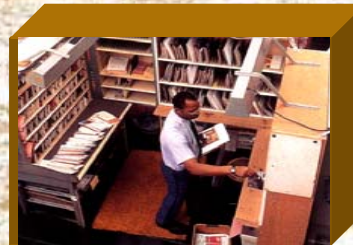




**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS

**July, FY 2004
July 1 – July 31, 2004**



Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
July - FY 2004
(Millions)

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,445.5	\$ 5,659.6	[\$ -214.1]	[-3.8]	\$ 5,570.2	-2.2
<u>5,464.7</u>	<u>5,538.5</u>	<u>- 73.8</u>	-1.3	<u>5,422.0</u>	0.8
\$ (-19.2)	\$ 121.1	[\$ -140.3]	-	\$ 148.2	-
\$ 166.3	\$ 208.3	[\$ -42.0]	[-20.2]	\$ 294.2	-43.5
118.4	119.5	-1.1	-0.9	121.9	-2.9

Year-to-Date (October 1, 2003 - July 31, 2004)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 57,561.0	\$ 57,510.6	\$ 50.4	0.1	\$ 57,751.1	-0.3
<u>54,773.5</u>	<u>55,426.4</u>	<u>- 652.9</u>	-1.2	<u>53,388.6</u>	2.6
\$ 2,787.5	\$ 2,084.2	\$ 703.3	-	\$ 4,362.5	-
\$ 1,244.9	\$ 1,375.8	[\$ -130.9]	[-9.5]	\$ 1,361.2	-8.5
1,211.3	1,216.8	-5.4	-0.4	1,235.6	-2.0

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,522	27,530	27,655
Postal Owned Vehicles In Use			
Administrative	5,832	5,901	5,600
Operations	206,712	206,631	201,764
Total Deliveries (000)	142,612	142,379	140,989
City Delivery Routes	164,459	164,448	164,952
Rural Routes	70,533	70,342	69,596
Career Employees (Excludes Inspector General)	708,228	708,805	731,553
Casual Employees	20,237	20,662	19,041
Transitional Employees	9,686	9,640	10,871

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

Government appropriation of \$14.7 million for the current period SPLY and \$118.3 million YTD SPLY to offset FY 2003 Emergency Preparation Programs expenses are being reclassified as revenue to be consistent with FY 2004 practice.

STATEMENT OF INCOME & EXPENSE
July - FY 2004
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 5,442.6	\$ 5,657.4	[\$ - 214.8]	[- 3.8]	\$ 5,564.7	- 2.2	Operating Revenue	\$ 57,534.8	\$ 57,488.3	\$ 46.5	0.1	\$ 57,703.1	- 0.3
<u>5,447.5</u>	<u>5,458.6</u>	<u>- 11.1</u>	- 0.2	<u>5,370.9</u>	1.4	Operating Expense	<u>54,694.2</u>	<u>55,286.7</u>	<u>- 592.5</u>	- 1.1	<u>52,998.7</u>	3.2
\$ (- 4.9)	\$ 198.8	[\$ - 203.7]	-	\$ 193.8	-	Income/(Loss) From Operations	\$ 2,840.6	\$ 2,201.6	\$ 639.0	-	\$ 4,704.4	-
2.9	2.2	0.7	31.8	5.5	- 47.3	Investment Income	26.2	22.3	3.9	17.5	48.0	- 45.4
0.0	2.9	- 2.9	- 100.0	28.0	- 100.0	Interest Expense	10.4	16.5	- 6.1	- 37.0	320.6	- 96.8
<u>17.2</u>	<u>77.0</u>	<u>- 59.8</u>	<u>- 77.7</u>	<u>23.1</u>	<u>- 25.5</u>	Interest on Deferred Retirement Costs	<u>68.9</u>	<u>123.2</u>	<u>- 54.3</u>	<u>- 44.1</u>	<u>69.3</u>	<u>- 0.6</u>
\$ (- 19.2)	\$ 121.1	[\$ - 140.3]	-	\$ 148.2	-	Net Income/(Loss)	\$ 2,787.5	\$ 2,084.2	\$ 703.3	-	\$ 4,362.5	-

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

Government appropriation of \$14.7 million for the current period SPLY and \$118.3 million YTD SPLY to offset FY 2003 Emergency Preparation Programs expenses are being reclassified as revenue to be consistent with FY 2004 practice.

