



**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS



September, FY 2006
September 1 – September 30, 2006
Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
September 2006 - FY 2006
(Millions)

Current Period						Year-to-Date (October 1, 2005 - September 30, 2006)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 6,062.1	\$ 6,030.4	\$ 31.7	0.5	\$ 5,824.1	4.1	\$ 72,817.5	\$ 72,340.0	\$ 477.5	0.7	69,992.9	4.0
<u>6,411.5</u>	<u>6,072.6</u>	<u>[-338.9]</u>	[5.6]	<u>6,153.7</u>	4.2	<u>71,917.0</u>	<u>71,069.4</u>	<u>[-847.6]</u>	[1.2]	<u>68,547.5</u>	4.9
\$ (349.4)	\$ (42.2)	[\$ -307.2]	NM	\$ (329.6)	NM	\$ 900.5	\$ 1,270.6	[\$ -370.1]	NM	\$ 1,445.4	NM
<u>208.0</u>						<u>2,958.0</u>					
<u>\$ (557.4)</u>						<u>\$ (2,057.5)</u>					
\$ 525.3	\$ 986.8	[\$ -461.5]	[-46.8]	\$ 1,268.0	-58.6	\$ 1,922.3	\$ 2,891.7	[\$ -969.4]	[-33.5]	\$ 2,920.7	-34.2
118.9	122.1	-3.2	-2.6	120.2	-1.1	1,458.7	1,445.7	[13.1]	[0.9]	1,463.3	-0.3

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,318	27,319	27,385
Postal Owned Vehicles In Use			
Administrative	6,219	6,261	6,366
Operations	209,070	209,307	206,808
Total Deliveries (000)	146,174	145,996	144,326
City Delivery Routes	163,412	163,388	164,419
Rural Routes	74,871	74,663	72,695
Career Employees (excludes Inspector General)	695,067	695,705	703,873
Casual Employees	22,518	19,833	19,182
Transitional Employees	5,133	5,249	8,460

*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
September 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	
\$ 6,046.5	\$ 6,013.0	\$ 33.5	0.6	\$ 5,815.9	4.0	Operating Revenue	\$ 72,650.5	\$ 72,154.8	\$ 495.7	0.7	\$ 69,907.4	3.9	
<u>6,391.6</u>	<u>6,051.2</u>	[<u>340.4</u>]	[5.6]	<u>6,132.9</u>	4.2	Operating Expense	<u>71,683.7</u>	<u>70,806.0</u>	[<u>877.7</u>]	[1.2]	<u>68,282.9</u>	5.0	
\$ (345.1)	\$ (38.2)	[\$ -306.9]	NM	\$ (317.0)	NM	Income/(Loss) From Operations	\$ 966.8	\$ 1,348.8	[\$ -382.0]	NM	\$ 1,624.5	NM	
15.6	17.4	[-1.8]	[-10.3]	8.2	90.2	Investment Income	167.0	185.2	[-18.2]	[-9.8]	85.5	95.3	
0.6	0.1	[0.5]	NM	-	NM	Interest Expense	2.0	2.3	-0.3	-13.0	1.6	25.0	
<u>19.3</u>	<u>21.3</u>	<u>-2.0</u>	<u>-9.4</u>	<u>20.8</u>	<u>-7.2</u>	Interest on Deferred Retirement Obligations	<u>231.3</u>	<u>261.1</u>	<u>-29.8</u>	<u>-11.4</u>	<u>263.0</u>	<u>-12.1</u>	
\$ (349.4)	\$ (42.2)	[\$ -307.2]	NM	\$ (329.6)	NM	Net Income Before Escrow Allocation *	\$ 900.5	\$ 1,270.6	[\$ -370.1]	NM	\$ 1,445.4	NM	
<u>208.0</u>						Escrow Allocation *	<u>2,958.0</u>						
\$ (557.4)						Net Gain/(Deficiency) After Escrow Allocation *	\$ (2,057.5)						

[]=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)

