



***UNITED STATES
POSTAL SERVICE***

FINANCIAL & OPERATING STATEMENTS

**July, FY 2005
July 1 – July 31, 2005**

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
July 2005 - FY 2005
(Millions)

Current Period						Year-to-Date (October 1, 2004 - July 31, 2005)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 5,275.2	\$ 5,249.5	\$ 25.7	0.5	\$ 5,445.5	- 3.1	\$ 58,264.4	\$ 57,154.7	\$ 1,109.7	1.9	\$ 57,561.0	1.2
<u>5,526.5</u>	<u>5,491.5</u>	[35.0]	[0.6]	<u>5,464.7</u>	1.1	<u>56,805.8</u>	<u>56,878.1</u>	<u>- 72.3</u>	- 0.1	<u>54,773.5</u>	3.7
\$ (251.3)	\$ (242.0)	[\$ - 9.3]	NM	\$ (19.2)	NM	\$ 1,458.6	\$ 276.6	\$ 1,182.0	NM	\$ 2,787.5	NM
\$ 352.4	\$ 250.4	\$ 102.0	40.7	\$ 166.3	111.9	\$ 1,510.1	\$ 1,495.3	\$ 14.8	1.0	\$ 1,244.9	21.3
115.5	116.1	- 0.6	- 0.5	118.4	- 2.5	1,217.2	1,202.7	[14.5]	[1.2]	1,211.3	0.5

[] = Unfavorable variance to budget

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,401	27,421	27,522
Postal Owned Vehicles In Use			
Administrative	6,307	6,155	5,832
Operations	206,676	206,781	206,712
Total Deliveries (000) *	143,908	143,724	141,904
City Delivery Routes	164,412	164,442	164,459
Rural Routes	72,119	71,841	70,533
Career Employees (Excludes Inspector General)	702,978	702,960	708,228
Casual Employees	20,121	22,358	20,237
Transitional Employees	8,708	8,985	9,686

* 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.

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

STATEMENT OF INCOME & EXPENSE
July 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
\$ 5,265.9	\$ 5,243.8	\$ 22.1	0.4	\$ 5,442.6	- 3.2	Operating Revenue	\$ 58,197.6	\$ 57,112.5	\$ 1,085.1	1.9	\$ 57,534.8	1.2
<u>5,505.8</u>	<u>5,473.1</u>	[<u>32.7</u>]	[0.6]	<u>5,447.5</u>	1.1	Operating Expense	<u>56,582.9</u>	<u>56,692.6</u>	<u>- 109.7</u>	- 0.2	<u>54,694.2</u>	3.5
\$ (239.9)	\$ (229.3)	[\$ - 10.6]	NM	\$ (4.9)	NM	Income/(Loss) From Operations	\$ 1,614.7	\$ 419.9	\$ 1,194.8	NM	\$ 2,840.6	NM
9.3	5.7	3.6	63.2	2.9	220.7	Investment Income	66.8	42.2	24.6	58.3	26.2	155.0
-	0.3	- 0.3	- 100.0	-	NM	Interest Expense	1.5	4.5	- 3.0	- 66.7	10.4	- 85.6
<u>20.7</u>	<u>18.1</u>	[<u>2.6</u>]	[14.4]	<u>17.2</u>	20.3	Interest on Deferred Retirement Obligations	<u>221.4</u>	<u>181.0</u>	[<u>40.4</u>]	[22.3]	<u>68.9</u>	221.3
\$ (251.3)	\$ (242.0)	[\$ - 9.3]	NM	\$ (19.2)	NM	Net Income/(Loss)	\$ 1,458.6	\$ 276.6	\$ 1,182.0	NM	\$ 2,787.5	NM

[]=Unfavorable variance to budget

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

MAIL VOLUME - MAIL REVENUE
(Data in Thousands)

