



FINANCIAL RESULTS - FY 2004

BOARD OF GOVERNORS MEETING

December 7, 2004

**Richard J. Strasser, Jr.
Chief Financial Officer &
Executive Vice President**



HIGHLIGHTS OF FY 2004 RESULTS

Summary

- **Record Breaking Mail Service**
 - **Record Breaking Customer Satisfaction**
 - **Record Improvement-Workplace Environment**
 - **Financial Results Exceed Plan by Surpassing Productivity/Efficiency Targets**
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HIGHLIGHTS OF FY 2004 RESULTS

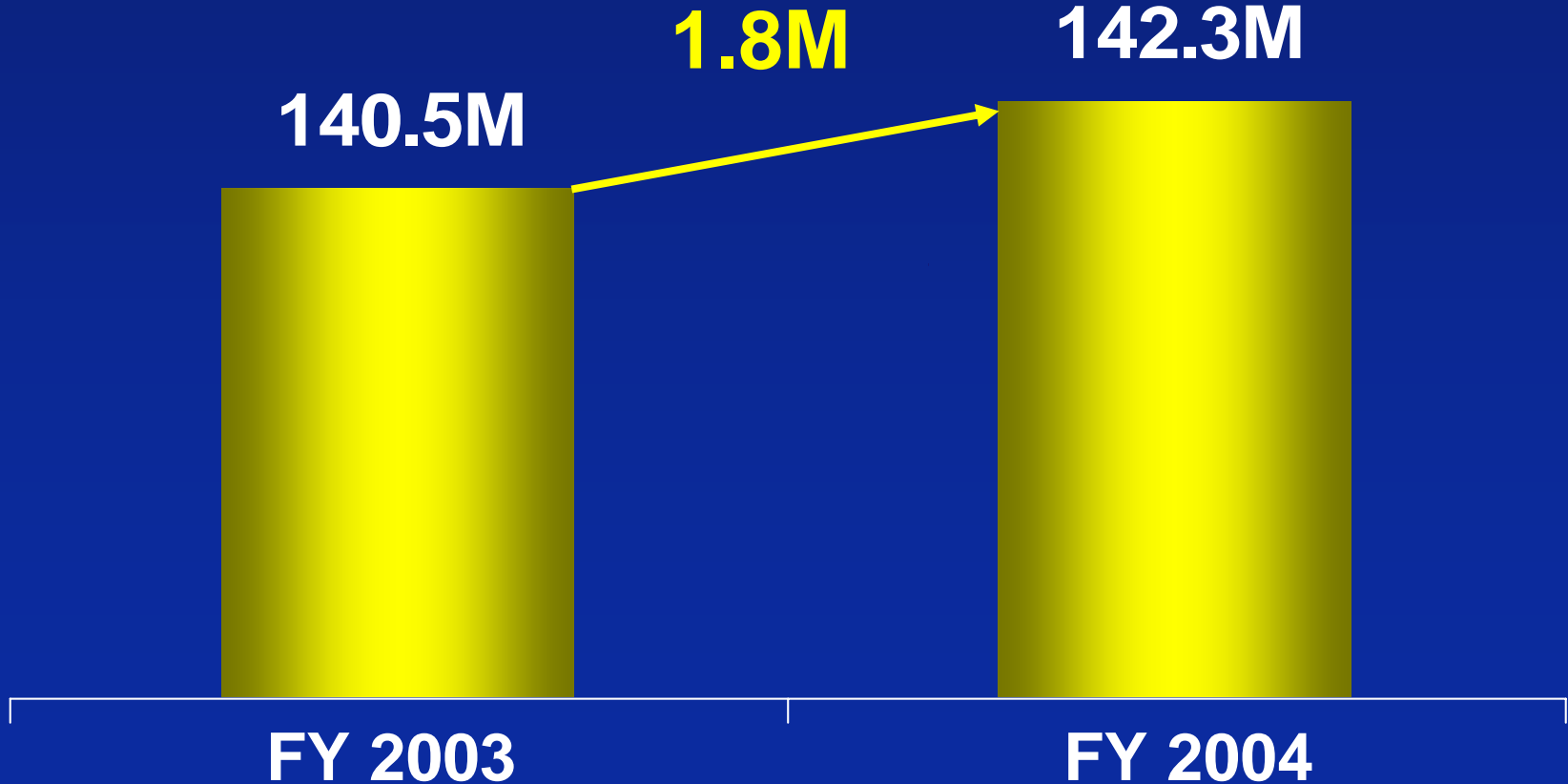
Net Income

	<u>Plan</u>	<u>Actual</u>
Revenue	\$68.9B	\$69.0B
Expense	<u>\$66.8B</u>	<u>\$65.9B</u>
Net Income	\$ 2.1B	\$ 3.1B



