



*UNITED STATES
POSTAL SERVICE*

INTEGRATED FINANCIAL PLAN FISCAL YEAR 2006

**September 27, 2005
Board of Governors**



INTEGRATED FINANCIAL PLAN FY 2006

Topics of Discussion

FY 2006 Operating Plan

FY 2006 Capital Investment Plan

FY 2006 Financing Plan



INTEGRATED FINANCIAL PLAN FY 2006

Assumptions – FY 2006

- **Economy**
 - ◆ **Inflation Rate = 3.1%**

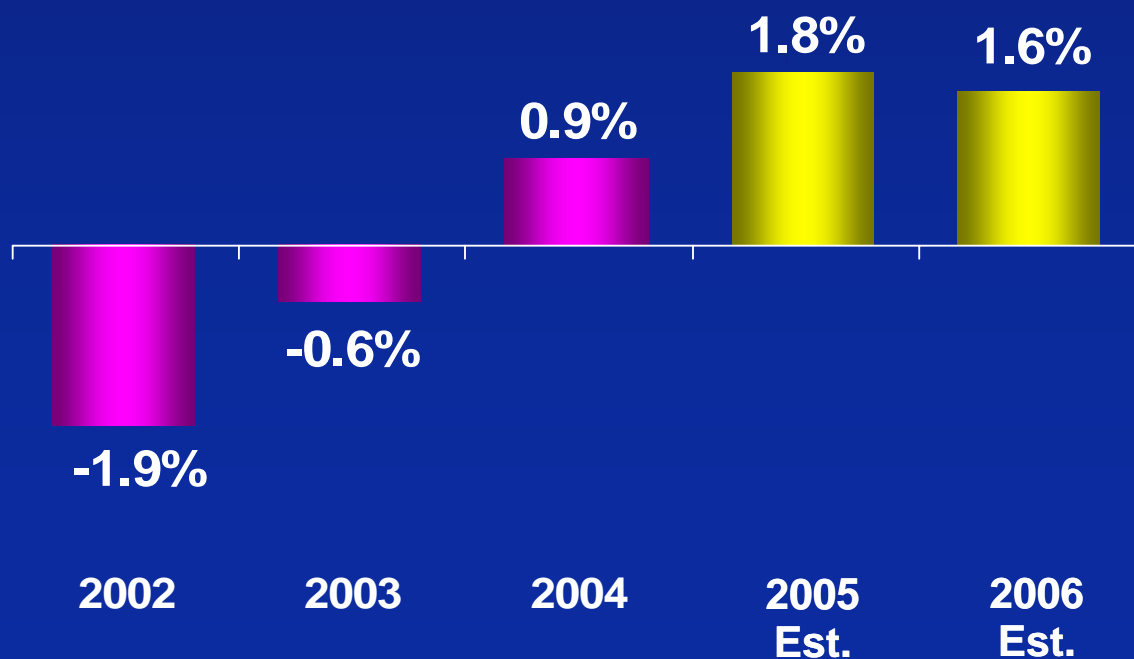


INTEGRATED FINANCIAL PLAN FY 2006

Assumptions – FY 2006

- **Economy**
 - ◆ Inflation Rate = 3.1%
 - ◆ Job Growth Continues

Economy-Wide Employment Growth-Percent Change



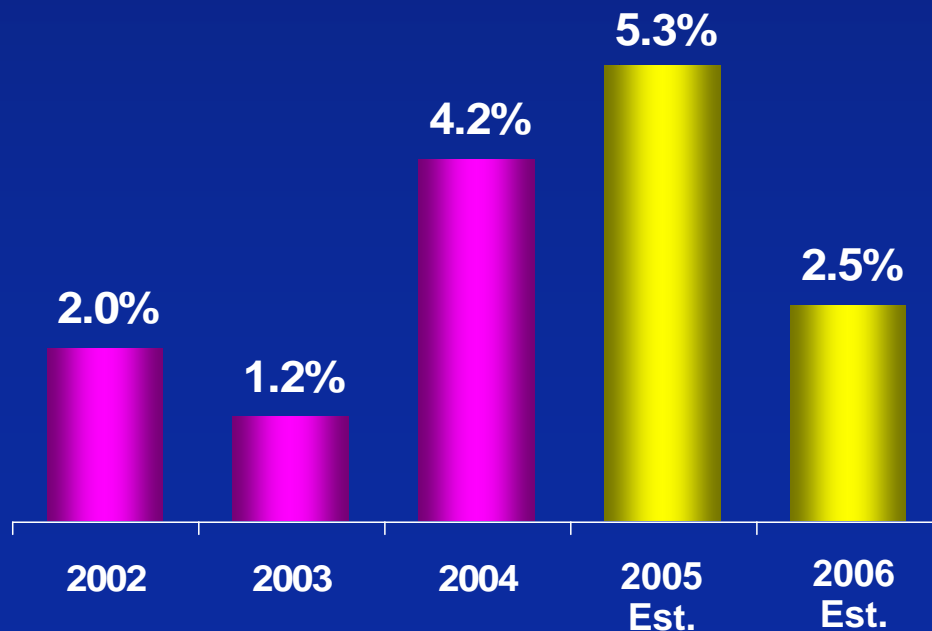


INTEGRATED FINANCIAL PLAN FY 2006

Assumptions – FY 2006

- **Economy**
 - ◆ Inflation Rate = 3.1%
 - ◆ Job Growth Continues
 - ◆ Moderate Retail Sales

Economy-Wide Retail Sales-Percent Change



*Source: *Global Insight, Inc.*



INTEGRATED FINANCIAL PLAN FY 2006

Assumptions – FY 2006

- **Economy**
 - ◆ **Inflation Rate = 3.1%**
 - ◆ **Job Growth Continues**
 - ◆ **Moderate Retail Sales**
 - **Continued Electronic Diversion**
 - **January 2006, 5.4 Percent Rate Increase**
 - **No Legislative Change Included**
-