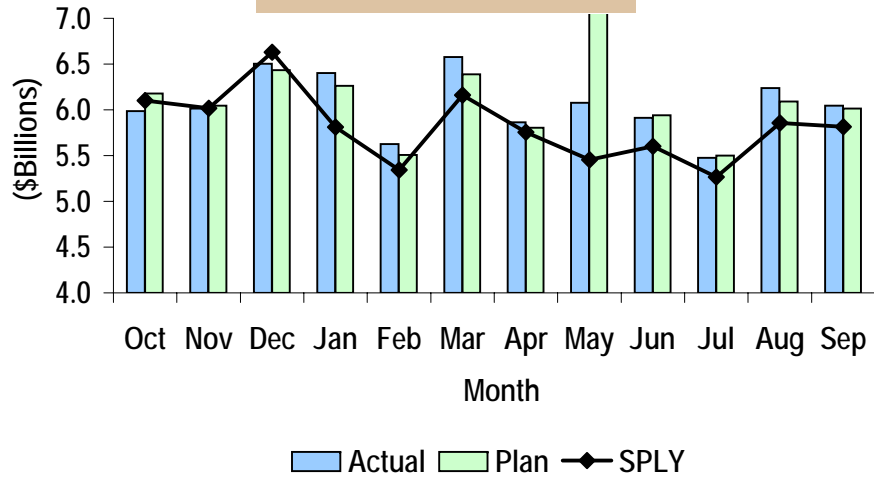
CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	Quarter 4 FY 2006	Quarter 4 FY 2005	% SPLY	September 30, 2006	September 30, 2005	% SPLY
FIRST-CLASS						
VOLUME	23,168,293	23,343,686	- 0.8	97,617,451	98,070,956	- 0.5
REVENUE	\$ 8,880,190	\$ 8,565,358	3.7	\$ 37,038,834	\$ 36,061,780	2.7
REV/PC.	\$ 0.3833	\$ 0.3669	4.5	\$ 0.3794	\$ 0.3677	3.2
PRIORITY-MAIL						
VOLUME	212,862	211,396	0.7	924,219	887,477	4.1
REVENUE	\$ 1,166,386	\$ 1,091,865	6.8	\$ 5,042,475	\$ 4,633,607	8.8
REV/PC.	\$ 5.4795	\$ 5.1650	6.1	\$ 5.4559	\$ 5.2211	4.5
EXPRESS MAIL						
VOLUME	13,337	13,796	- 3.3	55,950	55,475	0.9
REVENUE	\$ 220,628	\$ 215,237	2.5	\$ 918,122	\$ 872,282	5.3
REV/PC.	\$ 16.5426	\$ 15.6014	6.0	\$ 16.4097	\$ 15.7239	4.4
PERIODICALS						
VOLUME	2,159,254	2,156,027	0.1	9,022,562	9,070,003	- 0.5
REVENUE	\$ 541,151	\$ 516,029	4.9	\$ 2,215,162	\$ 2,160,763	2.5
REV/PC.	\$ 0.2506	\$ 0.2393	4.7	\$ 0.2455	\$ 0.2382	3.1
STANDARD MAIL						
VOLUME	25,599,491	25,538,424	0.2	102,459,559	100,942,091	1.5
REVENUE	\$ 5,011,010	\$ 4,778,686	4.9	\$ 19,876,798	\$ 18,953,471	4.9
REV/PC.	\$ 0.1957	\$ 0.1871	4.6	\$ 0.1940	\$ 0.1878	3.3
PACKAGE SERVICES						
VOLUME	294,556	297,193	- 0.9	1,174,554	1,165,534	0.8
REVENUE	\$ 541,198	\$ 512,140	5.7	\$ 2,258,966	\$ 2,201,085	2.6
REV/PC.	\$ 1.8373	\$ 1.7233	6.6	\$ 1.9233	\$ 1.8885	1.8
INTERNATIONAL						
VOLUME	181,301	195,712	- 7.4	792,928	851,631	- 6.9
REVENUE	\$ 375,946	\$ 411,349	- 8.6	\$ 1,793,687	\$ 1,764,913	1.6
REV/PC.	\$ 2.0736	\$ 2.1018	- 1.3	\$ 2.2621	\$ 2.0724	9.2
ALL OTHER						
VOLUME	216,663	160,278	35.2	1,090,480	697,648	56.3
ALL MAIL						
VOLUME	51,845,757	51,916,512	- 0.1	213,137,703	211,740,815	0.7
REVENUE	\$ 16,736,508	\$ 16,090,663	4.0	\$ 69,144,044	\$ 66,647,901	3.7
REV/PC.	\$ 0.3228	\$ 0.3099	4.2	\$ 0.3244	\$ 0.3148	3.1

NOTE: Totals may not sum due to rounding.

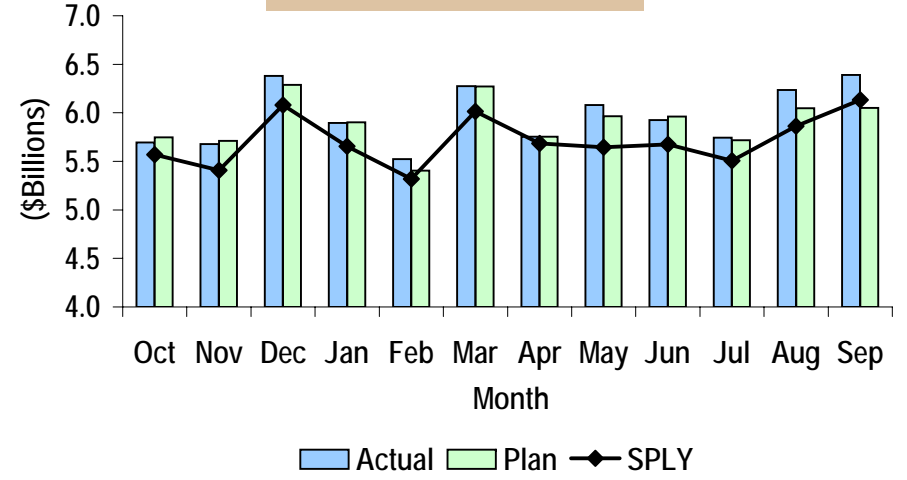
When interpreting RPW SPLY changes under monthly reporting, users must factor in the number and composition of business days in the relevant time periods.