CATEGORY	Current Period			Year-to-Date		
	July FY 2005	July FY 2004	% SPLY	July FY 2005	July FY 2004	% SPLY
FIRST-CLASS						
VOLUME	7,565,661	7,959,961	- 5.0	82,281,871	82,392,525	- 0.1
REVENUE	\$ 2,744,505	\$ 2,930,663	- 6.4	\$ 30,235,495	\$ 30,626,546	- 1.3
REV/PC.	\$ 0.3628	\$ 0.3682	- 1.5	\$ 0.3675	\$ 0.3717	- 1.1
PRIORITY-MAIL						
VOLUME	64,635	64,799	- 0.3	740,699	714,262	3.7
REVENUE	\$ 333,333	\$ 330,909	0.7	\$ 3,874,703	\$ 3,729,498	3.9
REV/PC.	\$ 5.1572	\$ 5.1067	1.0	\$ 5.2311	\$ 5.2215	0.2
EXPRESS MAIL						
VOLUME	4,426	4,457	- 0.7	46,105	45,313	1.7
REVENUE	\$ 68,810	\$ 69,449	- 0.9	\$ 725,855	\$ 715,014	1.5
REV/PC.	\$ 15.5468	\$ 15.5820	- 0.2	\$ 15.7435	\$ 15.7794	- 0.2
PERIODICALS						
VOLUME	720,646	707,930	1.8	7,636,585	7,614,568	0.3
REVENUE	\$ 164,071	\$ 164,295	- 0.1	\$ 1,807,432	\$ 1,817,861	- 0.6
REV/PC.	\$ 0.2277	\$ 0.2321	- 1.9	\$ 0.2367	\$ 0.2387	- 0.9
STANDARD MAIL						
VOLUME	7,691,116	7,527,482	2.2	83,102,314	78,630,378	5.7
REVENUE	\$ 1,424,724	\$ 1,415,459	0.7	\$ 15,597,233	\$ 14,913,375	4.6
REV/PC.	\$ 0.1852	\$ 0.1880	- 1.5	\$ 0.1877	\$ 0.1897	- 1.0
PACKAGE SERVICES						
VOLUME	91,050	93,667	- 2.8	959,315	938,028	2.3
REVENUE	\$ 149,850	\$ 166,123	- 9.8	\$ 1,838,185	\$ 1,852,128	- 0.8
REV/PC.	\$ 1.6458	\$ 1.7735	- 7.2	\$ 1.9161	\$ 1.9745	- 3.0
INTERNATIONAL						
VOLUME	61,603	63,013	- 2.2	717,330	714,456	0.4
REVENUE	\$ 132,409	\$ 136,032	- 2.7	\$ 1,501,487	\$ 1,432,222	4.8
REV/PC.	\$ 2.1494	\$ 2.1588	- 0.4	\$ 2.0932	\$ 2.0046	4.4
ALL OTHER						
VOLUME	45,080	50,391	- 10.5	583,947	489,467	19.3
REVENUE	\$ 52	\$ 54	- 3.4	\$ 707	\$ 590	19.7
ALL MAIL						
VOLUME	16,244,217	\$ 16,471,700	- 1.4	176,068,165	171,538,998	2.6
REVENUE	\$ 5,017,755	\$ 5,212,983	- 3.7	\$ 55,581,097	\$ 55,087,235	0.9
REV/PC.	\$ 0.3089	\$ 0.3165	- 2.4	\$ 0.3157	\$ 0.3211	- 1.7

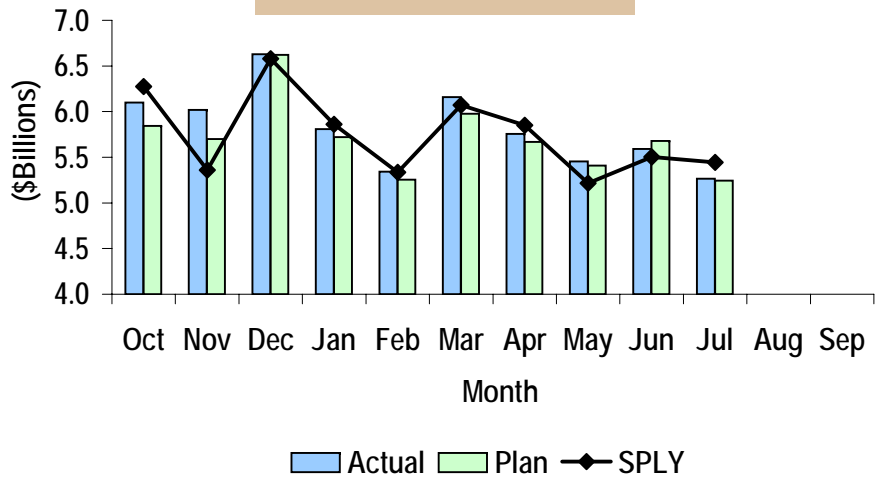
NOTE: Totals may not sum due to rounding.

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.

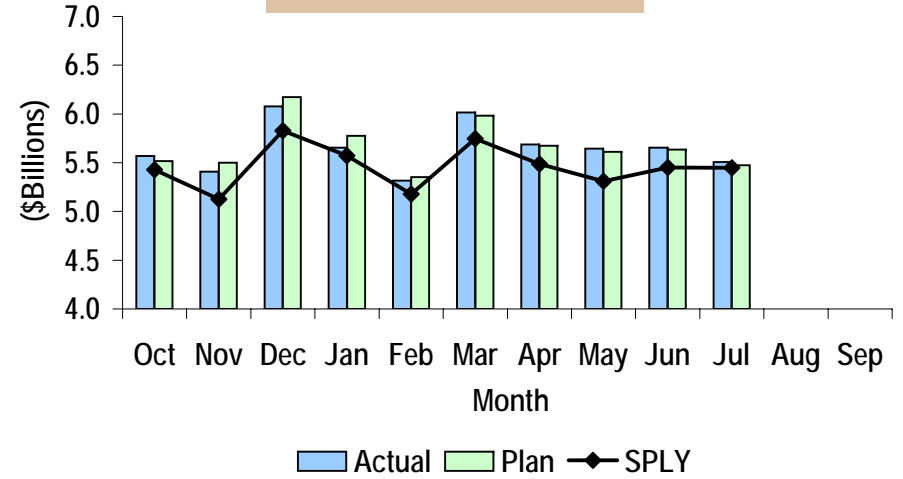
Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31). In order to provide a basis for comparison, FY 2004 data have been recast to reflect these reporting changes. The recast of FY 2004 data uses representative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

