



**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS

February, FY 2005

February 1 – February 28, 2005

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
February 2005 - FY 2005
(Millions)

Current Period					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY

Year-to-Date (October 1, 2004 - February 28, 2005)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY

\$ 5,347.8	\$ 5,259.4	\$ 88.4	1.7	\$ 5,337.3	0.2	Total Revenue	\$ 29,961.4	\$ 29,152.9	\$ 808.5	2.8	\$ 29,441.0	1.8
<u>5,335.6</u>	<u>5,372.1</u>	<u>- 36.5</u>	- 0.7	<u>5,179.2</u>	3.0	Total Expense	<u>28,160.7</u>	<u>28,413.6</u>	<u>- 252.9</u>	- 0.9	<u>27,200.4</u>	3.5
\$ 12.2	\$ (112.7)	\$ 124.9	NM	\$ 158.1	NM	Net Income/(Loss)	\$ 1,800.7	\$ 739.3	\$ 1,061.4	NM	\$ 2,240.6	NM
\$ 89.7	\$ 152.6	[\$ - 62.9]	[- 41.2]	\$ 55.8	60.8	Capital Commitments	\$ 618.1	\$ 808.5	[\$ - 190.4]	[- 23.5]	\$ 360.5	71.5
111.7	110.5	[1.1]	[1.0]	112.7	- 0.9	Total Workhours	607.5	599.5	[8.0]	[1.3]	607.3	0.0

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,477	27,495	27,623
Postal Owned Vehicles In Use			
Administrative	5,741	5,752	5,513
Operations	206,683	206,703	206,617
Total Deliveries (000) *	143,059	142,969	141,276
City Delivery Routes	164,598	164,607	164,607
Rural Routes	71,322	71,278	69,985
Career Employees (Excludes Inspector General) **	700,738	702,291	714,240
Casual Employees **	21,174	21,898	19,304
Transitional Employees **	9,737	10,087	10,420

* At the end of 2004, we adjusted our reporting of rural and highway contract deliveries to customers who have their mail forwarded to a Post Office Box as an alternative to a physical address. Prior to 2004, we included both addresses in our count of "possible" delivery points. We also no longer count a vacant delivery point on rural and highway routes as "possible" delivery points. The real growth of deliveries did not change, however, these adjustments reduced our total delivery points. Monthly SPLY deliveries are estimated based on this new methodology. For further information, please see the 2004 Annual Report on USPS.com.

** The reporting of SPLY complement during FY 2005 will be slightly different than was reported during FY 2004 due to leap year occurring last year.

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

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

Current Period						Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 5,341.5	\$ 5,255.5	\$ 86.0	1.6	\$ 5,335.0	0.1	\$ 29,938.6	\$ 29,137.2	\$ 801.4	2.8	\$ 29,427.7	1.7
<u>5,317.5</u>	<u>5,353.7</u>	<u>- 36.2</u>	- 0.7	<u>5,178.6</u>	2.7	<u>28,068.7</u>	<u>28,320.1</u>	<u>- 251.4</u>	- 0.9	<u>27,190.0</u>	3.2
\$ 24.0	\$ (98.2)	\$ 122.2	-	\$ 156.4	-	\$ 1,869.9	\$ 817.1	\$ 1,052.8	-	\$ 2,237.7	-
6.3	3.9	2.4	61.5	2.3	173.9	22.8	15.7	7.1	45.2	13.3	71.4
0.0	0.3	- 0.3	- 100.0	0.6	- 100.0	1.5	3.0	- 1.5	- 50.0	10.4	- 85.6
<u>18.1</u>	<u>18.1</u>	<u>-</u>	-	<u>-</u>	-	<u>90.5</u>	<u>90.5</u>	<u>-</u>	-	<u>0.0</u>	-
\$ 12.2	\$ (112.7)	\$ 124.9	-	\$ 158.1	-	\$ 1,800.7	\$ 739.3	\$ 1,061.4	-	\$ 2,240.6	-

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

MAIL VOLUME - MAIL REVENUE
(Data in Thousands)

CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	February FY 2005	February FY 2004	% SPLY	February FY 2005	February FY 2004	% SPLY
FIRST-CLASS						
VOLUME	7,441,426	7,568,937	- 1.7	42,492,327	42,368,844	0.3
REVENUE	\$ 2,746,265	\$ 2,813,065	- 2.4	\$ 15,641,693	\$ 15,748,112	- 0.7
REV/PC.	\$ 0.3691	\$ 0.3717	- 0.7	\$ 0.3681	\$ 0.3717	- 1.0
PRIORITY-MAIL						
VOLUME	69,629	67,377	3.3	379,575	369,524	2.7
REVENUE	\$ 357,816	\$ 349,189	2.5	\$ 2,019,762	\$ 1,972,762	2.4
REV/PC.	\$ 5.1389	\$ 5.1826	- 0.8	\$ 5.3211	\$ 5.3387	- 0.3
EXPRESS MAIL						
VOLUME	4,384	4,322	1.4	22,235	22,072	0.7
REVENUE	\$ 68,657	\$ 67,909	1.1	\$ 353,942	\$ 352,440	0.4
REV/PC.	\$ 15.6608	\$ 15.7124	- 0.3	\$ 15.9182	\$ 15.9677	- 0.3
PERIODICALS						
VOLUME	757,177	778,146	- 2.7	3,786,390	3,809,586	- 0.6
REVENUE	\$ 176,599	\$ 183,481	- 3.8	\$ 901,436	\$ 910,622	- 1.0
REV/PC.	\$ 0.2332	\$ 0.2358	- 1.1	\$ 0.2381	\$ 0.2390	- 0.4
STANDARD MAIL						
VOLUME	7,613,572	7,314,528	4.1	42,335,067	39,616,577	6.9
REVENUE	\$ 1,438,663	\$ 1,377,500	4.4	\$ 7,955,260	\$ 7,512,083	5.9
REV/PC.	\$ 0.1890	\$ 0.1883	0.3	\$ 0.1879	\$ 0.1896	- 0.9
PACKAGE SERVICES						
VOLUME	82,122	88,256	- 7.0	498,594	503,500	- 1.0
REVENUE	\$ 164,068	\$ 169,915	- 3.4	\$ 1,002,976	\$ 1,018,608	- 1.5
REV/PC.	\$ 1.9979	\$ 1.9253	3.8	\$ 2.0116	\$ 2.0231	- 0.6
INTERNATIONAL						
VOLUME	65,842	73,841	- 10.8	383,027	382,651	0.1
REVENUE	\$ 144,713	\$ 133,393	8.5	\$ 799,619	\$ 756,276	5.7
REV/PC.	\$ 2.1979	\$ 1.8065	21.7	\$ 2.0876	\$ 1.9764	5.6
ALL OTHER						
VOLUME	47,163	42,791	10.2	316,182	236,162	33.9
REVENUE	\$ 100	\$ 54	86.6	\$ 392	\$ 282	39.0
ALL MAIL						
VOLUME	16,081,315	15,938,199	0.9	90,213,397	87,308,917	3.3
REVENUE	\$ 5,096,882	\$ 5,094,505	0.0	\$ 28,675,081	\$ 28,271,185	1.4
REV/PC.	\$ 0.3169	\$ 0.3196	- 0.8	\$ 0.3179	\$ 0.3238	- 1.8

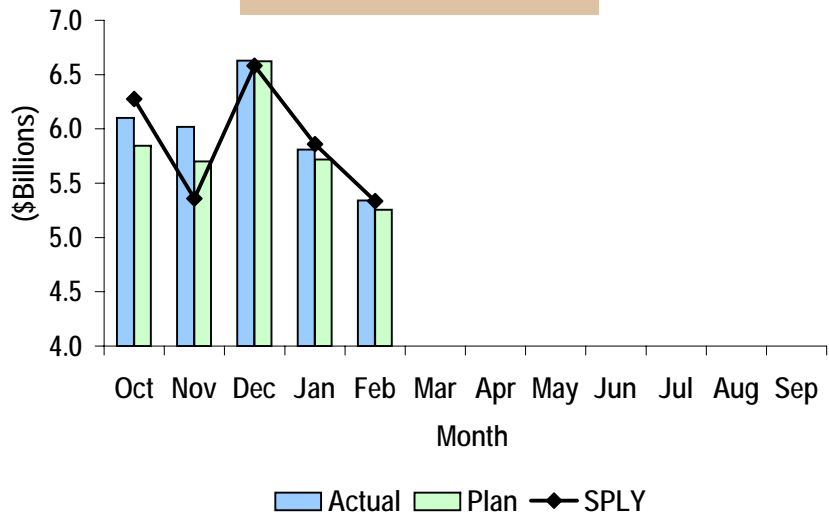
NOTE: Totals may not sum due to rounding.

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.

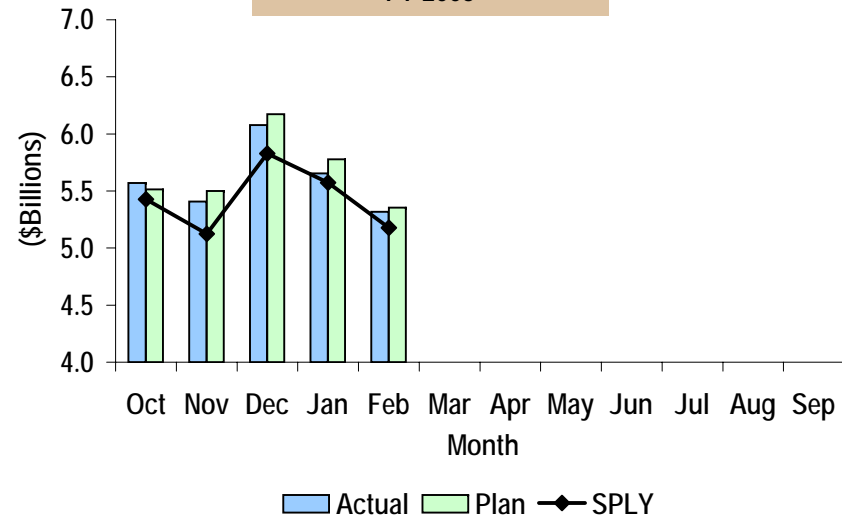
Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31). In order to provide a basis for comparison, FY 2004 data have been recast to reflect these reporting changes. The recast of FY 2004 data uses representative 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. Analysts should use the FY 2005 quarterly reports for SPLY analysis when they are available. When interpreting RPW SPLY changes under monthly reporting, users must factor in the number and composition of business days in the relevant time periods.