MAIL VOLUME - MAIL REVENUE (Data in Thousands)						
CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	July 31, 2004	July 31, 2003	% SPLY	July 31, 2004	July 31, 2003	% SPLY
FIRST-CLASS						
VOLUME	7,942,071	8,345,457	- 4.8	82,237,497	83,653,850	- 1.7
REVENUE	\$ 2,921,750	\$ 3,110,943	- 6.1	\$ 30,579,265	\$ 31,277,391	- 2.2
REV/PC.	0.3679	0.3728	- 1.3	0.3718	0.3739	- 0.5
PRIORITY-MAIL						
VOLUME	65,068	64,769	0.5	714,186	731,384	- 2.4
REVENUE	\$ 332,450	\$ 328,092	1.3	\$ 3,731,108	\$ 3,829,499	- 2.6
REV/PC.	5.1093	5.0656	0.9	5.2243	5.2360	- 0.2
EXPRESS MAIL						
VOLUME	4,457	4,668	- 4.5	45,313	46,837	- 3.3
REVENUE	\$ 69,449	\$ 73,261	- 5.2	\$ 715,014	\$ 746,528	- 4.2
REV/PC.	15.5820	15.6943	- 0.7	15.7794	15.9389	- 1.0
PERIODICALS						
VOLUME	706,966	739,895	- 4.5	7,615,577	7,872,965	- 3.3
REVENUE	\$ 164,045	\$ 173,272	- 5.3	\$ 1,817,608	\$ 1,882,491	- 3.4
REV/PC.	0.2320	0.2342	- 0.9	0.2387	0.2391	- 0.2
STANDARD MAIL						
VOLUME	7,528,235	7,033,925	7.0	78,787,765	74,956,165	5.1
REVENUE	\$ 1,414,709	\$ 1,329,857	6.4	\$ 14,903,499	\$ 14,263,598	4.5
REV/PC.	0.1879	0.1891	- 0.6	0.1892	0.1903	- 0.6
PACKAGE SERVICES						
VOLUME	93,863	88,630	5.9	934,917	936,072	- 0.1
REVENUE	\$ 165,623	\$ 164,179	0.9	\$ 1,841,901	\$ 1,866,211	- 1.3
REV/PC.	1.7645	1.8524	- 4.7	1.9701	1.9937	- 1.2
INTERNATIONAL						
VOLUME	64,580	73,880	- 12.6	709,568	678,559	4.6
REVENUE	\$ 123,374	\$ 137,646	- 10.4	\$ 1,413,803	\$ 1,345,226	5.1
REV/PC.	1.9104	1.8631	2.5	1.9925	1.9825	0.5
ALL OTHER						
VOLUME	49,415	35,840	37.9	488,164	388,272	25.7
REVENUE	\$ 54	\$ 51	5.4	\$ 590	\$ 1,141	- 48.2
ALL MAIL						
VOLUME	16,454,656	16,387,064	0.4	171,532,988	169,264,106	1.3
REVENUE	\$ 5,191,454	\$ 5,317,301	- 2.4	\$ 55,002,788	\$ 55,212,084	- 0.4
REV/PC.	0.3155	0.3245	- 2.8	0.3207	0.3262	- 1.7