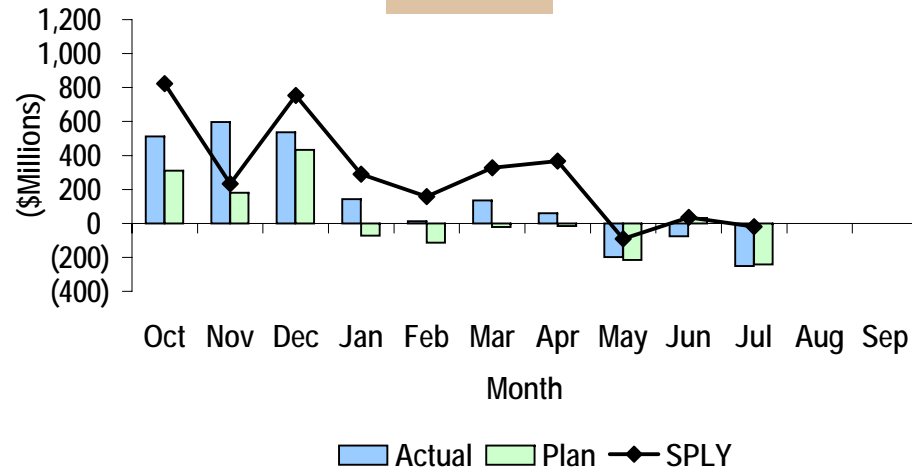
**TOTAL OPERATING REVENUE
FY 2005**



**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
July 2005 - FY 2005
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			Operating Revenue:			
\$ 1,877.0	\$ 2,011.9	- 6.7	Metered Postage	\$ 20,505.3	\$ 21,012.6	- 2.4
786.0	845.6	- 7.0	Stamps and Stamped Paper	9,302.9	9,609.6	- 3.2
1,347.8	1,337.9	0.7	Permit Imprint	14,658.1	13,939.5	5.2
163.0	162.7	0.2	Periodicals & Standard	1,793.9	1,801.5	- 0.4
65.2	62.0	5.2	Official Mail	681.7	719.2	- 5.2
801.3	773.5	3.6	Presort First-Class & Package Svc./Permit Imprint	8,669.6	7,963.8	8.9
66.3	69.8	- 5.0	Box Rents	657.5	670.9	- 2.0
17.0	14.5	17.2	Money Order Fees	173.4	148.1	17.1
<u>133.9</u>	<u>152.9</u>	- 12.4	Other	<u>1,674.4</u>	<u>1,549.7</u>	8.0
\$ 5,257.5	\$ 5,430.8	- 3.2	Subtotal	\$ 58,116.8	\$ 57,414.9	1.2
<u>8.4</u>	<u>11.8</u>	- 28.8	Government Appropriations *	<u>80.8</u>	<u>119.9</u>	- 32.6
\$ 5,265.9	\$ 5,442.6	- 3.2	Total Operating Revenue	\$ 58,197.6	\$ 57,534.8	1.2
<u>9.3</u>	<u>2.9</u>	220.7	Investment Income	<u>66.8</u>	<u>26.2</u>	155.0
<u>\$ 5,275.2</u>	<u>\$ 5,445.5</u>	- 3.1	Total Revenue	<u>\$ 58,264.4</u>	<u>\$ 57,561.0</u>	1.2

* Variance to SPLY is due to lower Emergency Preparedness Program expenses that were offset by appropriation revenue in the amount of \$ -5.4 million in July and \$ -60 million YTD.

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

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

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,353.6	\$ 2,269.6	3.7	Permit Revenue	\$ 25,695.0	\$ 24,312.7	5.7
<u>1,617.8</u>	<u>1,699.8</u>	[- 4.8]	Other Commercial Accounts Revenue	<u>17,397.2</u>	<u>18,209.3</u>	[- 4.5]
\$ 3,971.4	\$ 3,969.4	0.1	Total Commercial Revenue	\$ 43,092.2	\$ 42,522.0	1.3
			Retail Revenue			
941.3	974.6	[- 3.4]	Retail Postage Revenue	11,383.8	11,339.6	0.4
98.1	89.2	10.0	Retail Services Revenue	979.7	960.3	2.0
16.2	12.9	25.6	Retail Products Revenue	174.6	141.7	23.2
<u>194.0</u>	<u>157.7</u>	23.0	Other Retail Channels Revenue	<u>2,045.1</u>	<u>1,743.2</u>	17.3
\$ 1,249.6	\$ 1,234.4	1.2	Total Retail Revenue	\$ 14,583.2	\$ 14,184.8	2.8
\$ 5,221.0	\$ 5,203.8	0.3	Total Commercial & Retail Revenue	\$ 57,675.4	\$ 56,706.8	1.7
36.5	34.9	4.6	Other Income	441.4	354.3	24.6
<u>8.4</u>	<u>5.1</u>	64.7	Government Appropriations	<u>80.8</u>	<u>51.4</u>	57.2
\$ 5,265.9	\$ 5,243.8	0.4	Total Operating Revenue	\$ 58,197.6	\$ 57,112.5	1.9
<u>9.3</u>	<u>5.7</u>	63.2	Investment Income	<u>66.8</u>	<u>42.2</u>	58.3
\$ 5,275.2	\$ 5,249.5	0.5	Total Revenue	\$ 58,264.4	\$ 57,154.7	1.9

