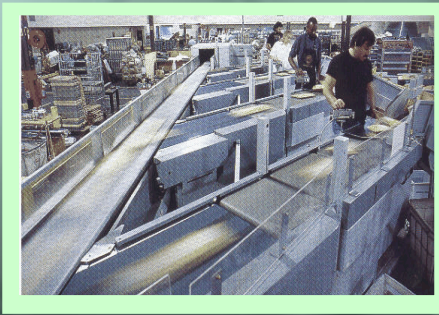




**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS



**February, FY 2006
February 1 – February 28, 2006**

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
February 2006 - FY 2006
(Millions)

Current Period						Year-to-Date (October 1, 2005 - February 28, 2006)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 5,639.3	\$ 5,518.8	\$ 120.5	2.2	\$ 5,347.8	5.5	\$ 30,582.8	\$ 30,486.2	\$ 96.6	0.3	\$ 29,961.4	2.1
<u>5,544.0</u>	<u>5,427.5</u>	<u>[116.5]</u>	[2.1]	<u>5,335.6</u>	3.9	<u>29,285.3</u>	<u>29,168.3</u>	<u>[117.0]</u>	[0.4]	<u>28,160.7</u>	4.0
\$ 95.3	\$ 91.3	\$ 4.0	NM	\$ 12.2	NM	\$ 1,297.5	\$ 1,317.9	[\$ -20.4]	NM	\$ 1,800.7	NM
<u>250.0</u>						<u>1,250.0</u>					
<u>\$ (154.7)</u>						<u>\$ 47.5</u>					
\$ 69.9	\$ 61.9	\$ 8.0	12.9	\$ 89.7	-22.1	\$ 374.3	\$ 385.6	[\$ -11.3]	[-2.9]	\$ 618.1	-39.4
111.3	110.6	[0.8]	[0.7]	111.7	-0.4	607.1	597.5	[9.6]	[1.6]	607.7	-0.1

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,333	27,343	27,477
Postal Owned Vehicles In Use			
Administrative	6,257	6,266	5,741
Operations	209,380	209,177	206,683
Total Deliveries (000)	145,062	144,976	143,059
City Delivery Routes	164,285	164,295	164,598
Rural Routes	73,296	73,260	71,322
Career Employees (excludes Inspector General)	696,365	697,885	700,738
Casual Employees	20,251	20,587	21,174
Transitional Employees	6,464	6,542	9,737

*Public Law (PL) 108-18, The Postal Civil Service Retirement System Funding Reform Act of 2003 requires that the U. S. Postal Service, beginning in FY 2006 hold in escrow an amount equal to the difference between the CSRS retirement costs before and after the implementation of this law. The Office of Personnel Management (OPM) calculates this amount and based on their latest estimate we are allocating \$250 million per month for purposes of assessing our financial position.

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

STATEMENT OF INCOME & EXPENSE
February 2006 - FY 2006
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 5,627.5	\$ 5,505.7	\$ 121.8	2.2	\$ 5,341.5	5.4	Operating Revenue	\$ 30,533.2	\$ 30,428.9	\$ 104.3	0.3	\$ 29,938.6	2.0	
<u>5,522.2</u>	<u>5,405.6</u>	[<u>116.6</u>]	[2.2]	<u>5,317.5</u>	3.8	Operating Expense	<u>29,174.9</u>	<u>29,057.5</u>	[<u>117.4</u>]	[0.4]	<u>28,068.7</u>	3.9	
\$ 105.3	\$ 100.1	\$ 5.2	NM	\$ 24.0	NM	Income/(Loss) From Operations	\$ 1,358.3	\$ 1,371.4	[\$ -13.1]	NM	\$ 1,869.9	NM	
11.8	13.1	[-1.3]	[-9.9]	6.3	87.3	Investment Income	49.6	57.3	[-7.7]	[-13.4]	22.8	117.5	
-	0.1	-0.1	-100.0	-	NM	Interest Expense	1.4	1.8	-0.4	-22.2	1.5	-6.7	
<u>21.8</u>	<u>21.8</u>	<u>-</u>	<u>-</u>	<u>18.1</u>	20.4	Interest on Deferred Retirement Obligations	<u>109.0</u>	<u>109.0</u>	<u>-</u>	<u>-</u>	<u>90.5</u>	20.4	
\$ 95.3	\$ 91.3	\$ 4.0	NM	\$ 12.2	NM	Net Income Before Escrow Allocation *	\$ 1,297.5	\$ 1,317.9	[\$ -20.4]	NM	\$ 1,800.7	NM	
<u>250.0</u>						Escrow Allocation *	<u>1,250.0</u>						
\$ (154.7)						Net Gain/(Deficiency) After Escrow Allocation *	\$ 47.5						

[]=Unfavorable variance to budget

* See footnote on page 1.