INTEGRATED FINANCIAL PLAN FY 2006

2006 Income Statement

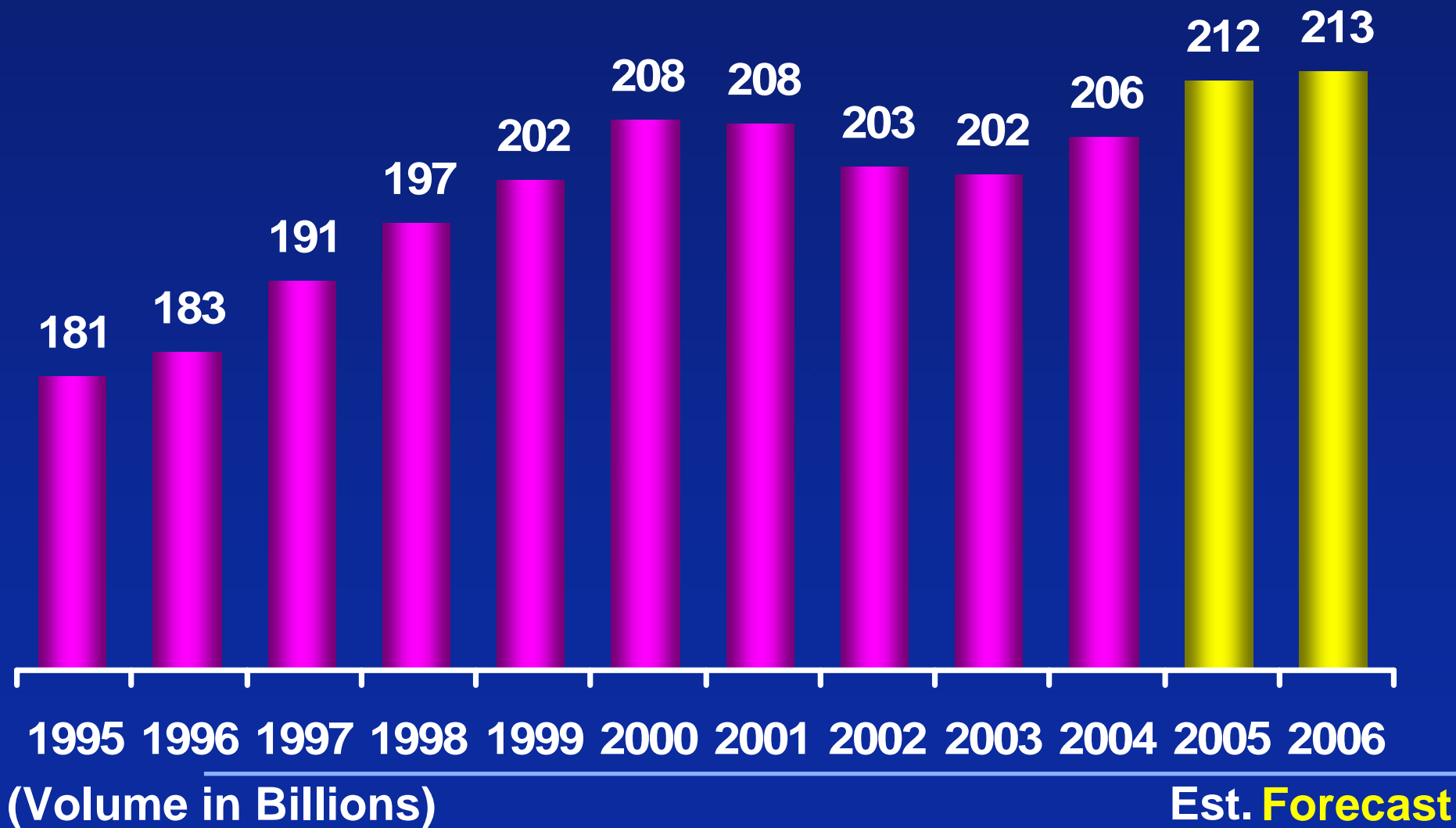
	<u>2006</u>	<u>% Chg</u>
Revenue	\$ 72.3B	3.4%
Expense	<u>\$ 71.1B</u>	3.4%
Net Income	\$ 1.3B	
Escrow - Restricted Cash	<u>\$ 3.1B</u>	
Deficiency After Escrow	(\$ 1.8B)	

