



UNITED STATES
POSTAL SERVICE

FINANCIAL & OPERATING STATEMENTS



March, FY 2005

March 1 – March 31, 2005

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
 March 2005 - FY 2005
 (Millions)

Current Period						Year-to-Date (October 1, 2004 - March 31, 2005)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 6,167.1	\$ 5,979.5	\$ 187.6	3.1	\$ 6,073.7	1.5	\$ 36,112.5	\$ 35,132.4	\$ 980.1	2.8	\$ 35,515.1	1.7
<u>6,031.8</u>	<u>6,001.3</u>	[30.5]	[0.5]	<u>5,746.1</u>	5.0	<u>34,155.2</u>	<u>34,414.9</u>	- 259.7	- 0.8	<u>32,957.9</u>	3.6
\$ 135.3	\$ (21.8)	\$ 157.1	NM	\$ 327.6	NM	\$ 1,957.3	\$ 717.5	\$ 1,239.8	NM	\$ 2,557.2	NM
\$ 139.2	\$ 78.4	\$ 60.8	77.6	\$ 460.5	- 69.8	\$ 757.3	\$ 886.9	[\$ - 129.6]	[- 14.6]	\$ 821.0	- 7.8
129.1	126.7	[2.4]	[1.9]	129.3	- 0.1	736.8	726.6	10.2	1.4	736.7	0.0

[] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,452	27,477	27,606
Postal Owned Vehicles In Use			
Administrative	5,761	5,741	5,779
Operations	206,661	206,683	206,543
Total Deliveries (000) *	143,212	143,059	141,429
City Delivery Routes	164,611	164,598	164,574
Rural Routes	71,322	71,322	69,991
Career Employees (Excludes Inspector General) **	701,175	700,738	711,889
Casual Employees **	21,216	21,174	19,744
Transitional Employees **	9,611	9,737	10,074

* 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
 March 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
\$ 6,159.6	\$ 5,975.2	\$ 184.4	3.1	\$ 6,071.4	1.5	Operating Revenue	\$ 36,082.2	\$ 35,112.4	\$ 969.8	2.8	\$ 35,499.5	1.6
<u>6,013.7</u>	<u>5,982.9</u>	[<u>30.8</u>]	[0.5]	<u>5,745.9</u>	4.7	Operating Expense	<u>34,045.1</u>	<u>34,303.0</u>	<u>- 257.9</u>	- 0.8	<u>32,947.3</u>	3.3
\$ 145.9	\$ (7.7)	\$ 153.6	-	\$ 325.5	-	Income/(Loss) From Operations	\$ 2,037.1	\$ 809.4	\$ 1,227.7	-	\$ 2,552.2	-
7.5	4.3	3.2	74.4	2.3	NM	Investment Income	30.3	20.0	10.3	51.5	15.6	94.2
-	0.3	- 0.3	- 100.0	0.2	- 100.0	Interest Expense	1.5	3.3	- 1.8	- 54.5	10.6	- 85.8
<u>18.1</u>	<u>18.1</u>	<u>-</u>	-	<u>-</u>	-	Interest on Deferred Retirement Costs	<u>108.6</u>	<u>108.6</u>	<u>-</u>	-	<u>-</u>	-
\$ 135.3	\$ (21.8)	\$ 157.1	-	\$ 327.6	-	Net Income/(Loss)	\$ 1,957.3	\$ 717.5	\$ 1,239.8	-	\$ 2,557.2	-

