



FINANCIAL PERFORMANCE

Quarter 2, FY 2005

Board of Governors Meeting
May 11, 2005

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



FINANCIAL PERFORMANCE – PQ 2

Quarter 2 – Summary Outlook

Plan/Budget

Outlook

Results

Volume	51.1B	Favorable	52.1B
Revenue	\$17.0B	Favorable	\$17.3B
Expenses	\$17.2B	Favorable	\$17.0B
Net Income	-\$.2B	Favorable	\$.3B



FINANCIAL PERFORMANCE – PQ 2

Summary: PQ 2, January 1 – March 31, 2005

- **Decreased revenue/volume in January**
 - **Slight revenue/volume growth in February and March**
 - **Increased expenses due to cost inflation and additional volumes and deliveries**
 - **Productivity increase held down expenses**
 - **Net income below last year, but over plan**
-



FINANCIAL PERFORMANCE – PQ 2

Net Income

Income Statement

	<u>FY 2005</u>	<u>FY 2004</u>	<u>Chg</u>	<u>% Chg</u>
Revenue	\$17,316	\$17,299	+\$17	+0.1%
Expense	<u>17,040</u>	<u>16,558</u>	+\$482	+2.9%
Net Income	\$ 275	\$ 741		

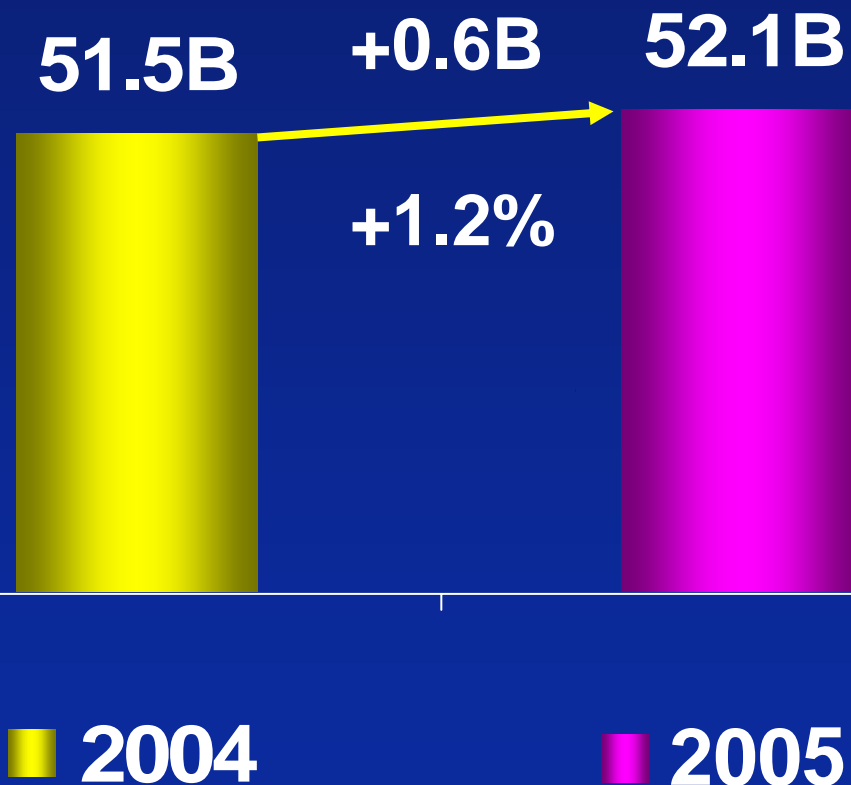
Numbers may not add due to rounding

(\$ Millions)



