

Financial Results FY2016

Media Call
November 15, 2016

September YTD (12 months) (Billions)	FY 2016	FY 2015
Revenue (Excluding Temporary Exigent Surcharge) ^{1, 4}	\$ 69.4	\$ 66.8
Temporary Exigent Surcharge ²	<u>1.1</u>	<u>2.1</u>
Total Revenue	70.5	68.9
Controllable Expenses ^{3, 4}	<u>69.9</u>	<u>67.7</u>
Controllable Income (Loss) ^{1, 2, 3, 4}	0.6	1.2
Retiree Health Benefits Pre-Funding	(5.8)	(5.7)
Workers' Comp. Fair Value and Other Non-Cash Adj.	(1.3)	(0.4)
FERS Unfunded Liability Amortization	(0.2)	(0.2)
Change in Accounting Estimate ⁵	<u>1.1</u>	<u>-</u>
Net Income (Loss) ⁴	<u>\$ (5.6)</u>	<u>\$ (5.1)</u>
Volume (pieces)	153.9	154.0

1 - Change in Accounting Estimate is excluded from Revenue for this presentation.

2 - Temporary exigent surcharge expired April 10, 2016.

3 - Before RHB pre-funding, non-cash adjustments to workers' compensation liabilities and FERS unfunded liability amortization, which are excluded from controllable expenses.

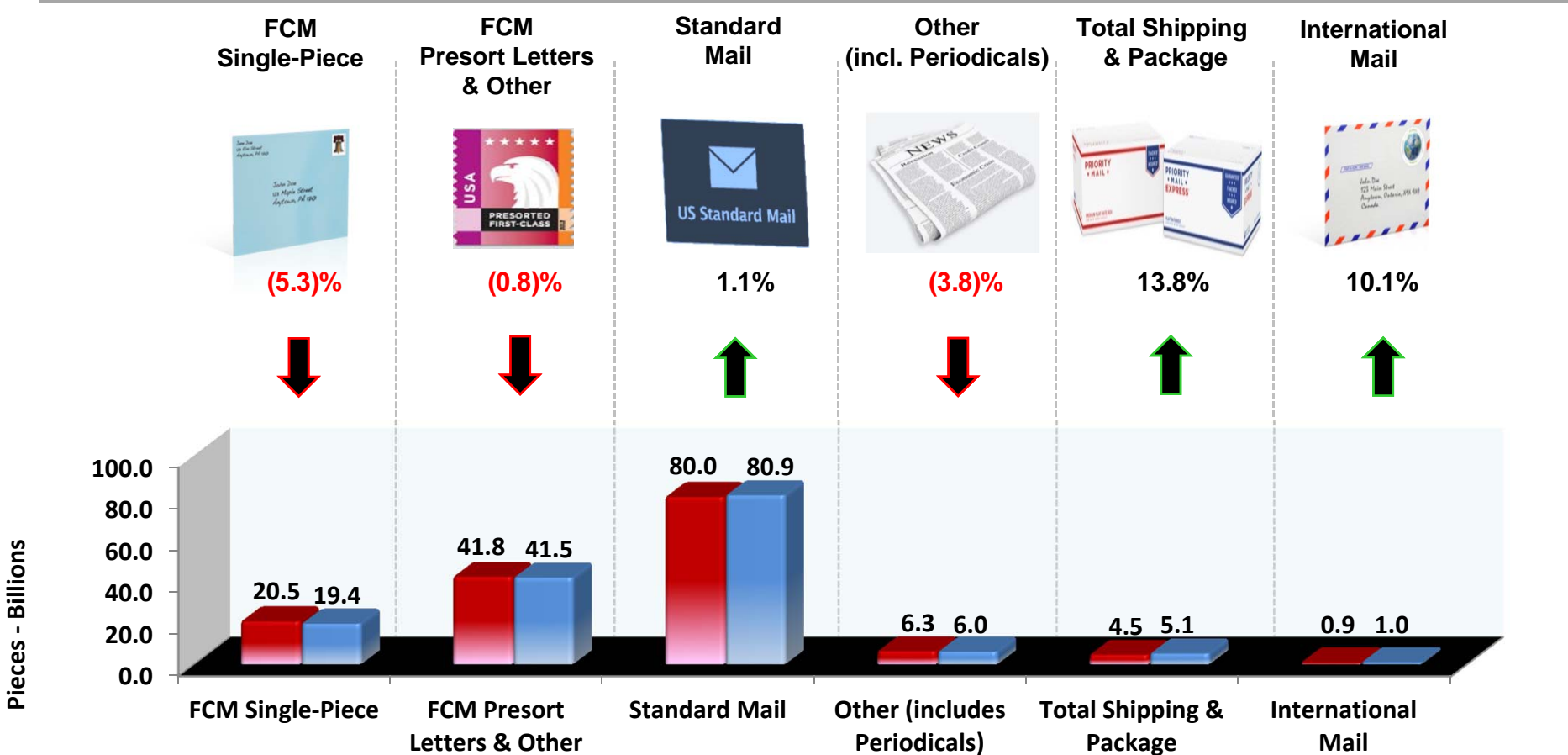
4 - September YTD FY2016 has 0.25 more retail day and one more delivery day as compared to FY2015.