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

MAIL VOLUME - MAIL REVENUE
(Data in Thousands)

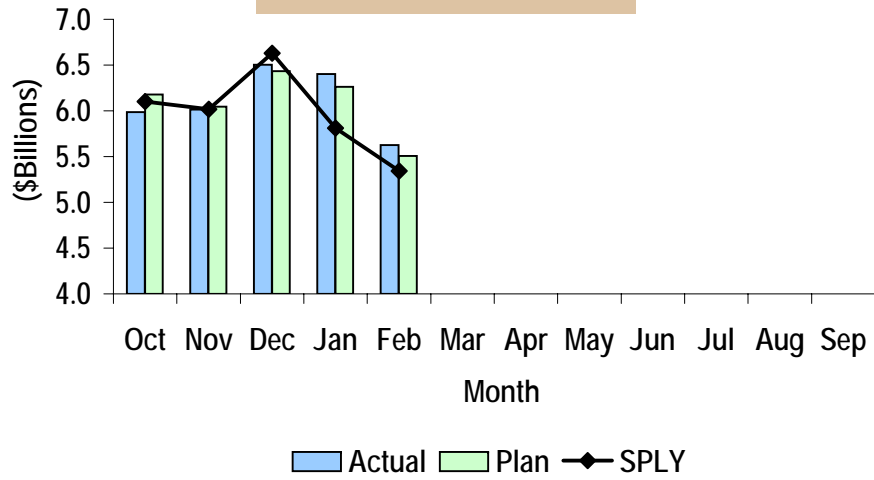
CATEGORY	Current Period			Year-to-Date		
	February 28, FY 2006	February 28, FY 2005	% SPLY	February 28, FY 2006	February 28, FY 2005	% SPLY
FIRST-CLASS						
VOLUME	7,393,905	7,458,708	- 0.9	41,901,112	42,527,863	- 1.5
REVENUE	\$ 2,855,441	\$ 2,750,881	3.8	\$ 15,649,890	\$ 15,653,919	- 0.0
REV/PC.	\$ 0.3862	\$ 0.3688	4.7	\$ 0.3735	\$ 0.3681	1.5
PRIORITY-MAIL						
VOLUME	71,876	68,714	4.6	404,079	377,841	6.9
REVENUE	\$ 395,143	\$ 352,843	12.0	\$ 2,204,073	\$ 2,010,452	9.6
REV/PC.	\$ 5.4976	\$ 5.1350	7.1	\$ 5.4546	\$ 5.3209	2.5
EXPRESS MAIL						
VOLUME	4,474	4,384	2.1	23,305	22,235	4.8
REVENUE	\$ 74,018	\$ 68,657	7.8	\$ 379,310	\$ 353,942	7.2
REV/PC.	\$ 16.5440	\$ 15.6608	5.6	\$ 16.2759	\$ 15.9182	2.2
PERIODICALS						
VOLUME	711,280	757,784	- 6.1	3,737,175	3,783,984	- 1.2
REVENUE	\$ 171,460	\$ 176,568	- 2.9	\$ 899,105	\$ 901,201	- 0.2
REV/PC.	\$ 0.2411	\$ 0.2330	3.5	\$ 0.2406	\$ 0.2382	1.0
STANDARD MAIL						
VOLUME	7,676,220	7,611,558	0.8	42,916,479	42,325,332	1.4
REVENUE	\$ 1,519,869	\$ 1,439,212	5.6	\$ 8,186,033	\$ 7,956,442	2.9
REV/PC.	\$ 0.1980	\$ 0.1891	4.7	\$ 0.1907	\$ 0.1880	1.5
PACKAGE SERVICES						
VOLUME	83,350	81,659	2.1	516,629	497,680	3.8
REVENUE	\$ 170,358	\$ 163,465	4.2	\$ 996,979	\$ 1,001,907	- 0.5
REV/PC.	\$ 2.0439	\$ 2.0018	2.1	\$ 1.9298	\$ 2.0132	- 4.1
INTERNATIONAL						
VOLUME	64,740	67,007	- 3.4	372,703	381,698	- 2.4
REVENUE	\$ 144,969	\$ 143,170	1.3	\$ 831,325	\$ 791,629	5.0
REV/PC.	\$ 2.2392	\$ 2.1366	4.8	\$ 2.2305	\$ 2.0740	7.5
ALL OTHER						
VOLUME	131,115	46,938	179.3	422,469	315,482	33.9
ALL MAIL						
VOLUME	16,136,960	16,096,751	0.2	90,293,951	90,232,114	0.1
REVENUE	\$ 5,331,257	\$ 5,094,797	4.6	\$ 29,146,714	\$ 28,669,491	1.7
REV/PC.	\$ 0.3304	\$ 0.3165	4.4	\$ 0.3228	\$ 0.3177	1.6

NOTE: Totals may not sum due to rounding.

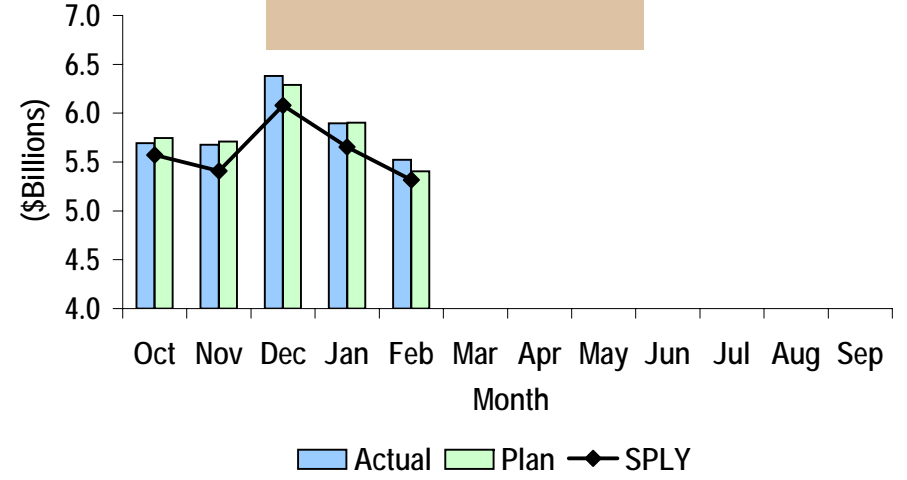
When interpreting RPW SPLY changes under monthly reporting, users must factor in the number and composition of business days in the relevant time periods.