FINANCIAL PERFORMANCE – PQ 2

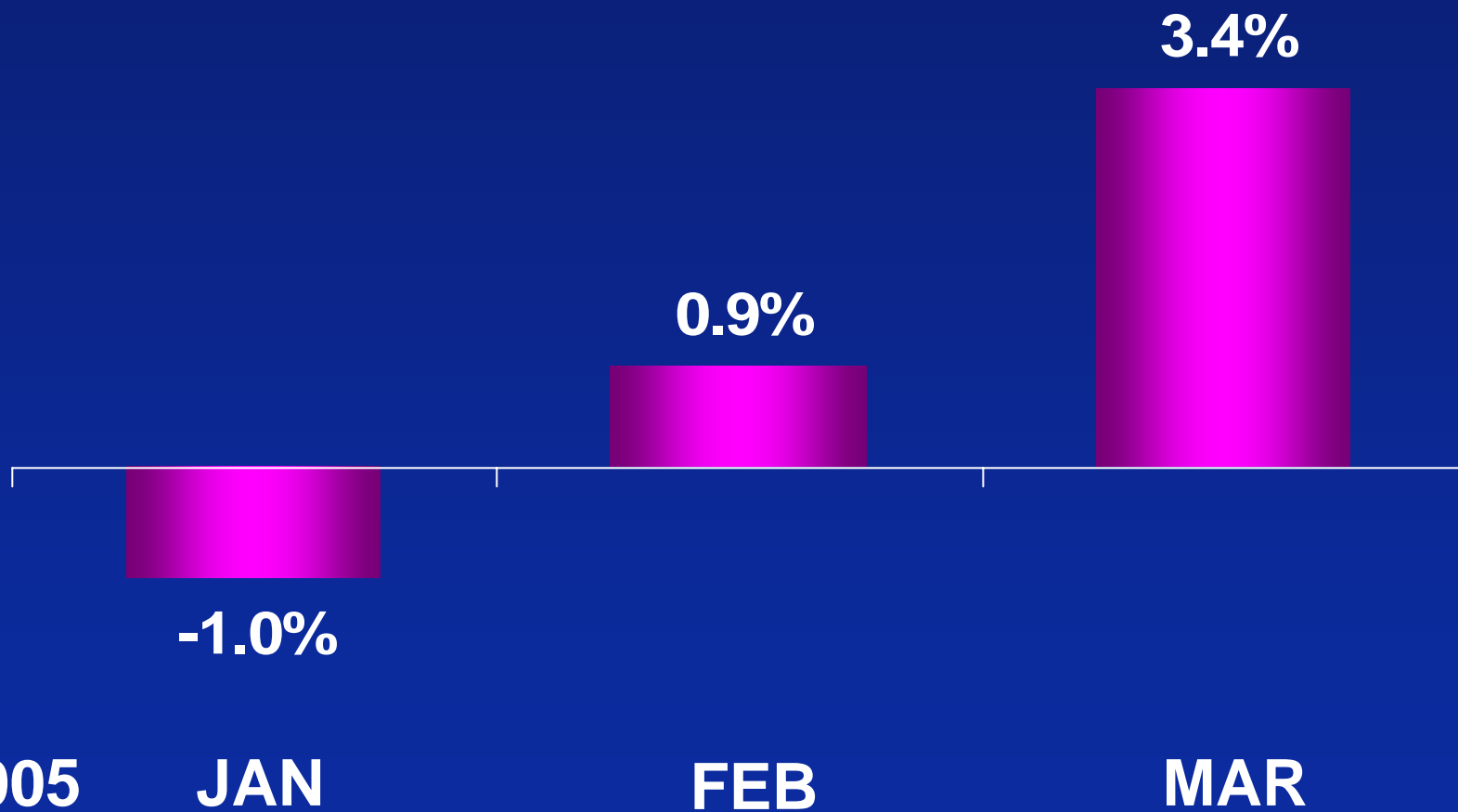
Volume Compared to SPLY





FINANCIAL PERFORMANCE – PQ 2

Volume - Percent Change to SPLY





FINANCIAL PERFORMANCE – PQ 2

Volume and Revenue – Change to SPLY

	<u>FY 2005</u>	<u>Volume Change</u>	<u>Revenue Change</u>
First-Class	24.7B	-1.3%	-\$223M
Standard	24.3B	+4.1%	+\$146M
Periodicals	2.3B	-0.8%	-\$4M
Express	13.8M	+1.3%	+\$3M
Priority	218.8M	+2.7%	+\$36M
Package Serv.	288.3M	+3.3%	+\$2M
Other	0.3B	-2.1%	+\$58M
Total	52.1B	+1.2%	+\$17M



