



Financial Matters: 2011 Financial Results

Board of Governors'
Open Session
November 15, 2011

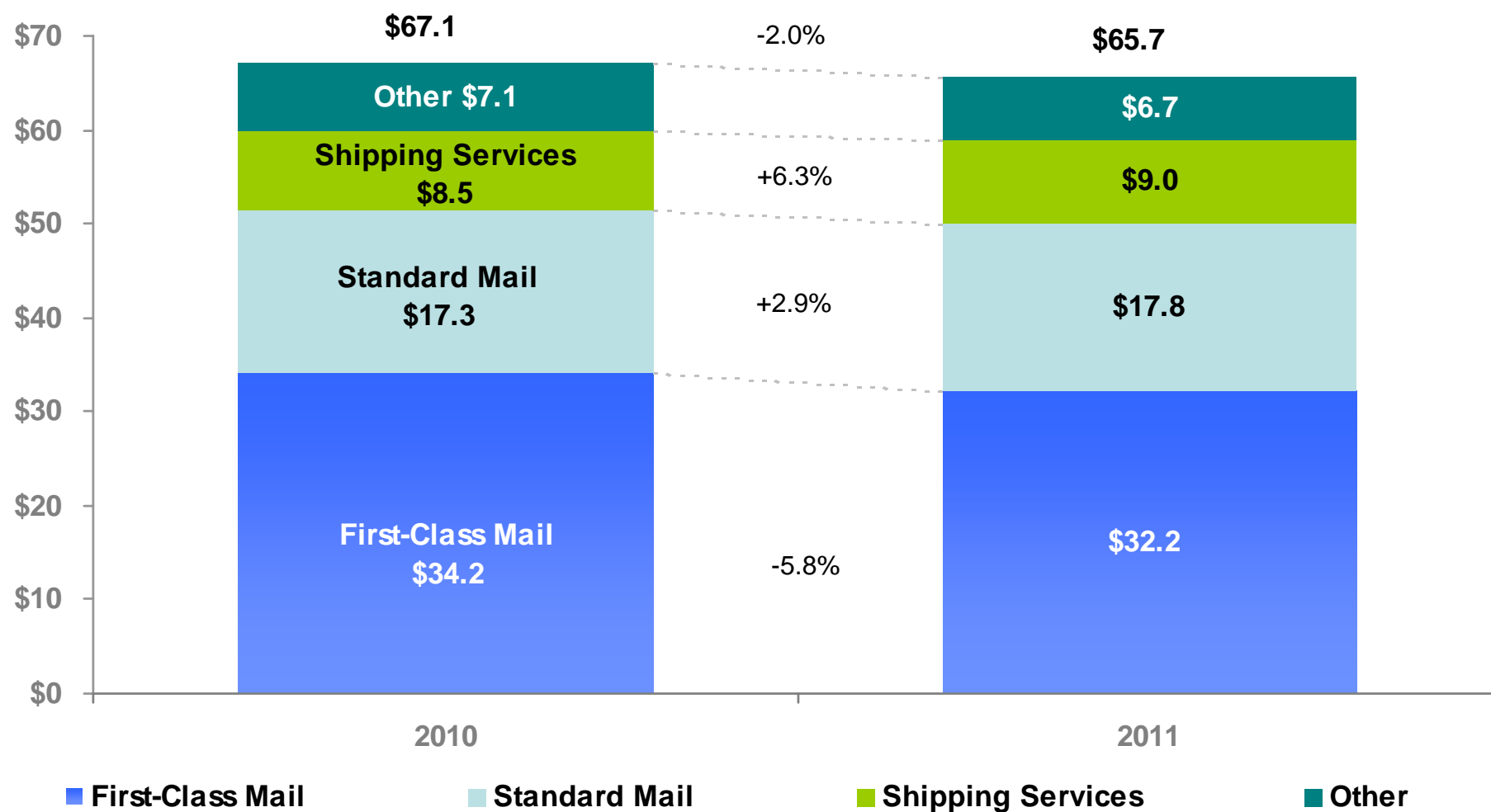
Joe Corbett
Chief Financial Officer & Executive Vice President

September YTD (Billions)	FY 2011	FY 2010
Revenue	\$65.7	\$67.1
Expenses	<u>67.9</u>	<u>67.7</u>
Operating Income (Loss)*	(2.2)	(0.6)
Retiree Hlth. Benefits Pre-Funding	-	(5.5)
Workers Comp: Fair Value Adj.	(1.0)	(2.0)
Workers Comp Claims, Adj. & Contingency	<u>(1.9)</u>	<u>(0.4)</u>
Net Income (Loss)	<u>(\$5.1)</u>	<u>(\$8.5)</u>
Volume (Pieces)	167.9	170.9

* Before RHB Pre-Funding, Non-Cash Adjustments to Workers' Compensation Liabilities & Contingency.

Revenue FY2010 – FY2011

Revenue
\$ Billions



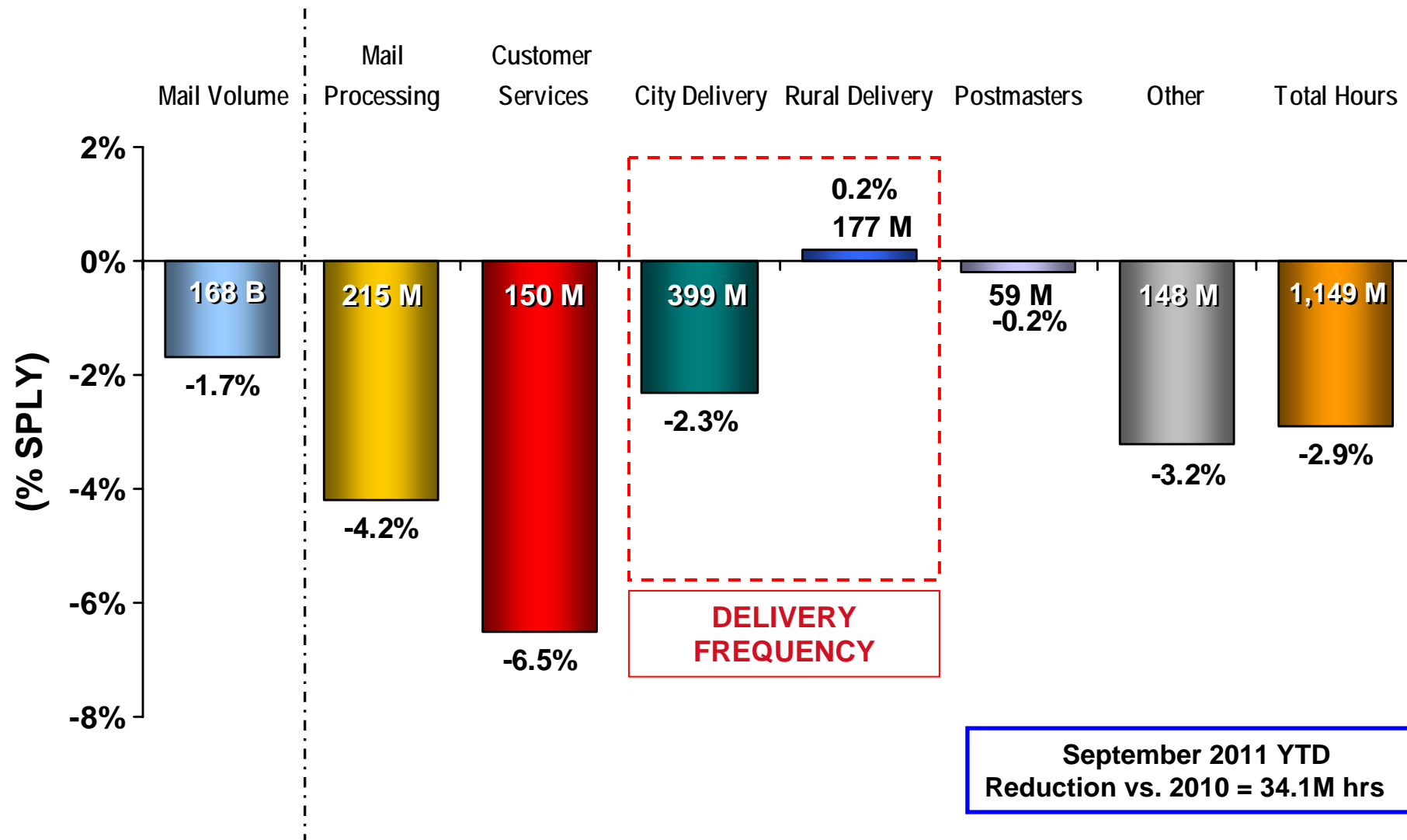
September YTD (Billions)	FY 2011	FY 2010
Revenue	\$65.7	\$67.1
Expenses	<u>67.9</u>	<u>67.7</u>
Operating Income (Loss)*	(2.2)	(0.6)
Retiree Hlth. Benefits Pre-Funding	-	(5.5)
Workers Comp: Fair Value Adj.	(1.0)	(2.0)
Workers Comp Claims, Adj. & Contingency	<u>(1.9)</u>	<u>(0.4)</u>
Net Income (Loss)	<u>(\$5.1)</u>	<u>(\$8.5)</u>
Volume (Pieces)	167.9	170.9

* Before RHB Pre-Funding, Non-Cash Adjustments to Workers' Compensation Liabilities & Contingency.