HIGHLIGHTS OF FY 2004 RESULTS

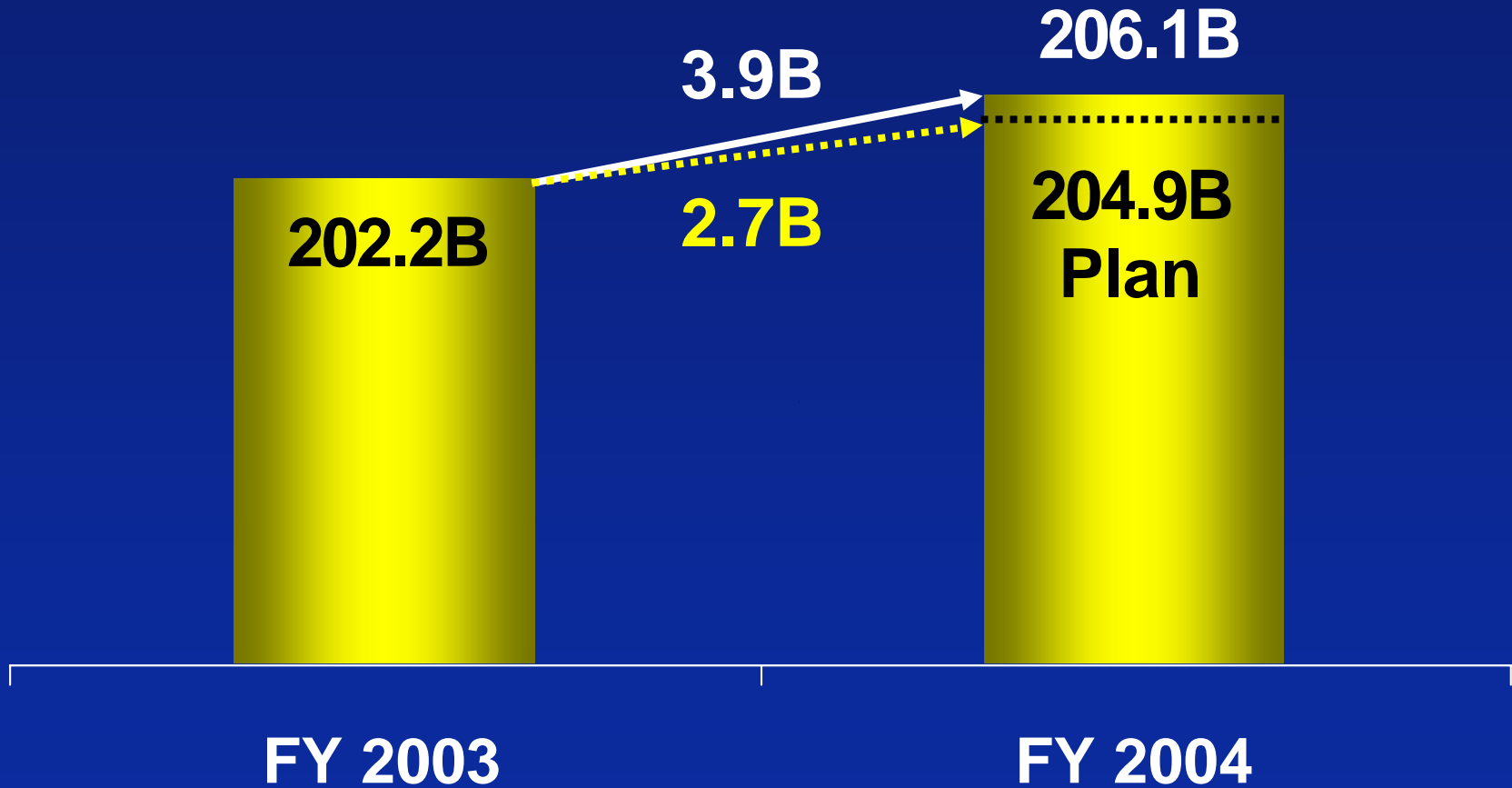
Network Growth





HIGHLIGHTS OF FY 2004 RESULTS

Total Volume Growth





HIGHLIGHTS OF FY 2004 RESULTS

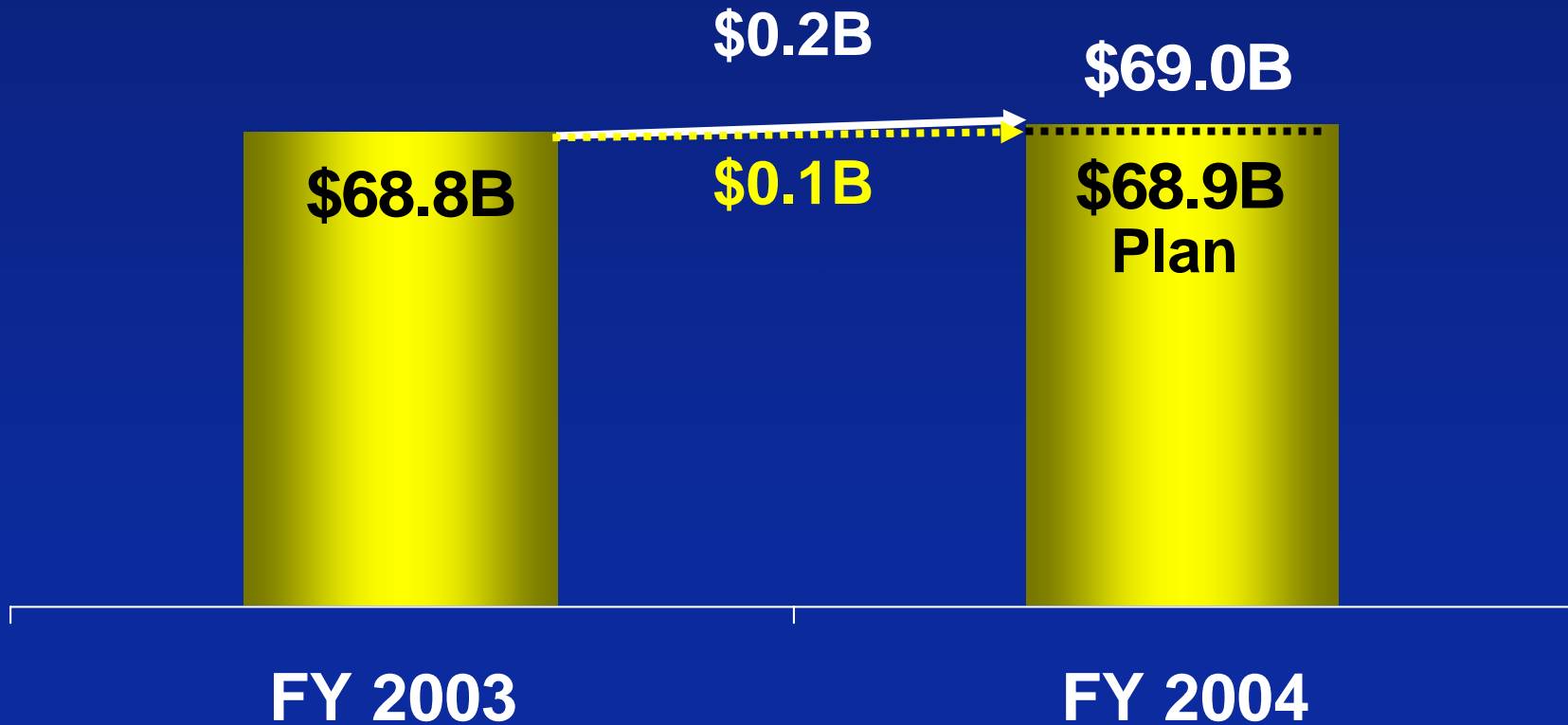
Volume

	<u>Actual</u>	<u>Var to Plan</u>	<u>Var to Last Year</u>
First-Class	97.9B	+0.1B	-1.1B
Periodicals	9.1B	-0.1B	-0.2B
Standard	95.6B	+1.2B	+5.1B
Packages	1.1B	-	-
Express, Priority & International	1.7B	-	-