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

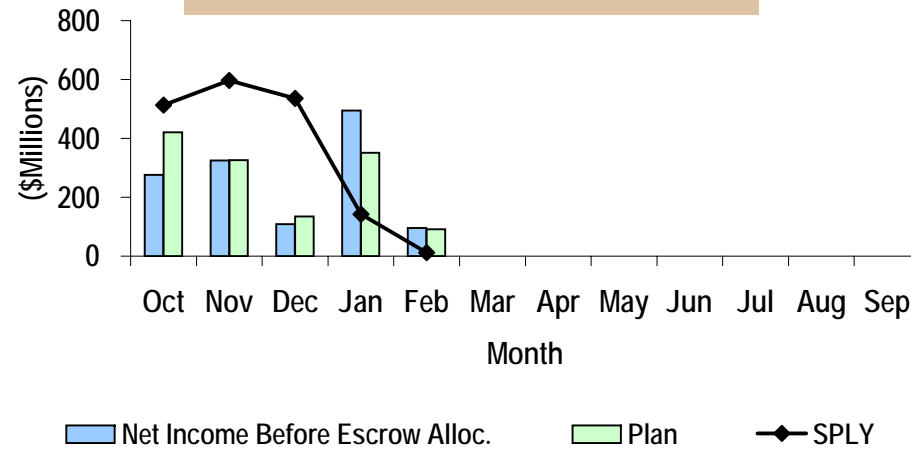
**TOTAL OPERATING REVENUE
FY 2006**



**TOTAL OPERATING EXPENSE
FY 2006**



**NET INCOME BEFORE ESCROW ALLOCATION
FY 2006**



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

REVENUE BY SOURCE
February 2006 - FY 2006
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
\$ 1,964.7	\$ 1,898.5	3.5	Operating Revenue:	\$ 10,490.2	\$ 10,513.6	- 0.2
			Metered Postage			
824.0	831.8	- 0.9	Stamps and Stamped Paper	4,927.8	5,009.2	- 1.6
1,434.5	1,348.0	6.4	Permit Imprint	7,716.1	7,456.0	3.5
170.2	175.1	- 2.8	Periodicals & Standard	891.7	893.1	- 0.2
61.2	59.1	3.6	Official Mail	359.9	353.5	1.8
881.3	775.8	13.6	Presort First-Class & Package Svc./Permit Imprint	4,751.8	4,423.5	7.4
65.1	61.5	5.9	Box Rents	337.3	327.5	3.0
17.8	17.4	2.3	Money Order Fees	87.3	88.2	- 1.0
<u>194.9</u>	<u>166.7</u>	16.9	Other	<u>905.7</u>	<u>836.3</u>	8.3
\$ 5,613.7	\$ 5,333.9	5.2	Subtotal	\$ 30,467.8	\$ 29,900.9	1.9
<u>13.8</u>	<u>7.6</u>	81.6	Government Appropriations	<u>65.4</u>	<u>37.7</u>	73.5
\$ 5,627.5	\$ 5,341.5	5.4	Total Operating Revenue	\$ 30,533.2	\$ 29,938.6	2.0
<u>11.8</u>	<u>6.3</u>	87.3	Investment Income	<u>49.6</u>	<u>22.8</u>	117.5
<u>\$ 5,639.3</u>	<u>\$ 5,347.8</u>	5.5	Total Revenue	<u>\$ 30,582.8</u>	<u>\$ 29,961.4</u>	2.1

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

REVENUE BY CATEGORY
February 2006 - FY 2006
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,540.5	\$ 2,482.9	2.3	Permit Revenue	\$ 13,668.4	\$ 13,498.5	1.3
1,625.8	1,628.4	[-0.2]	Other Commercial Accounts Revenue	8,631.6	9,145.7	[-5.6]
\$ 4,166.3	\$ 4,111.3	1.3	Total Commercial Revenue	\$ 22,300.0	\$ 22,644.2	[-1.5]
			Retail Revenue			
1,028.2	1,013.1	1.5	Retail Postage Revenue	5,980.5	5,769.9	3.6
104.1	96.5	7.9	Retail Services Revenue	516.3	515.3	0.2
16.2	16.0	1.3	Retail Products Revenue	92.8	84.4	10.0
230.4	206.2	11.7	Other Retail Channels Revenue	1,314.4	1,105.2	18.9
\$ 1,378.9	\$ 1,331.8	3.5	Total Retail Revenue	\$ 7,904.0	\$ 7,474.8	5.7
\$ 5,545.2	\$ 5,443.1	1.9	Total Commercial & Retail Revenue	\$ 30,204.0	\$ 30,119.0	0.3
68.5	50.7	35.1	Other Income	263.8	241.8	9.1
13.8	11.9	16.0	Government Appropriations	65.4	68.1	[-4.0]
\$ 5,627.5	\$ 5,505.7	2.2	Total Operating Revenue	\$ 30,533.2	\$ 30,428.9	0.3
11.8	13.1	[-9.9]	Investment Income	49.6	57.3	[-13.4]
\$ 5,639.3	\$ 5,518.8	2.2	Total Revenue	\$ 30,582.8	\$ 30,486.2	0.3

