



**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS

**January, FY 2004
January 1 – January 31, 2004**



Prepared by: Financial Reporting and Analysis

Highlights
January - FY 2004
(Millions)

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,862.7	\$ 5,921.2	[\$ - 58.5]	[- 1.0]	\$ 6,097.4	- 3.8
<u>5,572.9</u>	<u>5,638.2</u>	<u>- 65.3</u>	<u>- 1.2</u>	<u>5,455.2</u>	<u>2.2</u>
\$ 289.8	\$ 283.0	\$ 6.8	-	\$ 642.2	-
\$ 92.6	\$ 74.7	[\$ 17.9]	[24.0]	\$ 144.8	- 36.0
121.1	122.1	- 1.0	- 0.8	124.4	- 2.7

Year-to-Date (October 1, 2003 - January 31, 2004)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 24,102.3	\$ 24,041.3	\$ 61.0	0.3	\$ 24,502.2	- 1.6
<u>22,002.0</u>	<u>22,430.5</u>	<u>- 428.5</u>	<u>- 1.9</u>	<u>21,594.9</u>	<u>1.9</u>
\$ 2,100.3	\$ 1,610.8	\$ 489.5	-	\$ 2,907.3	-
\$ 306.5	\$ 446.8	\$ - 140.3	- 31.4	\$ 611.1	- 49.8
494.6	497.6	- 3.0	- 0.6	509.1	- 2.8

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

* SPLY data may differ from previous reports due to subsequent adjustments.

Actual Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,635	27,637	27,722
Postal Owned Vehicles In Use			
Administrative	5,504	5,517	5,413
Operations	206,626	206,706	201,153
Total Deliveries (000)	141,947	141,800	140,197
City Delivery Routes	164,634	164,695	165,799
Rural Routes	69,950	69,919	69,475
Career Employees (Excludes Inspector General)	716,360	719,850	740,742
Casual Employees	19,181	23,328	19,819
Transitional Employees	10,549	11,823	13,757

Statement of Income & Expense
January - FY 2004
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 5,859.9	\$ 5,919.0	[\$ -59.1]	[-1.0]	\$ 6,093.5	-3.8	Operating Revenue	\$ 24,091.3	\$ 24,032.4	\$ 58.9	0.2	\$ 24,484.3	-1.6
<u>5,572.1</u>	<u>5,635.9</u>	<u>-63.8</u>	<u>-1.1</u>	<u>5,427.0</u>	<u>2.7</u>	Operating Expense	<u>21,992.2</u>	<u>22,379.9</u>	<u>-387.7</u>	<u>-1.7</u>	<u>21,446.0</u>	<u>2.5</u>
\$ 287.8	\$ 283.1	\$ 4.7	-	\$ 666.5	-	Income/(Loss) From Operations	\$ 2,099.1	\$ 1,652.5	\$ 446.6	-	\$ 3,038.3	-
2.8	2.2	0.6	27.3	3.9	-28.2	Investment Income	11.0	8.9	2.1	23.6	17.9	-38.5
0.8	2.3	-1.5	-65.2	28.2	-97.2	Interest Expense	9.8	4.4	[5.4]	122.7	148.9	-93.4
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	Interest on Deferred Retirement Costs	<u>0.0</u>	<u>46.2</u>	<u>-46.2</u>	<u>-100.0</u>	<u>0.0</u>	<u>0.0</u>
\$ 289.8	\$ 283.0	\$ 6.8	-	\$ 642.2	-	Net Income/(Loss)	\$ 2,100.3	\$ 1,610.8	\$ 489.5	-	\$ 2,907.3	-

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

*SPLY data may differ from previous reports due to subsequent adjustments.

