

UNITED STATES POSTAL SERVICE

FINANCIAL & OPERATING STATEMENTS



March, FY 2006

March 1 – March 31, 2006

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
March 2006 - FY 2006
(Millions)

Current Period						Year-to-Date (October 1, 2005 - March 31, 2006)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 6,591.4	\$ 6,402.5	\$ 188.9	3.0	\$ 6,167.1	6.9	\$ 37,177.0	\$ 36,888.8	\$ 288.2	0.8	\$ 36,112.5	2.9
<u>6,296.4</u>	<u>6,293.3</u>	[3.1]	[0.0]	<u>6,031.8</u>	4.4	<u>35,602.6</u>	<u>35,461.6</u>	[141.0]	[0.4]	<u>34,155.2</u>	4.2
\$ 295.0	\$ 109.2	\$ 185.8	NM	\$ 135.3	NM	\$ 1,574.4	\$ 1,427.2	\$ 147.2	NM	\$ 1,957.3	NM
<u>250.0</u>						<u>1,500.0</u>					
<u>\$ 45.0</u>						<u>\$ 74.4</u>					
\$ 92.0	\$ 114.0	[\$ -22.0]	[-19.3]	\$ 139.2	-33.9	\$ 466.3	\$ 499.6	[\$ -33.3]	[-6.7]	\$ 757.3	-38.4
129.1	127.6	[1.5]	[1.2]	129.1	0.0	736.2	725.0	[11.2]	[1.5]	736.8	-0.1

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,329	27,333	27,452
Postal Owned Vehicles In Use			
Administrative	6,261	6,257	5,761
Operations	209,540	209,380	206,661
Total Deliveries (000)	145,126	145,062	143,212
City Delivery Routes	164,072	164,285	164,611
Rural Routes	73,289	73,296	71,322
Career Employees (excludes Inspector General)	695,355	696,365	701,994
Casual Employees	21,020	20,251	21,293
Transitional Employees	6,304	6,464	9,621

*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 beginning on page 16.

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

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 6,576.9	\$ 6,387.4	\$ 189.5	3.0	\$ 6,159.6	6.8	Operating Revenue	\$ 37,112.9	\$ 36,816.4	\$ 296.5	0.8	\$ 36,082.2	2.9
<u>6,274.6</u>	<u>6,271.4</u>	[<u>3.2</u>]	[0.1]	<u>6,013.7</u>	4.3	Operating Expense	<u>35,470.4</u>	<u>35,328.9</u>	[<u>141.5</u>]	[0.4]	<u>34,045.1</u>	4.2
\$ 302.3	\$ 116.0	\$ 186.3	NM	\$ 145.9	NM	Income/(Loss) From Operations	\$ 1,642.5	\$ 1,487.5	\$ 155.0	NM	\$ 2,037.1	NM
14.5	15.1	[-0.6]	[-4.0]	7.5	93.3	Investment Income	64.1	72.4	[-8.3]	[-11.5]	30.3	111.6
-	0.1	-0.1	-100.0	-	NM	Interest Expense	1.4	1.9	-0.5	-26.3	1.5	-6.7
<u>21.8</u>	<u>21.8</u>	<u>-</u>	<u>-</u>	<u>18.1</u>	20.4	Interest on Deferred Retirement Obligations	<u>130.8</u>	<u>130.8</u>	<u>-</u>	<u>-</u>	<u>108.6</u>	20.4
\$ 295.0	\$ 109.2	\$ 185.8	NM	\$ 135.3	NM	Net Income Before Escrow Allocation *	\$ 1,574.4	\$ 1,427.2	\$ 147.2	NM	\$ 1,957.3	NM
<u>250.0</u>						Escrow Allocation *	<u>1,500.0</u>					
\$ 45.0						Net Gain/(Deficiency) After Escrow Allocation *	\$ 74.4					

[]=Unfavorable variance to budget

* See footnote on page 1.

