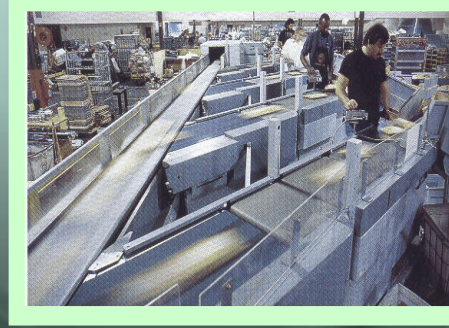


**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS



**January, FY 2006
January 1 – January 31, 2006**

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
January 2006 - FY 2006
(Millions)

Current Period						Year-to-Date (October 1, 2005 - January 31, 2006)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 6,411.6	\$ 6,274.7	\$ 136.9	2.2	\$ 5,815.4	10.3	\$ 24,944.6	\$ 24,967.4	[\$ -22.8]	[-0.1]	\$ 24,602.0	1.4
<u>5,917.1</u>	<u>5,924.1</u>	<u>-7.0</u>	-0.1	<u>5,672.8</u>	4.3	<u>23,728.0</u>	<u>23,735.8</u>	<u>-7.8</u>	-0.0	<u>22,810.2</u>	4.0
\$ 494.5	\$ 350.6	\$ 143.9	NM	\$ 142.6	NM	\$ 1,216.6	\$ 1,231.6	[\$ -15.0]	NM	\$ 1,791.8	NM
<u>\$ 250.0</u>						<u>\$ 1,000.0</u>					
<u>\$ 244.5</u>						<u>\$ 216.6</u>					
\$ 151.7	\$ 131.0	\$ 20.7	15.8	\$ 106.4	42.6	\$ 304.4	\$ 323.7	[\$ -19.3]	[-6.0]	\$ 528.4	-42.4
120.4	117.8	[2.6]	[2.2]	119.7	0.6	495.4	486.7	[8.7]	[1.8]	495.7	-0.1

[] = Unfavorable variance to budget

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,343	27,352	27,495
Postal Owned Vehicles In Use			
Administrative	6,266	6,282	5,752
Operations	209,177	209,012	206,703
Total Deliveries (000)	144,976	144,844	142,969
City Delivery Routes	164,295	164,312	164,607
Rural Routes	73,260	73,166	71,278
Career Employees (excludes Inspector General)	697,885	701,715	702,291
Casual Employees (includes Christmas Casuals) **	20,587	36,619	21,898
Transitional Employees	6,542	8,682	10,087

*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.

**Note: Christmas Casuals for current period and SPLY equals zero.

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

STATEMENT OF INCOME & EXPENSE
 January 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	
\$ 6,400.8	\$ 6,261.8	\$ 139.0	2.2	\$ 5,809.6	10.2	Operating Revenue	\$ 24,906.9	\$ 24,923.2	[\$ -16.3]	[-0.1]	\$ 24,585.5	1.3	
<u>5,895.3</u>	<u>5,902.2</u>	<u>-6.9</u>	-0.1	<u>5,654.7</u>	4.3	Operating Expense	<u>23,639.4</u>	<u>23,646.8</u>	<u>-7.4</u>	-	<u>22,736.3</u>	4.0	
\$ 505.5	\$ 359.6	\$ 145.9	NM	\$ 154.9	NM	Income/(Loss) From Operations	\$ 1,267.5	\$ 1,276.4	[\$ -8.9]	NM	\$ 1,849.2	NM	
10.8	12.9	[-2.1]	[-16.3]	5.8	86.2	Investment Income	37.7	44.2	[-6.5]	[-14.7]	16.5	128.5	
-	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>18.1</u>	20.4	Interest on Deferred Retirement Obligations	<u>87.2</u>	<u>87.2</u>	<u>-</u>	-	<u>72.4</u>	20.4	
\$ 494.5	\$ 350.6	\$ 143.9	NM	\$ 142.6	NM	Net Income Before Escrow Allocation *	\$ 1,216.6	\$ 1,231.6	[\$ -15.0]	NM	\$ 1,791.8	NM	
<u>250.0</u>						Escrow Allocation *	<u>1,000.0</u>						
\$ 244.5						Net Gain After Escrow Allocation *	\$ 216.6						