[]=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		
	Qtr. II FY 2005	Qtr. II FY 2004	% SPLY	Qtr. II FY 2005	Qtr. II FY 2004	% SPLY
FIRST-CLASS						
VOLUME	24,656,624	24,971,734	- 1.3	51,084,831	50,859,436	0.4
REVENUE	\$ 9,059,094	\$ 9,282,000	- 2.4	\$ 18,807,083	\$ 18,943,632	- 0.7
REV/PC.	\$ 0.3674	\$ 0.3717	- 1.2	\$ 0.3682	\$ 0.3725	- 1.2
PRIORITY-MAIL						
VOLUME	218,819	213,036	2.7	458,435	446,956	2.6
REVENUE	\$ 1,129,832	\$ 1,094,115	3.3	\$ 2,423,809	\$ 2,366,645	2.4
REV/PC.	\$ 5.1633	\$ 5.1358	0.5	\$ 5.2871	\$ 5.2950	- 0.1
EXPRESS MAIL						
VOLUME	13,759	13,579	1.3	27,276	27,012	1.0
REVENUE	\$ 215,224	\$ 212,649	1.2	\$ 432,738	\$ 429,499	0.8
REV/PC.	\$ 15.6424	\$ 15.6601	- 0.1	\$ 15.8652	\$ 15.9003	- 0.2
PERIODICALS						
VOLUME	2,290,485	2,309,295	- 0.8	4,630,653	4,625,476	0.1
REVENUE	\$ 540,472	\$ 544,921	- 0.8	\$ 1,103,957	\$ 1,106,947	- 0.3
REV/PC.	\$ 0.2360	\$ 0.2360	- 0.0	\$ 0.2384	\$ 0.2393	- 0.4
STANDARD MAIL						
VOLUME	24,327,452	23,375,042	4.1	51,281,824	48,038,699	6.8
REVENUE	\$ 4,597,741	\$ 4,451,684	3.3	\$ 9,651,642	\$ 9,137,614	5.6
REV/PC.	\$ 0.1890	\$ 0.1904	- 0.8	\$ 0.1882	\$ 0.1902	- 1.1
PACKAGE SERVICES						
VOLUME	288,253	279,043	3.3	602,938	598,113	0.8
REVENUE	\$ 550,892	\$ 548,595	0.4	\$ 1,196,831	\$ 1,207,520	- 0.9
REV/PC.	\$ 1.9111	\$ 1.9660	- 2.8	\$ 1.9850	\$ 2.0189	- 1.7
INTERNATIONAL						
VOLUME	201,036	208,444	- 3.6	450,130	450,554	- 0.1
REVENUE	\$ 423,301	\$ 417,972	1.3	\$ 930,807	\$ 893,171	4.2
REV/PC.	\$ 2.1056	\$ 2.0052	5.0	\$ 2.0679	\$ 1.9824	4.3
ALL OTHER						
VOLUME	146,262	146,481	- 0.1	365,611	290,363	25.9
REVENUE	\$ 247	\$ 173	42.6	\$ 433	\$ 332	30.4
ALL MAIL						
VOLUME	52,142,690	51,516,652	1.2	108,901,699	105,336,609	3.4
REVENUE	\$ 16,516,803	\$ 16,552,109	- 0.2	\$ 34,547,303	\$ 34,085,360	1.4
REV/PC.	\$ 0.3168	\$ 0.3213	- 1.4	\$ 0.3172	\$ 0.3236	- 2.0

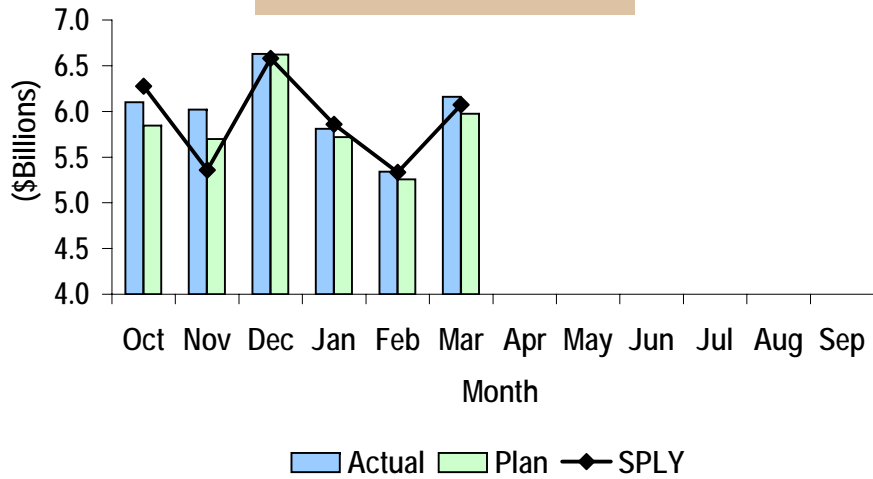
NOTE: Totals may not sum due to rounding.

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.

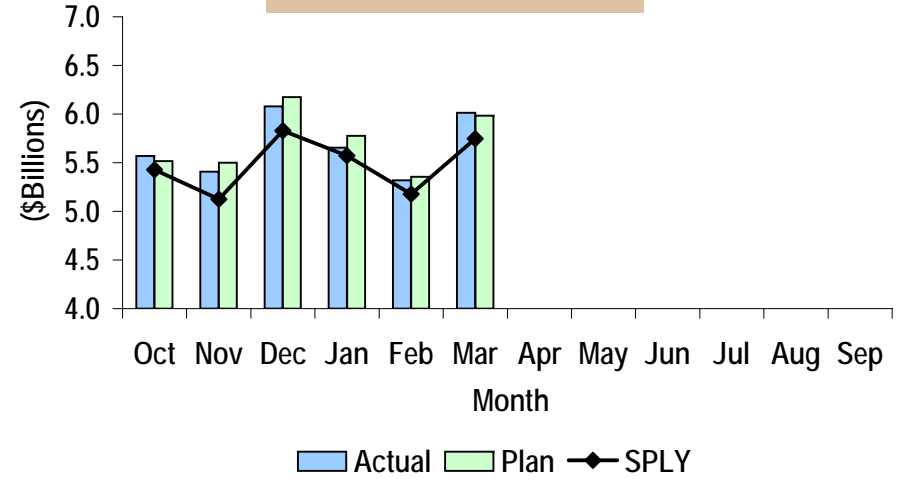
Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31). In order to provide a basis for comparison, FY 2004 data have been recast to reflect these reporting changes. The recast of FY 2004 data uses representative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

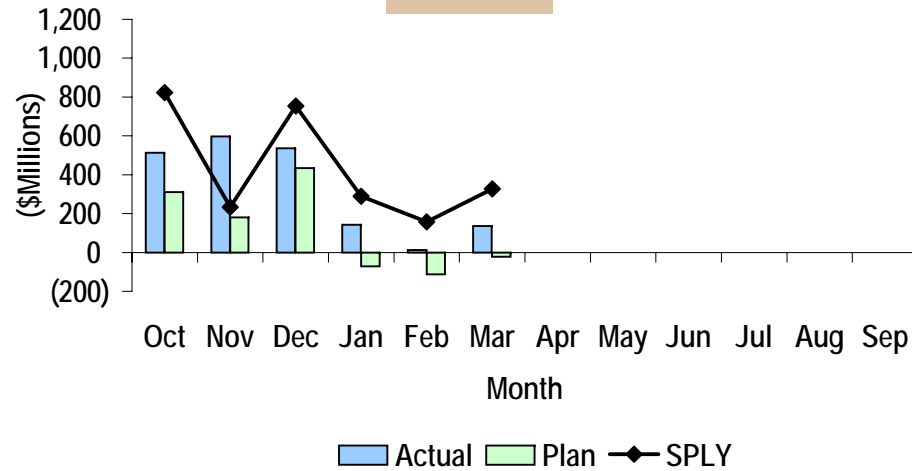
**TOTAL OPERATING REVENUE
FY 2005**



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

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
\$ 2,166.9	\$ 2,227.2	- 2.7	Operating Revenue:	\$ 12,666.4	\$ 12,910.4	- 1.9
946.6	980.5	- 3.5	Metered Postage	5,955.8	6,103.4	- 2.4
1,603.3	1,524.7	5.2	Stamps and Stamped Paper	9,059.2	8,534.0	6.2
201.5	194.7	3.5	Permit Imprint	1,094.6	1,096.8	- 0.2
69.6	74.7	- 6.8	Periodicals & Standard	423.1	458.0	- 7.6
924.3	815.8	13.3	Official Mail	5,347.8	4,908.5	8.9
65.0	69.0	- 5.8	Presort First-Class & Package Svc./Permit Imprint	392.5	389.0	0.9
18.9	16.3	16.0	Box Rents	107.1	90.3	18.6
<u>155.4</u>	<u>164.3</u>	- 5.4	Money Order Fees	<u>989.8</u>	<u>982.4</u>	0.8
\$ 6,151.5	\$ 6,067.2	1.4	Other	\$ 36,036.3	\$ 35,472.8	1.6
<u>8.1</u>	<u>4.2</u>	92.9	Subtotal	<u>45.9</u>	<u>26.7</u>	71.9
\$ 6,159.6	\$ 6,071.4	1.5	Government Appropriation	\$ 36,082.2	\$ 35,499.5	1.6
<u>7.5</u>	<u>2.3</u>	NM	Total Operating Revenue	<u>30.3</u>	<u>15.6</u>	94.2
\$ 6,167.1	\$ 6,073.7	1.5	Investment Income	\$ 36,112.5	\$ 35,515.1	1.7
			Total Revenue			

Note: Totals may not sum due to rounding.

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

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

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,792.9	\$ 2,566.0	8.8	Permit Revenue	\$ 15,871.0	\$ 14,850.9	6.9
1,833.0	1,924.7	[- 4.8]	Other Commercial Accounts Revenue	10,673.6	11,052.5	[- 3.4]
\$ 4,625.9	\$ 4,490.7	3.0	Total Commercial Revenue	\$ 26,544.6	\$ 25,903.4	2.5
			Retail Revenue			
1,175.3	1,148.4	2.3	Retail Postage Revenue	7,312.1	7,173.2	1.9
103.3	99.9	3.4	Retail Services Revenue	578.7	586.7	[- 1.4]
16.5	12.3	34.1	Retail Products Revenue	112.1	90.9	23.3
209.3	188.2	11.2	Other Retail Channels Revenue	1,259.1	1,088.8	15.6
\$ 1,504.4	\$ 1,448.8	3.8	Total Retail Revenue	\$ 9,262.0	\$ 8,939.6	3.6
\$ 6,130.3	\$ 5,939.5	3.2	Total Commercial & Retail Revenue	\$ 35,806.6	\$ 34,843.0	2.8
21.2	30.6	[- 30.7]	Other Income	229.7	238.5	[- 3.7]
8.1	5.1	58.8	Government Appropriation	45.9	30.9	48.5
\$ 6,159.6	\$ 5,975.2	3.1	Total Operating Revenue	\$ 36,082.2	\$ 35,112.4	2.8
7.5	4.3	74.4	Investment Income	30.3	20.0	51.5
\$ 6,167.1	\$ 5,979.5	3.1	Total Revenue	\$ 36,112.5	\$ 35,132.4	2.8

