



***UNITED STATES***  
***POSTAL SERVICE***

# **FINANCIAL & OPERATING STATEMENTS**

**May, FY 2005**

**May 1 – May 31, 2005**

Prepared by: Financial Reporting and Analysis

**HIGHLIGHTS**  
 May 2005 - FY 2005  
 (Millions)

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

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

|                |                |              |            |                |      |                     |                 |                 |               |           |                 |     |
|----------------|----------------|--------------|------------|----------------|------|---------------------|-----------------|-----------------|---------------|-----------|-----------------|-----|
| \$ 5,465.0     | \$ 5,414.4     | \$ 50.6      | 0.9        | \$ 5,219.0     | 4.7  | Total Revenue       | \$ 47,350.7     | \$ 46,221.6     | \$ 1,129.1    | 2.4       | \$ 46,650.6     | 1.5 |
| <u>5,663.2</u> | <u>5,629.3</u> | [ 33.9 ]     | [ 0.6 ]    | <u>5,309.8</u> | 6.7  | Total Expense       | <u>45,513.5</u> | <u>45,734.9</u> | - 221.4       | - 0.5     | <u>43,752.9</u> | 4.0 |
| \$ (- 198.2)   | \$ (- 214.9)   | \$ 16.7      | NM         | \$ (- 90.8)    | NM   | Net Income/(Loss)   | \$ 1,837.2      | \$ 486.7        | \$ 1,350.5    | NM        | \$ 2,897.7      | NM  |
| \$ 72.8        | \$ 155.0       | [\$ - 82.2 ] | [ - 53.0 ] | \$ 51.9        | 40.3 | Capital Commitments | \$ 988.9        | \$ 1,090.1      | [\$ - 101.2 ] | [ - 9.3 ] | \$ 955.2        | 3.5 |
| 120.4          | 118.0          | [ 2.4 ]      | [ 2.0 ]    | 118.1          | 2.0  | Total Workhours     | 981.5           | 966.6           | [ 14.9 ]      | [ 1.5 ]   | 976.7           | 0.5 |

[ ] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

| Actual Number Of:                                | Current Period | Last Period | SPLY    |
|--|----------------|-------------|---------|
| Post Offices                                     | 27,445         | 27,452      | 27,562  |
| Postal Owned Vehicles In Use                     |                |             |         |
| Administrative                                   | 5,881          | 5,837       | 5,954   |
| Operations                                       | 206,798        | 206,776     | 206,606 |
| Total Deliveries (000) *                         | 143,545        | 143,335     | 141,533 |
| City Delivery Routes                             | 164,594        | 164,656     | 164,438 |
| Rural Routes                                     | 71,513         | 71,381      | 70,158  |
| Career Employees (Excludes Inspector General) ** | 702,274        | 701,819     | 709,902 |
| Casual Employees **                              | 21,408         | 20,970      | 19,248  |
| Transitional Employees **                        | 9,224          | 9,446       | 9,756   |

\* 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**  
 May 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 |  |
| \$ 5,455.3     | \$ 5,408.7     | \$ 46.6         | 0.9      | \$ 5,216.4     | 4.6    | Operating Revenue                           | \$ 47,302.5     | \$ 46,190.6     | \$ 1,111.9     | 2.4      | \$ 46,630.1     | 1.4    |  |
| <u>5,645.0</u> | <u>5,610.9</u> | [ <u>34.1</u> ] | [ 0.6 ]  | <u>5,309.7</u> | 6.3    | Operating Expense                           | <u>45,367.1</u> | <u>45,586.2</u> | <u>-219.1</u>  | -0.5     | <u>43,742.6</u> | 3.7    |  |
| \$ (-189.7)    | \$ (-202.2)    | \$ 12.5         | -6.2     | \$ (-93.3)     | -      | Income/(Loss) From Operations               | \$ 1,935.4      | \$ 604.4        | \$ 1,331.0     | -        | \$ 2,887.5      | -      |  |
| 9.7            | 5.7            | 4.0             | 70.2     | 2.6            | 273.1  | Investment Income                           | 48.2            | 31.0            | 17.2           | 55.5     | 20.5            | 135.1  |  |
| \$ 0.1         | 0.3            | -0.2            | -66.7    | 0.1            | -      | Interest Expense                            | 1.6             | 3.9             | -2.3           | -59.0    | 10.3            | -84.5  |  |
| <u>18.1</u>    | <u>18.1</u>    | <u>-</u>        | -        | <u>-</u>       | -      | Interest on Deferred Retirement Obligations | <u>144.8</u>    | <u>144.8</u>    | <u>-</u>       | -        | <u>-</u>        | -      |  |
| \$ (-198.2)    | \$ (-214.9)    | \$ 16.7         | -        | \$ (-90.8)     | -      | Net Income/(Loss)                           | \$ 1,837.2      | \$ 486.7        | \$ 1,350.5     | -        | \$ 2,897.7      | -      |  |

[ ]=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.

