UNITED STATES POSTAL SERVICE

POSTAL NEWS

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FOR IMMEDIATE RELEASE

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# U.S. Postal Service Reports Third Quarter 2018 Results

- *Financial stability requires urgently needed legislative and regulatory changes*
- *Decline in letter mail continues*
- *Growth in package volume and revenue*

**WASHINGTON** - The U.S. Postal Service reported total revenue of $17.1 billion for the third quarter of 2018 (April 1, 2018 - June 30, 2018), an increase of $402 million, or 2.4 percent, compared to the same quarter last year.

First-Class Mail revenue declined by $134 million, or 2.2 percent, and Marketing Mail revenue increased by $63 million, or 1.6 percent. Total mail volume declined by a combined 397 million pieces, or 1.2 percent, compared to the same quarter last year. Shipping and Packages revenue increased by $475 million, or 10.2 percent, on volume growth of 102 million pieces, or 7.5 percent.

The net loss for the quarter totaled $1.5 billion, a decline in net loss of $651 million compared to the same period last year, the result of nonrecurring adjustments to retirement and retiree health benefit plans to account for revised actuarial assumptions. Excluding the effects of these adjustments, the net loss for the quarter increased by $507 million.

“The root cause of our financial instability is a flawed business model that is imposed by law. We encourage the Congress to engage in a broad public policy discussion and pass postal reform legislation,” said Postmaster General and CEO Megan J. Brennan. “We support legislation under consideration in the current Congress which would provide immediate flexibility to the organization, allow the Postal Service to invest in our future and continue to provide the prompt, reliable, efficient and universal service the public expects.”

Brennan added that in addition to enactment of postal reform legislation, continued aggressive postal management action and regulatory changes, including a less rigid and more responsive pricing system, are required.

Total operating expenses were $18.5 billion for the quarter, a decline of $240 million, or 1.3 percent, compared to the same quarter last year. Inflationary pressures on salaries and benefits, as well as fuel and transportation costs were offset by the actuarial changes referred to above.

“After adjusting for actuarial changes related to retirement and retiree health benefit plans, the quarter results reflect ongoing trends. The secular declines in mail are somewhat offset by package growth, and labor productivity continues to improve," said Chief Financial Officer Joseph Corbett. "However, absent changes to our business model, net losses are expected to continue."

**Third Quarter 2018 Operating Revenue and Volume by Service Category Compared to Prior Year**
The following presents revenue and volume by category for the three months ended June 30, 2018, and 2017:

| | Revenue | | Volume | |
|---|---|---|---|---|
| *(revenue in $ millions; volume in millions of pieces)* | **2018** | **2017** | **2018** | **2017** |
| **Service Category** | | | | |
| First-Class Mail | $ 5,919 | $ 6,053 | 13,399 | 13,898 |
| Marketing Mail | 3,983 | 3,920 | 18,550 | 18,448 |
| Shipping and Packages | 5,151 | 4,676 | 1,465 | 1,363 |
| International | 630 | 659 | 205 | 252 |
| Periodicals | 341 | 347 | 1,357 | 1,363 |
| Other | 1,050 | 1,010 | 93 | 108 |
| **Total operating revenue and volume** | **$ 17,074** | **$ 16,665** | **35,069** | **35,432** |

**Selected Third Quarter 2018 Results of Operations and Controllable Loss**

This news release references *controllable loss*, which is not calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP). Controllable loss is defined as net loss adjusted for items outside of management's control and non-recurring items. These adjustments include workers' compensation expenses caused by actuarial revaluation and discount rate changes, and the amortization of PSRHBF, CSRS and FERS unfunded liabilities. The following table presents selected results of operations and reconciles GAAP net loss to controllable loss and illustrates the loss from ongoing business activities without the impact of non-controllable items for the three months ended June 30, 2018, and 2017:

| *(results in $ millions)* | 2018 | 2017 |
|---|---|---|
| **Operating revenue** | **$ 17,074** | **$ 16,665** |
| Other revenue | 3 | 10 |
| **Total revenue** | **$ 17,077** | **$ 16,675** |
| **Total operating expenses** | **$ 18,536** | **$ 18,776** |
| Interest and investment income (expense), net | (30) | (39) |
| **Net loss** | **$ (1,489)** | **$ (2,140)** |
| PSRHBF unfunded liability amortization expense[1] | 16 | 332 |
| Change in workers' compensation liability resulting from fluctuations in discount rates | (137) | 258 |
| Other change in workers' compensation liability[2] | (59) | (676) |
| CSRS unfunded liability amortization expense[3] | 456 | 553 |
| FERS unfunded liability amortization expense[4] | 322 | 691 |
| Change in normal cost of retiree health benefits due to revised actuarial assumptions[5] | 2 | 395 |
| **Controllable loss** | **$ (889)** | **$ (587)** |

[1] Expense for the accrual for the annual payment due to PSRHBF by September 30 of the respective fiscal year, for the amortization of the unfunded liability. 2018 amounts are based on OPM's invoice received July 19, 2018, with updated discount rate assumptions. 2017 amounts include an adjustment to reflect an increase in the amount invoiced as compared to OPM's original estimate.

[2] Net amounts include changes in assumptions, as well as the valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. 2018 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. 2017 amounts include an adjustment to reflect an increase in the amount invoiced as compared to OPM's original estimate. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. 2018 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. 2017 amounts include an adjustment to reflect an increase in the amount invoiced as compared to OPM's original estimate. Payments are to be made through 2047 based on OPM invoices.

[5] Represents the accrual for the portion or the increase in the annual normal cost payments due September 30, 2018, and 2017 attributable to revised actuarial assumptions and discount rate changes, based on OPM's invoices for the respective year. These amounts represent the noncontrollable portion of the expense recorded for normal cost of retiree health benefits.

Financial results in the Form 10-Q are available at *http://about.usps.com/who-we-are/financials/welcome.htm*

**Financial Briefing**

Postmaster General and CEO Megan J. Brennan and CFO and Executive Vice President Joseph Corbett will host a telephone/Web conference call to discuss the financial results in more detail. The call will begin at 10:30 am ET on August 9, 2018, and is open to news media and all other interested parties.

**How to Participate:**

US/Canada Attendee Dial-in: 844-340-4622 Conference ID: 4370939

Attendee Direct URL: *https://usps.webex.com/usps/onstage/g.php?MTID=ea6559096fd2d859cf1a9d6e39c8a5093*

Alternate URL: *https://usps.webex.com*
Event Number: 998 507 785

The briefing is also available on live audio webcast (listen only) at:
*http://about.usps.com/news/electronic-press-kits/cfo/welcome.htm*.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations