

Financial Results

Quarter III of Fiscal Year 2012

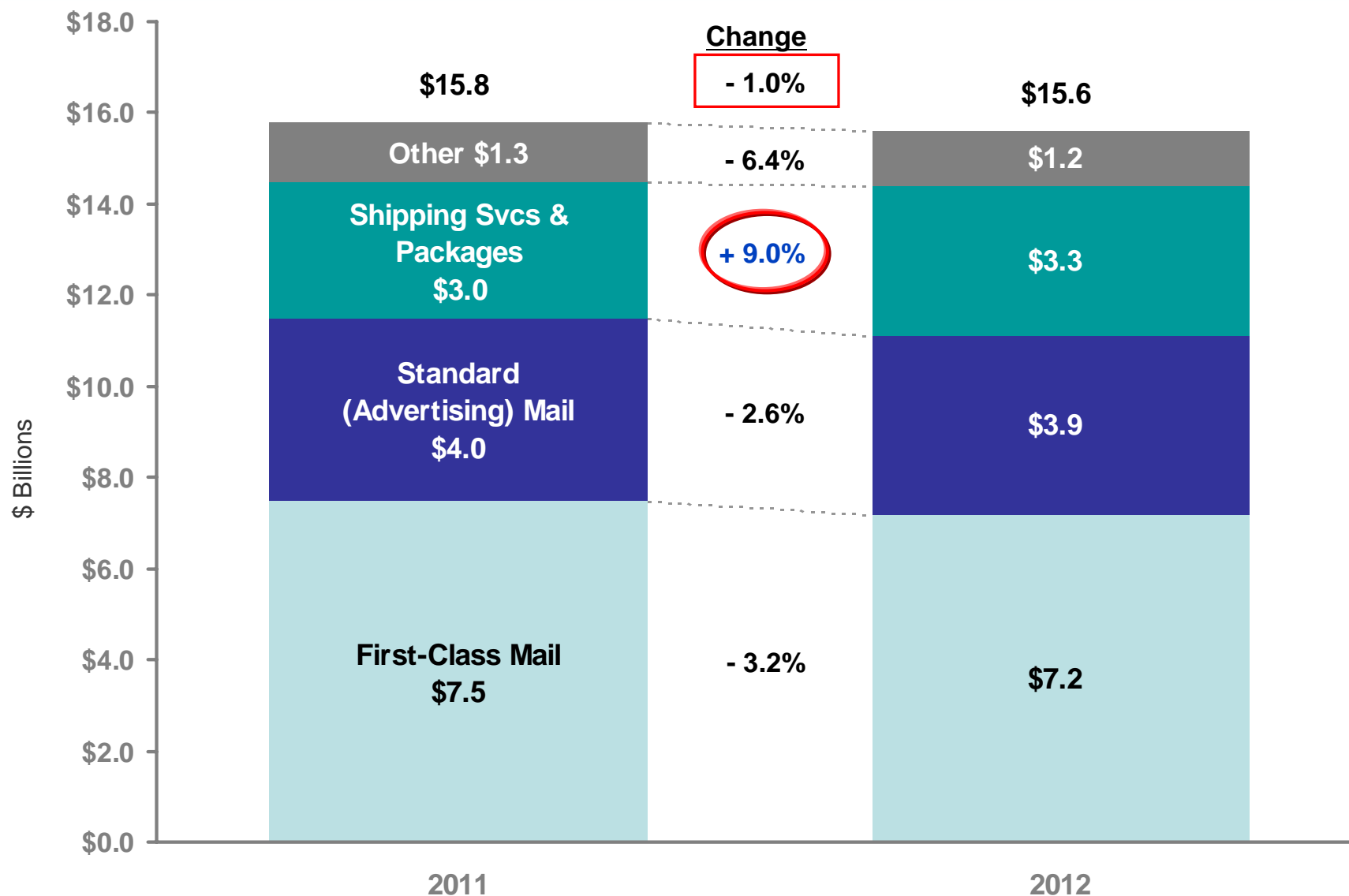
Open Board Session

August 9, 2012

- ✓ **Shipping Services & Packages Growth** greatly offset declines in First-Class Mail and Standard (Advertising) Mail:
 - Shipping/Package revenue grew \$950M (+9.9%) for the nine-months thru June
 - First-Class and Advertising Mail revenue declined \$1,290M (-3.5%) for nine months
- ✓ **Efficiency Improvements** continue to generate savings:
 - Operating Expenses (controllable): \$600M improvement for nine-months thru June
 - Eliminated additional 20 million workhours in nine months thru June
- ✓ **Unsustainable cost of Pre-Funding Retiree Health Benefits:**
 - Net loss for Third Quarter of \$5.2B includes \$3.1B in RHB pre-funding expense
 - Net loss for nine months of \$11.6B includes \$9.15B in RHB pre-funding expense
- ✓ **Defaulted** on retiree health benefits prefunding payment due August 1, 2012:
 - No impacts on retiree health coverage or mail service
 - Will default on second payment due September 30, 2012, absent legislation
- ✓ **Liquidity** challenges will remain in FY2013

Quarter III - 3 months	FY	FY
Billions	2012	2011
Revenue	\$15.6	15.8
Expenses *	<u>16.6</u>	<u>17.1</u>
Operating Income (Loss)*	(1.0)	(1.3)
Retiree Hlth. Benefits Pre-Funding	(3.1)	(1.4)
Workers' Comp: Fair Value Adj.	(0.9)	(0.3)
Workers' Comp Claims, Adj. & Contingency	<u>(0.2)</u>	<u>(0.1)</u>
Net Income (Loss)	<u>(\$5.2)</u>	<u>(3.1)</u>
Volume (Pieces)	38.5	39.9

* Before RHB Pre-Funding and Non-Cash Adjustments to Workers' Compensation Liabilities