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

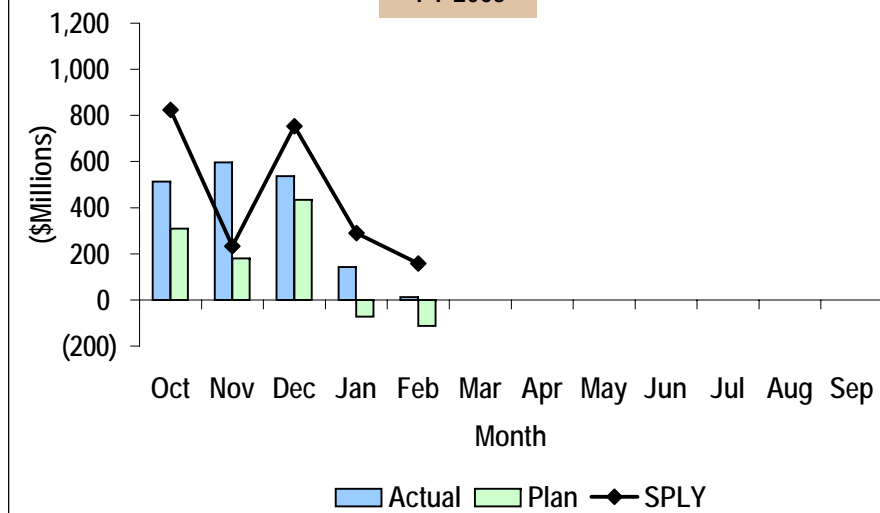
**TOTAL OPERATING REVENUE
FY 2005**



**TOTAL OPERATING EXPENSE
FY 2005**



**NET INCOME
FY 2005**



REVENUE BY SOURCE
February 2005 - FY 2005
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
\$ 1,898.5	\$ 1,957.9	- 3.0	Operating Revenue:	\$ 10,513.6	\$ 10,683.2	- 1.6
			Metered Postage			
831.8	866.3	- 4.0	Stamps and Stamped Paper	5,009.2	5,123.1	- 2.2
1,348.0	1,289.9	4.5	Permit Imprint	7,456.0	7,009.3	6.4
175.1	182.0	- 3.8	Periodicals & Standard	893.1	902.1	- 1.0
59.1	66.6	- 11.3	Official Mail	353.5	383.3	- 7.8
775.8	738.7	5.0	Presort First-Class & Package Svc./Permit Imprint	4,423.5	4,092.7	8.1
61.5	60.1	2.3	Box Rents	327.5	320.0	2.3
17.4	14.4	20.8	Money Order Fees	88.2	74.0	19.2
<u>166.7</u>	<u>148.8</u>	12.0	Other	<u>836.3</u>	<u>817.5</u>	2.3
\$ 5,333.9	\$ 5,324.7	0.2	Subtotal	\$ 29,900.9	\$ 29,405.2	1.7
<u>7.6</u>	<u>10.3</u>	- 26.2	Government Appropriation	<u>37.7</u>	<u>22.5</u>	67.6
\$ 5,341.5	\$ 5,335.0	0.1	Total Operating Revenue	\$ 29,938.6	\$ 29,427.7	1.7
<u>6.3</u>	<u>2.3</u>	173.9	Investment Income	<u>22.8</u>	<u>13.3</u>	71.4
<u>\$ 5,347.8</u>	<u>\$ 5,337.3</u>	0.2	Total Revenue	<u>\$ 29,961.4</u>	<u>\$ 29,441.0</u>	1.8

Note: Totals may not sum due to rounding.

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

REVENUE BY CATEGORY
February 2005 - FY 2005
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,347.2	\$ 2,251.6	4.2	Permit Revenue	\$ 13,078.3	\$ 12,284.9	6.5
<u>1,606.5</u>	<u>1,674.1</u>	[- 4.0]	Other Commercial Accounts Revenue	<u>8,854.7</u>	<u>9,127.7</u>	[- 3.0]
\$ 3,953.7	\$ 3,925.7	0.7	Total Commercial Revenue	\$ 21,933.0	\$ 21,412.6	2.4
			Retail Revenue			
1,034.6	1,023.3	1.1	Retail Postage Revenue	6,136.7	6,024.9	1.9
94.1	84.5	11.4	Retail Services Revenue	475.4	469.3	1.3
21.6	12.0	80.0	Retail Products Revenue	95.3	78.7	21.1
<u>187.4</u>	<u>167.1</u>	12.1	Other Retail Channels Revenue	<u>1,050.0</u>	<u>917.9</u>	14.4
\$ 1,337.7	\$ 1,286.9	3.9	Total Retail Revenue	\$ 7,757.4	\$ 7,490.8	3.6
\$ 5,291.4	\$ 5,212.6	1.5	Total Commercial & Retail Revenue	\$ 29,690.4	\$ 28,903.4	2.7
42.5	37.8	12.4	Other Income	210.5	208.1	1.2
<u>7.6</u>	<u>5.1</u>	49.0	Government Appropriation	<u>37.7</u>	<u>25.7</u>	46.7
\$ 5,341.5	\$ 5,255.5	1.6	Total Operating Revenue	\$ 29,938.6	\$ 29,137.2	2.8
<u>6.3</u>	<u>3.9</u>	61.5	Investment Income	<u>22.8</u>	<u>15.7</u>	45.2
\$ 5,347.8	\$ 5,259.4	1.7	Total Revenue	\$ 29,961.4	\$ 29,152.9	2.8