[]=Unfavorable variance to budget

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

EXPENSE ANALYSIS
July 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
\$ 4,376.9	\$ 4,394.0	\$ - 17.1	- 0.4	\$ 4,370.5	0.1	\$ 44,888.3	\$ 44,769.0	[\$ 119.3]	[0.3]	\$ 43,526.8	3.1
Personnel Compensation											
Non-Personnel Expense:											
426.7	421.4	[5.3]	[1.3]	407.9	4.6	4,480.2	4,366.8	[113.4]	[2.6]	4,095.4	9.4
Transportation											
204.9	172.6	[32.3]	[18.7]	178.4	14.9	1,930.5	2,081.4	- 150.9	- 7.2	1,852.8	4.2
Supplies & Services											
<u>497.3</u>	<u>485.1</u>	<u>[12.2]</u>	[2.5]	<u>490.7</u>	1.3	<u>5,283.9</u>	<u>5,475.4</u>	<u>- 191.5</u>	- 3.5	<u>5,219.2</u>	1.2
Other											
<u>\$ 1,128.9</u>	<u>\$ 1,079.1</u>	<u>[\$ 49.8]</u>	[4.6]	<u>\$ 1,077.0</u>	4.8	<u>\$ 11,694.6</u>	<u>\$ 11,923.6</u>	<u>\$ - 229.0</u>	- 1.9	<u>\$ 11,167.4</u>	4.7
Subtotal											
<u>\$ 5,505.8</u>	<u>\$ 5,473.1</u>	<u>[\$ 32.7]</u>	[0.6]	<u>\$ 5,447.5</u>	1.1	<u>\$ 56,582.9</u>	<u>\$ 56,692.6</u>	<u>\$ - 109.7</u>	- 0.2	<u>\$ 54,694.2</u>	3.5
Total Operating Expense											
-	0.3	- 0.3	- 100.0	-	NM	1.5	4.5	- 3.0	- 66.7	10.4	- 85.6
Interest Expense											
<u>20.7</u>	<u>18.1</u>	<u>[2.6]</u>	[14.4]	<u>17.2</u>	20.3	<u>221.4</u>	<u>181.0</u>	<u>[40.4]</u>	[22.3]	<u>68.9</u>	221.3
Interest on Deferred Retirement Obligations											
<u>\$ 5,526.5</u>	<u>\$ 5,491.5</u>	<u>[\$ 35.0]</u>	[0.6]	<u>\$ 5,464.7</u>	1.1	<u>\$ 56,805.8</u>	<u>\$ 56,878.1</u>	<u>\$ - 72.3</u>	- 0.1	<u>\$ 54,773.5</u>	3.7
Total Expense											

[]=Unfavorable variance to budget

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

ANALYSIS OF OPERATING EXPENSES
Personnel Compensation
July 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:						
\$ 34.0	\$ 33.2	[\$ 0.8]	[2.3]	\$ 31.8	6.7	-Support	\$ 349.8	\$ 334.9	[\$ 14.9]	[4.5]	\$ 318.2	10.0
922.7	905.8	[16.9]	[1.9]	922.5	0.0	-Mail Processing	9,607.0	9,534.4	[72.6]	[0.8]	9,417.7	2.0
428.3	429.8	- 1.5	- 0.3	408.6	4.8	-Rural Delivery	4,243.4	4,245.8	- 2.4	- 0.1	3,931.9	7.9
1,377.4	1,350.6	[26.8]	[2.0]	1,371.9	0.4	-City Delivery	13,935.3	13,709.9	[225.4]	[1.6]	13,362.7	4.3
97.1	95.5	[1.6]	[1.7]	97.7	- 0.6	-Vehicles Services	995.5	989.8	[5.8]	[0.6]	964.7	3.2
245.6	245.8	- 0.2	- 0.1	243.9	0.7	-Plant & Equip Maint	2,507.8	2,546.1	- 38.3	- 1.5	2,421.9	3.5
644.3	651.9	- 7.6	- 1.2	650.2	- 0.9	-Customer Services	6,709.2	6,645.9	[63.3]	[1.0]	6,505.4	3.1
17.1	18.4	- 1.4	- 7.4	17.0	0.4	Finance	174.6	193.8	- 19.3	- 9.9	166.7	4.7
30.5	31.2	- 0.7	- 2.3	30.2	1.2	Human Resources	316.4	310.6	[5.8]	[1.9]	298.3	6.1
40.8	42.7	- 1.8	- 4.3	46.5	- 12.2	Customer Service & Sales	427.2	437.8	- 10.6	- 2.4	464.2	- 8.0
199.0	218.1	- 19.1	- 8.7	202.7	- 1.8	Administration - Field	2,093.2	2,099.8	- 6.5	- 0.3	2,036.7	2.8
94.0	114.1	- 20.1	- 17.6	104.7	- 10.2	Other Salaries & Benefits	1,106.5	1,183.5	- 77.0	- 6.5	1,121.4	- 1.3
\$ 4,130.8	\$ 4,137.1	\$ - 6.3	- 0.2	\$ 4,127.7	0.1	Total Salaries & Benefits	\$ 42,465.9	\$ 42,232.3	[\$ 233.6]	[0.6]	\$ 41,009.8	3.6
95.8	104.9	- 9.1	- 8.7	124.1	- 22.8	Workers' Compensation	953.7	1,057.9	- 104.2	- 9.8	1,240.1	- 23.1
4.3	6.0	- 1.7	- 28.7	- 2.7	NM	Unemployment Compensation	38.6	50.1	- 11.5	- 23.0	58.1	- 33.7
3.3	1.9	[1.4]	[73.7]	2.0	65.0	Deferred Retirement Cost	20.4	19.0	[1.4]	[7.4]	8.2	148.8
131.1	129.7	[1.4]	[1.1]	110.2	19.0	Annuitant Health Benefits	1,253.0	1,254.7	- 1.7	- 0.1	1,101.7	13.7
11.6	14.4	- 2.8	- 19.4	9.2	26.1	Other Compensation	156.7	155.0	[1.7]	[1.1]	108.9	43.9
\$ 4,376.9	\$ 4,394.0	\$ - 17.1	- 0.4	\$ 4,370.5	0.1	Total Personnel Compensation	\$ 44,888.3	\$ 44,769.0	[\$ 119.3]	[0.3]	\$ 43,526.8	3.1