HIGHLIGHTS OF FY 2004 RESULTS

Total Revenue Growth





HIGHLIGHTS OF FY 2004 RESULTS

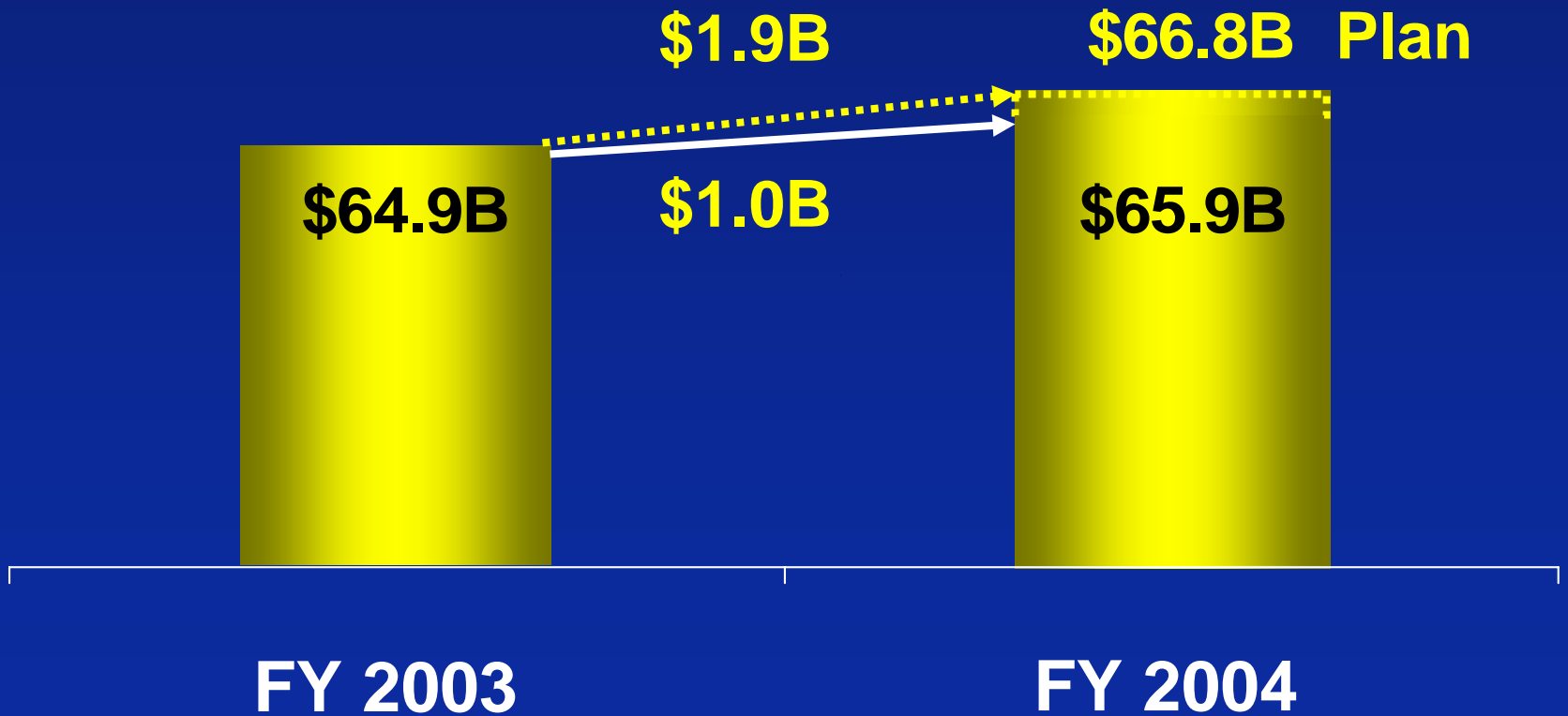
Revenue

	<u>Actual</u>	<u>Var to Plan</u>	<u>Var to Last Year</u>
First-Class	\$36.4B	-\$0.2B	-\$0.7B
Standard	\$18.1B	+\$0.1B	+\$0.9B
All Other	\$14.5B	+\$0.3B	-



HIGHLIGHTS OF FY 2004 RESULTS

Total Expenses





HIGHLIGHTS OF FY 2004 RESULTS

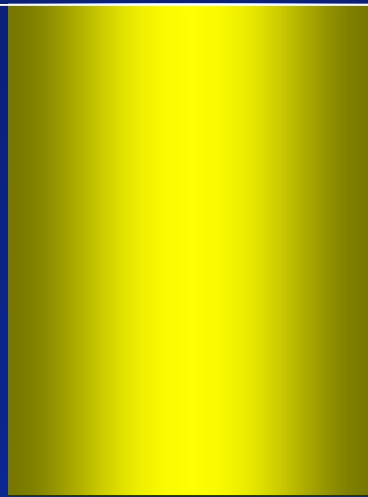
Expenses

	<u>Actual</u>	<u>Var to Plan</u>	<u>Var to Last Year</u>
Personnel	\$52.1B	-\$0.4B	+1.7B
Transportation	\$ 5.0B	-\$0.2B	-
All Other	\$ 8.8B	-\$0.3B	-\$0.7B



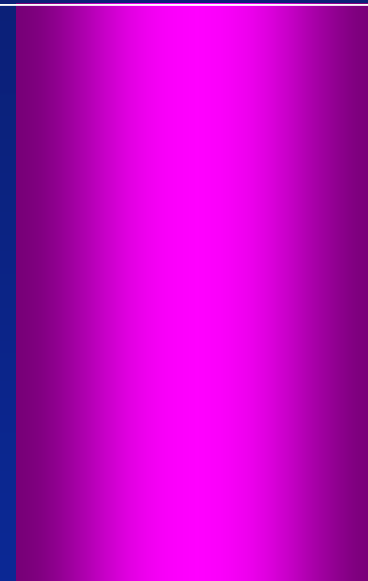
HIGHLIGHTS OF FY 2004 RESULTS

Workhours Compared to FY 2003



-18M

■ Plan



-21M

■ Actual

FY 2004 Year-End Career Complement Reduction = 21,609



HIGHLIGHTS OF FY 2004 RESULTS

Productivity

Change From FY 2003

	<u>Plan</u>	<u>Actual</u>
Total Factor	0.6%	2.4%
Output Per Workhour	1.3%	2.5%



HIGHLIGHTS OF FY 2004 RESULTS

Debt - End of Year





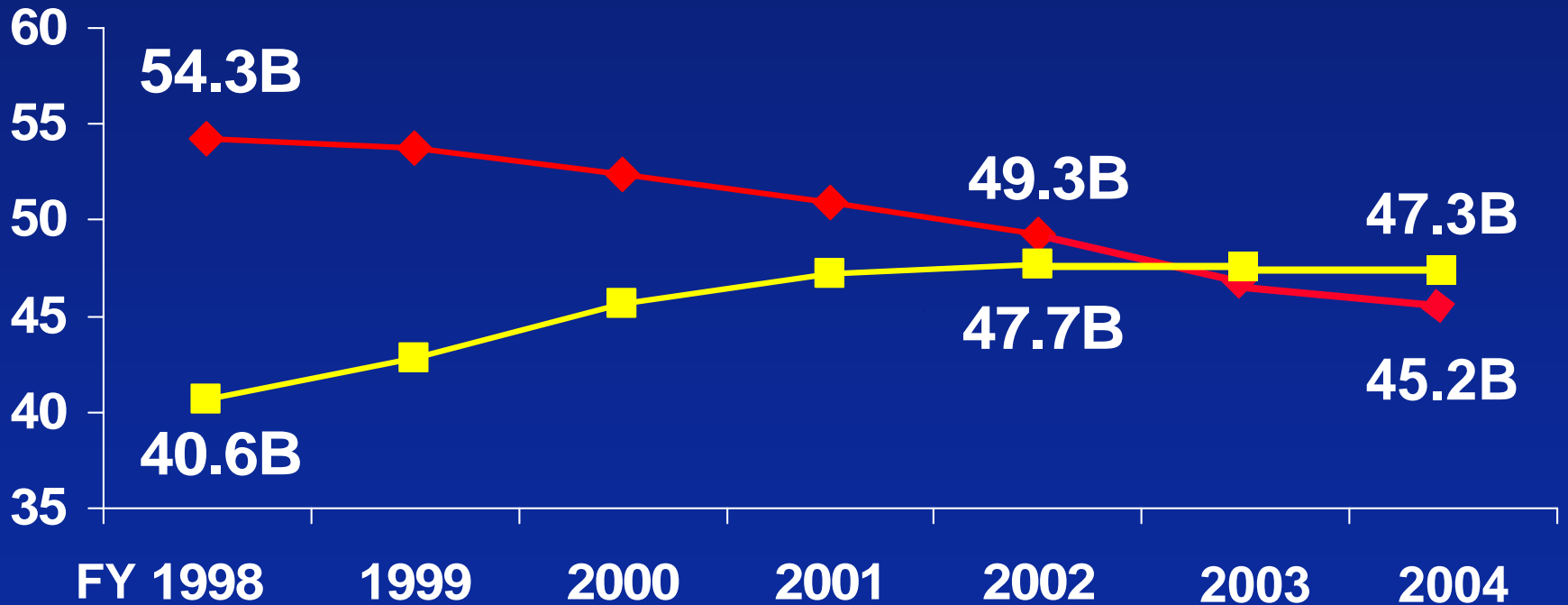
**UNITED STATES
POSTAL SERVICE**

OUTLOOK



OUTLOOK

First-Class Single Piece and Workshare



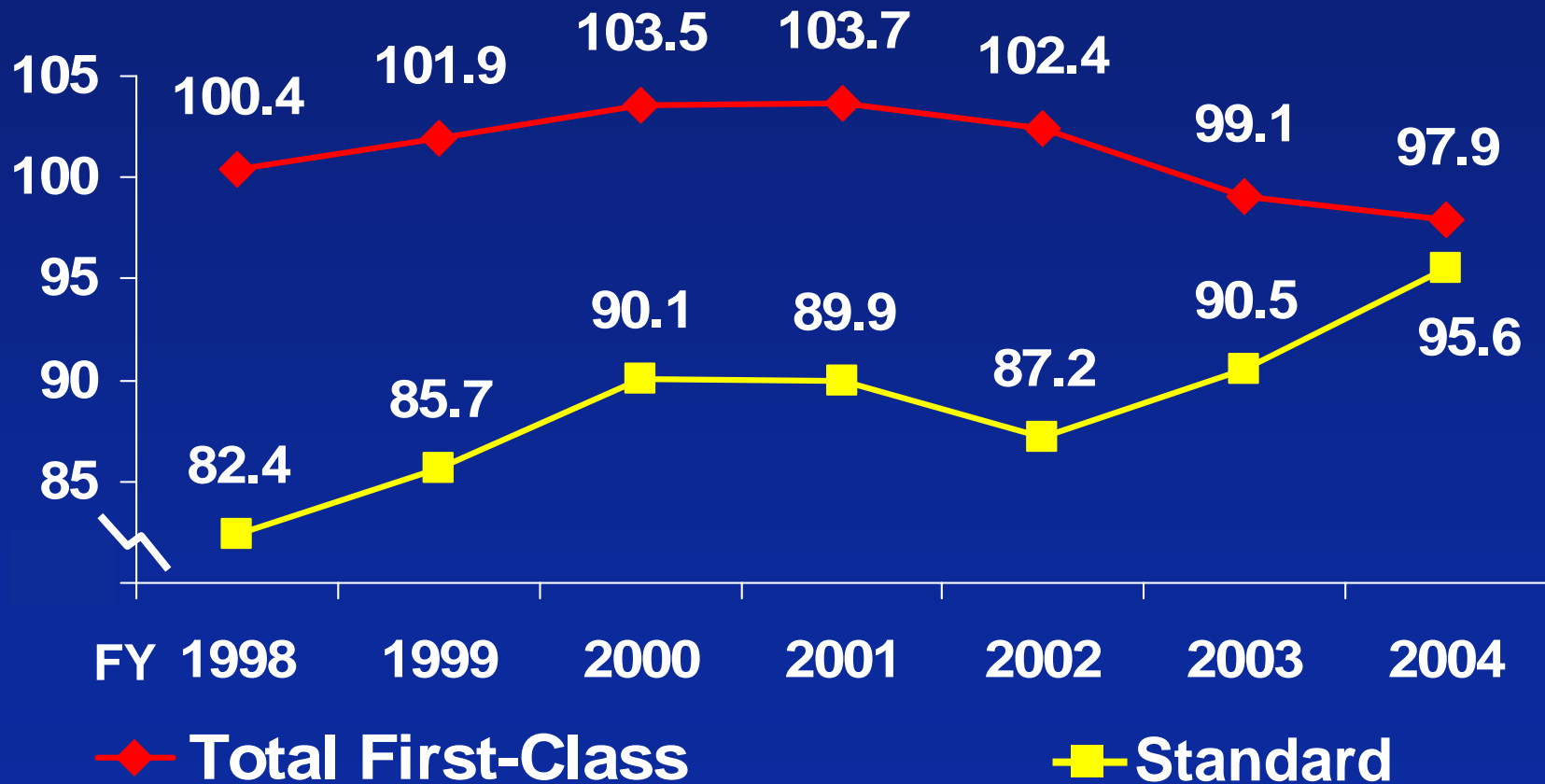
◆ First-Class Single Piece Letters ■ First-Class Workshare Letters