[]=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	Year-to-Date *		
	January 31, FY 2006	January 31, FY 2005	% SPLY
FIRST-CLASS			
VOLUME	34,507,206	35,069,155	- 1.6
REVENUE	\$ 12,794,448	\$ 12,903,038	- 0.8
REV/PC.	\$ 0.3708	\$ 0.3679	0.8
PRIORITY-MAIL			
VOLUME	332,203	309,127	7.5
REVENUE	\$ 1,808,930	\$ 1,657,609	9.1
REV/PC.	\$ 5.4453	\$ 5.3622	1.5
EXPRESS MAIL			
VOLUME	18,831	17,851	5.5
REVENUE	\$ 305,292	\$ 285,285	7.0
REV/PC.	\$ 16.2122	\$ 15.9815	1.4
PERIODICALS			
VOLUME	3,025,896	3,026,200	- 0.0
REVENUE	\$ 727,645	\$ 724,633	0.4
REV/PC.	\$ 0.2405	\$ 0.2395	0.4
STANDARD MAIL			
VOLUME	35,240,259	34,713,774	1.5
REVENUE	\$ 6,666,165	\$ 6,517,230	2.3
REV/PC.	\$ 0.1892	\$ 0.1877	0.8
PACKAGE SERVICES			
VOLUME	433,279	416,021	4.1
REVENUE	\$ 826,621	\$ 838,442	- 1.4
REV/PC.	\$ 1.9078	\$ 2.0154	- 5.3
INTERNATIONAL			
VOLUME	307,963	314,691	- 2.1
REVENUE	\$ 686,357	\$ 648,458	5.8
REV/PC.	\$ 2.2287	\$ 2.0606	8.2
ALL OTHER			
VOLUME	291,353	268,544	8.5
ALL MAIL			
VOLUME	74,156,991	74,135,362	0.0
REVENUE	\$ 23,815,457	\$ 23,574,694	1.0
REV/PC.	\$ 0.3211	\$ 0.3180	1.0

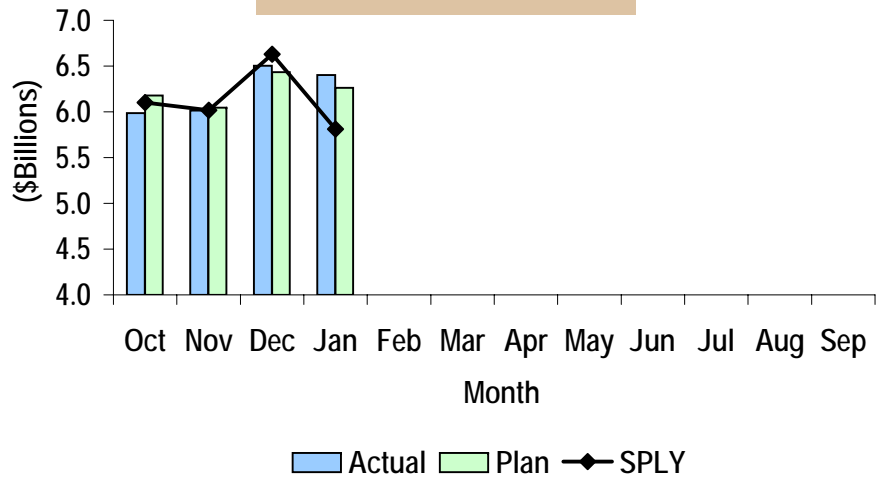
NOTE: Totals may not sum due to rounding.

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

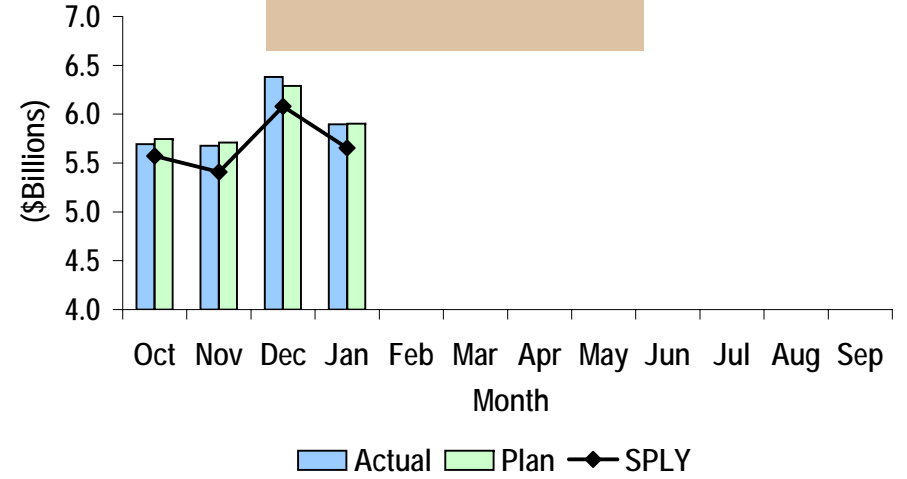
* Note: Due to the impacts from the rate change effective January 8, 2006, the year-to-date volume and revenue data is considered to be more representative of overall performance. As with all unaudited data, this information should be viewed as preliminary.