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

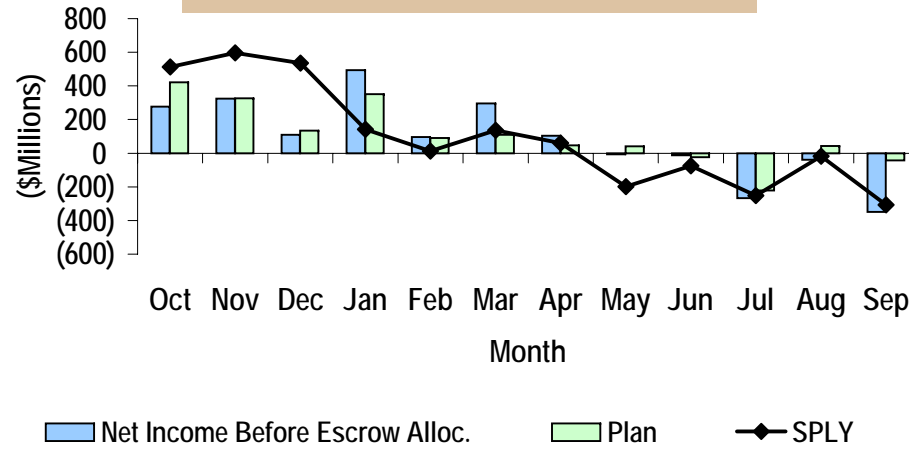
**TOTAL OPERATING REVENUE
FY 2006**



**TOTAL OPERATING EXPENSE
FY 2006**



**NET INCOME BEFORE ESCROW ALLOCATION
FY 2006**



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

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			Operating Revenue:			
\$ 1,946.8	\$ 1,963.6	- 0.9	Metered Postage	\$ 24,801.0	\$ 24,490.0	1.3
847.3	849.8	- 0.3	Stamps and Stamped Paper	11,001.9	11,044.6	- 0.4
1,692.6	1,622.2	4.3	Permit Imprint	18,842.1	17,842.6	5.6
193.0	169.4	13.9	Periodicals & Standard	2,195.5	2,141.7	2.5
76.9	72.7	5.8	Official Mail	846.6	817.0	3.6
956.7	854.5	12.0	Presort First-Class & Package Svc./Permit Imprint	11,609.8	10,378.3	11.9
71.4	69.3	3.0	Box Rents	813.7	791.5	2.8
-	17.2	- 100.0	Money Order Fees	193.3	208.2	- 7.2
<u>227.9</u>	<u>182.5</u>	24.9	Other	<u>2,162.5</u>	<u>2,039.4</u>	6.0
\$ 6,012.6	\$ 5,801.2	3.6	Subtotal	\$ 72,466.4	\$ 69,753.3	3.9
<u>33.9</u>	<u>14.7</u>	130.6	Government Appropriations	<u>184.1</u>	<u>154.1</u>	19.5
\$ 6,046.5	\$ 5,815.9	4.0	Total Operating Revenue	\$ 72,650.5	\$ 69,907.4	3.9
<u>15.6</u>	<u>8.2</u>	90.2	Investment Income	<u>167.0</u>	<u>85.5</u>	95.3
\$ <u>6,062.1</u>	\$ <u>5,824.1</u>	4.1	Total Revenue	\$ <u>72,817.5</u>	\$ <u>69,992.9</u>	4.0

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

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

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
\$ 2,899.5	\$ 2,813.9	3.0	Commercial Revenue	\$ 33,346.7	\$ 32,503.2	2.6
			Permit Revenue			
<u>1,640.1</u>	<u>1,749.8</u>	[- 6.3]	Other Commercial Accounts Revenue	<u>20,697.1</u>	<u>21,648.3</u>	[- 4.4]
\$ 4,539.6	\$ 4,563.7	[- 0.5]	Total Commercial Revenue	\$ 54,043.8	\$ 54,151.5	[- 0.2]
			Retail Revenue			
981.7	1,071.5	[- 8.4]	Retail Postage Revenue	13,002.4	13,258.3	[- 1.9]
91.7	100.8	[- 9.0]	Retail Services Revenue	1,248.0	1,237.3	0.9
16.0	17.6	[- 9.1]	Retail Products Revenue	204.4	192.0	6.5
<u>280.2</u>	<u>215.2</u>	30.2	Other Retail Channels Revenue	<u>3,356.1</u>	<u>2,657.1</u>	26.3
\$ 1,369.6	\$ 1,405.1	[- 2.5]	Total Retail Revenue	\$ 17,810.9	\$ 17,344.7	2.7
\$ 5,909.2	\$ 5,968.8	[- 1.0]	Total Commercial & Retail Revenue	\$ 71,854.7	\$ 71,496.2	0.5
103.4	32.3	NM	Other Income	611.7	507.3	20.6
<u>33.9</u>	<u>11.9</u>	184.9	Government Appropriations	<u>184.1</u>	<u>151.3</u>	21.7
\$ 6,046.5	\$ 6,013.0	0.6	Total Operating Revenue	\$ 72,650.5	\$ 72,154.8	0.7
<u>15.6</u>	<u>17.4</u>	[- 10.3]	Investment Income	<u>167.0</u>	<u>185.2</u>	[- 9.8]
\$ 6,062.1	\$ 6,030.4	0.5	Total Revenue	\$ 72,817.5	\$ 72,340.0	0.7

[]=Unfavorable variance to budget

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

EXPENSE ANALYSIS
September 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
\$ 4,716.9	\$ 4,791.9	\$ -75.0	-1.6	\$ 4,597.1	2.6	\$ 56,141.6	\$ 55,692.2	[\$ 449.4]	[0.8]	\$ 53,931.5	4.1
						Non-Personnel Expense:					
588.4	348.7	[239.7]	[68.7]	486.7	20.9	6,044.7	5,772.7	[272.0]	[4.7]	5,436.8	11.2
366.5	310.8	[55.7]	[17.9]	391.0	-6.3	2,640.5	2,569.0	[71.5]	[2.8]	2,416.0	9.3
<u>719.8</u>	<u>599.8</u>	<u>[120.0]</u>	[20.0]	<u>658.1</u>	9.4	<u>6,856.9</u>	<u>6,772.1</u>	<u>[84.8]</u>	[1.3]	<u>6,498.6</u>	5.5
\$ 1,674.7	\$ 1,259.3	[\$ 415.4]	[33.0]	\$ 1,535.8	9.0	\$ 15,542.1	\$ 15,113.8	[\$ 428.3]	[2.8]	\$ 14,351.4	8.3
\$ 6,391.6	\$ 6,051.2	[\$ 340.4]	[5.6]	\$ 6,132.9	4.2	\$ 71,683.7	\$ 70,806.0	[\$ 877.7]	[1.2]	\$ 68,282.9	5.0
0.6	0.1	[0.5]	NM	-	NM	2.0	2.3	-0.3	-13.0	1.6	25.0
<u>19.3</u>	<u>21.3</u>	<u>-2.0</u>	-9.4	<u>20.8</u>	-7.2	<u>231.3</u>	<u>261.1</u>	<u>-29.8</u>	-11.4	<u>263.0</u>	-12.1
\$ 6,411.5	\$ 6,072.6	[\$ 338.9]	[5.6]	\$ 6,153.7	4.2	\$ 71,917.0	\$ 71,069.4	[\$ 847.6]	[1.2]	\$ 68,547.5	4.9

[]=Unfavorable variance to budget

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

ANALYSIS OF OPERATING EXPENSES
Personnel Compensation
September 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
\$ 37.7	\$ 36.5	[\$ 1.2]	[3.3]	\$ 37.3	1.1	\$ 454.7	\$ 434.5	[\$ 20.2]	[4.7]	\$ 425.3	6.9
953.9	\$ 1,012.3	- 58.4	- 5.8	958.7	- 0.5	11,770.5	11,560.9	[209.6]	[1.8]	11,518.5	2.2
473.3	476.5	- 3.2	- 0.7	439.5	7.7	5,525.2	5,530.1	- 4.9	- 0.1	5,139.8	7.5
1,453.6	1,484.2	- 30.7	- 2.1	1,421.4	2.3	17,360.5	17,225.9	[134.6]	[0.8]	16,807.5	3.3
105.2	101.5	[3.7]	[3.7]	101.3	3.8	1,253.8	1,235.3	[18.5]	[1.5]	1,200.2	4.5
268.1	269.5	- 1.4	- 0.5	255.3	5.0	3,164.2	3,217.3	- 53.1	- 1.7	3,021.8	4.7
692.6	718.7	- 26.0	- 3.6	680.5	1.8	8,373.7	8,248.0	[125.7]	[1.5]	8,086.3	3.6
18.5	20.2	- 1.7	- 8.6	18.2	1.5	219.8	246.8	- 27.1	- 11.0	211.6	3.8
28.9	30.7	- 1.8	- 5.8	32.5	- 10.8	359.8	371.8	- 12.0	- 3.2	383.2	- 6.1
44.8	45.6	- 0.8	- 1.8	44.6	0.3	537.4	546.1	- 8.7	- 1.6	517.3	3.9
212.6	217.7	- 5.0	- 2.3	215.3	- 1.2	2,603.8	2,621.6	- 17.8	- 0.7	2,533.5	2.8
104.0	106.9	- 2.9	- 2.7	113.1	- 8.1	1,276.6	1,278.1	- 1.5	- 0.1	1,449.7	- 11.9
\$ 4,393.1	\$ 4,520.3	\$ - 127.2	- 2.8	\$ 4,317.7	1.7	\$ 52,899.9	\$ 52,516.5	[\$ 383.4]	[0.7]	\$ 51,294.8	3.1
123.8	99.7	[24.1]	[24.2]	69.8	77.4	1,278.7	1,196.7	[82.0]	[6.9]	838.3	52.5
9.8	6.4	[3.3]	[51.7]	4.3	129.4	81.6	64.9	[16.7]	[25.7]	41.5	96.8
2.2	2.5	- 0.3	- 11.9	3.3	- 34.2	25.7	28.9	- 3.1	- 10.8	27.0	- 4.7
145.7	148.5	- 2.8	- 1.9	132.7	9.8	1,663.1	1,707.5	- 44.4	- 2.6	1,516.0	9.7
42.4	14.5	[27.9]	[192.2]	69.4	- 38.9	192.6	177.7	[14.9]	[8.4]	214.0	- 10.0
\$ 4,716.9	\$ 4,791.9	\$ - 75.0	- 1.6	\$ 4,597.1	2.6	\$ 56,141.6	\$ 55,692.2	[\$ 449.4]	[0.8]	\$ 53,931.5	4.1