[]=Unfavorable variance to budget
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
July 2005 - FY 2005
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Description	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 426.7	\$ 421.4	[\$ 5.3]	[1.3]	\$ 407.9	4.6	Transportation	\$ 4,480.2	\$ 4,366.8	[\$ 113.4]	[2.6]	\$ 4,095.4	9.4
204.9	172.6	[32.3]	[18.7]	178.4	14.9	Supplies & Services	1,930.5	2,081.4	- 150.9	- 7.2	1,852.8	4.2
175.5	178.2	- 2.7	- 1.5	182.7	- 3.9	Depreciation	1,728.8	1,787.1	- 58.3	- 3.3	1,845.4	- 6.3
81.8	86.8	- 5.0	- 5.7	81.1	0.9	Rent	853.1	868.6	- 15.5	- 1.8	823.9	3.5
46.8	44.0	[2.8]	[6.3]	36.9	26.8	Utilities & Heating Fuel	467.5	462.8	[4.7]	[1.0]	447.9	4.4
34.8	37.5	- 2.6	- 7.1	30.1	15.9	Rural Carrier Equip Maint Allowance	357.9	389.9	- 32.0	- 8.2	326.7	9.6
45.9	37.0	[8.9]	[23.9]	34.0	34.9	Vehicle Maintenance Services	472.1	441.4	[30.7]	[7.0]	413.6	14.2
24.7	48.4	- 23.8	- 49.1	28.7	- 14.1	Information Technology	276.3	388.3	- 112.0	- 28.8	341.7	- 19.1
19.1	19.1	- 0.0	- 0.2	22.3	- 14.4	Building Projects Expensed	190.0	178.2	[11.8]	[6.6]	212.5	- 10.6
7.0	7.0	[0.0]	[0.3]	7.8	- 10.4	Contract Job Cleaners	72.6	72.3	[0.3]	[0.4]	71.3	1.8
17.9	15.0	[2.9]	[19.2]	16.6	8.3	Travel & Relocation	189.3	174.1	[15.1]	[8.7]	170.3	11.2
18.1	18.5	- 0.4	- 1.9	16.3	11.4	Communications	185.6	185.8	- 0.2	- 0.1	177.0	4.9
6.1	6.9	- 0.8	- 11.2	6.0	2.0	Contract Stations	62.2	65.5	- 3.3	- 5.1	59.5	4.5
1.2	2.8	- 1.6	- 58.0	1.4	- 14.5	Printing	19.2	25.4	- 6.2	- 24.4	15.7	22.3
4.4	5.6	- 1.2	- 21.3	3.7	19.6	Training	47.3	57.8	- 10.6	- 18.3	36.7	28.8
2.4	2.8	- 0.4	- 15.0	3.2	- 25.2	Carfare & Tolls	25.0	28.6	- 3.7	- 12.9	28.5	- 12.4
0.8	1.5	- 0.7	- 43.7	1.1	- 22.7	Vehicle Hire	12.3	15.4	- 3.1	- 19.9	15.7	- 21.4
4.0	3.6	[0.4]	[10.7]	2.8	39.3	Accident Costs	40.6	38.9	[1.6]	[4.2]	41.9	- 3.3
6.8	- 29.6	[36.4]	NM	16.0	- 57.5	Miscellaneous	284.1	295.3	- 11.2	- 3.8	190.9	48.8
\$ 1,128.9	\$ 1,079.1	[\$ 49.8]	[4.6]	\$ 1,077.0	4.8	Total Non-Personnel Expenses	\$ 11,694.6	\$ 11,923.6	\$ - 229.0	- 1.9	\$ 11,167.4	4.7

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

Assets	July 31, 2005	July 31, 2004	September 30, 2004*
Current Assets:			
Cash and cash equivalents _1/	\$ 2,008	\$ 309	\$ 877
Receivables:			
Foreign countries	631	651	621
U.S. Government	274	259	327
Other	180	182	187
Receivables before allowances	<u>1,085</u>	<u>1,092</u>	<u>1,135</u>
Less allowances	114	97	111
Total receivables, net	<u>971</u>	<u>995</u>	<u>1,024</u>
Supplies, advances and prepayments	<u>177</u>	<u>359</u>	<u>220</u>
Total Current Assets	3,156	1,663	2,121
Other Assets, principally revenue forgone appropriations receivable	361	365	361
Property and Equipment, at Cost:			
Buildings	20,368	20,109	20,171
Equipment	18,558	17,252	17,277
Land	2,807	2,821	2,810
Leasehold improvements	1,143	1,124	1,103
	<u>42,876</u>	<u>41,306</u>	<u>41,361</u>
Less allowances for depreciation and amortization	<u>22,175</u>	<u>20,403</u>	<u>20,656</u>
	20,701	20,903	20,705
Construction in progress	<u>1,795</u>	<u>1,506</u>	<u>1,792</u>
Total property and equipment, net	<u>22,496</u>	<u>22,409</u>	<u>22,497</u>
Total Assets	<u>\$ 26,013</u>	<u>\$ 24,437</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
July 2005 - FY 2005
(\$ Millions)