FINANCIAL PERFORMANCE – PQ 2

Deliveries

Deliveries 143.2M

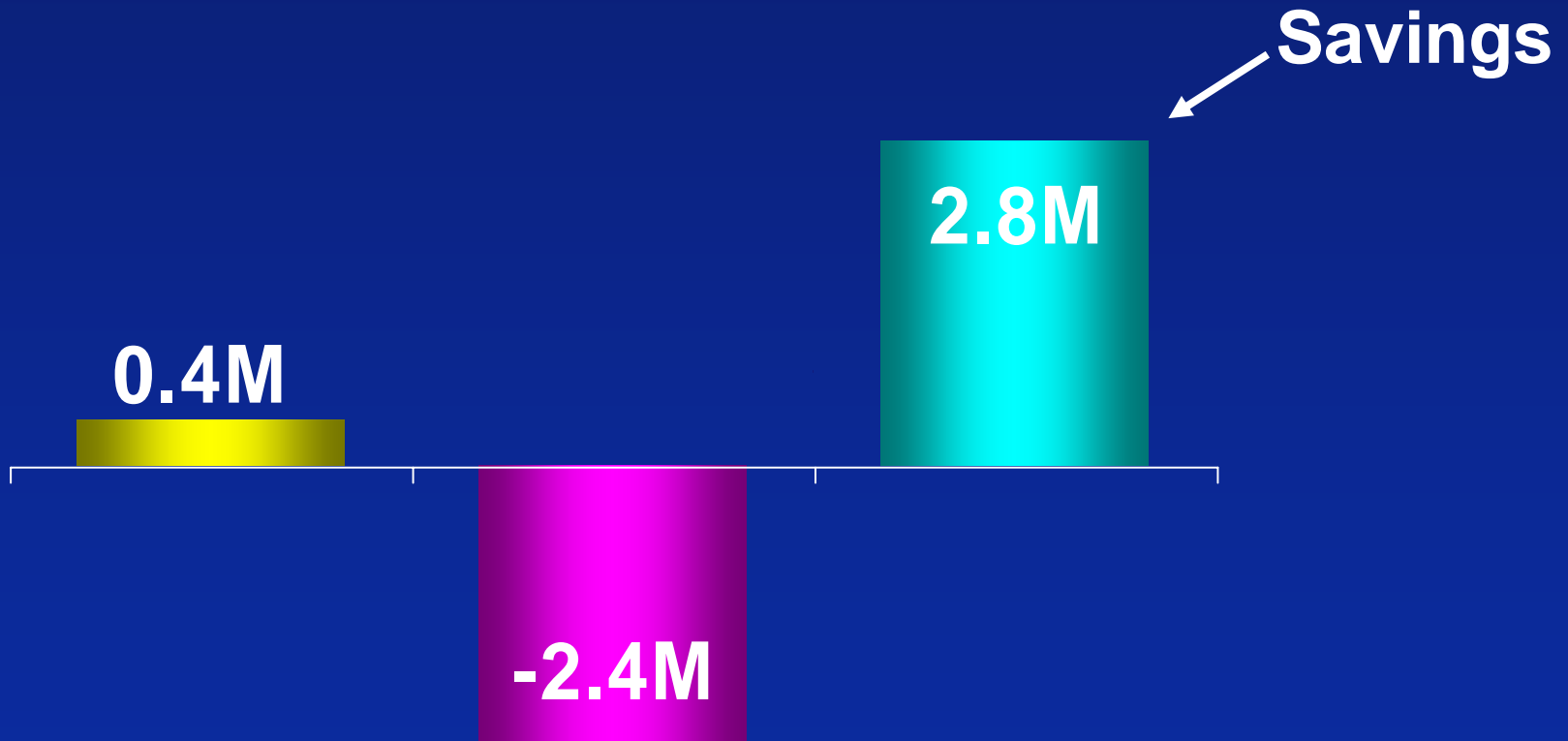
Change From Previous QTR 0.4M

Change From SPLY 1.8M



FINANCIAL PERFORMANCE – PQ 2

Workhours – Change to SPLY



■ Increased Volume/Deliveries

■ Actual



FINANCIAL PERFORMANCE – PQ 2

Income Statement – March YTD

	<u>FY 2005</u>	<u>FY 2004</u>	<u>Chg</u>	<u>% Chg</u>
Revenue	\$36,113	\$35,515	+597	+1.7%
Expense	<u>34,155</u>	<u>32,958</u>	<u>+1197</u>	+3.6%
Net Income	\$ 1,957	\$2,557		

Numbers may not add due to rounding
(\$ Millions)




FINANCIAL PERFORMANCE – PQ 2

Total Factor Productivity – March YTD

**Change in
Combined
Workload**

2.4%



=

TFP

2.2%

0.2%

Change in
Resources
Used





FINANCIAL PERFORMANCE – PQ 2

FY 2005 Quarter 3 – Summary Outlook

<u>Quarter 3</u>	<u>FY 2004</u>	<u>FY 2005 Forecast</u>	<u>Outlook</u>
Volume	49.6B	50.3B	Above Forecast
Revenue	\$16.6B	\$16.8B	Above Forecast
Expenses	\$16.3B	\$17.0B	Below Forecast
Net Income/Loss	+\$0.3B	-\$0.2B	Above Forecast



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