**MAIL VOLUME - MAIL REVENUE**  
(Data in Thousands)

| CATEGORY                | Current Period |                |        | Year-to-Date   |                |        |
|-------------------------|----------------|----------------|--------|----------------|----------------|--------|
|                         | May<br>FY 2005 | May<br>FY 2004 | % SPLY | May<br>FY 2005 | May<br>FY 2004 | % SPLY |
| <b>FIRST-CLASS</b>      |                |                |        |                |                |        |
| VOLUME                  | 7,678,737      | 7,492,714      | 2.5    | 66,727,847     | 66,591,535     | 0.2    |
| REVENUE                 | \$ 2,816,286   | \$ 2,772,405   | 1.6    | \$ 24,568,184  | \$ 24,785,037  | - 0.9  |
| REV/PC.                 | \$ 0.3668      | \$ 0.3700      | - 0.9  | \$ 0.3682      | \$ 0.3722      | - 1.1  |
| <b>PRIORITY-MAIL</b>    |                |                |        |                |                |        |
| VOLUME                  | 72,743         | 62,641         | 16.1   | 607,934        | 583,288        | 4.2    |
| REVENUE                 | \$ 371,168     | \$ 317,554     | 16.9   | \$ 3,188,395   | \$ 3,059,953   | 4.2    |
| REV/PC.                 | \$ 5.1025      | \$ 5.0694      | 0.7    | \$ 5.2446      | \$ 5.2460      | - 0.0  |
| <b>EXPRESS MAIL</b>     |                |                |        |                |                |        |
| VOLUME                  | 4,694          | 4,379          | 7.2    | 36,744         | 36,166         | 1.6    |
| REVENUE                 | \$ 73,365      | \$ 68,451      | 7.2    | \$ 580,305     | \$ 572,604     | 1.3    |
| REV/PC.                 | \$ 15.6299     | \$ 15.6327     | - 0.0  | \$ 15.7933     | \$ 15.8327     | - 0.2  |
| <b>PERIODICALS</b>      |                |                |        |                |                |        |
| VOLUME                  | 763,571        | 676,348        | 12.9   | 6,121,979      | 6,118,361      | 0.1    |
| REVENUE                 | \$ 181,525     | \$ 163,443     | 11.1   | \$ 1,457,363   | \$ 1,467,084   | - 0.7  |
| REV/PC.                 | \$ 0.2377      | \$ 0.2417      | - 1.6  | \$ 0.2381      | \$ 0.2398      | - 0.7  |
| <b>STANDARD MAIL</b>    |                |                |        |                |                |        |
| VOLUME                  | 7,845,585      | 7,342,093      | 6.9    | 67,509,539     | 63,598,488     | 6.1    |
| REVENUE                 | \$ 1,465,623   | \$ 1,382,881   | 6.0    | \$ 12,707,270  | \$ 12,096,554  | 5.0    |
| REV/PC.                 | \$ 0.1868      | \$ 0.1883      | - 0.8  | \$ 0.1882      | \$ 0.1902      | - 1.0  |
| <b>PACKAGE SERVICES</b> |                |                |        |                |                |        |
| VOLUME                  | 82,480         | 73,671         | 12.0   | 771,560        | 754,714        | 2.2    |
| REVENUE                 | \$ 159,170     | \$ 148,576     | 7.1    | \$ 1,520,169   | \$ 1,522,431   | - 0.1  |
| REV/PC.                 | \$ 1.9298      | \$ 2.0168      | - 4.3  | \$ 1.9703      | \$ 2.0172      | - 2.3  |
| <b>INTERNATIONAL</b>    |                |                |        |                |                |        |
| VOLUME                  | 67,818         | 69,654         | - 2.6  | 585,576        | 588,106        | - 0.4  |
| REVENUE                 | \$ 135,118     | \$ 121,671     | 11.1   | \$ 1,216,142   | \$ 1,156,489   | 5.2    |
| REV/PC.                 | \$ 1.9924      | \$ 1.7468      | 14.1   | \$ 2.0768      | \$ 1.9665      | 5.6    |
| <b>ALL OTHER</b>        |                |                |        |                |                |        |
| VOLUME                  | 53,344         | 47,172         | 13.1   | 472,899        | 393,506        | 20.2   |
| REVENUE                 | \$ 131         | \$ 68          | 93.6   | \$ 610         | \$ 486         | 25.6   |
| <b>ALL MAIL</b>         |                |                |        |                |                |        |
| VOLUME                  | 16,568,972     | \$ 15,768,672  | 5.1    | 142,834,078    | 138,664,163    | 3.0    |
| REVENUE                 | \$ 5,202,387   | \$ 4,975,047   | 4.6    | \$ 45,238,438  | \$ 44,660,637  | 1.3    |
| REV/PC.                 | \$ 0.3140      | \$ 0.3155      | - 0.5  | \$ 0.3167      | \$ 0.3221      | - 1.7  |

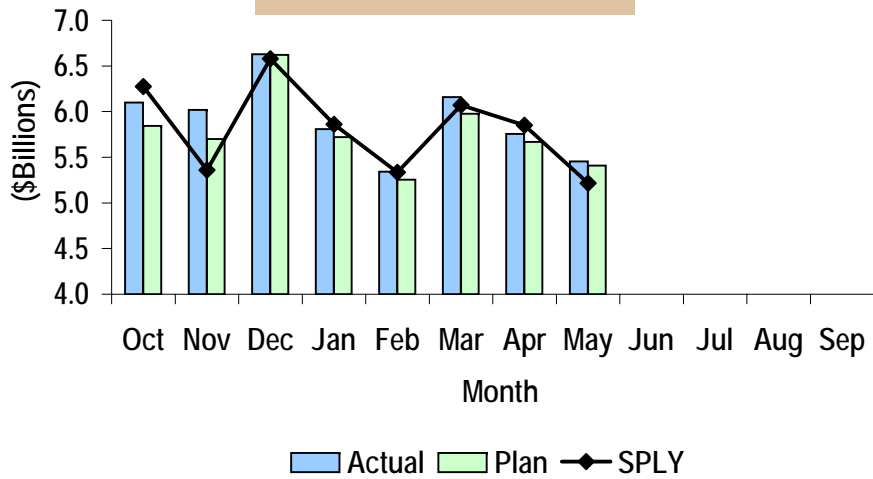
NOTE: Totals may not sum due to rounding.

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.

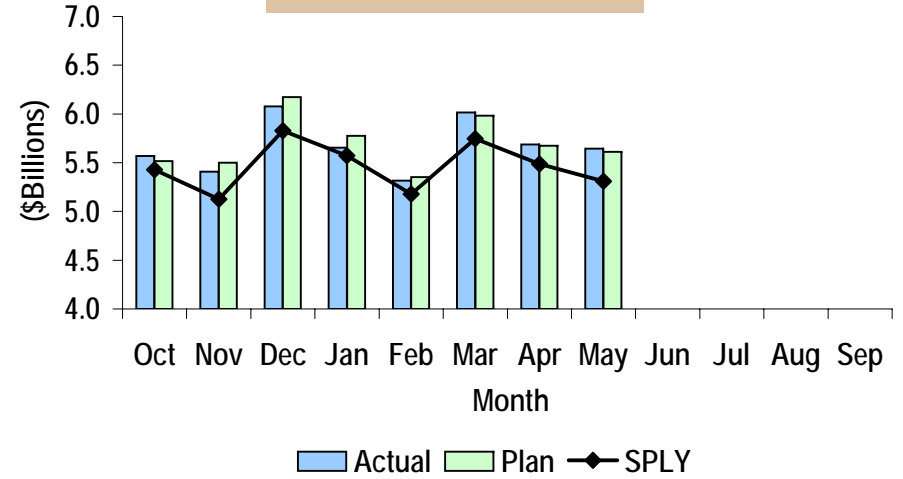
Quarterly RPW reports are now defined as the sum of three calendar months (e.g., quarter one corresponds to the time period of October 1-December 31). In order to provide a basis for comparison, FY 2004 data have been recast to reflect these reporting changes. The recast of FY 2004 data uses representative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

