



***UNITED STATES
POSTAL SERVICE***

FINANCIAL & OPERATING STATEMENTS

January, FY 2005

January 1 – January 31, 2005

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
January 2005 - FY 2005
(Millions)

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

Year-to-Date (October 1, 2004 - January 31, 2005)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY

\$ 5,815.4	\$ 5,723.0	\$ 92.4	1.6	\$ 5,862.7	- 0.8	Total Revenue	\$ 24,602.0	\$ 23,893.5	\$ 708.5	3.0	\$ 24,102.3	2.1
<u>5,672.8</u>	<u>5,795.0</u>	<u>- 122.2</u>	- 2.1	<u>5,572.9</u>	1.8	Total Expense	<u>22,810.2</u>	<u>23,041.5</u>	<u>- 231.3</u>	- 1.0	<u>22,002.0</u>	3.7
\$ 142.6	\$ - 72.0	\$ 214.6	-	\$ 289.8	-	Net Income/(Loss)	\$ 1,791.8	\$ 852.0	\$ 939.8	-	\$ 2,100.3	-
\$ 106.4	\$ 128.2	[\$ - 21.8]	[- 17.0]	\$ 93.0	14.4	Capital Commitments	\$ 528.4	\$ 655.9	[\$ - 127.5]	[- 19.4]	\$ 304.7	73.4
119.7	117.5	[2.2]	[1.9]	121.1	- 1.2	Total Workhours	495.7	489.0	[6.6]	[1.4]	494.5	0.2

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

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,495	27,499	27,635
Postal Owned Vehicles In Use			
Administrative	5,752	5,742	5,504
Operations	206,703	206,813	206,626
Total Deliveries (000) *	142,969	142,816	141,186
City Delivery Routes	164,607	164,545	164,634
Rural Routes	71,278	71,180	69,950
Career Employees (Excludes Inspector General)	702,291	705,363	716,721
Casual Employees	21,898	20,283	19,743
Transitional Employees	10,087	10,779	10,694

* At the end of FY 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 FY 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.

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

STATEMENT OF INCOME & EXPENSE
January 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
\$ 5,809.6	\$ 5,719.4	\$ 90.2	1.6	\$ 5,859.9	-0.9	\$ 24,585.5	\$ 23,881.7	\$ 703.8	2.9	\$ 24,091.3	2.1
<u>5,654.7</u>	<u>5,776.6</u>	<u>- 121.9</u>	-2.1	<u>5,572.1</u>	1.5	<u>22,736.3</u>	<u>22,966.5</u>	<u>- 230.2</u>	-1.0	<u>21,992.2</u>	3.4
\$ 154.9	\$ - 57.2	\$ 212.1	-	\$ 287.8	-	\$ 1,849.2	\$ 915.2	\$ 934.0	-	\$ 2,099.1	-
5.8	3.6	2.2	61.1	2.8	107.1	16.5	11.8	4.7	39.8	11.0	50.0
0.0	0.3	- 0.3	-100.0	0.8	-100.0	1.5	2.6	- 1.1	- 42.3	9.8	- 84.7
<u>18.1</u>	<u>18.1</u>	<u>-</u>	-	<u>-</u>	-	<u>72.4</u>	<u>72.4</u>	<u>-</u>	-	<u>-</u>	-
\$ 142.6	\$ - 72.0	\$ 214.6	-	\$ 289.8	-	\$ 1,791.8	\$ 852.0	\$ 939.8	-	\$ 2,100.3	-

