

FY 2006 YEAR END REVIEW

**Board of Governors'
Open Session
November 15, 2006**

**H. Glen Walker
Chief Financial Officer &
Executive Vice President**



FY 2006 Year End Review

Year End Overview

- ❑ **Net Income \$0.9B**
- ❑ **Record Revenue – Up \$0.5B Over Plan**
- ❑ **Record Positive TFP Trend – 7th Consecutive Year**
- ❑ **Record 2nd Year of -0- Debt before Funding
\$3.0B Escrow Payment (\$2.1B After Escrow)**
- ❑ **TFP 0.4% vs. 0.9% in Plan**
- ❑ **Total Expense \$0.8B Over Plan**



FY 2006 Year End Review

FY 2006 Financial Results

(In Millions)	Better <Worse> Than			
	<u>Actual</u>	<u>Plan</u>	<u>Forecast</u>	<u>SPLY</u>
Volume	213,138	108	< 344 >	1,397
	%Change	0.1%	-0.2%	0.7%
Revenue	\$72,817	\$477	< \$103 >	\$2,825
	%Change	0.7%	-0.1%	4.0%
Expense	<u>71,917</u>	< <u>848</u> >	< <u>229</u> >	< <u>3,370</u> >
	%Change	1.2%	0.3%	4.9%
Net Income	\$ 900	< \$371 >	< \$332 >	< \$545 >
Escrow	< <u>\$2,958</u> >			
<Deficiency>				
After Escrow	< \$2,058 >	< \$275 >	< \$315 >	



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Revenue Drivers of Variance To Plan – YTD

First-Class	\$615
Priority Mail	247
Standard Mail	<497>
All Other	<u>112</u>
Total Revenue Variance	\$477

\$ in Millions



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Expense Drivers of Variance To Plan – YTD

Fuel Including Transportation	< \$260 >
Volume / Workhours	< 397 >
COLA	< 19 >
Workers Comp	< 82 >
Annual Leave Re-pricing	< 28 >
All Other	< <u>62</u> >
Total Expense Variance	< \$848 >

\$ in Millions



FY 2006 Year End Review

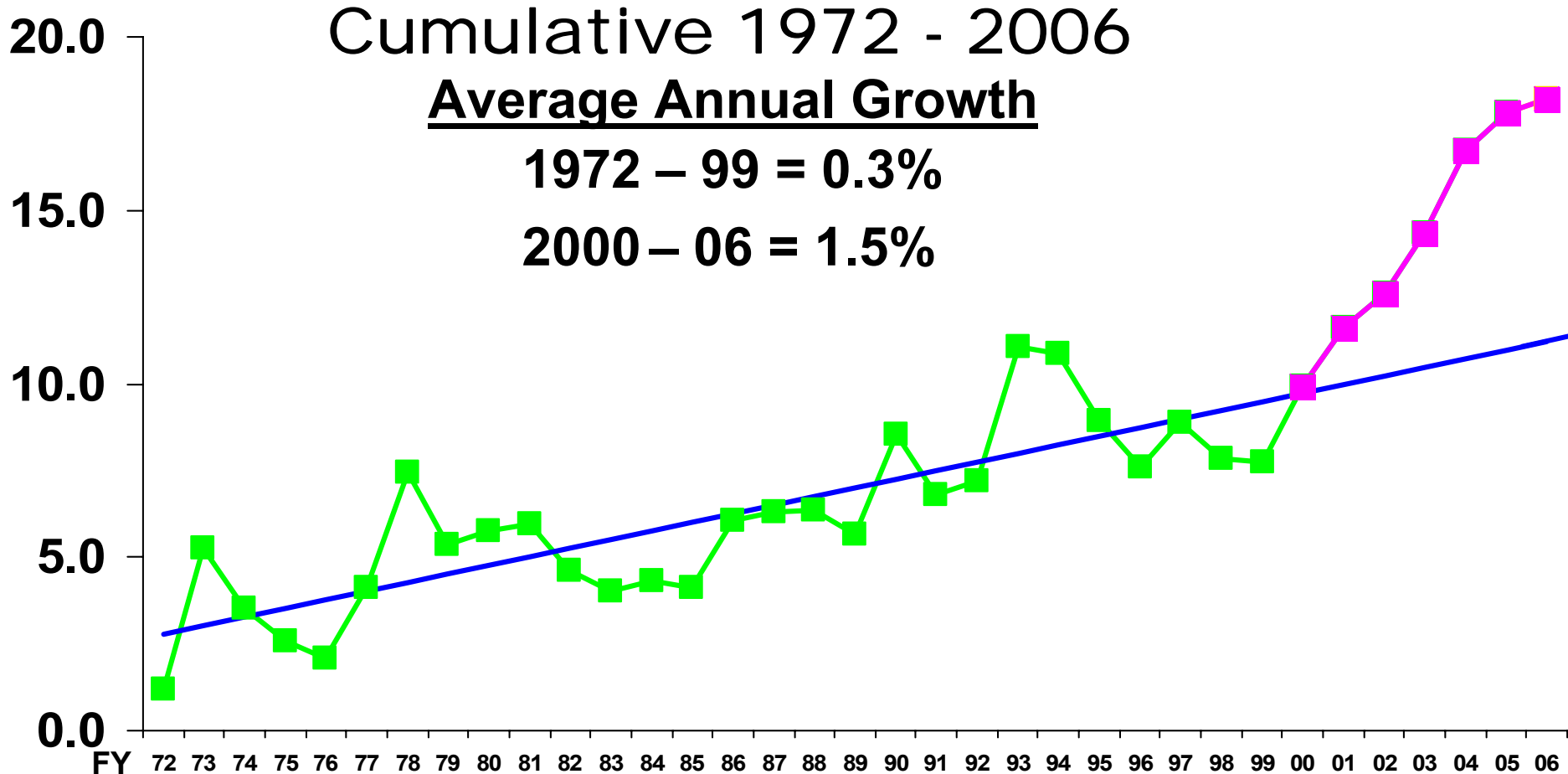
Volume Performance

	<u>Volume FY 2006</u>	<u>Plan Change</u>	<u>SPLY Change</u>
First-Class	97.6B	+1.8%	-0.5%
Standard	102.5B	-1.8%	+1.5%
Periodicals	9.0B	-1.0%	-0.5%
Express	56M	+3.7%	+0.9%
Priority	924M	+4.6%	+4.1%
Package Svc.	1.2B	-2.7%	+0.8%
Total	213.1B	+0.1%	+0.7%



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Long Term Trends - TFP



Percent Growth



FY 2006 Year End Review

FY 2006 – Financing Plan

Better <Worse> Than

	<u>Actual</u>	<u>Forecast</u>
Cash Flow from Operations	\$ 3.8	<\$ 0.1 >
- Capital Cash Outlays	<u>2.5</u>	<0.1 >
= Free Cash Flow	\$ 1.3	<\$ 0.2 >
+ Cash From Financing	<u>2.1</u>	<0.2 >
= Change In Cash Before Escrow	\$ 3.4	<\$ 0.0 >
End of Year Cash	\$ 1.0	<\$ 0.3 >
Restricted Cash - Escrow	3.0	-
Average Debt	\$ 0.0	-
Debt Outstanding at Year End	\$ 2.1	<\$ 0.2 >

(\$Billions)

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