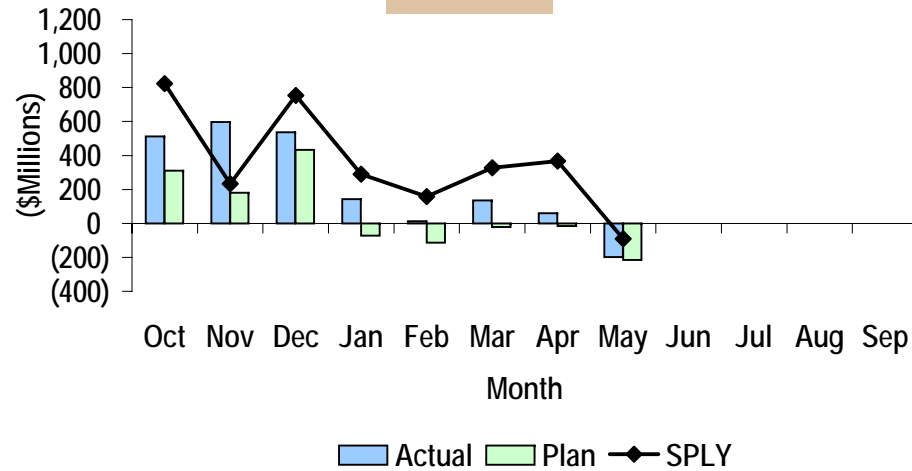
**TOTAL OPERATING REVENUE  
FY 2005**



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

| Current Period           |                          |            |   | Year-to-Date              |                           |            |
|--------------------------|--------------------------|------------|---|---------------------------|---------------------------|------------|
| Actual                   | SPLY                     | % SPLY     |   | Actual                    | SPLY                      | % SPLY     |
| \$ 1,921.9               | \$ 1,902.6               | 1.0        | <b>Operating Revenue:</b>                         | \$ 16,628.9               | \$ 16,965.4               | - 2.0      |
|                          |                          |            | Metered Postage                                   |                           |                           |            |
| 839.3                    | 837.2                    | 0.3        | Stamps and Stamped Paper                          | 7,674.0                   | 7,866.0                   | - 2.4      |
| 1,372.9                  | 1,285.9                  | 6.8        | Permit Imprint                                    | 11,928.2                  | 11,295.4                  | 5.6        |
| 180.5                    | 161.9                    | 11.5       | Periodicals & Standard                            | 1,446.0                   | 1,453.7                   | - 0.5      |
| 62.3                     | 70.4                     | - 11.5     | Official Mail                                     | 548.3                     | 596.2                     | - 8.0      |
| 827.3                    | 732.3                    | 13.0       | Presort First-Class & Package Svc./Permit Imprint | 7,014.3                   | 6,432.9                   | 9.0        |
| 60.3                     | 58.0                     | 4.0        | Box Rents   | 514.2                     | 508.6                     | 1.1        |
| 17.7                     | 13.8                     | 28.3       | Money Order Fees                                  | 143.3                     | 119.3                     | 20.1       |
| <u>164.0</u>             | <u>151.4</u>             | 8.3        | Other   | <u>1,342.7</u>            | <u>1,289.2</u>            | 4.1        |
| <b>\$ 5,446.2</b>        | <b>\$ 5,213.5</b>        | <b>4.5</b> | <b>Subtotal</b>                                   | <b>\$ 47,239.9</b>        | <b>\$ 46,526.7</b>        | <b>1.5</b> |
| <u>9.1</u>               | <u>2.9</u>               | 213.8      | Government Appropriation                          | <u>62.6</u>               | <u>103.4</u>              | - 39.5     |
| <b>\$ 5,455.3</b>        | <b>\$ 5,216.4</b>        | <b>4.6</b> | <b>Total Operating Revenue</b>                    | <b>\$ 47,302.5</b>        | <b>\$ 46,630.1</b>        | <b>1.4</b> |
| <u>9.7</u>               | <u>2.6</u>               | 273.1      | Investment Income                                 | <u>48.2</u>               | <u>20.5</u>               | 135.1      |
| <b><u>\$ 5,465.0</u></b> | <b><u>\$ 5,219.0</u></b> | <b>4.7</b> | <b>Total Revenue</b>                              | <b><u>\$ 47,350.7</u></b> | <b><u>\$ 46,650.6</u></b> | <b>1.5</b> |

Note: Totals may not sum due to rounding.

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

**REVENUE BY CATEGORY**  
 May 2005 - FY 2005  
 (\$ Millions)

| Current Period    |                   |                 |  | Year-to-Date       |                    |            |
|-------------------|-------------------|-----------------|--|--------------------|--------------------|------------|
| Actual            | Budget            | % Budget        |  | Actual             | Budget             | % Budget   |
|                   |                   |                 | <b>Commercial Revenue</b>                    |                    |                    |            |
| \$ 2,434.0        | \$ 2,342.7        | 3.9             | Permit Revenue                               | \$ 20,866.6        | \$ 19,638.0        | 6.3        |
| <u>1,647.3</u>    | <u>1,747.3</u>    | [ - 5.7]        | Other Commercial Accounts Revenue            | <u>14,056.1</u>    | <u>14,641.5</u>    | [ - 4.0]   |
| <b>\$ 4,081.3</b> | <b>\$ 4,090.0</b> | <b>[ - 0.2]</b> | <b>Total Commercial Revenue</b>              | <b>\$ 34,922.7</b> | <b>\$ 34,279.5</b> | <b>1.9</b> |
|                   |                   |                 | <b>Retail Revenue</b>                        |                    |                    |            |
| 1,023.8           | 1,016.0           | 0.8             | Retail Postage Revenue                       | 9,413.9            | 9,273.2            | 1.5        |
| 96.1              | 87.0              | 10.5            | Retail Services Revenue                      | 773.4              | 766.2              | 0.9        |
| 15.0              | 12.1              | 24.0            | Retail Products Revenue                      | 141.9              | 115.3              | 23.1       |
| <u>191.0</u>      | <u>156.0</u>      | 22.4            | Other Retail Channels Revenue                | <u>1,657.4</u>     | <u>1,414.8</u>     | 17.1       |
| <b>\$ 1,325.9</b> | <b>\$ 1,271.1</b> | <b>4.3</b>      | <b>Total Retail Revenue</b>                  | <b>\$ 11,986.6</b> | <b>\$ 11,569.5</b> | <b>3.6</b> |
| <b>\$ 5,407.2</b> | <b>\$ 5,361.1</b> | <b>0.9</b>      | <b>Total Commercial &amp; Retail Revenue</b> | <b>\$ 46,909.3</b> | <b>\$ 45,849.0</b> | <b>2.3</b> |
| 39.0              | 42.5              | [ - 8.2]        | Other Income                                 | 330.6              | 300.5              | 10.0       |
| <u>9.1</u>        | <u>5.1</u>        | 78.4            | Government Appropriation                     | <u>62.6</u>        | <u>41.1</u>        | 52.3       |
| <b>\$ 5,455.3</b> | <b>\$ 5,408.7</b> | <b>0.9</b>      | <b>Total Operating Revenue</b>               | <b>\$ 47,302.5</b> | <b>\$ 46,190.6</b> | <b>2.4</b> |
| <u>9.7</u>        | <u>5.7</u>        | 70.2            | Investment Income                            | <u>48.2</u>        | <u>31.0</u>        | 55.5       |
| <b>\$ 5,465.0</b> | <b>\$ 5,414.4</b> | <b>0.9</b>      | <b>Total Revenue</b>                         | <b>\$ 47,350.7</b> | <b>\$ 46,221.6</b> | <b>2.4</b> |