[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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EXPENSE ANALYSIS
March 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	
\$ 4,764.7	\$ 4,686.8	[\$ 77.9]	[1.7]	\$ 4,543.7	4.9	Personnel Compensation	\$ 27,094.8	\$ 26,921.3	[\$ 173.5]	[0.6]	\$ 26,205.2	3.4	
Non-Personnel Expense:													
455.5	426.5	[29.0]	[6.8]	421.4	8.1	Transportation	2,717.4	2,642.9	[74.5]	[2.8]	2,452.7	10.8	
233.9	221.2	[12.7]	[5.7]	229.2	2.1	Supplies & Services	1,121.6	1,279.6	- 158.0	- 12.3	1,129.0	- 0.7	
<u>559.6</u>	<u>648.4</u>	<u>- 88.8</u>	- 13.7	<u>551.6</u>	1.5	Other	<u>3,111.3</u>	<u>3,459.2</u>	<u>- 347.9</u>	- 10.1	<u>3,160.5</u>	- 1.6	
\$ 1,249.0	\$ 1,296.1	\$ - 47.1	- 3.6	\$ 1,202.2	3.9	Subtotal	\$ 6,950.3	\$ 7,381.7	\$ - 431.4	- 5.8	\$ 6,742.1	3.1	
\$ 6,013.7	\$ 5,982.9	[\$ 30.8]	[0.5]	\$ 5,745.9	4.7	Total Operating Expense	\$ 34,045.1	\$ 34,303.0	\$ - 257.9	- 0.8	\$ 32,947.3	3.3	
-	0.3	- 0.3	- 100.0	0.2	- 100.0	Interest Expense	1.5	3.3	- 1.8	- 54.5	10.6	- 85.8	
<u>18.1</u>	<u>18.1</u>	<u>-</u>	NM	<u>0.0</u>	NM	Interest on Deferred Retirement Costs	<u>108.6</u>	<u>108.6</u>	<u>-</u>	NM	<u>0.0</u>	NM	
\$ 6,031.8	\$ 6,001.3	[\$ 30.5]	[0.5]	\$ 5,746.1	5.0	Total Expense	\$ 34,155.2	\$ 34,414.9	\$ - 259.7	- 0.8	\$ 32,957.9	3.6	

[]=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
March 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:											
\$ 39.8	\$ 36.8	[\$ 3.0]	[8.0]	\$ 35.9	10.8	\$ 204.1	\$ 196.6	[\$ 7.5]	[3.8]	\$ 188.8	8.1
997.9	978.2	[19.7]	[2.0]	958.8	4.1	5,865.0	5,801.8	[63.2]	[1.1]	5,747.0	2.1
434.2	448.3	- 14.1	- 3.1	413.3	5.1	2,495.5	2,495.0	[0.4]	[0.0]	2,326.2	7.3
1,473.7	1,445.5	[28.2]	[1.9]	1,385.6	6.4	8,380.8	8,217.9	[163.0]	[2.0]	7,984.2	5.0
105.4	105.8	- 0.4	- 0.4	101.5	3.8	598.8	598.0	[0.8]	[0.1]	578.2	3.6
264.6	271.2	- 6.7	- 2.5	253.0	4.6	1,501.9	1,528.5	- 26.7	- 1.7	1,451.1	3.5
708.1	698.3	[9.9]	[1.4]	686.6	3.1	4,058.7	3,994.0	[64.7]	[1.6]	3,914.9	3.7
19.1	21.1	- 2.0	- 9.3	17.7	7.7	103.2	115.1	- 11.9	- 10.4	99.4	3.8
35.3	34.4	[0.9]	[2.6]	33.1	6.6	186.7	184.1	[2.5]	[1.4]	177.7	5.0
46.5	47.9	- 1.4	- 2.9	51.1	- 9.0	255.8	262.4	- 6.7	- 2.5	277.3	- 7.8
230.4	226.3	[4.1]	[1.8]	235.2	- 2.0	1,249.8	1,234.9	[14.9]	[1.2]	1,219.4	2.5
166.2	119.1	[47.1]	[39.5]	122.7	35.4	711.2	760.5	- 49.3	- 6.5	721.8	- 1.5
\$ 4,521.2	\$ 4,432.9	[\$ 88.3]	[2.0]	\$ 4,294.6	5.3	\$ 25,611.4	\$ 25,389.0	[\$ 222.4]	[0.9]	\$ 24,685.9	3.7
95.8	104.9	- 9.1	- 8.7	123.9	- 22.7	599.8	638.4	- 38.6	- 6.0	743.8	- 19.4
5.4	5.5	- 0.1	- 1.8	6.4	- 15.0	29.8	29.8	0.0	0.0	41.8	- 28.7
1.9	1.9	0.0	0.0	0.0	-	11.4	11.4	0.0	0.0	0.0	-
129.0	129.7	- 0.6	- 0.5	110.2	17.1	734.6	736.0	- 1.4	- 0.2	661.0	11.1
11.4	12.0	- 0.5	- 4.4	8.7	31.7	107.9	116.7	- 8.9	- 7.6	72.7	48.4
\$ 4,764.7	\$ 4,686.8	[\$ 77.9]	[1.7]	\$ 4,543.7	4.9	\$ 27,094.8	\$ 26,921.3	[\$ 173.5]	[0.6]	\$ 26,205.2	3.4

[]=Unfavorable variance to budget
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See accompanying Analysis to the Financial and Operating Statements beginning on page 16.