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

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

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

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY	% SPLY
\$ 588.4	\$ 348.7	[\$ 239.7]	[68.7]	\$ 486.7	20.9	Transportation	\$ 6,044.7	\$ 5,772.7	[\$ 272.0]	[4.7]	\$ 5,436.8	11.2
366.5	310.8	[55.7]	[17.9]	391.0	- 6.3	Supplies & Services	2,640.5	2,569.0	[71.5]	[2.8]	2,416.0	9.3
210.2	180.0	[30.2]	[16.8]	172.8	21.6	Depreciation	2,167.3	2,184.8	- 17.5	- 0.8	2,105.1	3.0
110.8	89.9	[20.9]	[23.2]	83.9	32.1	Rent	1,050.1	1,033.1	[17.0]	[1.6]	1,005.0	4.5
61.6	60.9	[0.6]	[1.0]	62.1	- 0.9	Utilities & Heating Fuel	671.0	614.4	[56.6]	[9.2]	584.6	14.8
60.2	54.2	[6.0]	[11.1]	54.2	11.1	Rural Carrier Equip Maint Allowance	485.0	479.7	[5.3]	[1.1]	449.3	7.9
64.7	63.0	[1.7]	[2.7]	54.5	18.8	Vehicle Maintenance Services	709.4	671.8	[37.6]	[5.6]	586.2	21.0
66.5	36.2	[30.3]	[83.5]	68.8	- 3.4	Information Technology	395.1	492.7	- 97.6	- 19.8	398.4	- 0.8
46.9	- 9.0	[55.9]	NM	42.1	11.5	Building Projects Expensed	264.6	209.2	[55.4]	[26.5]	263.4	0.5
7.8	8.9	- 1.1	- 12.2	7.5	4.6	Contract Job Cleaners	97.4	93.4	[4.0]	[4.2]	90.0	8.2
24.5	21.6	[2.9]	[13.6]	25.3	- 3.2	Travel & Relocation	251.7	216.5	[35.2]	[16.2]	190.5	32.2
22.0	26.7	- 4.7	- 17.7	45.3	- 51.5	Communications	254.0	219.8	[34.1]	[15.5]	253.5	0.2
6.2	6.7	- 0.4	- 6.6	5.9	5.3	Contract Stations	73.9	79.4	- 5.5	- 6.9	73.8	0.2
2.8	3.0	- 0.3	- 8.5	3.0	- 9.0	Printing	23.1	27.8	- 4.6	- 16.6	24.1	- 3.8
3.7	6.8	- 3.1	- 45.2	6.9	- 46.2	Training	49.9	70.7	- 20.8	- 29.4	57.5	- 13.3
2.2	2.9	- 0.7	- 24.4	2.6	- 15.6	Carfare & Tolls	28.1	32.2	- 4.2	- 13.0	30.0	- 6.6
0.7	1.4	- 0.6	- 46.4	- 0.3	NM	Vehicle Hire	15.2	15.3	- 0.1	- 0.6	13.4	13.4
3.8	4.6	- 0.8	- 17.3	5.6	- 31.9	Accident Costs	52.0	47.9	[4.2]	[8.8]	51.1	1.9
25.1	41.9	- 16.8	- 40.1	18.0	39.2	Miscellaneous	268.9	283.2	- 14.3	- 5.1	322.6	- 16.6
\$ 1,674.7	\$ 1,259.3	[415.4]	[33.0]	\$ 1,535.8	9.0	Total Non-Personnel Expenses	\$ 15,542.1	\$ 15,113.8	[\$ 428.3]	[2.8]	\$ 14,351.4	8.3

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

Assets	September 30, 2006*	September 30, 2005*
Current Assets:		
Cash and cash equivalents _1/	\$ 997	\$ 725
Receivables:		
Foreign countries	527	590
U.S. Government	150	280
Other	<u>210</u>	<u>188</u>
Receivables before allowances	887	1,058
Less allowances	<u>48</u>	<u>50</u>
Total receivables, net	839	1,008
Supplies, advances and prepayments	<u>205</u>	<u>200</u>
Total Current Assets	2,041	1,933
Cash - Restricted	2,958	
Appropriations Receivable - Revenue Forgone	394	376
Property and Equipment, at Cost:		
Buildings	21,083	20,480
Equipment	19,729	18,664
Land	2,887	2,878
Leasehold improvements	<u>1,232</u>	<u>1,172</u>
	44,931	43,194
Less allowances for depreciation and amortization	<u>23,951</u>	<u>22,400</u>
	20,980	20,794
Construction in progress	<u>2,115</u>	<u>1,895</u>
Total property and equipment, net	23,095	22,689
Total Assets	\$ 28,488	\$ 24,998

_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
September 2006 - FY 2006
(\$ Millions)