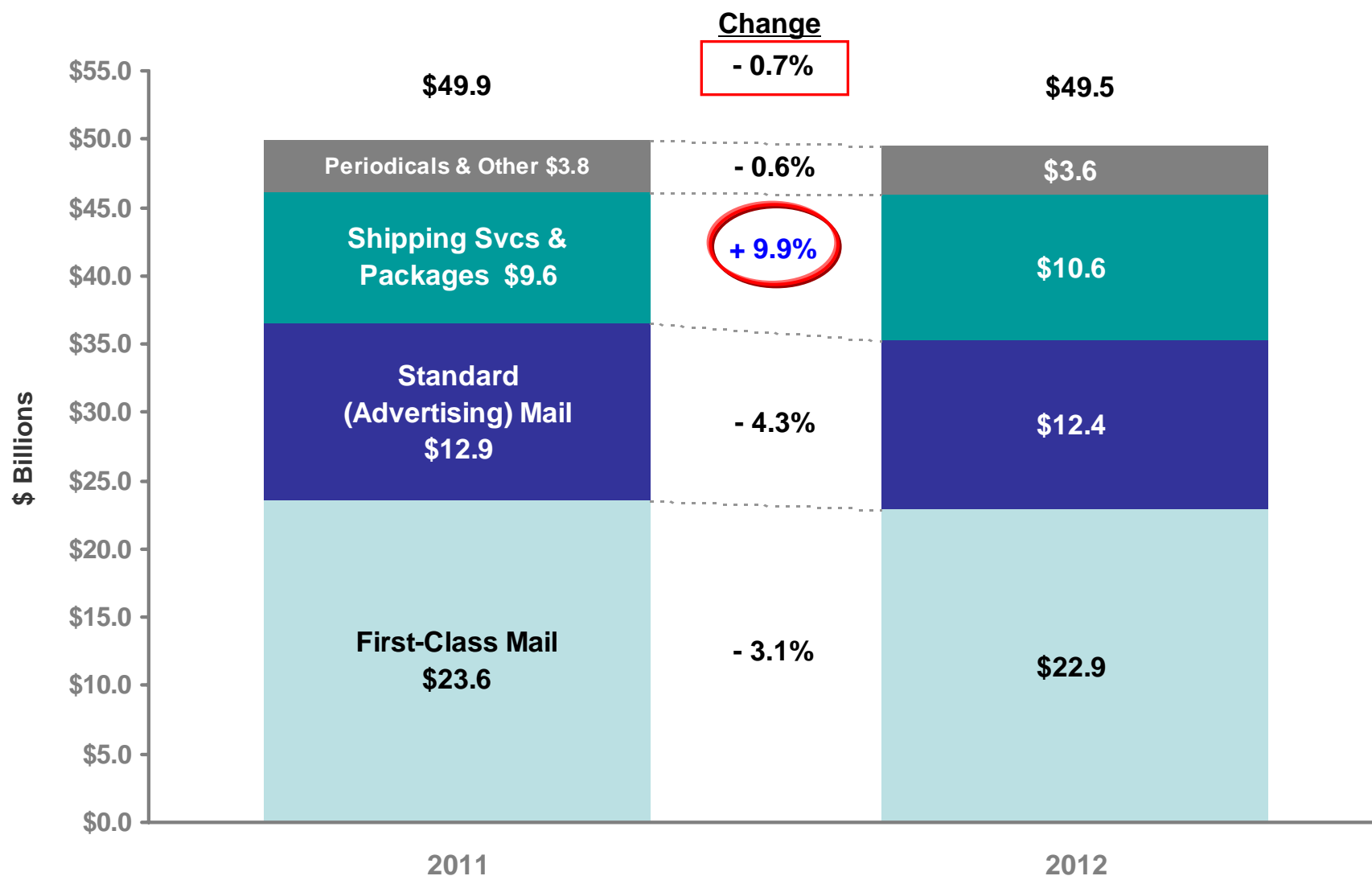


Shipping Services & Packages includes First-Class Parcels, Standard Parcels, Package Services and all Competitive products

Quarter III YTD - 9 months (Billions)	FY 2012	FY 2011
Revenue	\$49.5	49.9
Expenses *	<u>50.7</u>	<u>51.3</u>
Operating Income (Loss)*	(1.2)	(1.4)
Retiree Hlth. Benefits Pre-Funding	(9.2)	(4.1)
Workers' Comp: Fair Value Adj.	(0.3)	0.7
Workers' Comp Claims, Adj. & Contingency	<u>(0.9)</u>	<u>(0.9)</u>
Net Income (Loss)	<u>(\$11.6)</u>	<u>(5.7)</u>
Volume (Pieces)	121.7	127.6

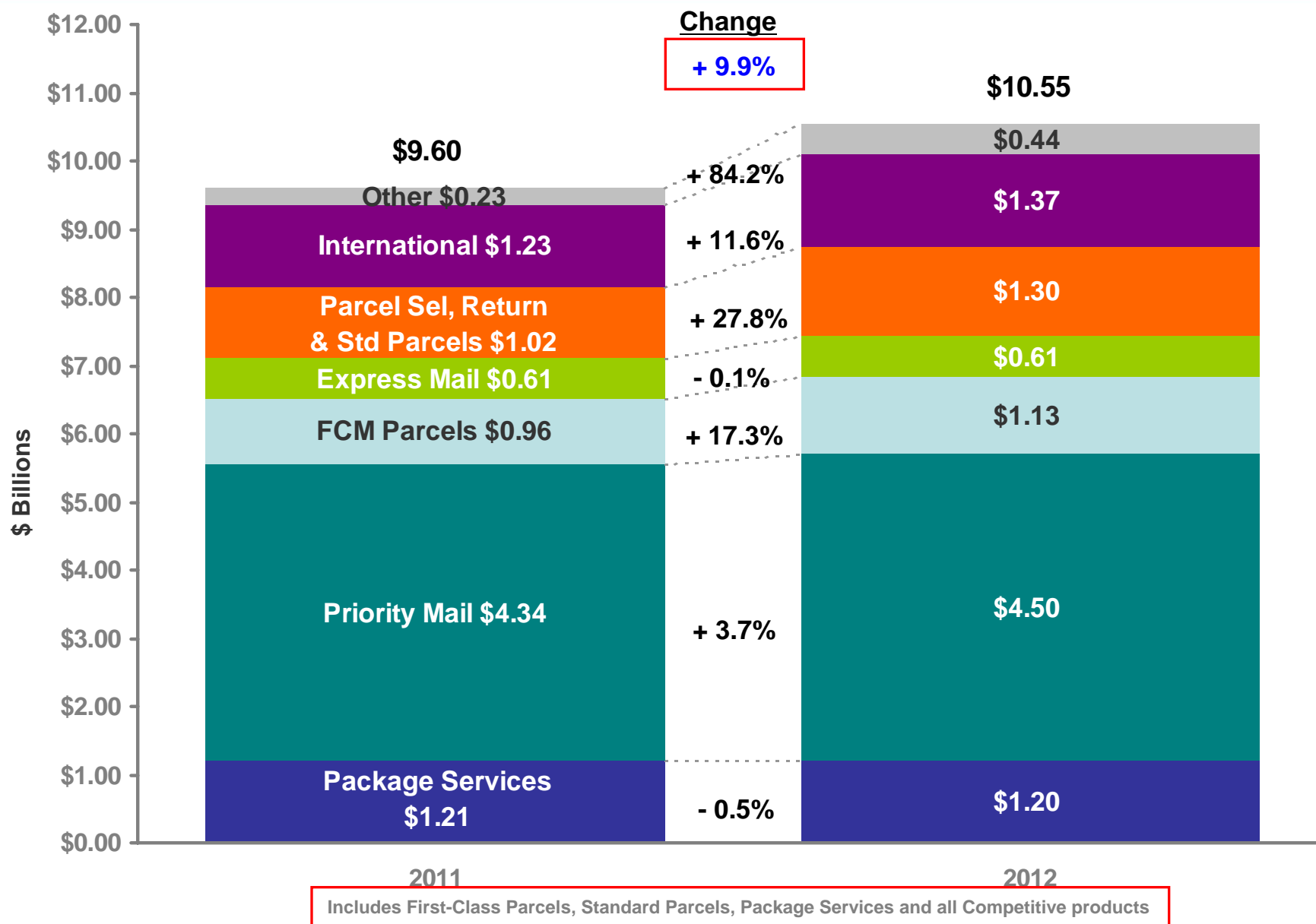
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Quarter III YTD Revenue