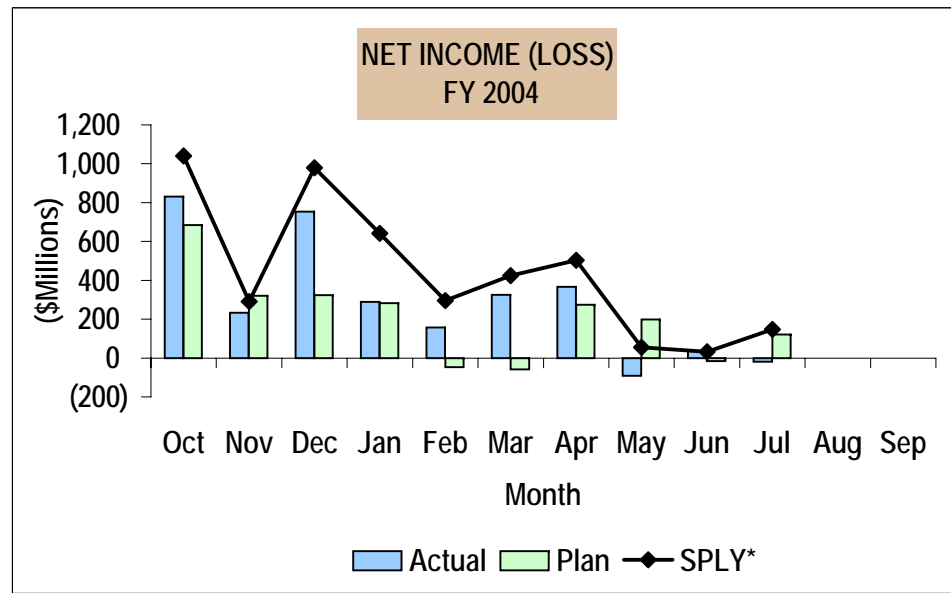
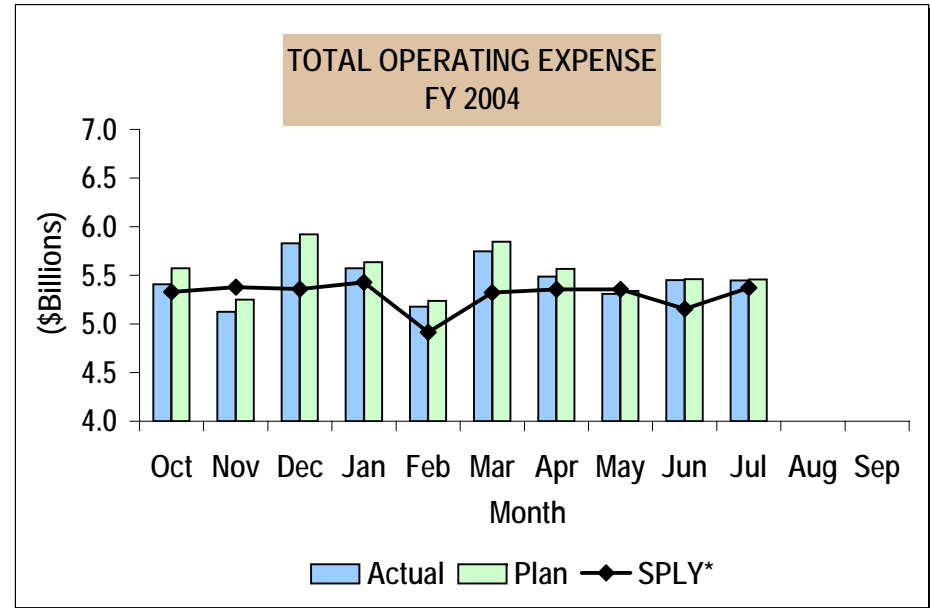
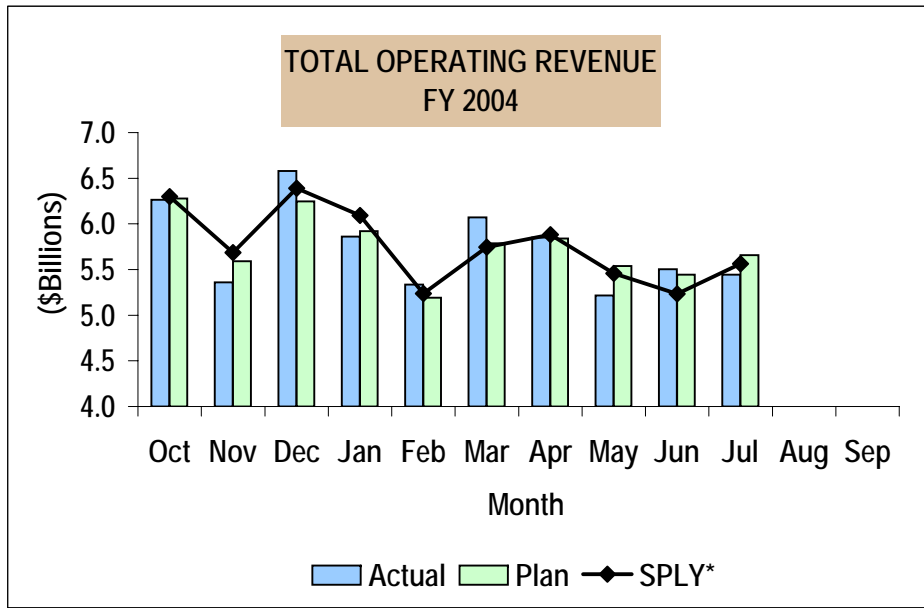
NOTE: Totals may not sum due to rounding.

NOTE: RPW data are reported on a new Fiscal Year basis (October 1-September 30). In addition, RPW data are reported on a calendar month basis.

Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31).

In order to provide a basis for comparison, FY 2003 data have been recast to reflect these reporting changes. The recast of FY 2003 data uses representative data from Accounting, PERMIT, the RPW sample and other input systems and can only provide an approximate basis for calculating changes to same period last year (SPLY) data. Therefore, the changes indicated in this report should be viewed as preliminary and subject to uncertainty.

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



*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 SOURCE
July - FY 2004
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
\$ 2,011.9	\$ 2,103.1	- 4.3	Operating Revenue:	\$ 21,012.6	\$ 21,348.4	- 1.6
			Metered Postage			
845.6	900.4	- 6.1	Stamps and Stamped Paper	9,609.6	9,881.7	- 2.8
1,337.9	1,259.5	6.2	Permit Imprint	13,939.5	13,423.7	3.8
162.7	171.5	- 5.1	Periodicals & Standard	1,801.5	1,865.1	- 3.4
62.0	70.7	- 12.3	Official Mail	719.2	758.2	- 5.1
773.5	782.5	- 1.2	Presort First-Class & Package Svc./Permit Imprint	7,963.8	7,883.6	1.0
69.8	71.2	- 2.0	Box Rents	670.9	676.3	- 0.8
14.5	15.3	- 5.2	Money Order Fees	148.1	156.5	- 5.4
<u>152.9</u>	<u>173.2</u>	- 11.7	Other	<u>1,549.7</u>	<u>1,565.5</u>	- 1.0
\$ 5,430.8	\$ 5,547.4	- 2.1	Subtotal	\$ 57,414.9	\$ 57,559.0	- 0.3
<u>11.8</u>	<u>17.3</u>	- 31.8	Government Appropriation**	<u>119.9</u>	<u>144.1</u>	- 16.8
\$ 5,442.6	\$ 5,564.7	- 2.2	Total Operating Revenue	\$ 57,534.8	\$ 57,703.1	- 0.3
<u>2.9</u>	<u>5.5</u>	- 47.3	Investment Income	<u>26.2</u>	<u>48.0</u>	- 45.4
\$ 5,445.5	\$ 5,570.2	- 2.2	Total Revenue	\$ 57,561.0	\$ 57,751.1	- 0.3

Note: Totals may not sum due to rounding.