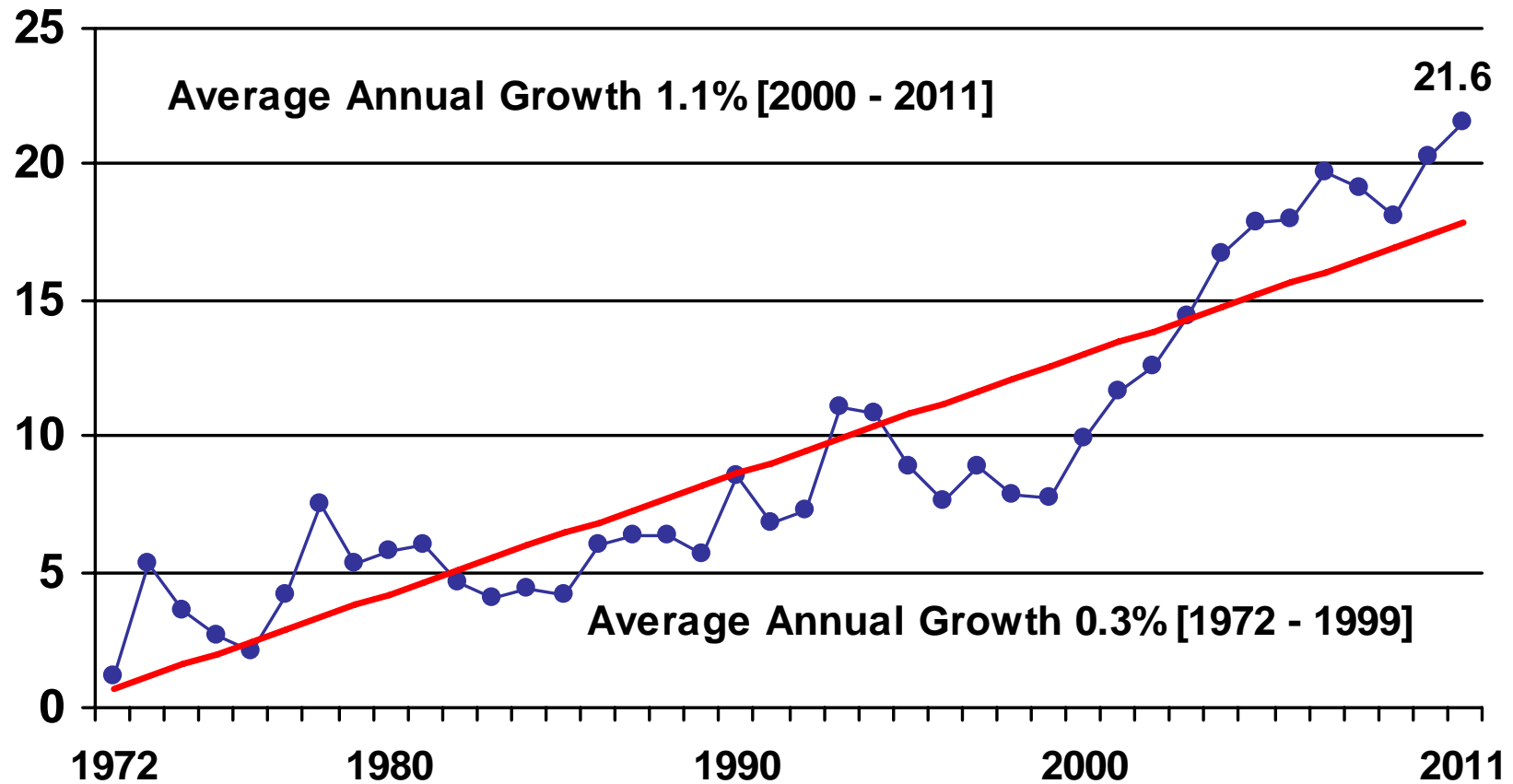
September YTD (Billions)	FY 2011	FY 2010
Compensation	\$36.8	\$37.5
Benefits	15.2	14.7
Transportation	6.4	5.9
Depreciation	2.3	2.5
Supplies & Services	2.3	2.2
Rent, Utilities & Other	4.9	4.9
Operating Expenses *	\$67.9	\$67.7

* Before RHB Pre-Funding, Non-Cash Adjustments to Workers' Compensation Liabilities & Contingency.

Workhour Changes September YTD – FY 2011



Total Factor Productivity



September YTD (Billions)	FY 2011	FY 2010
Revenue	\$65.7	\$67.1
Expenses	<u>67.9</u>	<u>67.7</u>
Operating Income (Loss)*	(2.2)	(0.6)
Retiree Hlth. Benefits Pre-Funding	-	(5.5)
Workers Comp: Fair Value Adj.	(1.0)	(2.0)
Workers Comp Claims, Adj. & Contingency	<u>(1.9)</u>	<u>(0.4)</u>
Net Income (Loss)	<u>(\$5.1)</u>	<u>(\$8.5)</u>
Volume (Pieces)	167.9	170.9

* Before RHB Pre-Funding, Non-Cash Adjustments to Workers' Compensation Liabilities & Contingency.

- USPS publishes multiple public reports
- Documents respond to different legislative requirements
 - Comprehensive Statement on Postal Operations (PRA, PAEA)
 - Annual Report (PAEA)
 - Annual Performance Report and Plan (GPRA)
- New Legislation (Government Performance and Results Modernization Act) and OMB guidance recommends report simplification and consolidation

- Key Content (Single Document) – to be published end of November
 - Year in Review – Financial Highlights
 - Core Strategies
 - Board of Governors and Executive Leadership Team
 - 2011 Financial Summary
 - Operating Statistics
 - Comprehensive Statement on Postal Operations
 - Summary of 2011 initiatives
 - 2011 Annual Performance Report and 2012 Performance Plan

- Requesting approval of the following:
 1. 10-K and Financial Statements
 2. FY 2011 Comprehensive Statement, including the Annual Performance Report and Annual Performance Plan

2012 Integrated Financial Plan

Board of Governors' Open Session

November 15, 2011

Joe Corbett
Chief Financial Officer & Executive Vice President



FY 2012 Integrated Financial Plan

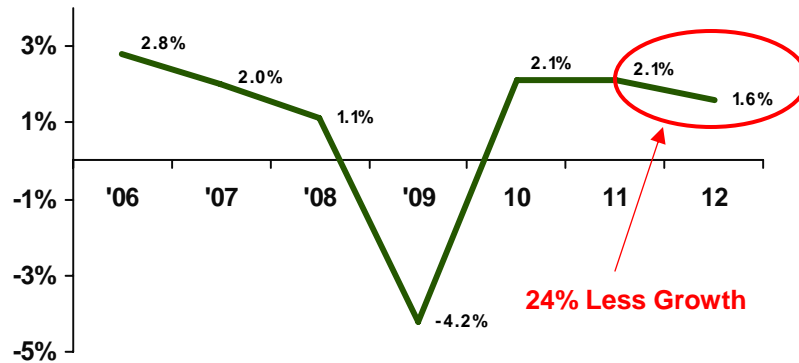
- ❑ **Requesting approval of the following:**
 1. FY 2012 Integrated Financial Plan
 2. FY 2013 Congressional Reimbursement (Appropriations Request)