[]=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		
	January FY 2005	January FY 2004	% SPLY	January FY 2005	January FY 2004	% SPLY
FIRST-CLASS						
VOLUME	8,622,693	8,912,205	- 3.2	35,050,900	34,799,907	0.7
REVENUE	\$ 3,147,439	\$ 3,273,415	- 3.8	\$ 12,895,428	\$ 12,935,047	- 0.3
REV/PC.	\$ 0.3650	\$ 0.3673	- 0.6	\$ 0.3679	\$ 0.3717	- 1.0
PRIORITY-MAIL						
VOLUME	70,329	68,227	3.1	309,946	302,147	2.6
REVENUE	\$ 367,969	\$ 351,043	4.8	\$ 1,661,946	\$ 1,623,573	2.4
REV/PC.	\$ 5.2321	\$ 5.1452	1.7	\$ 5.3621	\$ 5.3735	- 0.2
EXPRESS MAIL						
VOLUME	4,334	4,318	0.4	17,851	17,750	0.6
REVENUE	\$ 67,770	\$ 67,681	0.1	\$ 285,285	\$ 284,531	0.3
REV/PC.	\$ 15.6368	\$ 15.6742	- 0.2	\$ 15.9815	\$ 16.0299	- 0.3
PERIODICALS						
VOLUME	689,045	715,259	- 3.7	3,029,214	3,031,441	- 0.1
REVENUE	\$ 161,352	\$ 165,116	- 2.3	\$ 724,837	\$ 727,141	- 0.3
REV/PC.	\$ 0.2342	\$ 0.2308	1.4	\$ 0.2393	\$ 0.2399	- 0.2
STANDARD MAIL						
VOLUME	7,767,123	7,638,392	1.7	34,721,495	32,302,049	7.5
REVENUE	\$ 1,462,695	\$ 1,448,653	1.0	\$ 6,516,596	\$ 6,134,583	6.2
REV/PC.	\$ 0.1883	\$ 0.1897	- 0.7	\$ 0.1877	\$ 0.1899	- 1.2
PACKAGE SERVICES						
VOLUME	101,787	96,174	5.8	416,472	415,244	0.3
REVENUE	\$ 192,969	\$ 189,768	1.7	\$ 838,908	\$ 848,694	- 1.2
REV/PC.	\$ 1.8958	\$ 1.9732	- 3.9	\$ 2.0143	\$ 2.0438	- 1.4
INTERNATIONAL						
VOLUME	68,091	66,699	2.1	317,185	308,810	2.7
REVENUE	\$ 147,399	\$ 147,684	- 0.2	\$ 654,906	\$ 622,883	5.1
REV/PC.	\$ 2.1647	\$ 2.2142	- 2.2	\$ 2.0647	\$ 2.0170	2.4
ALL OTHER						
VOLUME	49,671	49,488	0.4	269,020	193,370	39.1
REVENUE	\$ 105	\$ 69	52.4	\$ 292	\$ 228	27.8
ALL MAIL						
VOLUME	17,373,073	17,550,761	- 1.0	74,132,082	71,370,718	3.9
REVENUE	\$ 5,547,699	\$ 5,643,429	- 1.7	\$ 23,578,199	\$ 23,176,680	1.7
REV/PC.	\$ 0.3193	\$ 0.3215	- 0.7	\$ 0.3181	\$ 0.3247	- 2.1

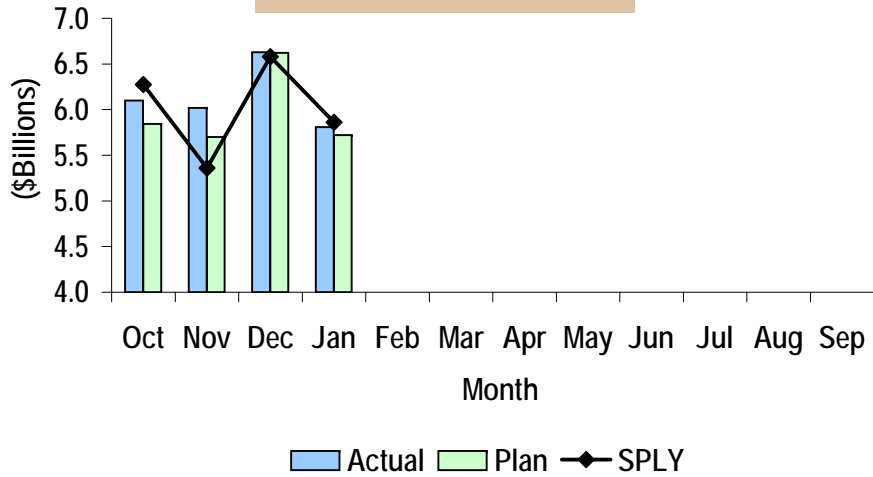
NOTE: Totals may not sum due to rounding.

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

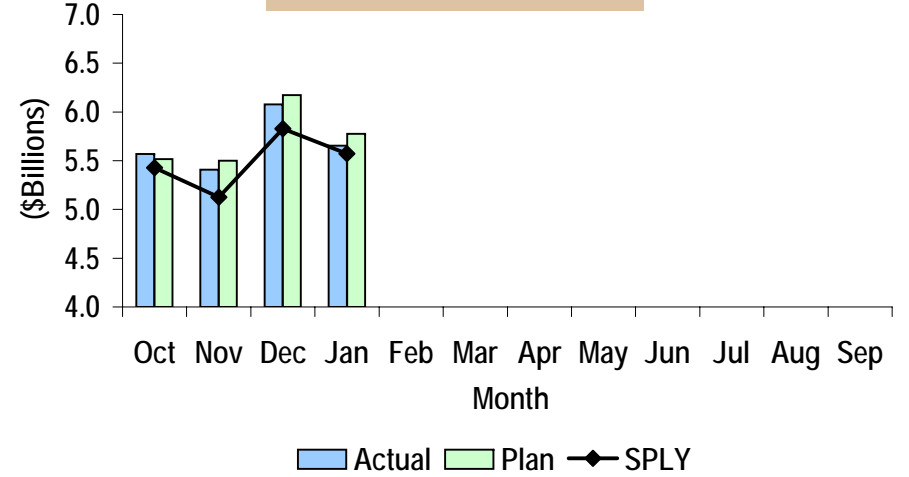
Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31). In order to provide a basis for comparison, FY 2004 data have been recast to reflect these reporting changes. The recast of FY 2004 data uses representative 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.