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		
	March 31, FY 2006	March 31, FY 2005*	% SPLY	March 31, FY 2006	March 31, FY 2005 *	% SPLY
FIRST-CLASS						
VOLUME	8,601,261	8,558,165	0.5	50,432,827	51,086,028	- 1.3
REVENUE	\$ 3,312,376	\$ 3,154,835	5.0	\$ 18,930,023	\$ 18,808,754	0.6
REV/PC.	\$ 0.3851	\$ 0.3686	4.5	\$ 0.3754	\$ 0.3682	1.9
PRIORITY-MAIL						
VOLUME	85,147	80,542	5.7	490,422	458,383	7.0
REVENUE	\$ 459,781	\$ 413,386	11.2	\$ 2,695,310	\$ 2,423,837	11.2
REV/PC.	\$ 5.3998	\$ 5.1326	5.2	\$ 5.4959	\$ 5.2878	3.9
EXPRESS MAIL						
VOLUME	5,037	5,041	-0.1	28,342	27,276	3.9
REVENUE	\$ 82,759	\$ 78,796	5.0	\$ 462,069	\$ 432,738	6.8
REV/PC.	\$ 16.4302	\$ 15.6310	5.1	\$ 16.3033	\$ 15.8652	2.8
PERIODICALS						
VOLUME	860,975	844,616	1.9	4,591,261	4,628,600	-0.8
REVENUE	\$ 214,130	\$ 203,125	5.4	\$ 1,113,551	\$ 1,104,326	0.8
REV/PC.	\$ 0.2487	\$ 0.2405	3.4	\$ 0.2425	\$ 0.2386	1.7
STANDARD MAIL						
VOLUME	9,153,720	8,951,688	2.3	52,061,272	51,277,019	1.5
REVENUE	\$ 1,817,511	\$ 1,696,763	7.1	\$ 10,003,178	\$ 9,653,205	3.6
REV/PC.	\$ 0.1986	\$ 0.1895	4.8	\$ 0.1921	\$ 0.1883	2.1
PACKAGE SERVICES						
VOLUME	110,692	105,314	5.1	624,761	602,993	3.6
REVENUE	\$ 213,196	\$ 195,443	9.1	\$ 1,201,675	\$ 1,197,350	0.4
REV/PC.	\$ 1.9260	\$ 1.8558	3.8	\$ 1.9234	\$ 1.9857	-3.1
INTERNATIONAL						
VOLUME	69,435	71,790	-3.3	440,457	453,488	-2.9
REVENUE	\$ 178,305	\$ 131,266	35.8	\$ 1,008,862	\$ 922,895	9.3
REV/PC.	\$ 2.5679	\$ 1.8285	40.4	\$ 2.2905	\$ 2.0351	12.5
ALL OTHER						
VOLUME	57,265	49,110	16.6	484,883	364,592	33.0
ALL MAIL						
VOLUME	18,943,532	18,666,266	1.5	109,154,226	108,898,380	0.2
REVENUE	\$ 6,278,057	\$ 5,873,613	6.9	\$ 35,414,669	\$ 34,543,103	2.5
REV/PC.	\$ 0.3314	\$ 0.3147	5.3	\$ 0.3244	\$ 0.3172	2.3

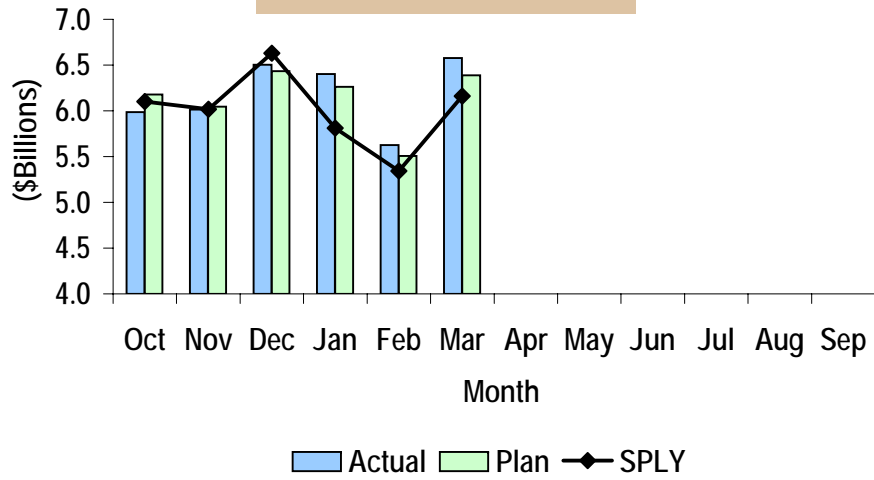
NOTE: Totals may not sum due to rounding.

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

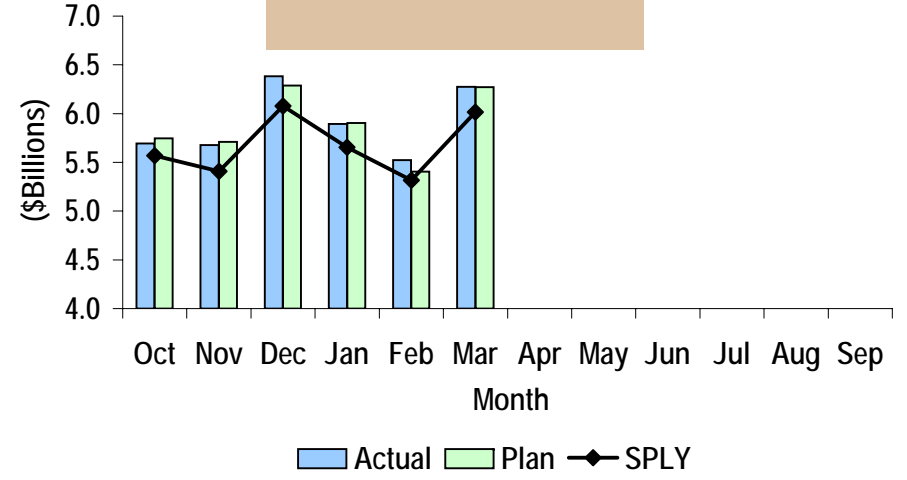
* Note: Revenue and volume for Quarter 2, FY 2005 reported in this document are from the final FY 2005 Revenue, Pieces and Weights report issued at year-end.