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

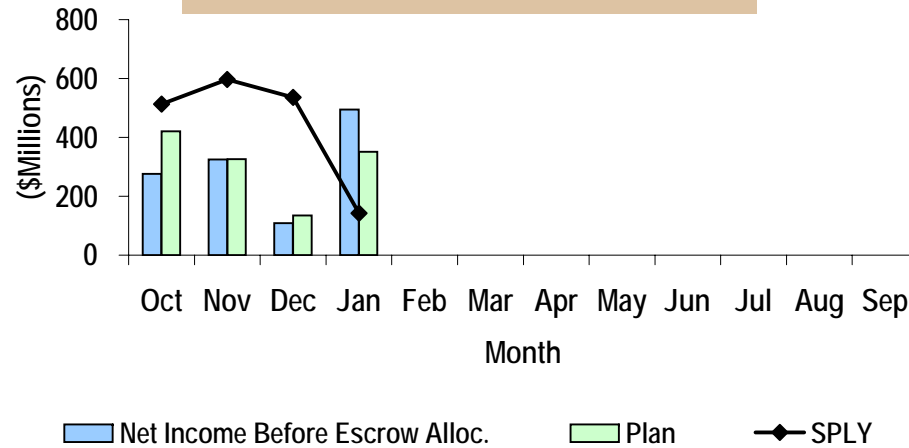
**TOTAL OPERATING REVENUE
FY 2006**



**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
January 2006 - FY 2006
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			Operating Revenue:			
\$ 2,266.9	\$ 2,175.9	4.2	Metered Postage	\$ 8,525.5	\$ 8,615.0	- 1.0
1,083.2	859.9	26.0	Stamps and Stamped Paper	4,103.9	4,177.4	- 1.8
1,485.6	1,368.9	8.5	Permit Imprint	6,281.6	6,108.0	2.8
172.5	159.7	8.0	Periodicals & Standard	721.5	718.0	0.5
76.3	77.6	- 1.7	Official Mail	298.8	294.4	1.5
1,023.0	912.9	12.1	Presort First-Class & Package Svc./Permit Imprint	3,870.4	3,647.7	6.1
71.8	68.7	4.5	Box Rents	272.2	266.0	2.3
17.1	17.6	- 2.8	Money Order Fees	69.4	70.8	- 2.0
<u>190.8</u>	<u>162.5</u>	17.4	Other	<u>712.0</u>	<u>664.6</u>	7.1
\$ 6,387.2	\$ 5,803.7	10.1	Subtotal	\$ 24,855.3	\$ 24,561.9	1.2
<u>13.6</u>	<u>5.9</u>	130.5	Government Appropriations	<u>51.6</u>	<u>23.6</u>	118.6
\$ 6,400.8	\$ 5,809.6	10.2	Total Operating Revenue	\$ 24,906.9	\$ 24,585.5	1.3
<u>10.8</u>	<u>5.8</u>	86.2	Investment Income	<u>37.7</u>	<u>16.5</u>	128.5
<u>\$ 6,411.6</u>	<u>\$ 5,815.4</u>	10.3	Total Revenue	<u>\$ 24,944.6</u>	<u>\$ 24,602.0</u>	1.4

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

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

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,741.8	\$ 2,769.5	[- 1.0]	Permit Revenue	\$ 11,127.9	\$ 11,015.7	1.0
1,936.4	1,971.3	[- 1.8]	Other Commercial Accounts Revenue	7,005.9	7,517.2	[- 6.8]
\$ 4,678.2	\$ 4,740.8	[- 1.3]	Total Commercial Revenue	\$ 18,133.8	\$ 18,532.9	[- 2.2]
			Retail Revenue			
1,251.3	1,114.9	12.2	Retail Postage Revenue	4,952.3	4,756.3	4.1
112.0	104.7	7.0	Retail Services Revenue	412.2	419.1	[- 1.6]
15.8	16.2	[- 2.5]	Retail Products Revenue	76.6	68.4	12.0
276.5	227.1	21.8	Other Retail Channels Revenue	1,083.9	913.7	18.6
\$ 1,655.6	\$ 1,462.9	13.2	Total Retail Revenue	\$ 6,525.0	\$ 6,157.5	6.0
\$ 6,333.8	\$ 6,203.7	2.1	Total Commercial & Retail Revenue	\$ 24,658.8	\$ 24,690.4	[- 0.1]
53.4	46.2	15.6	Other Income	196.5	176.6	11.3
13.6	11.9	14.3	Government Appropriations	51.6	56.2	[- 8.2]
\$ 6,400.8	\$ 6,261.8	2.2	Total Operating Revenue	\$ 24,906.9	\$ 24,923.2	[- 0.1]
10.8	12.9	[- 16.3]	Investment Income	37.7	44.2	[- 14.7]
\$ 6,411.6	\$ 6,274.7	2.2	Total Revenue	\$ 24,944.6	\$ 24,967.4	[- 0.1]