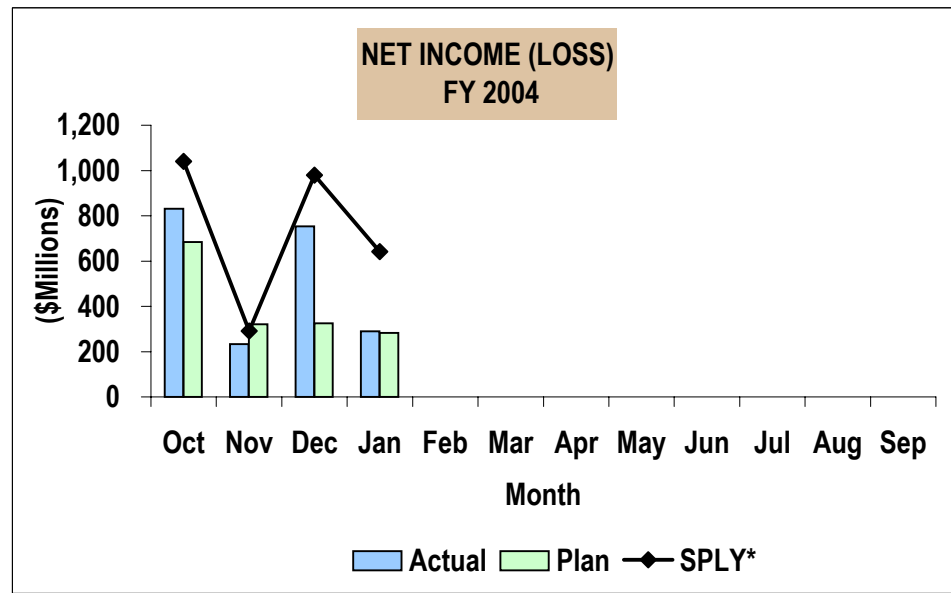
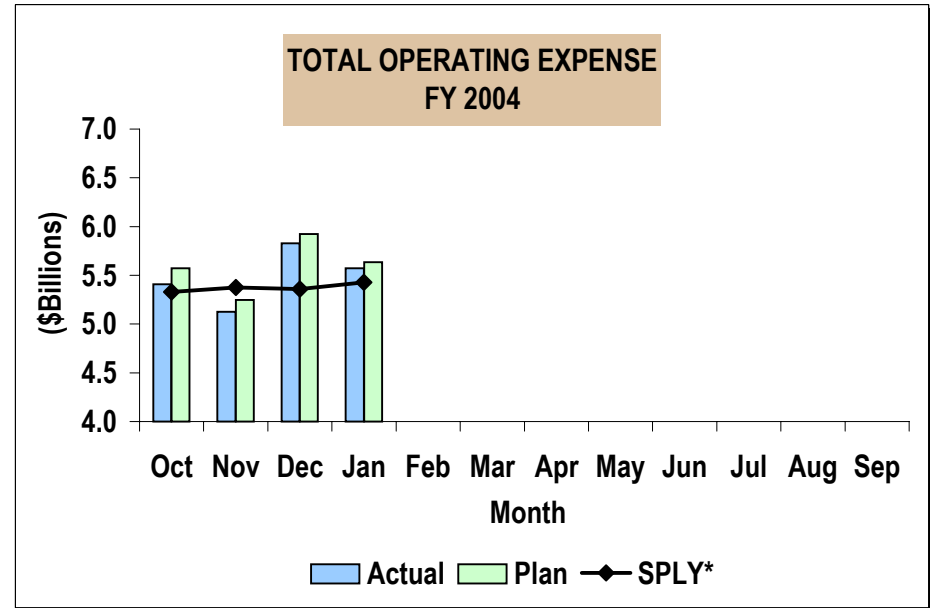
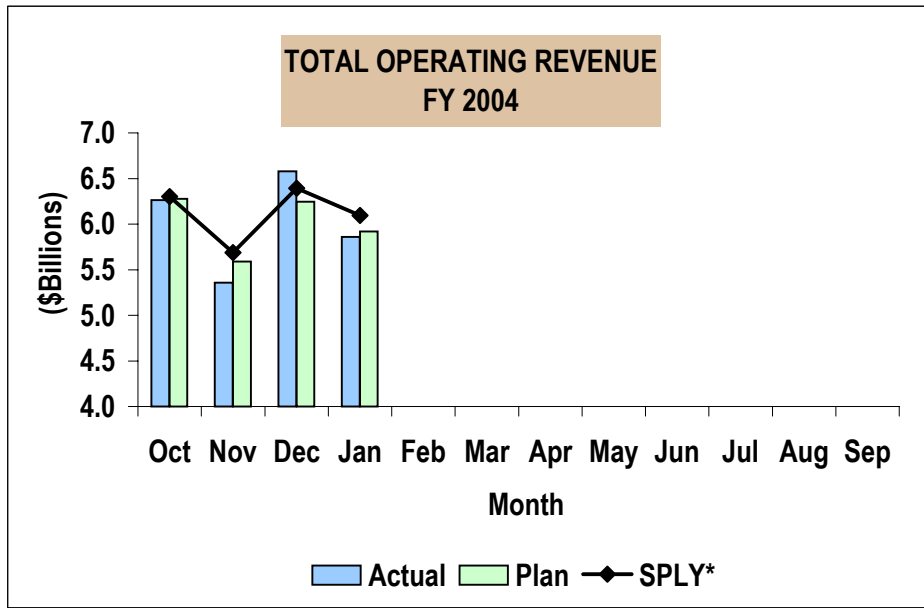
See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