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

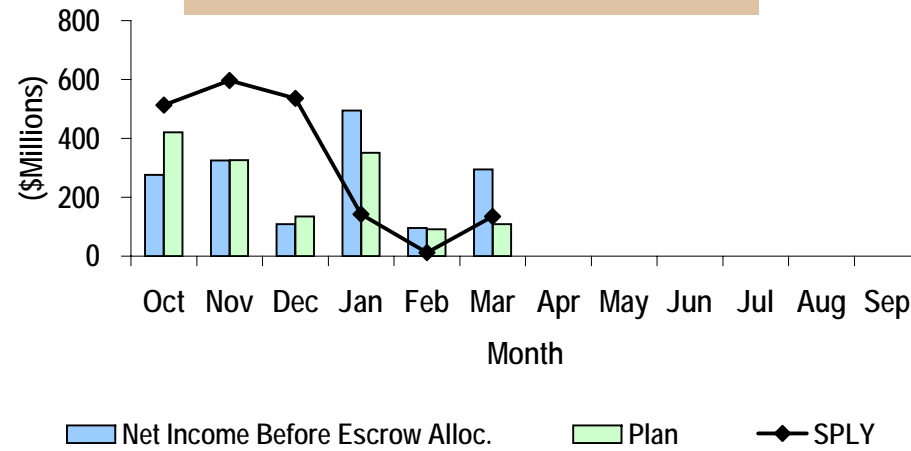
**TOTAL OPERATING REVENUE
FY 2006**



**TOTAL OPERATING EXPENSE
FY 2006**



**NET INCOME BEFORE ESCROW ALLOCATION
FY 2006**



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

REVENUE BY SOURCE
March 2006 - FY 2006
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			Operating Revenue:			
\$ 2,239.7	\$ 2,166.9	3.4	Metered Postage	\$ 12,728.2	\$ 12,666.4	0.5
973.3	946.6	2.8	Stamps and Stamped Paper	5,901.2	5,955.8	- 0.9
1,732.1	1,603.3	8.0	Permit Imprint	9,448.2	9,059.2	4.3
212.5	201.5	5.5	Periodicals & Standard	1,104.2	1,094.6	0.9
75.7	69.6	8.8	Official Mail	435.6	423.1	3.0
1,050.5	924.3	13.7	Presort First-Class & Package Svc./Permit Imprint	5,802.2	5,347.8	8.5
60.3	65.0	- 7.2	Box Rents	397.5	392.5	1.3
19.3	18.9	2.1	Money Order Fees	106.6	107.1	- 0.5
<u>199.7</u>	<u>155.4</u>	28.5	Other	<u>1,109.9</u>	<u>989.8</u>	12.1
\$ 6,563.1	\$ 6,151.5	6.7	Subtotal	\$ 37,033.6	\$ 36,036.3	2.8
<u>13.8</u>	<u>8.1</u>	70.4	Government Appropriations	<u>79.3</u>	<u>45.9</u>	72.8
\$ 6,576.9	\$ 6,159.6	6.8	Total Operating Revenue	\$ 37,112.9	\$ 36,082.2	2.9
<u>14.5</u>	<u>7.5</u>	93.3	Investment Income	<u>64.1</u>	<u>30.3</u>	111.6
<u>\$ 6,591.4</u>	<u>\$ 6,167.1</u>	6.9	Total Revenue	<u>\$ 37,177.0</u>	<u>\$ 36,112.5</u>	2.9

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

REVENUE BY CATEGORY
March 2006 - FY 2006
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
\$ 3,062.1	\$ 2,911.9	5.2	Commercial Revenue	\$ 16,730.6	\$ 16,410.4	2.0
			Permit Revenue			
1,880.3	1,907.8	[- 1.4]	Other Commercial Accounts Revenue	10,511.9	11,053.5	[- 4.9]
\$ 4,942.4	\$ 4,819.7	2.5	Total Commercial Revenue	\$ 27,242.5	\$ 27,463.9	[- 0.8]
			Retail Revenue			
1,145.0	1,166.0	[- 1.8]	Retail Postage Revenue	7,125.5	6,934.4	2.8
105.6	111.3	[- 5.1]	Retail Services Revenue	621.9	626.6	[- 0.8]
15.5	16.4	[- 5.5]	Retail Products Revenue	108.3	100.7	7.5
300.4	240.4	25.0	Other Retail Channels Revenue	1,613.1	1,347.3	19.7
\$ 1,566.5	\$ 1,534.1	2.1	Total Retail Revenue	\$ 9,468.8	\$ 9,009.0	5.1
\$ 6,508.9	\$ 6,353.8	2.4	Total Commercial & Retail Revenue	\$ 36,711.3	\$ 36,472.9	0.7
54.2	21.7	149.8	Other Income	322.3	263.5	22.3
13.8	11.9	16.0	Government Appropriations	79.3	80.0	[- 0.9]
\$ 6,576.9	\$ 6,387.4	3.0	Total Operating Revenue	\$ 37,112.9	\$ 36,816.4	0.8
14.5	15.1	[- 4.0]	Investment Income	64.1	72.4	[- 11.5]
\$ 6,591.4	\$ 6,402.5	3.0	Total Revenue	\$ 37,177.0	\$ 36,888.8	0.8