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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EXPENSE ANALYSIS
February 2005 - FY 2005
(\$ Millions)

Current Period						Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 4,180.4	\$ 4,132.1	[\$ 48.3]	[1.2]	\$ 4,066.4	2.8	\$ 22,319.2	\$ 22,169.4	[\$ 149.8]	[0.7]	\$ 21,655.3	3.1
						Non-Personnel Expense:					
412.1	400.0	[12.1]	[3.0]	395.6	4.2	2,315.1	2,154.0	[161.1]	[7.5]	2,027.5	14.2
212.9	294.9	- 82.0	- 27.8	200.3	6.3	887.6	1,309.2	- 421.6	- 32.2	899.2	- 1.3
<u>512.1</u>	<u>526.7</u>	<u>- 14.6</u>	- 2.8	<u>516.3</u>	- 0.8	<u>2,546.8</u>	<u>2,687.5</u>	<u>- 140.7</u>	- 5.2	<u>2,608.0</u>	- 2.3
\$ 1,137.1	\$ 1,221.6	\$ - 84.5	- 6.9	\$ 1,112.2	2.2	\$ 5,749.5	\$ 6,150.7	\$ - 401.2	- 6.5	\$ 5,534.7	3.9
\$ 5,317.5	\$ 5,353.7	\$ - 36.2	- 0.7	\$ 5,178.6	2.7	\$ 28,068.7	\$ 28,320.1	\$ - 251.4	- 0.9	\$ 27,190.0	3.2
-	0.3	- 0.3	- 100.0	0.6	- 100.0	1.5	3.0	- 1.5	- 50.0	10.4	- 85.6
<u>18.1</u>	<u>18.1</u>	<u>-</u>	NM	<u>-</u>	NM	<u>90.5</u>	<u>90.5</u>	<u>-</u>	NM	<u>-</u>	NM
\$ 5,335.6	\$ 5,372.1	\$ - 36.5	- 0.7	\$ 5,179.2	3.0	\$ 28,160.7	\$ 28,413.6	\$ - 252.9	- 0.9	\$ 27,200.4	3.5

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

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ANALYSIS OF OPERATING EXPENSES
Personnel Compensation
February 2005 - FY 2005
(\$ 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:											
\$ 32.8	\$ 30.9	[\$ 1.9]	[6.1]	\$ 30.2	8.5	\$ 164.1	\$ 159.5	[\$ 4.6]	[2.9]	\$ 152.9	7.3
889.3	878.7	[10.6]	[1.2]	886.6	0.3	4,864.9	4,825.7	[39.3]	[0.8]	4,785.8	1.7
393.0	383.6	[9.4]	[2.4]	356.0	10.4	2,058.2	2,044.8	[13.4]	[0.7]	1,912.3	7.6
1,287.4	1,257.0	[30.4]	[2.4]	1,231.1	4.6	6,904.8	6,768.8	[136.0]	[2.0]	6,595.7	4.7
92.5	91.6	[0.8]	[0.9]	89.9	2.9	493.2	492.3	[0.9]	[0.2]	476.6	3.5
233.9	236.1	- 2.2	- 0.9	229.7	1.8	1,237.0	1,257.4	- 20.4	- 1.6	1,197.8	3.3
620.2	610.4	[9.9]	[1.6]	603.4	2.8	3,348.7	3,293.0	[55.8]	[1.7]	3,226.5	3.8
16.3	17.8	- 1.4	- 8.2	15.4	6.0	84.1	94.1	- 10.0	- 10.6	81.7	2.9
29.9	29.1	[0.8]	[2.7]	28.0	6.7	151.5	149.7	[1.8]	[1.2]	144.6	4.8
40.0	40.8	- 0.8	- 1.8	43.5	- 8.0	209.2	214.3	- 5.1	- 2.4	226.2	- 7.5
196.9	192.5	[4.4]	[2.3]	193.4	1.8	1,019.2	1,004.4	[14.7]	[1.5]	984.8	3.5
105.3	118.3	- 13.0	- 11.0	109.1	- 3.5	544.6	607.8	- 63.2	- 10.4	600.3	- 9.3
\$ 3,937.4	\$ 3,886.7	[\$ 50.7]	[1.3]	\$ 3,816.4	3.2	\$ 21,079.5	\$ 20,911.7	[\$ 167.8]	[0.8]	\$ 20,385.2	3.4
95.8	95.5	[0.3]	[0.3]	124.0	- 22.7	504.0	514.7	- 10.7	- 2.1	619.9	- 18.7
5.4	5.4	[0.0]	[0.4]	7.1	- 23.8	24.4	24.3	[0.1]	[0.4]	35.5	- 31.2
1.9	1.9	-	-	0.0	-	9.5	9.5	-	-	0.0	-
126.4	129.7	- 3.3	- 2.5	110.2	14.7	605.5	606.3	- 0.8	- 0.1	550.8	9.9
13.4	12.9	[0.5]	[4.3]	8.6	55.2	96.3	102.7	- 6.4	- 6.3	63.9	50.6
\$ 4,180.4	\$ 4,132.1	[\$ 48.3]	[1.2]	\$ 4,066.4	2.8	\$ 22,319.2	\$ 22,169.4	[\$ 149.8]	[0.7]	\$ 21,655.3	3.1