Liabilities and Net Capital	July 31, 2005	July 31, 2004	September 30, 2004*
Current Liabilities:			
Compensation and benefits	\$ 2,836	\$ 3,139	\$ 2,640
Estimated prepaid postage	1,258	1,349	1,256
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,309	1,425	1,739
Foreign countries	739	760	778
U.S. government	57	95	87
Total payables and accrued expenses	<u>2,105</u>	<u>2,280</u>	<u>2,604</u>
Customer deposit accounts	1,655	1,564	1,606
Outstanding postal money orders	830	893	767
Prepaid box rent & other deferred revenue	405	385	397
Debt	-	209	1,800
Total Current Liabilities	<u>9,089</u>	<u>9,819</u>	<u>11,070</u>
Non-Current Liabilities:			
Workers' compensation	7,597	7,566	6,651
Employees' accumulated leave	2,077	2,017	2,006
Other	1,861	1,382	1,321
Total Other Non-Current Liabilities	<u>11,535</u>	<u>10,965</u>	<u>9,978</u>
Total Liabilities	20,624	20,784	21,048
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings since reorganization	2,355	619	897
Total Net Capital	<u>5,389</u>	<u>3,653</u>	<u>3,931</u>
Total Liabilities and Net Capital	<u>\$ 26,013</u>	<u>\$ 24,437</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 July 31, 2005
(\$ Millions)

	July 31, 2005	July 31, 2004	September 30, 2004*
Cash flows from operating activities:			
Net Income	\$ 1,458	\$ 2,788	\$ 3,065
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,717	1,806	2,145
Loss on disposals of property and equipment, net	4	37	71
Decrease in revenue forgone appropriations	-	-	4
Increase in USPS workers' compensation liability	946	1,242	343
Increase in employees' accumulated leave	71	85	74
Increase in other liabilities	540	231	170
Changes in current assets and liabilities:			
Decrease in receivables, net	53	196	167
Decrease in supplies, advances and prepayments	43	7	146
Increase in compensation and benefits	196	621	106
Increase (decrease) in estimated prepaid postage	2	-	(93)
(Decrease) in payables and accrued expenses	(499)	(828)	(412)
Increase (decrease) in customers deposit accounts	49	(2)	40
Increase (decrease) in outstanding postal money orders	63	125	(1)
Increase (decrease) in prepaid box rent & other deferred revenue	8	(2)	10
Net cash provided by operating activities	4,651	6,306	5,835
Cash flows from investing activities:			
Purchase of property and equipment	(1,745)	(1,211)	(1,685)
Proceeds from sale of property and equipment	25	12	26
Net cash (used in) investing activities	(1,720)	(1,199)	(1,659)
Cash flows from financing activities:			
U.S. government appropriation - expended	-	-	(92)
Issuance of debt	-	-	-
Payments on debt	(1,800)	(7,064)	(5,473)
Net cash (used in) financing activities	(1,800)	(7,064)	(5,565)
Net Increase (decrease) in cash and cash equivalents	1,131	(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	\$ 2,008	\$ 309	\$ 877

* Audited year-end data.

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

CAPITAL INVESTMENTS

July 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	\$ 165.0	\$ 300.7	\$ 70.6	\$ 187.4	\$ 185.0	\$ 126.3
BUILDING IMPROVEMENTS	246.8	326.5	230.1	345.6	185.6	209.5
MAIL PROCESSING EQUIPMENT	298.4	127.2	592.5	575.5	749.5	536.6
VEHICLES	239.5	170.2	170.4	130.4	107.8	94.9
RETAIL EQUIPMENT	1.0	22.5	28.8	56.4	46.6	80.7
POSTAL SUPPORT EQUIPMENT	559.4	548.2	152.5	449.7	285.3	163.2
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 1,510.1	\$ 1,495.3	\$ 1,244.9	\$ 1,744.9	\$ 1,559.7	\$ 1,211.1

Note: Totals may not sum due to rounding.