[]=Unfavorable variance to budget

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

EXPENSE ANALYSIS
February 2006 - FY 2006
(\$ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 4,301.0	\$ 4,244.4	[\$ 56.6]	[1.3]	\$ 4,180.4	2.9	Personnel Compensation	\$ 22,971.0	\$ 22,750.1	[\$ 220.9]	[1.0]	\$ 22,319.2	2.9	
Non-Personnel Expense:													
462.4	446.4	[16.0]	[3.6]	412.1	12.2	Transportation	2,511.7	2,528.0	- 16.3	- 0.6	2,315.1	8.5	
218.2	227.6	- 9.4	- 4.1	212.9	2.5	Supplies & Services	961.1	1,046.3	- 85.2	- 8.1	887.6	8.3	
<u>540.6</u>	<u>487.2</u>	<u>[53.4]</u>	[11.0]	<u>512.1</u>	5.6	Other	<u>2,731.1</u>	<u>2,733.1</u>	<u>- 2.0</u>	- 0.1	<u>2,546.8</u>	7.2	
\$ 1,221.2	\$ 1,161.2	[\$ 60.0]	[5.2]	\$ 1,137.1	7.4	Subtotal	\$ 6,203.9	\$ 6,307.4	\$ - 103.5	- 1.6	\$ 5,749.5	7.9	
\$ 5,522.2	\$ 5,405.6	[\$ 116.6]	[2.2]	\$ 5,317.5	3.8	Total Operating Expense	\$ 29,174.9	\$ 29,057.5	[\$ 117.4]	[0.4]	\$ 28,068.7	3.9	
0.0	0.1	- 0.1	- 100.0	- 0.0	NM	Interest Expense	1.4	1.8	- 0.4	- 22.2	1.5	- 6.7	
<u>21.8</u>	<u>21.8</u>	<u>0.0</u>	0.0	<u>18.1</u>	20.4	Interest on Deferred Retirement Obligations	<u>109.0</u>	<u>109.0</u>	<u>0.0</u>	0.0	<u>90.5</u>	20.4	
\$ 5,544.0	\$ 5,427.5	[\$ 116.5]	[2.1]	\$ 5,335.6	3.9	Total Expense	\$ 29,285.3	\$ 29,168.3	[\$ 117.0]	[0.4]	\$ 28,160.7	4.0	

[]=Unfavorable variance to budget

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

ANALYSIS OF OPERATING EXPENSES

Personnel Compensation

February 2006 - FY 2006

(\$ 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:							
\$ 35.7	\$ 32.6	[\$ 3.0]	[9.3]	\$ 32.8	8.7	-Support	\$ 180.4	\$ 171.3	[\$ 9.1]	[5.3]	\$ 164.1	9.9	
896.1	880.3	[15.8]	[1.8]	889.3	0.8	-Mail Processing	4,962.1	4,818.9	[143.1]	[3.0]	4,864.9	2.0	
431.0	416.9	[14.1]	[3.4]	393.0	9.7	-Rural Delivery	2,219.1	2,206.0	[13.1]	[0.6]	2,058.2	7.8	
1,314.8	1,301.9	[12.9]	[1.0]	1,287.4	2.1	-City Delivery	7,081.5	7,006.7	[74.8]	[1.1]	6,904.8	2.6	
94.9	93.5	[1.4]	[1.4]	92.5	2.6	-Vehicles Services	509.7	505.8	[3.9]	[0.8]	493.2	3.3	
240.3	243.9	- 3.6	- 1.5	233.9	2.7	-Plant & Equip Maint	1,279.1	1,308.4	- 29.4	- 2.2	1,237.0	3.4	
637.9	621.0	[16.9]	[2.7]	620.2	2.9	-Customer Services	3,452.8	3,365.3	[87.5]	[2.6]	3,348.7	3.1	
17.1	17.5	- 0.5	- 2.7	16.3	4.7	Finance	88.1	96.7	- 8.6	- 8.9	84.1	4.8	
28.4	28.5	- 0.1	- 0.3	29.9	- 5.0	Human Resources	146.8	147.3	- 0.5	- 0.4	151.5	- 3.1	
41.3	41.5	- 0.2	- 0.5	40.0	3.3	Customer Service & Sales	215.4	218.4	- 3.0	- 1.4	209.2	3.0	
202.3	197.3	[5.0]	[2.6]	196.9	2.8	Administration - Field	1,040.7	1,047.8	- 7.1	- 0.7	1,019.2	2.1	
102.4	109.0	- 6.6	- 6.0	105.3	- 2.8	Other Salaries & Benefits	522.2	543.3	- 21.1	- 3.9	544.6	- 4.1	
\$ 4,042.1	\$ 3,984.0	[\$ 58.1]	[1.5]	\$ 3,937.4	2.7	Total Salaries & Benefits	\$ 21,697.8	\$ 21,436.0	[\$ 261.8]	[1.2]	\$ 21,079.5	2.9	
99.7	99.7	- 0.0	- 0.0	95.8	4.1	Workers' Compensation	498.3	498.6	- 0.3	- 0.1	504.0	- 1.1	
4.8	4.4	[0.4]	[9.3]	5.4	- 11.3	Unemployment Compensation	32.2	29.0	[3.2]	[11.1]	24.4	32.1	
2.4	2.4	0.0	0.0	1.9	26.3	Deferred Retirement Cost	12.0	12.0	0.0	0.0	9.5	26.3	
141.3	142.5	- 1.2	- 0.8	126.4	11.8	Annuitant Health Benefits	672.8	686.5	- 13.7	- 2.0	605.5	11.1	
10.7	11.4	- 0.8	- 6.6	13.4	- 20.5	Other Compensation	57.9	87.9	- 30.1	- 34.2	96.3	- 39.9	
\$ 4,301.0	\$ 4,244.4	[\$ 56.6]	[1.3]	\$ 4,180.4	2.9	Total Personnel Compensation	\$ 22,971.0	\$ 22,750.1	[\$ 220.9]	[1.0]	\$ 22,319.2	2.9	