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

**Note: Appropriation of \$14.7 million current period SPLY and \$118.3 million year-to-date SPLY to offset FY03 Emergency Preparedness Program expenses are being reclassified as revenue to be consistent with current year practice.

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

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

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,326.3	\$ 2,311.7	0.6	Permit Revenue	\$ 24,244.9	\$ 23,491.8	3.2
<u>1,778.7</u>	<u>1,920.9</u>	[- 7.4]	Other Commercial Accounts Revenue	<u>18,236.2</u>	<u>19,047.8</u>	[- 4.3]
\$ 4,105.0	\$ 4,232.6	[- 3.0]	Total Commercial Revenue	\$ 42,481.1	\$ 42,539.6	[- 0.1]
			Retail Revenue			
1,026.9	1,103.3	[- 6.9]	Retail Postage Revenue	11,803.1	11,915.3	[- 0.9]
95.5	89.1	7.2	Retail Services Revenue	933.8	902.9	3.4
14.1	10.8	30.6	Retail Products Revenue	144.2	107.6	34.0
<u>155.7</u>	<u>160.2</u>	[- 2.8]	Other Retail Channels Revenue	<u>1,668.5</u>	<u>1,627.6</u>	2.5
\$ 1,292.2	\$ 1,363.4	[- 5.2]	Total Retail Revenue	\$ 14,549.6	\$ 14,553.4	0.0
\$ 5,397.2	\$ 5,596.0	[- 3.6]	Total Commercial & Retail Revenue	\$ 57,030.7	\$ 57,093.0	[- 0.1]
33.6	58.4	[- 42.5]	Other Income	384.2	364.9	5.3
<u>11.8</u>	<u>3.0</u>	NM	Government Appropriation	<u>119.9</u>	<u>30.4</u>	NM
\$ 5,442.6	\$ 5,657.4	[- 3.8]	Total Operating Revenue	\$ 57,534.8	\$ 57,488.3	0.1
<u>2.9</u>	<u>2.2</u>	31.8	Investment Income	<u>26.2</u>	<u>22.3</u>	17.5
\$ 5,445.5	\$ 5,659.6	[- 3.8]	Total Revenue	\$ 57,561.0	\$ 57,510.6	0.1

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

ANALYSIS OF OPERATING EXPENSES
Personnel Compensation
July - FY 2004
(\$ 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:							
31.8	31.3	[\$ 0.5]	[1.7]	\$ 31.3	1.8	-Support	318.2	317.2	[\$ 1.0]	[0.3]	\$ 298.5	6.6	
922.5	902.7	[19.8]	[2.2]	893.1	3.3	-Mail Processing	9,417.7	9,508.0	- 90.3	- 0.9	9,214.9	2.2	
408.6	410.8	- 2.2	- 0.5	383.6	6.5	-Rural Delivery	3,931.9	3,960.8	- 28.9	- 0.7	3,678.0	6.9	
1,371.9	1,308.0	[63.9]	[4.9]	1,299.0	5.6	-City Delivery	13,362.7	13,190.3	[172.3]	[1.3]	12,685.6	5.3	
97.7	94.9	[2.8]	[2.9]	93.7	4.3	-Vehicles Services	964.7	959.8	[4.9]	[0.5]	916.4	5.3	
243.9	241.9	[2.0]	[0.8]	232.7	4.8	-Plant & Equip Maint	2,421.9	2,470.8	- 48.8	- 2.0	2,291.0	5.7	
650.2	638.6	[11.6]	[1.8]	624.1	4.2	-Customer Services	6,505.4	6,497.4	[8.0]	[0.1]	6,175.8	5.3	
17.0	18.9	- 1.9	- 10.0	18.7	- 9.0	Finance	166.7	192.6	- 25.8	- 13.4	195.1	- 14.6	
30.2	30.2	- 0.1	- 0.2	30.0	0.6	Human Resources	298.3	302.0	- 3.7	- 1.2	276.5	7.9	
46.5	49.5	- 3.0	- 6.0	45.7	1.7	Customer Service & Sales	464.2	482.6	- 18.4	- 3.8	432.8	7.3	
202.7	205.5	- 2.8	- 1.4	207.0	- 2.1	Administration - Field	2,036.7	2,022.6	[14.1]	[0.7]	1,931.8	5.4	
104.8	113.6	- 8.8	- 7.8	143.4	- 26.9	Other Salaries & Benefits	1,121.3	1,156.8	- 35.5	- 3.1	1,442.3	- 22.3	
\$ 4,127.7	\$ 4,045.9	[\$ 81.8]	[2.0]	\$ 4,002.3	3.1	Total Salaries & Benefits	\$ 41,009.8	\$ 41,061.0	\$ -51.2	- 0.1	\$ 39,538.7	3.7	
124.1	124.6	- 0.5	- 0.4	121.3	2.3	Workers' Compensation	1,240.1	1,246.3	- 6.3	- 0.5	1,236.4	0.3	
- 2.7	7.7	- 10.4	- 134.9	4.6	- 158.8	Unemployment Compensation	58.1	76.7	- 18.6	- 24.2	52.2	11.4	
2.0	6.0	- 4.0	- 66.7	1.8	11.1	Deferred Retirement Cost	8.2	9.6	- 1.4	- 14.6	5.4	51.9	
110.2	110.2	0.0	0.0	97.7	12.8	Annuitant Health Benefits	1,101.7	1,101.7	0.0	0.0	956.6	15.2	
9.2	9.7	- 0.4	- 4.4	9.6	- 3.7	Other Compensation	109.0	131.0	- 22.0	- 16.8	117.9	- 7.6	
\$ 4,370.5	\$ 4,304.0	[\$ 66.5]	[1.5]	\$ 4,237.2	3.1	Total Personnel Compensation	\$ 43,526.8	\$ 43,626.3	\$ -99.5	- 0.2	\$ 41,907.1	3.9	