MAIL VOLUME - MAIL REVENUE (Data in Thousands)						
CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	January 2004	January 2003	% SPLY	January 2004	January 2003	% SPLY
FIRST-CLASS						
VOLUME	8,879,405	9,315,606	- 4.7	34,745,447	35,365,008	- 1.8
REVENUE	\$ 3,263,882	\$ 3,446,753	- 5.3	\$ 12,917,588	\$ 13,216,927	- 2.3
REV/PC.	0.3676	0.3700	- 0.7	0.3718	0.3737	- 0.5
PRIORITY-MAIL						
VOLUME	68,932	75,659	- 8.9	302,546	310,366	- 2.5
REVENUE	\$ 355,824	\$ 391,095	- 9.0	\$ 1,627,912	\$ 1,673,793	- 2.7
REV/PC.	5.1620	5.1692	- 0.1	5.3807	5.3930	- 0.2
EXPRESS MAIL						
VOLUME	4,318	4,557	- 5.3	17,750	18,678	- 5.0
REVENUE	\$ 67,681	\$ 72,247	- 6.3	\$ 284,531	\$ 302,443	- 5.9
REV/PC.	15.6742	15.8541	- 1.1	16.0299	16.1925	- 1.0
PERIODICALS						
VOLUME	715,195	841,233	- 15.0	3,032,255	3,227,996	- 6.1
REVENUE	\$ 165,113	\$ 194,815	- 15.2	\$ 727,135	\$ 777,179	- 6.4
REV/PC.	0.2309	0.2316	- 0.3	0.2398	0.2408	- 0.4
STANDARD MAIL						
VOLUME	7,726,906	7,428,249	4.0	32,617,568	32,267,884	1.1
REVENUE	\$ 1,442,986	\$ 1,423,444	1.4	\$ 6,128,995	\$ 6,118,327	0.2
REV/PC.	0.1867	0.1916	- 2.5	0.1879	0.1896	- 0.9
PACKAGE SERVICES						
VOLUME	96,133	99,005	- 2.9	414,368	409,447	1.2
REVENUE	\$ 189,108	\$ 194,996	- 3.0	\$ 845,350	\$ 849,227	- 0.5
REV/PC.	1.9671	1.9696	- 0.1	2.0401	2.0741	- 1.6
INTERNATIONAL						
VOLUME	66,998	66,926	0.1	307,353	300,039	2.4
REVENUE	\$ 156,480	\$ 132,664	18.0	\$ 618,195	\$ 611,573	1.1
REV/PC.	2.3356	1.9822	17.8	2.0114	2.0383	- 1.3
ALL OTHER						
VOLUME	49,088	42,849	14.6	192,741	161,292	19.5
REVENUE	\$ 69	\$ 140	- 50.6	\$ 228	\$ 451	- 49.3
ALL MAIL						
VOLUME	17,606,973	17,874,083	- 1.5	71,630,027	72,060,709	- 0.6
REVENUE	\$ 5,641,144	\$ 5,856,153	- 3.7	\$ 23,149,935	\$ 23,549,920	- 1.7
REV/PC.	0.3204	0.3276	- 2.2	0.3232	0.3268	- 1.1

NOTE: Totals may not sum due to rounding.

NOTE: This data reflects PRELIMINARY estimates of revenue, pieces and weight by mail class and are subject to change. Limits on available data and statistical variations due to sampling warrant that these estimates be used with caution.

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



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REVENUE BY SOURCE
January - FY 2004
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
\$ 2,230.6	\$ 2,372.3	- 6.0	Operating Revenue:	\$ 8,725.3	\$ 8,898.7	- 1.9
			Metered Postage			
915.2	976.5	- 6.3	Stamps and Stamped Paper	4,256.9	4,398.8	- 3.2
1,345.7	1,328.6	1.3	Permit Imprint	5,719.4	5,753.7	- 0.6
163.3	193.0	- 15.4	Periodicals & Standard	720.1	770.2	- 6.5
98.2	96.6	1.7	Official Mail	316.0	313.8	0.7
852.4	863.8	- 1.3	Presort First-Class & Package Svc./Permit Imprint	3,354.1	3,352.9	0.0
70.8	72.8	- 2.7	Box Rents	259.9	262.8	- 1.1
14.8	15.9	- 6.9	Money Order Fees	59.6	62.5	- 4.6
<u>165.9</u>	<u>171.4</u>	- 3.2	Other	<u>667.8</u>	<u>660.6</u>	1.1
\$ 5,856.9	\$ 6,090.9	- 3.8	Subtotal	\$ 24,079.1	\$ 24,474.0	- 1.6
			Government Appropriation:			
<u>3.0</u>	<u>2.6</u>	15.4	Revenue Forgone	<u>12.2</u>	<u>10.3</u>	18.4
\$ 5,859.9	\$ 6,093.5	- 3.8	Total Operating Revenue	\$ 24,091.3	\$ 24,484.3	- 1.6
<u>2.8</u>	<u>3.9</u>	- 28.2	Investment Income	<u>11.0</u>	<u>17.9</u>	- 38.5
\$ 5,862.7	\$ 6,097.4	- 3.8	Total Revenue	\$ 24,102.3	\$ 24,502.2	- 1.6

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.