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

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

ANALYSIS OF NON-PERSONNEL EXPENSES
February 2006 - FY 2006
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Description	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 462.4	\$ 446.4	[\$ 16.0]	[3.6]	\$ 412.1	12.2	Transportation	\$ 2,511.7	\$ 2,528.0	\$ -16.3	-0.6	\$ 2,315.1	8.5
218.2	227.6	-9.4	-4.1	212.9	2.5	Supplies & Services	961.1	1,046.3	-85.2	-8.1	887.6	8.3
184.5	179.4	[5.1]	[2.8]	171.8	7.4	Depreciation	899.7	910.5	-10.8	-1.2	845.7	6.4
88.0	88.5	-0.5	-0.5	87.7	0.3	Rent	431.1	436.1	-5.0	-1.1	434.9	-0.9
57.7	63.6	-5.9	-9.3	53.0	8.8	Utilities & Heating Fuel	270.5	274.7	-4.3	-1.6	228.1	18.6
37.5	37.4	[0.1]	[0.4]	35.6	5.5	Rural Carrier Equip Maint Allowance	182.5	185.3	-2.8	-1.5	165.5	10.3
52.4	52.2	[0.3]	[0.5]	45.1	16.2	Vehicle Maintenance Services	280.9	262.3	[18.5]	[7.1]	226.8	23.8
19.8	33.2	-13.4	-40.4	26.4	-25.0	Information Technology	143.9	182.7	-38.9	-21.3	123.9	16.1
19.6	17.5	[2.1]	[12.2]	19.3	1.8	Building Projects Expensed	95.1	93.9	[1.2]	[1.3]	102.9	-7.6
7.5	7.2	[0.3]	[4.1]	6.7	11.4	Contract Job Cleaners	40.1	37.6	[2.4]	[6.4]	36.7	9.2
19.5	18.0	[1.6]	[8.8]	19.1	2.4	Travel & Relocation	93.3	83.1	[10.1]	[12.2]	84.4	10.5
20.8	18.0	[2.8]	[15.8]	18.3	13.9	Communications	92.5	83.8	[8.7]	[10.4]	88.1	5.0
6.5	6.6	-0.1	-1.4	6.3	3.3	Contract Stations	31.3	33.7	-2.4	-7.2	31.8	-1.8
1.9	2.1	-0.2	-11.3	1.9	0.2	Printing	9.5	11.1	-1.6	-14.6	11.6	-18.4
4.5	5.9	-1.4	-23.3	5.3	-15.1	Training	17.8	25.1	-7.3	-29.0	20.6	-13.3
2.1	2.7	-0.6	-22.6	2.1	-1.6	Carfare & Tolls	11.9	13.1	-1.2	-8.9	11.8	1.0
1.0	1.5	-0.5	-34.5	1.0	-6.5	Vehicle Hire	6.2	6.8	-0.6	-8.7	6.1	2.8
6.7	4.3	[2.4]	[57.3]	4.9	35.9	Accident Costs	24.3	18.1	[6.1]	[33.9]	22.9	5.9
10.6	-50.6	[61.3]	[121.0]	7.5	42.6	Miscellaneous	100.7	75.1	[25.6]	[34.1]	105.0	-4.1
\$ 1,221.2	\$ 1,161.2	[\$ 60.0]	[5.2]	\$ 1,137.1	7.4	Total Non-Personnel Expenses	\$ 6,203.9	\$ 6,307.4	\$-103.5	-1.6	\$ 5,749.5	7.9

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

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

STATEMENT OF FINANCIAL POSITION
February 2006 - FY 2006
(\$ Millions)

Assets	February 28, 2006	February 28, 2005	September 30, 2005*
Current Assets:			
Cash and cash equivalents _1/	\$ 2,040	\$ 1,088	\$ 930
Receivables:			
Foreign countries	582	680	590
U.S. Government	345	346	280
Other	<u>179</u>	<u>193</u>	<u>188</u>
Receivables before allowances	1,106	1,219	1,058
Less allowances	<u>48</u>	<u>115</u>	<u>50</u>
Total receivables, net	1,058	1,104	1,008
Supplies, advances and prepayments	<u>159</u>	<u>170</u>	<u>200</u>
Total Current Assets	3,257	2,362	2,138
Other Assets, principally revenue forgone appropriations receivable	387	361	376
Property and Equipment, at Cost:			
Buildings	20,787	20,260	20,480
Equipment	18,895	17,859	18,664
Land	2,878	2,806	2,878
Leasehold improvements	<u>1,206</u>	<u>1,122</u>	<u>1,172</u>
	43,766	42,047	43,194
Less allowances for depreciation and amortization	<u>23,133</u>	<u>21,420</u>	<u>22,400</u>
	20,633	20,627	20,794
Construction in progress	<u>2,019</u>	<u>1,857</u>	<u>1,895</u>
Total property and equipment, net	22,652	22,484	22,689
Total Assets	<u>\$ 26,296</u>	<u>\$ 25,207</u>	<u>\$ 25,203</u>

_1/ Includes securities with maturities of 90 days or less in accordance with Statement of Financial Accounting Standards (SFAS) No. 95.

