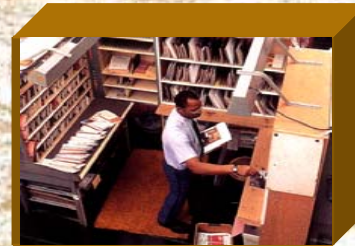




**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS

**June, FY 2004
June 1 – June 30, 2004**



Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
June - FY 2004
(Millions)

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 5,505.3	\$ 5,446.0	\$ 59.3	1.1	\$ 5,240.2	5.1
<u>5,470.3</u>	<u>5,461.8</u>	[8.5]	[0.2]	<u>5,208.1</u>	5.0
\$ 35.0	\$ (15.8)	\$ 50.8	-	\$ 32.1	-
\$ 122.6	\$ 120.6	\$ 2.0	1.7	\$ 228.6	-46.4
116.0	119.4	-3.5	-2.9	118.4	-2.0

Year-to-Date (October 1, 2003 - June 30, 2004)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 52,113.9	\$ 51,850.9	\$ 263.0	0.5	\$ 52,182.2	-0.1
<u>49,297.4</u>	<u>49,887.8</u>	<u>-590.4</u>	-1.2	<u>47,964.7</u>	2.8
\$ 2,816.5	\$ 1,963.1	\$ 853.4	-	\$ 4,217.5	-
\$ 1,078.6	\$ 1,167.5	[\$ -88.9]	[-7.6]	\$ 1,067.0	1.1
1,092.8	1,097.0	-4.2	-0.4	1,113.7	-1.9

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,530	27,562	27,641
Postal Owned Vehicles In Use			
Administrative	5,901	5,954	5,610
Operations	206,631	206,606	201,078
Total Deliveries (000)	142,379	142,324	140,798
City Delivery Routes	164,448	164,438	165,373
Rural Routes	70,342	70,158	69,537
Career Employees (Excludes Inspector General)	708,805	709,902	733,703
Casual Employees	20,662	19,248	20,797
Transitional Employees	9,640	9,756	11,284

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

Government appropriation of \$8.3 million for the current period SPLY and \$103.7 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
June - FY 2004
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 5,502.5	\$ 5,443.8	\$ 58.7	1.1	\$ 5,234.4	5.1	Operating Revenue	\$ 52,090.6	\$ 51,830.9	\$ 259.7	0.5	\$ 52,139.6	- 0.1
<u>5,451.7</u>	<u>5,459.5</u>	<u>- 7.8</u>	- 0.1	<u>5,154.0</u>	5.8	Operating Expense	<u>49,235.9</u>	<u>49,828.0</u>	<u>- 592.1</u>	- 1.2	<u>47,626.0</u>	3.4
\$ 50.8	\$ (15.7)	\$ 66.5	-	\$ 80.4	-	Income/(Loss) From Operations	\$ 2,854.7	\$ 2,002.9	\$ 851.8	-	\$ 4,513.6	-
2.8	2.2	0.6	27.3	5.8	- 51.7	Investment Income	23.3	20.0	3.3	16.5	42.6	- 45.3
0.0	2.3	- 2.3	- 100.0	31.0	- 100.0	Interest Expense	10.4	13.6	- 3.2	- 23.5	292.5	- 96.4
<u>18.6</u>	<u>0.0</u>	[18.6]	-	<u>23.1</u>	- 19.5	Interest on Deferred Retirement Costs	<u>51.1</u>	<u>46.2</u>	[4.9]	[10.6]	<u>46.2</u>	10.6
\$ 35.0	\$ (15.8)	\$ 50.8	-	\$ 32.1	-	Net Income/(Loss)	\$ 2,816.5	\$ 1,963.1	\$ 853.4	-	\$ 4,217.5	-