Dollars at Constant 2003 Contribution per piece rate



OUTLOOK

First-Class & Standard Mail Volume



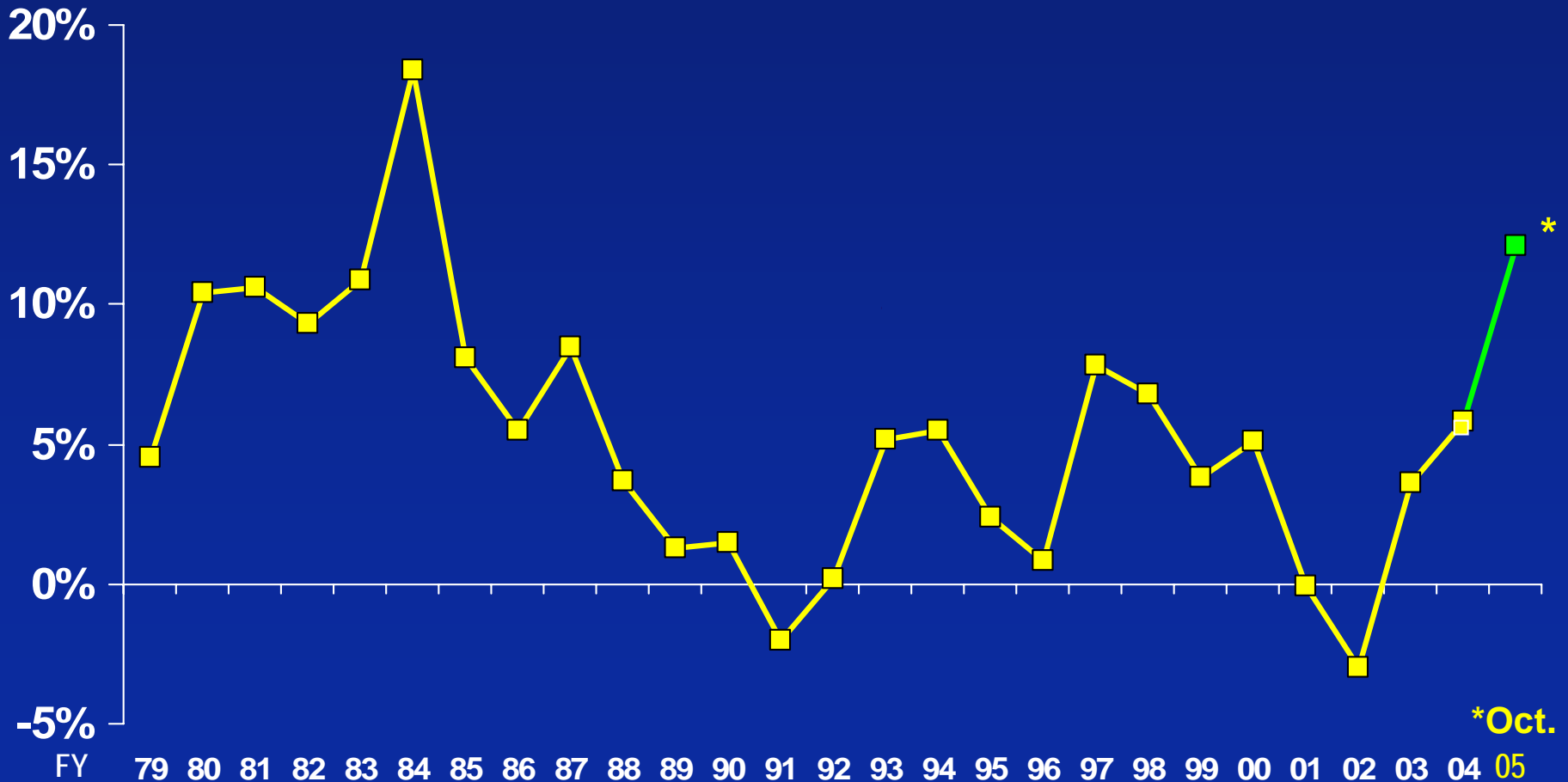
(Billions)



OUTLOOK

Standard Mail – Fiscal Year % Change to SPLY

1979 - 2005



*Oct.



OUTLOOK

Annual Revenue per Delivery Point



Constant 2004 Rates



*UNITED STATES
POSTAL SERVICE*

FY 2004

AUDITED FINANCIAL STATEMENTS



FINANCIAL STATEMENTS – FY 2004

Overview

Financial Statements

- **Statements of Operations**
 - **Balance Sheet**
 - **Statements of Changes in Net Capital**
 - **Statements of Cash Flows**
 - **Notes to Financial Statements**
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FINANCIAL STATEMENTS – FY 2004

Statement of Operations

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating Revenue	\$68,996	\$68,529	\$66,463
Operating Expenses	<u>65,851</u>	<u>63,902</u>	<u>65,234</u>
Income from Operations	3,145	4,627	1,229
Net Interest Expense	(80)	(752)	(1,895)
Net Emergency Prep Exp	<u>-</u>	<u>(7)</u>	<u>(10)</u>
Net Income (Loss)	\$ 3,065	\$ 3,868	\$ (676)