[]=Unfavorable variance to budget

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

EXPENSE ANALYSIS
January 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	
\$ 4,577.7	\$ 4,565.3	[\$ 12.4]	[0.3]	\$ 4,488.4	2.0	Personnel Compensation	\$ 18,657.0	\$ 18,539.6	[\$ 117.4]	[0.6]	\$ 18,128.7	2.9
Non-Personnel Expense:												
547.9	501.0	[46.9]	[9.4]	470.8	16.4	Transportation	2,054.9	2,073.3	- 18.4	- 0.9	1,907.5	7.7
216.9	224.1	- 7.2	- 3.2	196.8	10.2	Supplies & Services	742.3	817.2	- 74.9	- 9.2	675.4	9.9
<u>552.8</u>	<u>611.8</u>	<u>-59.0</u>	- 9.6	<u>498.7</u>	10.9	Other	<u>2,185.2</u>	<u>2,216.7</u>	<u>- 31.5</u>	- 1.4	<u>2,024.7</u>	7.9
\$ 1,317.6	\$ 1,336.9	\$ - 19.3	- 1.4	\$ 1,166.3	13.0	Subtotal	\$ 4,982.4	\$ 5,107.2	\$ - 124.8	- 2.4	\$ 4,607.6	8.1
\$ 5,895.3	\$ 5,902.2	\$ - 6.9	- 0.1	\$ 5,654.7	4.3	Total Operating Expense	\$ 23,639.4	\$ 23,646.8	\$ - 7.4	- 0.0	\$ 22,736.3	4.0
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>87.2</u>	<u>87.2</u>	<u>0.0</u>	0.0	<u>72.4</u>	20.4
\$ 5,917.1	\$ 5,924.1	\$ - 7.0	- 0.1	\$ 5,672.8	4.3	Total Expense	\$ 23,728.0	\$ 23,735.8	\$ - 7.8	- 0.0	\$ 22,810.2	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