* Audited year-end data.

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

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

STATEMENT OF FINANCIAL POSITION

February 2006 - FY 2006

(\$ Millions)

Liabilities and Net Capital	February 28, 2006	February 28, 2005	September 30, 2005*
Current Liabilities:			
Compensation and benefits	\$ 2,455	\$ 2,180	\$ 2,852
Estimated prepaid postage	1,251	1,239	1,200
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,272	1,252	1,568
Foreign countries	601	795	688
U.S. government	49	59	76
Total payables and accrued expenses	<u>1,922</u>	<u>2,106</u>	<u>2,332</u>
Customer deposit accounts	1,717	1,652	1,720
Outstanding postal money orders	875	908	830
Prepaid box rent & other deferred revenue	<u>450</u>	<u>436</u>	<u>477</u>
Total Current Liabilities	8,670	8,521	9,411
Non-Current Liabilities:			
Workers' compensation costs	7,175	7,155	6,695
Employees' accumulated leave	2,085	2,031	2,016
Deferred revenue	692	772	692
Long-term portion capital lease obligations	651	655	644
Other	<u>350</u>	<u>342</u>	<u>369</u>
Total Non-Current Liabilities	10,953	10,955	10,416
Total Liabilities	19,623	19,476	19,827
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings since reorganization	<u>3,639</u>	<u>2,697</u>	<u>2,342</u>
Total Net Capital	6,673	5,731	5,376
Total Liabilities and Net Capital	<u>\$ 26,296</u>	<u>\$ 25,207</u>	<u>\$ 25,203</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 2006 through February 28, 2006
(\$ Millions)

	February 28, 2006	February 28, 2005	September 30, 2005*
Cash flows from operating activities:			
Net Income	\$ 1,297	\$ 1,801	\$ 1,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	892	840	2,089
Loss on disposals of property and equipment, net	3	7	5
Increase in revenue forgone appropriations receivable	(11)	-	(15)
Increase (decrease) in workers' compensation liability	480	504	(58)
Increase in employees' accumulated leave	69	25	10
Increase (decrease) in long-term portion capital lease liability	7	3	(8)
(Decrease) increase in other non-current liabilities	(19)	445	(111)
Changes in current assets and liabilities:			
(Increase) decrease in receivables, net	(50)	(80)	16
Decrease in supplies, advances and prepayments	41	50	20
(Decrease) increase in compensation and benefits	(397)	(460)	314
Increase (decrease) in estimated prepaid postage	51	(17)	(56)
(Decrease) in payables and accrued expenses	(410)	(470)	(199)
(Decrease) increase in customers' deposit accounts	(3)	46	114
Increase in outstanding postal money orders	45	141	63
(Decrease) increase in prepaid box rent & other deferred revenue	(27)	11	52
Net cash provided by operating activities	1,968	2,846	3,681
Cash flows from investing activities:			
Purchase of property and equipment	(868)	(844)	(2,317)
Proceeds from sale of property and equipment	10	9	31
Net cash used in investing activities	(858)	(835)	(2,286)
Cash flows from financing activities:			
U.S. government appropriation - received	-	-	503
U.S. government appropriation - expended	-	-	(45)
Issuance of debt	-	-	-
Payments on debt	-	(1,800)	(1,800)
Net cash used in financing activities	-	(1,800)	(1,342)
Net increase (decrease) in cash and cash equivalents	1,110	211	53
Cash and cash equivalents at beginning of year	930	877	877
Cash and cash equivalents at end of period	\$ 2,040	\$ 1,088	\$ 930

* Audited year-end data.

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

CAPITAL INVESTMENTS
February 2006 - FY 2006
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 114.4	\$ 109.0	\$ 85.3	\$ 70.0	\$ 83.8	\$ 83.8
BUILDING IMPROVEMENTS	132.6	136.5	51.0	199.1	157.3	156.1
MAIL PROCESSING EQUIPMENT	88.7	93.7	85.7	338.3	349.0	278.8
VEHICLES	5.1	5.4	2.5	81.6	49.7	100.1
RETAIL EQUIPMENT	0.0	0.1	3.2	0.5	10.6	48.6
POSTAL SUPPORT EQUIPMENT	33.5	40.8	390.4	178.6	248.6	177.6
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 374.3	\$ 385.6	\$ 618.1	\$ 868.1	\$ 899.0	\$ 845.0

Note: Totals may not sum due to rounding.