[]=Unfavorable variance to budget

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

EXPENSE ANALYSIS
March 2006 - FY 2006
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 4,938.4	\$ 4,880.1	[\$ 58.3]	[1.2]	\$ 4,764.7	3.6	Personnel Compensation	\$ 27,973.5	\$ 27,620.5	[\$ 352.9]	[1.3]	\$ 27,094.8	3.2	
Non-Personnel Expense:													
522.4	484.5	[37.9]	[7.8]	455.5	14.7	Transportation	3,036.1	3,013.0	[23.1]	[0.8]	2,717.4	11.7	
224.9	223.5	[1.4]	[0.6]	233.9	-3.8	Supplies & Services	1,186.1	1,267.9	-81.8	-6.5	1,121.6	5.8	
<u>588.9</u>	<u>683.3</u>	<u>-94.4</u>	-13.8	<u>559.6</u>	5.2	Other	<u>3,274.7</u>	<u>3,427.5</u>	<u>-152.8</u>	-4.5	<u>3,111.3</u>	5.3	
\$ 1,336.2	\$ 1,391.3	\$ -55.1	-4.0	\$ 1,249.0	7.0	Subtotal	\$ 7,496.9	\$ 7,708.4	\$ -211.4	-2.7	\$ 6,950.3	7.9	
\$ 6,274.6	\$ 6,271.4	[\$ 3.2]	[0.1]	\$ 6,013.7	4.3	Total Operating Expense	\$ 35,470.4	\$ 35,328.9	[\$ 141.5]	[0.4]	\$ 34,045.1	4.2	
0.0	0.1	-0.1	-100.0	0.0	NM	Interest Expense	1.4	1.9	-0.5	-26.3	1.5	-6.7	
<u>21.8</u>	<u>21.8</u>	<u>0.0</u>	0.0	<u>18.1</u>	20.4	Interest on Deferred Retirement Obligations	<u>130.8</u>	<u>130.8</u>	<u>0.0</u>	0.0	<u>108.6</u>	20.4	
\$ 6,296.4	\$ 6,293.3	[\$ 3.1]	[0.0]	\$ 6,031.8	4.4	Total Expense	\$ 35,602.6	\$ 35,461.6	[\$ 141.0]	[0.4]	\$ 34,155.2	4.2	

[]=Unfavorable variance to budget

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

ANALYSIS OF OPERATING EXPENSES
Personnel Compensation
March 2006 - FY 2006
(\$ 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:							
\$ 43.6	\$ 39.8	[\$ 3.8]	[9.6]	\$ 39.8	9.6	-Support	\$ 224.1	\$ 211.5	[\$ 12.6]	[5.9]	\$ 204.1	9.8	
1,020.6	1,002.0	[18.5]	[1.9]	997.9	2.3	-Mail Processing	5,984.2	5,823.6	[160.6]	[2.8]	5,865.0	2.0	
476.4	490.0	- 13.7	- 2.8	434.2	9.7	-Rural Delivery	2,696.2	2,693.8	[2.4]	[0.1]	2,495.5	8.0	
1,532.6	1,517.7	[15.0]	[1.0]	1,473.7	4.0	-City Delivery	8,617.8	8,510.6	[107.2]	[1.3]	8,380.8	2.8	
111.0	108.8	[2.2]	[2.0]	105.4	5.3	-Vehicles Services	620.8	614.3	[6.5]	[1.1]	598.8	3.7	
279.4	284.2	- 4.8	- 1.7	264.6	5.6	-Plant & Equip Maint	1,559.2	1,591.7	- 32.5	- 2.0	1,501.9	3.8	
743.5	723.7	[19.9]	[2.7]	708.1	5.0	-Customer Services	4,199.3	4,093.6	[105.7]	[2.6]	4,058.7	3.5	
20.2	21.4	- 1.2	- 5.5	19.1	5.7	Finance	108.2	119.2	- 11.0	- 9.2	103.2	4.9	
33.1	34.8	- 1.7	- 4.9	35.3	- 6.4	Human Resources	179.8	182.0	- 2.2	- 1.2	186.7	- 3.7	
49.2	50.1	- 0.8	- 1.7	46.5	5.9	Customer Service & Sales	264.9	268.1	- 3.2	- 1.2	255.8	3.6	
241.6	235.0	[6.6]	[2.8]	230.4	4.9	Administration - Field	1,284.4	1,284.0	[0.3]	[0.0]	1,249.8	2.8	
122.6	111.4	[11.2]	[10.0]	166.2	- 26.3	Other Salaries & Benefits	644.6	652.5	- 7.9	- 1.2	711.2	- 9.4	
\$ 4,673.8	\$ 4,618.8	[\$ 55.0]	[1.2]	\$ 4,521.2	3.4	Total Salaries & Benefits	\$ 26,383.4	\$ 26,045.0	[\$ 338.4]	[1.3]	\$ 25,611.4	3.0	
99.7	99.7	-	-	95.8	4.1	Workers' Compensation	598.1	598.3	- 0.2	- 0.0	599.8	- 0.3	
4.8	4.4	[0.4]	[9.8]	5.4	- 10.7	Unemployment Compensation	37.0	33.4	[3.7]	[11.0]	29.8	24.3	
2.4	2.4	-	-	1.9	26.3	Deferred Retirement Cost	14.4	14.4	0.0	0.0	11.4	26.3	
140.9	143.3	- 2.4	- 1.7	129.0	9.2	Annuitant Health Benefits	813.7	829.8	- 16.1	- 1.9	734.6	10.8	
16.8	11.5	[5.3]	[45.7]	11.4	47.1	Other Compensation	126.8	99.6	[27.2]	[27.3]	107.9	17.6	
\$ 4,938.4	\$ 4,880.1	[\$ 58.3]	[1.2]	\$ 4,764.7	3.6	Total Personnel Compensation	\$ 27,973.5	\$ 27,620.5	[\$ 352.9]	[1.3]	\$ 27,094.8	3.2	