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Quarter III YTD Shipping Services and Packages Revenue



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* Before RHB Pre-Funding and Non-Cash Adjustments to Workers' Compensation Liabilities

Quarter III YTD - 9 months (Billions)	FY 2012	FY 2011
Compensation	\$27.3	27.7
Benefits	11.5	11.3
Transportation	5.0	4.8
Depreciation	1.6	1.7
Supplies & Services	1.6	1.7
Rent, Utilities & Other	3.7	4.1
Operating Expenses *	\$50.7	51.3
Workhour Reductions (Millions)	19.7	25.2

* Before RHB Pre-Funding and Non-Cash Adjustments to Workers' Compensation Liabilities

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Quarter 3, Fiscal Year 2012 Service Performance and Customer Experience

Board of Governors

Open Session

August 2012

**Megan J. Brennan
Chief Operating Officer**



Quarter 3 Performance

Our Employees Delivered

First-Class Mail

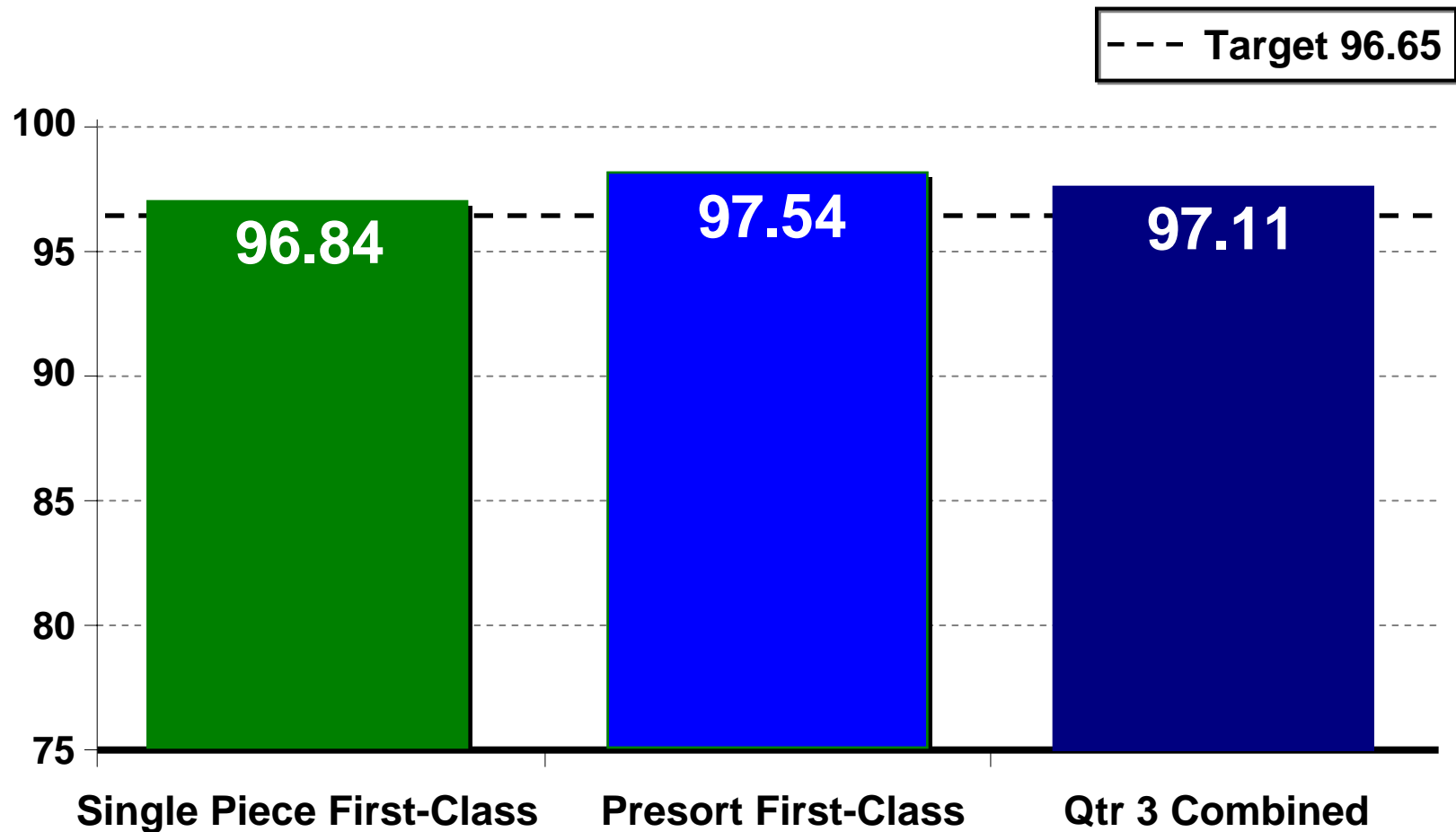
- 2nd Consecutive Qtr of Record Service Performance
 - Single Piece First-Class
 - Best Qtr on Record for:
 - Overnight - Two Day - Three to Five Day
 - Commercial Mail (Presort)
 - Exceeded Target in All 3 Service Standards