REVENUE BY CATEGORY
January - FY 2004
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,422.9	\$ 2,435.2	[-0.5]	Permit Revenue	\$ 10,045.3	\$ 9,789.5	2.6
<u>2,002.1</u>	<u>2,029.1</u>	[-1.3]	Other Commercial Accounts Revenue	<u>7,504.9</u>	<u>7,834.7</u>	[-4.2]
\$ 4,425.0	\$ 4,464.3	[-0.9]	Total Commercial Revenue	\$ 17,550.2	\$ 17,624.2	[-0.4]
			Retail Revenue			
1,121.7	1,156.0	[-3.0]	Retail Postage Revenue	5,320.1	5,157.7	3.1
98.4	90.7	8.5	Retail Services Revenue	355.5	370.0	[-3.9]
13.5	15.1	[10.6]	Retail Products Revenue	60.5	66.6	[-9.2]
<u>163.9</u>	<u>163.5</u>	0.2	Other Retail Channels Revenue	<u>626.0</u>	<u>693.2</u>	[-9.7]
\$ 1,397.5	\$ 1,425.3	[-2.0]	Total Retail Revenue	\$ 6,362.1	\$ 6,287.5	1.2
\$ 5,822.5	\$ 5,889.6	[-1.1]	Total Commercial & Retail Revenue	\$ 23,912.3	\$ 23,911.7	-
34.4	26.4	30.4	Other Income	166.8	108.5	53.7
<u>3.0</u>	<u>3.0</u>	-	Revenue Forgone	<u>12.2</u>	<u>12.2</u>	-
\$ 5,859.9	\$ 5,919.0	[-1.0]	Total Operating Revenue	\$ 24,091.3	\$ 24,032.4	0.2
<u>2.8</u>	<u>2.2</u>	27.3	Investment Income	<u>11.0</u>	<u>8.9</u>	23.6
\$ 5,862.7	\$ 5,921.2	[-1.0]	Total Revenue	\$ 24,102.3	\$ 24,041.3	0.3

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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EXPENSE ANALYSIS
January - FY 2004
(\$ Millions)

Current Period						Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 4,444.9	\$ 4,403.3	[\$ 41.6]	[0.9]	\$ 4,285.1	3.7	\$ 17,583.9	\$ 17,612.7	\$ -28.8	-0.2	\$ 16,956.5	3.7
433.2	484.5	- 51.3	- 10.6	438.1	- 1.1	1,621.7	1,776.8	- 155.1	- 8.7	1,752.3	- 7.5
187.5	210.6	- 23.1	- 11.0	196.4	- 4.5	698.8	887.5	- 188.7	- 21.3	758.4	- 7.9
506.5	537.5	- 31.0	- 5.8	507.4	- 0.2	2,087.8	2,102.9	- 15.1	- 0.7	1,978.8	5.5
\$ 1,127.2	\$ 1,232.6	\$ - 105.4	- 8.6	\$ 1,141.9	- 1.3	\$ 4,408.3	\$ 4,767.2	\$ - 358.9	- 7.5	\$ 4,489.5	- 1.8
\$ 5,572.1	\$ 5,635.9	\$ - 63.8	- 1.1	\$ 5,427.0	2.7	\$ 21,992.2	\$ 22,379.9	\$ - 387.7	- 1.7	\$ 21,446.0	2.5
0.8	2.3	- 1.5	- 65.2	28.2	- 97.2	9.8	4.4	[5.4]	[122.7]	148.9	- 93.4
0.0	0.0	-	-	0.0	-	0.0	46.2	- 46.2	- 100.0	0.0	-
\$ 5,572.9	\$ 5,638.2	\$ - 65.3	- 1.2	\$ 5,455.2	2.2	\$ 22,002.0	\$ 22,430.5	\$ - 428.5	- 1.9	\$ 21,594.9	1.9

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

ANALYSIS OF OPERATING EXPENSES
January - FY 2004
Personnel Compensation
(\$ 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:						
\$ 31.5	\$ 32.1	\$ -0.6	-2.0	\$ 30.5	3.4	-Support	\$ 123.2	\$ 126.0	\$ -2.9	-2.3	\$ 115.7	6.5
975.4	972.0	[3.4]	[0.3]	952.9	2.4	-Mail Processing	3,897.8	3,972.4	-74.6	-1.9	3,837.3	1.6
396.2	385.9	[10.3]	[2.7]	366.5	8.1	-Rural Delivery	1,555.7	1,534.7	[21.0]	[1.4]	1,461.3	6.5
1,369.7	1,321.6	[48.1]	[3.6]	1,293.3	5.9	-City Delivery	5,362.6	5,277.9	[84.7]	[1.6]	5,104.6	5.1
97.8	96.4	[1.5]	[1.5]	94.0	4.0	-Vehicles Services	386.5	386.6	-0.1	-0.0	368.8	4.8
247.2	254.6	-7.3	-2.9	235.4	5.0	-Plant & Equip Maint	967.8	1,006.8	-39.0	-3.9	914.8	5.8
656.7	651.2	[5.5]	[0.8]	638.6	2.8	-Customer Services	2,621.0	2,618.9	[2.2]	[0.1]	2,513.2	4.3
16.9	19.2	-2.4	-12.4	20.5	-17.8	Finance	66.3	77.0	-10.7	-13.9	79.2	-16.2
30.1	31.3	-1.2	-3.9	28.2	6.8	Human Resources	116.5	121.1	-4.7	-3.8	106.3	9.6
46.3	49.8	-3.6	-7.2	44.8	3.2	Customer Service & Sales	182.8	194.0	-11.2	-5.8	170.2	7.4
196.8	204.1	-7.2	-3.5	204.1	-3.6	Administration	790.7	796.3	-5.5	-0.7	744.6	6.2
114.3	114.3	-0.0	-0.0	132.5	-13.7	Other Salaries & Benefits	492.7	465.1	[27.6]	[5.9]	580.0	-15.0
\$ 4,178.8	\$ 4,132.5	[\$ 46.3]	[1.1]	\$ 4,041.3	3.4	Total Salaries & Benefits	\$ 16,563.7	\$ 16,577.0	\$ -13.2	-0.1	\$ 15,995.8	3.6
123.9	124.6	-0.7	-0.6	121.3	2.1	Workers' Compensation	495.9	498.5	-2.7	-0.5	509.0	-2.6
7.1	7.7	-0.6	-7.9	4.6	55.4	Unemployment Compensation	28.3	30.7	-2.4	-7.8	24.8	14.1
0.0	0.0	0.0	-	0.0	-	Deferred Retirement Cost	0.0	3.6	-3.6	-100.0	-	NM
110.2	110.2	0.0	0.0	97.7	12.8	Annuitant Health Benefits	440.7	440.7	0.0	0.0	370.7	18.9
24.9	28.3	-3.4	-12.1	20.3	22.9	Other Compensation	55.3	62.2	-6.9	-11.1	56.2	-1.6
\$ 4,444.9	\$ 4,403.3	[\$ 41.6]	[0.9]	\$ 4,285.1	3.7	Total Personnel Compensation	\$ 17,583.9	\$ 17,612.7	\$ -28.8	-0.2	\$ 16,956.5	3.7