[]=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
March 2006 - FY 2006
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY	% SPLY
\$ 522.4	\$ 484.5	[\$ 37.9]	[7.8]	\$ 455.5	14.7	Transportation	\$ 3,036.1	\$ 3,013.0	[\$ 23.1]	[0.8]	\$ 2,717.4	11.7
224.9	223.5	[1.4]	[0.6]	233.9	- 3.8	Supplies & Services	1,186.1	1,267.9	- 81.8	- 6.5	1,121.6	5.8
183.1	179.6	[3.5]	[1.9]	171.8	6.6	Depreciation	1,082.8	1,090.1	- 7.3	- 0.7	1,017.4	6.4
86.0	86.1	- 0.1	- 0.1	90.8	- 5.3	Rent	517.1	522.7	- 5.6	- 1.1	525.5	- 1.6
66.1	68.3	- 2.2	- 3.2	60.3	9.5	Utilities & Heating Fuel	336.5	343.4	- 6.9	- 2.0	288.5	16.7
54.6	53.9	[0.6]	[1.2]	31.0	76.2	Rural Carrier Equip Maint Allowance	237.1	239.2	- 2.1	- 0.9	196.7	20.6
57.7	59.3	- 1.6	- 2.7	56.2	2.6	Vehicle Maintenance Services	338.6	323.1	[15.5]	[4.8]	283.1	19.6
24.5	55.9	- 31.4	- 56.2	24.1	1.5	Information Technology	168.4	238.6	- 70.3	- 29.4	148.0	13.8
18.3	19.0	- 0.7	- 3.7	22.7	- 19.2	Building Projects Expensed	113.3	113.1	[0.2]	[0.2]	125.5	- 9.7
7.9	7.6	[0.3]	[3.4]	6.9	13.9	Contract Job Cleaners	47.9	45.2	[2.8]	[6.1]	43.8	9.5
17.8	20.9	- 3.2	- 15.1	24.7	- 28.0	Travel & Relocation	93.3	103.7	- 10.3	- 10.0	109.0	- 14.4
22.7	18.8	[4.0]	[21.1]	21.2	7.0	Communications	115.2	102.5	[12.7]	[12.4]	109.4	5.4
6.1	6.8	- 0.7	- 10.2	5.7	8.4	Contract Stations	37.4	40.6	- 3.2	- 7.8	37.5	- 0.3
2.3	2.0	[0.3]	[15.2]	3.8	- 41.1	Printing	11.8	13.0	- 1.3	- 9.9	15.4	- 23.9
5.6	6.4	- 0.9	- 13.5	5.0	10.7	Training	23.4	31.6	- 8.2	- 26.0	25.6	- 8.6
2.3	2.5	- 0.2	- 9.9	2.6	- 12.9	Carfare & Tolls	14.4	15.6	- 1.2	- 7.7	14.6	- 1.8
1.5	1.6	- 0.1	- 8.8	1.0	50.6	Vehicle Hire	8.0	8.4	- 0.5	- 5.5	7.3	9.3
5.1	5.1	[0.0]	[0.1]	4.3	18.3	Accident Costs	28.1	23.0	[5.0]	[21.9]	25.0	12.0
27.6	89.5	- 62.0	- 69.2	27.4	0.4	Miscellaneous	101.5	173.6	- 72.1	- 41.5	138.9	- 26.9
\$ 1,336.2	\$ 1,391.3	\$ - 55.1	- 4.0	\$ 1,249.0	7.0	Total Non-Personnel Expenses	\$ 7,496.9	\$ 7,708.4	\$- 211.4	- 2.7	\$ 6,950.3	7.9

[]=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
March 2006 - FY 2006
(\$ Millions)

Assets	March 31, 2006	March 31, 2005	September 30, 2005*
Current Assets:			
Cash and cash equivalents _1/	\$ 2,907	\$ 1,783	\$ 930
Receivables:			
Foreign countries	568	651	590
U.S. Government	293	362	280
Other	190	183	188
Receivables before allowances	<u>1,051</u>	<u>1,196</u>	<u>1,058</u>
Less allowances	48	116	50
Total receivables, net	<u>1,003</u>	<u>1,080</u>	<u>1,008</u>
Supplies, advances and prepayments	<u>160</u>	<u>164</u>	<u>200</u>
Total Current Assets	4,070	3,027	2,138
Other Assets, principally revenue forgone appropriations receivable	388	361	376
Property and Equipment, at Cost:			
Buildings	20,826	20,279	20,480
Equipment	19,179	17,859	18,664
Land	2,879	2,805	2,878
Leasehold improvements	1,206	1,127	1,172
	<u>44,090</u>	<u>42,070</u>	<u>43,194</u>
Less allowances for depreciation and amortization	<u>23,284</u>	<u>21,580</u>	<u>22,400</u>
	20,806	20,490	20,794
Construction in progress	<u>1,891</u>	<u>2,028</u>	<u>1,895</u>
Total property and equipment, net	<u>22,697</u>	<u>22,518</u>	<u>22,689</u>
Total Assets	<u>\$ 27,155</u>	<u>\$ 25,906</u>	<u>\$ 25,203</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