COMBINED FIRST-CLASS MAIL SERVICE PERFORMANCE



Quarter 3 Performance

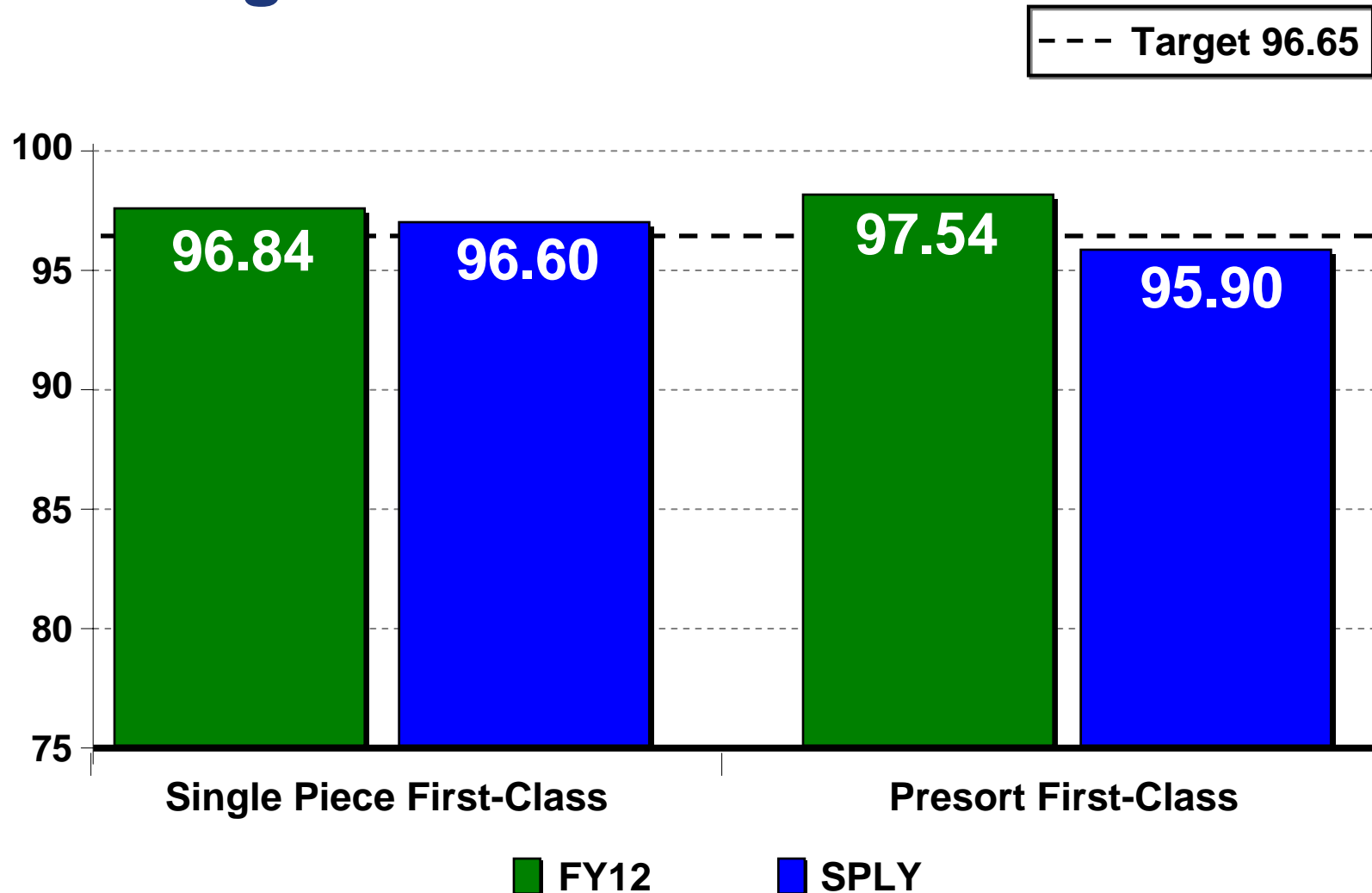
Combined First-Class Overnight





Quarter 3 Performance

Overnight