RESOURCES ON ORDER

(\$ Millions)

MAJOR CATEGORIES	July 31, 2005	September 30, 2004
CONSTRUCTION AND BUILDING PURCHASE	\$ 165.2	\$ 192.0
BUILDING IMPROVEMENTS	259.8	380.5
MAIL PROCESSING EQUIPMENT	1,296.3	1,601.1
VEHICLES	229.0	126.0
RETAIL EQUIPMENT	39.6	94.9
POSTAL SUPPORT EQUIPMENT	528.0	413.9
TOTAL RESOURCES ON ORDER	\$ 2,517.9	\$ 2,808.4

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

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

July 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
739	- 9	- 1.2	726	1.8	Operations:	7,920	[244]	[3.2]	7,507	5.5
26,083	[457]	[1.8]	26,384	- 1.1	-Support	281,267	[6,303]	[2.3]	282,435	- 0.4
14,898	[228]	[1.6]	14,837	0.4	-Mail Processing	148,523	[1,468]	[1.0]	142,478	4.2
37,662	[172]	[0.5]	38,681	- 2.6	-Rural Delivery	391,520	[6,338]	[1.6]	387,162	1.1
2,493	- 19	- 0.8	2,594	- 3.9	-City Delivery	26,515	[51]	[0.2]	26,678	- 0.6
6,363	- 238	- 3.6	6,549	- 2.8	-Vehicles Services	67,285	- 1,550	- 2.3	67,790	- 0.7
18,105	- 292	- 1.6	18,804	- 3.7	-Plant & Equip Maint	194,658	[3,015]	[1.6]	194,462	0.1
389	- 63	- 14.0	403	- 3.5	-Customer Services	4,115	- 533	- 11.5	4,081	0.8
685	- 25	- 3.6	704	- 2.6	Finance	7,428	[142]	[2.0]	7,277	2.1
1,030	- 72	- 6.5	1,192	- 13.5	Human Resources	11,216	- 356	- 3.1	12,325	- 9.0
5,240	- 400	- 7.1	5,506	- 4.8	Customer Service & Sales	56,172	[334]	[0.6]	56,311	- 0.2
1,780	- 366	- 17.1	2,063	- 13.7	Administration	20,590	- 910	- 4.2	22,838	- 9.8
115,468	- 628	- 0.5	118,441	- 2.5	Other	1,217,210	[14,548]	[1.2]	1,211,344	0.5
					Total Workhours					

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

10.6% 8.3% 10.0%

Overtime Ratio
Per 100 Workhours

10.5% 8.2% 9.5%

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

3.8% 3.8%

Sick Leave Ratio
Per 100 Workhours

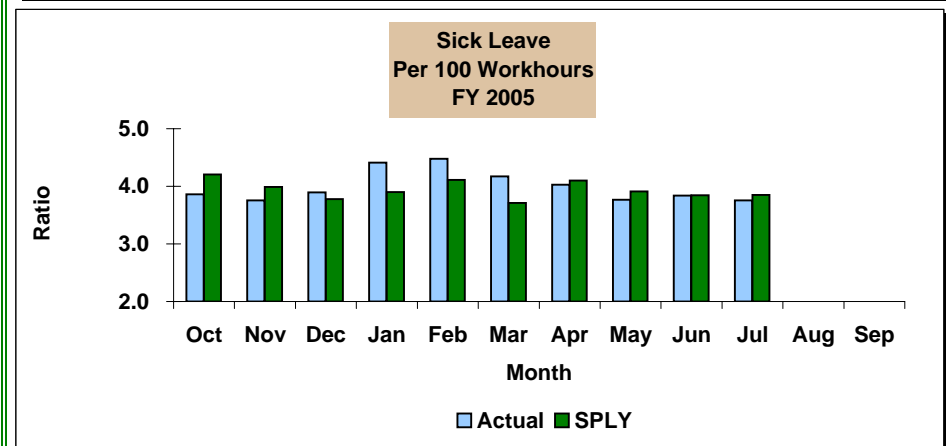
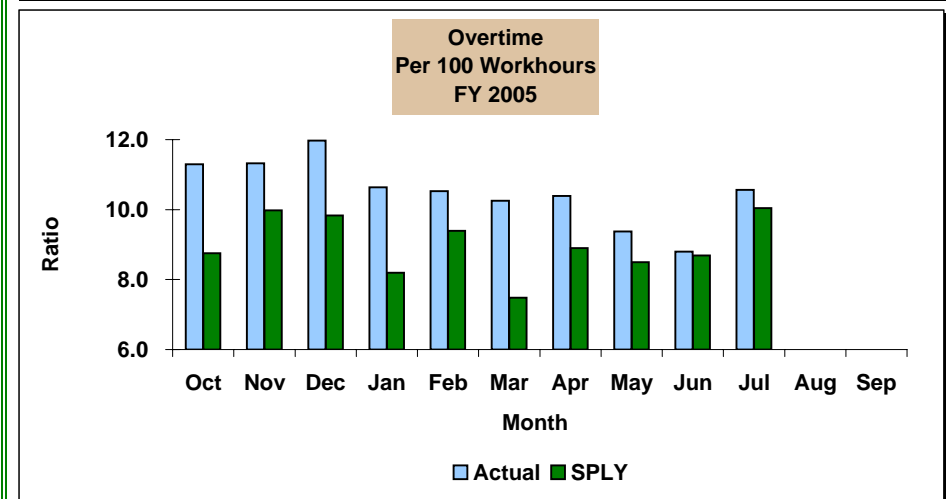
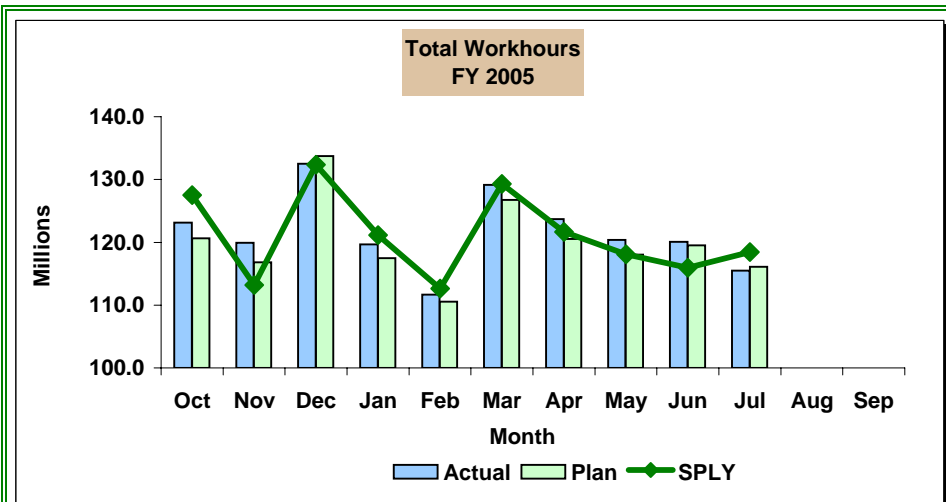
4.0% 4.2%