January 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:							
\$ 37.3	\$ 34.9	[\$ 2.4]	[6.9]	\$ 33.6	11.2	-Support	\$ 144.5	\$ 138.0	[\$ 6.5]	[4.7]	\$ 131.2	10.1	
990.3	966.9	[23.3]	[2.4]	973.9	1.7	-Mail Processing	4,062.8	3,956.7	[106.1]	[2.7]	3,972.9	2.3	
423.3	439.2	- 15.9	- 3.6	406.6	4.1	-Rural Delivery	1,787.1	1,789.1	- 1.9	- 0.1	1,664.4	7.4	
1,402.2	1,409.9	- 7.7	- 0.5	1,375.2	2.0	-City Delivery	5,761.9	5,731.3	[30.7]	[0.5]	5,608.9	2.7	
102.0	101.7	[0.3]	[0.3]	98.3	3.8	-Vehicles Services	414.7	413.1	[1.5]	[0.4]	400.4	3.6	
258.8	266.2	- 7.4	- 2.8	251.2	3.0	-Plant & Equip Maint	1,038.4	1,065.3	- 26.9	- 2.5	1,002.7	3.6	
692.8	669.5	[23.3]	[3.5]	663.4	4.4	-Customer Services	2,811.9	2,748.3	[63.6]	[2.3]	2,725.8	3.2	
18.0	19.0	- 0.9	- 5.0	17.2	4.7	Finance	71.1	75.7	- 4.6	- 6.1	67.8	4.8	
30.1	30.5	- 0.5	- 1.6	31.3	- 4.1	Human Resources	118.5	120.6	- 2.1	- 1.7	121.9	- 2.8	
44.1	44.7	- 0.6	- 1.3	42.2	4.4	Customer Service & Sales	174.1	178.4	- 4.3	- 2.4	169.1	2.9	
215.4	210.0	[5.4]	[2.6]	209.0	3.1	Administration - Field	837.9	858.1	- 20.2	- 2.3	822.1	1.9	
111.4	110.3	[1.1]	[1.0]	116.8	- 4.6	Other Salaries & Benefits	422.7	437.0	- 14.4	- 3.3	445.0	- 5.0	
\$ 4,325.6	\$ 4,302.8	[\$ 22.8]	[0.5]	\$ 4,218.8	2.5	Total Salaries & Benefits	\$ 17,645.6	\$ 17,511.5	[\$ 134.1]	[0.8]	\$ 17,132.2	3.0	
99.6	99.7	- 0.1	- 0.1	95.6	4.2	Workers' Compensation	398.7	398.9	- 0.2	- 0.1	408.1	- 2.3	
4.4	4.4	[0.0]	[0.2]	5.4	- 18.8	Unemployment Compensation	24.6	24.6	[0.0]	[0.1]	19.0	29.8	
2.4	2.4	0.0	0.0	1.9	26.3	Deferred Retirement Cost	9.6	9.6	0.0	0.0	7.6	26.3	
137.0	141.7	- 4.7	- 3.3	125.4	9.3	Annuitant Health Benefits	531.5	544.1	- 12.6	- 2.3	479.1	10.9	
8.7	14.3	- 5.7	- 39.5	41.2	- 79.0	Other Compensation	46.9	50.9	- 4.0	- 7.8	82.7	- 43.3	
\$ 4,577.7	\$ 4,565.3	[\$ 12.4]	[0.3]	\$ 4,488.4	2.0	Total Personnel Compensation	\$ 18,657.0	\$ 18,539.6	[\$ 117.4]	[0.6]	\$ 18,128.7	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
January 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
\$ 547.9	\$ 501.0	[\$ 46.9]	[9.4]	\$ 470.8	16.4	Transportation	\$ 2,054.9	\$ 2,073.3	\$ -18.4	-0.9	\$ 1,907.5	7.7
216.9	224.1	-7.2	-3.2	196.8	10.2	Supplies & Services	742.3	817.2	-74.9	-9.2	675.4	9.9
182.5	175.4	[7.1]	[4.0]	167.3	9.1	Depreciation	715.2	726.1	-10.9	-1.5	669.7	6.8
88.8	86.9	[1.8]	[2.1]	88.4	0.4	Rent	343.1	347.1	-4.0	-1.1	347.1	-1.1
64.6	56.5	[8.2]	[14.4]	51.0	26.7	Utilities & Heating Fuel	212.8	199.4	[13.4]	[6.7]	175.1	21.5
33.2	35.5	-2.2	-6.3	30.9	7.7	Rural Carrier Equip Maint Allowance	144.8	147.9	-3.1	-2.1	129.8	11.6
58.7	49.4	[9.3]	[18.7]	44.0	33.3	Vehicle Maintenance Services	228.4	205.9	[22.5]	[10.9]	181.7	25.7
35.4	35.9	-0.5	-1.3	27.4	29.1	Information Technology	124.5	149.6	-25.1	-16.8	97.9	27.2
17.7	18.2	-0.5	-2.6	17.1	4.0	Building Projects Expensed	75.4	76.5	-1.1	-1.4	83.5	-9.7
7.7	8.5	-0.9	-10.2	9.2	-16.9	Contract Job Cleaners	32.6	30.3	[2.2]	[7.4]	29.8	9.5
12.8	19.3	-6.6	-33.9	11.9	7.0	Travel & Relocation	73.7	65.3	[8.4]	[12.9]	65.3	12.9
20.4	17.8	[2.6]	[14.6]	17.8	14.8	Communications	71.7	65.9	[5.8]	[8.8]	69.6	3.0
7.3	7.2	[0.1]	[1.5]	7.2	1.2	Contract Stations	24.8	27.1	-2.3	-8.6	25.6	-3.1
2.9	3.6	-0.6	-18.1	1.8	62.7	Printing	7.6	9.0	-1.4	-15.3	9.8	-21.9
3.2	4.7	-1.5	-31.1	3.8	-16.5	Training	13.3	19.2	-6.0	-31.0	15.2	-12.7
2.1	2.8	-0.7	-24.6	2.2	-5.2	Carfare & Tolls	9.6	10.4	-0.7	-7.2	9.5	1.7
1.2	1.4	-0.3	-18.0	1.0	11.7	Vehicle Hire	5.0	5.4	-0.4	-6.7	4.8	4.7
3.8	3.2	[0.6]	[17.6]	4.6	-17.6	Accident Costs	17.6	14.1	[3.5]	[25.1]	18.0	-2.5
10.5	85.5	-75.0	-87.7	12.9	-18.8	Miscellaneous	85.0	117.7	-32.7	-27.8	92.4	-8.0
\$ 1,317.6	\$ 1,336.9	\$ -19.3	-1.4	\$ 1,166.3	13.0	Total Non-Personnel Expenses	\$ 4,982.4	\$ 5,107.2	\$ -124.8	-2.4	\$ 4,607.6	8.1

[]=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
January 2006 - FY 2006
(\$ Millions)

Assets	January 31, 2006	January 31, 2005	September 30, 2005*
Current Assets:			
Cash and cash equivalents _1/	\$ 1,720	\$ 1,080	\$ 930
Receivables:			
Foreign countries	598	678	590
U.S. Government	331	308	280
Other	<u>216</u>	<u>177</u>	<u>188</u>
Receivables before allowances	1,145	1,163	1,058
Less allowances	<u>49</u>	<u>114</u>	<u>50</u>
Total receivables, net	1,096	1,049	1,008
Supplies, advances and prepayments	<u>158</u>	<u>172</u>	<u>200</u>
Total Current Assets	2,974	2,301	2,138
Other Assets, principally revenue forgone appropriations receivable	384	361	376
Property and Equipment, at Cost:			
Buildings	20,752	20,237	20,480
Equipment	18,826	17,630	18,664
Land	2,878	2,807	2,878
Leasehold improvements	<u>1,200</u>	<u>1,111</u>	<u>1,172</u>
	43,656	41,785	43,194
Less allowances for depreciation and amortization	<u>22,975</u>	<u>21,264</u>	<u>22,400</u>
	20,681	20,521	20,794
Construction in progress	<u>1,984</u>	<u>2,041</u>	<u>1,895</u>
Total property and equipment, net	22,665	22,562	22,689
Total Assets	<u>\$ 26,023</u>	<u>\$ 25,224</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