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

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

Current Period							Year-to-Date					
Actual	Budget	Var. to		SPLY *	% SPLY	Description	Actual	Budget	Var. to		SPLY *	% SPLY
		Budget	% Budget						Budget	% Budget		
407.9	405.4	[\$ 2.5]	[0.6]	\$ 411.3	- 0.8	Transportation	4,095.4	4,249.8	\$ - 154.4	- 3.6	\$ 4,062.9	0.8
178.4	222.7	- 44.3	- 19.9	195.1	- 8.6	Supplies & Services	1,852.8	2,064.0	- 211.2	- 10.2	1,890.4	- 2.0
182.7	190.4	- 7.7	- 4.0	188.2	- 2.9	Depreciation	1,845.4	1,890.7	- 45.3	- 2.4	1,923.5	- 4.1
81.1	82.4	- 1.3	- 1.6	82.7	- 1.9	Rent	823.9	813.8	[10.1]	[1.2]	788.1	4.5
36.9	43.0	- 6.2	- 14.3	39.2	- 5.9	Fuel & Utilities	447.9	423.3	[24.6]	[5.8]	417.9	7.2
30.1	29.4	[0.6]	[2.1]	31.2	- 3.8	Rural Carrier Equip Maint Allowance	326.7	333.0	- 6.4	- 1.9	342.4	- 4.6
34.0	35.3	- 1.3	- 3.6	33.0	3.1	Vehicle Maintenance	413.6	368.1	[45.5]	[12.4]	376.6	9.8
28.7	42.2	- 13.5	- 31.9	58.4	- 50.9	Information Technology	341.7	458.7	- 117.0	- 25.5	398.2	- 14.2
22.3	24.0	- 1.8	- 7.3	13.0	71.2	Building Projects Expensed	212.5	199.2	[13.3]	[6.7]	140.5	51.2
7.8	6.7	[1.1]	[16.2]	6.2	26.0	Contract Job Cleaners	71.3	67.4	[3.9]	[5.7]	66.3	7.5
16.6	15.3	[1.2]	[8.0]	26.2	- 36.8	Travel & Relocation	170.3	150.2	[20.1]	[13.4]	152.4	11.8
16.3	18.5	- 2.2	- 11.9	14.8	9.8	Communications	177.0	189.0	- 12.0	- 6.4	168.7	4.9
6.0	6.5	- 0.5	- 8.0	6.3	- 5.7	Contract Stations	59.5	64.6	- 5.1	- 7.9	54.4	9.3
1.4	2.8	- 1.4	- 49.7	2.2	- 38.1	Printing	15.7	25.6	- 9.9	- 38.7	19.9	- 21.1
3.7	4.7	- 1.0	- 22.2	3.4	7.1	Training	36.7	53.3	- 16.6	- 31.2	37.6	- 2.5
3.2	3.2	- 0.0	- 0.0	2.1	52.1	Carfare & Tolls	28.5	38.0	- 9.5	- 25.1	37.5	- 24.2
1.1	1.6	- 0.5	- 33.1	1.4	- 22.8	Vehicle Hire	15.7	19.7	- 4.0	- 20.4	18.5	- 15.2
2.8	3.8	- 1.0	- 25.7	1.4	99.0	Accident Cost	41.9	41.0	[0.9]	[2.2]	42.5	- 1.2
16.2	16.6	- 0.5	- 2.8	17.4	- 7.1	Miscellaneous	190.9	210.9	- 19.9	- 9.4	153.2	24.6
1,077.0	1,154.6	- 77.6	- 6.7	\$ 1,133.6	- 5.0	Total Non-Personnel Expenses	11,167.4	11,660.4	\$ - 493.0	- 4.2	\$ 11,091.6	0.7

[]=Unfavorable variance to budget

Totals may not sum due to rounding.