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	February 28, 2006	September 30, 2005
CONSTRUCTION AND BUILDING PURCHASE	\$ 189.4	\$ 149.0
BUILDING IMPROVEMENTS	346.4	419.5
MAIL PROCESSING EQUIPMENT	1,775.7	2,017.9
VEHICLES	126.2	202.7
RETAIL EQUIPMENT	38.0	38.5
POSTAL SUPPORT EQUIPMENT	428.1	579.8
TOTAL RESOURCES ON ORDER	\$ 2,903.8	\$ 3,407.4

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

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

February 2006 - FY 2006

(Data in Thousands)

Current Period					Total Workhours	Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
775	[54]	[7.5]	737	5.1	Operations:	3,948	[200]	[5.3]	3,728	5.9
25,262	[507]	[2.0]	25,687	- 1.7	-Support	143,518	[5,853]	[4.3]	144,368	- 0.6
14,100	[159]	[1.1]	13,491	4.5	-Mail Processing	74,970	[958]	[1.3]	72,271	3.7
35,467	[53]	[0.1]	35,839	- 1.0	-Rural Delivery	193,065	[2,091]	[1.1]	194,245	- 0.6
2,457	[6]	[0.2]	2,449	0.3	-City Delivery	13,273	[33]	[0.3]	13,210	0.5
6,266	- 180	- 2.8	6,258	0.1	-Vehicles Services	33,438	- 1,029	- 3.0	33,339	0.3
17,974	[297]	[1.7]	17,935	0.2	-Plant & Equip Maint	97,917	[2,489]	[2.6]	97,756	0.2
385	- 41	- 9.6	381	1.1	-Customer Services	2,007	- 243	- 10.8	1,994	0.6
637	- 6	- 1.0	690	- 7.7	Finance	3,338	- 13	- 0.4	3,569	- 6.5
1,055	- 16	- 1.5	1,048	0.7	Human Resources	5,512	- 115	- 2.0	5,508	0.1
5,180	[52]	[1.0]	5,234	- 1.0	Customer Service & Sales	27,064	- 135	- 0.5	27,437	- 1.4
1,757	- 125	- 6.6	1,967	- 10.7	Administration	9,044	- 450	- 4.7	10,305	- 12.2
111,315	[760]	[0.7]	111,715	- 0.4	Other	607,094	[9,640]	[1.6]	607,730	- 0.1
					Total Workhours					

Overtime			Overtime Ratio Per 100 Workhours		
Actual	Budget	SPLY	Actual	Budget	SPLY
10.6%	8.5%	10.5%	11.5%	8.8%	11.2%

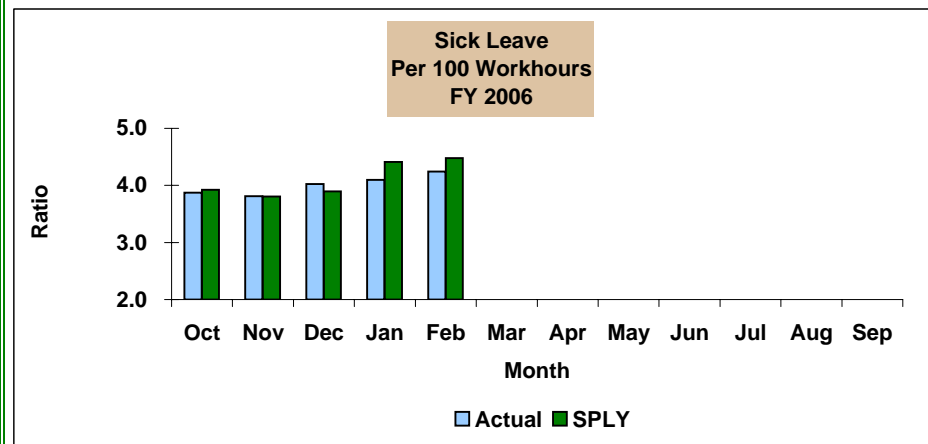
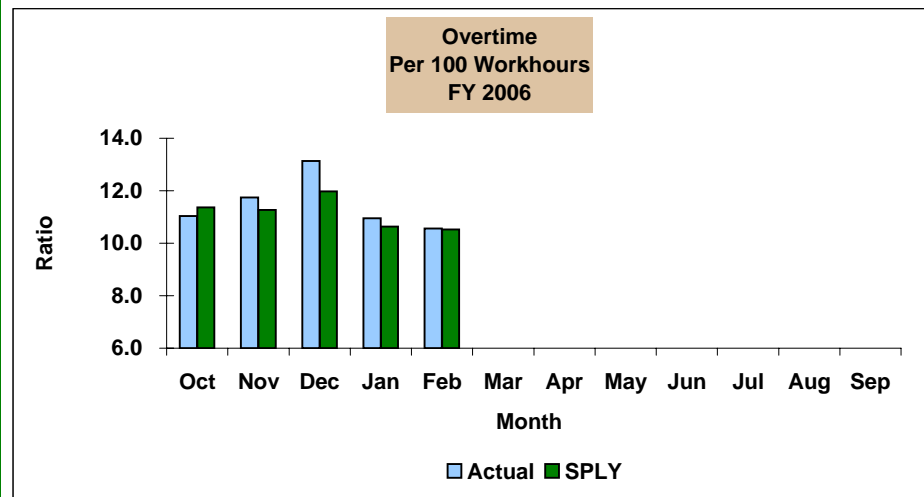
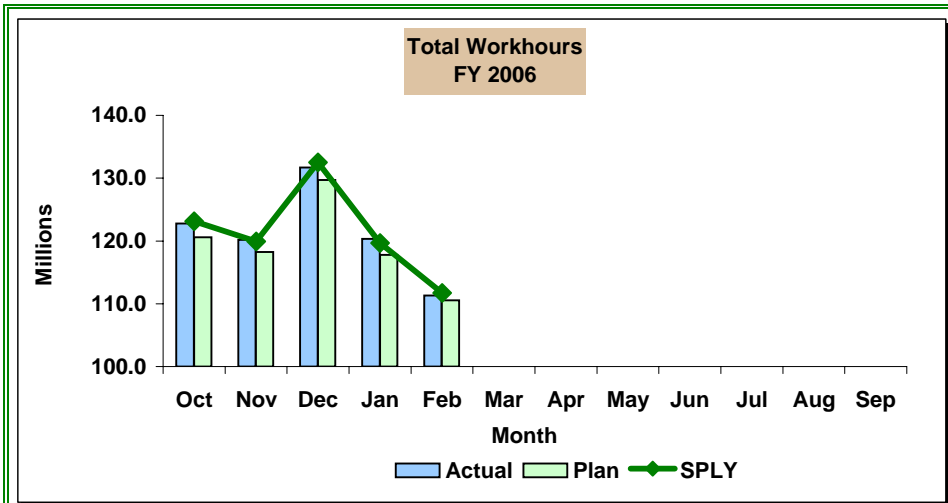
Sick Leave		Sick Leave Ratio Per 100 Workhours	
Actual	SPLY	Actual	SPLY
4.2%	4.5%	4.0%	4.1%