Numbers may not add due to rounding



INTEGRATED FINANCIAL PLAN FY 2006

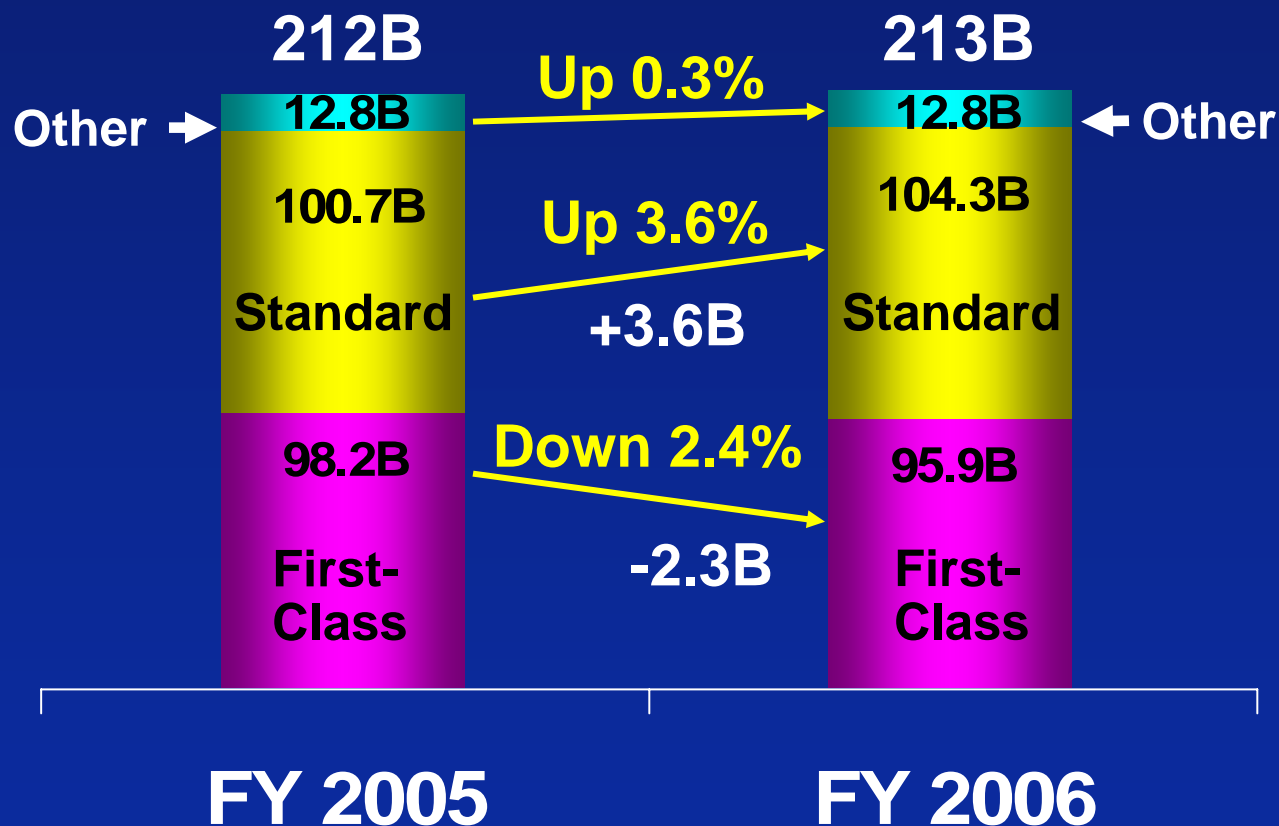
Volume





INTEGRATED FINANCIAL PLAN FY 2006

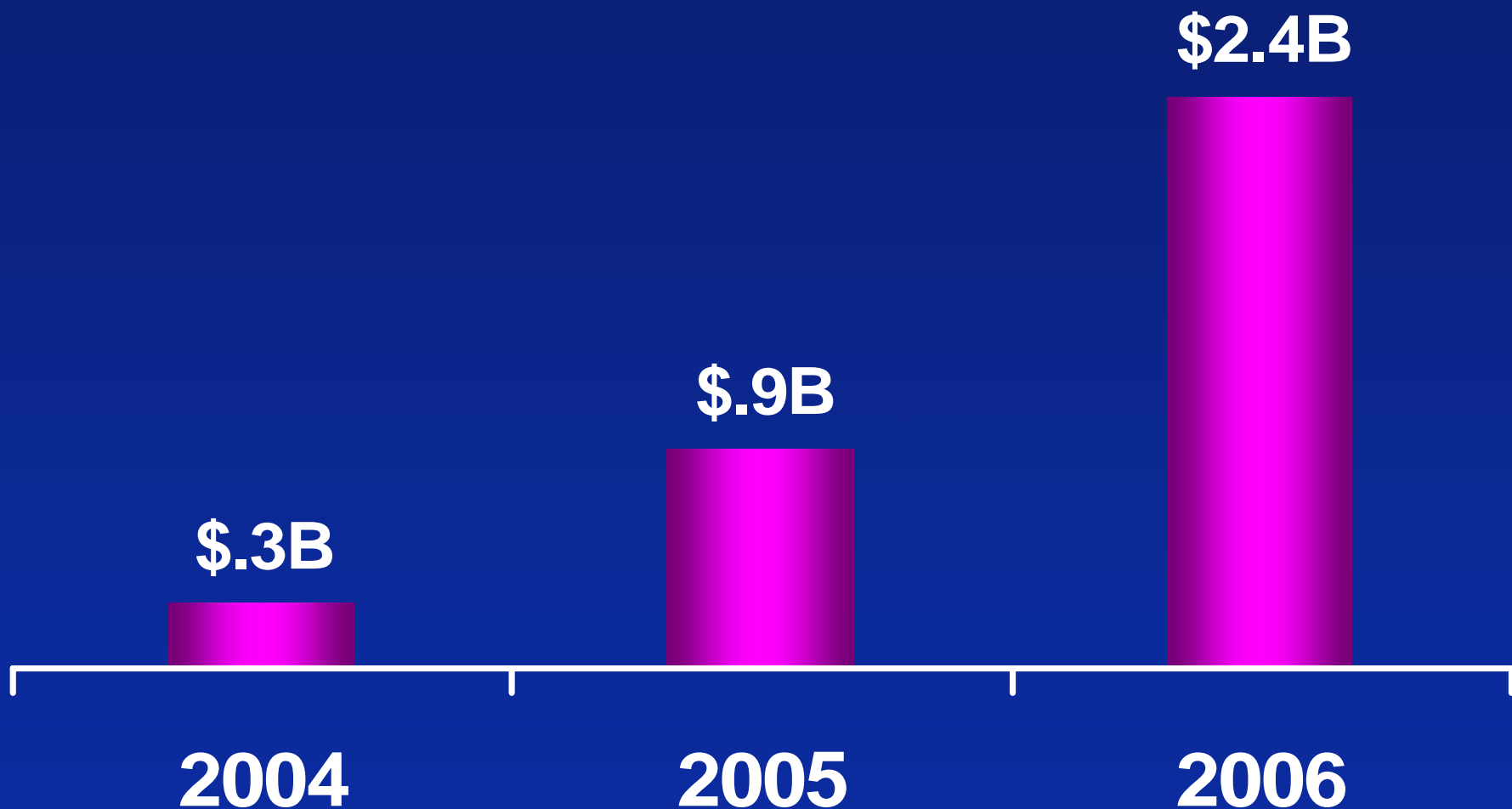
Volume Change





INTEGRATED FINANCIAL PLAN FY 2006

Revenue Change to SPLY





INTEGRATED FINANCIAL PLAN FY 2006

Deliveries

Deliveries

146.3M

Change From SPLY

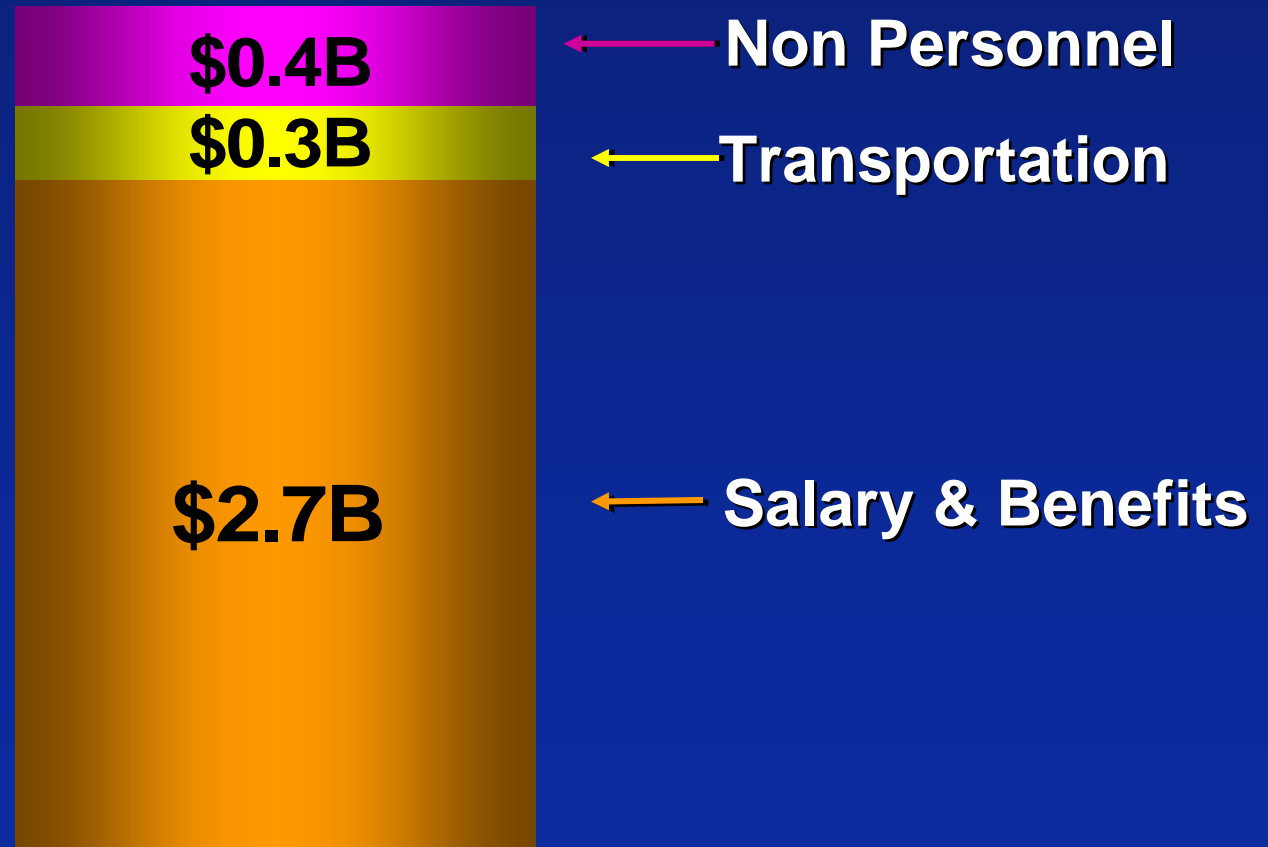
2.0M



INTEGRATED FINANCIAL PLAN FY 2006

Expense Growth – FY 2006

\$3.4B = +4.9%

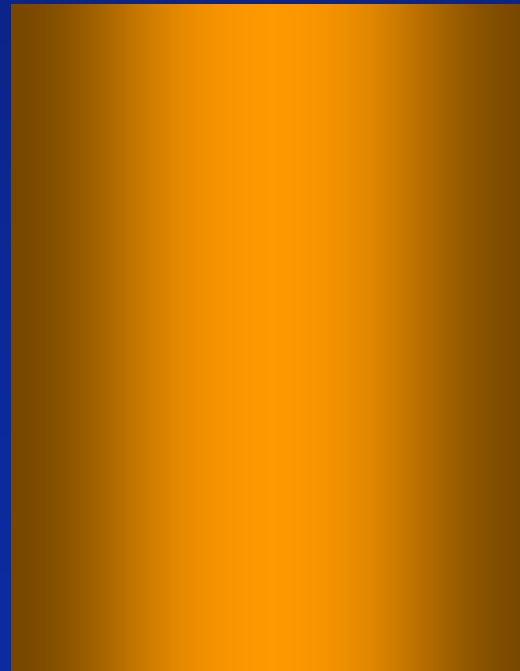




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Expense Growth – FY 2006

\$2.7B

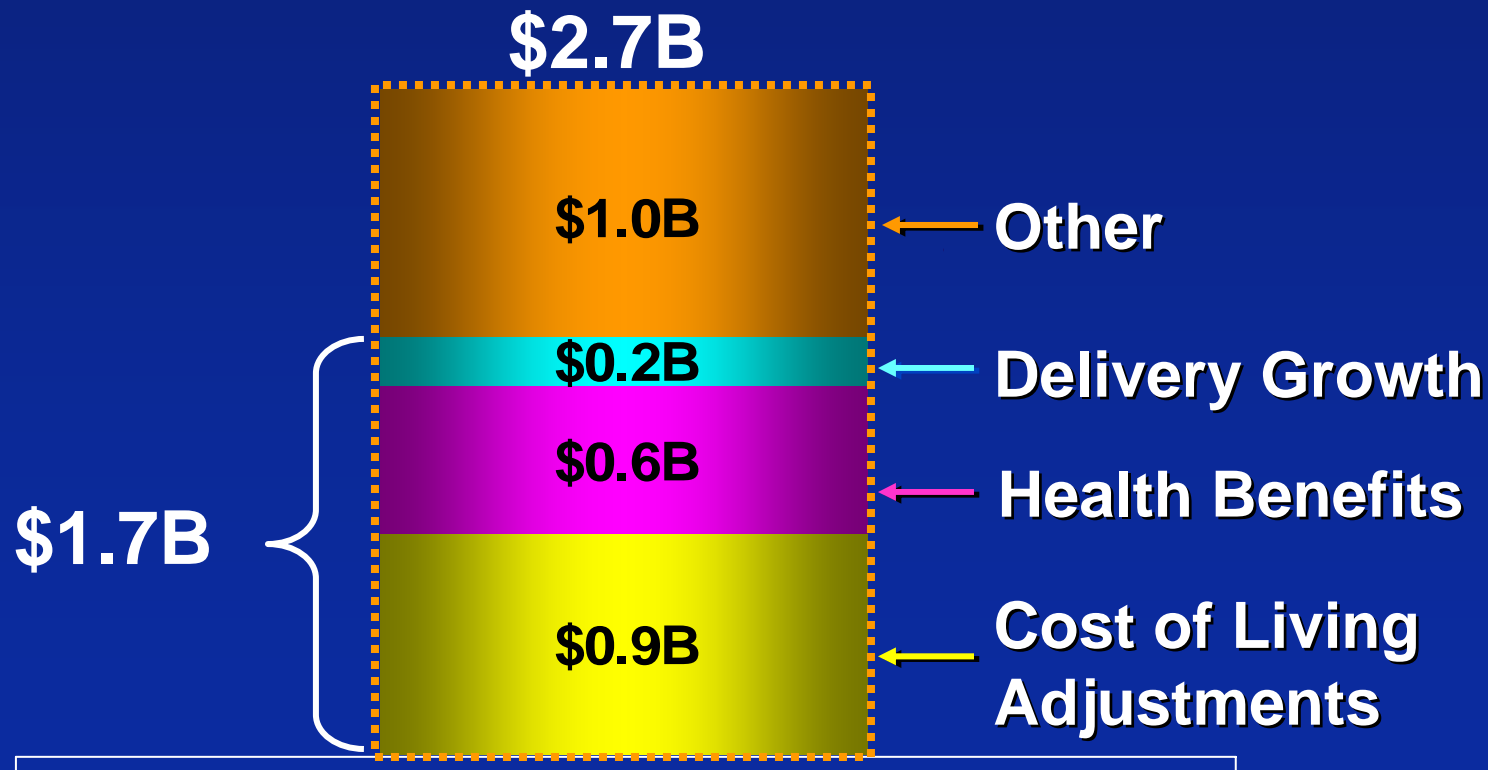


← **Salary & Benefits**



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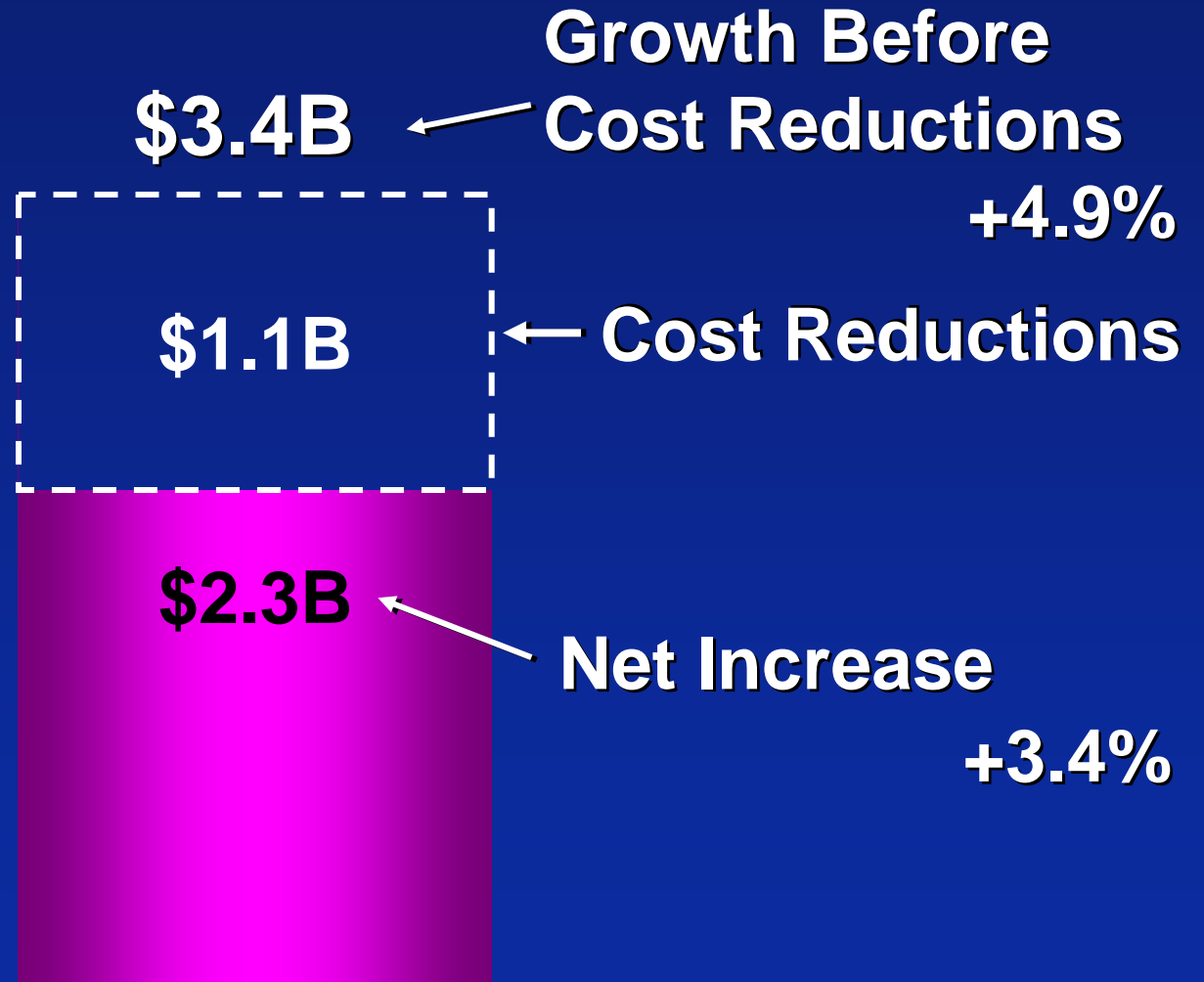
Salary & Benefits – FY 2006





INTEGRATED FINANCIAL PLAN FY 2006

Expense Growth – FY 2006

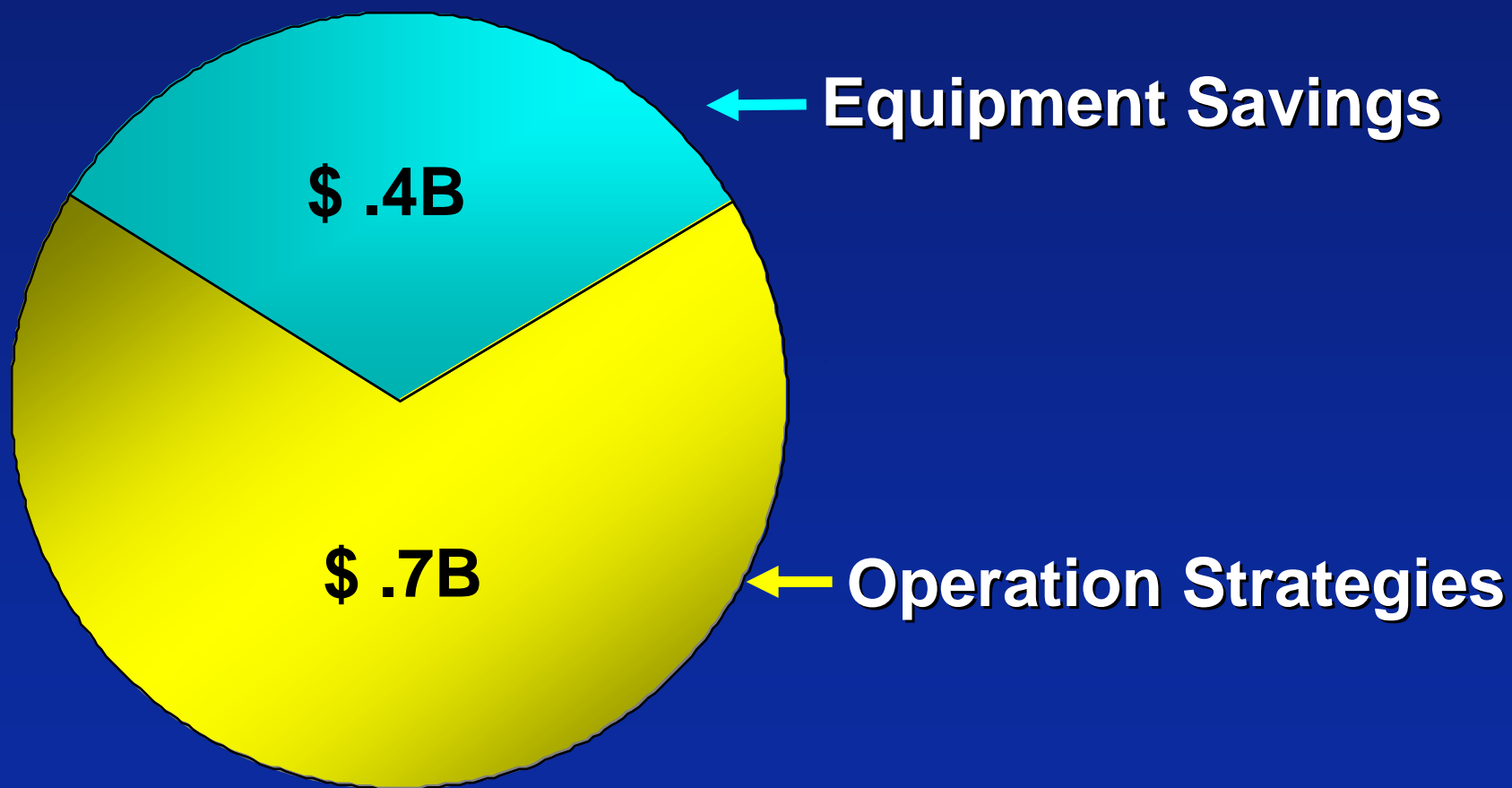




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Cost Reductions

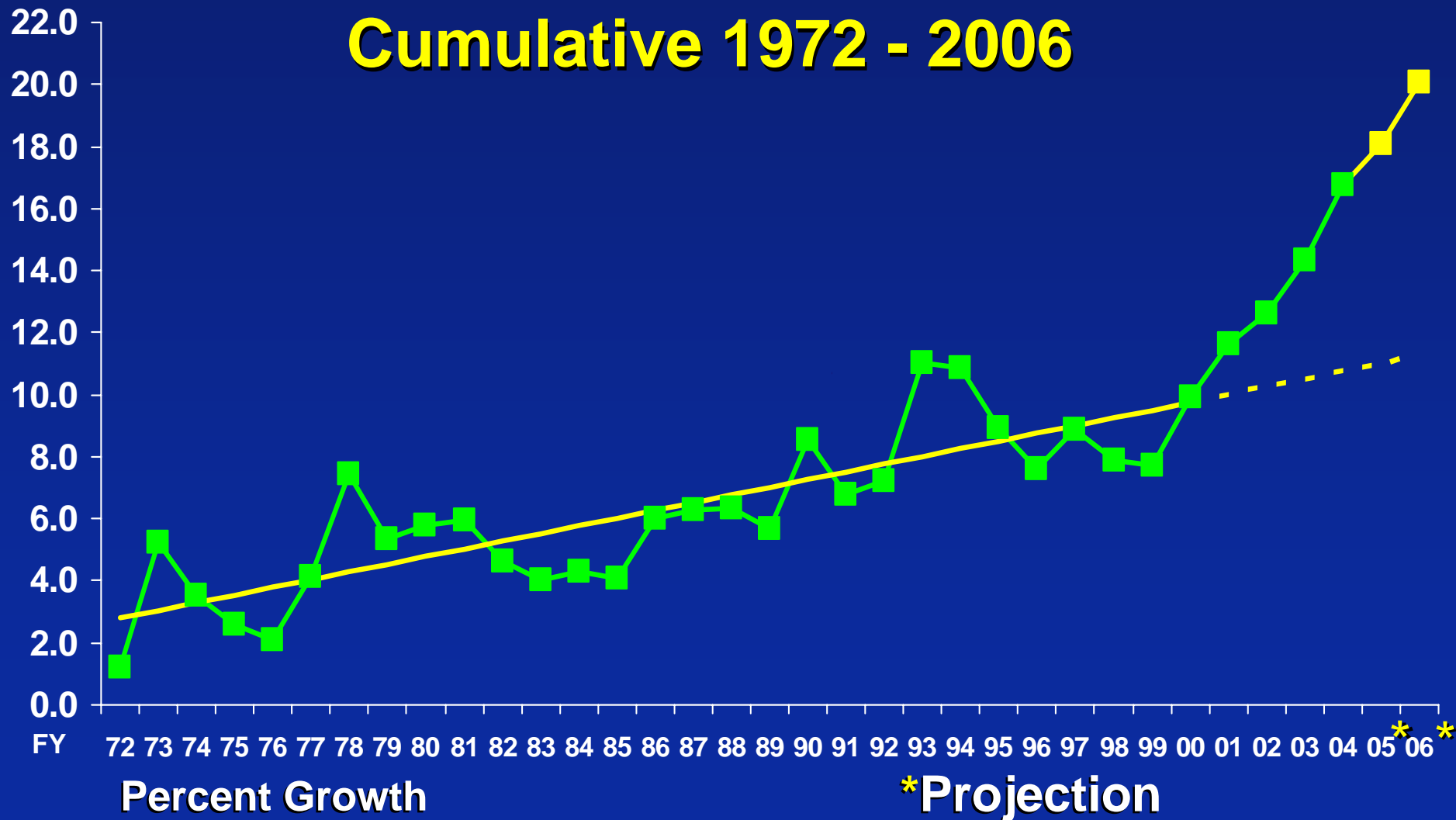
Total \$1.1B





INTEGRATED FINANCIAL PLAN FY 2006

Total Factor Productivity





INTEGRATED FINANCIAL PLAN FY 2006

FY 2006 Assumptions/Risks

Assumptions

- Escrow Requirement Remains
- No Impact for Legislative Reform

Risks

- Economy/Inflation
 - Aggressive Work Hour Reductions
 - Rate Increase Implementation
-



INTEGRATED FINANCIAL PLAN FY 2006

2006 Income Statement

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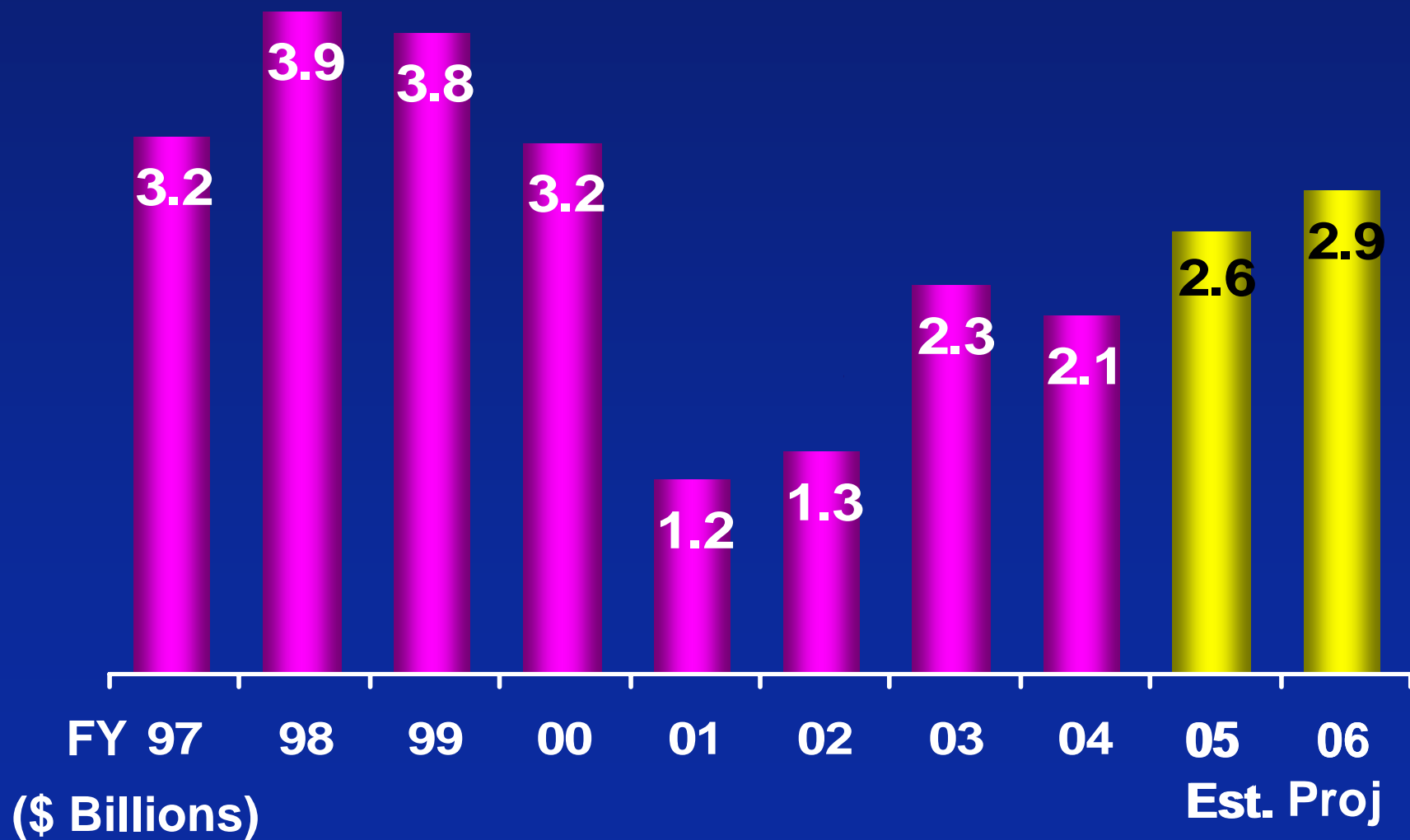
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FISCAL YEAR 2006 CAPITAL COMMITMENT PLAN