Liabilities and Net Capital	September 30, 2006*	September 30, 2005*
Current Liabilities:		
Compensation and benefits	\$ 3,224	\$ 2,852
Payables and accrued expenses:		
Trade payables & accrued expenses	1,481	1,363
Foreign countries	567	688
U.S. government	111	76
Total payables and accrued expenses	<u>2,159</u>	<u>2,127</u>
Customer deposit accounts	1,647	1,720
Deferred revenue-prepaid postage	1,187	1,200
Outstanding postal money orders	885	830
Prepaid box rent & other deferred revenue	454	477
Debt	<u>2,100</u>	<u>-</u>
Total Current Liabilities	11,656	9,206
Non-Current Liabilities:		
Workers' compensation costs	6,869	6,695
Employees' accumulated leave	2,116	2,016
Deferred appropriations revenue	631	692
Long-term portion capital lease obligations	637	644
Other	<u>303</u>	<u>369</u>
Total Non-Current Liabilities	<u>10,556</u>	<u>10,416</u>
Total Liabilities	22,212	19,622
Net Capital:		
Capital contributions of the U.S. government	3,034	3,034
Retained earnings since reorganization	<u>3,242</u>	<u>2,342</u>
Total Net Capital	<u>6,276</u>	<u>5,376</u>
Total Liabilities and Net Capital	<u>\$ 28,488</u>	<u>\$ 24,998</u>

* 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 CASH FLOWS
Fiscal Year 2006 through September 30, 2006
(\$ Millions)

	<u>September 30, 2006*</u>	<u>September 30, 2005**</u>
Cash flows from operating activities:		
Net Income	\$ 900	\$ 1,445
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,149	2,089
(Gain) loss on disposals of property and equipment, net	(40)	5
(Increase) in revenue forgone appropriations receivable	(18)	(15)
Increase (decrease) in workers' compensation liability	342	(58)
Increase in employees' accumulated leave	100	10
(Decrease) in non-current deferred appropriations revenue	(61)	(99)
(Decrease) in other non-current liabilities	(66)	(12)
Changes in current assets and liabilities:		
Decrease in receivables, net	169	16
(Increase) decrease in supplies, advances and prepayments	(5)	20
Increase in compensation and benefits	204	314
(Decrease) in deferred revenue-prepaid postage	(13)	(56)
Increase (decrease) in payables and accrued expenses	148	(158)
(Decrease) increase in customers' deposit accounts	(73)	114
Increase (decrease) in outstanding postal money orders	55	63
(Decrease) increase in prepaid box rent & other deferred revenue	(23)	52
Net cash provided by operating activities	3,768	3,730
Cash flows from investing activities:		
Increase in restricted cash	(2,958)	-
Purchase of property and equipment	(2,630)	(2,317)
Proceeds from sale of property and equipment	114	31
Net cash used in investing activities	(5,474)	(2,286)
Cash flows from financing activities:		
Issuance of debt	2,100	-
Payments on debt	-	(1,800)
Payments on capital lease obligations	(37)	16
U.S. government appropriations - received	-	503
U.S. government appropriations - expended	(85)	(45)
Net cash provided by (used in) financing activities	1,978	(1,326)
Net increase (decrease) in cash and cash equivalents	272	118
Cash and cash equivalents at beginning of year	725	607
Cash and cash equivalents at end of period	\$ 997	\$ 725

* Audited year-end data.

**Certain reclassifications have been made to previously reported Cash Flow amounts.

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

CAPITAL INVESTMENTS
September 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	\$ 282.6	\$ 341.3	\$ 193.3	\$ 189.9	\$ 201.8	\$ 229.8
BUILDING IMPROVEMENTS	667.1	649.4	515.2	546.6	475.3	448.3
MAIL PROCESSING EQUIPMENT	646.0	1,616.6	1,174.9	1,227.7	986.8	734.9
VEHICLES	17.7	21.0	240.6	202.7	102.1	157.9
RETAIL EQUIPMENT	[- 0.3]	0.4	1.2	0.5	34.8	57.7
POSTAL SUPPORT EQUIPMENT	309.3	263.0	795.5	419.6	448.0	619.5
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 1,922.3	\$ 2,891.7	\$ 2,920.7	\$ 2,587.1	\$ 2,248.9	\$ 2,248.0

Note: Totals may not sum due to rounding.

RESOURCES ON ORDER
(\$ Millions)

MAJOR CATEGORIES	September 30, 2006	September 30, 2005
CONSTRUCTION AND BUILDING PURCHASE	\$ 229.4	\$ 149.0
BUILDING IMPROVEMENTS	518.5	419.5
MAIL PROCESSING EQUIPMENT	1,433.6	2,017.9
VEHICLES	17.7	202.7
RETAIL EQUIPMENT	37.6	38.5
POSTAL SUPPORT EQUIPMENT	475.6	579.8
TOTAL RESOURCES ON ORDER	\$ 2,712.4	\$ 3,407.4