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

**EXPENSE ANALYSIS**  
**May 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 |
| \$ 4,436.0             | \$ 4,442.7        | \$ - 6.7         | - 0.2    | \$ 4,243.1        | 4.5    | \$ 36,070.1        | \$ 35,862.2        | [\$ 207.9]        | [ 0.6]   | \$ 34,855.4        | 3.5    |
| Non-Personnel Expense: |                   |                  |          |                   |        |                    |                    |                   |          |                    |        |
| 453.8                  | 427.7             | [ 26.1]          | [ 6.1]   | 401.0             | 13.2   | 3,595.0            | 3,479.7            | [ 115.3]          | [ 3.3]   | 3,250.2            | 10.6   |
| 206.5                  | 233.2             | - 26.7           | - 11.4   | 182.6             | 13.1   | 1,513.8            | 1,753.9            | - 240.1           | - 13.7   | 1,473.4            | 2.7    |
| <u>548.7</u>           | <u>507.3</u>      | <u>[ 41.4]</u>   | [ 8.2]   | <u>483.0</u>      | 13.6   | <u>4,188.2</u>     | <u>4,490.4</u>     | <u>- 302.2</u>    | - 6.7    | <u>4,163.6</u>     | 0.6    |
| <b>\$ 1,209.0</b>      | <b>\$ 1,168.2</b> | <b>[\$ 40.8]</b> | [ 3.5]   | <b>\$ 1,066.6</b> | 13.4   | <b>\$ 9,297.0</b>  | <b>\$ 9,724.0</b>  | <b>\$ - 427.0</b> | - 4.4    | <b>\$ 8,887.2</b>  | 4.6    |
| <b>\$ 5,645.0</b>      | <b>\$ 5,610.9</b> | <b>[\$ 34.1]</b> | [ 0.6]   | <b>\$ 5,309.7</b> | 6.3    | <b>\$ 45,367.1</b> | <b>\$ 45,586.2</b> | <b>\$ - 219.1</b> | - 0.5    | <b>\$ 43,742.6</b> | 3.7    |
| 0.1                    | 0.3               | - 0.2            | - 66.7   | 0.1               | -      | 1.6                | 3.9                | - 2.3             | - 59.0   | 10.3               | - 84.5 |
| <u>18.1</u>            | <u>18.1</u>       | <u>-</u>         | -        | <u>0.0</u>        | NM     | <u>144.8</u>       | <u>144.8</u>       | <u>-</u>          | -        | <u>0.0</u>         | NM     |
| <b>\$ 5,663.2</b>      | <b>\$ 5,629.3</b> | <b>[\$ 33.9]</b> | [ 0.6]   | <b>\$ 5,309.8</b> | 6.7    | <b>\$ 45,513.5</b> | <b>\$ 45,734.9</b> | <b>\$ - 221.4</b> | - 0.5    | <b>\$ 43,752.9</b> | 4.0    |

[ ]=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**

**May 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     |
|                   |                   |                  |               |                   |            | <b>Total Compensation</b> |                    |                   |               |                    |            |
|                   |                   |                  |               |                   |            | Operations:               |                    |                   |               |                    |            |
| \$ 36.3           | \$ 34.8           | [\$ 1.5]         | [ 4.3]        | \$ 31.2           | 16.3       | \$ 278.7                  | \$ 266.1           | [\$ 12.6]         | [ 4.7]        | \$ 253.7           | 9.8        |
| 929.1             | 934.6             | - 5.4            | - 0.6         | 912.7             | 1.8        | 7,772.1                   | 7,709.0            | [ 63.1]           | [ 0.8]        | 7,607.0            | 2.2        |
| 434.8             | 425.3             | [ 9.5]           | [ 2.2]        | 397.5             | 9.4        | 3,383.4                   | 3,359.8            | [ 23.6]           | [ 0.7]        | 3,126.2            | 8.2        |
| 1,354.2           | 1,350.8           | [ 3.5]           | [ 0.3]        | 1,294.4           | 4.6        | 11,174.1                  | 10,954.8           | [ 219.3]          | [ 2.0]        | 10,653.0           | 4.9        |
| 98.5              | 98.2              | [ 0.3]           | [ 0.3]        | 93.7              | 5.1        | 799.1                     | 795.2              | [ 3.9]            | [ 0.5]        | 770.8              | 3.7        |
| 252.4             | 254.0             | - 1.6            | - 0.6         | 239.2             | 5.6        | 2,011.8                   | 2,042.6            | - 30.7            | - 1.5         | 1,937.3            | 3.8        |
| 656.4             | 654.3             | [ 2.2]           | [ 0.3]        | 626.7             | 4.7        | 5,399.9                   | 5,319.9            | [ 80.0]           | [ 1.5]        | 5,213.5            | 3.6        |
| 17.9              | 19.6              | - 1.7            | - 8.7         | 16.4              | 8.9        | 139.3                     | 157.0              | - 17.6            | - 11.2        | 132.7              | 5.0        |
| 32.8              | 33.1              | - 0.3            | - 0.9         | 29.2              | 12.5       | 252.3                     | 247.9              | [ 4.3]            | [ 1.7]        | 237.1              | 6.4        |
| 42.8              | 44.3              | - 1.5            | - 3.5         | 45.0              | - 4.9      | 342.6                     | 349.5              | - 7.0             | - 2.0         | 370.6              | - 7.6      |
| 217.3             | 213.8             | [ 3.4]           | [ 1.6]        | 203.2             | 6.9        | 1,680.4                   | 1,657.9            | [ 22.4]           | [ 1.4]        | 1,626.0            | 3.3        |
| 122.5             | 117.8             | [ 4.7]           | [ 4.0]        | 104.4             | 17.2       | 900.4                     | 974.6              | - 74.3            | - 7.6         | 908.9              | - 0.9      |
| <b>\$ 4,195.1</b> | <b>\$ 4,180.6</b> | <b>[\$ 14.6]</b> | <b>[ 0.3]</b> | <b>\$ 3,993.6</b> | <b>5.0</b> | <b>\$ 34,134.0</b>        | <b>\$ 33,834.4</b> | <b>[\$ 299.6]</b> | <b>[ 0.9]</b> | <b>\$ 32,836.8</b> | <b>4.0</b> |
| 92.2              | 104.9             | - 12.7           | - 12.1        | 124.1             | - 25.7     | 762.1                     | 849.1              | - 87.0            | - 10.3        | 992.0              | - 23.2     |
| 5.4               | 4.8               | [ 0.6]           | [ 13.3]       | 6.3               | - 14.3     | 31.7                      | 39.4               | - 7.7             | - 19.7        | 54.5               | - 41.9     |
| 1.9               | 1.9               | -                | -             | 0.0               | -          | 15.2                      | 15.2               | -                 | -             | 0.0                | -          |
| 129.4             | 129.7             | - 0.3            | - 0.2         | 110.2             | 17.4       | 993.9                     | 995.3              | - 1.4             | - 0.1         | 881.3              | 12.8       |
| 12.0              | 20.9              | - 8.9            | - 42.6        | 8.9               | 34.6       | 133.2                     | 128.7              | [ 4.5]            | [ 3.5]        | 90.8               | 46.7       |
| <b>\$ 4,436.0</b> | <b>\$ 4,442.7</b> | <b>\$ - 6.7</b>  | <b>- 0.2</b>  | <b>\$ 4,243.1</b> | <b>4.5</b> | <b>\$ 36,070.1</b>        | <b>\$ 35,862.2</b> | <b>[\$ 207.9]</b> | <b>[ 0.6]</b> | <b>\$ 34,855.4</b> | <b>3.5</b> |

[ ]=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**  
**May 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     |
| \$ 453.8          | \$ 427.7          | [\$ 26.1]      | [ 6.1]        | \$ 401.0          | 13.2        | Transportation                      | \$ 3,595.0        | \$ 3,479.7        | [\$ 115.3]        | [ 3.3]       | \$ 3,250.2        | 10.6       |
| 206.5             | 233.2             | - 26.7         | - 11.4        | 182.6             | 13.1        | Supplies & Services                 | 1,513.8           | 1,753.9           | - 240.1           | - 13.7       | 1,473.4           | 2.7        |
| 163.6             | 186.8             | - 23.2         | - 12.4        | 168.4             | - 2.9       | Depreciation                        | 1,358.4           | 1,431.7           | - 73.3            | - 5.1        | 1,480.5           | - 8.2      |
| 82.0              | 83.9              | - 2.0          | - 2.3         | 80.2              | 2.1         | Rent                                | 686.2             | 697.9             | - 11.6            | - 1.7        | 660.3             | 3.9        |
| 43.6              | 42.5              | [ 1.1]         | [ 2.6]        | 40.5              | 7.6         | Utilities & Heating Fuel            | 373.9             | 372.2             | [ 1.8]            | [ 0.5]       | 358.3             | 4.3        |
| 35.3              | 38.5              | - 3.2          | - 8.4         | 30.6              | 15.4        | Rural Carrier Equip Maint Allowance | 288.8             | 319.9             | - 31.2            | - 9.7        | 268.2             | 7.7        |
| 54.2              | 41.1              | [ 13.1]        | [ 32.0]       | 41.9              | 29.3        | Vehicle Maintenance Services        | 378.8             | 353.0             | [ 25.8]           | [ 7.3]       | 327.9             | 15.5       |
| 28.4              | 34.2              | - 5.7          | - 16.8        | 31.4              | - 9.4       | Information Technology              | 204.6             | 305.1             | - 100.5           | - 33.0       | 279.1             | - 26.7     |
| 17.8              | 16.6              | [ 1.2]         | [ 7.1]        | 21.4              | - 16.9      | Building Projects Expensed          | 160.5             | 138.9             | [ 21.6]           | [ 15.5]      | 164.2             | - 2.3      |
| 6.7               | 7.1               | - 0.4          | - 5.1         | 6.4               | 5.0         | Contract Job Cleaners               | 57.9              | 57.8              | [ 0.1]            | [ 0.2]       | 55.9              | 3.5        |
| 20.7              | 22.3              | - 1.6          | - 7.2         | 17.1              | 20.7        | Travel & Relocation                 | 148.1             | 140.7             | [ 7.4]            | [ 5.3]       | 134.0             | 10.5       |
| 19.7              | 19.0              | [ 0.7]         | [ 3.6]        | 18.3              | 7.5         | Communications                      | 147.0             | 149.0             | - 2.0             | - 1.3        | 139.2             | 5.6        |
| 6.3               | 6.7               | - 0.5          | - 6.9         | 6.0               | 4.2         | Contract Stations                   | 50.0              | 52.3              | - 2.3             | - 4.3        | 47.6              | 5.1        |
| 2.4               | 2.5               | - 0.1          | - 4.3         | 1.5               | 56.9        | Printing                            | 16.8              | 20.2              | - 3.4             | - 16.9       | 11.5              | 46.8       |
| 6.4               | 5.8               | [ 0.6]         | [ 9.7]        | 4.8               | 34.3        | Training                            | 37.3              | 46.0              | - 8.7             | - 18.9       | 29.5              | 26.5       |
| 2.6               | 2.9               | - 0.3          | - 9.8         | 2.4               | 8.5         | Carfare & Tolls                     | 20.0              | 24.2              | - 4.2             | - 17.2       | 21.2              | - 5.6      |
| 1.2               | 1.3               | - 0.1          | - 10.9        | 1.0               | 13.0        | Vehicle Hire                        | 10.2              | 12.5              | - 2.4             | - 18.9       | 12.9              | - 21.1     |
| 4.0               | 4.0               | - 0.0          | - 0.7         | 4.9               | - 18.7      | Accident Costs                      | 32.3              | 31.4              | [ 0.8]            | [ 2.7]       | 34.8              | - 7.4      |
| 53.9              | - 8.0             | [ 61.9]        | NM            | 6.1               | NM          | Miscellaneous                       | 217.5             | 337.6             | - 120.1           | - 35.6       | 138.6             | 56.9       |
| <b>\$ 1,209.0</b> | <b>\$ 1,168.2</b> | <b>[ 40.8]</b> | <b>[ 3.5]</b> | <b>\$ 1,066.6</b> | <b>13.4</b> | <b>Total Non-Personnel Expenses</b> | <b>\$ 9,297.0</b> | <b>\$ 9,724.0</b> | <b>\$ - 427.0</b> | <b>- 4.4</b> | <b>\$ 8,887.2</b> | <b>4.6</b> |

[ ]=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**  
**May 2005 - FY 2005**  
(\$ Millions)

| Assets  | May 31,<br>2005         | May 31,<br>2004         | September 30,<br>2004*  |
|---|-------------------------|-------------------------|-------------------------|
| <b>Current Assets:</b>  |                         |                         |                         |
| Cash and cash equivalents _1/                                       | \$ 2,546                | \$ 184                  | \$ 877                  |
| <b>Receivables:</b>   |                         |                         |                         |
| Foreign countries   | 672                     | 649                     | 621                     |
| U.S. Government   | 316                     | 500                     | 327                     |
| Other   | <u>182</u>              | <u>204</u>              | <u>187</u>              |
| <b>Receivables before allowances</b>                                | 1,170                   | 1,353                   | 1,135                   |
| Less allowances   | <u>113</u>              | <u>97</u>               | <u>111</u>              |
| <b>Total receivables, net</b>                                       | 1,057                   | 1,256                   | 1,024                   |
| <br>  |                         |                         |                         |
| Supplies, advances and prepayments                                  | <u>155</u>              | <u>343</u>              | <u>220</u>              |
| <b>Total Current Assets</b>   | <b>3,758</b>            | <b>1,783</b>            | <b>2,121</b>            |
| <br>  |                         |                         |                         |
| Other Assets, principally revenue forgone appropriations receivable | 361                     | 365                     | 361                     |
| <br>  |                         |                         |                         |
| <b>Property and Equipment, at Cost:</b>                             |                         |                         |                         |
| Buildings   | 20,321                  | 20,100                  | 20,171                  |
| Equipment   | 18,066                  | 17,218                  | 17,277                  |
| Land  | 2,806                   | 2,818                   | 2,810                   |
| Leasehold improvements  | <u>1,134</u>            | <u>1,116</u>            | <u>1,103</u>            |
|   | 42,327                  | 41,252                  | 41,361                  |
| Less allowances for depreciation and amortization                   | <u>21,866</u>           | <u>20,093</u>           | <u>20,656</u>           |
|   | 20,461                  | 21,159                  | 20,705                  |
| <br>  |                         |                         |                         |
| Construction in progress  | <u>2,021</u>            | <u>1,400</u>            | <u>1,792</u>            |
| <b>Total property and equipment, net</b>                            | 22,482                  | 22,559                  | 22,497                  |
| <br>  |                         |                         |                         |
| <b>Total Assets</b>   | <b><u>\$ 26,601</u></b> | <b><u>\$ 24,707</u></b> | <b><u>\$ 24,979</u></b> |