Economic Indicators

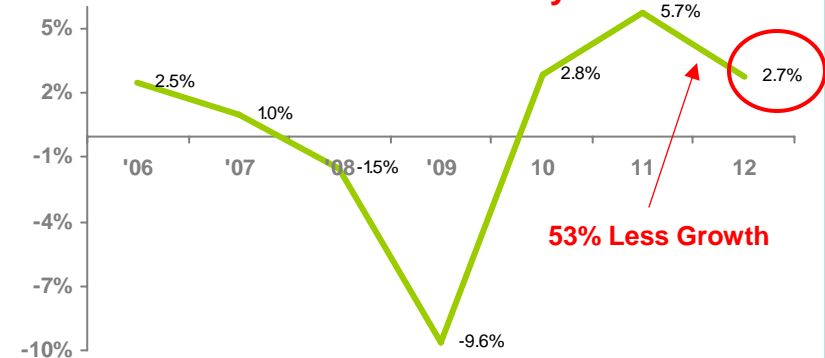
Primary Volume Drivers for Each Class of Mail

Gross Domestic Product



Retail Sales

Standard & Priority



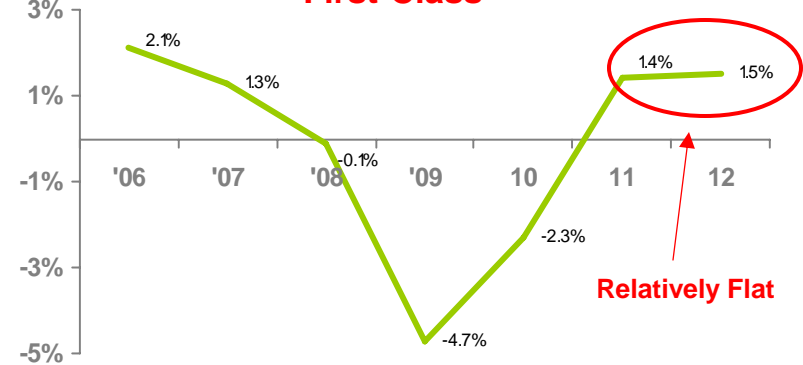
Investment

Standard



Employment Growth

First-Class



Source: Global Insight – August 2011



Statements of Operations

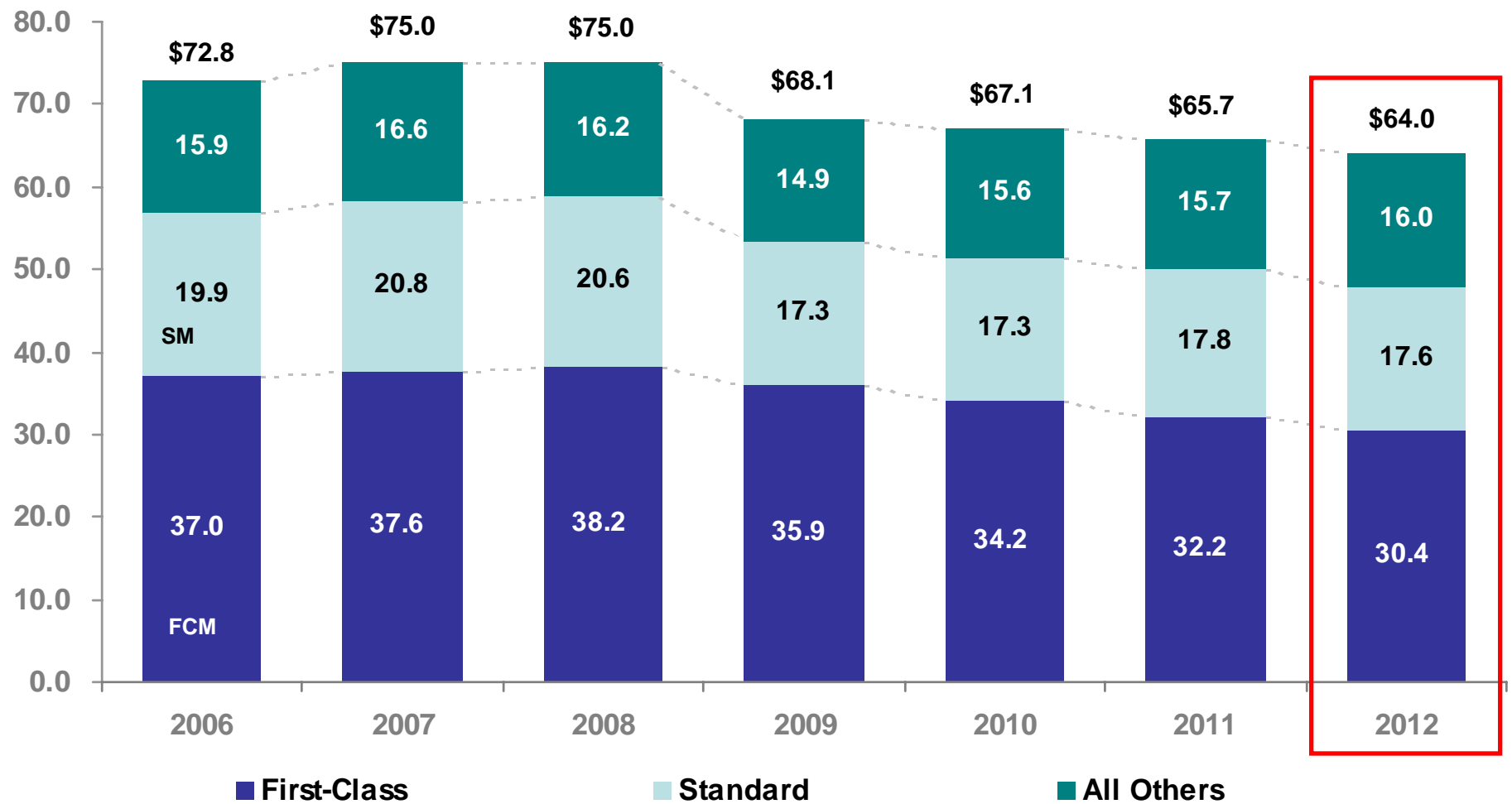
In Billions	FY 2011	FY 2012 IFP
Revenue	\$ 65.7	\$ 64.0
Expenses	67.9	67.0
Operating Income (Loss)	\$ (2.2)	\$ (3.0)
RHB Pre-funding (Current Law)	0	(11.1)
Restructuring Charge*	—	(TBD)
Non-cash Workers' Comp Adj.	(2.9)	(TBD)
Net Income (Loss)	\$ (5.1)	\$ (14.1)
Volume	167.9	158.0