ANALYSIS OF NON-PERSONNEL EXPENSES
March 2005 - FY 2005
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY	% SPLY
\$ 455.5	\$ 426.5	[\$ 29.0]	[6.8]	\$ 421.4	8.1	Transportation	\$ 2,717.4	\$ 2,642.9	[\$ 74.5]	[2.8]	\$ 2,452.7	10.8
233.9	221.2	[12.7]	[5.7]	229.2	2.1	Supplies & Services	1,121.6	1,279.6	- 158.0	- 12.3	1,129.0	- 0.7
171.8	176.4	- 4.6	- 2.6	180.3	- 4.7	Depreciation	1,017.4	1,075.2	- 57.8	- 5.4	1,126.1	- 9.7
90.8	86.7	[4.2]	[4.8]	82.8	9.7	Rent	525.5	523.2	[2.3]	[0.4]	499.8	5.1
60.3	56.9	[3.4]	[6.1]	61.3	- 1.6	Utilities & Heating Fuel	288.5	285.9	[2.6]	[0.9]	280.3	2.9
31.0	36.5	- 5.5	- 15.1	30.0	3.3	Rural Carrier Equip Maint Allowance	196.7	228.7	- 32.0	- 14.0	191.9	2.5
56.2	49.8	[6.4]	[12.8]	55.2	2.0	Vehicle Maintenance Services	283.1	264.2	[18.9]	[7.2]	249.2	13.6
24.1	29.8	- 5.7	- 19.1	37.0	- 34.8	Information Technology	148.0	235.0	- 87.0	- 37.0	218.4	- 32.2
22.7	17.0	[5.6]	[33.2]	24.0	- 5.5	Building Projects Expensed	125.5	103.9	[21.5]	[20.7]	119.1	5.3
6.9	7.2	- 0.3	- 4.0	6.5	6.0	Contract Job Cleaners	43.8	43.3	[0.5]	[1.1]	42.7	2.6
24.7	17.8	[6.9]	[38.9]	23.3	5.7	Travel & Relocation	109.0	98.8	[10.3]	[10.4]	98.8	10.4
21.2	20.0	[1.2]	[6.0]	18.3	16.1	Communications	109.4	111.5	- 2.1	- 1.9	105.3	3.8
5.7	7.1	- 1.5	- 20.7	6.9	- 18.6	Contract Stations	37.5	39.1	- 1.6	- 4.1	35.6	5.3
3.8	3.1	[0.7]	[22.5]	1.5	152.6	Printing	15.4	14.0	[1.5]	[10.6]	8.7	77.4
5.0	7.1	- 2.1	- 29.1	5.3	- 5.3	Training	25.6	33.8	- 8.2	- 24.4	20.7	23.5
2.6	4.0	- 1.4	- 34.8	4.5	- 42.2	Carfare & Tolls	14.6	19.0	- 4.4	- 23.1	16.4	- 10.7
1.0	1.8	- 0.8	- 45.6	2.0	- 50.2	Vehicle Hire	7.3	10.0	- 2.7	- 27.3	10.2	- 28.7
4.3	4.3	0.0	- 0.5	6.5	- 33.8	Accident Costs	25.0	24.7	[0.3]	[1.4]	25.7	- 2.7
27.4	123.0	- 95.5	- 77.7	6.4	331.7	Miscellaneous	138.9	348.9	- 210.0	- 60.2	111.4	24.8
\$ 1,249.0	\$ 1,296.1	- 47.1	- 3.6	\$ 1,202.2	3.9	Total Non-Personnel Expenses	\$ 6,950.3	\$ 7,381.7	\$ - 431.4	- 5.8	\$ 6,742.1	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.

STATEMENT OF FINANCIAL POSITION
March 2005 - FY 2005
(\$ Millions)

Assets	March 31, 2005	March 31, 2004	September 30, 2004*
Current Assets:			
Cash and cash equivalents _1/	\$ 1,783	\$ 250	\$ 877
Receivables:			
Foreign countries	651	615	621
U.S. Government	362	435	327
Other	<u>183</u>	<u>202</u>	<u>187</u>
Receivables before allowances	1,196	1,252	1,135
Less allowances	<u>116</u>	<u>108</u>	<u>111</u>
Total receivables, net	1,080	1,144	1,024
Supplies, advances and prepayments	<u>164</u>	<u>343</u>	<u>220</u>
Total Current Assets	3,027	1,737	2,121
Other Assets, principally revenue forgone appropriations receivable	361	365	361
Property and Equipment, at Cost:			
Buildings	20,279	19,851	20,171
Equipment	17,859	17,318	17,277
Land	2,805	2,817	2,810
Leasehold improvements	<u>1,127</u>	<u>1,105</u>	<u>1,103</u>
	42,070	41,091	41,361
Less allowances for depreciation and amortization	<u>21,580</u>	<u>19,755</u>	<u>20,656</u>
	20,490	21,336	20,705
Construction in progress	<u>2,028</u>	<u>1,300</u>	<u>1,792</u>
Total property and equipment, net	22,518	22,636	22,497
Total Assets	<u>\$ 25,906</u>	<u>\$ 24,738</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
March 2005 - FY 2005
(\$ Millions)