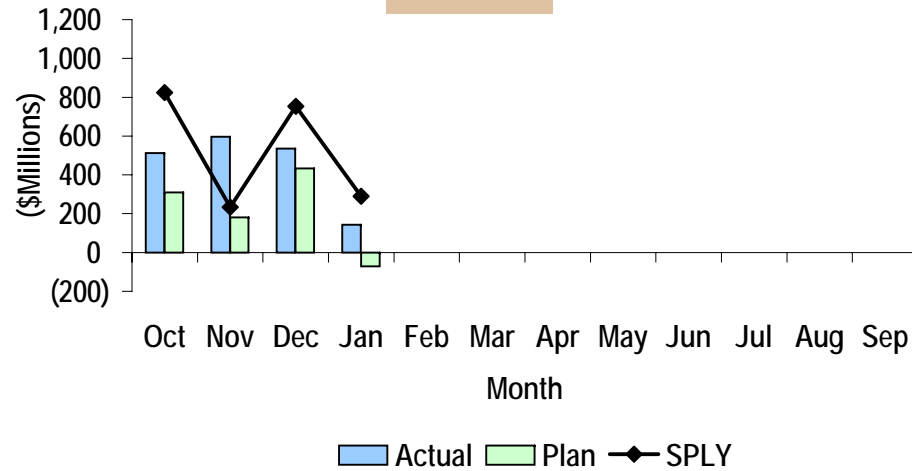
**TOTAL OPERATING REVENUE
FY 2005**



**TOTAL OPERATING EXPENSE
FY 2005**



**NET INCOME
FY 2005**



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

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

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
\$ 2,175.9	\$ 2,230.6	- 2.5	Operating Revenue:	\$ 8,615.0	\$ 8,725.3	- 1.3
			Metered Postage			
859.9	915.2	- 6.0	Stamps and Stamped Paper	4,177.4	4,256.9	- 1.9
1,368.9	1,345.7	1.7	Permit Imprint	6,108.0	5,719.4	6.8
159.7	163.3	- 2.2	Periodicals & Standard	718.0	720.1	- 0.3
77.6	98.2	- 21.0	Official Mail	294.4	316.0	- 6.8
912.9	852.4	7.1	Presort First-Class & Package Svc./Permit Imprint	3,647.7	3,354.1	8.8
68.7	70.8	- 3.0	Box Rents	266.0	259.9	2.3
17.6	14.8	18.9	Money Order Fees	70.8	59.6	18.8
<u>162.5</u>	<u>165.9</u>	- 2.0	Other	<u>664.6</u>	<u>667.8</u>	- 0.5
\$ 5,803.7	\$ 5,856.9	- 0.9	Subtotal	\$ 24,561.9	\$ 24,079.1	2.0
<u>5.9</u>	<u>3.0</u>	96.7	Government Appropriation	<u>23.6</u>	<u>12.2</u>	93.4
\$ 5,809.6	\$ 5,859.9	- 0.9	Total Operating Revenue	\$ 24,585.5	\$ 24,091.3	2.1
<u>5.8</u>	<u>2.8</u>	107.1	Investment Income	<u>16.5</u>	<u>11.0</u>	50.0
\$ 5,815.4	\$ 5,862.7	- 0.8	Total Revenue	\$ 24,602.0	\$ 24,102.3	2.1

Note: Totals may not sum due to rounding.

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

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

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
\$ 2,502.6	\$ 2,428.5	3.1	Commercial Revenue	\$ 10,731.1	\$ 10,033.3	7.0
			Permit Revenue			
<u>1,900.5</u>	<u>1,911.6</u>	[-0.6]	Other Commercial Accounts Revenue	<u>7,248.1</u>	<u>7,453.6</u>	[-2.8]
\$ 4,403.1	\$ 4,340.1	1.5	Total Commercial Revenue	\$ 17,979.2	\$ 17,486.9	2.8
			Retail Revenue			
1,069.7	1,055.6	1.3	Retail Postage Revenue	5,102.1	5,000.3	2.0
100.6	90.3	11.4	Retail Services Revenue	381.3	384.9	[-0.9]
15.5	14.4	7.6	Retail Products Revenue	73.7	66.7	10.5
<u>179.0</u>	<u>172.6</u>	3.7	Other Retail Channels Revenue	<u>862.5</u>	<u>752.2</u>	14.7
\$ 1,364.8	\$ 1,332.9	2.4	Total Retail Revenue	\$ 6,419.6	\$ 6,204.1	3.5
\$ 5,767.9	\$ 5,673.0	1.7	Total Commercial & Retail Revenue	\$ 24,398.8	\$ 23,691.0	3.0
35.8	41.3	[-13.3]	Other Income	163.1	170.1	[-4.1]
<u>5.9</u>	<u>5.1</u>	15.7	Government Appropriation	<u>23.6</u>	<u>20.6</u>	14.6
\$ 5,809.6	\$ 5,719.4	1.6	Total Operating Revenue	\$ 24,585.5	\$ 23,881.7	2.9
<u>5.8</u>	<u>3.6</u>	61.1	Investment Income	<u>16.5</u>	<u>11.8</u>	39.8
\$ 5,815.4	\$ 5,723.0	1.6	Total Revenue	\$ 24,602.0	\$ 23,893.5	3.0

