UNITED STATES POSTAL SERVICE ®

POSTAL NEWS

FOR IMMEDIATE RELEASE

November 14, 2017

Contact: David Partenheimer
202.268.2599
david.a.partenheimer@usps.gov
usps.com/news

U.S. Postal Service Reports Fiscal Year 2017 Results

- *Volume for primary source of revenue - letter mail - declines by 5.0 billion pieces*
- *Continued aggressive management actions along with postal reform legislation & regulatory changes critically needed to address declining volumes and changing mail mix*

WASHINGTON - The U.S. Postal Service reported revenue of $69.6 billion for fiscal year 2017 (October 1, 2016 - September 30, 2017), a decrease of $1.8 billion compared to the prior year. The lower revenues were driven largely by accelerated declines in First-Class and Marketing Mail volumes.

In 2017, mail volumes declined by approximately 5.0 billion pieces, or 3.6 percent, while package volumes grew by 589 million pieces, or 11.4 percent, continuing a multi-year trend of declining mail volumes and increasing package volume. While mail volume declines for the year were somewhat offset by growth in package volume, overall volume has declined by 4.9 billion pieces.

The growth in our Shipping and Packages business provided some help to the financial picture of the Postal Service as revenue increased $2.1 billion, or 11.8 percent. However, that growth was offset in our financials by the decline in mail volumes discussed above, as well as a $1.1 billion 2016 noncash change in accounting estimate and the 2016 roll-back of the exigent surcharge mandated by the Postal Regulatory Commission which further reduced revenue by $1.1 billion from what it otherwise would have been.

"Our financial situation is serious, though solvable," said Postmaster General and CEO Megan J. Brennan. "There is a path to profitability and long-term financial stability. We are taking actions to control costs and compete effectively for revenues in addition to legislative and regulatory reform. We continue to optimize our network, enhance our products and services, and invest to better serve the American public."

Brennan stressed that the path forward for a financially stable future must also include urgent actions needed outside of the Postal Service's control. They include advancement and passage of the postal reform provisions contained in H.R. 756 in the 115th Congress and the adoption by the Postal Regulatory Commission of a new pricing system as part of its 10-year pricing review, enabling the Postal Service to generate sufficient revenues to cover our costs.

Operating expenses for the year were $72.2 billion, a decrease of $4.7 billion, or 6.1 percent, compared to the prior year, although this net reduction was largely attributable to changes in actuarially determined expenses outside of management's control. Expenses for retiree health benefits and workers compensation declined by $4.8 billion and $3.5 billion, respectively, but were partially offset by $2.4 billion in higher expenses for the amortization of unfunded retirement benefits, the result of statutory mandates effective for 2017 and changes in Office of Personnel Management actuarial assumptions. Expenses for compensation and benefits and transportation also added $667 million and $246 million, respectively, to 2017 operating expenses.

The Postal Service reported a net loss for the year of $2.7 billion, a decrease in net loss of $2.8 billion compared to 2016. Of this decline in net loss, $2.4 billion was the result of changes in interest rates, outside of management's control, that reduced workers' compensation expense compared to last year.

The controllable loss for the year was $814 million, a change of $1.4 billion, driven by the $775 million decline in operating revenue before the 2016 change in accounting estimate, along with the increases in compensation and benefits and transportation expenses of $667 million and $246 million, respectively.

Similar to the last several years, the Postal Service was unable to make any of the payments that were due to the federal government at the end of the fiscal year, which amounted to approximately $6.9 billion in 2017, to pre-fund pension and health benefits for postal retirees.

“Making the payments to the federal government in full or in part would have left the Postal Service with insufficient liquidity to ensure that we will be able to cover our current and anticipated operating costs, make necessary capital investments, and absorb any contingencies or changes in the marketplace," said Chief Financial Officer and Executive Vice President Joseph Corbett. "We will continue to prioritize the maintenance of adequate liquidity to ensure the Postal Service is able to perform our primary mission of providing universal service to all Americans."

FY 2017 Operating Revenue and Volume by Service Category Compared to Prior Year

The following presents revenue and volume by service category for the year ended September 30, 2017, and 2016:

	Revenue		Volume	
(revenue in $ millions; volume in millions of pieces)	**2017**	**2016**	**2017**	**2016**
Service Category				
First-Class Mail	25,637	$ 27,508	58,747	61,240
Marketing Mail	16,626	17,622	78,329	80,885
Shipping and Packages	19,481	17,427	5,748	5,159
International	2,723	2,674	1,003	1,005
Periodicals	1,375	1,507	5,301	5,586
Other	3,751	3,630	363	467
Total before change in accounting estimate	**$ 69,593**	**$ 70,368**	**149,491**	**154,342**
Change in accounting estimate	$ —	$ 1,061	—	—
Total operating revenue and volume	**$ 69,593**	**$ 71,429**	**149,491**	**154,342**

2016 Change in Accounting Estimate

During the third quarter of fiscal year 2016, the Postal Service revised the estimation technique utilized to determine its *Deferred revenue-prepaid postage* liability for a series of postage stamps. The change resulted from new information regarding customers' retention and usage habits of *Forever Stamps*, and enabled the Postal Service to update its estimate of usage and “breakage” (representing stamps that will never be used for mailing due to loss, damage or stamp collection).