March 2006 - FY 2006

(\$ Millions)

Liabilities and Net Capital	March 31, 2006	March 31, 2005	September 30, 2005*
Current Liabilities:			
Compensation and benefits	\$ 3,047	\$ 2,699	\$ 2,852
Estimated prepaid postage	1,221	1,261	1,200
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,285	1,208	1,568
Foreign countries	572	773	688
U.S. government	58	66	76
Total payables and accrued expenses	<u>1,915</u>	<u>2,047</u>	<u>2,332</u>
Customer deposit accounts	1,697	1,682	1,720
Outstanding postal money orders	849	796	830
Prepaid box rent & other deferred revenue	<u>454</u>	<u>435</u>	<u>477</u>
Total Current Liabilities	9,183	8,920	9,411
Non-Current Liabilities:			
Workers' compensation costs	7,271	7,251	6,695
Employees' accumulated leave	2,044	2,074	2,016
Deferred revenue	692	772	692
Long-term portion capital lease obligations	659	656	644
Other	<u>356</u>	<u>345</u>	<u>369</u>
Total Non-Current Liabilities	11,022	11,098	10,416
Total Liabilities	20,205	20,018	19,827
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings since reorganization	<u>3,916</u>	<u>2,854</u>	<u>2,342</u>
Total Net Capital	6,950	5,888	5,376
Total Liabilities and Net Capital	<u>\$ 27,155</u>	<u>\$ 25,906</u>	<u>\$ 25,203</u>

* 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 CASH FLOWS
Fiscal Year 2006 through March 31, 2006
(\$ Millions)

	March 31, 2006	March 31, 2005	September 30, 2005*
Cash flows from operating activities:			
Net Income	\$ 1,574	\$ 1,957	\$ 1,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,074	1,011	2,089
Loss on disposals of property and equipment, net	4	7	5
Increase in revenue forgone appropriations receivable	(12)	-	(15)
Increase (decrease) in workers' compensation liability	576	600	(58)
Increase in employees' accumulated leave	28	68	10
Increase (decrease) in long-term portion capital lease liability	15	4	(8)
(Decrease) increase in other non-current liabilities	(13)	448	(111)
Changes in current assets and liabilities:			
Decrease (increase) in receivables, net	5	(56)	16
Decrease in supplies, advances and prepayments	40	56	20
Increase in compensation and benefits	195	59	314
Increase (decrease) in estimated prepaid postage	21	5	(56)
	(417)	(529)	(199)
(Decrease) increase in customers' deposit accounts	(23)	76	114
Increase in outstanding postal money orders	19	29	63
(Decrease) increase in prepaid box rent & other deferred revenue	(23)	10	52
Net cash provided by operating activities	3,063	3,745	3,681
Cash flows from investing activities:			
Purchase of property and equipment	(1,098)	(1,050)	(2,317)
Proceeds from sale of property and equipment	12	11	31
Net cash used in investing activities	(1,086)	(1,039)	(2,286)
Cash flows from financing activities:			
U.S. government appropriation - received	-	-	503
U.S. government appropriation - expended	-	-	(45)
Issuance of debt	-	-	-
Payments on debt	-	(1,800)	(1,800)
Net cash used in financing activities	-	(1,800)	(1,342)
Net increase (decrease) in cash and cash equivalents	1,977	906	53
Cash and cash equivalents at beginning of year	930	877	877
Cash and cash equivalents at end of period	\$ 2,907	\$ 1,783	\$ 930

* Audited year-end data.

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

CAPITAL INVESTMENTS
March 2006 - FY 2006
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 120.2	\$ 118.0	\$ 99.1	\$ 82.2	\$ 100.7	\$ 108.8
BUILDING IMPROVEMENTS	165.9	183.7	74.0	241.9	206.8	194.5
MAIL PROCESSING EQUIPMENT	128.8	121.7	165.7	447.8	418.2	354.3
VEHICLES	12.7	9.4	19.5	116.5	56.8	107.2
RETAIL EQUIPMENT	0.0	0.2	3.2	0.5	13.4	50.2
POSTAL SUPPORT EQUIPMENT	38.7	66.5	395.8	208.7	275.5	235.4
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 466.3	\$ 499.6	\$ 757.3	\$ 1,097.6	\$ 1,071.5	\$ 1,050.4

Note: Totals may not sum due to rounding.