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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EXPENSE ANALYSIS
January 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	
\$ 4,488.4	\$ 4,555.1	\$ - 66.7	- 1.5	\$ 4,444.9	1.0	Personnel Compensation	\$ 18,128.7	\$ 18,139.2	\$ - 10.5	- 0.1	\$ 17,583.9	3.1
						Non-Personnel Expense:						
470.8	475.4	- 4.6	- 1.0	433.2	8.7	Transportation	1,907.5	1,764.4	[143.1]	[8.1]	1,621.7	17.6
196.8	227.2	- 30.4	- 13.4	187.5	5.0	Supplies & Services	675.4	901.9	- 226.5	- 25.1	698.8	- 3.3
<u>498.7</u>	<u>518.9</u>	<u>- 20.2</u>	- 3.9	<u>506.5</u>	- 1.5	Other	<u>2,024.7</u>	<u>2,161.0</u>	<u>- 136.3</u>	- 6.3	<u>2,087.8</u>	- 3.0
\$ 1,166.3	\$ 1,221.5	\$ - 55.2	- 4.5	\$ 1,127.2	3.5	Subtotal	\$ 4,607.6	\$ 4,827.3	\$ - 219.7	- 4.6	\$ 4,408.3	4.5
\$ 5,654.7	\$ 5,776.6	\$ - 121.9	- 2.1	\$ 5,572.1	1.5	Total Operating Expense	\$ 22,736.3	\$ 22,966.5	\$ - 230.2	- 1.0	\$ 21,992.2	3.4
0.0	0.3	- 0.3	- 100.0	0.8	- 100.0	Interest Expense	1.5	2.6	- 1.1	- 42.3	9.8	- 84.7
<u>18.1</u>	<u>18.1</u>	<u>-</u>	-	<u>-</u>	NM	Interest on Deferred Retirement Costs	<u>72.4</u>	<u>72.4</u>	<u>-</u>	-	<u>-</u>	NM
\$ 5,672.8	\$ 5,795.0	\$ - 122.2	- 2.1	\$ 5,572.9	1.8	Total Expense	\$ 22,810.2	\$ 23,041.5	\$ - 231.3	- 1.0	\$ 22,002.0	3.7