5 - Newly available data on prepaid postage resulted in a \$1.1B decrease in the liability for deferred revenue - prepaid postage and a corresponding increase in revenue.

FY2015
154.0B

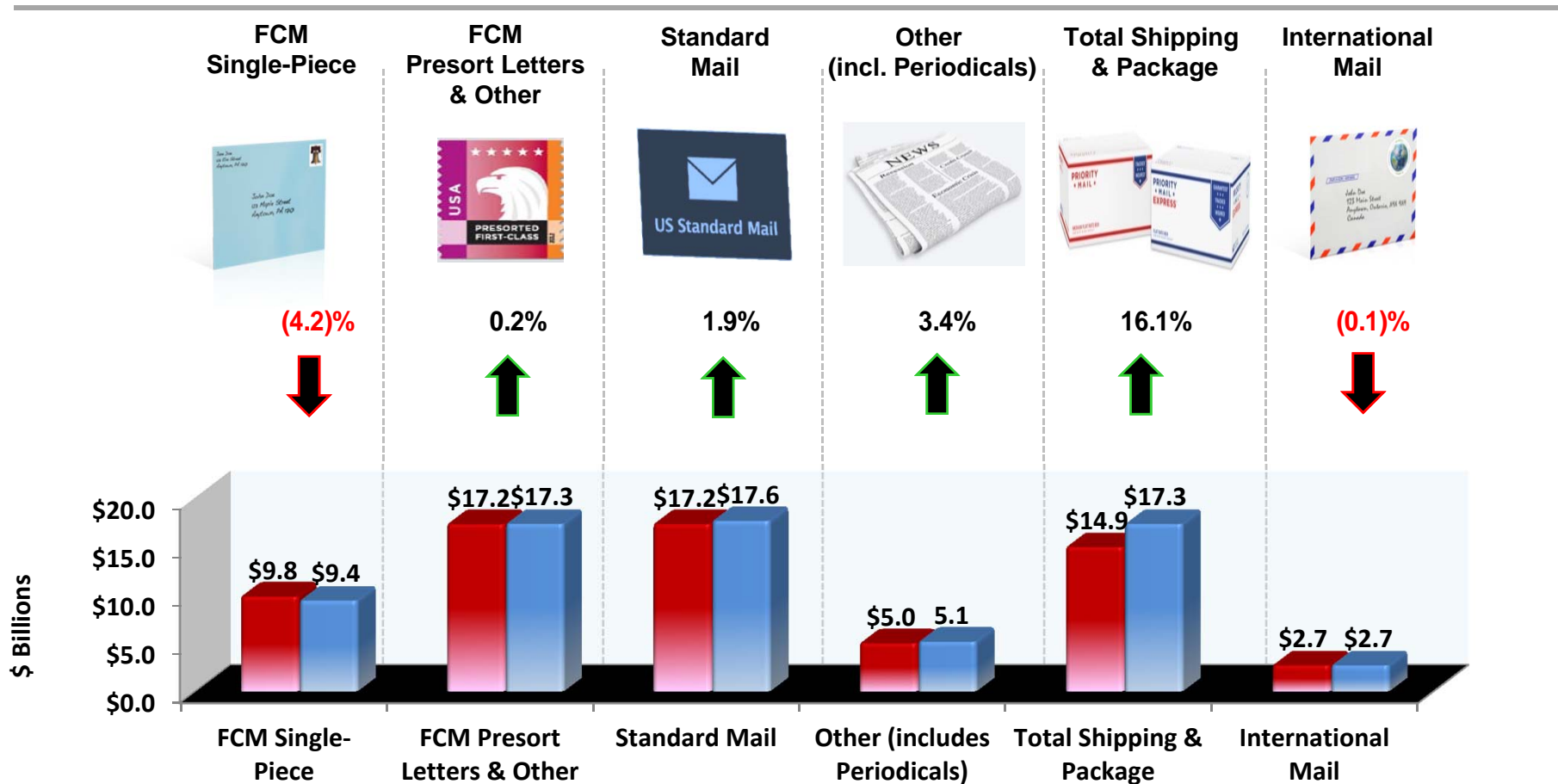
↓ 0.1B

FY2016
153.9B



Total Revenue FY2016 September YTD vs. SPLY

(EXCLUDES 2015 & 2016 Exigent Surcharge & Deferred Revenue Adjustment in 2016)