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY
			% Budget							% Budget		
\$ 433.2	\$ 484.5	\$ -51.3	-10.6	\$ 438.1	-1.1	Transportation	\$ 1,621.7	\$ 1,776.8	\$ -155.1	-8.7	\$ 1,752.3	-7.5
187.5	210.6	-23.1	-11.0	196.4	-4.5	Supplies & Services	698.8	887.5	-188.7	-21.3	758.4	-7.9
181.0	190.6	-9.6	-5.0	192.0	-5.7	Depreciation	760.1	758.7	[1.4]	[0.2]	776.1	-2.1
84.4	72.3	[12.1]	[16.8]	83.8	0.7	Rent	331.2	315.1	[16.1]	[5.1]	311.7	6.3
47.9	44.4	[3.5]	[8.0]	44.4	7.9	Fuel & Utilities	169.6	164.2	[5.3]	[3.3]	161.6	4.9
27.9	30.8	-2.9	-9.3	29.2	-4.2	Rural Carrier Equip Maint Allowance	133.0	139.8	-6.8	-4.9	135.2	-1.6
38.7	35.7	[3.1]	[8.6]	36.1	7.4	Vehicle Maintenance	152.5	140.8	[11.7]	[8.3]	148.8	2.5
28.9	49.6	-20.8	-41.9	40.0	-27.8	Information Technology	144.3	186.2	-41.9	-22.5	135.3	6.6
16.6	14.0	[2.7]	[19.0]	10.8	54.0	Building Projects Expensed	77.5	55.6	[21.9]	[39.4]	35.8	116.5
6.8	6.6	[0.3]	[3.9]	6.3	8.4	Contract Job Cleaners	28.5	25.7	[2.8]	[10.8]	26.1	9.3
13.4	11.9	[1.6]	[13.2]	5.7	134.1	Travel & Relocation	59.9	50.2	[9.7]	[19.4]	42.3	41.8
16.6	32.7	-16.1	-49.2	15.7	5.9	Communications	71.0	74.4	-3.5	-4.6	67.7	4.9
6.5	6.6	-0.1	-1.6	6.4	1.0	Contract Stations	23.8	24.5	-0.7	-2.8	19.1	24.8
1.6	2.7	-1.1	-40.9	1.9	-17.4	Printing	5.3	9.5	-4.2	-44.3	7.5	-29.9
3.5	5.5	-2.0	-36.7	3.0	18.0	Training	11.3	21.8	-10.5	-48.1	15.2	-25.4
3.3	3.6	-0.3	-9.1	5.0	-34.4	Carfare & Tolls	9.2	16.4	-7.2	-43.8	20.0	-54.0
1.5	2.3	-0.8	-35.6	1.6	-11.0	Vehicle Hire	6.4	8.3	-1.9	-23.0	7.4	-13.7
4.7	3.3	[1.3]	[40.5]	3.9	18.9	Accident Cost	16.5	14.3	[2.2]	[15.3]	15.0	10.0
23.2	25.0	-1.8	-7.2	21.6	7.4	Miscellaneous	87.7	97.4	-9.7	-10.0	54.1	62.2
\$ 1,127.2	\$ 1,232.6	\$ -105.4	-8.6	\$ 1,141.9	-1.3	Total Non-Personnel Expenses	\$ 4,408.3	\$ 4,767.2	\$ -358.9	-7.5	\$ 4,489.5	-1.8

[]=Unfavorable variance to budget

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.

STATEMENT OF FINANCIAL POSITION
January - FY 2004
(\$ Millions)

Assets	January 31, 2004	September 30, 2003*
Current Assets:		
Cash and cash equivalents _1/	\$ 348	\$ 2,266
Receivables:		
Foreign countries	755	744
U.S. Government	380	359
Other	<u>199</u>	<u>194</u>
Receivables before allowances	1,334	1,297
Less allowances	<u>106</u>	<u>106</u>
Total receivables, net	1,228	1,191
Supplies, advances and prepayments	<u>344</u>	<u>366</u>
Total Current Assets	1,920	3,823
Other Assets, Principally Revenue Forgone Appropriations Receivable	365	365
Property and Equipment, at Cost:		
Buildings	19,806	19,759
Equipment	17,298	17,166
Land	2,815	2,809
Leasehold improvements, net	<u>1,073</u>	<u>1,060</u>
	40,992	40,794
Less allowances for depreciation and amortization	<u>19,376</u>	<u>18,717</u>
	21,616	22,077
Construction in progress	<u>1,157</u>	<u>977</u>
Total Property and Equipment, Net	<u>22,773</u>	<u>23,054</u>
Total Assets	\$ <u>25,058</u>	\$ <u>27,242</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.

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

STATEMENT OF FINANCIAL POSITION
January - FY 2004
(\$ Millions)

Liabilities and Net Capital	January 31, 2004	September 30, 2003*
Current Liabilities:		
Compensation and benefits	\$ 2,482	\$ 2,518
Estimated prepaid postage	1,349	1,349
Payables and accrued expenses:		
Foreign countries	960	879
U.S. Government	114	112
Unexpended appropriations	406	406
Other	<u>1,758</u>	<u>1,863</u>
Total payables and accrued expenses	3,238	3,260
Prepaid box rentals, permit and metered mail	1,802	1,925
Outstanding postal money orders	895	768
Current portion of debt	<u>2,533</u>	<u>7,273</u>
Total Current Liabilities	12,299	17,093
Other Liabilities:		
Workers' compensation	6,821	6,324
Employees' accumulated leave	1,959	1,932
Other	<u>1,013</u>	<u>1,027</u>
Total Other Liabilities	9,793	9,283
Total Liabilities	22,092	26,376
Net Capital:		
Capital contributions of the U.S. government	3,034	3,034
Deficit since reorganization	<u>(68)</u>	<u>(2,168)</u>
Total Net Capital	2,966	866
Total Liabilities and Net Capital	<u>\$ 25,058</u>	<u>\$ 27,242</u>

* Audited year-end data.

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

STATEMENT OF CASH FLOWS
Fiscal Year 2004 through January 31, 2004
(\$ Millions)

Cash flows from operating activities:

Net income/(loss)	\$ 2,100
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation, amortization and loss on disposal of property and equipment, net	760
Increase/(decrease) in other liabilities	(14)
Increase/(decrease) in employees' accumulated leave	27
Increase/(decrease) in workers' compensation claims	497
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits	(36)
Increase/(decrease) in deferred revenue	-
Increase/(decrease) in payables and accrued expenses	(23)
(Increase)/decrease in receivables	(37)
(Increase)/decrease in supplies, advances and prepayments	22
Increase/(decrease) in prepaid box rentals, permit and metered mail	(123)
Increase/(decrease) in outstanding postal money orders	127

Net cash provided by operating activities **3,300**

Cash flows from investing activities:

Purchase of property and equipment	(475)
Proceeds from sale of property and equipment	(3)

Net cash used in investing activities **(478)**

Cash flows from financing activities:

Issuance of debt	-
Payments on debt	(4,740)

Net cash used in financing activities **(4,740)**

Net decrease in cash and cash equivalents **(1,918)**

Cash and cash equivalents at beginning of year **2,266**

Cash and cash equivalents at end of period **\$ 348**

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

CAPITAL INVESTMENTS
FY 2004
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 18.7	\$ 24.0	\$ 8.7	\$ 44.3	\$ 87.1	\$ 40.5
BUILDING IMPROVEMENTS	46.3	55.6	18.8	71.1	79.0	60.4
MAIL PROCESSING EQUIPMENT	41.8	44.8	445.9	194.0	240.6	255.4
VEHICLES	144.9	151.1	9.6	58.6	63.8	9.2
RETAIL EQUIPMENT	26.7	40.7	17.6	24.9	30.5	2.6
POSTAL SUPPORT EQUIPMENT	28.2	130.5	110.5	117.5	108.3	64.2
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 306.5	\$ 446.8	\$ 611.1	\$ 510.5	\$ 609.3	\$ 432.5

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	Year-to-Date January 31, 2004	Year-to-Date September 30, 2003
CONSTRUCTION AND BUILDING PURCHASE	\$ 212.5	\$ 238.2
BUILDING IMPROVEMENTS	161.8	186.7
MAIL PROCESSING EQUIPMENT	1,257.3	1,409.5
VEHICLES	157.8	71.6
RETAIL EQUIPMENT	180.2	178.4
POSTAL SUPPORT EQUIPMENT	221.2	310.5
TOTAL RESOURCES ON ORDER	\$ 2,190.8	\$ 2,394.9

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

January - FY 2004
(Data in Thousands)