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

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

September 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
802	[23]	[2.9]	822	- 2.5	Operations:	9,882	[430]	[4.6]	9,606	2.9
26,640	- 1,032	- 3.7	27,299	- 2.4	-Support	332,269	[9,098]	[2.8]	336,210	- 1.2
15,762	[68]	[0.4]	15,068	4.6	-Mail Processing	186,164	[1,052]	[0.6]	179,549	3.7
38,550	- 914	- 2.3	38,566	- 0.0	-Rural Delivery	468,917	[2,803]	[0.6]	471,071	- 0.5
2,610	[52]	[2.0]	2,614	- 0.2	-City Delivery	32,116	[263]	[0.8]	31,880	0.7
6,664	- 205	- 3.0	6,632	0.5	-Vehicles Services	81,366	- 2,153	- 2.6	80,867	0.6
18,630	- 868	- 4.5	19,108	- 2.5	-Plant & Equip Maint	232,973	[3,216]	[1.4]	233,953	- 0.4
406	- 59	- 12.8	418	- 2.8	-Customer Services	4,945	- 651	- 11.6	4,981	- 0.7
641	- 32	- 4.8	759	- 15.6	Finance	8,066	- 261	- 3.1	8,989	- 10.3
1,089	- 33	- 3.0	1,138	- 4.4	Human Resources	13,565	- 307	- 2.2	13,559	0.0
5,324	- 176	- 3.2	5,648	- 5.7	Customer Service & Sales	66,934	- 268	- 0.4	67,865	- 1.4
1,759	- 55	- 3.0	2,088	- 15.8	Administration	21,533	- 163	- 0.8	24,722	- 12.9
118,878	- 3,231	- 2.6	120,161	- 1.1	Other					
					Total Workhours	1,458,729	[13,059]	[0.9]	1,463,253	- 0.3

Overtime			Overtime		
Actual	Budget	SPLY	Actual	Budget	SPLY

11.1%	8.1%	10.5%	Overtime Ratio Per 100 Workhours	11.0%	8.5%	10.5%
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Sick Leave		Sick Leave	
Actual	SPLY	Actual	SPLY

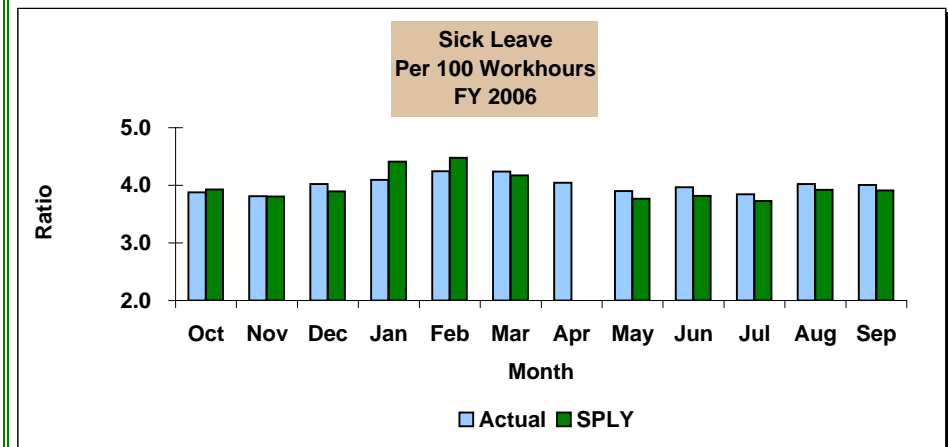
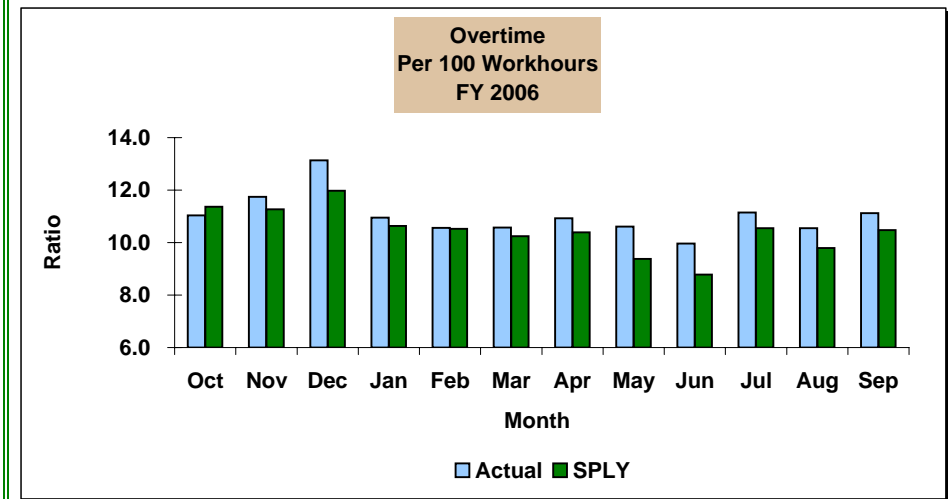
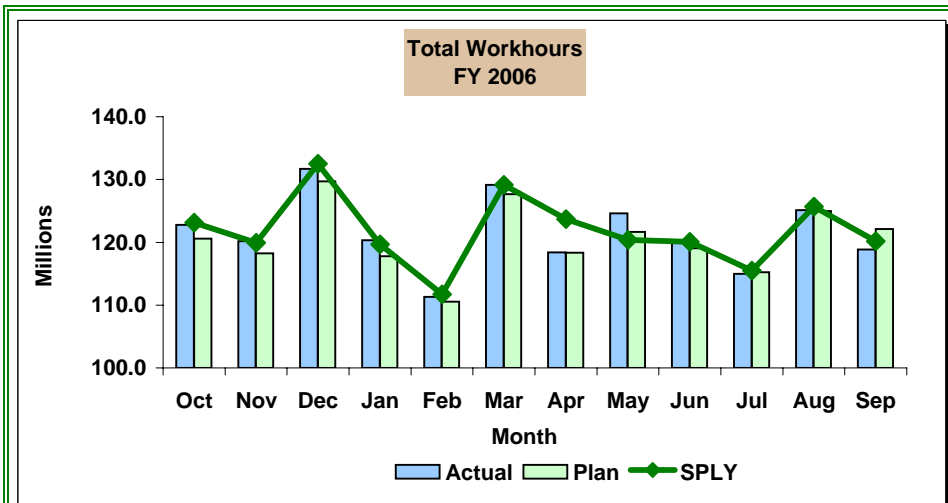
4.0%	3.9%	Sick Leave Ratio Per 100 Workhours	4.0%	4.0%
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[]=Unfavorable variance to budget

