICLES	0.5	0.0	0.1	16.7	18.2	12.7
RETAIL EQUIPMENT	0.0	0.0	0.8	0.0	1.3	4.8
POSTAL SUPPORT EQUIPMENT	14.3	4.2	20.9	38.0	39.1	28.3
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 48.7	\$ 28.3	\$ 29.0	\$ 148.7	\$ 170.6	\$ 144.3

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	October 31, 2005	September 30, 2005
CONSTRUCTION AND BUILDING PURCHASE	\$ 134.3	\$ 149.0
BUILDING IMPROVEMENTS	412.0	419.5
MAIL PROCESSING EQUIPMENT	1,969.4	2,017.9
VEHICLES	186.5	202.7
RETAIL EQUIPMENT	38.5	38.5
POSTAL SUPPORT EQUIPMENT	537.9	579.8
TOTAL RESOURCES ON ORDER	\$ 3,278.6	\$ 3,407.4

Note: Totals may not sum due to rounding.

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

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

October 2005 - FY 2006

(Data in Thousands)

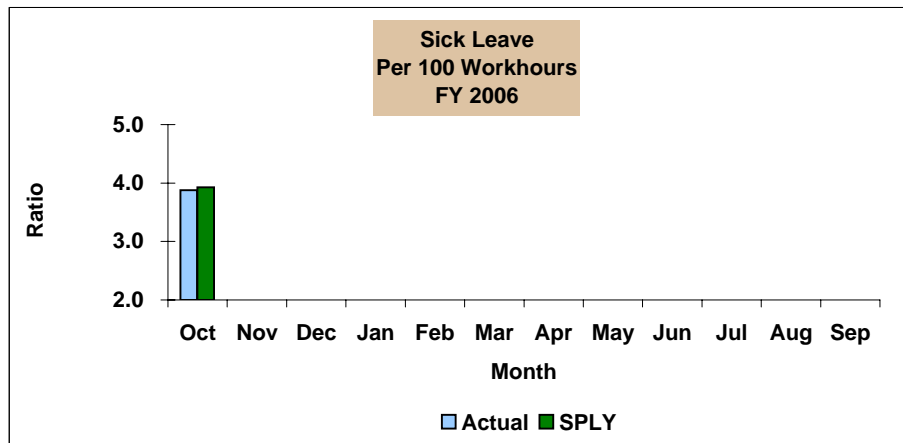
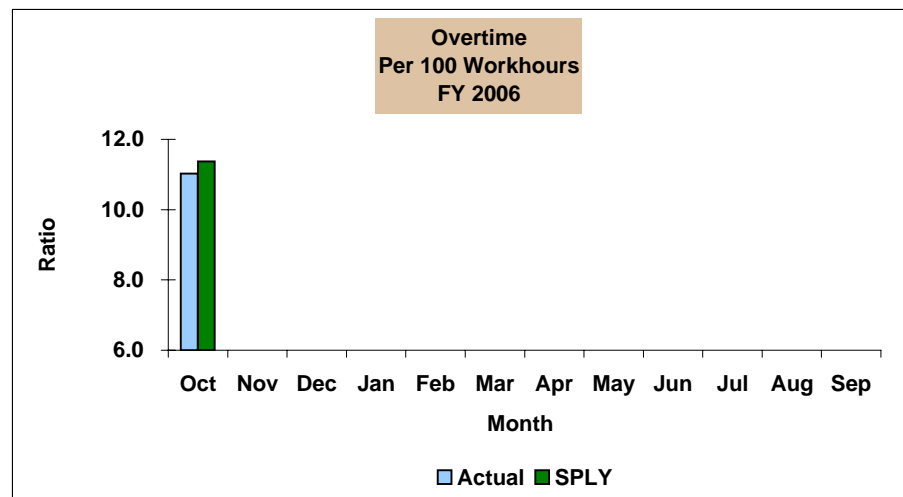
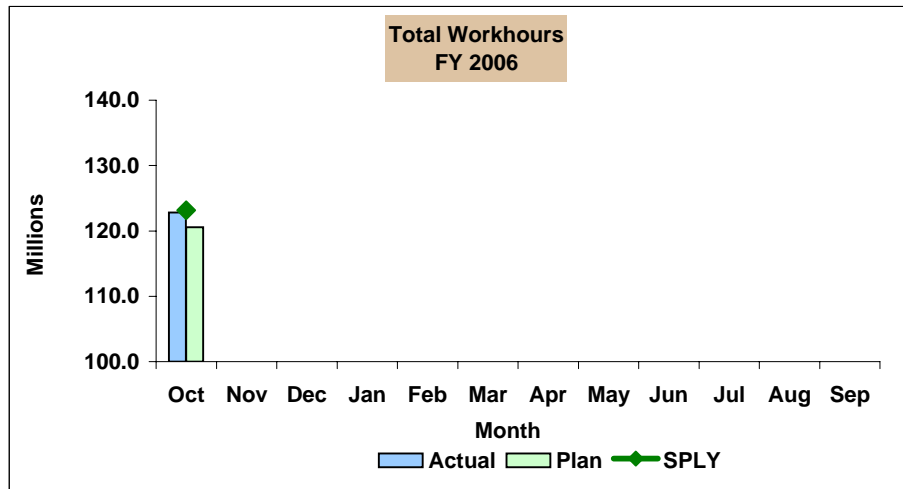
	Year-to-Date				
	Actual	Var. to Budget	% Budget	SPLY	% SPLY
<u>Total Workhours</u>					
Operations:					
-Support	797	[45]	[6.0]	760	4.9
-Mail Processing	28,840	[1,363]	[5.0]	29,151	- 1.1
-Rural Delivery	15,219	[325]	[2.2]	14,709	3.5
-City Delivery	39,383	[454]	[1.2]	39,894	- 1.3
-Vehicles Services	2,639	- 15	- 0.6	2,627	0.4
-Plant & Equip Maint	6,776	- 269	- 3.8	6,796	- 0.3
-Customer Services	19,429	[398]	[2.1]	19,443	- 0.1
Finance	410	- 43	- 9.4	412	- 0.3
Human Resources	694	[21]	[3.0]	728	- 4.6
Customer Service & Sales	1,111	- 26	- 2.3	1,128	- 1.4
Administration	5,470	[34]	[0.6]	5,383	1.6
Other	2,024	- 54	- 2.6	2,118	- 4.5
Total Workhours	122,793	[2,232]	[1.9]	123,149	- 0.3