\_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**

May 2005 - FY 2005

(\$ Millions)

| Liabilities and Net Capital                  | May 31,<br>2005         | May 31,<br>2004         | September 30,<br>2004*  |
|--|-------------------------|-------------------------|-------------------------|
| <b>Current Liabilities:</b>                  |                         |                         |                         |
| Compensation and benefits                    | \$ 3,367                | \$ 3,358                | \$ 2,640                |
| Estimated prepaid postage                    | 1,261                   | 1,349                   | 1,256                   |
| <b>Payables and accrued expenses:</b>        |                         |                         |                         |
| Commercial vendors & accrued expenses        | 1,142                   | 1,278                   | 1,739                   |
| Foreign countries                            | 801                     | 1,007                   | 778                     |
| U.S. government                              | <u>56</u>               | <u>97</u>               | <u>87</u>               |
| <b>Total payables and accrued expenses</b>   | 1,999                   | 2,382                   | 2,604                   |
| Customer deposit accounts                    | 1,625                   | 1,449                   | 1,606                   |
| Outstanding postal money orders              | 811                     | 840                     | 767                     |
| Prepaid box rent & other deferred revenue    | 391                     | 386                     | 397                     |
| Debt   | <u>-</u>                | <u>307</u>              | <u>1,800</u>            |
| <b>Total Current Liabilities</b>             | <b>9,454</b>            | <b>10,071</b>           | <b>11,070</b>           |
| <b>Non-Current Liabilities:</b>              |                         |                         |                         |
| Workers' compensation                        | 7,406                   | 7,318                   | 6,651                   |
| Employees' accumulated leave                 | 2,181                   | 2,164                   | 2,006                   |
| Other  | <u>1,792</u>            | <u>1,390</u>            | <u>1,321</u>            |
| <b>Total Other Non-Current Liabilities</b>   | <b>11,379</b>           | <b>10,872</b>           | <b>9,978</b>            |
| <b>Total Liabilities</b>                     | <b>20,834</b>           | <b>20,943</b>           | <b>21,048</b>           |
| <b>Net Capital:</b>                          |                         |                         |                         |
| Capital contributions of the U.S. government | 3,034                   | 3,034                   | 3,034                   |
| Retained earnings since reorganization       | <u>2,734</u>            | <u>730</u>              | <u>897</u>              |
| <b>Total Net Capital</b>                     | <b>5,768</b>            | <b>3,764</b>            | <b>3,931</b>            |
| <b>Total Liabilities and Net Capital</b>     | <b><u>\$ 26,601</u></b> | <b><u>\$ 24,707</u></b> | <b><u>\$ 24,979</u></b> |

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 May 31, 2005**  
(\$ Millions)

|   | May 31,<br>2005 | May 31,<br>2004 | September 30,<br>2004* |
|---|-----------------|-----------------|------------------------|
| <b>Cash flows from operating activities:</b>                                      |                 |                 |                        |
| Net Income  | \$ 1,837        | \$ 2,898        | \$ 3,065               |
| Adjustments to reconcile net income to net cash provided by operating activities: |                 |                 |                        |
| Depreciation and amortization   | 1,350           | 1,461           | 2,145                  |
| Loss on disposals of property and equipment, net                                  | 1               | 19              | 71                     |
| Decrease in revenue forgone appropriations  |                 |                 | 4                      |
| Increase in USPS workers' compensation liability                                  | 755             | 994             | 343                    |
| Increase in employees' accumulated leave  | 175             | 232             | 74                     |
| Increase (decrease) in other liabilities  | 471             | 239             | 170                    |
| Changes in current assets and liabilities:  |                 |                 |                        |
| (Increase) decrease in receivables, net   | (33)            | (65)            | 167                    |
| Decrease in supplies, advances and prepayments                                    | 65              | 23              | 146                    |
| Increase in compensation and benefits   | 727             | 840             | 106                    |
| Increase (decrease) in estimated prepaid postage                                  | 5               | -               | (93)                   |
| (Decrease) in payables and accrued expenses                                       | (605)           | (726)           | (412)                  |
| Increase (decrease) in customers deposit accounts                                 | 19              | (117)           | 40                     |
| Increase (decrease) in outstanding postal money orders                            | 44              | 72              | (1)                    |
| (Decrease) increase in prepaid box rent & other deferred revenue                  | (6)             | (1)             | 10                     |
| <b>Net cash provided by operating activities</b>                                  | <b>4,805</b>    | <b>5,869</b>    | <b>5,835</b>           |
| <b>Cash flows from investing activities:</b>                                      |                 |                 |                        |
| Purchase of property and equipment  | (1,359)         | (996)           | (1,685)                |
| Proceeds from sale of property and equipment                                      | 23              | 11              | 26                     |
| <b>Net cash (used in) investing activities</b>                                    | <b>(1,336)</b>  | <b>(985)</b>    | <b>(1,659)</b>         |
| <b>Cash flows from financing activities:</b>                                      |                 |                 |                        |
| U.S. government appropriation - expended  | -               | -               | (92)                   |
| Issuance of debt  | -               | -               | -                      |
| Payments on debt  | (1,800)         | (6,966)         | (5,473)                |
| <b>Net cash (used in) provided by financing activities</b>                        | <b>(1,800)</b>  | <b>(6,966)</b>  | <b>(5,565)</b>         |
| <b>Net Increase (decrease) in cash and cash equivalents</b>                       | <b>1,669</b>    | <b>(2,082)</b>  | <b>(1,389)</b>         |
| <b>Cash and cash equivalents at beginning of year</b>                             | <b>877</b>      | <b>2,266</b>    | <b>2,266</b>           |
| <b>Cash and cash equivalents at end of period</b>                                 | <b>\$ 2,546</b> | <b>\$ 184</b>   | <b>\$ 877</b>          |

\* Audited year-end data.

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

**CAPITAL INVESTMENTS**  
 May 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    | \$ 141.1        | \$ 258.9          | \$ 50.1         | \$ 143.1          | \$ 148.2          | \$ 97.7         |
| BUILDING IMPROVEMENTS                 | 142.2           | 232.1             | 129.8           | 266.4             | 152.8             | 157.6           |
| MAIL PROCESSING EQUIPMENT             | 191.6           | 118.5             | 498.6           | 471.8             | 584.7             | 422.6           |
| VEHICLES                              | 28.5            | 16.5              | 173.3           | 122.2             | 92.5              | 88.0            |
| RETAIL EQUIPMENT                      | 3.2             | 17.2              | 32.2            | 54.7              | 40.5              | 53.6            |
| POSTAL SUPPORT EQUIPMENT              | 482.3           | 447.0             | 71.2            | 301.0             | 247.1             | 176.2           |
| <b>TOTAL COMMITMENTS/CASH OUTLAYS</b> | <b>\$ 988.9</b> | <b>\$ 1,090.1</b> | <b>\$ 955.2</b> | <b>\$ 1,359.2</b> | <b>\$ 1,265.8</b> | <b>\$ 995.8</b> |

**RESOURCES ON ORDER**  
 (\$ Millions)

| MAJOR CATEGORIES                   | May 31, 2005      | September 30, 2004 |
|------------------------------------|-------------------|--------------------|
| CONSTRUCTION AND BUILDING PURCHASE | \$ 186.3          | \$ 192.0           |
| BUILDING IMPROVEMENTS              | 250.1             | 380.5              |
| MAIL PROCESSING EQUIPMENT          | 1,318.7           | 1,601.1            |
| VEHICLES                           | 26.4              | 126.0              |
| RETAIL EQUIPMENT                   | 43.0              | 94.9               |
| POSTAL SUPPORT EQUIPMENT           | 579.4             | 413.9              |
| <b>TOTAL RESOURCES ON ORDER</b>    | <b>\$ 2,403.9</b> | <b>\$ 2,808.4</b>  |

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**

May 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 |
| 819            | [ 28 ]         | [ 3.5 ]  | 738     | 11.0   | Operations:              | 6,335        | [ 209 ]        | [ 3.4 ]  | 6,040   | 4.9    |
| 27,196         | [ 541 ]        | [ 2.0 ]  | 27,136  | 0.2    | -Support                 | 228,766      | [ 5,260 ]      | [ 2.4 ]  | 230,220 | -0.6   |
| 15,070         | [ 458 ]        | [ 3.1 ]  | 14,501  | 3.9    | -Mail Processing         | 118,522      | [ 1,702 ]      | [ 1.5 ]  | 113,749 | 4.2    |
| 38,414         | [ 777 ]        | [ 2.1 ]  | 37,631  | 2.1    | -Rural Delivery          | 314,521      | [ 6,083 ]      | [ 2.0 ]  | 310,642 | 1.2    |
| 2,643          | [ 33 ]         | [ 1.3 ]  | 2,599   | 1.7    | -City Delivery           | 21,374       | [ 24 ]         | [ 0.1 ]  | 21,491  | -0.5   |
| 6,814          | - 50           | - 0.7    | 6,697   | 1.7    | -Vehicles Services       | 54,188       | - 1,218        | - 2.2    | 54,665  | -0.9   |
| 19,108         | [ 462 ]        | [ 2.5 ]  | 18,742  | 2.0    | -Plant & Equip Maint     | 157,277      | [ 3,243 ]      | [ 2.1 ]  | 156,947 | 0.2    |
| 422            | - 64           | - 13.3   | 405     | 4.3    | -Customer Services       | 3,297        | - 497          | - 13.1   | 3,273   | 0.7    |
| 773            | [ 13 ]         | [ 1.7 ]  | 712     | 8.5    | Finance                  | 5,948        | [ 108 ]        | [ 1.8 ]  | 5,836   | 1.9    |
| 1,127          | - 28           | - 2.5    | 1,193   | -5.6   | Human Resources          | 9,029        | - 245          | - 2.6    | 9,915   | -8.9   |
| 5,863          | [ 281 ]        | [ 5.0 ]  | 5,617   | 4.4    | Customer Service & Sales | 45,258       | [ 937 ]        | [ 2.1 ]  | 45,266  | -0.0   |
| 2,157          | - 66           | - 3.0    | 2,120   | 1.7    | Administration           | 16,944       | - 730          | - 4.1    | 18,661  | -9.2   |
| 120,405        | [ 2,383 ]      | [ 2.0 ]  | 118,091 | 2.0    | Other                    | 981,460      | [ 14,876 ]     | [ 1.5 ]  | 976,703 | 0.5    |
|                |                |          |         |        | Total Workhours          |              |                |          |         |        |

| Overtime |        |      | Overtime |        |      |
|----------|--------|------|----------|--------|------|
| Actual   | Budget | SPLY | Actual   | Budget | SPLY |

|      |      |      |                                  |       |      |      |
|------|------|------|----------------------------------|-------|------|------|
| 9.4% | 7.7% | 8.5% | Overtime Ratio Per 100 Workhours | 10.7% | 8.3% | 9.5% |
|------|------|------|----------------------------------|-------|------|------|

| Sick Leave |      | Sick Leave |      |
|------------|------|------------|------|
| Actual     | SPLY | Actual     | SPLY |