[]=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 2005 - FY 2005

Information: For the month and year-to-date there was one less Monday through Friday business day than last year.

Analysis of the Financial and Operating Statements

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

For July, Total Revenue was \$26 million or 0.5% over plan, and \$170 million or 3.1% under same period last year (SPLY). Commercial Revenue was over plan by \$2 million or 0.1% and Retail Revenue was over plan \$15 million or 1.2%. In July, combined Total Commercial Revenue and Retail Revenue were \$176 million less than SPLY. Most of the decrease in revenue to SPLY for July was reflected in Metered Postage and Stamps and Stamped Paper, \$135 million and \$60 million under SPLY, respectively. Presort First-Class and Package Services/Permit Imprint was \$28 million more than SPLY.

Year-to-date, Total Revenue is \$1.1 billion or 1.9% over plan with the largest contributor being Permit Revenue at \$1.4 billion or 5.7% more than plan. Conversely, Other Commercial Accounts, \$812 million or 4.5% less than plan, is negatively impacting the Total Revenue performance to plan. YTD, Total Revenue is \$703 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 \$4 million. YTD, they are \$32 million.

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

For July, Total Expenses were \$35 million or 0.6% above plan. Personnel costs were \$17 million or 0.4% below plan. Non-personnel costs were above plan by \$50 million or 4.6%. Supplies and Services were \$32 million above plan or 18.7%. Also, Transportation costs were \$5 million above plan or 1.3%. Compared to SPLY, this month's Total Expenses were increased by \$62 million or 1.1%. The drivers of this increase over SPLY included additional volume and deliveries, increased fuel prices, health benefits and COLA costs.

Year-to-date, personnel costs are \$119 million or 0.3% above plan and non-personnel expenses are \$229 million or 1.9% below plan. The largest contributor to the non-personnel plan underrun was Supplies & Services at \$151 million or 7.2% below plan. Some of this underrun in YTD is due to deferral of some planned spending for future months and reprioritization of funds, which will result in some plan shifts in the upcoming 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 \$72 million below plan YTD savings in Total Expense. YTD Total Expenses are \$2.0 billion or 3.7% above SPLY.

July 2005 - FY 2005

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for July, FY 2005 was 227 million pieces or 1.4% under SPLY. First-Class Mail volume declined by 394 million pieces or 5.0%. Standard Mail volumes, at 164 million pieces or 2.2% over SPLY, continue to be positive primarily because of the increasing strength of direct marketing channels. Additionally, Periodicals were 13 million or 1.8% over SPLY.

Year-to-date, Total Mail Volume is 2.6% or 4.5 billion pieces over SPLY. Over 2.4 billion of the 4.5 billion pieces increase occurred in November 2004. The most significant mail volume increase over SPLY for YTD is in the lower revenue-per-piece Standard Mail category, which increased 4.5 billion pieces or 5.7%. YTD, First-Class Mail volume is 0.1% less than SPLY generating \$391 million or 1.3% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2005 Capital Commitments YTD through July 2005 are \$1,510 million compared to a plan of \$1,495 million. This represents a plan overrun of about \$15 million or 1.0%. This plan overrun can be attributed to vehicle commitments.

The Cash Outlays YTD are \$1,745 million versus a plan of \$1,560 million, representing a \$185 million overrun to plan. The plan overrun in Cash Outlays can be attributed to projects such as the Ventilation Filtration System and Biohazard Detection System projects, as well as repair and alterations to older postal facilities.

Workhours - Pages 1, 14 and 15

Total Workhours for July 2005 were 0.6 million hours or 0.5% below plan, and 3.0 million hours or 2.5% below July 2004. City Delivery posted the most significant workhour savings to SPLY, 1.0 million hours.

Total Workhours for July 2005 YTD are 14.5 million hours or 1.2% above plan, and 5.9 million hours above SPLY. The most significant plan overruns lie in Delivery Services by 7.8 million hours, Mail Processing by 6.3 million hours, and Customer Services by 3.0 million hours. These overruns in workhours are a reflection of growth in mail volume above plan and continued growth in delivery points. YTD, major contributors to the workhours growth to SPLY are City Delivery and Rural Delivery workhours. Combined these operations workhours are 10.4 million hours above SPLY.