[]=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
January 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
						Operations:					
\$ 33.6	\$ 33.2	[\$ 0.3]	[1.0]	\$ 31.5	6.6	\$ 131.2	\$ 128.5	[\$ 2.7]	[2.1]	\$ 123.2	6.5
973.9	959.8	[14.1]	[1.5]	975.4	-0.2	3,972.9	3,945.3	[27.6]	[0.7]	3,897.8	1.9
406.6	409.4	- 2.8	- 0.7	396.2	2.6	1,664.4	1,661.3	[3.1]	[0.2]	1,555.7	7.0
1,375.2	1,351.4	[23.8]	[1.8]	1,369.7	0.4	5,608.9	5,513.1	[95.8]	[1.7]	5,362.6	4.6
98.3	98.6	- 0.3	- 0.3	97.8	0.5	400.4	400.5	- 0.1	- 0.0	386.5	3.6
251.2	253.1	- 1.9	- 0.7	247.2	1.6	1,002.7	1,021.3	- 18.6	- 1.8	967.8	3.6
663.4	652.3	[11.1]	[1.7]	656.7	1.0	2,725.8	2,682.6	[43.2]	[1.6]	2,621.0	4.0
17.2	19.0	- 1.8	- 9.5	16.9	2.1	67.8	76.3	- 8.4	- 11.0	66.3	2.3
31.3	31.4	- 0.0	- 0.1	30.1	4.2	121.9	120.6	[1.3]	[1.1]	116.5	4.6
42.2	43.9	- 1.6	- 3.7	46.3	- 8.7	169.1	173.4	- 4.3	- 2.5	182.8	- 7.4
209.0	204.8	[4.1]	[2.0]	196.8	6.2	822.1	812.4	[9.6]	[1.2]	790.7	4.0
116.8	197.8	- 81.0	- 41.0	114.3	2.2	445.0	574.5	- 129.6	- 22.6	492.7	- 9.7
\$ 4,218.8	\$ 4,254.7	\$ - 35.9	- 0.8	\$ 4,178.8	1.0	\$ 17,132.2	\$ 17,109.9	[\$ 22.3]	[0.1]	\$ 16,563.7	3.4
95.6	107.9	- 12.3	- 11.4	123.9	- 22.8	408.1	431.7	- 23.6	- 5.5	495.9	- 17.7
5.4	5.4	[0.0]	[0.4]	7.1	- 23.5	19.0	18.9	[0.1]	[0.4]	28.3	- 33.0
1.9	1.9	0.0	0.0	0.0	NM	7.6	7.6	0.0	0.0	0.0	NM
125.4	129.7	- 4.2	- 3.3	110.2	13.8	479.1	476.7	[2.4]	[0.5]	440.7	8.7
41.2	55.5	- 14.3	- 25.7	24.9	65.5	82.7	94.4	- 11.6	- 12.3	55.3	49.6
\$ 4,488.4	\$ 4,555.1	\$ - 66.7	- 1.5	\$ 4,444.9	1.0	\$ 18,128.7	\$ 18,139.2	\$ - 10.5	- 0.1	\$ 17,583.9	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
January 2005 - FY 2005
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY	% SPLY
\$ 470.8	\$ 475.4	\$ -4.6	-1.0	\$ 433.2	8.7	Transportation	\$ 1,907.5	\$ 1,764.4	[\$ 143.1]	[8.1]	\$ 1,621.7	17.6
196.8	227.2	-30.4	-13.4	187.5	5.0	Supplies & Services	675.4	901.9	-226.5	-25.1	698.8	-3.3
167.3	178.1	-10.8	-6.1	181.0	-7.6	Depreciation	669.7	721.7	-52.0	-7.2	760.1	-11.9
88.4	88.1	[0.3]	[0.4]	84.4	4.7	Rent	347.1	347.8	-0.7	-0.2	331.2	4.8
51.0	48.2	[2.8]	[5.9]	47.9	6.5	Fuel & Utilities	175.1	174.0	[1.1]	[0.6]	169.6	3.3
30.9	34.7	-3.9	-11.1	27.9	10.5	Rural Carrier Equip Maint Allowance	129.8	155.2	-25.4	-16.3	133.0	-2.4
44.0	39.7	[4.4]	[11.0]	38.7	13.7	Vehicle Maintenance	181.7	155.7	[26.0]	[16.7]	152.5	19.2
27.4	25.3	[2.1]	[8.5]	28.9	-4.9	Information Technology	97.9	178.0	-80.1	-45.0	144.3	-32.2
17.1	16.7	[0.3]	[2.0]	16.6	2.6	Building Projects Expensed	83.5	68.1	[15.5]	[22.7]	77.5	7.8
9.2	7.4	[1.8]	[24.0]	6.8	34.8	Contract Job Cleaners	29.8	30.0	-0.2	-0.8	28.5	4.5
11.9	14.4	-2.5	-17.2	13.4	-11.0	Travel & Relocation	65.3	58.4	[7.0]	[11.9]	59.9	9.0
17.8	18.7	-0.9	-4.9	16.6	6.9	Communications	69.6	73.2	-3.6	-4.9	71.0	-1.9
7.2	6.9	[0.3]	[4.7]	6.5	11.4	Contract Stations	25.6	26.0	-0.4	-1.6	23.8	7.5
1.8	2.4	-0.6	-24.0	1.6	12.7	Printing	9.8	8.5	[1.3]	[15.5]	5.3	84.8
3.8	5.3	-1.5	-27.6	3.5	10.4	Training	15.2	20.6	-5.4	-26.1	11.3	34.4
2.2	3.3	-1.1	-32.5	3.3	-31.9	Carfare & Tolls	9.5	12.2	-2.7	-22.0	9.2	2.9
1.0	1.7	-0.7	-39.1	1.5	-29.3	Vehicle Hire	4.8	6.4	-1.6	-25.0	6.4	-25.1
4.6	4.7	-0.1	-1.5	4.7	-0.8	Accident Cost	18.0	17.5	[0.6]	[3.3]	16.5	9.4
12.9	23.3	-10.4	-44.6	23.2	-44.4	Miscellaneous	92.4	108.0	-15.6	-14.4	87.7	5.3
\$ 1,166.3	\$ 1,221.5	\$ -55.2	-4.5	\$ 1,127.2	3.5	Total Non-Personnel Expenses	\$ 4,607.6	\$ 4,827.3	\$ -219.7	-4.6	\$ 4,408.3	4.5

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

Assets	January 31, 2005	January 31, 2004	September 30, 2004*
Current Assets:			
Cash and cash equivalents _1/	\$ 1,080	\$ 348	\$ 877
Receivables:			
Foreign countries	678	755	621
U.S. Government	308	384	327
Other	<u>177</u>	<u>199</u>	<u>187</u>
Receivables before allowances	1,163	1,338	1,135
Less allowances	<u>114</u>	<u>106</u>	<u>111</u>
Total receivables, net	1,049	1,232	1,024
Supplies, advances and prepayments	<u>172</u>	<u>344</u>	<u>220</u>
Total Current Assets	2,301	1,924	2,121
Revenue forgone appropriations receivable	361	361	361
Property and Equipment, at Cost:			
Buildings	20,237	19,806	20,171
Equipment	17,630	17,298	17,277
Land	2,807	2,815	2,810
Leasehold improvements	<u>1,111</u>	<u>1,073</u>	<u>1,103</u>
	41,785	40,992	41,361
Less allowances for depreciation and amortization	<u>21,264</u>	<u>19,376</u>	<u>20,656</u>
	20,521	21,616	20,705
Construction in progress	<u>2,041</u>	<u>1,157</u>	<u>1,792</u>
Total property, plant and equipment, net	22,562	22,773	22,497
Total Assets	<u>\$ 25,224</u>	<u>\$ 25,058</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