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	March 31, 2006	September 30, 2005
CONSTRUCTION AND BUILDING PURCHASE	\$ 182.8	\$ 149.0
BUILDING IMPROVEMENTS	336.5	419.5
MAIL PROCESSING EQUIPMENT	1,701.0	2,017.9
VEHICLES	98.8	202.7
RETAIL EQUIPMENT	38.0	38.5
POSTAL SUPPORT EQUIPMENT	406.9	579.8
TOTAL RESOURCES ON ORDER	\$ 2,764.0	\$ 3,407.4

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

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

March 2006 - FY 2006

(Data in Thousands)

Current Period					Total Workhours	Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
956	[81]	[9.2]	916	4.4	Operations:	4,907	[281]	[6.1]	4,648	5.6
28,685	[731]	[2.6]	29,158	- 1.6	-Support	172,197	[6,485]	[3.9]	173,551	- 0.8
16,323	- 10	- 0.1	15,210	7.3	-Mail Processing	91,278	[935]	[1.0]	87,561	4.2
41,453	[187]	[0.5]	41,957	- 1.2	-Rural Delivery	234,397	[2,368]	[1.0]	236,069	- 0.7
2,862	[35]	[1.2]	2,840	0.8	-City Delivery	16,134	[64]	[0.4]	16,050	0.5
7,251	- 177	- 2.4	7,206	0.6	-Vehicles Services	40,693	- 1,166	- 2.8	40,542	0.4
20,829	[453]	[2.2]	20,750	0.4	-Plant & Equip Maint	118,760	[2,859]	[2.5]	118,492	0.2
456	- 58	- 11.3	456	0.0	-Customer Services	2,458	- 306	- 11.1	2,450	0.3
756	- 25	- 3.2	833	- 9.3	Finance	4,092	- 40	- 1.0	4,397	- 6.9
1,253	- 24	- 1.9	1,242	0.9	Human Resources	6,773	- 131	- 1.9	6,752	0.3
6,223	[118]	[1.9]	6,243	- 0.3	Customer Service & Sales	33,348	[69]	[0.2]	33,688	- 1.0
2,087	174	[9.1]	2,324	- 10.2	Administration	11,124	- 226	- 2.0	12,640	- 12.0
129,134	[1,485]	[1.2]	129,134	0.0	Other					
					Total Workhours	736,161	[11,193]	[1.5]	736,840	- 0.1

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
10.6%	8.4%	10.2%	Overtime Ratio	11.3%	8.8%	11.0%
			Per 100 Workhours			

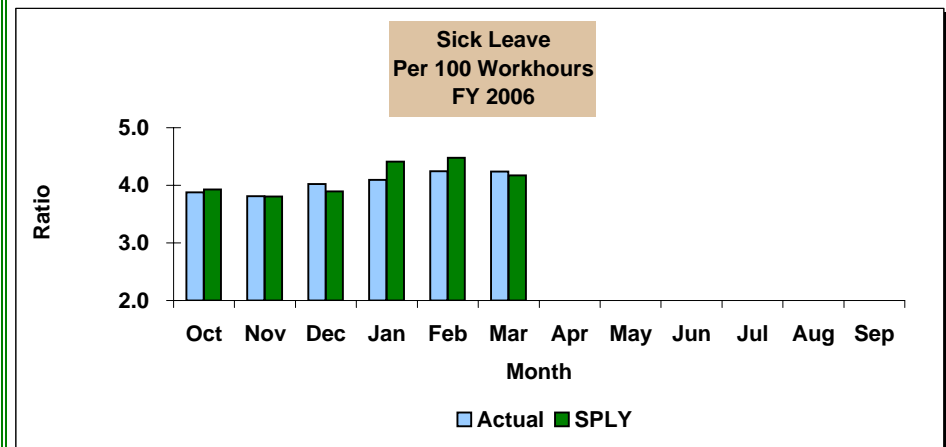
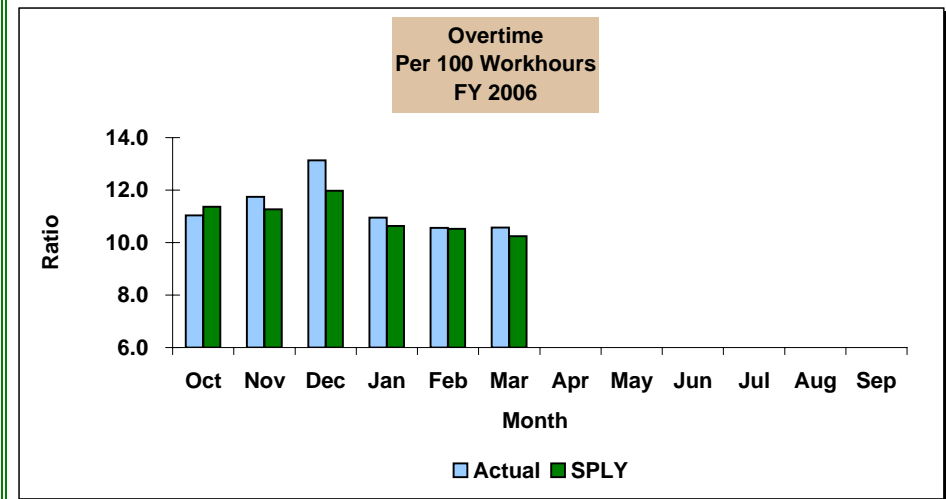
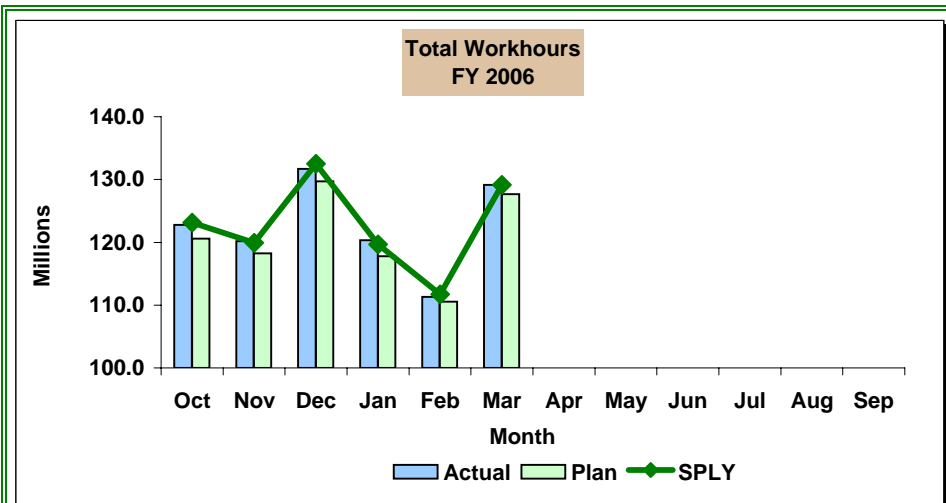
Sick Leave					
Actual	SPLY		Actual	SPLY	
4.2%	4.2%	Sick Leave Ratio	4.0%	4.1%	
		Per 100 Workhours			