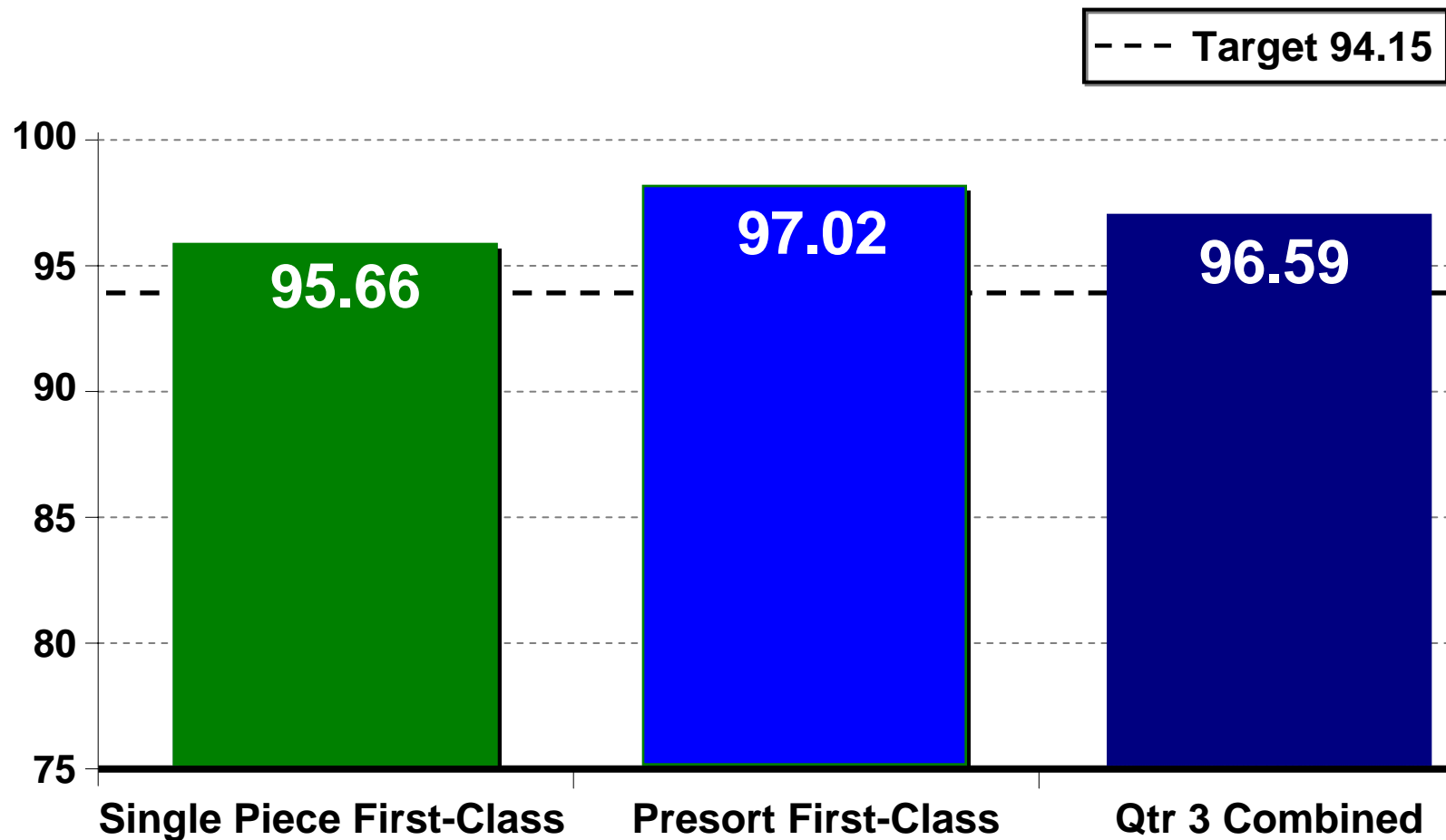


Source: Product Information



Quarter 3 Performance

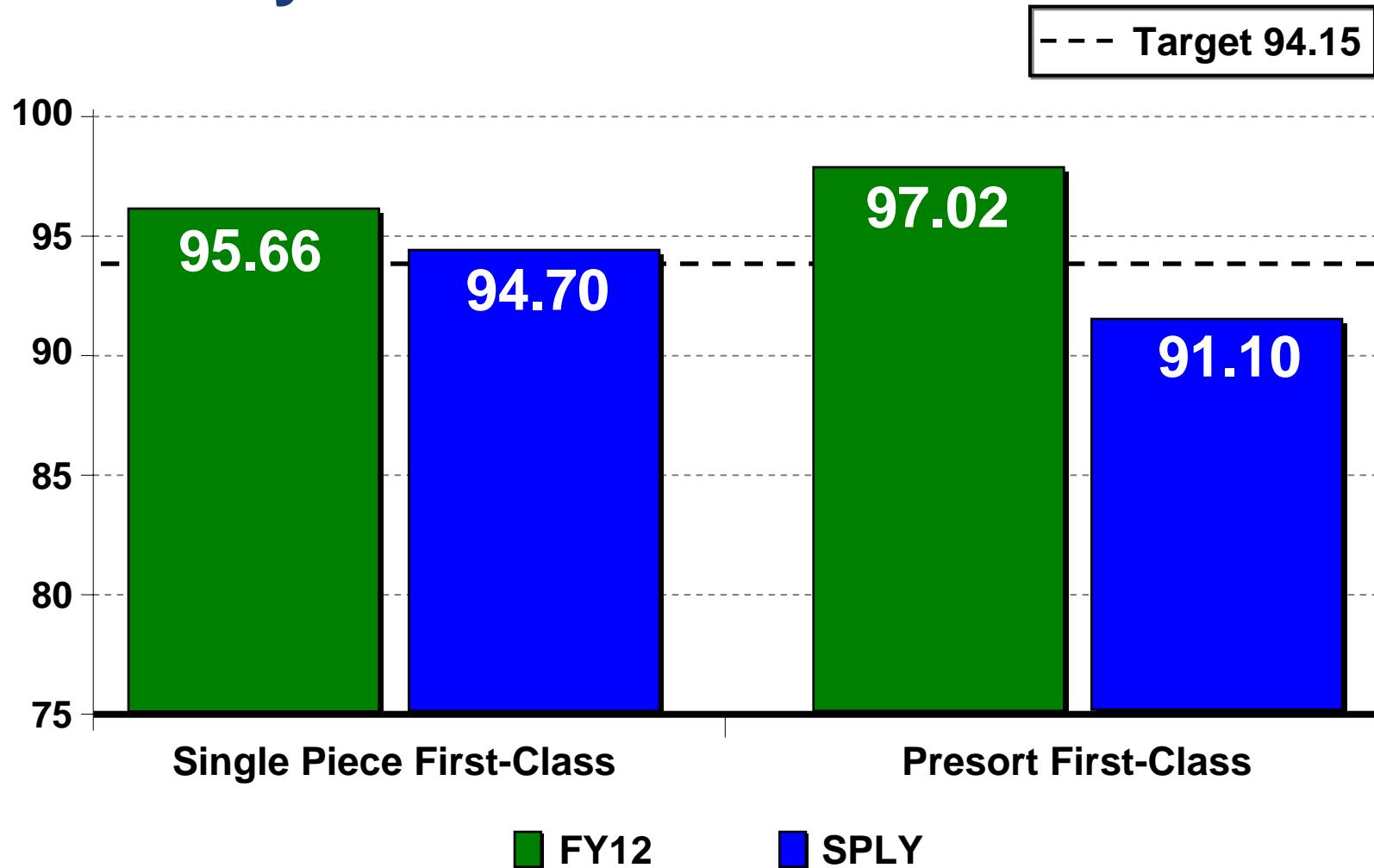
Combined First-Class 2-Day





Quarter 3 Performance