[]=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 \$8.3 million for the current period SPLY and \$103.7 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		
	Qtr. III 2004	Qtr. III 2003	% SPLY	Qtr. III 2004	Qtr. III 2003	% SPLY
FIRST-CLASS						
VOLUME	23,519,966	24,160,512	- 2.7	74,260,703	75,308,393	- 1.4
REVENUE	\$ 8,737,030	\$ 9,030,496	- 3.2	\$ 27,653,175	\$ 28,166,448	- 1.8
REV/PC.	0.3715	0.3738	- 0.6	0.3724	0.3740	- 0.4
PRIORITY-MAIL						
VOLUME	202,546	212,870	- 4.8	649,673	666,615	- 2.5
REVENUE	\$ 1,032,278	\$ 1,092,464	- 5.5	\$ 3,401,444	\$ 3,501,406	- 2.9
REV/PC.	5.0965	5.1321	- 0.7	5.2356	5.2525	- 0.3
EXPRESS MAIL						
VOLUME	13,845	14,035	- 1.4	40,857	42,169	- 3.1
REVENUE	\$ 216,066	\$ 221,529	- 2.5	\$ 645,565	\$ 673,268	- 4.1
REV/PC.	15.6061	15.7840	- 1.1	15.8006	15.9659	- 1.0
PERIODICALS						
VOLUME	2,282,272	2,353,132	- 3.0	6,908,611	7,133,069	- 3.1
REVENUE	\$ 546,620	\$ 559,965	- 2.4	\$ 1,653,568	\$ 1,709,219	- 3.3
REV/PC.	0.2395	0.2380	0.6	0.2393	0.2396	- 0.1
STANDARD MAIL						
VOLUME	23,039,060	21,368,098	7.8	71,258,643	67,922,241	4.9
REVENUE	\$ 4,360,568	\$ 4,066,222	7.2	\$ 13,488,629	\$ 12,933,741	4.3
REV/PC.	0.1893	0.1903	- 0.5	0.1893	0.1904	- 0.6
PACKAGE SERVICES						
VOLUME	244,836	258,364	- 5.2	841,245	847,443	- 0.7
REVENUE	\$ 474,426	\$ 498,313	- 4.8	\$ 1,676,920	\$ 1,702,031	- 1.5
REV/PC.	1.9377	1.9287	0.5	1.9934	2.0084	- 0.7
INTERNATIONAL						
VOLUME	196,227	187,052	4.9	644,991	604,678	6.7
REVENUE	\$ 392,545	\$ 366,821	7.0	\$ 1,290,477	\$ 1,207,579	6.9
REV/PC.	2.0005	1.9611	2.0	2.0008	1.9971	0.2
ALL OTHER						
VOLUME	148,758	115,234	29.1	439,221	352,433	24.6
REVENUE	\$ 204	\$ 337	- 39.4	\$ 537	\$ 1,090	- 50.7
ALL MAIL						
VOLUME	49,647,509	48,669,297	2.0	155,043,942	152,877,042	1.4
REVENUE	\$ 15,759,739	\$ 15,836,146	- 0.5	\$ 49,810,315	\$ 49,894,783	- 0.2
REV/PC.	0.3174	0.3254	- 2.4	0.3213	0.3264	- 1.6

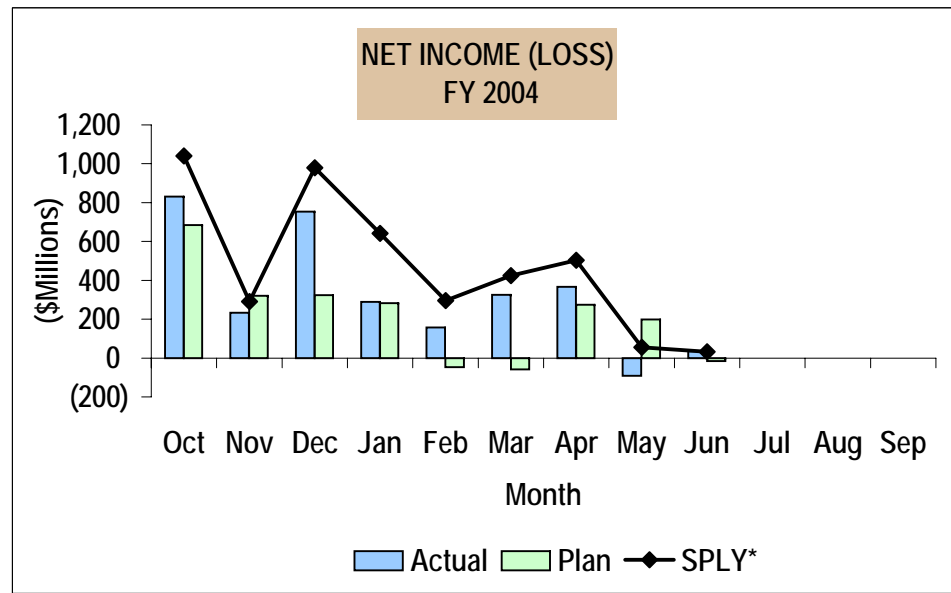
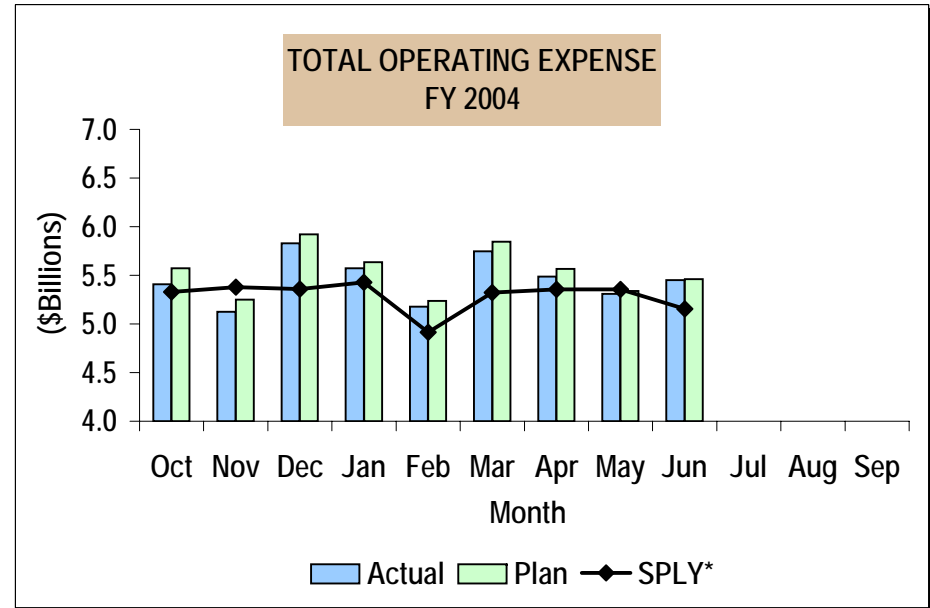
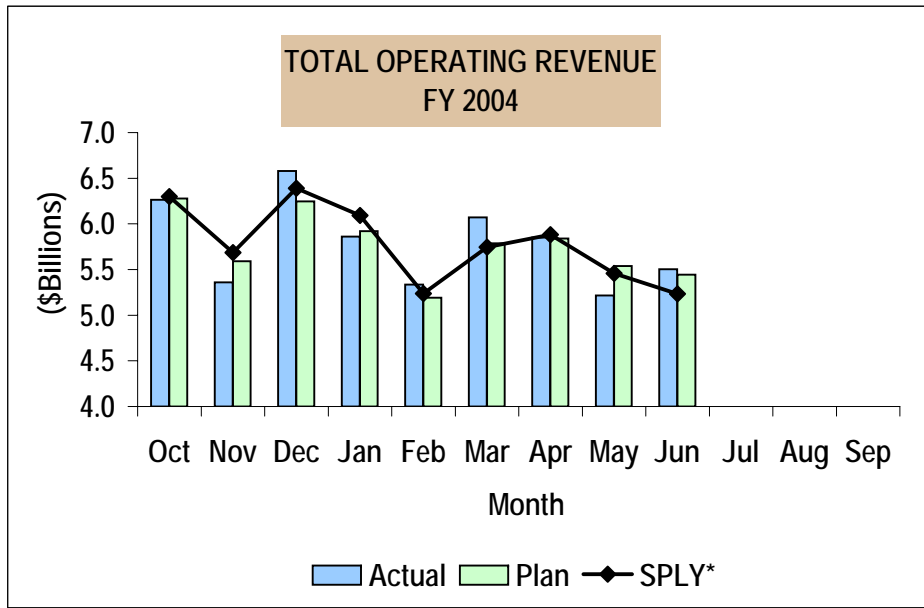
NOTE: Totals may not sum due to rounding.