Liabilities and Net Capital	March 31, 2005	March 31, 2004	September 30, 2004*
Current Liabilities:			
Compensation and benefits	\$ 2,699	\$ 2,886	\$ 2,640
Estimated prepaid postage	1,261	1,349	1,256
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,252	1,783	1,739
Foreign countries	773	871	778
U.S. government	66	99	87
Total payables and accrued expenses	<u>2,091</u>	<u>2,753</u>	<u>2,604</u>
Customer deposit accounts	1,695	1,525	1,606
Outstanding postal money orders	796	792	767
Prepaid box rent & other deferred revenue	392	386	397
Debt	-	1,494	1,800
Total Current Liabilities	<u>8,934</u>	<u>11,185</u>	<u>11,070</u>
Non-Current Liabilities:			
Workers' compensation	7,251	7,069	6,651
Employees' accumulated leave	2,074	1,962	2,006
Other	1,759	1,099	1,321
Total Other Non-Current Liabilities	<u>11,084</u>	<u>10,130</u>	<u>9,978</u>
Total Liabilities	20,018	21,315	21,048
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings since reorganization	2,854	389	897
Total Net Capital	<u>5,888</u>	<u>3,423</u>	<u>3,931</u>
Total Liabilities and Net Capital	<u>\$ 25,906</u>	<u>\$ 24,738</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 March 31, 2005
(\$ Millions)

	March 31, 2005	March 31, 2004	September 30, 2004*
Cash flows from operating activities:			
Net Income	\$ 1,957	\$ 2,557	\$ 3,065
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,011	1,111	2,145
Loss on disposals of property and equipment, net	7	15	71
Decrease in revenue forgone appropriations			4
Increase in USPS workers' compensation liability	600	745	343
Increase in employees' accumulated leave	68	30	74
(Decrease) increase in other liabilities	438	(52)	170
Changes in current assets and liabilities:			
(Increase) decrease in receivables, net	(56)	47	167
Decrease in supplies, advances and prepayments	56	23	146
Increase in compensation and benefits	59	368	106
Increase (decrease) in estimated prepaid postage	5	-	(93)
(Decrease) in payables and accrued expenses	(513)	(355)	(412)
Increase (decrease) in customers deposit accounts	89	(41)	40
Increase (decrease) in outstanding postal money orders	29	24	(1)
(Decrease) increase in prepaid box rent & other deferred revenue	(5)	(1)	10
Net cash provided by operating activities	3,745	4,471	5,835
Cash flows from investing activities:			
Purchase of property and equipment	(1,050)	(714)	(1,685)
Proceeds from sale of property and equipment	11	6	26
Net cash used in investing activities	(1,039)	(708)	(1,659)
Cash flows from financing activities:			
U.S. government appropriation - expended	-	-	(92)
Issuance of debt	-	-	-
Payments on debt	(1,800)	(5,779)	(5,473)
Net cash (used in) provided by financing activities	(1,800)	(5,579)	(5,565)
Net Increase (decrease) in cash and cash equivalents	906	(2,016)	(1,389)
Cash and cash equivalents at beginning of year	877	2,266	2,266
Cash and cash equivalents at end of period	\$ 1,783	\$ 250	\$ 877

* Audited year-end data.

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

CAPITAL INVESTMENTS
March 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	\$ 99.1	\$ 145.3	\$ 38.7	\$ 108.8	\$ 110.0	\$ 65.4
BUILDING IMPROVEMENTS	74.0	163.6	90.7	194.5	123.6	113.2
MAIL PROCESSING EQUIPMENT	165.7	113.3	448.4	354.3	447.9	289.7
VEHICLES	19.5	16.5	162.1	107.2	76.6	67.5
RETAIL EQUIPMENT	3.2	11.9	25.7	50.2	32.7	38.6
POSTAL SUPPORT EQUIPMENT	395.8	436.3	55.5	235.4	203.5	140.3
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 757.3	\$ 886.9	\$ 821.0	\$ 1,050.4	\$ 994.3	\$ 714.6

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	March 31, 2005	September 30, 2004
CONSTRUCTION AND BUILDING PURCHASE	\$ 179.5	\$ 192.0
BUILDING IMPROVEMENTS	255.9	380.5
MAIL PROCESSING EQUIPMENT	1,398.1	1,601.1
VEHICLES	32.3	126.0
RETAIL EQUIPMENT	47.5	94.9
POSTAL SUPPORT EQUIPMENT	560.1	413.9
TOTAL RESOURCES ON ORDER	\$ 2,473.4	\$ 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