* Equipment and Facilities Impairments, Workers' Comp, Unemployment, and VERA's



Revenue FY2006 – FY2012

Revenue
\$ Billions





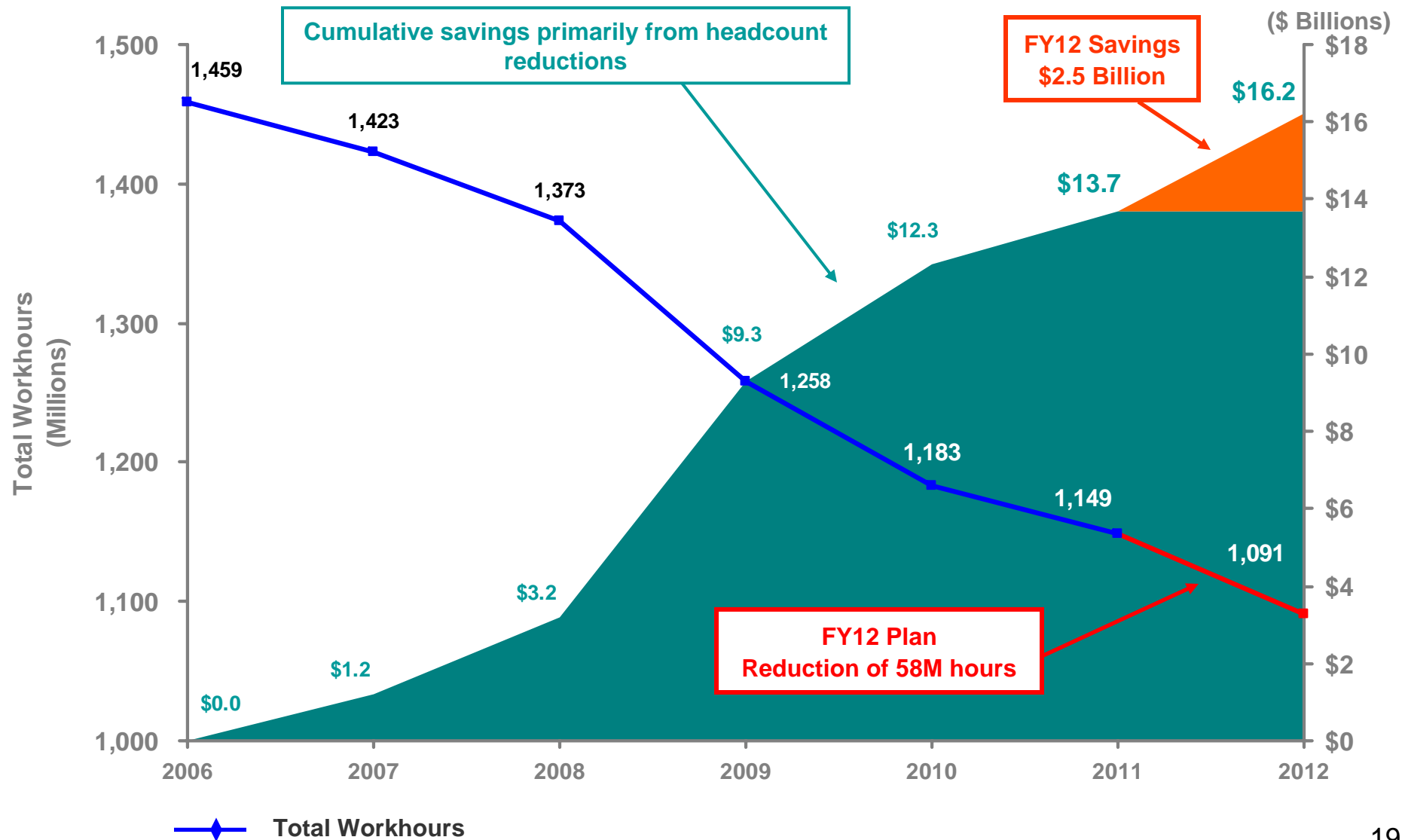
Statements of Operations

In Billions	FY 2011	FY 2012 IFP
Revenue	\$ 65.7	\$ 64.0
Expenses	67.9	67.0
Operating Income (Loss)	\$ (2.2)	\$ (3.0)
RHB Pre-funding (Current Law)	0	(11.1)
Restructuring Charge*	—	(TBD)
Non-cash Workers' Comp Adj.	(2.9)	(TBD)
Net Income (Loss)	\$ (5.1)	\$ (14.1)
Volume	167.9	158.0

* Equipment and Facilities Impairments, Workers' Comp, Unemployment, and VERA's



Cumulative Savings vs. Workhours





Statements of Operations

In Billions	FY 2011	FY 2012 IFP
Revenue	\$ 65.7	\$ 64.0
Expenses	67.9	67.0
Operating Income (Loss)	\$ (2.2)	\$ (3.0)
RHB Pre-funding (Current Law)	0	(11.1)
Restructuring Charge*	—	(TBD)
Non-cash Workers' Comp Adj.	(2.9)	(TBD)
Net Income (Loss)	<u>\$ (5.1)</u>	<u>\$ (14.1)</u>
Volume	167.9	158.0

* Equipment and Facilities Impairments, Workers' Comp, Unemployment, and VERA's

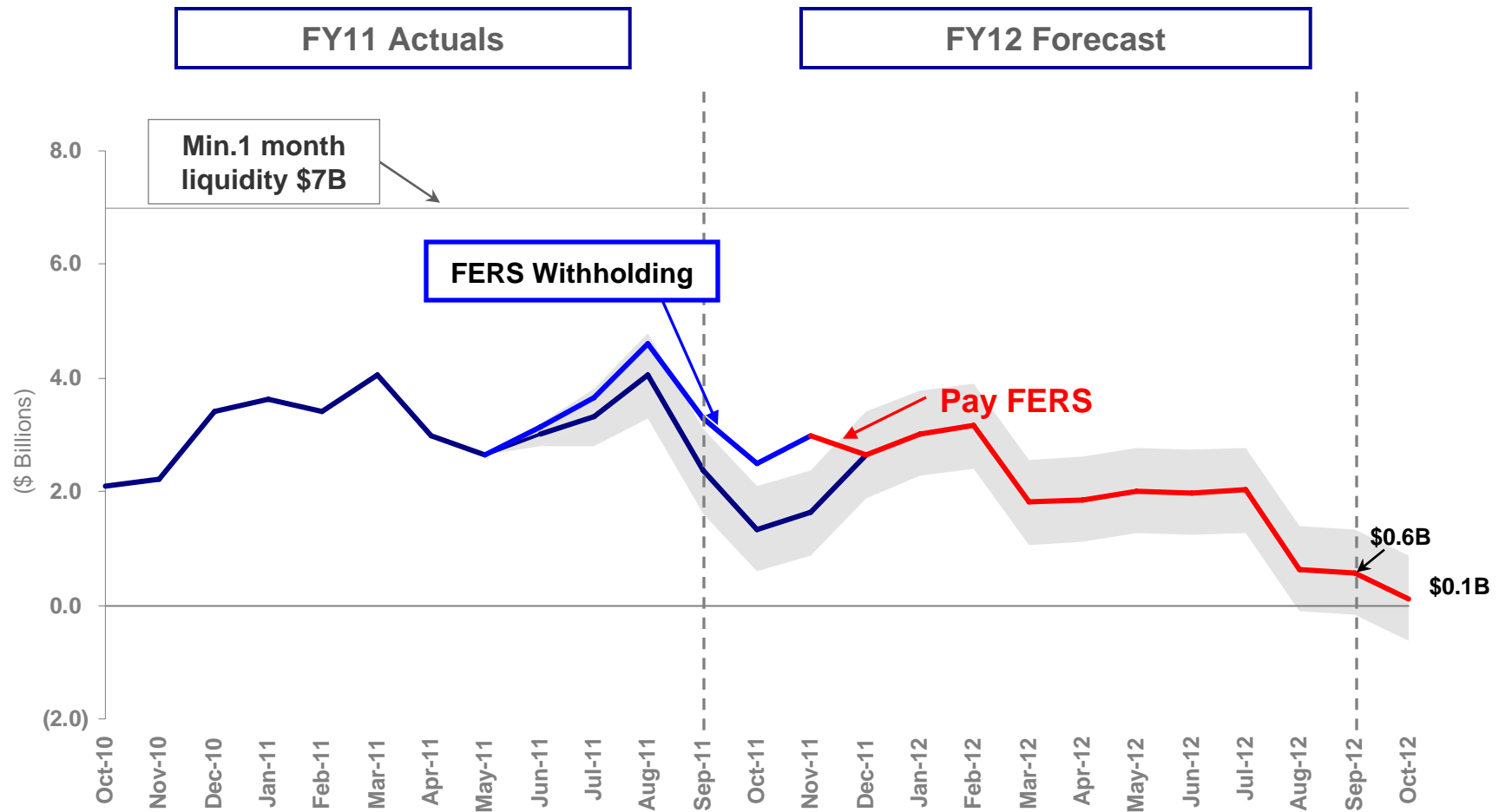


Capital Commitments of \$900M For 2012

(\$ Billions)	5 yr Avg. thru 9/30/09	FY2010 Actual	FY2011 Actual	FY2012 IFP
Facilities	\$0.8	\$0.5	\$0.5	\$0.4
Equipment	0.8	0.3	0.2	0.1
Infrastructure & Support	0.5	0.1	0.1	0.4
Total	\$2.1	\$0.9	\$0.8	\$0.9