INTEGRATED FINANCIAL PLAN FY 2006

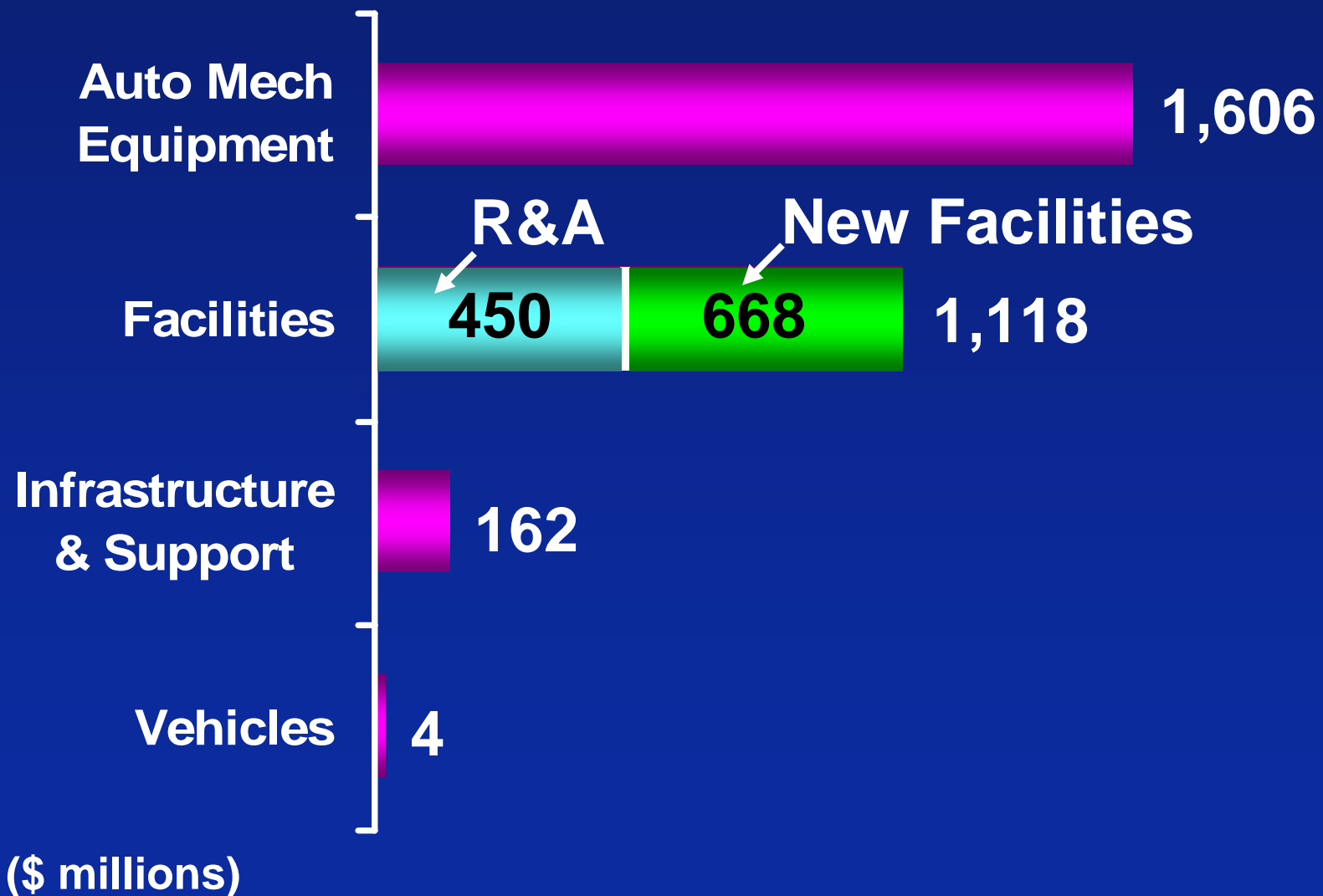
Capital Commitments





INTEGRATED FINANCIAL PLAN FY 2006

Capital Commitments – 2006 plan





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FISCAL YEAR 2006 FINANCING PLAN



INTEGRATED FINANCIAL PLAN FY 2006

FY 2006 - Financing Plan

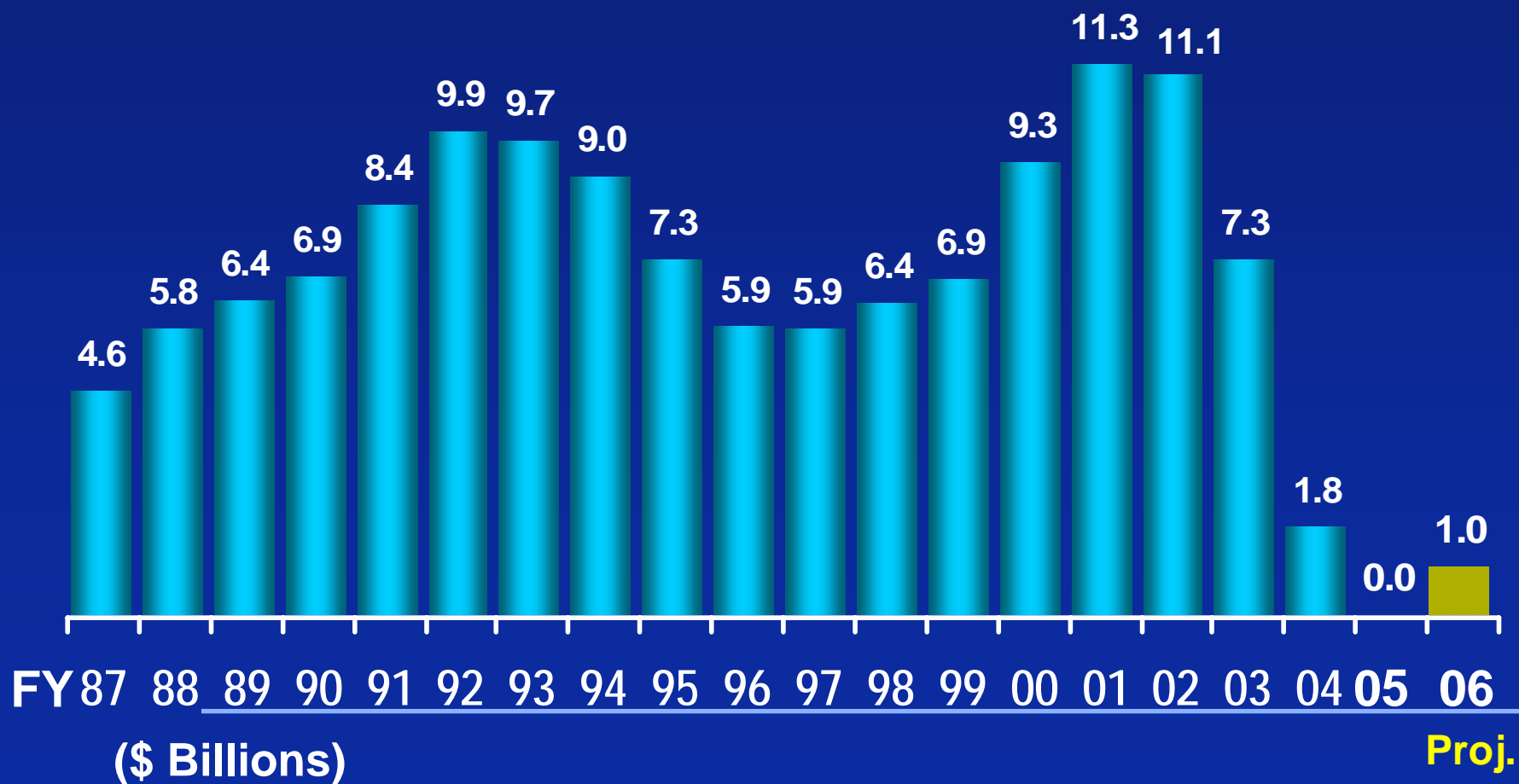
	<u>2006 Plan</u>
Cash From Operations	\$ 3.9
- Capital Cash Outlays	<u>2.4</u>
Net Cash Flow From Operations	\$ 1.5
+Cash From Financing	1.0
+Previous End of Year Estimated Cash	<u>1.4</u>
End of Year Cash Prior to Escrow	\$ 3.9
- Restricted Cash	<u>3.1</u>
End of Year Cash (9/30)	\$ 0.8
Debt Outstanding (9/30)	\$ 1.0

(\$Billions)



INTEGRATED FINANCIAL PLAN FY 2006

Year-end Debt Outstanding





INTEGRATED FINANCIAL PLAN FY 2006

Recommendation:

Approve FY 2006 Operating Plan

Approve FY 2006 Capital Commitment Plan