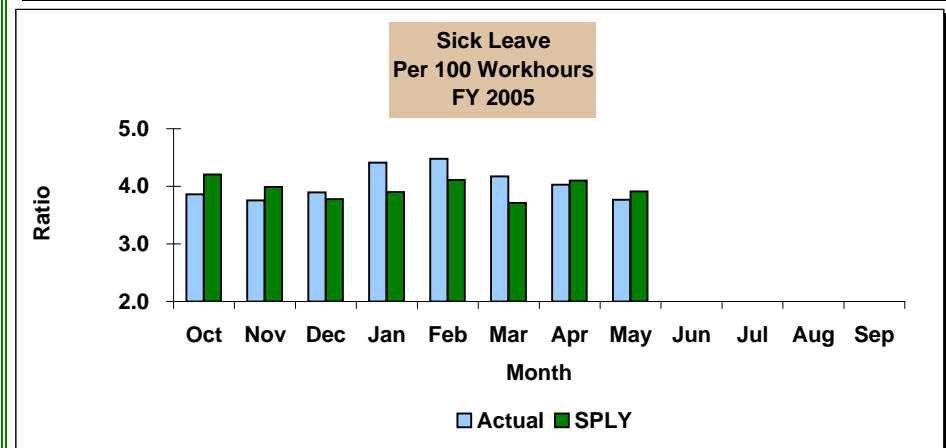
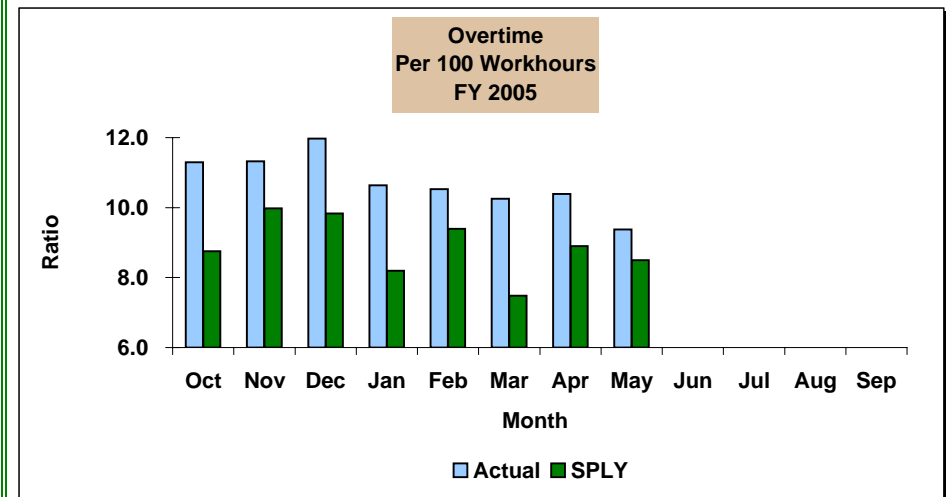
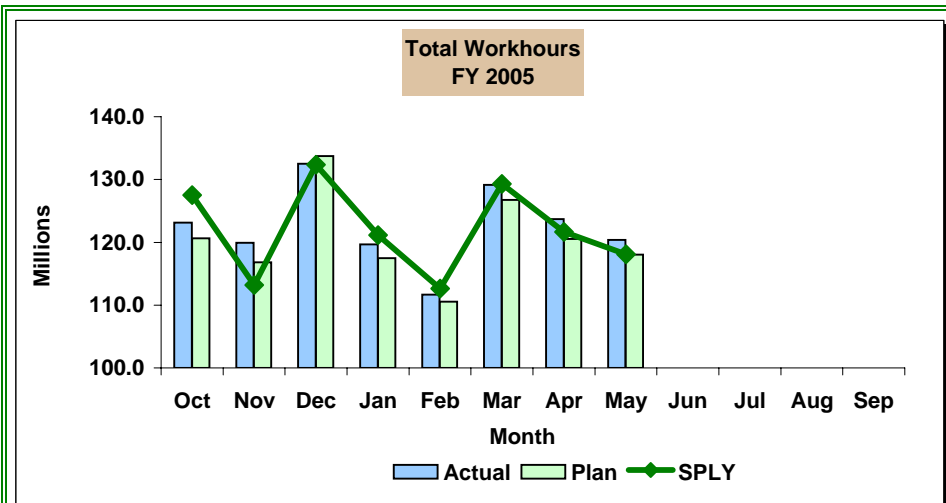
|      |      |                                    |      |      |
|------|------|------------------------------------|------|------|
| 3.8% | 3.9% | Sick Leave Ratio Per 100 Workhours | 4.0% | 4.3% |
|------|------|------------------------------------|------|------|

[ ]=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.



## May 2005 - FY 2005

Information: May 2005 contained the same number of delivery days as May of last year. However, there was one additional weekday with one less Saturday than last year in May. Year-to-date (YTD), there was one less day than last year due to leap year. There was also one less business day this year compared to last year.

## Analysis of the Financial and Operating Statements

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

For May, Total Revenue was \$51 million or 0.9% over plan, and \$246 million or 4.7% over same period last year (SPLY). Commercial Revenue was under plan by \$9 million or 0.2% and Retail Revenue was over plan \$55 million or 4.3%. In May, combined Total Commercial Revenue and Retail Revenue were \$233 million more than SPLY. Most of the increased revenue to SPLY for May was in Permit Imprint which grew by \$87 million, Periodicals and Standard improved by \$19 million, and Presort First-Class and Package Services/Permit Imprint at \$95 million more than SPLY.

Year-to-date, Total Revenue is \$1.1 billion or 2.4% over plan with the largest contributor being Permit Revenue at \$1.2 billion or 6.3% more than plan. Conversely, Other Commercial Accounts, \$585 million or 4.0% less than plan, is negatively impacting the Total Revenue performance to plan. YTD, Total Revenue is \$700 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 \$29 million.

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

For May, Total Expenses were \$34 million or 0.6% above plan. Personnel costs were \$7 million or 0.2% below plan. Non-personnel costs were above plan by \$41 million or 3.5% where overruns in transportation costs were caused by increased fuel prices. Transportation costs were above plan by \$26 million. For SPLY, Total Expenses were increased by \$353 million or 6.7%. 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 \$208 million or 0.6% above plan and non-personnel expenses are \$427 million or 4.4% below plan. The largest contributor to the non-personnel plan underrun was Supplies & Services at \$240 million or 13.7% below plan. Some of this underrun in May and 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 \$221 million below plan YTD savings in Total Expense. YTD Total Expenses are \$1.8 billion or 4.0% above SPLY.

## May 2005 - FY 2005

### Analysis of the Financial and Operating Statements (Continued)

#### Mail Volume and Revenue - Page 3

Total Mail Volume for May, FY 2005 was 800 million pieces or 5.1% over SPLY. All mail categories were over their May 2004 levels, except International Mail volume was 2.6% under SPLY. For the period, First-Class Mail volume improved by 186 million pieces or 2.5%, and Priority Mail grew by 10 million pieces or 16.1% compared to the previous year. Standard Mail volumes continued to be positive driven by the increasing strength of direct marketing channels and were 503 million pieces or 6.9% over SPLY.

Year-to-date, Total Mail Volume is 3.0% or 4.2 billion pieces over SPLY. Over 2.4 billion of the 4.2 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 3.9 billion pieces or 6.1%. YTD, First-Class Mail volume is 0.2% more than SPLY generating \$217 million or 0.9% less revenue than SPLY.

#### Capital Investments - Pages 1 and 13

The Fiscal Year 2005 Capital Commitments YTD through May 2005 are \$989 million compared to a plan of \$1,090 million. This represents a plan underrun of about \$101 million or 9.3%.

The Cash Outlays YTD are \$1,359 million versus a plan of \$1,266 million, representing a \$93 million overrun to plan.

#### Workhours - Pages 1, 14 and 15

Total Workhours for May 2005 were 2.4 million hours or 2.0% above plan, and 2.3 million hours or 2.0% above May 2004. The Rural Delivery and City Delivery operations posted the most significant workhour growth to SPLY, 0.6 million hours and 0.8 million hours, respectively.

Total Workhours for May 2005 YTD are 14.9 million hours or 1.5% above plan, and 4.8 million hours above SPLY. The most significant plan overruns lie in City Delivery by 6.1 million hours, Mail Processing by 5.3 million hours, and Customer Services by 3.2 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 8.7 million hours above SPLY.