(\$ Millions)



FINANCIAL STATEMENTS – FY 2004

Operating Expenses

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Compensation	\$37,876	\$37,144	\$36,877
Retirement	6,471	5,761	7,504
Workers' Compensation	1,239	1,473	1,524
Health Benefits	6,158	5,659	5,188
Other	390	391	464
Total Comp/Benefits	52,134	50,428	51,557
Transportation	4,969	4,989	5,132
Supplies/Svc, Deprec/Other	8,748	8,485	8,545
Total Operating Expenses	\$65,851	\$63,902	\$65,234

(\$ Millions)



FINANCIAL STATEMENTS – FY 2004

Statement of Operations – Net Interest Exp

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Investment Income	\$ 33	\$ 58	\$ 46
Interest Exp on Deferred Retirement	(103)	(116)	(1,601)
Interest Expense on Debt	(10)	(334)	(340)
Debt Repurchase Expense	-	(360)	-
Net Interest Expense	\$ (80)	\$(752)	\$(1,895)

(\$ Millions)



FINANCIAL STATEMENTS – FY 2004

Balance Sheet – Assets

	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 877	\$ 2,266
Receivables, Net	1,024	1,191
Supplies and Prepayments	220	366
Total Current Assets	2,121	3,823
Revenue Forgone receivable	361	365
Property and Equipment, Net	22,497	23,054
TOTAL ASSETS	\$24,979	\$27,242

(\$ Millions)



FINANCIAL STATEMENTS – FY 2004

Balance Sheet – Liabilities/Net Capital

	<u>2004</u>	<u>2003</u>
Comp and Benefits	\$2,640	\$2,518
Debt	1,800	7,273
Payables & Accrued Expense	2,604	3,108
Other Current Liabilities	4,026	4,070
Current Liabilities	\$11,070	\$16,969
Workers Compensation Costs	6,651	6,324
Other Non-Current Liabilities	3,327	3,083
Total Liabilities	\$21,048	\$26,376
Net Capital	3,931	866
Total Liabilities & Capital	\$24,979	\$27,242

(\$ Millions)



FINANCIAL STATEMENTS – FY 2004

Statement of Change in Net Capital

	<u>Capital Contributions of the U.S. Government</u>	<u>Retained Earnings (Deficit) Since Reorganization</u>	<u>Total Net Capital (Deficiency)</u>
Balance, 2001	\$ 3,034	\$ (5,360)	\$ (2,326)
Net Loss	<u>-</u>	<u>(676)</u>	<u>(676)</u>
Balance, 2002	3,034	(6,036)	(3,002)
Net Income	<u>-</u>	<u>3,868</u>	<u>3,868</u>
Balance, 2003	3,034	(2,168)	866
Net Income	<u>-</u>	<u>3,065</u>	<u>3,065</u>
Balance, 2004	<u>\$ 3,034</u>	<u>\$ 897</u>	<u>\$ 3,931</u>

(\$ Millions)



FINANCIAL STATEMENTS – FY 2004

Statements of Cash Flow

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net Income (Loss)	\$3,065	\$3,868	\$ (676)
Non-Cash Operating Expenses	<u>2,770</u>	<u>2,537</u>	<u>2,119</u>
Cash From Operating Activities	5,835	6,405	1,443
Cash for Property, Plant & Equip	(1,659)	(1,277)	(1,675)
Net Cash from (used in) Financing Activity	<u>(5,565)</u>	<u>(4,018)</u>	<u>383</u>
Net Change in Cash	(1,389)	1,110	151
Cash at Beginning of Year	<u>2,266</u>	<u>1,156</u>	<u>1,005</u>
Cash at End of Year	\$ 877	\$2,266	\$1,156

(\$ Millions)



UNITED STATES
POSTAL SERVICE

FINANCIAL STATEMENTS – FY 2004

Notes - FY 2004

- 1) Description of Business
- 2) Summary of Significant Accounting Policies
- 3) Workers' Compensation
- 4) Health Benefit Programs
- 5) Debt and Related Interest Costs
- 6) Retirement Programs
- 7) Postal CSRS Reform Act of 2003 – Public Law 108-18
- 8) Revenue Forgone
- 9) Commitments
- 10) Contingent Liabilities
- 11) Emergency Preparedness Funding



Board of Governors Audit and Finance Committee

Auditors - Ernst & Young, LLP