January 2006 - FY 2006

(\$ Millions)

Liabilities and Net Capital	January 31, 2006	January 31, 2005	September 30, 2005*
Current Liabilities:			
Compensation and benefits	\$ 2,374	\$ 2,405	\$ 2,852
Estimated prepaid postage	1,281	1,242	1,200
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,347	1,786	1,568
Foreign countries	610	782	688
U.S. government	56	68	76
Total payables and accrued expenses	<u>2,013</u>	<u>2,636</u>	<u>2,332</u>
Customer deposit accounts	1,718	1,665	1,720
Outstanding postal money orders	855	870	830
Prepaid box rent & other deferred revenue	<u>442</u>	<u>412</u>	<u>477</u>
Total Current Liabilities	<u>8,683</u>	<u>9,230</u>	<u>9,411</u>
Non-Current Liabilities:			
Workers' compensation costs	7,079	7,059	6,695
Employees' accumulated leave	1,966	1,922	2,016
Deferred revenue	692	288	692
Long-term portion capital lease obligations	654	654	644
Other	<u>356</u>	<u>348</u>	<u>369</u>
Total Non-Current Liabilities	<u>10,747</u>	<u>10,271</u>	<u>10,416</u>
Total Liabilities	19,430	19,501	19,827
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings since reorganization	<u>3,559</u>	<u>2,689</u>	<u>2,342</u>
Total Net Capital	<u>6,593</u>	<u>5,723</u>	<u>5,376</u>
Total Liabilities and Net Capital	<u>\$ 26,023</u>	<u>\$ 25,224</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 January 31, 2006
(\$ Millions)

	January 31, 2006	January 31, 2005	September 30, 2005*
Cash flows from operating activities:			
Net Income	\$ 1,217	\$ 1,792	\$ 1,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	710	665	2,089
Loss on disposals of property and equipment, net	2	7	5
Increase in revenue forgone appropriations receivable	(8)	-	(15)
Increase (decrease) in workers' compensation liability	384	408	(58)
(Decrease) increase in employees' accumulated leave	(50)	(84)	10
Increase (decrease) in long-term portion capital lease liability	10	(8)	(8)
(Decrease) increase in other non-current liabilities	(13)	5	(111)
Changes in current assets and liabilities:			
(Increase) decrease in receivables, net	(88)	(25)	16
Decrease in supplies, advances and prepayments	42	48	20
(Decrease) increase in compensation and benefits	(478)	(235)	314
Increase (decrease) in estimated prepaid postage	81	(14)	(56)
(Decrease) increase in payables and accrued expenses	(319)	28	(199)
(Decrease) increase in customers' deposit accounts	(2)	59	114
Increase in outstanding postal money orders	25	103	63
(Decrease) increase in prepaid box rent & other deferred revenue	(35)	(9)	52
Net cash provided by operating activities	1,478	2,740	3,681
Cash flows from investing activities:			
Purchase of property and equipment	(697)	(740)	(2,317)
Proceeds from sale of property and equipment	9	3	31
Net cash used in investing activities	(688)	(737)	(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	790	203	53
Cash and cash equivalents at beginning of year	930	877	877
Cash and cash equivalents at end of period	\$ 1,720	\$ 1,080	\$ 930

* Audited year-end data.

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

CAPITAL INVESTMENTS
January 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	\$ 108.9	\$ 109.0	\$ 36.4	\$ 59.5	\$ 67.1	\$ 76.1
BUILDING IMPROVEMENTS	93.4	122.2	39.2	150.9	117.3	129.1
MAIL PROCESSING EQUIPMENT	77.6	63.7	65.5	269.7	274.4	241.3
VEHICLES	5.0	5.3	2.0	58.5	42.0	84.5
RETAIL EQUIPMENT	0.0	0.1	3.6	0.1	6.9	45.7
POSTAL SUPPORT EQUIPMENT	19.4	23.4	381.8	158.1	219.9	163.3
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 304.4	\$ 323.7	\$ 528.4	\$ 696.7	\$ 727.5	\$ 740.0

Note: Totals may not sum due to rounding.

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	January 31, 2006	September 30, 2005
CONSTRUCTION AND BUILDING PURCHASE	\$ 194.5	\$ 149.0
BUILDING IMPROVEMENTS	357.4	419.5
MAIL PROCESSING EQUIPMENT	1,831.3	2,017.9
VEHICLES	149.2	202.7
RETAIL EQUIPMENT	38.4	38.5
POSTAL SUPPORT EQUIPMENT	436.2	579.8
TOTAL RESOURCES ON ORDER	\$ 3,007.0	\$ 3,407.4