As a result of this change in estimate, the Postal Service recorded a decrease in its *Deferred revenue-prepaid postage* liability as of June 30, 2016, which caused an increase in revenue and decrease in net loss of $1.1 billion for the year ended September 30, 2016. This change in accounting estimate resulted in a non-cash adjustment that does not impact the Postal Service's available cash or access to cash and does not affect its controllable loss.

Selected FY 2017 Results of Operations

This news release references *operating revenue before the change in accounting estimate* and *operating revenue before the temporary exigent surcharge*, which are not calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP).

The following table reconciles these non-GAAP operating revenue calculations with GAAP net loss for the year ended September 30, 2017, and 2016:

(results in $ millions)	2017	2016
Operating revenue		
Operating revenue before temporary exigent surcharge and change in accounting estimate	$ 69,593	$ 69,232
Temporary exigent surcharge[1]	—	1,136
Operating revenue before change in accounting estimate	**$ 69,593**	**$ 70,368**
Change in accounting estimate[2]	—	1,061
Total operating revenue	**$ 69,593**	**$ 71,429**
Other revenue	43	69
Total revenue	**$ 69,636**	**$ 71,498**
Total operating expenses	**$ 72,210**	**$ 76,899**
Interest and investment income (expense), net	(168)	(190)
Total expenses	**$ 72,378**	**$ 77,089**
Net loss	**$ (2,742)**	**$ (5,591)**

[1] The temporary exigent surcharge expired on April 10, 2016.

[2] This change in accounting estimate relates solely to changes in estimates of stamp usage and breakage for *Forever Stamps* sold from 2011 through June 30, 2016, reflected as a decrease in the *Deferred revenue-prepaid postage* liability as of June 30, 2016.

Controllable (Loss) Income

This news release references *controllable (loss) income*, which is not calculated and presented in accordance with GAAP. Controllable income (loss) is a non-GAAP financial measure defined as net income (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, PSRHBF prefunding expenses, the amortization of PSRHBF, CSRS and FERS unfunded liabilities, and the change in accounting estimate.

The following table reconciles the Postal Service's GAAP net loss to controllable (loss) income and illustrates the loss from ongoing business activities without the impact of non-controllable and non-recurring items for the years ended September 30, 2017, and 2016:

(in $ millions)	2017	2016
Net loss	**$ (2,742)**	**$ (5,591)**
PSRHBF supplemental unfunded liability expense[1]	955	—
PSRHBF prefunding fixed amount[2]	—	5,800
Change in workers' compensation liability resulting from fluctuations in discount rates	(1,362)	1,026
Other change in workers' compensation liability[3]	(850)	188
Change in accounting estimate[4]	—	(1,061)
CSRS supplemental unfunded liability expense[5]	1,741	—
FERS supplemental unfunded liability expense[6]	917	248
Change in normal cost of retiree health benefits due to revised actuarial assumptions[7]	527	—
Controllable (loss) income	**$ (814)**	**$ 610**

[1] Expense for the annual payment due by September 30, 2017, on the unfunded liability as calculated by OPM.

[2] Expense for the annual prefunding payments to the PSRHBF due on September 30, 2016, and 2015, upon which the Postal Service defaulted.

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

[4] This change in accounting estimate relates solely to changes in estimates of stamp usage and breakage for *Forever Stamps* sold from 2011 through June 30, 2016, reflected as a decrease in the *Deferred revenue-prepaid postage* liability as of June 30, 2016.

[5] Expense for the annual payment due September 30, 2017, calculated by OPM, to amortize the unfunded CSRS retirement obligation as of September 30, 2016, the date of the most recent available information. Payments are to be made in equal installments through 2043.

[6] Expense for the annual payment due September 30, 2017, calculated by OPM, to amortize the unfunded FERS retirement obligation as of September 30, 2016, the date of the most recent available information. Payments are to be made in equal installments through 2046.

[7] Represents the annual portion of the normal cost payment due September 30, 2017, attributable to revised actuarial assumptions and discount rate changes. The total normal cost payment amount, calculated by OPM, is $3.3 billion.

Complete financial results are available in the Form 10-K, available (after 9 am ET) at *http://about.usps.com/who-we-are/financials/welcome.htm*.

Financial Briefing

Postmaster General and CEO Megan J. Brennan and Chief Financial Officer 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 10:00 am ET on November 14, 2017, and is open to news media and all other interested parties.

How to Participate:

US/Canada Attendee Dial-in: 844-340-4622 Conference ID: 2597149

Attendee Direct URL: https://usps.webex.com/usps/onstage/g.php?MTID=e155a3970e3c030d38ac7aa046745d576

If you cannot join using the direct link above, please use the alternate logins below:
Alternate URL: https://usps.webex.com
Event Number: 993 038 707

The briefing will also be 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.

# # #