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
June - FY 2004
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
\$ 2,035.5	\$ 1,979.0	2.9	Operating Revenue:	\$ 18,950.9	\$ 19,245.3	- 1.5
			Metered Postage			
898.1	876.2	2.5	Stamps and Stamped Paper	8,764.2	8,981.4	- 2.4
1,306.2	1,160.0	12.6	Permit Imprint	12,601.6	12,164.2	3.6
185.1	174.2	6.3	Periodicals & Standard	1,638.8	1,693.7	- 3.2
61.1	73.7	- 17.1	Official Mail	657.3	687.5	- 4.4
757.4	714.4	6.0	Presort First-Class & Package Svc./Permit Imprint	7,190.2	7,101.1	1.3
92.5	89.6	3.2	Box Rents	601.1	605.1	- 0.7
14.3	16.4	- 12.8	Money Order Fees	133.6	141.2	- 5.4
<u>147.5</u>	<u>140.0</u>	5.4	Other	<u>1,444.7</u>	<u>1,393.1</u>	3.7
\$ 5,497.7	\$ 5,223.5	5.2	Subtotal	\$ 51,982.4	\$ 52,012.6	- 0.1
<u>4.8</u>	<u>10.9</u>	- 56.0	Government Appropriation**	<u>108.2</u>	<u>127.0</u>	- 14.8
\$ 5,502.5	\$ 5,234.4	5.1	Total Operating Revenue	\$ 52,090.6	\$ 52,139.6	- 0.1
<u>2.8</u>	<u>5.8</u>	- 51.7	Investment Income	<u>23.3</u>	<u>42.6</u>	- 45.3
<u>\$ 5,505.3</u>	<u>\$ 5,240.2</u>	5.1	Total Revenue	<u>\$ 52,113.9</u>	<u>\$ 52,182.2</u>	- 0.1

Note: Totals may not sum due to rounding.