September YTD (12 months) (Billions)	FY 2016	FY 2015
Revenue (Excluding Temporary Exigent Surcharge) ^{1, 4}	\$ 69.4	\$ 66.8
Temporary Exigent Surcharge ²	1.1	2.1
Total Revenue	70.5	68.9
Controllable Expenses ^{3, 4}	69.9	67.7
Controllable Income (Loss) ^{1, 2, 3, 4}	0.6	1.2
Retiree Health Benefits Pre-Funding	(5.8)	(5.7)
Workers' Comp. Fair Value and Other Non-Cash Adj.	(1.3)	(0.4)
FERS Unfunded Liability Amortization	(0.2)	(0.2)
Change in Accounting Estimate ⁵	1.1	-
Net Income (Loss) ⁴	\$ (5.6)	\$ (5.1)
Volume (pieces)	153.9	154.0

1 - Change in Accounting Estimate is excluded from Revenue for this presentation.

2 - Temporary exigent surcharge expired April 10, 2016.

3 - Before RHB pre-funding, non-cash adjustments to workers' compensation liabilities and FERS unfunded liability amortization, which are excluded from controllable expenses.

4 - September YTD FY2016 has 0.25 more retail day and one more delivery day as compared to FY2015.

5 - Newly available data on prepaid postage resulted in a \$1.1B decrease in the liability for deferred revenue - prepaid postage and a corresponding increase in revenue.

September YTD (12 Months)	FY	FY
(Billions)	2016	2015
Compensation & Benefits ^{1, 2}	\$53.2	\$51.8
Transportation	7.0	6.6
Depreciation	1.7	1.8
Supplies & Services	2.8	2.7
Rent, Utilities & Other	5.2	4.8
Controllable Expenses	<u>\$ 69.9</u>	<u>\$ 67.7</u>
Workhours (Millions) ¹	1,158	1,128

1 - Delivery days were one more compared to SPLY.

2 - Before RHB pre-funding, non-cash adjustments to workers' compensation liabilities and FERS unfunded liability amortization, which are excluded from controllable expenses.

September YTD (12 months) (Billions)	FY 2016	FY 2015
Revenue (Excluding Temporary Exigent Surcharge) ^{1, 4}	\$ 69.4	\$ 66.8
Temporary Exigent Surcharge ²	1.1	2.1
Total Revenue	70.5	68.9
Controllable Expenses ^{3, 4}	69.9	67.7
Controllable Income (Loss) ^{1, 2, 3, 4}	0.6	1.2
Retiree Health Benefits Pre-Funding	(5.8)	(5.7)
Workers' Comp. Fair Value and Other Non-Cash Adj.	(1.3)	(0.4)
FERS Unfunded Liability Amortization	(0.2)	(0.2)
Change in Accounting Estimate ⁵	1.1	-
Net Income (Loss) ⁴	\$ (5.6)	\$ (5.1)
Volume (pieces)	153.9	154.0

1 - Change in Accounting Estimate is excluded from Revenue for this presentation.

2 - Temporary exigent surcharge expired April 10, 2016.

3 - Before RHB pre-funding, non-cash adjustments to workers' compensation liabilities and FERS unfunded liability amortization, which are excluded from controllable expenses.

4 - September YTD FY2016 has 0.25 more retail day and one more delivery day as compared to FY2015.

5 - Newly available data on prepaid postage resulted in a \$1.1B decrease in the liability for deferred revenue - prepaid postage and a corresponding increase in revenue.

As of September 30, 2016

- **Total liabilities, including retirement obligations exceed assets by \$96 billion.**
- **It would take RHB legislative change and decades of annual profits to remedy this level of excess liabilities and unfunded retirement obligations.**

CSRS Fund Balance	\$174.4B	CSRS Actuarial Liability	\$191.9B
FERS Fund Balance	\$112.1B	FERS Actuarial Liability	\$115.9B
RHB Fund Balance	<u>\$51.9B</u>	Retiree Health Benefits Obligation	<u>\$104.0B</u>
Total Retirement-Fund Assets	\$338.4B	Total Retirement-Related Liabilities	\$411.8B
		Workers' Compensation	\$20.0B
		Debt	\$15.0B
Unrestricted Cash	\$8.1B	Accrued Compensation, benefits, and leave	\$4.6B
Land, Buildings & Equipment, net	\$15.3B	Deferred Revenue	\$2.3B
Other Assets	<u>\$1.8B</u>	Other	<u>\$5.4B</u>
Total Assets	\$363.6B	Total Liabilities	\$459.1B

- This slide includes all assets and liabilities of pension and post-retirement health benefits obligations.
- Items highlighted in yellow are not shown on our balance sheet under GAAP multi-employer rules and are the OPM's projected valuation as of September 30, 2016.

Questions ?

**Please Press *1 On Your
Telephone Keypad**

Complete Financial results are in the Form 10-K:
<http://about.usps.com/who-we-are/financials/welcome.htm>

Additional questions can be emailed to:
David.A.Partenheimer@usps.gov