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

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

January 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
807	[55]	[7.3]	751	7.5	Operations:	3,168	[140]	[4.6]	2,989	6.0
28,515	[1,540]	[5.7]	28,313	0.7	-Support	118,189	[5,126]	[4.5]	118,632	-0.4
14,550	[62]	[0.4]	14,036	3.7	-Mail Processing	60,862	[896]	[1.5]	58,770	3.6
37,798	[76]	[0.2]	38,269	-1.2	-Rural Delivery	157,347	[1,914]	[1.2]	158,211	-0.5
2,668	[32]	[1.2]	2,624	1.7	-City Delivery	10,815	[25]	[0.2]	10,760	0.5
6,859	- 65	- 0.9	6,764	1.4	-Vehicles Services	27,169	- 846	- 3.0	27,074	0.3
19,577	[817]	[4.4]	19,160	2.2	-Plant & Equip Maint	79,830	[2,252]	[2.9]	79,731	0.1
408	- 43	- 9.5	403	1.2	-Customer Services	1,622	- 201	- 11.0	1,614	0.5
670	- 4	- 0.6	727	- 7.7	Finance	2,704	- 2	- 0.1	2,891	- 6.5
1,128	- 3	- 0.3	1,109	1.7	Human Resources	4,458	- 99	- 2.2	4,460	- 0.0
5,439	[95]	[1.8]	5,444	- 0.1	Customer Service & Sales	21,865	- 187	- 0.8	22,200	- 1.5
1,933	[9]	[0.5]	2,073	- 6.8	Administration	7,383	- 313	- 4.1	8,331	- 11.4
120,353	[2,570]	[2.2]	119,673	0.6	Other	495,413	[8,704]	[1.8]	495,664	- 0.1
					Total Workhours					

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY

11.0%	8.4%	10.6%	Overtime Ratio Per 100 Workhours	11.7%	8.8%	11.3%
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Sick Leave				
Actual	SPLY		Actual	SPLY

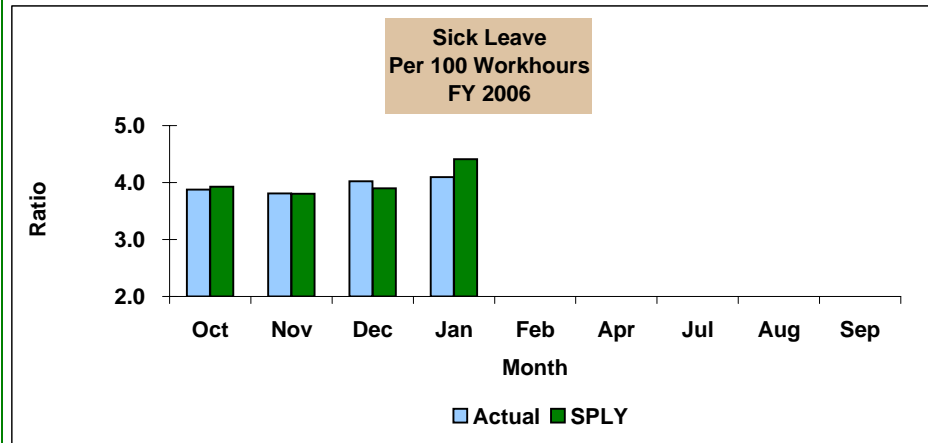
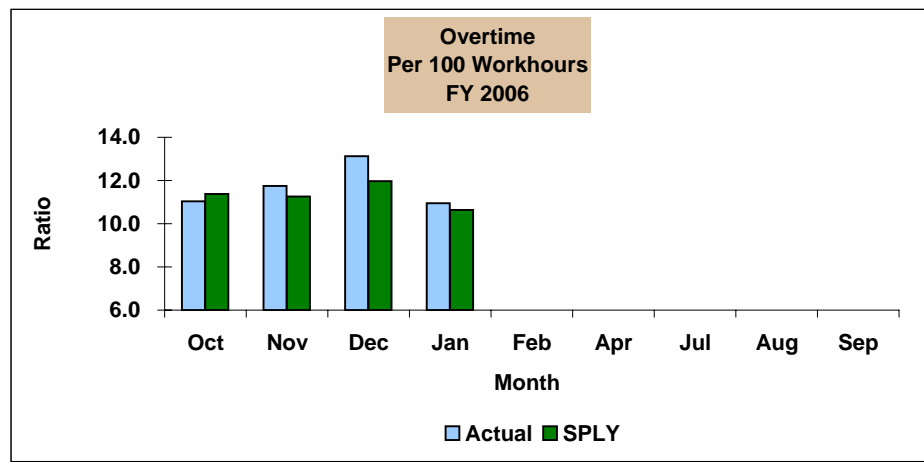
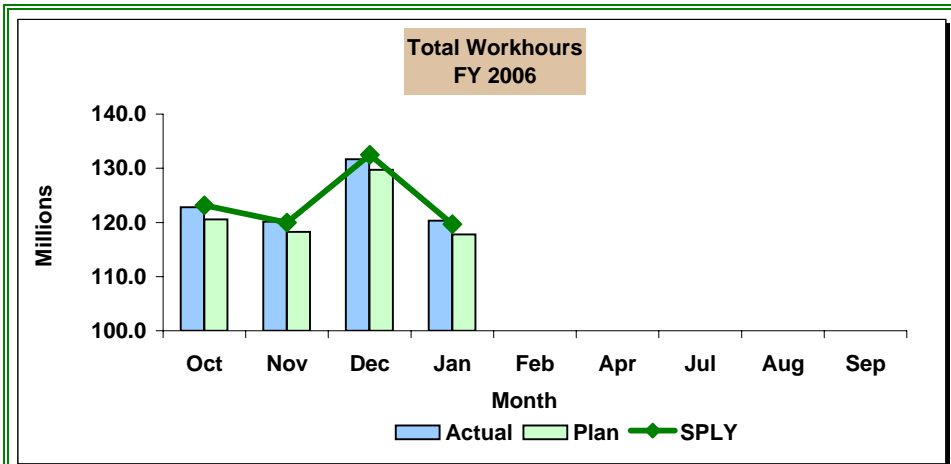
4.1%	4.4%	Sick Leave Ratio Per 100 Workhours	3.9%	4.0%
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[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