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

STATEMENT OF FINANCIAL POSITION

July - FY 2004

(\$ Millions)

Assets	July 31, 2004	September 30, 2003*
Current Assets:		
Cash and cash equivalents _1/	\$ 309	\$ 2,266
Receivables:		
Foreign countries	651	744
U.S. Government	260	359
Consignment	45	50
Other	<u>137</u>	<u>144</u>
Receivables before allowances	<u>1,093</u>	<u>1,297</u>
Less allowances	<u>97</u>	<u>106</u>
Total receivables, net	996	1,191
Supplies, advances and prepayments	<u>359</u>	<u>366</u>
Total Current Assets	1,664	3,823
Other assets, principally revenue forgone appropriations receivable	364	365
Property and Equipment, at Cost:		
Buildings	20,109	19,759
Equipment	17,252	17,166
Land	2,821	2,809
Leasehold improvements	<u>1,124</u>	<u>1,060</u>
	41,306	40,794
Less allowances for depreciation and amortization	<u>20,403</u>	<u>18,717</u>
	20,903	22,077
Construction in progress	<u>1,506</u>	<u>977</u>
Total property, plant and equipment, net	<u>22,409</u>	<u>23,054</u>
Total Assets	\$ <u>24,437</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

July - FY 2004

(\$ Millions)

Liabilities and Net Capital	July 31, 2004	September 30, 2003*
Current Liabilities:		
Compensation and benefits	\$ 3,139	\$ 2,518
Estimated prepaid postage	1,349	1,349
Payables and accrued expenses:		
Commercial vendors & other accrued expenses	1,855	2,269
Foreign countries	760	879
U.S. government	95	112
Total payables and accrued expenses	<u>2,710</u>	<u>3,260</u>
Permit, metered mail and prepaid box rentals	1,949	1,925
Outstanding postal money orders	893	768
Debt	<u>209</u>	<u>7,273</u>
Total Current Liabilities	10,249	17,093
Non-Current Liabilities:		
Workers' compensation	7,566	6,324
Employees' accumulated leave	2,017	1,932
Other	<u>952</u>	<u>1,027</u>
Total Other Liabilities	<u>10,535</u>	<u>9,283</u>
Total Liabilities	20,784	26,376
Net Capital:		
Capital contributions of the U.S. government	3,034	3,034
Retained earnings (deficit) since reorganization	<u>619</u>	<u>(2,168)</u>
Total Net Capital	<u>3,653</u>	<u>866</u>
Total Liabilities and Net Capital	<u>\$ 24,437</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 July 31, 2004
(\$ Millions)

Cash flows from operating activities:	
Net income	\$ 2,788
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,806
Loss on disposals of property and equipment, net	37
Decrease in other assets, principally revenue forgone appropriations receivable	1
Increase in long-term USPS workers' compensation liability	1,218
Increase in employees' accumulated leave	85
Decrease in other liabilities	(75)
Changes in current assets and liabilities:	
Decrease in receivables, net	195
Decrease in supplies, advances and prepayments	7
Increase in compensation and benefits	645
Estimated prepaid postage	-
Decrease in payables and accrued expenses	(550)
Increase in permit, metered mail and prepaid box rentals	24
Increase in outstanding postal money orders	125
	<hr/>
Net cash provided by operating activities	6,306
Cash flows from investing activities:	
Purchase of property and equipment, net	(1,211)
Proceeds from sale of property and equipment	12
	<hr/>
Net cash used in investing activities	(1,199)
Cash flows from financing activities:	
U.S. government appropriations expended	-
Issuance of debt	-
Payments on debt	(7,064)
	<hr/>
Net cash used in financing activities	(7,064)
Net decrease in cash and cash equivalents	(1,957)
Cash and cash equivalents at beginning of year	2,266
	<hr/>
Cash and cash equivalents at end of period	\$ 309

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

CAPITAL INVESTMENTS

July - FY 2004

(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 70.6	\$ 89.4	\$ 53.5	\$ 126.3	\$ 243.1	\$ 93.5
BUILDING IMPROVEMENTS	230.1	175.4	117.6	209.5	244.2	135.7
MAIL PROCESSING EQUIPMENT	592.5	624.5	777.1	536.6	642.9	516.0
VEHICLES	170.4	177.7	142.6	94.9	208.5	80.0
RETAIL EQUIPMENT	28.8	52.9	80.9	80.7	105.6	6.2
POSTAL SUPPORT EQUIPMENT	152.5	255.9	189.4	163.2	262.9	194.3
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 1,244.9	\$ 1,375.8	\$ 1,361.2	\$ 1,211.1	\$ 1,707.2	\$ 1,025.6

RESOURCES ON ORDER

(\$ Millions)

MAJOR CATEGORIES	July 31, 2004	September 30, 2003
CONSTRUCTION AND BUILDING PURCHASE	\$ 169.2	\$ 238.2
BUILDING IMPROVEMENTS	195.8	186.7
MAIL PROCESSING EQUIPMENT	1,459.5	1,409.5
VEHICLES	147.0	71.6
RETAIL EQUIPMENT	126.4	178.4
POSTAL SUPPORT EQUIPMENT	295.8	310.5
TOTAL RESOURCES ON ORDER	\$ 2,393.7	\$ 2,394.9

Note: Totals may not sum due to rounding.