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.

September 2006 - FY 2006

Information: For the month, there were the same number of delivery days and a half business day less when compared to same period last year (SPLY). Year-to-date (YTD), there are an equal number of delivery days and one and a half business days less compared to last year.

Analysis of the Financial and Operating Statements

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

For September, Total Revenue was \$32 million or 0.5% above plan, and \$238 million or 4.1% above SPLY. Commercial Revenue was below plan by \$24 million or 0.5% and Retail Revenue was below plan by \$36 million or 2.5%. In September, Total Commercial Revenue and Retail Revenue, combined, were \$177 million more than SPLY. Most of the increase in revenue to SPLY for September was reflected in Presort First Class and Package Services/Permit Imprint, Permit Imprint and Periodicals. Combined these revenue sources were \$196 million above SPLY.

Year-to-date, Total Revenue is \$478 million or 0.7% above plan with the largest contributor being Retail Revenue at \$466 million or 2.7% more than plan. Year-to-date, Total Revenue is \$2.8 billion above SPLY. Primary contributors to the increase over SPLY are Permit Revenue at \$2.3 billion more and Other Retail Channels Revenue at \$896 million, or 36.4% more than SPLY.

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

For September, Total Expenses were \$339 million above plan. Personnel costs were \$75 million below plan and non-personnel costs were above plan by \$415 million or 33.0%. Compared to SPLY, this month's Total Expenses increased by \$258 million or 4.2%. The non-personnel factors contributing to this increase over SPLY include Transportation, Depreciation and Rent costs. The personnel factors contributing to this month's increase over SPLY include Rural Delivery, City Delivery and Workers Compensation costs.

Year-to-date, Total Expenses were \$848 million or 1.2% above plan. Personnel costs are \$449 million or 0.8% above plan and non-personnel expenses are \$428 million or 2.8% above plan. The largest contributors to the non-personnel plan overrun are Transportation at \$272 million or 4.7% above plan, Supplies and Services at \$72 million or 2.8% above plan, Utilities & Heating Fuel at \$57 million or 9.2% above plan and Buildings Projects Expensed at \$55 million or 26.5% above plan. Year-to-date, Total Expenses were \$3.4 billion or 4.9% above SPLY.

September 2006 - FY 2006

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter 4, FY 2006 was 71 million pieces or 0.1% below same period last year (SPLY). Most of this quarter's decrease in mail volume below Quarter 4, FY 2005 levels occurred in First-Class Mail, 175 million pieces or 0.8% below.

Year-to-date, Total Mail Volume is 0.7% or 1.4 billion pieces over SPLY. The most significant mail volume increase over SPLY, year-to-date, is in Standard Mail, which increased 1.5 billion pieces or 1.5%. Year-to-date, First-Class Mail volume is 0.5% less than SPLY while still generating \$977 million or 2.7% more revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2006 Capital Commitments, year-to-date, through September 2006 are \$1.9 billion compared to a plan of \$2.9 billion. This represents a plan underrun of about \$969 million or 33.5%.

The Cash Outlays, year-to-date, are \$2.6 billion versus a plan of \$2.2 billion.

Workhours - Pages 1, 14 and 15

Total Workhours for September 2006 were 3.2 million hours or 2.6% below plan. This month's workhours usage was slightly below that of September 2005. Rural Delivery increased 0.7 million hours over SPLY.

Year-to-date, Total Workhours for September 2006 are 13.1 million hours or 0.9% above plan, and 4.5 million hours or 0.3% below SPLY. The most significant plan overruns lie in Mail Processing by 9.1 million hours, Delivery Services by 3.9 million hours, and Customer Services by 3.2 million hours. These overruns in workhours are a reflection of growth in volume above plan and continued growth in delivery points. Year-to-date, major contributors to the workhours decrease to SPLY are City Delivery and Mail Processing workhours. Combined workhours in these operations are 6.1 million hours below SPLY.