[]=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 NON-PERSONNEL EXPENSES
February 2005 - FY 2005
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY	% SPLY
\$ 412.1	\$ 400.0	[\$ 12.1]	[3.0]	\$ 395.6	4.2	Transportation	\$ 2,315.1	\$ 2,154.0	[\$ 161.1]	[7.5]	\$ 2,027.5	14.2
212.9	294.9	- 82.0	- 27.8	200.3	6.3	Supplies & Services	887.6	1,309.2	- 421.6	- 32.2	899.2	- 1.3
171.8	177.1	- 5.3	- 3.0	184.9	- 7.1	Depreciation	845.7	898.7	- 53.0	- 5.9	945.6	- 10.6
87.8	88.5	- 0.7	- 0.8	85.3	2.8	Rent	434.9	435.9	- 1.1	- 0.2	417.0	4.3
53.0	50.7	[2.3]	[4.6]	50.4	5.1	Fuel & Utilities	228.1	224.6	[3.6]	[1.6]	219.1	4.2
35.6	35.9	- 0.3	- 1.0	28.9	23.2	Rural Carrier Equip Maint Allowance	165.5	191.2	- 25.8	- 13.5	161.9	2.2
45.1	40.8	[4.3]	[10.5]	41.5	8.7	Vehicle Maintenance	226.8	196.8	[30.0]	[15.3]	194.0	17.0
26.4	26.9	- 0.6	- 2.1	39.2	- 32.7	Information Technology	123.9	205.2	- 81.2	- 39.6	183.2	- 32.3
19.3	19.1	[0.2]	[1.0]	18.3	5.2	Building Projects Expensed	102.9	87.9	[15.0]	[17.0]	95.9	7.3
6.7	6.5	[0.2]	[2.5]	5.1	31.3	Contract Job Cleaners	36.7	36.6	[0.1]	[0.3]	34.7	5.6
19.1	20.7	- 1.7	- 8.0	15.5	22.9	Travel & Relocation	84.4	78.8	[5.6]	[7.2]	75.4	11.9
18.3	18.8	- 0.5	- 2.6	15.5	18.3	Communications	88.1	91.7	- 3.6	- 3.9	87.2	1.1
6.3	6.0	[0.3]	[4.2]	4.8	29.9	Contract Stations	31.8	32.0	- 0.1	- 0.4	28.7	11.1
1.9	2.4	- 0.5	- 22.2	1.9	- 2.3	Printing	11.6	10.8	[0.8]	[7.2]	7.2	61.7
5.3	5.6	- 0.3	- 4.5	4.0	33.9	Training	20.6	26.1	- 5.5	- 21.2	15.4	33.7
2.1	3.0	- 0.9	- 28.3	2.6	- 19.0	Carfare & Tolls	11.8	15.0	- 3.2	- 21.3	11.8	0.1
1.0	1.9	- 0.9	- 46.0	1.9	- 44.9	Vehicle Hire	6.1	8.3	- 2.2	- 26.6	8.3	- 26.5
4.9	4.3	[0.7]	[15.4]	3.0	66.1	Accident Cost	22.9	22.2	[0.7]	[3.2]	19.3	18.8
7.5	18.5	- 11.1	- 59.7	13.5	- 44.6	Miscellaneous	105.0	125.7	- 20.8	- 16.5	103.5	1.4
\$ 1,137.1	\$ 1,221.6	- 84.5	- 6.9	\$ 1,112.2	2.2	Total Non-Personnel Expenses	\$ 5,749.5	\$ 6,150.7	\$ - 401.2	- 6.5	\$ 5,534.7	3.9

[]=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
February 2005 - FY 2005
(\$ Millions)

Assets	February 28, 2005	February 29, 2004	September 30, 2004*
Current Assets:			
Cash and cash equivalents _1/	\$ 1,088	\$ 309	\$ 877
Receivables:			
Foreign countries	680	634	621
U.S. Government	346	397	327
Other	193	203	187
Receivables before allowances	<u>1,219</u>	<u>1,234</u>	<u>1,135</u>
Less allowances	115	108	111
Total receivables, net	<u>1,104</u>	<u>1,126</u>	<u>1,024</u>
Supplies, advances and prepayments	<u>170</u>	<u>343</u>	<u>220</u>
Total Current Assets	2,362	1,778	2,121
Revenue forgone appropriations receivable	361	361	361
Property and Equipment, at Cost:			
Buildings	20,260	19,835	20,171
Equipment	17,859	17,295	17,277
Land	2,806	2,816	2,810
Leasehold improvements	1,122	1,101	1,103
	<u>42,047</u>	<u>41,047</u>	<u>41,361</u>
Less allowances for depreciation and amortization	<u>21,420</u>	<u>19,580</u>	<u>20,656</u>
	20,627	21,467	20,705
Construction in progress	<u>1,857</u>	<u>1,206</u>	<u>1,792</u>
Total property and equipment, net	<u>22,484</u>	<u>22,673</u>	<u>22,497</u>
Total Assets	<u>\$ 25,207</u>	<u>\$ 24,812</u>	<u>\$ 24,979</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
February 2005 - FY 2005
(\$ Millions)

Liabilities and Net Capital	February 28, 2005	February 29, 2004	September 30, 2004*
Current Liabilities:			
Compensation and benefits	\$ 2,180	\$ 2,492	\$ 2,640
Estimated prepaid postage	1,239	1,349	1,256
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,745	2,229	1,739
Foreign countries	795	784	778
U.S. government	59	91	87
Total payables and accrued expenses	<u>2,599</u>	<u>3,104</u>	<u>2,604</u>
Customer deposit accounts	1,652	1,487	1,606
Outstanding postal money orders	908	896	767
Prepaid box rent & other deferred revenue	403	386	397
Debt	-	2,062	1,800
Total Current Liabilities	<u>8,981</u>	<u>11,776</u>	<u>11,070</u>
Non-Current Liabilities:			
Workers' compensation	7,155	6,945	6,651
Employees' accumulated leave	2,031	1,854	2,006
Other	1,309	1,130	1,321
Total Other Non-Current Liabilities	<u>10,495</u>	<u>9,929</u>	<u>9,978</u>
Total Liabilities	19,476	21,705	21,048
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings since reorganization	2,697	73	897
Total Net Capital	<u>5,731</u>	<u>3,107</u>	<u>3,931</u>
Total Liabilities and Net Capital	<u>\$ 25,207</u>	<u>\$ 24,812</u>	<u>\$ 24,979</u>

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

* Audited year-end data.

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

STATEMENT OF CASH FLOWS
Fiscal Year 2005 through February 28, 2005
(\$ Millions)

	February 28, 2005	February 29, 2004	September 30, 2004*
Cash flows from operating activities:			
Net Income	\$ 1,801	\$ 2,241	\$ 3,065
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	840	930	2,145
Loss on disposals of property and equipment, net	7	15	71
Decrease in revenue forgone appropriations	-	4	4
Increase in USPS workers' compensation liability	504	621	343
Increase (decrease) in employees' accumulated leave	25	(78)	74
(Decrease) increase in other liabilities	(12)	(21)	170
Changes in current assets and liabilities:			
(Increase) decrease in receivables, net	(80)	65	167
Decrease in supplies, advances and prepayments	50	23	146
(Decrease) increase in compensation and benefits	(460)	(26)	106
(Decrease) in estimated prepaid postage	(17)	-	(93)
(Decrease) increase in payables and accrued expenses	(5)	(4)	(412)
Increase (decrease) in customers deposit accounts	46	(79)	40
Increase (decrease) in outstanding postal money orders	141	128	(1)
Increase (decrease) in prepaid box rent & other deferred revenue	6	(1)	10
Net cash provided by operating activities	2,846	3,818	5,835
Cash flows from investing activities:			
Purchase of property and equipment	(844)	(567)	(1,685)
Proceeds from sale of property and equipment	9	3	26
Net cash used in investing activities	(835)	(564)	(1,659)
Cash flows from financing activities:			
U.S. government appropriation - expended	-	-	(92)
Issuance of debt	-	-	-
Payments on debt	(1,800)	(5,211)	(5,473)
Net cash (used in) provided by financing activities	(1,800)	(5,211)	(5,565)
Net Increase (decrease) in cash and cash equivalents	211	(1,957)	(1,389)
Cash and cash equivalents at beginning of year	877	2,266	2,266
Cash and cash equivalents at end of period	\$ 1,088	\$ 309	\$ 877

* Audited year-end data.

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

CAPITAL INVESTMENTS
February 2005 - FY 2005
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 85.3	\$ 124.6	\$ 33.3	\$ 83.8	\$ 91.9	\$ 55.4
BUILDING IMPROVEMENTS	51.0	122.3	61.3	156.1	106.6	94.2
MAIL PROCESSING EQUIPMENT	85.7	110.3	53.1	278.8	386.4	224.2
VEHICLES	2.5	17.1	146.5	100.1	67.6	45.8
RETAIL EQUIPMENT	3.2	10.0	25.7	48.6	28.9	29.7
POSTAL SUPPORT EQUIPMENT	390.4	424.2	40.7	177.6	185.1	123.4
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 618.1	\$ 808.5	\$ 360.5	\$ 845.0	\$ 866.5	\$ 572.7

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	February 28, 2005	September 30, 2004
CONSTRUCTION AND BUILDING PURCHASE	\$ 191.2	\$ 192.0
BUILDING IMPROVEMENTS	272.5	380.5
MAIL PROCESSING EQUIPMENT	1,394.6	1,601.1
VEHICLES	22.4	126.0
RETAIL EQUIPMENT	49.1	94.9
POSTAL SUPPORT EQUIPMENT	610.6	413.9
TOTAL RESOURCES ON ORDER	\$ 2,540.4	\$ 2,808.4

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

February 2005 - FY 2005

(Data in Thousands)

Current Period					Total Workhours	Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
737	[34]	[4.9]	719	2.5	Operations:	3,728	[70]	[1.9]	3,635	2.6
25,687	[291]	[1.1]	26,523	- 3.2	-Support	144,368	[2,986]	[2.1]	146,005	- 1.1
13,491	[247]	[1.9]	12,865	4.9	-Mail Processing	72,271	[929]	[1.3]	69,543	3.9
35,808	[591]	[1.7]	35,573	0.7	-Rural Delivery	194,078	[3,373]	[1.8]	192,014	1.1
2,449	- 10	- 0.4	2,496	- 1.9	-City Delivery	13,210	- 28	- 0.2	13,295	- 0.6
6,257	- 157	- 2.4	6,454	- 3.0	-Vehicles Services	33,334	- 875	- 2.6	33,830	- 1.5
17,925	[269]	[1.5]	18,115	- 1.0	-Plant & Equip Maint	97,704	[2,110]	[2.2]	97,094	0.6
381	- 62	- 14.0	378	0.8	-Customer Services	1,994	- 300	- 13.1	2,012	- 0.9
690	[23]	[3.4]	680	1.4	Finance	3,569	[71]	[2.0]	3,555	0.4
1,048	- 26	- 2.4	1,158	- 9.5	Human Resources	5,508	- 158	- 2.8	6,050	- 8.9
5,234	[178]	[3.5]	5,406	- 3.2	Customer Service & Sales	27,437	[672]	[2.5]	27,458	- 0.1
1,967	- 249	- 11.2	2,293	- 14.2	Administration	10,305	- 890	- 8.0	12,804	- 19.5
111,675	[1,129]	[1.0]	112,660	- 0.9	Other					
					Total Workhours	607,507	[7,960]	[1.3]	607,295	0.0

Overtime			Overtime Ratio Per 100 Workhours		
Actual	Budget	SPLY	Actual	Budget	SPLY

10.5% 8.3% 9.4% 11.2% 8.5% 9.7%

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

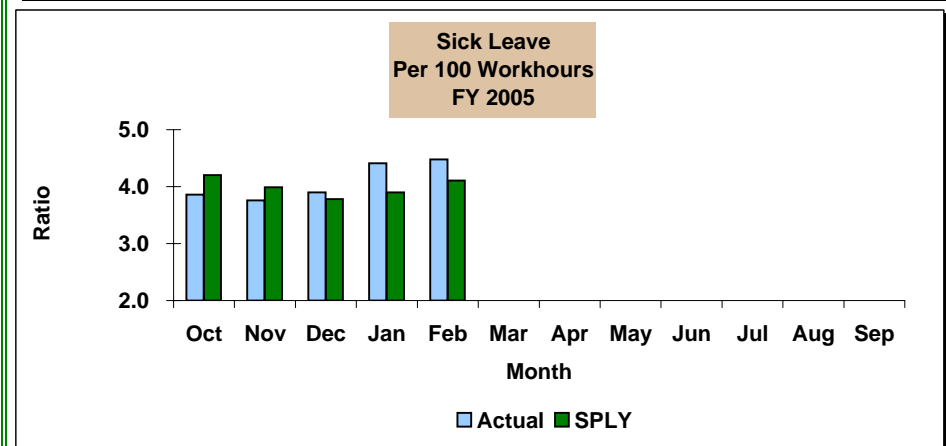
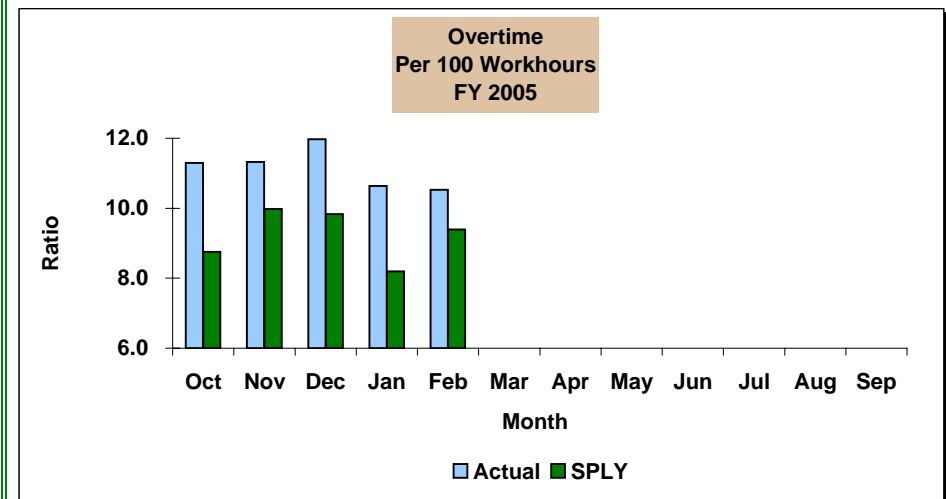
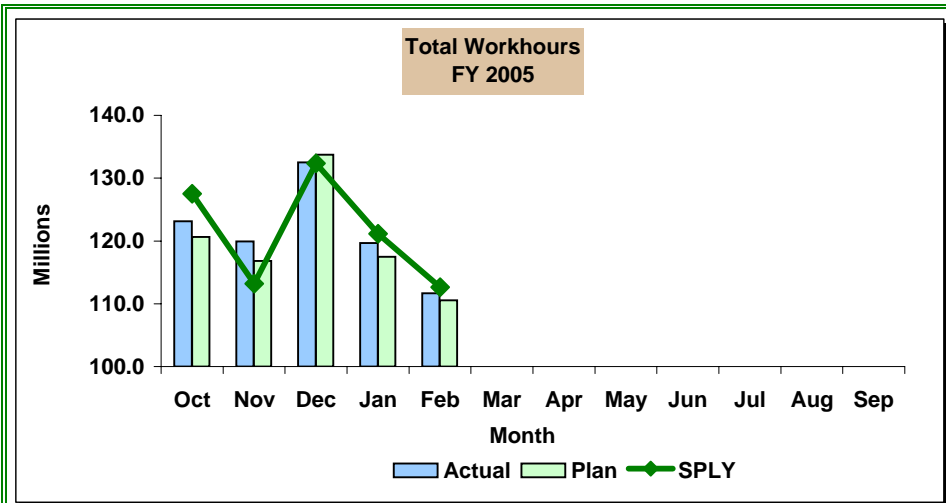
4.5% 4.1% 4.1% 4.3%

[]=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.



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

February 2005 - FY 2005

Information: Although February 2005 contained one less day than last year (leap year), there was no major business impact because the extra day last year was a Sunday.

Analysis of the Financial and Operating Statements

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

For February, Total Revenue was \$88 million or 1.7% over plan. Commercial Revenue was over plan by \$28 million or 0.7% and Retail Revenue was over plan \$51 million or 3.9%. In February, Total Revenue was \$11 million or 0.2% over same period last year (SPLY). Combined Commercial Revenue and Retail Revenue were \$4 million more than SPLY. Permit Imprint Revenue for February was 4.5% (\$58 million) greater than SPLY.

Year-to-date (YTD), Total Revenue is \$809 million or 2.8% over plan with the largest contributor being Permit Revenue at \$793 million more than plan. However, Other Commercial Accounts is \$273 million or 3.0% less than plan negatively impacting the Total Revenue performance to plan. YTD Total Revenue is \$520 million over SPLY.

Beginning in FY 2005, money order escheatments are being reported on a monthly basis as opposed to reporting them on an annual basis at the end of year. This month's money order escheatments were \$3 million. YTD, they are \$18 million.

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

For February, Total Expenses were \$37 million or 0.7% below plan. Personnel costs were \$48 million or 1.2% above plan. Non-personnel costs were below plan by \$85 million or 6.9%, absorbing overruns in transportation costs caused by increased jet fuel prices. Transportation costs at \$12 million above plan were more than offset by reductions in Supplies and Services, \$82 million below plan. Total Expenses were \$156 million or 3.0% above SPLY during February.

Year-to-date, personnel costs are \$150 million or 0.7% over plan and non-personnel expenses are \$401 million below plan. The largest contributor to the non-personnel plan underrun is Supplies & Services at \$422 million below. Some of this underrun (YTD and in February) is due to deferral of some planned spending to future months. Transformation Plan initiatives, Supply Chain Management, and other cost containment initiatives are continuing to drive most of our savings. Non-personnel expense cost containment activities have assisted in offsetting cost increases in personnel compensation, which has resulted in a \$253 million below plan YTD savings in Total Expense. YTD Total Expenses are \$960 million or 3.5% above SPLY.

February 2005 - FY 2005

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for February, FY 2005 was 143 million pieces or 0.9% above SPLY. While First-Class Mail, Periodicals, Package Services and International Mail were below SPLY, Priority Mail, Express Mail and Standard Mail were above SPLY levels. Standard Mail volumes were 299 million pieces above SPLY.

Year-to-date, Total Mail Volume is 3.3% or 2.9 billion pieces above SPLY. Over 2.4 billion of the 2.9 billion piece increase occurred in November. The most significant mail volume increase above SPLY for February FY 2005 YTD is in the lower revenue-per-piece Standard Mail category, which increased 2.7 billion pieces or 6.9%. YTD, First-Class Mail volume is 0.3% more than SPLY, but the revenue generated is \$106 million or 0.7% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2005 Capital Commitments YTD through February, 2005 are \$618 million compared to a plan of \$809 million. This represents a plan underrun of about \$190 million or 23.6%.

The Cash Outlays YTD are \$845 million versus a plan of \$867 million, representing a \$22 million underrun to plan.

Workhours - Pages 1, 14 and 15

Total Workhours for February 2005 were 1.1 million hours or 1.0% above plan and 0.9% below February 2004. The City Delivery and Rural Delivery operations posted the most significant workhour growth to SPLY, 0.2 million hours and 0.6 million hours, respectively. Conversely, Other Workhours and Mail Processing workhours combined were 1.2 million less than SPLY.

Total Workhours for February 2005 YTD are 8.0 million hours or 1.3% above plan and 0.2 million hours above SPLY. The most significant plan overruns lie in City Delivery, 3.4 million hours; Mail Processing, 3.0 million hours; and Customer Services, 2.1 million hours. This increase in workhours is a reflection of growth in mail volume. YTD, major contributors to the workhours growth to SPLY are City Delivery and Rural Delivery workhours. Combined, these operations are 4.8 million hours above SPLY.