POSTAL NEWS

FOR IMMEDIATE RELEASE

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U.S. Postal Service Reports Fiscal Year 2018 Results

- *Overall volume decline of 3.2 billion pieces*
- *Net loss of $3.9 billion*
- *Urgent need to advance legislative and regulatory reforms, along with continued aggressive postal management actions to generate new revenue and control costs*

WASHINGTON - The U.S. Postal Service reported operating revenue of $70.6 billion for fiscal year 2018 (October 1, 2017 - September 30, 2018), an increase of $1.0 billion compared to the prior year. The higher revenues were driven largely by continued growth in the Shipping and Packages business, where revenue increased $2.0 billion, or 10.1 percent, which more than offset revenue declines in First-Class and Marketing Mail as a result of declining volumes in that segment of its business.

In 2018, First-Class Mail volumes declined by approximately 2.1 billion pieces, or 3.6 percent, while package volumes grew by 394 million pieces, or 6.8 percent, continuing a multi-year trend of declining mail volumes and increasing package volumes. Although mail volume declines were partially offset by growth in package volume, overall volume for the year declined by 3.2 billion pieces.

”The secular mail volume trends continue largely due to electronic diversion and transaction alternatives. We compete for business in every product line, every day from the first mile to last mile,” said Postmaster General and CEO Megan J. Brennan. “We are aggressively managing our business and continuing to focus on serving our customers and communities. However, the flawed business model imposed by law continues to be the root cause of our financial instability. We are seeking reforms that would allow the organization to reduce costs, grow revenue, compete more effectively, and function with greater flexibility to adapt to the marketplace and to invest in our future."

Brennan added that addressing these urgently needed reforms would then provide an opportunity to consider broader public policy issues and develop long-term solutions to continue to enable the Postal Service to best meet the needs of the American public.

During the fourth quarter of 2018, the Governors of the Postal Service made a decision to reduce the organization's debt level to reduce interest rate costs and to better reflect actual borrowing needs. The Postal Service subsequently reduced its debt by $1.8 billion, finishing the year with $13.2 billion in debt outstanding. The organization plans to reduce its debt level by an additional $2.2 billion as existing debt matures in February and May 2019.

Operating expenses for the year were $74.4 billion, an increase of $2.2 billion, or 3.1 percent, compared to the prior year. This was driven by an increase in compensation and benefits of $896 million due to contractual wage increases and increased transportation expenses of $623 million primarily due to higher package volume, increases in fuel prices and higher highway contract rates.

Expenses for workers compensation and retiree health benefits increased by $801 million and $221 million, respectively, largely attributable to changes in actuarially determined expenses outside of management's control. These increases were partially offset by a $260 million reduction in expenses for the amortization of unfunded retirement benefits.

The Postal Service reported a net loss for the year of $3.9 billion, an increase in net loss of $1.2 billion compared to 2017. The controllable loss for the year was $2.0 billion, an increase of $1.1 billion.

Similar to the last several years, the Postal Service was unable to make the $6.9 billion in payments that were due to the federal government at the end of fiscal year 2018 to pre-fund pension and health benefits for postal retirees, without putting its ability to fulfill its primary mission at undue risk.

“We made the difficult decision to prioritize the maintenance of adequate liquidity to ensure the continued achievement of the Postal Service’s primary mission of providing universal postal services to the American people," said Chief Financial Officer and Executive Vice President Joseph Corbett. "Making the pre-funding payments in full or in part would have left the Postal Service with insufficient liquidity to ensure the continued achievement of our mission."

Corbett added that the inability to make these payments does not affect the continued receipt or accrual of these benefits by retirees and employees.

FY 2018 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, 2018, and 2017:

	Revenue		Volume	
(revenue in $ millions; volume in millions of pieces)	**2018**	**2017**	**2018**	**2017**
Service Category				
First-Class Mail	$ 24,976	$ 25,689	56,714	58,834
Marketing Mail	16,512	16,626	77,269	78,329
Shipping and Packages	21,507	19,529	6,152	5,758
International	2,630	2,614	941	1,001
Periodicals	1,277	1,375	4,993	5,301
Other	3,720	3,760	333	367
Total operating revenue and volume	**$ 70,622**	**$ 69,593**	**146,402**	**149,590**

Selected FY 2018 and 2017 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 twelve months ended September 30, 2018, and 2017:

(results in $ millions)	**2018**	**2017**
Operating revenue	**$ 70,622**	**$ 69,593**
Other revenue	38	43
Total revenue	**$ 70,660**	**$ 69,636**
Total operating expenses	**$ 74,445**	**$ 72,210**
Interest and investment income (expense), net	(128)	(168)
Total expenses	**$ 74,573**	**$ 72,378**
Net loss	**$ (3,913)**	**$ (2,742)**
PSRHBF unfunded liability amortization expense[1]	815	955
Change in workers' compensation liability resulting from fluctuations in discount rates	(1,066)	(1,362)
Other change in workers' compensation liability[2]	(323)	(850)
CSRS unfunded liability amortization expense[3]	1,440	1,741
FERS unfunded liability amortization expense[4]	958	917
Change in normal cost of retiree health benefits due to revised actuarial assumptions[5]	138	527
Controllable loss	**$ (1,951)**	**$ (814)**

[1] Expense for the annual payment due by September 30, 2018, and 2017, on the unfunded liability as calculated by OPM.

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

[3] Expense for the annual payments due September 30, 2018, and 2017, calculated by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made in equal installments through 2043.

[4] Expense for the annual payment due September 30, 2018, and 2017, calculated by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made in equal installments through 2047.

[5] Represents the annual portion of the normal cost payment due September 30, 2018, and 2017, attributable to revised actuarial assumptions and discount rate changes. The total normal cost payment amount, calculated by OPM, is $3.7 billion and $3.3 billion, respectively.

Complete financial results are available in the Form 10-K, available 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 11:00 am ET on November 14, 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: 3592257

Attendee Direct URL: https://usps.webex.com/usps/onstage/g.php?MTID=e3161da429260c672d3fe035cac2519ab

If you cannot join using the direct link above, please use the alternate logins below:
Alternate URL: https://usps.webex.com
Event Number: 997 025 409

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.

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