March 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
916	[71]	[8.4]	872	5.0	Operations:	4,648	[141]	[3.1]	4,506	3.1
29,158	[950]	[3.4]	29,066	0.3	-Support	173,551	[3,999]	[2.4]	175,122	- 0.9
15,210	- 401	- 2.6	15,067	0.9	-Mail Processing	87,561	[549]	[0.6]	84,625	3.5
41,957	[1,248]	[3.1]	41,217	1.8	-Rural Delivery	236,069	[4,553]	[2.0]	233,291	1.2
2,840	- 15	- 0.5	2,875	- 1.3	-City Delivery	16,050	- 38	- 0.2	16,171	- 0.7
7,206	- 179	- 2.4	7,255	- 0.7	-Vehicles Services	40,542	- 1,048	- 2.5	41,090	- 1.3
20,750	[495]	[2.4]	21,040	- 1.4	-Plant & Equip Maint	118,492	[2,584]	[2.2]	118,180	0.3
456	- 75	- 14.1	447	2.0	-Customer Services	2,450	- 376	- 13.3	2,457	- 0.3
833	[37]	[4.6]	822	1.4	Finance	4,397	[103]	[2.4]	4,378	0.4
1,242	- 28	- 2.2	1,391	- 10.8	Human Resources	6,752	- 188	- 2.7	7,440	- 9.2
6,243	[249]	[4.1]	6,665	- 6.3	Customer Service & Sales	33,688	[759]	[2.3]	34,106	- 1.2
2,324	52	[2.3]	2,601	- 10.7	Administration	12,640	- 787	- 5.9	15,356	- 17.7
129,134	[2,404]	[1.9]	129,318	- 0.1	Other	736,840	[10,250]	[1.4]	736,720	0.0
					Total Workhours					

Overtime						
Actual	Budget	SPLY				SPLY
10.2%	7.8%	7.5%	Overtime Ratio Per 100 Workhours			9.3%
			11.0%	8.4%		

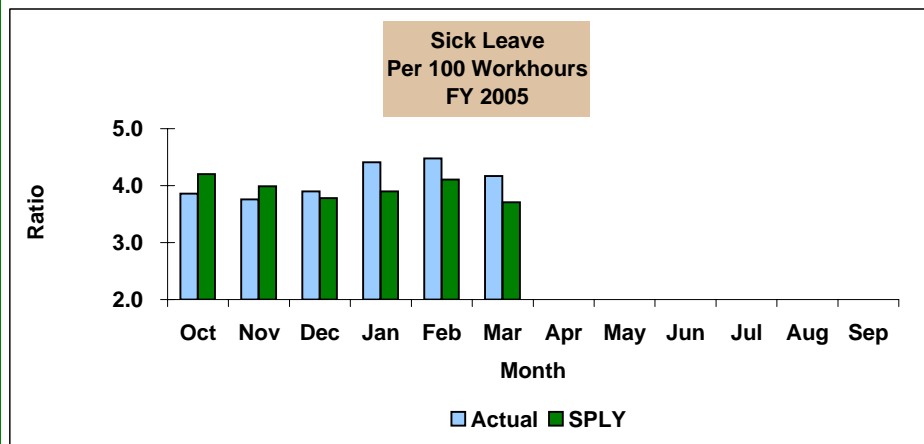
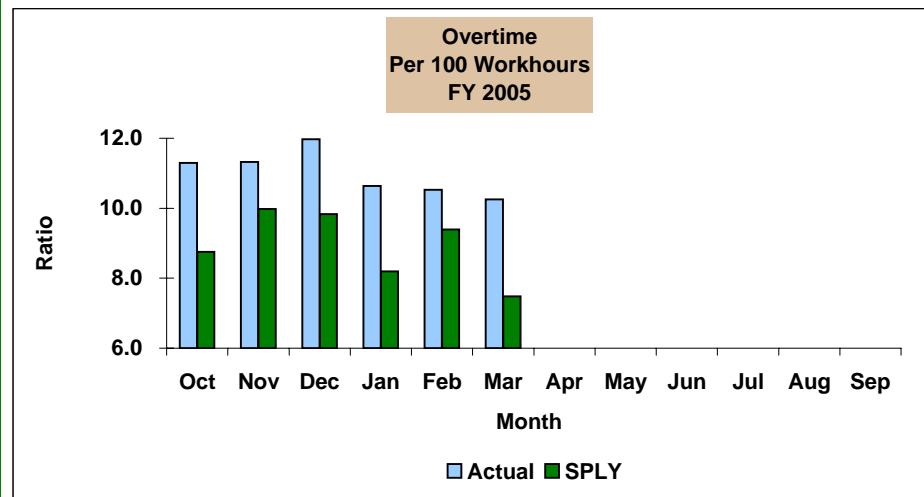
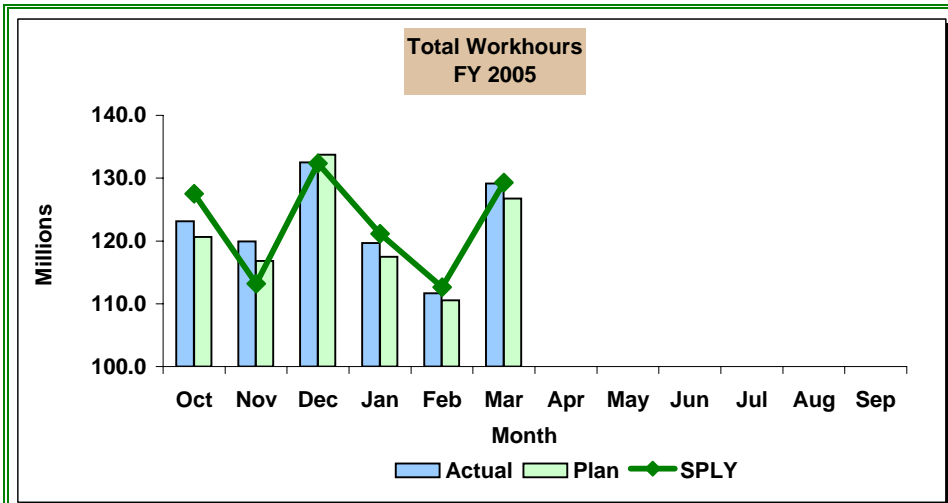
Sick Leave				
Actual				SPLY
4.2%	Sick Leave Ratio Per 100 Workhours			4.2%
	3.7%			
			4.1%	