Available Liquidity at Month-End FERS Impacts



Assumes: No RHB pre-funding in 2011 or 2012

Pay FERS amounts withheld and resume contributions in December



Request for FY 2013 Congressional Reimbursement

(\$Millions)	FY 2011	FY 2012	FY 2012 Current Congr. Bills	FY 2013
	Congr. Approved	USPS Request		USPS Request
Reimbursements to cover:				
Free Mail for the Blind (cost per piece increasing)	\$68.3	\$80.2	\$68.2	\$87.1
Overseas Voting (at traditional First Class rate)	0.6	0.9	1.3	1.0
New Cost - Overseas Military Voting via Express Mail (New Law)	0.0	13.4	0.0	0.7
Reconciliation Adjustments (from prior years)	<u>6.0</u>	<u>6.5</u>	<u>8.7</u>	<u>18.5</u>
Total Reimbursements: Free Mail for Blind & Overseas Voting	74.9	101.0	78.2	107.3
Revenue Foregone Act - 1993 (\$1.2B over 42 Years)	<u>11.8</u>	<u>29.0</u>	<u>0.0</u>	<u>46.2</u>
Total Appropriation Request	<u>\$86.7</u>	<u>\$130.0</u>	<u>\$78.2</u>	<u>\$153.5</u>

No request for Public Service Subsidy (cost of Universal Service Obligation) – range of \$460M to \$3.7B



FY 2012 Integrated Financial Plan

- ❑ **Requesting approval of the following:**
 1. FY 2012 Integrated Financial Plan
 2. FY 2013 Congressional Reimbursement (Appropriations Request)

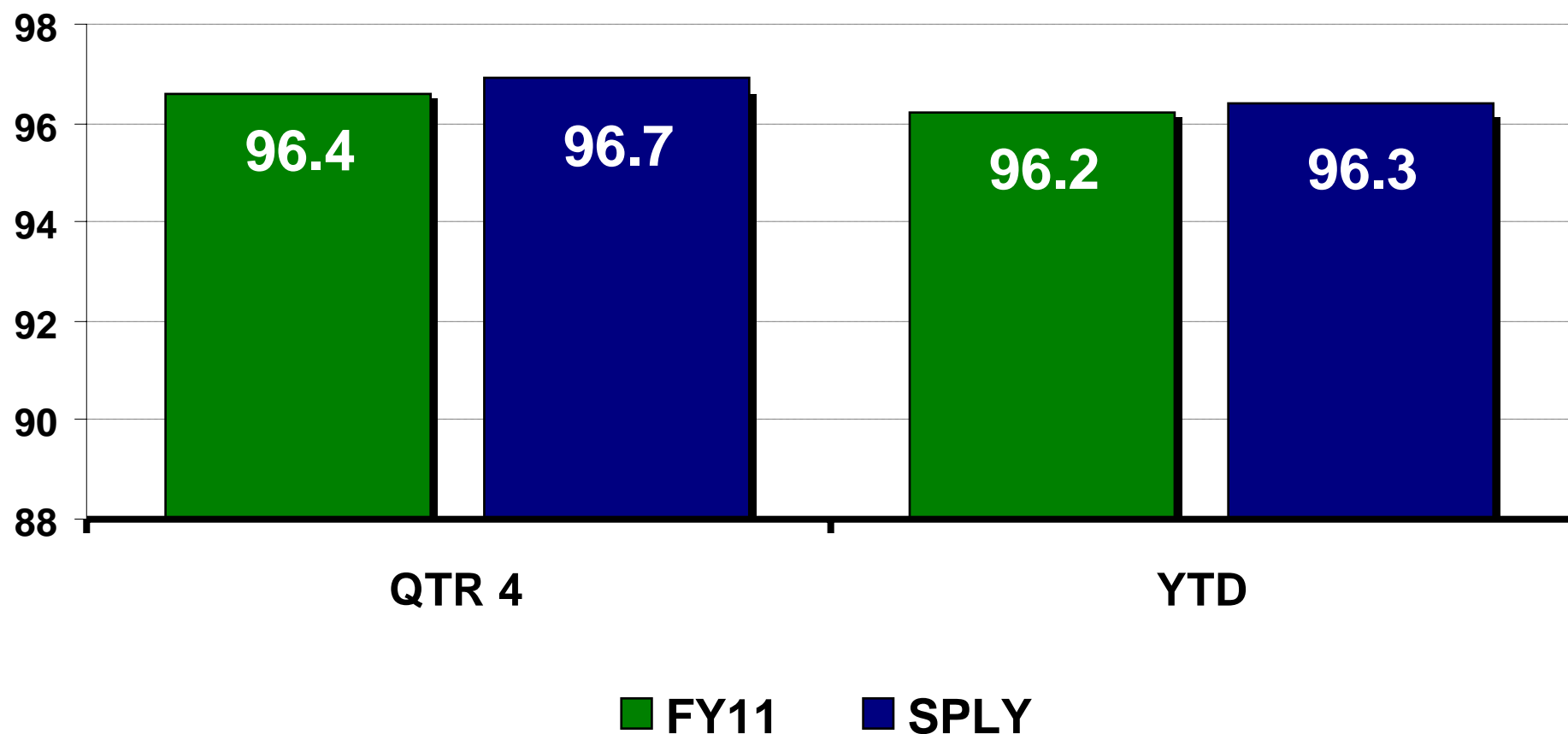
Quarter 4, Fiscal Year 2011 Service Performance and Customer Experience

**Megan J. Brennan
Chief Operating Officer**

Rapidly Changing Environment

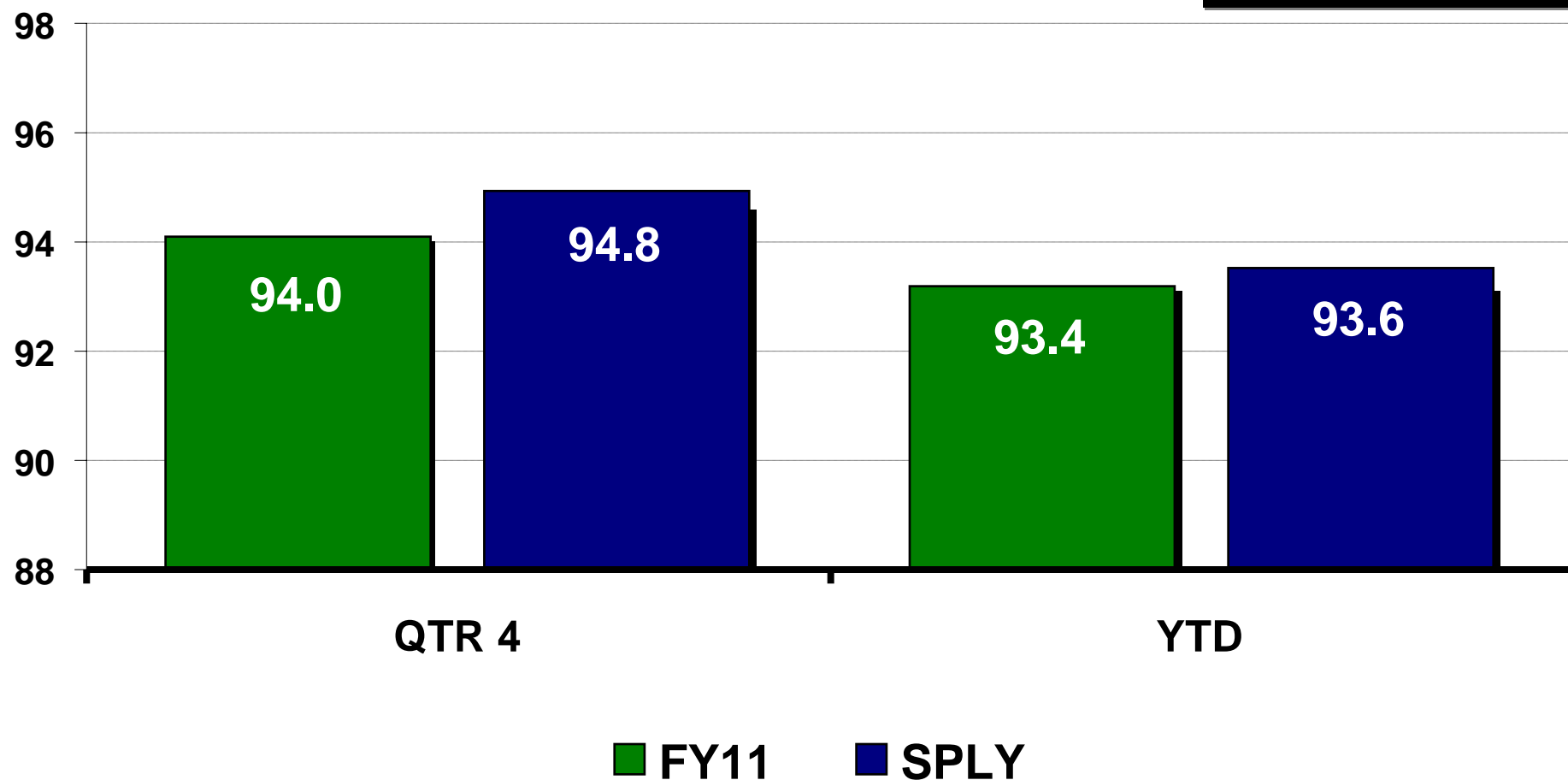
- ☐ **Major Infrastructure Changes**
- ☐ **Challenges from the Elements**
- ☐ **Employees Delivered**