January 2005 - FY 2005

(\$ Millions)

Liabilities and Net Capital	January 31, 2005	January 31, 2004	September 30, 2004*
Current Liabilities:			
Compensation and benefits	\$ 2,405	\$ 2,482	\$ 2,640
Estimated prepaid postage	1,242	1,349	1,256
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,782	2,279	1,739
Foreign countries	782	960	778
U.S. government	<u>68</u>	<u>114</u>	<u>87</u>
Total payables and accrued expenses	2,632	3,353	2,604
Customer deposit accounts	1,665	1,442	1,606
Outstanding postal money orders	870	895	767
Prepaid box rent & other deferred revenue	388	360	397
Debt	<u>-</u>	<u>2,533</u>	<u>1,800</u>
Total Current Liabilities	9,202	12,414	11,070
Non-Current Liabilities:			
Workers' compensation	7,059	6,821	6,651
Employees' accumulated leave	1,922	1,959	2,006
Other	<u>1,318</u>	<u>898</u>	<u>1,321</u>
Total Other Non-Current Liabilities	10,299	9,678	9,978
Total Liabilities	19,501	22,092	21,048
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings (deficit) since reorganization	<u>2,689</u>	<u>(68)</u>	<u>897</u>
Total Net Capital	5,723	2,966	3,931
Total Liabilities and Net Capital	<u>\$ 25,224</u>	<u>\$ 25,058</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 January 31, 2005
(\$ Millions)

	January 31, 2005	January 31, 2004	September 30, 2004*
Cash flows from operating activities:			
Net Income	\$ 1,792	\$ 2,100	\$ 3,065
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	665	749	2,145
Loss on disposals of property and equipment, net	7	10	71
Decrease in revenue forgone appropriations	-	4	4
Increase in USPS workers' compensation liability	408	497	343
(Decrease) increase in employees' accumulated leave	(84)	27	74
(Decrease) in other liabilities	(3)	(253)	170
Changes in current assets and liabilities:			
(Increase) decrease in receivables, net	(25)	(41)	167
Decrease in supplies, advances and prepayments	48	22	146
(Decrease) increase in compensation and benefits	(235)	(36)	106
(Decrease) in estimated prepaid postage	(14)	-	(93)
Increase (decrease) in payables and accrued expenses	28	245	(412)
Increase (decrease) in customers deposits accounts	59	(124)	40
Increase (decrease) in outstanding postal money orders	103	127	(1)
(Decrease) increase in prepaid box rent & other deferred revenue	(9)	(27)	10
Net cash provided by operating activities	2,740	3,300	5,835
Cash flows from investing activities:			
Purchase of property and equipment	(740)	(478)	(1,685)
Proceeds from sale of property and equipment	3	-	26
Net cash used in investing activities	(737)	(478)	(1,659)
Cash flows from financing activities:			
U.S. government appropriation - expended	-	-	(92)
Issuance of debt	-	-	-
Payments on debt	(1,800)	(4,740)	(5,473)
Net cash (used in) provided by financing activities	(1,800)	(4,740)	(5,565)
Net Increase (decrease) in cash and cash equivalents	203	(1,918)	(1,389)
Cash and cash equivalents at beginning of year	877	2,266	2,266
Cash and cash equivalents at end of period	\$ 1,080	\$ 348	\$ 877

* Audited year-end data.

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

CAPITAL INVESTMENTS
January 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	\$ 36.4	\$ 83.5	\$ 18.7	\$ 76.1	\$ 71.8	\$ 46.3
BUILDING IMPROVEMENTS	39.2	83.1	46.3	129.1	92.8	77.6
MAIL PROCESSING EQUIPMENT	65.5	58.7	41.8	241.3	320.2	186.3
VEHICLES	2.0	11.0	145.0	84.5	60.5	36.2
RETAIL EQUIPMENT	3.6	8.0	25.8	45.7	25.3	23.2
POSTAL SUPPORT EQUIPMENT	381.8	411.6	27.1	163.3	157.6	110.9
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 528.4	\$ 655.9	\$ 304.7	\$ 740.0	\$ 728.2	\$ 480.5