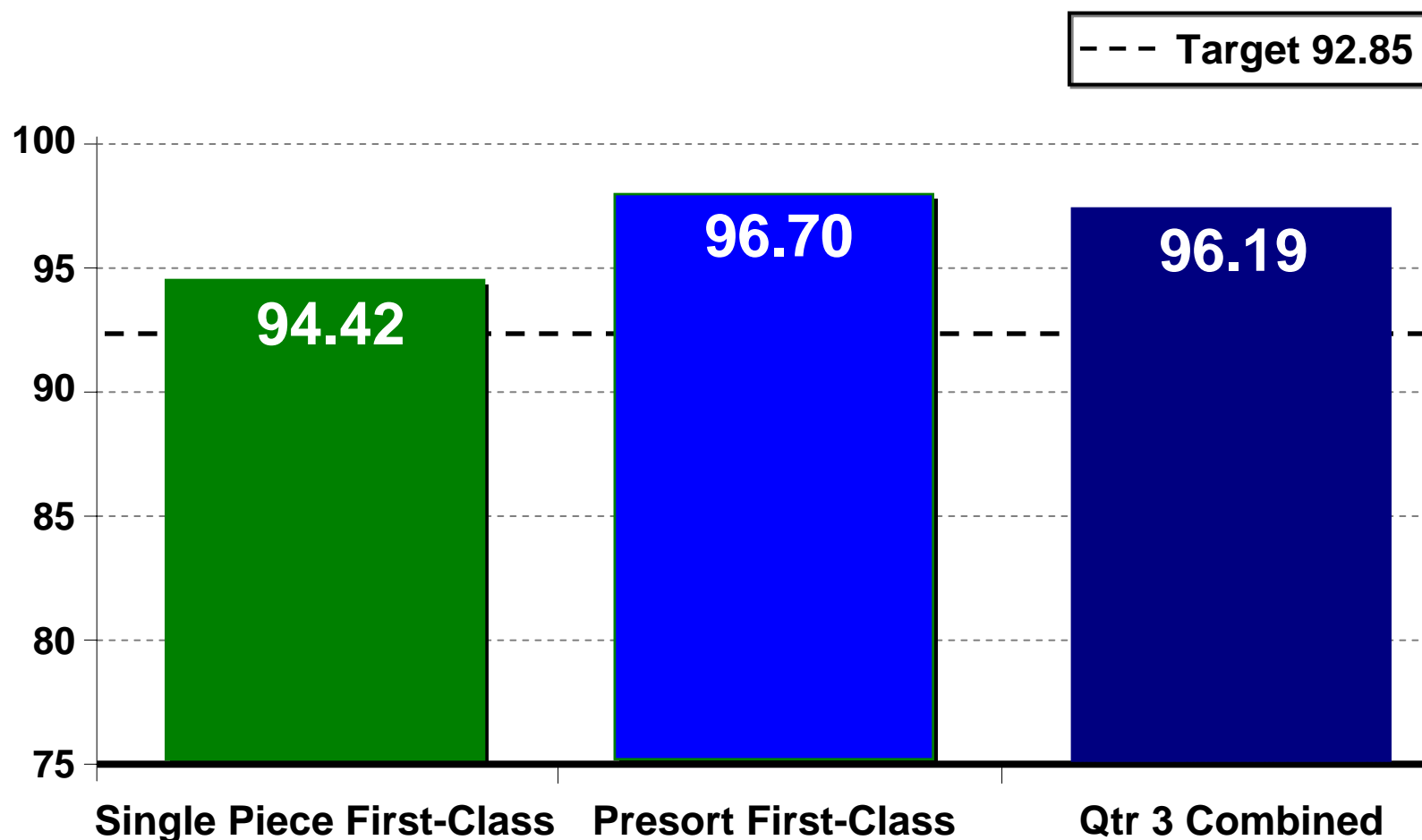
Two-Day





Quarter 3 Performance

Combined Three to Five-Day

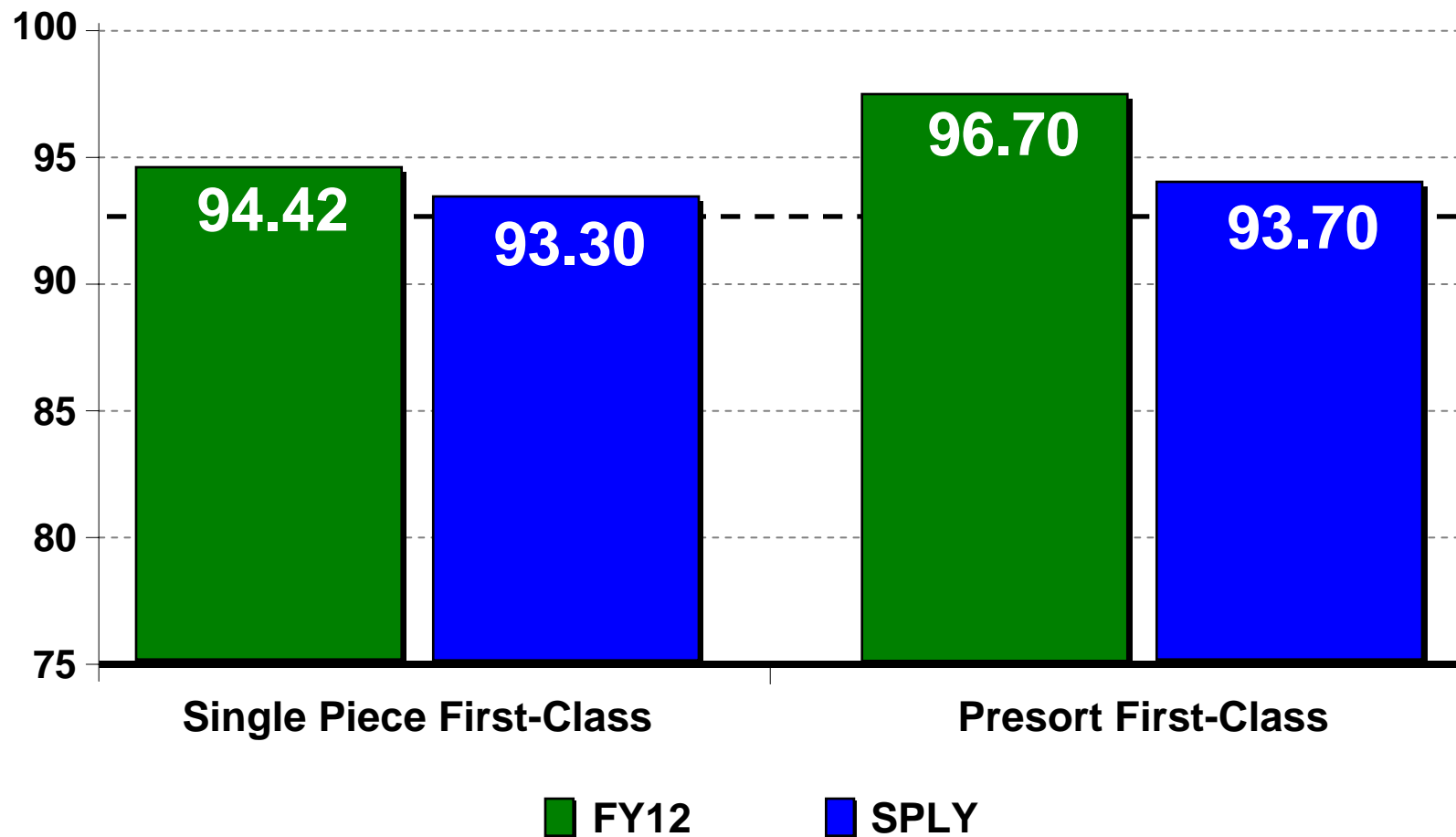




Quarter 3 Performance

Three-Day