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

July - 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>					
726	- 10	- 1.4	756	- 4.0	Operations:	7,507	- 36	- 0.5	7,607	- 1.3
26,384	- 329	- 1.2	27,511	- 4.1	-Support	282,435	- 3,494	- 1.2	293,128	- 3.6
14,837	[7]	[0.1]	14,401	3.0	-Mail Processing	142,478	- 1,046	- 0.7	138,676	2.7
38,681	[42]	[0.1]	38,978	- 0.8	-Rural Delivery	387,162	[325]	[0.1]	387,953	- 0.2
2,594	- 26	- 1.0	2,669	- 2.8	-City Delivery	26,678	- 134	- 0.5	26,899	- 0.8
6,549	- 281	- 4.1	6,775	- 3.3	-Vehicles Services	67,790	- 2,096	- 3.0	68,350	- 0.8
18,804	- 101	- 0.5	19,043	- 1.3	-Plant & Equip Maint	194,462	[289]	[0.1]	195,063	- 0.3
403	- 82	- 16.9	482	- 16.5	-Customer Services	4,081	- 777	- 16.0	5,390	- 24.3
704	- 10	- 1.3	821	- 14.3	Finance	7,277	- 30	- 0.4	7,229	0.7
1,192	- 101	- 7.8	1,249	- 4.6	Human Resources	12,325	- 560	- 4.3	12,386	- 0.5
5,506	- 152	- 2.7	5,880	- 6.4	Customer Service & Sales	56,311	[405]	[0.7]	57,277	- 1.7
2,063	- 23	- 1.1	3,368	- 38.8	Administration	22,838	[1,712]	[8.1]	35,691	- 36.0
118,441	- 1,065	- 0.9	121,934	- 2.9	Other	1,211,344	- 5,441	- 0.4	1,235,649	- 2.0
					<u>Total Workhours</u>					

Overtime					
Actual	Budget	SPLY	Actual	Budget	SPLY

10.1%	7.9%	8.2%	Overtime Ratio Per 100 Workhours	9.5%	8.1%	8.2%
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Sick Leave			
Actual	SPLY	Actual	SPLY

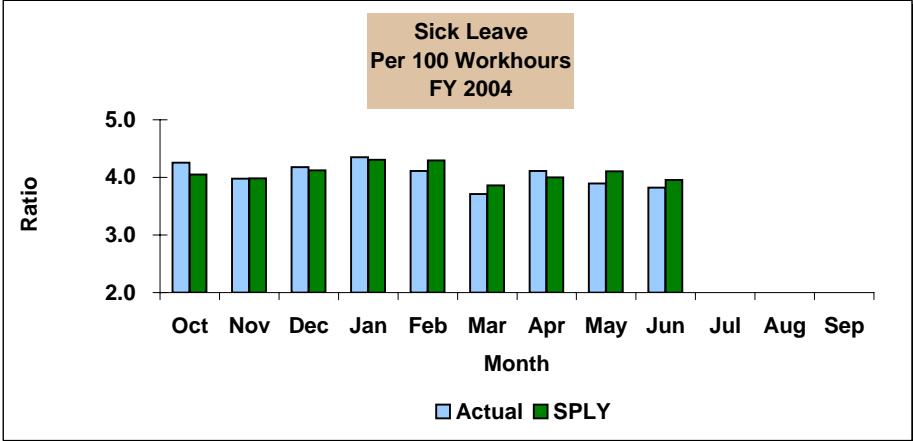
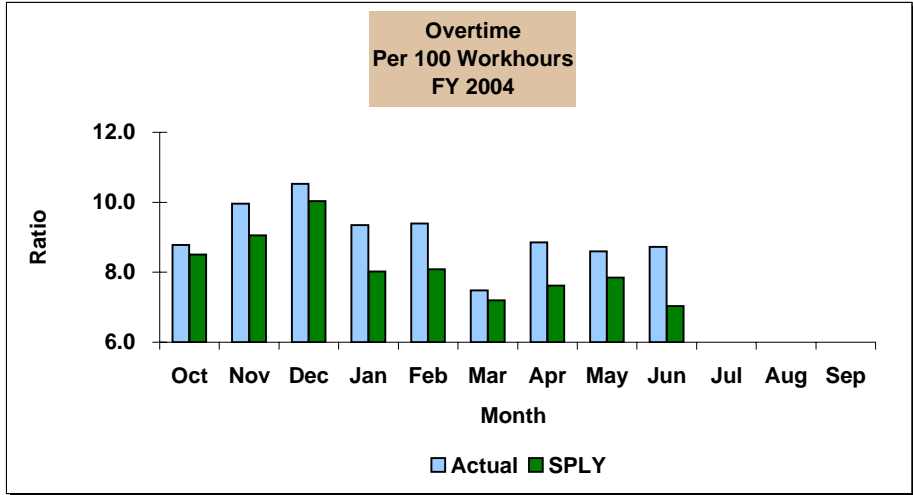
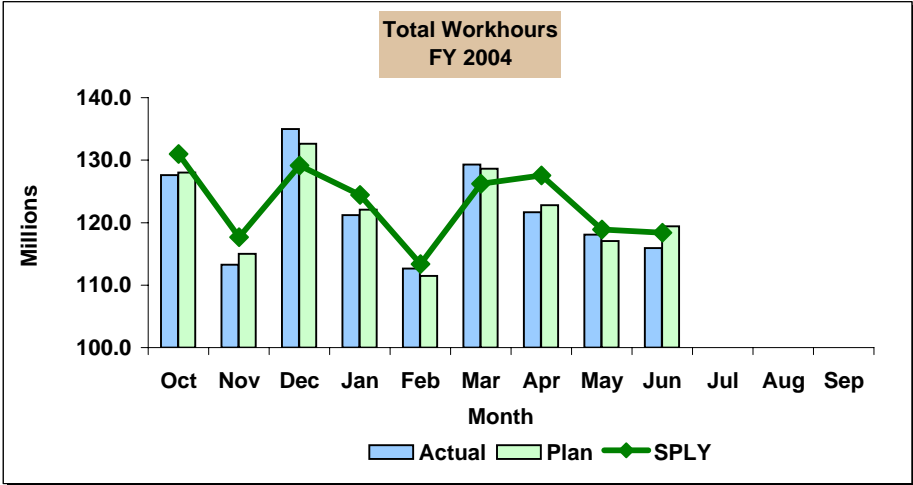
3.8%	3.9%	Sick Leave Ratio Per 100 Workhours	4.2%	4.1%
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[]=Unfavorable variance to budget