*SPLY data may differ from previous reports due to subsequent adjustments.

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



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

January 2006 - FY 2006

Information: For the month, there was an equal number of delivery days as compared to same period last year (SPLY). Additionally, January contained an equal number of weekdays and Saturdays as SPLY.

Analysis of the Financial and Operating Statements

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

For January, Total Revenue was \$137 million or 2.2% over plan, and \$596 million or 10.3% over same period last year (SPLY). Commercial Revenue was under plan by \$63 million or 1.3% and Retail Revenue was over plan \$193 million or 13.2%. In January, Total Commercial Revenue and Retail Revenue combined were \$566 million more than SPLY. The bulk of the increase to SPLY for total revenue was reflected in Stamps and Stamped Paper, Permit Revenue, Presort First and Package Services/Permit Imprint and Metered Postage. Contributing to this performance was the new postage rate structure implemented on January 8, 2006, which provided a 5.4% revenue increase in order to fulfill the requirement of Public Law (PL) 108-18, The Postal Civil Service Retirement System Act, enacted in 2003. This law requires the Postal Service to place \$3.1 billion in an escrow account by October 1, 2006.

Year-to-date (YTD), Total Revenue is \$23 million or 0.1% under plan with the largest contributor being Other Commercial Accounts Revenue at \$511 million or 6.8% less than plan. YTD, Total Revenue is \$343 million or 1.4% over SPLY. Most of the revenue increase to SPLY, \$397 million, exists in Permit Revenue.

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

For January, Total Expenses were \$7 million or 0.1% below plan. Personnel costs were \$12 million or 0.3% above plan, but non-personnel costs were below plan by \$19 million or 1.4%. Transportation costs exceeded plan by \$47 million or 9.4%, but were basically countered by combined plan savings of \$89 million, in Supplies and Services, Travel and Relocation and Miscellaneous. This month's Total Expenses were above SPLY by \$244 million or 4.3% primarily due to increases in deliveries, fuel prices, health benefits and COLA costs.

Year-to-date, Total Expenses are \$8 million below plan. Personnel costs are \$117 million or 0.6% above plan, while non-personnel expenses are \$125 million or 2.4% below plan. Supplies and Services YTD at \$75 million or 9.2% below plan is a major contributor to the non-personnel plan underrun. YTD, Total Expenses are \$918 million or 4.0% above SPLY.

January 2006 - FY 2006

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Year-to-date, Total Mail Volume is 22 million pieces more than SPLY. The most significant mail volume increase over SPLY for YTD is in the lower revenue-per-piece Standard Mail category, which increased 526 million pieces or 1.5%. YTD, First-Class Mail volume is 562 million pieces or 1.6% less than SPLY generating \$109 million less revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2006 Capital Commitments YTD through January 2006 are \$304 million compared to a plan of \$324 million. This represents a plan underrun of \$19 million or 6.0%.

The Cash Outlays YTD are \$697 million versus a plan of \$728 million, representing a \$31 million underrun to plan.

Workhours - Pages 1, 14 and 15

Total Workhours for January 2006 were 2.6 million hours or 2.2% above plan, and 0.7 million hours or 0.6% above January 2005. Together, Mail Processing, Delivery Services and Customer Services increased 0.7 million hours over SPLY. This month's increase in workhours above SPLY was a reflection of the increase in workload.

Total Workhours for January 2006 YTD are 8.7 million hours or 1.8% above plan and 0.3 million hours below SPLY or 0.1%. The most significant plan overruns exist in Mail Processing by 5.1 million hours, Delivery Services by 2.8 million hours, and Customer Services by 2.3 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 decrease to SPLY are City Delivery and Mail Processing workhours. Combined, these operations workhours are 1.3 million hours below SPLY.