Overnight

Target – 96.65

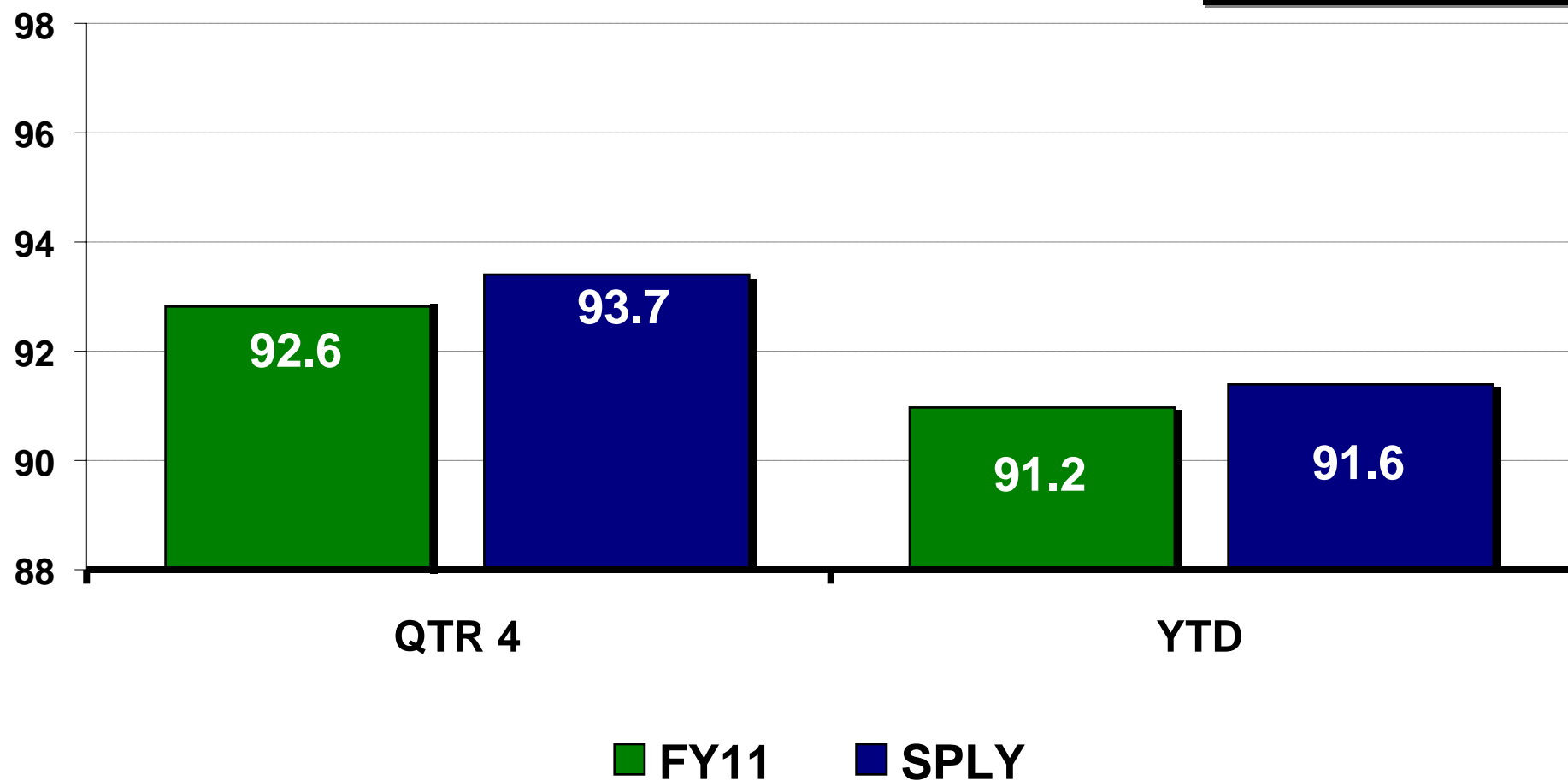
2 - Day

Target – 94.15



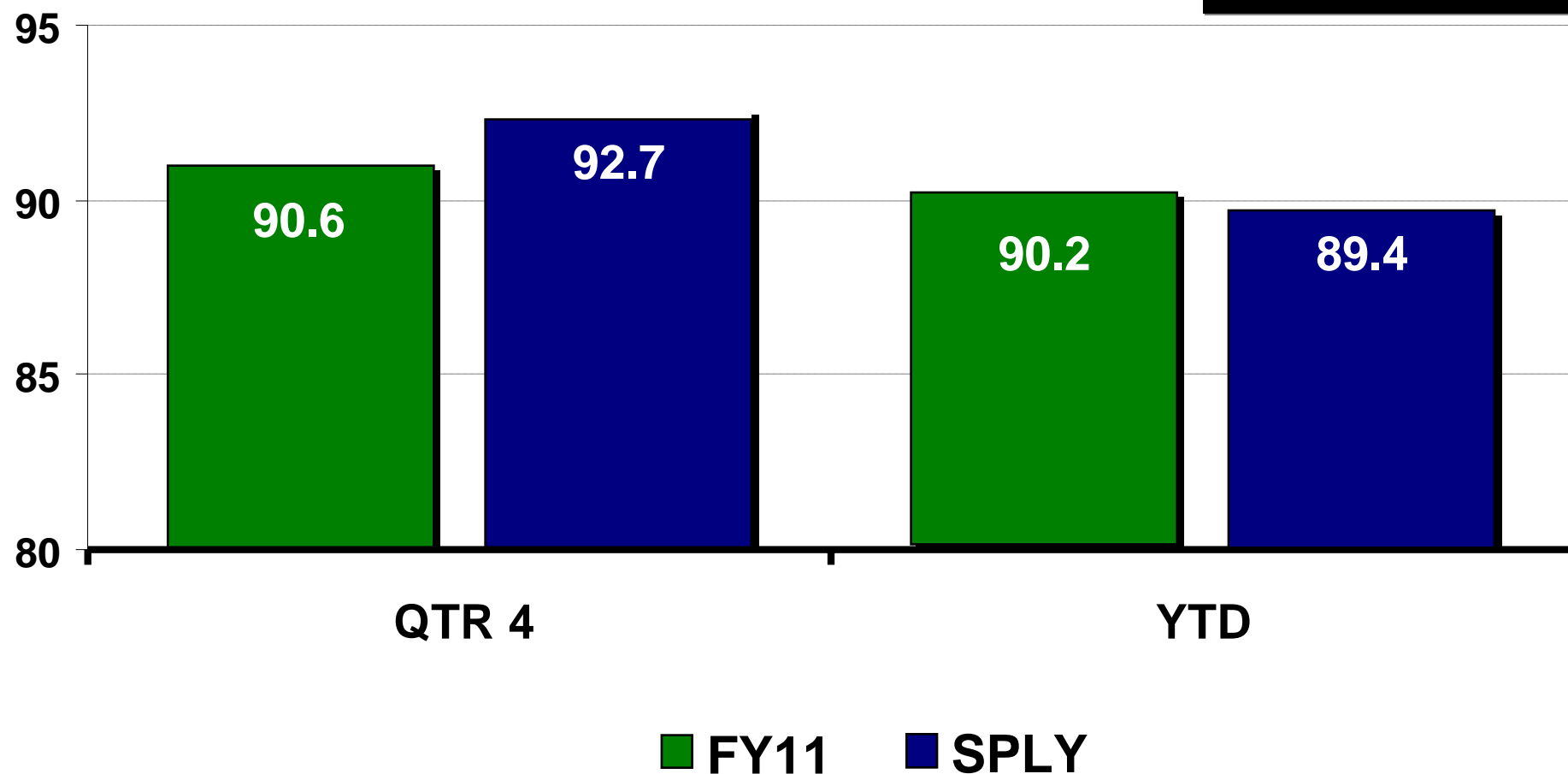
3 to 5 Day

Target – 92.85

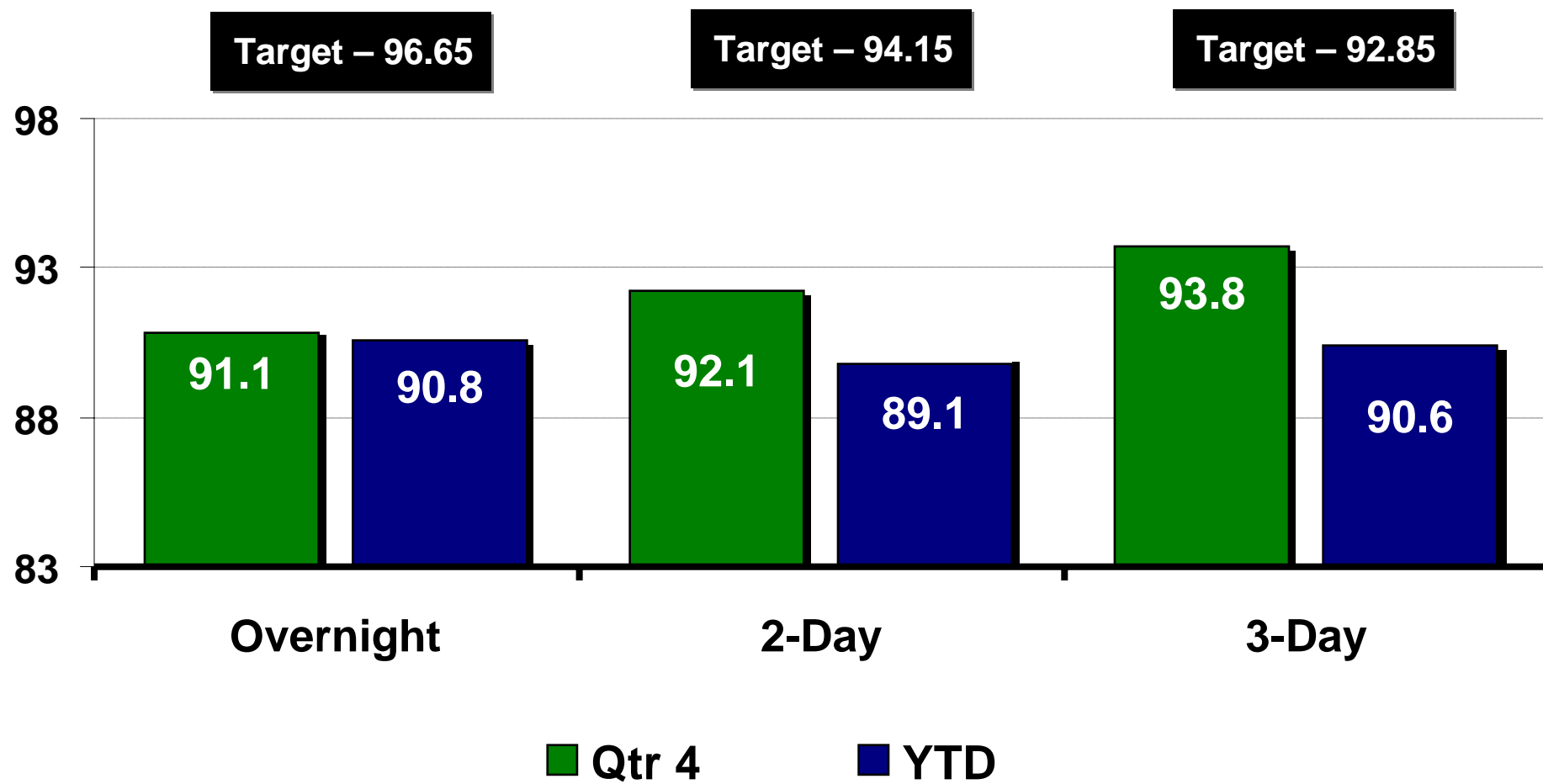


International

Target – 94.00



Presort First-Class

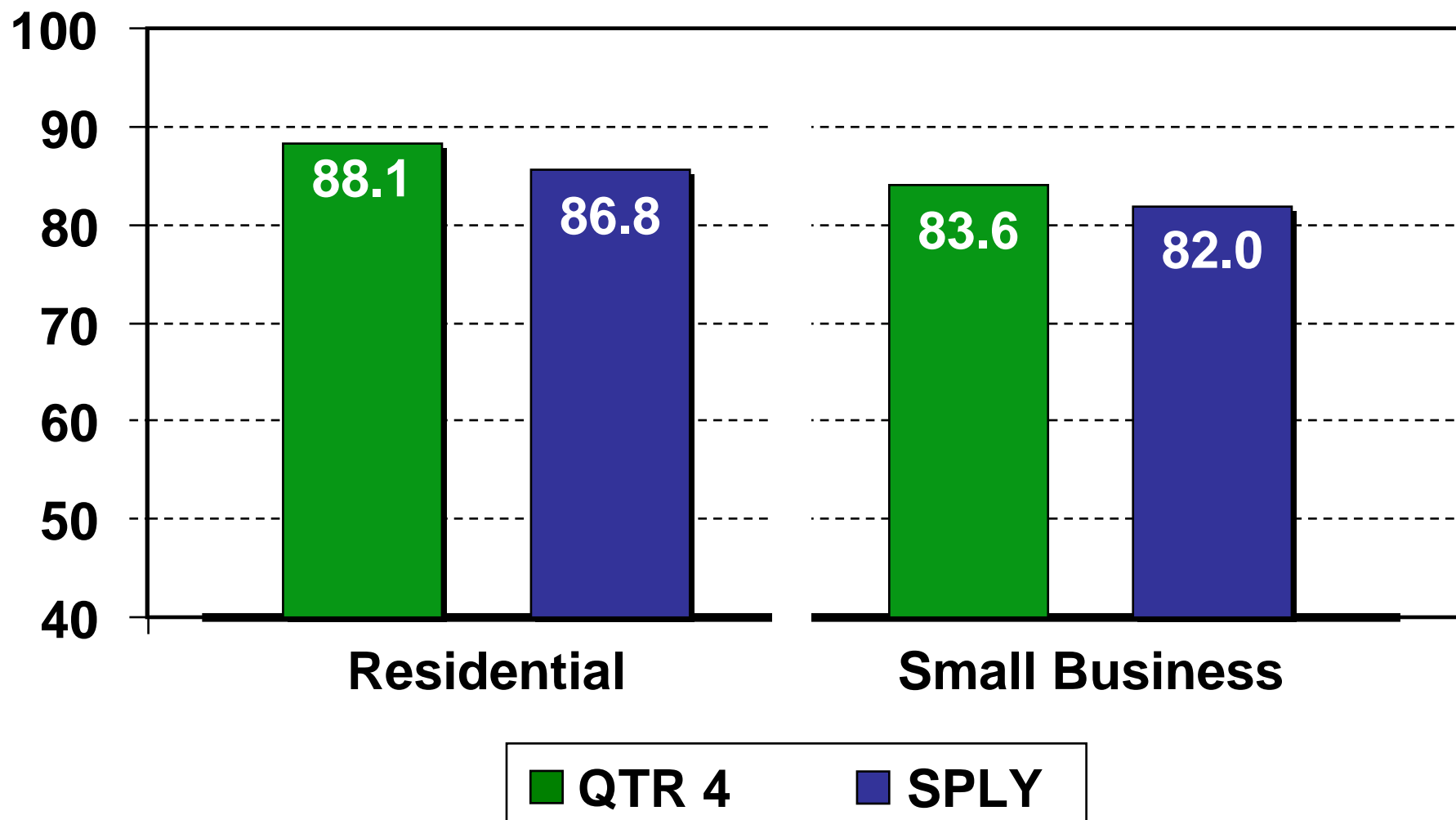


Continuous Improvement Initiatives

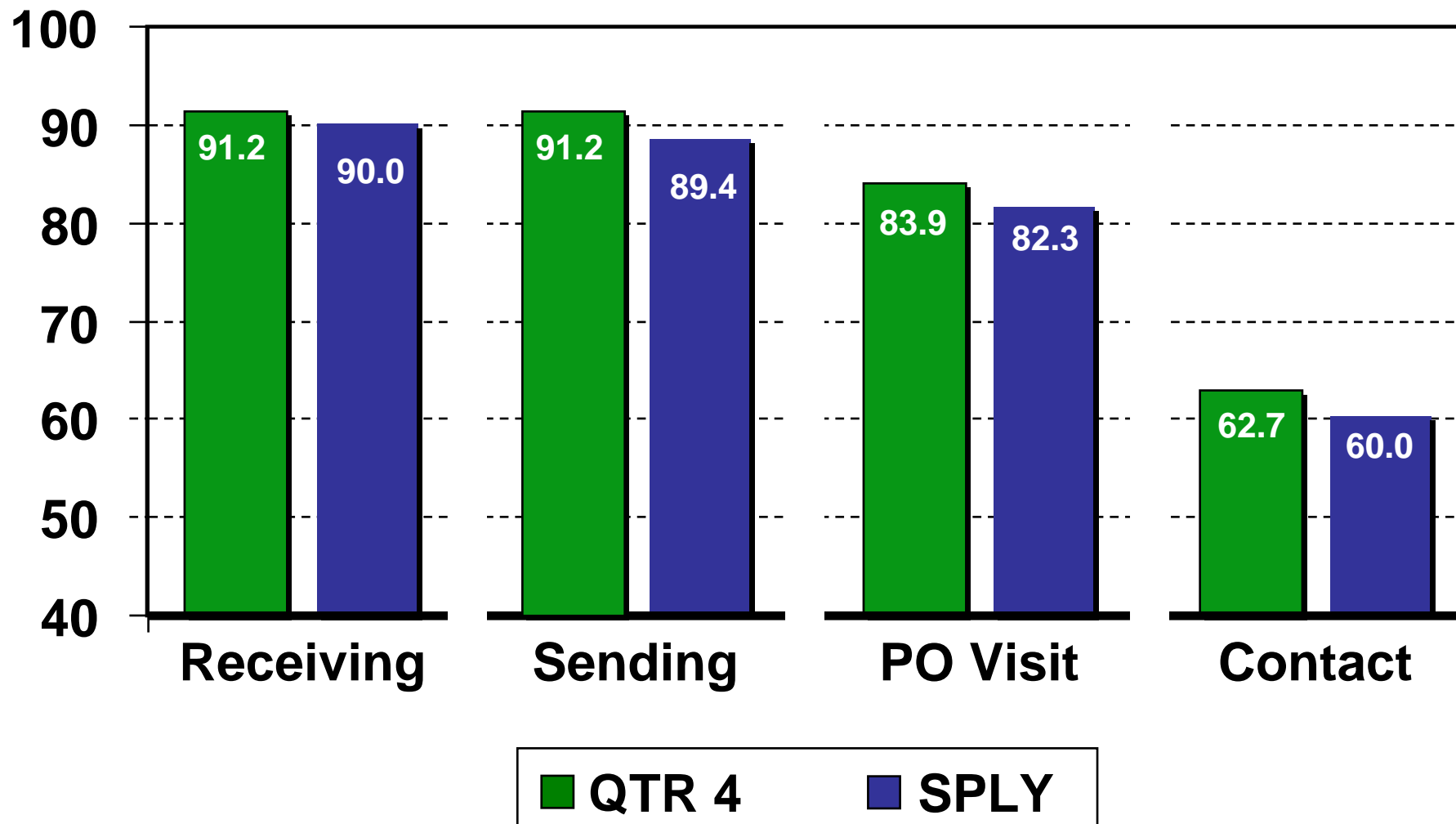