Current Period						Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
					<u>Total Workhours</u>					
					Operations:					
718	- 26	- 3.4	749	- 4.2	-Support	2,935	- 67	- 2.2	2,989	- 1.8
28,607	- 651	- 2.2	30,227	- 5.4	-Mail Processing	119,322	- 2,927	- 2.4	127,177	- 6.2
14,292	[348]	[2.5]	13,771	3.8	-Rural Delivery	56,611	[628]	[1.1]	55,561	1.9
38,815	[533]	[1.4]	39,001	- 0.5	-City Delivery	156,425	[1,366]	[0.9]	158,252	- 1.2
2,653	- 20	- 0.7	2,719	- 2.4	-Vehicles Services	10,808	- 82	- 0.8	11,033	- 2.0
6,811	- 367	- 5.1	6,950	- 2.0	-Plant & Equip Maint	27,396	- 1,342	- 4.7	27,801	- 1.5
19,287	- 134	- 0.7	19,827	- 2.7	-Customer Services	79,046	- 45	- 0.1	80,883	- 2.3
398	- 95	- 19.3	558	- 28.6	Finance	1,632	- 344	- 17.4	2,232	- 26.9
697	- 29	- 4.0	722	- 3.4	Human Resources	2,867	- 61	- 2.1	2,832	1.2
1,203	- 92	- 7.1	1,249	- 3.7	Customer Service & Sales	4,896	- 290	- 5.6	4,931	- 0.7
5,345	- 114	- 2.1	5,621	- 4.9	Administration	22,195	[173]	[0.8]	22,241	- 0.2
2,351	- 230	- 8.9	3,036	- 22.6	Other	10,494	[25]	[0.2]	13,189	- 20.4
121,178	- 875	- 0.7	124,431	- 2.6	Total Workhours	494,627	- 2,966	- 0.6	509,121	- 2.8

Overtime					
Actual	Budget	SPLY			
9.4%	8.0%	8.0%			

Overtime Ratio
Per 100 Workhours

Actual	Budget	SPLY
9.7%	8.7%	8.9%

Sick Leave					
Actual	Budget	SPLY			
4.4%	4.0%	4.3%			

Sick Leave Ratio
Per 100 Workhours

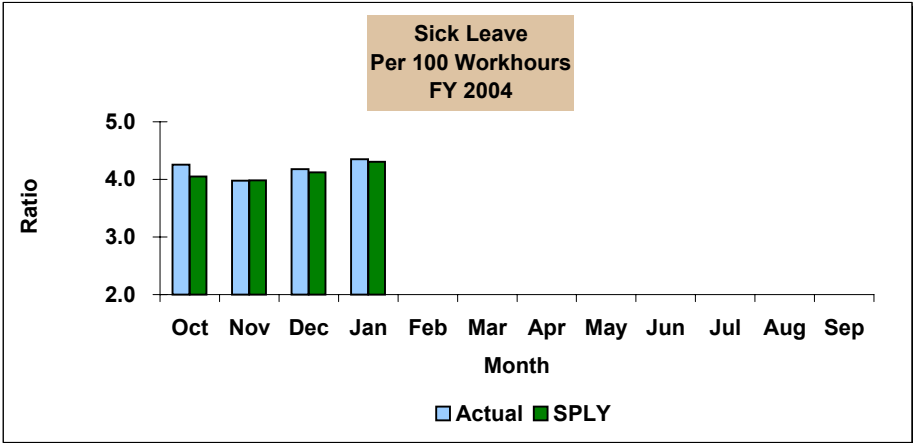
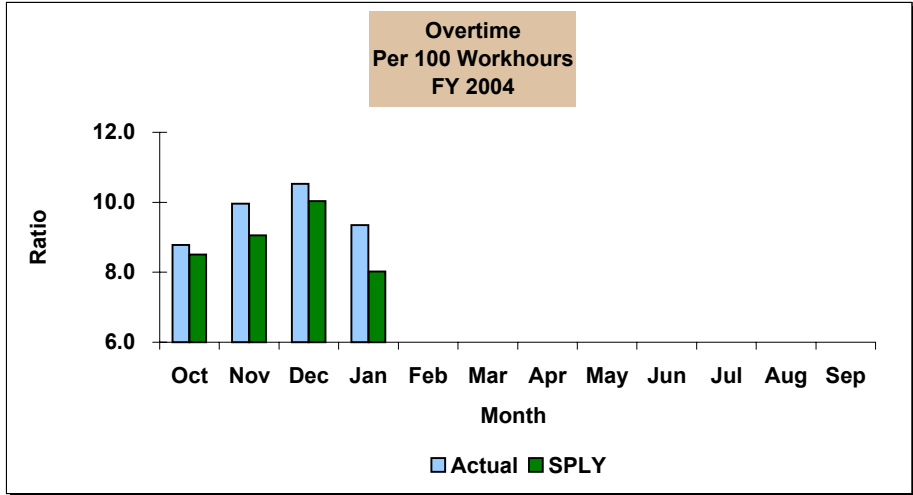
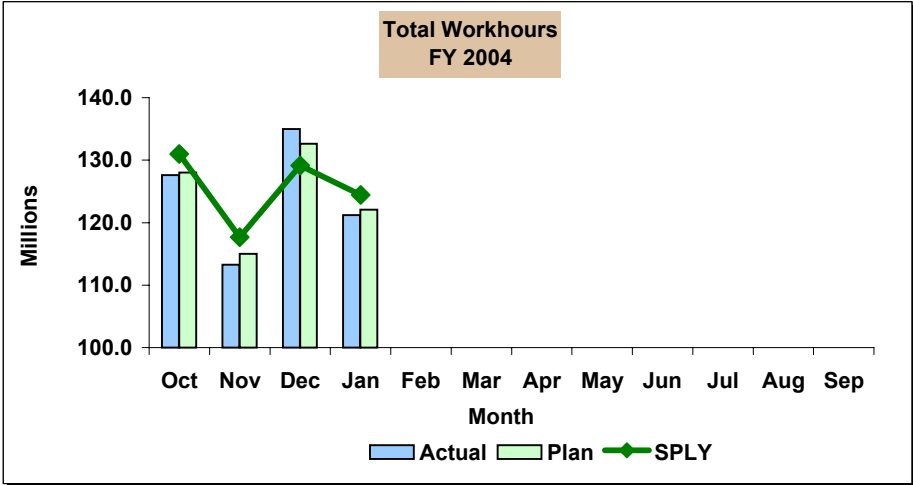
Actual	Budget	SPLY
4.2%	3.9%	4.1%