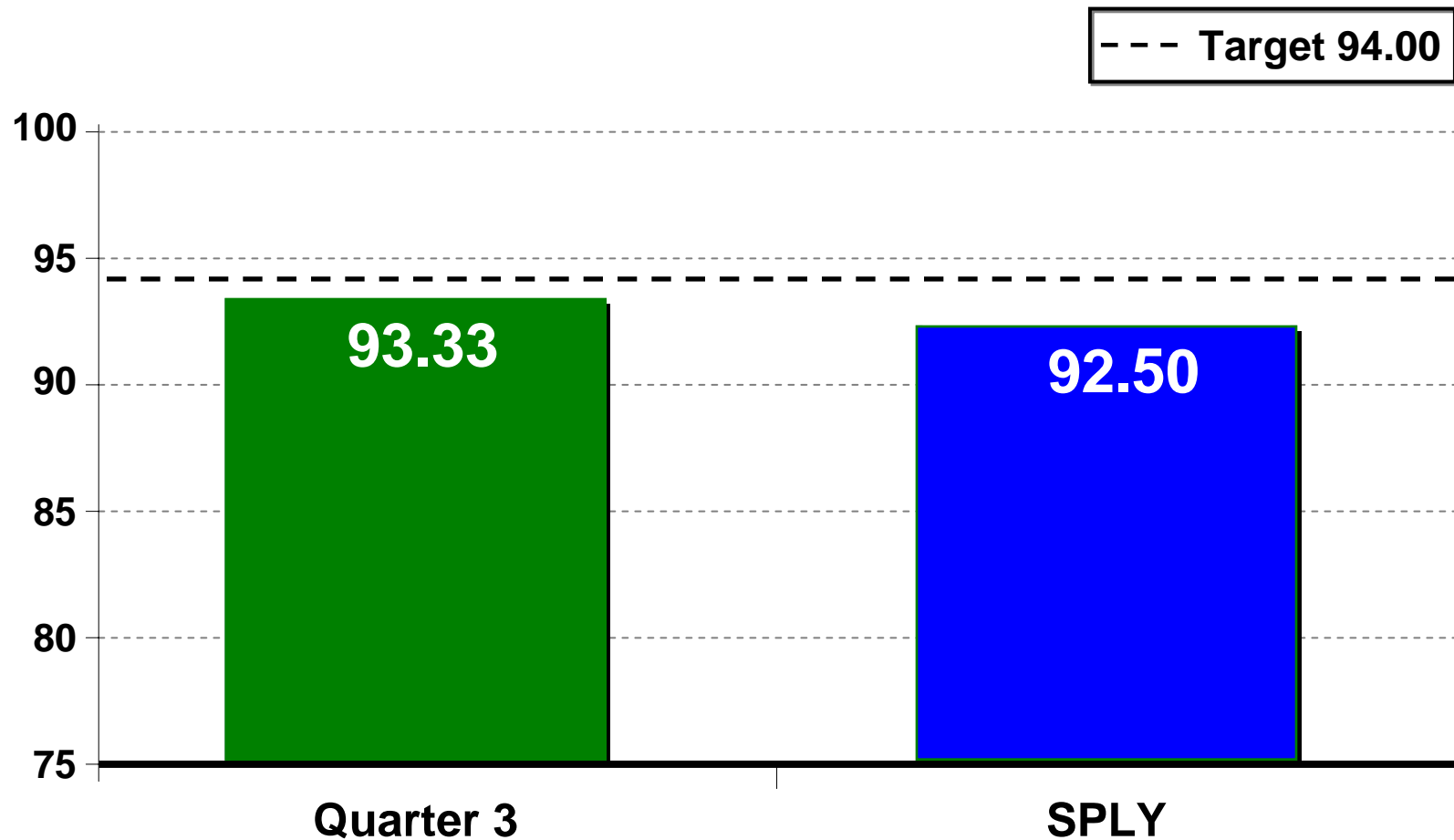
--- Target 92.85





Quarter 3 Performance

International – Single Piece First-Class

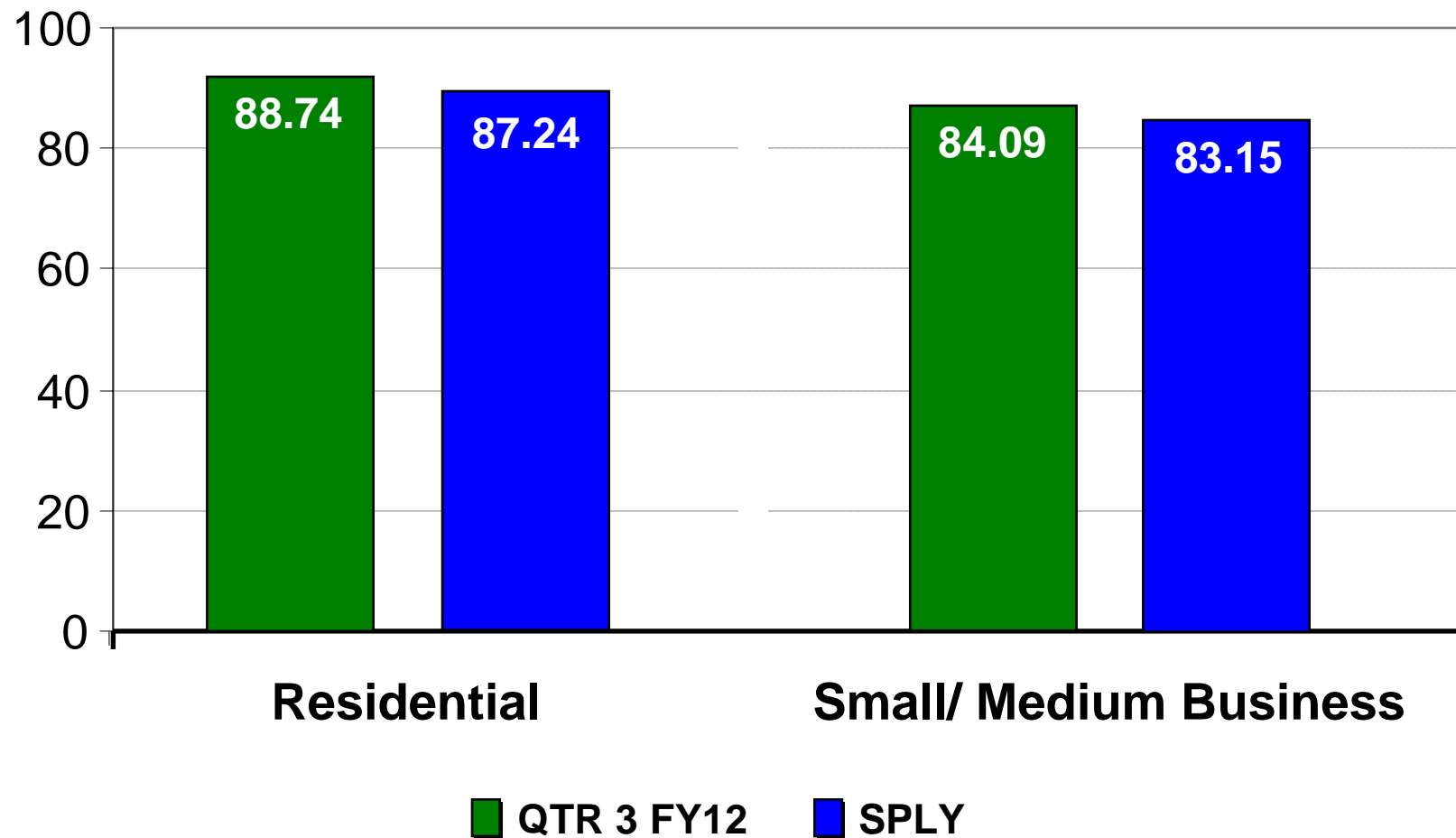


CUSTOMER EXPERIENCE MEASUREMENT (CEM)