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	January 31, 2005	September 30, 2004
CONSTRUCTION AND BUILDING PURCHASE	\$ 150.6	\$ 192.0
BUILDING IMPROVEMENTS	288.9	380.5
MAIL PROCESSING EQUIPMENT	1,387.0	1,601.1
VEHICLES	45.5	126.0
RETAIL EQUIPMENT	52.8	94.9
POSTAL SUPPORT EQUIPMENT	630.7	413.9
TOTAL RESOURCES ON ORDER	\$ 2,555.5	\$ 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
 January 2005 - FY 2005
 (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>					
751	[16]	[2.1]	718	4.7	Operations:	2,989	[34]	[1.1]	2,932	1.9
28,313	[805]	[2.9]	28,655	- 1.2	-Support	118,632	[2,693]	[2.3]	119,457	- 0.7
14,036	[24]	[0.2]	14,344	- 2.1	-Mail Processing	58,770	[648]	[1.1]	56,664	3.7
38,269	[859]	[2.3]	38,799	- 1.4	-Rural Delivery	158,211	[2,681]	[1.7]	156,401	1.2
2,624	[12]	[0.5]	2,651	- 1.0	-City Delivery	10,760	- 12	- 0.1	10,797	- 0.3
6,764	- 30	- 0.4	6,799	- 0.5	-Vehicles Services	27,074	- 720	- 2.6	27,373	- 1.1
19,160	[528]	[2.8]	19,243	- 0.4	-Plant & Equip Maint	79,731	[1,797]	[2.3]	78,921	1.0
403	- 58	- 12.6	400	0.8	-Customer Services	1,614	- 237	- 12.8	1,635	- 1.2
727	[26]	[3.8]	701	3.7	Finance	2,891	[60]	[2.1]	2,872	0.7
1,109	- 26	- 2.3	1,199	- 7.6	Human Resources	4,460	- 131	- 2.9	4,891	- 8.8
5,444	[184]	[3.5]	5,271	3.3	Customer Service & Sales	22,200	[485]	[2.2]	22,030	0.8
2,073	- 161	- 7.2	2,365	- 12.4	Administration	8,331	- 658	- 7.3	10,565	- 21.1
119,673	[2,180]	[1.9]	121,145	- 1.2	Other	495,664	[6,640]	[1.4]	494,537	0.2
					<u>Total Workhours</u>					

Overtime								
Actual	Budget	SPLY				Actual	Budget	SPLY
10.6%	8.3%	8.2%	Overtime Ratio Per 100 Workhours			11.3%	8.6%	9.7%

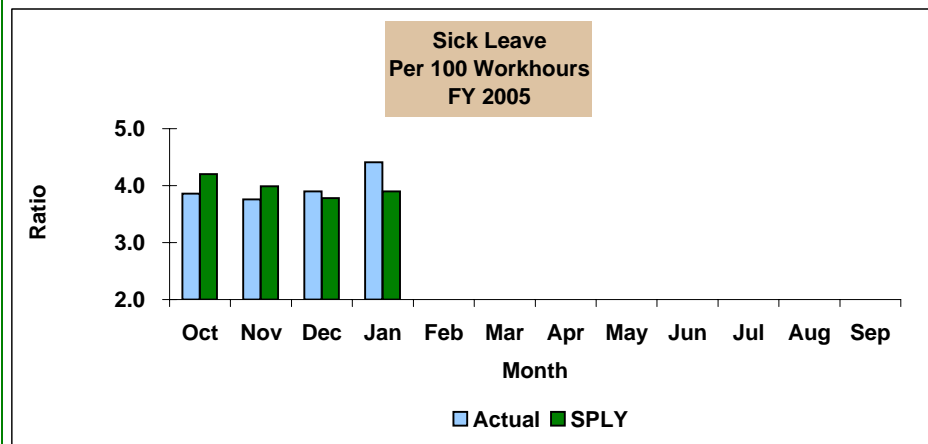
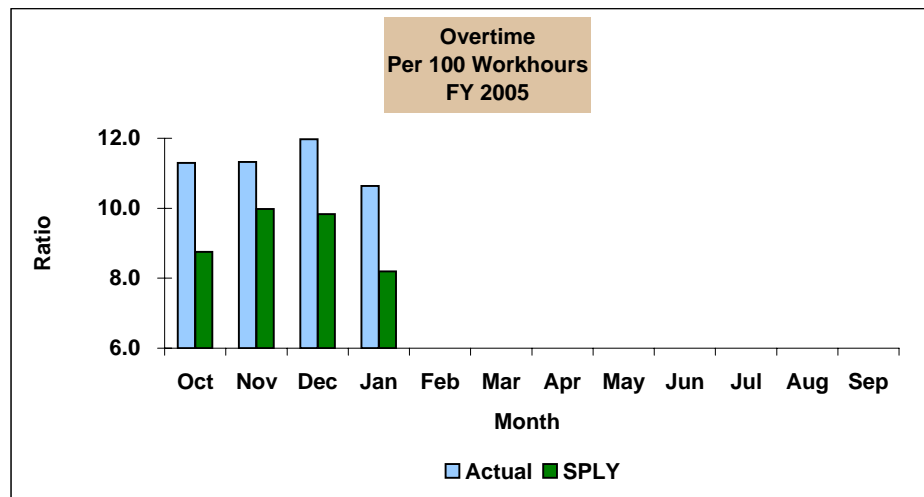
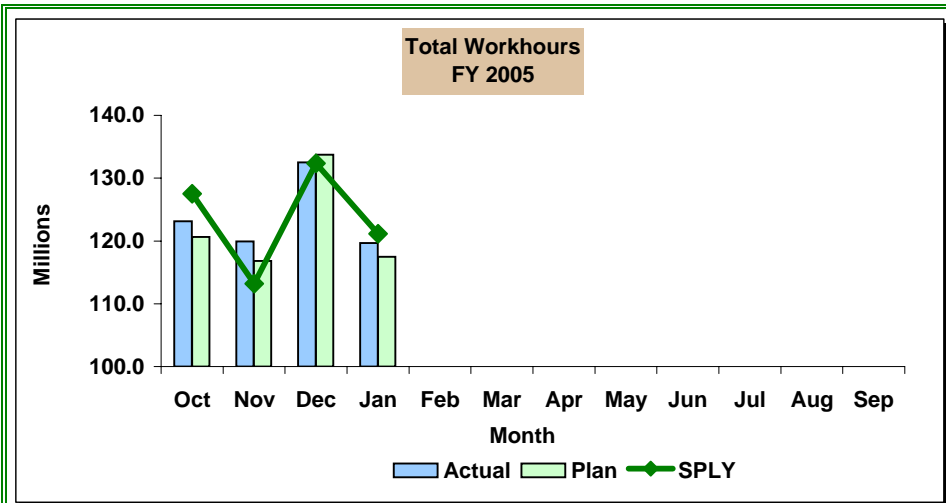
Sick Leave												
Actual				SPLY	Actual				SPLY			
4.4%				3.9%	Sick Leave Ratio Per 100 Workhours			4.0%				4.3%