- ☐ 24 Hour Clock Execution**
- ☐ Reduce Variation**
- ☐ Quality Focus**
- ☐ Leverage Service Diagnostic Tools**
- ☐ Network Management**

Quarter 4, Fiscal Year 2011 Customer Experience Measurement

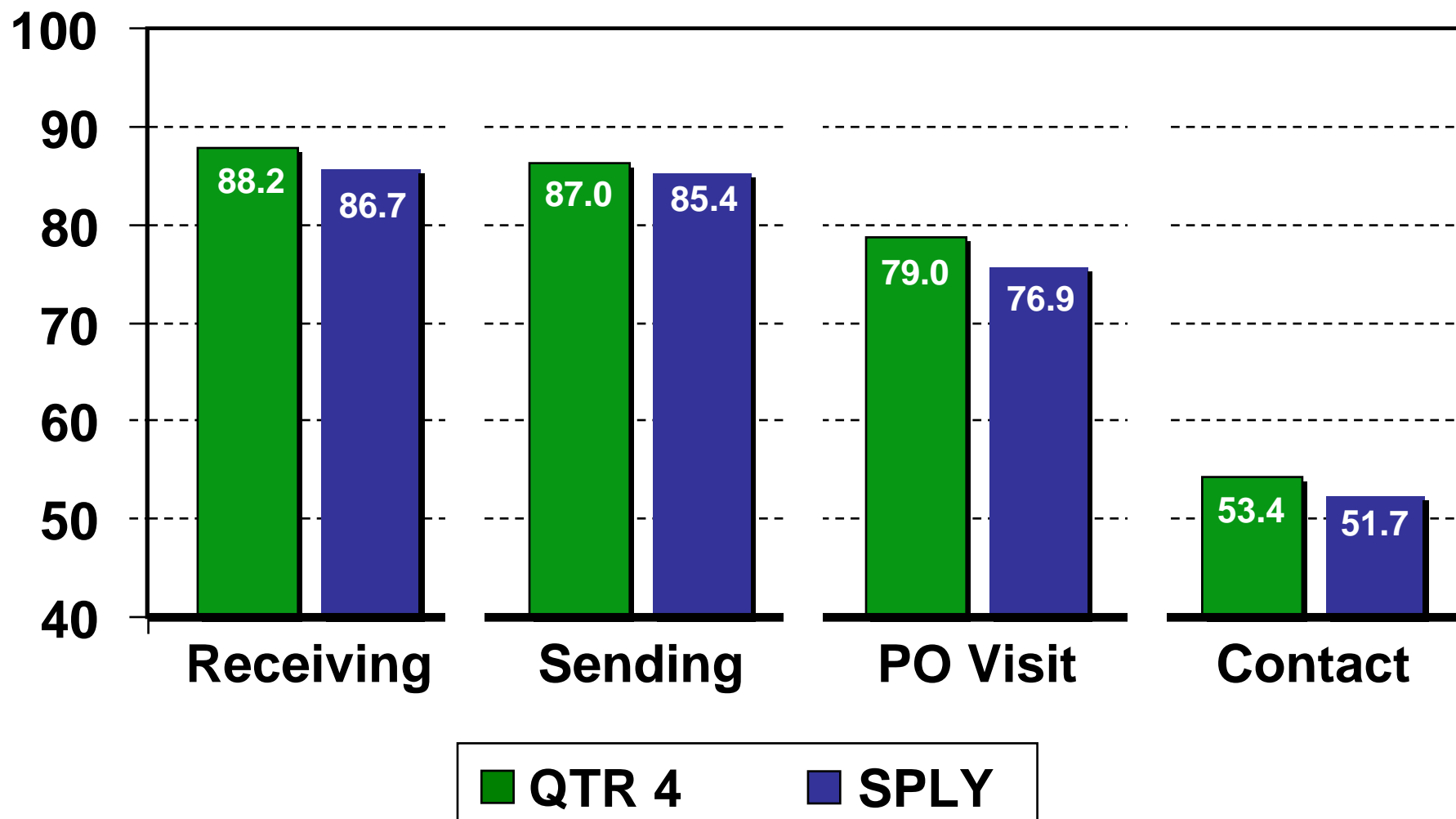
Overall Experience



Residential Experience



Small Business Experience



Continuous Improvement Initiatives

- ❑ Ownership and Resolution of Issue**
- ❑ Customer Experience Essentials Training**
- ❑ Increased Use of Diagnostics**

Summary

- ❑ **Plan to Move at an Accelerated Pace**
 - ❑ Infrastructure Changes to Continue

- ❑ **Our Commitment**
 - ❑ Predictable Service
 - ❑ Industry Engagement

Quarter 4, Fiscal Year 2011 Service Performance and Customer Experience

**Megan J. Brennan
Chief Operating Officer**