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

**Note: Appropriation of \$8.3 million current period SPLY and \$103.7 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
June - FY 2004
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,304.4	\$ 2,182.9	5.6	Permit Revenue	\$ 21,918.6	\$ 21,180.1	3.5
<u>1,778.1</u>	<u>1,819.3</u>	[- 2.3]	Other Commercial Accounts Revenue	<u>16,457.4</u>	<u>17,126.9</u>	[- 3.9]
\$ 4,082.5	\$ 4,002.2	2.0	Total Commercial Revenue	\$ 38,376.0	\$ 38,307.0	0.2
			Retail Revenue			
1,083.3	1,131.2	[- 4.2]	Retail Postage Revenue	10,776.3	10,812.0	[- 0.3]
119.7	93.7	27.7	Retail Services Revenue	838.3	813.8	3.0
15.3	8.7	75.9	Retail Products Revenue	130.0	96.8	34.3
<u>165.4</u>	<u>156.5</u>	5.7	Other Retail Channels Revenue	<u>1,513.2</u>	<u>1,467.4</u>	3.1
\$ 1,383.7	\$ 1,390.1	[- 0.5]	Total Retail Revenue	\$ 13,257.8	\$ 13,190.0	0.5
\$ 5,466.2	\$ 5,392.3	1.4	Total Commercial & Retail Revenue	\$ 51,633.8	\$ 51,497.0	0.3
31.5	48.5	[- 35.1]	Other Income	348.6	306.5	13.7
<u>4.8</u>	<u>3.0</u>	60.0	Government Appropriation	<u>108.2</u>	<u>27.4</u>	NM
\$ 5,502.5	\$ 5,443.8	1.1	Total Operating Revenue	\$ 52,090.6	\$ 51,830.9	0.5
<u>2.8</u>	<u>2.2</u>	27.3	Investment Income	<u>23.3</u>	<u>20.0</u>	16.5
\$ 5,505.3	\$ 5,446.0	1.1	Total Revenue	\$ 52,113.9	\$ 51,850.9	0.5

[]=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.

EXPENSE ANALYSIS
June - FY 2004
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	
\$ 4,279.0	\$ 4,330.2	\$ - 51.2	- 1.2	\$ 4,071.2	5.1	Personnel Compensation	\$ 39,147.0	\$ 39,313.8	\$ - 166.8	- 0.4	\$ 37,670.1	3.9
Non-Personnel Expense:												
411.8	400.1	[11.7]	[2.9]	367.5	12.1	Transportation	3,682.0	3,843.8	- 161.8	- 4.2	3,649.9	0.9
209.3	203.2	[6.1]	[3.0]	200.3	4.5	Supplies & Services	1,681.7	1,845.4	- 163.7	- 8.9	1,695.2	- 0.8
551.6	526.0	[25.6]	[4.9]	515.0	7.1	Other	4,725.2	4,825.0	- 99.8	- 2.1	4,610.8	2.5
\$ 1,172.7	\$ 1,129.3	[\$ 43.4]	[3.8]	\$ 1,082.8	8.3	Subtotal	\$ 10,088.9	\$ 10,514.2	\$ - 425.3	- 4.0	\$ 9,955.9	1.3
\$ 5,451.7	\$ 5,459.5	\$ - 7.8	- 0.1	\$ 5,154.0	5.8	Total Operating Expense	\$ 49,235.9	\$ 49,828.0	\$ - 592.1	- 1.2	\$ 47,626.0	3.4
0.0	2.3	- 2.3	- 100.0	31.0	- 100.0	Interest Expense	10.4	13.6	- 3.2	- 23.5	292.5	- 96.4
18.6	0.0	[18.6]	-	23.1	- 19.5	Interest on Deferred Retirement Costs	51.1	46.2	[4.9]	[10.6]	46.2	10.6
\$ 5,470.3	\$ 5,461.8	[\$ 8.5]	[0.2]	\$ 5,208.1	5.0	Total Expense	\$ 49,297.4	\$ 49,887.8	\$ - 590.4	- 1.2	\$ 47,964.7	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.