[]=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.

January - FY 2004

Analysis of the Financial and Operating Statements

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

Current period, Total Revenue was 1.0% or \$59 million under plan. Retail Postage Revenue and Other Commercial Accounts Revenue are contributing to the majority of the Total Revenue underrun to plan, \$61 million. Total Revenue was 3.8% or \$235 million under same period last year (SPLY). The bulk of the decrease to SPLY for Total Revenue was reflected in Metered Postage and Stamps and Stamped Paper, \$203 million under.

Year-to-date (YTD), Total Revenue is \$61 million or 0.3% over plan. Permit Revenue and Retail Postage Revenue are contributing to the majority of the Total Revenue overrun to plan, \$418 million. As compared to SPLY, Total Revenue has decreased 1.6% or \$400 million.

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

Current period, Total Expenses were \$65 million or 1.2% below plan. While personnel costs were \$42 million above plan, non-personnel costs were below plan by \$105 million. Total workhours were 0.7% below plan and 2.6% below SPLY (see page 14). The primary contributors of the \$105 million plan underrun in non-personnel costs were Transportation, Supplies and Services, and Information Technology. Combined, they were \$95 million below plan.

YTD, Total Expenses are \$429 million or 1.9% below plan. Most of the YTD plan underrun lies in non-personnel expenses, \$359 million. Supplies and Services and Transportation, were under plan by \$189 million \$155 million, respectively. Transformation Plan initiatives, Supply Chain Management, more effective utilization of our transportation network, and other cost containment initiatives are continuing to drive most of our savings. Reduced workload due to lower than planned mail volume continues to have an impact.

For monthly Financial and Operating Statements reporting, Emergency Preparedness Plan expenses are included in operating expenses.

Mail Volume and Revenue - Page 3

Total Mail Volume for January, 2004, Fiscal Year (FY) 2004 was 267 million pieces below SPLY or 1.5%. Standard Mail and International Mail were above SPLY, while First-Class Mail, Priority Mail, Express Mail, Periodicals and Packages were below their January, 2003 levels.

FY 2004 YTD Total Mail Revenue was 1.7% under SPLY. The most significant mail volume decrease under SPLY for FY 2004 YTD is in the First-Class Mail category at 620 million pieces or 1.8% below. YTD, First-Class Mail has generated \$299 million or 2.3% less revenue than SPLY.

January - FY 2004

Analysis of the Financial and Operating Statements (Continued)

Capital Investments - Pages 1 and 13

The Fiscal Year 2004 Capital Commitments YTD through January 31, 2004 are \$307 million compared to a plan of \$447 million. This represents an underrun of about \$140 million or 31.4%.

The Cash Outlays YTD are \$510 million versus a plan of \$609 million, representing a \$99 million overrun to plan.

Workhours - Pages 1, 14 and 15

Total workhours for January, 2004 were 0.9 million hours or 0.7% below plan and 3.3 million hours or 2.6% below January, 2003. Workhour usage was less than SPLY in every function, except Rural Delivery. The majority of this month's workhour savings to SPLY emanated from the Mail Processing function, which was 1.6 million hours below SPLY.

Total workhours for January YTD are 14.5 million hours or 2.8% below SPLY. This reduction in workhours reflects the continuation of cost containment activities through the installation of more efficient mail processing equipment and other productivity enhancements, as well as capturing workhours as a result of decreasing workload. To date, Mail Processing workhours have been reduced 7.9 million hours below SPLY. Other Workhours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours also played a major role by using 2.7 million workhours less than SPLY. Additionally, City Delivery and Customer Services realized a combined reduction to SPLY of 3.7 million hours.