[]=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.

February 2006 - FY 2006

Information: For the month, there was an equal number of delivery days as compared to same period last year (SPLY). Also, February of this year had the same number of Saturdays and business weekdays as February of last year.

Analysis of the Financial and Operating Statements

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

For February, Total Revenue was \$121 million or 2.2% over plan, and \$292 million or 5.5% over same period last year (SPLY). Commercial Revenue was over plan by \$55 million or 1.3% and Retail Revenue was over plan \$47 million or 3.5%. In February, combined Total Commercial Revenue and Retail Revenue were \$254 million more than SPLY. Most of the increase in revenue to SPLY for February was reflected in Presort First and Package Services/Permit Imprint, \$106 million more. Also, Permit Imprint and Metered Postage revenue was \$87 million and \$66 million more than SPLY, respectively.

Year-to-date, Total Revenue is \$97 million or 0.3% over plan with the largest contributor being Retail Revenue at \$429 million or 5.7% more than plan. YTD, Total Revenue is \$621 million over SPLY. Primary contributors to the increase over SPLY were Permit Revenue at \$590 million more and Other Retail Channels Revenue at \$264 million more than last year.

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

For February, Total Expenses were \$117 million or 2.1% above plan. Personnel costs were \$57 million or 1.3% above plan and non-personnel costs were above plan by \$60 million or 5.2%. Most of the non-personnel plan overrun was in Transportation at \$16 million above plan and Depreciation at \$5 million above plan. Additionally, this month's non-personnel expense includes a \$67 million plan adjustment. Compared to SPLY, this month's Total Expenses were increased by \$208 million or 3.9%. The drivers of this increase over SPLY, included an increase in deliveries, increased fuel prices, health benefits and COLA costs.

Year-to-date, Total Expenses were \$117 million or 0.4% above plan. Personnel costs are \$221 million or 1.0% above plan, while non-personnel expenses are \$104 million or 1.6% below plan. The largest contributors to the non-personnel plan underrun are Supplies and Services at \$85 million or 8.1% below plan and Transportation at \$16 million or 0.6% below plan. YTD Total Expenses are \$1.1 billion or 4.0% above SPLY.

February 2006 - FY 2006

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for February, FY 2006 was 40 million pieces or 0.2% above SPLY. Standard Mail volumes, at 65 million pieces or 0.8% above SPLY, remain positive primarily because of the increasing strength of direct marketing channels. However, mail volumes were below SPLY for Periodicals, 47 million pieces or 6.1% and First-Class Mail, 65 million pieces or 0.9%.

Year-to-date, Total Mail Volume is 0.1% or 62 million pieces over SPLY. The most significant mail volume increase over SPLY for YTD is in the lower revenue-per-piece Standard Mail category, which increased 591 million pieces or 1.4%. YTD, First-Class Mail volume is 1.5% less than SPLY generating \$4 million less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2006 Capital Commitments YTD through February 2006 are \$374 million compared to a plan of \$386 million. This represents a plan underrun of about \$11 million or 2.9%.

The Cash Outlays YTD are \$868 million versus a plan of \$899 million, representing a \$31 million underrun to plan.

Workhours - Pages 1, 14 and 15

Total Workhours for February 2006 were 0.8 million hours or 0.7% above plan, and 0.4 million hours or 0.4% below February 2005. Together, City Delivery and Rural Delivery increased 0.2 million hours over SPLY.

Total Workhours for February 2006 YTD are 9.6 million hours or 1.6% above plan, and 0.6 million hours below SPLY. The most significant plan overruns lie in Mail Processing by 5.9 million hours, Delivery Services by 3.0 million hours, and Customer Services by 2.5 million hours. YTD, major contributors to the workhours decrease to SPLY are City Delivery and Mail Processing workhours. Combined these operations workhours are 2.0 million hours below SPLY.