[]=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.

March 2005 - FY 2005

Information: March 2005 contained the same number of business days as March of last year. Although YTD there was one less day than last year due to leap year there was no major business impact because the extra day last year was a Sunday. Easter occurred on March 27th of this year versus April 11th of last year.

Analysis of the Financial and Operating Statements

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

For March, Total Revenue was \$188 million or 3.1% over plan. Commercial Revenue was over plan by \$135 million or 3.0% and Retail Revenue was over plan \$56 million or 3.8%. In March, Total Revenue was \$93 million or 1.5% over same period last year (SPLY). Combined Commercial Revenue and Retail Revenue were \$96 million more than SPLY. Most of the increase to SPLY for March was in Presort First and Packages Services/Permit Imprint, \$109 million greater than SPLY, and Permit Imprint Revenue, \$79 million greater than SPLY.

Year-to-date (YTD), Total Revenue is \$980 million or 2.8% over plan with the largest contributor being Permit Revenue at \$1.0 billion more than plan. Conversely, Other Commercial Accounts, \$379 million or 3.4% less than plan, is negatively impacting the Total Revenue performance to plan. YTD, Total Revenue is \$597 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 \$21 million.

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

For March, Total Expenses were \$31 million or 0.5% above plan. Personnel costs were \$78 million or 1.7% above plan. Non-personnel costs were below plan by \$47 million or 3.6%. absorbing overruns in transportation costs caused by increased fuel prices. Transportation costs and Supplies & Services were above plan by \$29 million and \$13 million, respectively. Total Expenses were \$286 million or 5.0% above SPLY during March.

Year-to-date, personnel costs are \$174 million or 0.6% over plan and non-personnel expenses are \$431 million below plan. The largest contributor to the non-personnel plan underrun is Supplies & Services at \$158 million below. Some of this underrun (YTD and in March) is due to deferral of some planned spending to 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 \$260 million below plan YTD savings in Total Expense. YTD Total Expenses are \$1.2 billion or 3.6% above SPLY.

March 2005 - FY 2005

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for March, FY 2005 was 622 million pieces or 3.4% above SPLY. All major mail categories were above their SPLY levels. Standard Mail volumes were 533 million pieces above SPLY. On the strength of March, Quarter II volume was 626 million pieces or 1.2% above same quarter last year. Mail volumes in all of the major mail categories, except for First-Class Mail, Periodicals and International Mail, were greater than SPLY for the quarter.

Year-to-date, Total Mail Volume is 3.4% or 3.6 billion pieces above SPLY. Over 2.4 billion of the 3.6 billion piece increase occurred in November. The most significant mail volume increase above SPLY for March FY 2005 YTD is in the lower revenue-per-piece Standard Mail category, which increased 3.2 billion pieces or 6.8%. YTD, First-Class Mail volume is 0.4% more than SPLY, but the revenue generated is \$137 million or 0.7% less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2005 Capital Commitments YTD through March 2005 are \$757 million compared to a plan of \$887 million. This represents a plan underrun of about \$130 million or 14.6%.

The Cash Outlays YTD are \$1,050 million versus a plan of \$994 million, representing a \$56 million overrun to plan.

Workhours - Pages 1, 14 and 15

Total Workhours for March 2005 were 2.4 million hours or 1.9% above plan and 0.2 million hours or 0.1% below March 2004. The City Delivery and Rural Delivery operations posted the most significant workhour growth to SPLY, 0.7 million hours and 0.1 million hours, respectively. Conversely, Administration, Customer Services and Other Workhours combined were 1.0 million less than SPLY.

Total Workhours for March 2005 YTD are 10.2 million hours or 1.4% above plan and 0.1 million hours above SPLY. The most significant plan overruns lie in City Delivery, 4.6 million hours; Mail Processing, 4.0 million hours; and Customer Services, 2.6 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 are 5.7 million hours above SPLY.

For further information, please refer to the Quarter II, FY 2005 report at:

<http://www.usps.com/financials/fcr/welcome.htm>