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.

July - FY 2004

Information: July 2004 had one more Saturday and one less weekday than July 2003.

Analysis of the Financial and Operating Statements

Government appropriation of \$14.7 million in July and \$118.3 million YTD to offset FY 2003 Emergency Preparation Programs expenses are being reclassified as revenue to be consistent with FY 2004 practice.

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

Current month, Total Revenue was \$214 million or 3.8% under plan. Commercial Revenue was under plan by \$128 million or 3.0% and Retail Revenue was under plan \$71 million or 5.2%. In July, Total Revenue was \$125 million or 2.2% under same period last year (SPLY). Combined Commercial Revenue and Retail Revenue were \$113 million less than SPLY.

Year-to-date (YTD), Total Revenue is \$50 million or 0.1% over plan. Permit Revenue at \$753 million more than plan is the primary driver of the Total Revenue increase over plan. Conversely, Other Commercial Accounts at \$811 million or 4.3% less than plan is negatively impacting the Total Revenue performance to plan. YTD Total Revenue is \$190 million or 0.3% under SPLY.

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

Current month, Total Expenses were \$74 million or 1.3% below plan. While personnel costs were \$67 million or 1.5% above plan, non-personnel costs were below plan by \$78 million or 6.7%. The primary contributors of the non-personnel expense plan underrun were Information Technology and Supplies and Services. Combined, these contributors were \$58 million below plan. Also as a result of modifying accrual timing, interest on deferred retirement liabilities was \$60 million below plan. Total Expenses were \$43 million or 0.8% above SPLY during July.

Year-to-date, Total Expenses are \$653 million or 1.2% below plan. YTD, personnel costs and non-personnel expenses are \$100 million and \$493 million below plan, respectively. The largest contributors to the non-personnel plan underrun are Supplies & Services, Transportation and Information Technology, which are \$211 million, \$154 million and \$117 million below plan, 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. Some positive impact to non-personnel savings are derived from the timing of payment for invoices versus planned payment. These cost containment activities have assisted in offsetting cost increases in other areas. Retiree health benefits have risen 15% or \$145 million YTD. The non-personnel lines most impacted by the increase in energy related prices, Vehicle Maintenance, Transportation and Fuel & Utilities have risen a total of \$99 million YTD.

July - FY 2004

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for July, FY 2004 was 67.6 million pieces or 0.4% above SPLY. First-Class Mail, Express Mail, Periodical Mail and International were below SPLY, while Priority Mail, Standard Mail and Packages were above their July, 2003 levels.

Year-to-date, Total Mail Volume is 1.3% or 2.3 billion pieces above SPLY. The most significant mail volume increase above SPLY for FY 2004 YTD is in the lower revenue-per-piece Standard Mail category which increased 3.8 billion pieces or 5.1% over. YTD, First-Class Mail volume is 1.7% less than SPLY, generating \$698 million or 2.2% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2004 Capital Commitments YTD through July 31, 2004 are \$1,245 million compared to a plan of \$1,376 million. This represents an underrun of about \$131 million or 9.5%.

The Cash Outlays YTD are \$1,211 million versus a plan of \$1,707 million, representing a \$496 million underrun to plan.

Workhours - Pages 1, 14 and 15

Total workhours for July 2004 were 1.1 million hours or 0.9% below plan and 3.5 million hours or 2.9% below July 2003. Other Workhours and Mail Processing posted the most workhour savings to SPLY, 1.3 million hours and 1.1 million hours, respectively.

Total workhours for July, 2004 YTD are 24.3 million hours or 2.0% 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. To date, Mail Processing workhours have been reduced 10.7 million hours or 3.6% below SPLY. Other Workhours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours also played a major role by using 12.9 million hours less than SPLY. The reduction in Limited Duty and Rehabilitation hours is directly impacted by the initiative to include these operations in our calculation of productivity improvement opportunity.