Customer Experience Measurement

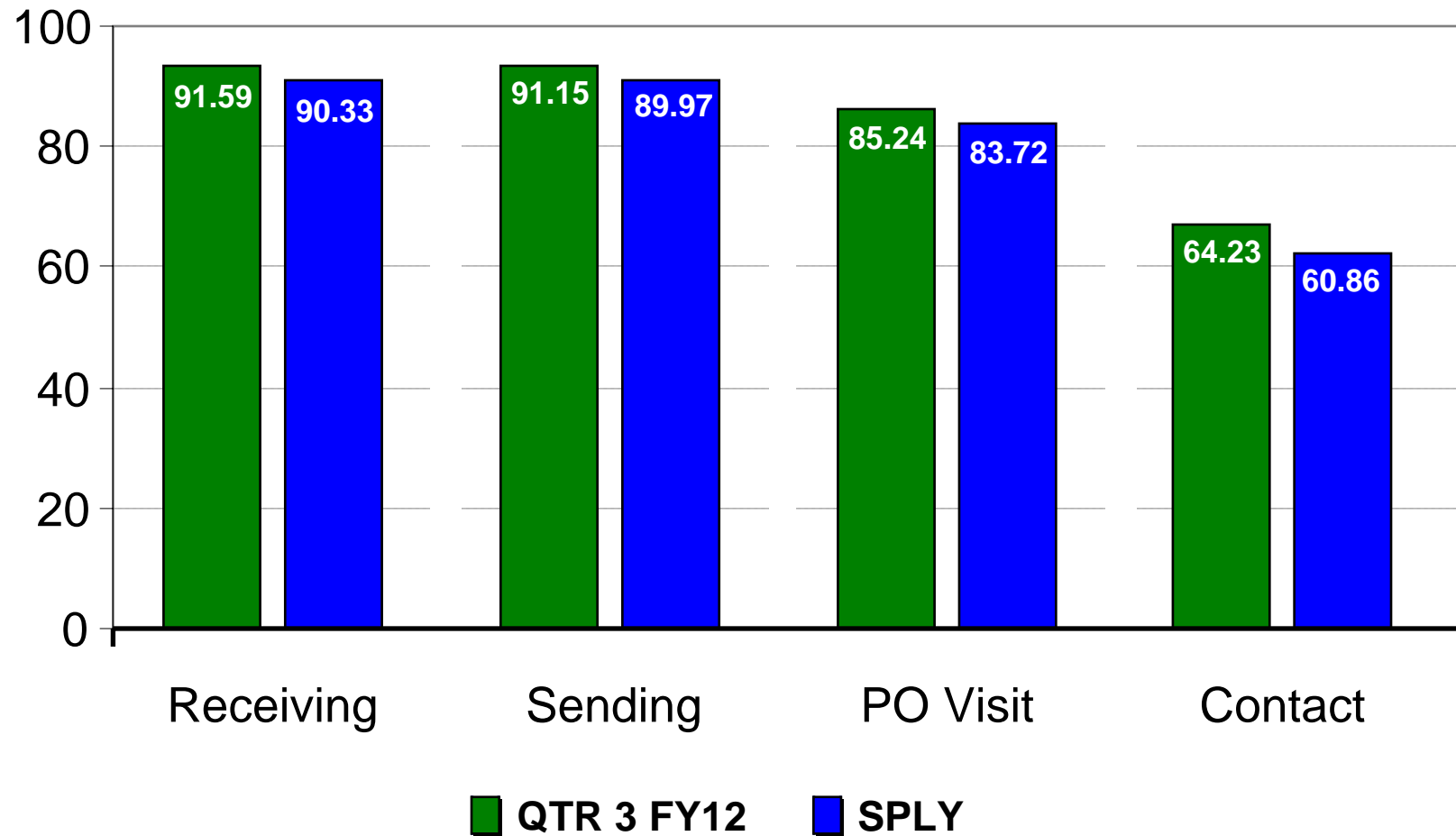
Overall Experience





Customer Experience Measurement

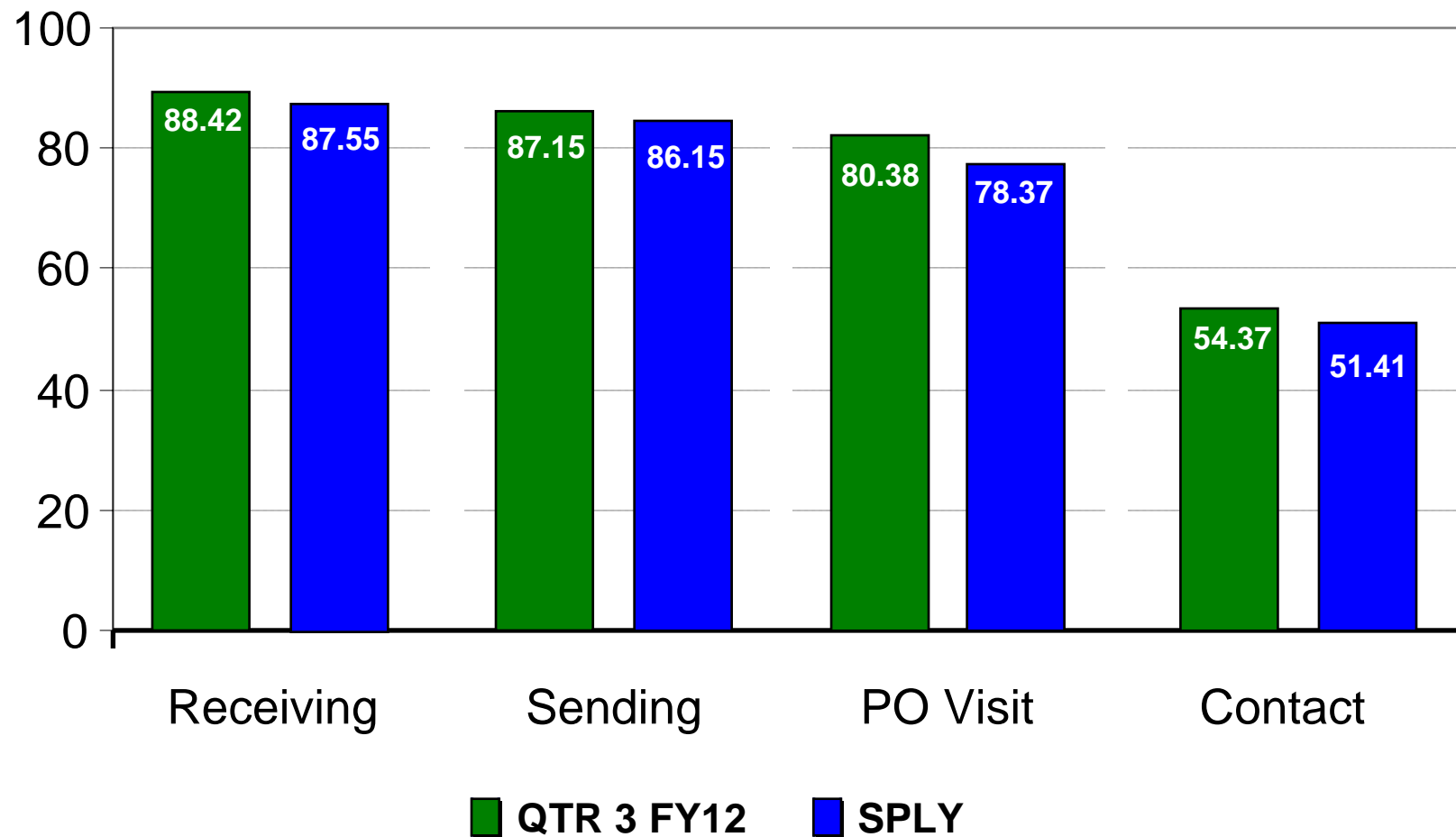
National - Residential





Customer Experience Measurement

National – Small Business





Improving Customer Experience

Areas of Focus

- **Employee Engagement**
 - Phase 3 of Customer Experience Essentials Rolled out in Qtr 3
- **Improved Diagnostic Tools**
 - Unit Level Action Plans
- **DRIVE Initiative**
 - DPMG Sponsorship

Quarter 3, Fiscal Year 2012

Service Performance and Customer Experience