[]=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.

March 2006 - FY 2006

Information: For the month, there was an equal number of delivery days as compared to same period last year (SPLY). Also, March of this year had the same number of Saturdays and business weekdays as March of last year.

Analysis of the Financial and Operating Statements

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

For March, Total Revenue was \$189 million or 3.0% over plan, and \$424 million or 6.9% over same period last year (SPLY). Commercial Revenue was over plan by \$123 million or 2.5% and Retail Revenue was over plan \$32 million or 2.1%. In March, combined Total Commercial Revenue and Retail Revenue were \$379 million more than SPLY. Most of the increase in revenue to SPLY for March was reflected in Permit Imprint and Presort First and Package Services/Permit Imprint. Combined these revenue sources were \$255 million more than SPLY. Also, Metered Postage revenue was \$73 million over SPLY.

Year-to-date, Total Revenue is \$288 million or 0.8% over plan with the largest contributor being Retail Revenue at \$460 million or 5.1% more than plan. YTD, Total Revenue is \$1.1 billion over SPLY. Primary contributors to the increase over SPLY were Permit Revenue at \$860 million more and Other Retail Channels Revenue at \$354 million more than last year.

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

For March, Total Expenses were \$3 million above plan. Personnel costs were \$52 million or 1.1% above plan and non-personnel costs were below plan by \$49 million or 3.5%. While total non-personnel expenses were below plan, Transportation was \$38 million above plan and Depreciation was \$4 million above plan. Compared to SPLY, this month's Total Expenses were increased by \$265 million or 4.4%. The drivers of this increase over SPLY, included an increase in deliveries, increased fuel prices, health benefits and COLA costs.

Year-to-date, Total Expenses were \$141 million or 0.4% above plan. Personnel costs are \$295 million or 1.1% above plan, while non-personnel expenses are \$153 million or 2.0% below plan. The largest contributors to the non-personnel plan underrun are Supplies and Services at \$82 million or 6.5% below plan and Information Technology at \$70 million or 29.4% below plan. YTD Total Expenses are \$1.4 billion or 4.2% above SPLY.

March 2006 - FY 2006

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for March, FY 2006 was 277 million pieces or 1.5% above SPLY. Most of this month's increase in mail volume above March, FY 2005 levels occurred in Standard Mail, 202 million pieces or 2.3% above.

Year-to-date, Total Mail Volume is 0.2% or 256 million pieces over SPLY. The most significant mail volume increase over SPLY for YTD is in the lower revenue-per-piece Standard Mail category, which increased 784 million pieces or 1.5%. YTD, First-Class Mail volume is 1.3% less than SPLY generating \$121 million or 0.6% more revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2006 Capital Commitments YTD through March 2006 are \$466 million compared to a plan of \$500 million. This represents a plan underrun of about \$33 million or 6.7%.

The Cash Outlays YTD are \$1.1 billion versus a plan of \$1.1 billion.

Workhours - Pages 1, 14 and 15

Total Workhours for March 2006 were 1.5 million hours or 1.2% above plan. This month's workhours usage was slightly above that of March 2005. Rural Delivery increased 1.1 million hours over SPLY.

Year-to-date, Total Workhours for March 2006 are 11.2 million hours or 1.5% above plan, and 0.7 million hours or 0.1% below SPLY. The most significant plan overruns lie in Mail Processing by 6.5 million hours, Delivery Services by 3.3 million hours, and Customer Services by 2.9 million hours. These overruns in workhours are a reflection of growth in volume above plan and continued growth in delivery points. YTD, major contributors to the workhours decrease to SPLY are City Delivery and Mail Processing workhours. Combined workhours in these operations are 3.0 million hours below SPLY.