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

ANALYSIS OF OPERATING EXPENSES
Personnel Compensation
June - 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:							
\$ 32.5	\$ 33.4	\$ -0.8	-2.5	\$ 30.5	6.8	-Support	\$ 286.3	\$ 287.0	\$ -0.7	-0.2	\$ 267.3	7.1	
885.0	903.3	-18.3	-2.0	863.9	2.4	-Mail Processing	8,494.0	8,607.5	-113.5	-1.3	8,321.9	2.1	
394.5	411.9	-17.4	-4.2	364.1	8.4	-Rural Delivery	3,522.5	3,549.7	-27.3	-0.8	3,294.4	6.9	
1,328.7	1,304.7	[24.0]	[1.8]	1,223.9	8.6	-City Delivery	11,988.7	11,855.6	[133.1]	[1.1]	11,386.6	5.3	
96.1	97.2	-1.1	-1.2	90.3	6.5	-Vehicles Services	866.9	864.8	[2.0]	[0.2]	822.7	5.4	
239.4	246.8	-7.4	-3.0	227.5	5.3	-Plant & Equip Maint	2,177.8	2,229.6	-51.8	-2.3	2,058.3	5.8	
642.9	647.9	-5.0	-0.8	598.0	7.5	-Customer Services	5,853.6	5,857.3	-3.7	-0.1	5,551.7	5.4	
17.1	19.7	-2.6	-13.4	18.7	-8.5	Finance	149.7	175.8	-26.1	-14.8	176.4	-15.1	
30.9	32.4	-1.5	-4.6	29.1	6.2	Human Resources	268.1	273.7	-5.6	-2.1	246.5	8.8	
47.1	51.4	-4.3	-8.3	44.3	6.3	Customer Service & Sales	417.8	437.2	-19.4	-4.4	387.0	7.9	
206.6	212.2	-5.6	-2.7	203.9	1.3	Administration - Field	1,833.0	1,818.2	[14.8]	[0.8]	1,724.8	6.3	
107.3	117.5	-10.2	-8.6	141.8	-24.3	Other Salaries & Benefits	1,016.8	1,051.0	-34.1	-3.2	1,298.9	-21.7	
\$ 4,028.2	\$ 4,078.3	\$ -50.2	-1.2	\$ 3,835.9	5.0	Total Salaries & Benefits	\$ 36,875.1	\$ 37,007.3	\$ -132.3	-0.4	\$ 35,536.5	3.8	
124.0	124.3	-0.3	-0.2	121.3	2.3	Workers' Compensation	1,116.0	1,120.9	-4.9	-0.4	1,115.1	0.1	
6.3	7.7	-1.3	-17.4	4.6	39.0	Unemployment Compensation	60.8	69.0	-8.2	-11.9	47.6	27.7	
1.5	0.0	[1.5]	-	1.8	-16.7	Deferred Retirement Cost	4.1	3.6	[0.5]	[13.9]	3.6	13.9	
110.2	110.2	0.0	0.0	97.6	12.8	Annuitant Health Benefits	991.5	991.5	0.0	0.0	859.0	15.4	
8.7	9.7	-0.9	-9.5	10.1	-13.2	Other Compensation	99.6	121.5	-21.9	-18.0	108.3	-8.0	
\$ 4,279.0	\$ 4,330.2	\$ -51.2	-1.2	\$ 4,071.2	5.1	Total Personnel Compensation	\$ 39,147.0	\$ 39,313.8	\$ -166.8	-0.4	\$ 37,670.1	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
June - 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		
\$ 411.8	\$ 400.1	[\$ 11.7]	[2.9]	\$ 367.6	12.0	Transportation	\$ 3,682.0	\$ 3,843.8	\$ -161.8	-4.2	\$ 3,649.9	0.9
209.3	203.2	[6.1]	[3.0]	200.3	4.5	Supplies & Services	1,681.7	1,845.4	-163.6	-8.9	1,695.2	-0.8
182.3	191.7	-9.4	-4.9	191.6	-4.8	Depreciation	1,662.7	1,700.0	-37.3	-2.2	1,735.3	-4.2
82.5	83.0	-0.5	-0.6	74.5	10.7	Rent	742.8	732.7	[10.2]	[1.4]	705.4	5.3
52.7	38.8	[13.9]	[35.7]	36.2	45.5	Fuel & Utilities	411.1	382.1	[29.0]	[7.6]	378.8	8.5
28.2	29.3	-1.1	-3.8	32.9	-14.1	Rural Carrier Equip Maint Allowance	296.5	303.5	-7.0	-2.3	311.1	-4.7
51.7	36.0	[15.7]	[43.7]	39.4	31.4	Vehicle Maintenance	379.6	331.7	[47.9]	[14.4]	343.5	10.5
35.2	39.2	-4.0	-10.1	48.6	-27.5	Information Technology	314.5	416.7	-102.2	-24.5	339.8	-7.4
25.9	23.5	[2.4]	[10.3]	16.2	60.2	Building Projects Expensed	190.2	175.3	[14.9]	[8.5]	127.5	49.2
6.6	6.9	-0.3	-4.8	8.1	-19.2	Contract Job Cleaners	63.5	60.8	[2.7]	[4.5]	60.1	5.6
19.6	18.5	[1.1]	[6.1]	16.3	20.7	Travel & Relocation	153.6	135.6	[18.0]	[13.3]	126.2	21.8
21.4	18.6	[2.8]	[15.3]	16.3	31.3	Communications	160.7	171.4	-10.8	-6.3	153.8	4.4
5.9	6.7	-0.7	-11.2	5.7	4.7	Contract Stations	53.5	58.1	-4.6	-7.9	48.1	11.3
2.5	3.0	-0.5	-15.3	2.8	-10.3	Printing	14.3	22.8	-8.5	-37.3	17.7	-19.1
3.2	5.2	-1.9	-37.2	3.6	-10.5	Training	32.7	48.8	-16.1	-33.0	34.2	-4.4
3.9	3.5	[0.4]	[11.9]	3.1	24.3	Carfare & Tolls	25.3	34.9	-9.6	-27.5	35.5	-28.7
1.2	1.8	-0.6	-33.4	1.4	-16.8	Vehicle Hire	14.3	18.3	-3.9	-21.6	17.1	-16.1
4.4	3.6	[0.8]	[22.0]	8.1	-46.0	Accident Cost	39.1	36.5	[2.7]	[7.3]	41.0	-4.6
24.3	16.9	[7.4]	[44.0]	10.2	137.0	Miscellaneous	170.7	195.9	-25.2	-12.9	135.6	25.9
\$ 1,172.7	\$ 1,129.3	[43.4]	[3.8]	\$ 1,082.8	8.3	Total Non-Personnel Expenses	\$ 10,088.9	\$ 10,514.2	\$ -425.3	-4.0	\$ 9,955.9	1.3