[]=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.

January 2005 - FY 2005

Information: There was one less Saturday business day during January FY 2005 compared to SPLY.

Analysis of the Financial and Operating Statements

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

For January, Total Revenue was \$92 million or 1.6% over plan. Commercial Revenue was over plan by \$63 million or 1.5% and Retail Revenue was over plan \$32 million or 2.4%. In January, Total Revenue was \$47 million or 0.8% under same period last year (SPLY). Combined Commercial Revenue and Retail Revenue were \$55 million less than SPLY. Permit Revenue for January was 3.3% (\$80 million) greater than SPLY.

Year-to-date (YTD), Total Revenue is \$709 million or 3.0% over plan with the largest contributor being Permit Revenue at \$698 million more than plan. Conversely, Other Commercial Accounts is \$206 million or 2.8% less than plan negatively impacting the Total Revenue performance to plan. YTD Total Revenue is \$500 million over SPLY.

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

For January, Total Expenses were \$122 million or 2.1% below plan. Total Personnel Compensation costs were \$67 million or 1.5% below plan. Non-personnel costs were also below plan by \$55 million or 4.5%. Supplies and Services and Depreciation costs combined were \$41 million below plan. Total Expenses were \$100 million or only 1.8% above SPLY during January.

Year-to-date, Total Personnel Compensation costs are only \$11 million or 0.1% under plan absorbing much of the workload increase as a result of a volume increase of 3.9% and non-personnel expenses are \$220 million or 4.6% below plan. The largest contributors to the non-personnel plan underruns are Supplies & Services, Information Technology, Depreciation, and Rural Carrier Equipment Maintenance Allowance. Combined, these line items were \$384 below plan YTD. 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 \$231 million below plan YTD savings in Total Expense, despite increased volume. YTD Total Expenses are \$808 million or 3.7% above SPLY.

January 2005 - FY 2005

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for January, FY 2005 was 0.2 billion pieces or 1.0% below SPLY partially impacted by one less Saturday business day. The mail volumes in all major mail category lines were above SPLY levels, except First-Class Mail. Standard Mail volumes were 0.1 billion over SPLY.

Year-to-date, Total Mail Volume is 3.9% or 2.8 billion above SPLY. The most significant mail volume increase above SPLY for January FY 2005 YTD is in the lower revenue-per-piece Standard Mail category, which increased 2.4 billion pieces or 7.5%. YTD, First-Class Mail volume is only 0.7% more than SPLY, but generating \$40 million or 0.3% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2005 Capital Commitments YTD through January 31, 2005 are \$528 million compared to a plan of \$656 million. This represents a plan underrun of about \$128 million or 19.4%.

The Cash Outlays YTD are \$740 million versus a plan of \$728 million, representing a \$12 million over run to plan.

Workhours - Pages 1, 14 and 15

Total workhours for January 2005 were 2.2 million hours or 1.9% above plan, but below January 2004 by 1.2%. The Mail Processing, City Delivery and Rural Delivery operations posted the most significant workhour reductions to SPLY, 0.3 million hours, 0.3 million hours and 0.5 million hours, respectively.

Total workhours for January 2005 YTD are 1.1 million hours or 0.2% above SPLY. This increase in workhours is a reflection of the growth in mail volumes. YTD, the largest contributors to the workhours growth to SPLY were in City Delivery and Rural Delivery workhours. Combined, these operations were 3.9 million hours above SPLY.