Overtime			
	Actual	Budget	SPLY
Overtime Ratio Per 100 Workhours	11.0%	8.7%	11.4%

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

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

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



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

October 2005 - FY 2006

Information: October 2005 had the same number of delivery days and business days as October 2004.

Analysis of the Financial and Operating Statements

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

Year-to-date (YTD), Total Revenue is \$198 million or 3.2% under plan. Permit Revenue accounts contribute to the majority of the Total Revenue underrun to plan, \$167 million, with First-Class Permit Imprint being the largest contributor. YTD Total Revenue is \$110 million less than last year.

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

Year-to-date, Total Expenses are \$54 million or 0.9% below plan. YTD, personnel costs are \$9 million above plan, while non-personnel expenses are \$63 million below plan. The largest contributors to the non-personnel plan underrun are Information Technology, Supplies & Services and Transportation, which are \$27 million, \$17 million and \$12 million below plan, respectively. YTD, Total Expenses are \$126 million above SPLY with personnel costs and non-personnel expenses at \$74 million above and \$49 million above, respectively. Major drivers of the personnel cost increase were Cost of Living Allowances (COLA's) and Health Benefits which increased a total of \$91 million. The overall increase in YTD non-personnel expenses to SPLY arises primarily from an increase in Vehicle Maintenance, Transportation and Supplies & Services. Combined these three lines are \$57 million more than last year.

Mail Volume and Revenue - Page 3

Year-to-date, Total Mail Volume is 3.5% or 682 million pieces below SPLY. The most significant mail volume decrease below SPLY for FY 2006 YTD is in the lower revenue-per-piece Standard Mail category which decreased 458 million pieces or 4.5%. YTD, First-Class Mail volume is 3.5% less than SPLY, generating \$118 million or 3.9% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2006 Capital Commitments YTD through October 31, 2005 are \$49 million compared to a plan of \$28 million. This represents an overrun of about \$20 million or 72.1%.

The Cash Outlays YTD are \$149 million versus a plan of \$171 million, representing a \$22 million underrun to plan.

Workhours - Pages 1, 14 and 15

Total workhours for October, 2005 YTD are 0.4 million hours or 0.3% below SPLY. To date, Mail Processing and City Delivery Services workhours combined have been reduced 0.8 million hours below SPLY.