[]=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

June - FY 2004

(\$ Millions)

Assets	June 30, 2004	September 30, 2003*
Current Assets:		
Cash and cash equivalents _1/	\$ 533	\$ 2,266
Receivables:		
Foreign countries	655	744
U.S. Government	225	359
Consignment	54	50
Other	148	144
Receivables before allowances	<u>1,082</u>	<u>1,297</u>
Less allowances	<u>97</u>	<u>106</u>
Total receivables, net	985	1,191
Supplies, advances and prepayments	<u>348</u>	<u>366</u>
Total Current Assets	1,866	3,823
Other assets, principally revenue forgone appropriations receivable	364	365
Property and Equipment, at Cost:		
Buildings	20,098	19,759
Equipment	17,256	17,166
Land	2,819	2,809
Leasehold improvements	1,117	1,060
	<u>41,290</u>	<u>40,794</u>
Less allowances for depreciation and amortization	<u>20,219</u>	<u>18,717</u>
	21,071	22,077
Construction in progress	<u>1,428</u>	<u>977</u>
Total property, plant and equipment, net	<u>22,499</u>	<u>23,054</u>
Total Assets	\$ <u>24,729</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

June - FY 2004

(\$ Millions)

Liabilities and Net Capital	June 30, 2004	September 30, 2003*
Current Liabilities:		
Compensation and benefits	\$ 3,836	\$ 2,518
Estimated prepaid postage	1,349	1,349
Payables and accrued expenses:		
Commercial Vendors & Other Accrued Expenses	1,742	2,269
Foreign countries	751	879
U.S. Government	<u>105</u>	<u>112</u>
Total payables and accrued expenses	2,598	3,260
Permit, metered mail and prepaid box rentals	1,946	1,925
Outstanding postal money orders	783	768
Debt	<u>0</u>	<u>7,273</u>
Total Current Liabilities	10,512	17,093
Other Liabilities:		
Workers' compensation	7,442	6,324
Employees' accumulated leave	2,127	1,932
Other	<u>966</u>	<u>1,027</u>
Total Other Liabilities	10,535	9,283
Total Liabilities	21,047	26,376
Net Capital:		
Capital contributions of the U.S. Government	3,034	3,034
Retained earnings (deficit) since reorganization	<u>648</u>	<u>(2,168)</u>
Total Net Capital	3,682	866
Total Liabilities and Net Capital	<u>\$ 24,729</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 June 30, 2004
(\$ Millions)

Cash flows from operating activities:	
Net income	\$ 2,816
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,633
Loss on disposals of property and equipment, net	27
Decrease in other assets, principally revenue forgone appropriations receivable	1
Increase in USPS workers' compensation	1,094
Increase in employees' accumulated leave	195
Decrease in other liabilities	(61)
Changes in current assets and liabilities:	
Decrease in receivables, net	206
Decrease in supplies, advances and prepayments	18
Increase in compensation and benefits	1,342
Estimated prepaid postage	0
Decrease in payables and accrued expenses	(662)
Increase in permit, metered mail and prepaid box rentals	21
Increase in outstanding postal money orders	15
	<hr/>
Net cash provided by operating activities	6,645
Cash flows from investing activities:	
Purchase of property and equipment, net	(1,116)
Proceeds from sale of property and equipment	11
	<hr/>
Net cash used in investing activities	(1,105)
Cash flows from financing activities:	
U.S. government appropriations expended	-
Issuance of debt	-
Payments on debt	(7,273)
	<hr/>
Net cash used in financing activities	(7,273)
Net decrease in cash and cash equivalents	(1,733)
Cash and cash equivalents at beginning of year	2,266
	<hr/>
Cash and cash equivalents at end of period	\$ 533

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

CAPITAL INVESTMENTS

June - FY 2004

(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 60.7	\$ 56.9	\$ 37.3	\$ 111.2	\$ 216.8	\$ 89.5
BUILDING IMPROVEMENTS	160.2	157.0	90.7	185.4	218.9	120.6
MAIL PROCESSING EQUIPMENT	596.1	529.9	583.3	506.4	556.4	460.3
VEHICLES	170.3	174.1	142.3	91.5	182.6	57.3
RETAIL EQUIPMENT	30.0	47.6	51.0	69.9	94.7	5.3
POSTAL SUPPORT EQUIPMENT	61.3	202.0	162.4	151.9	242.5	182.6
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 1,078.6	\$ 1,167.5	\$ 1,067.0	\$ 1,116.3	\$ 1,511.8	\$ 915.6

RESOURCES ON ORDER

(\$ Millions)

MAJOR CATEGORIES	June 30, 2004	September 30, 2003
CONSTRUCTION AND BUILDING PURCHASE	\$ 174.4	\$ 238.2
BUILDING IMPROVEMENTS	151.2	186.7
MAIL PROCESSING EQUIPMENT	1,492.3	1,409.5
VEHICLES	150.3	71.6
RETAIL EQUIPMENT	138.5	178.4
POSTAL SUPPORT EQUIPMENT	216.5	310.5
TOTAL RESOURCES ON ORDER	\$ 2,323.2	\$ 2,394.9

Note: Totals may not sum due to rounding.

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

June - 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:					
741	- 35	- 4.5	754	- 1.7	-Support	6,780	- 52	- 0.8	6,852	- 1.0
25,832	- 770	- 2.9	26,809	- 3.6	-Mail Processing	256,052	- 3,280	- 1.3	265,616	- 3.6
13,835	- 939	- 6.4	13,732	0.8	-Rural Delivery	127,621	- 1,059	- 0.8	124,276	2.7
37,668	- 579	- 1.5	37,328	0.9	-City Delivery	348,448	[1,069]	[0.3]	348,973	- 0.2
2,599	- 69	- 2.6	2,615	- 0.6	-Vehicles Services	24,084	- 108	- 0.4	24,230	- 0.6
6,566	- 344	- 5.0	6,713	- 2.2	-Plant & Equip Maint	61,239	- 1,841	- 2.9	61,574	- 0.5
18,754	- 259	- 1.4	18,528	1.2	-Customer Services	175,622	[379]	[0.2]	176,019	- 0.2
407	- 94	- 18.8	496	- 18.0	Finance	3,679	- 740	- 16.7	4,907	- 25.0
733	- 24	- 3.2	777	- 5.6	Human Resources	6,572	- 61	- 0.9	6,408	2.6
1,219	- 103	- 7.8	1,240	- 1.7	Customer Service & Sales	11,135	- 555	- 4.7	11,137	- 0.0
5,489	- 253	- 4.4	5,974	- 8.1	Administration	50,779	[498]	[1.0]	51,396	- 1.2
2,107	- 8	- 0.4	3,403	- 38.1	Other	20,785	[1,557]	[8.1]	32,323	- 35.7
115,951	- 3,477	- 2.9	118,369	- 2.0	Total Workhours	1,092,795	- 4,193	- 0.4	1,113,711	- 1.9

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
8.7%	7.4%	7.0%	Overtime Ratio Per 100 Workhours	9.2%	8.1%	8.2%

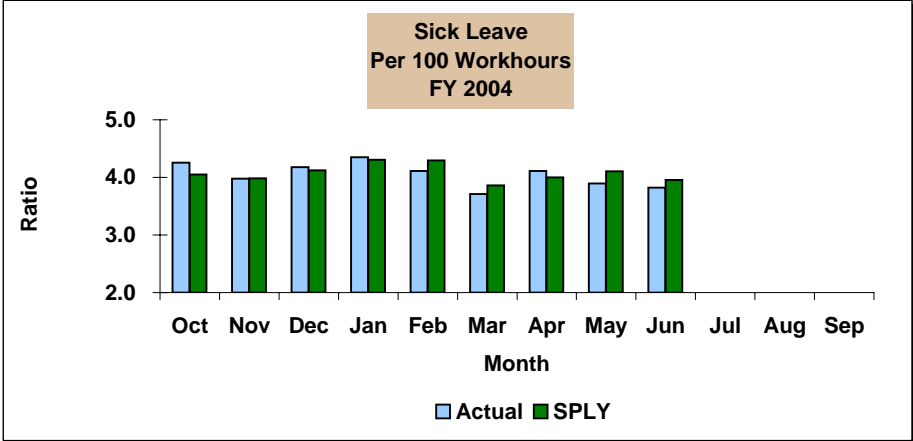
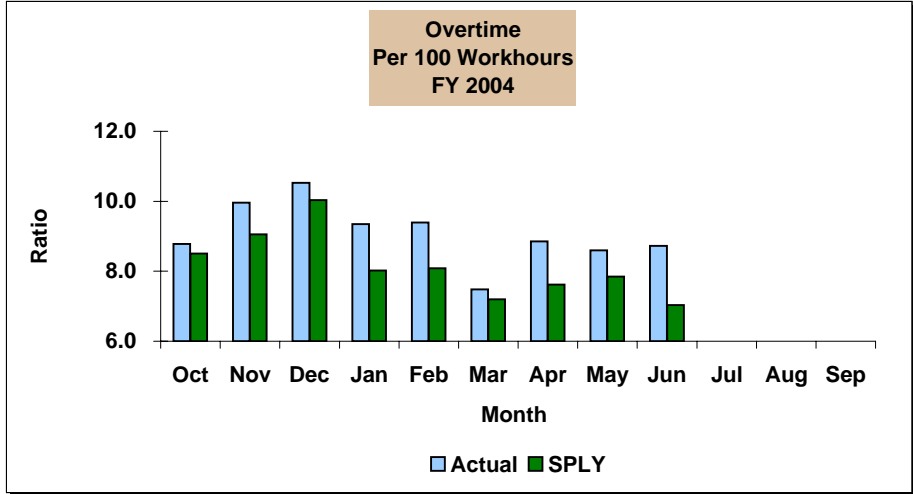
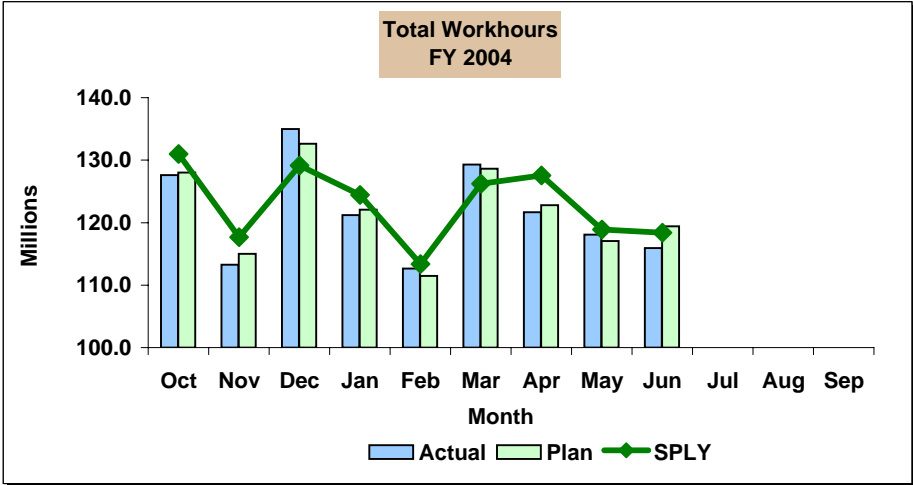
Sick Leave					
Actual		SPLY		Actual	SPLY
3.8%		4.0%	Sick Leave Ratio Per 100 Workhours	4.1%	4.1%

[]=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.

June - FY 2004

Information: Fiscal Year 2004 month of June contains the same number of business reporting days as Fiscal Year 2003 month of June.

Analysis of the Financial and Operating Statements

Government appropriation of \$8.3 million in June and \$103.7 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

For the current month, Total Revenue was \$59 million or 1.1% over plan. Commercial Revenue was over plan by \$80 million or 2.0% and Retail Revenue was under plan \$6 million or 0.5%. Also, in June, Total Revenue was \$265 million or 5.1% over same period last year (SPLY). Combined Commercial Revenue and Retail Revenue were \$271 million more than SPLY.

Year-to-date (YTD), Total Revenue is \$263 million or 0.5% over plan. Permit Revenue at \$739 million more than plan is the biggest driver of Total Revenue plan overrun. Conversely, Other Commercial Accounts at \$670 million or 3.9% less than plan is negatively impacting the Total Revenue performance to plan. YTD Total Revenue is \$68 million or 0.1% under SPLY.

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

For the current month, Total Expenses were \$9 million or 0.2% above plan. While personnel costs were \$51 million or 1.2% below plan, non-personnel costs were above plan by \$43 million or 3.8%. The primary contributors of the non-personnel expense plan overrun were Vehicle Maintenance, Fuel and Utilities and Transportation. All of these expenses are being greatly influenced by the rise in energy prices. Combined, these contributors were \$41 million above plan and increased over SPLY by 16.5% or \$73 million. Total Expenses were \$262 million or 5.0% above SPLY during June.

Year-to-date, Total Expenses are \$590 million or 1.2% below plan. YTD, personnel costs and non-personnel expenses are \$167 million and \$425 million below plan, respectively. The largest contributors to the non-personnel plan underrun are Supplies & Services, Transportation and Information Technology, which are \$164 million, \$162 million and \$102 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 \$133 million YTD. The nonpersonnel lines most impacted by the increase in energy related prices, Vehicle Maintenance, Fuel & Utilities and Transportation have risen a total of \$100 million YTD.

June - FY 2004

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for June, FY 2004 was 1,161 million pieces or 7.6% above SPLY. First-Class Mail, Express Mail, Periodical Mail, Standard Mail and International were above SPLY, while Priority Mail and Packages were below their June, 2003 levels. Quarter 3 volume was 2.0% above same quarter last year.

Year-to-date, Total Mail Volume is 1.4% or 2.2 billion pieces above SPLY. The most significant mail volume increase above SPLY for FY 2004 YTD is in the Standard Mail category which increased 3.3 billion pieces or 4.9%. YTD, First-Class Mail volume is 1.4% less than SPLY, generating \$513 million or 1.8% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2004 Capital Commitments YTD through June 30, 2004 are \$1,079 million compared to a plan of \$1,168 million. This represents an underrun of about \$89 million or 7.6%.

The Cash Outlays YTD are \$1,116 million versus a plan of \$1,512 million, representing a \$396 million underrun to plan.

Workhours - Pages 1, 14 and 15

Total workhours for June 2004 were 3.5 million hours or 2.9% below plan and 2.4 million hours or 2.0% below June 2003. Every functional operation produced workhours below plan. Other Workhours and Mail Processing posted the most workhour savings to SPLY, 1.3 million hours and 1.0 million hours, respectively.

Total workhours for June, 2004 YTD are 21 million hours or 1.9% 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 9.6 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 11.5 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.