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U.S. Postal Service Reports \$1.5 Billion Net Loss in Second Quarter

- Package Volume increased 14.4 percent over same quarter last year
- Mail volume decreases continued in second quarter
- Ongoing capital investments remain a priority

WASHINGTON — The U.S. Postal Service ended the second quarter of fiscal 2015 (Jan. 1, 2015 – March 31, 2015) with an operating revenue increase of \$223 million, or 1.3 percent, over the same period last year, and a net loss of \$1.5 billion. The increase in operating revenue was driven by a 14.4 percent growth in shipping and package volume. The net loss for the quarter was \$1.5 billion compared to a net loss of \$1.9 billion for the same period last year. Excluding a retiree health benefit prefunding expense, the net losses would have been \$44 million and \$447 million, respectively, for the quarters ended 2015 and 2014.

Operating expenses declined by \$160 million from the same quarter last year driven in part by favorable trends in workers' compensation expense. Excluding the decline in workers' compensation expense for the quarter, operating expenses increased by \$156 million, a reflection of higher compensation costs from growth in the labor-intensive shipping and package business, as well as higher retirement contribution rates mandated by the Office of Personnel Management.

Controllable income in the second quarter was \$313 million, an increase of \$52 million over the same period last year. This increase is primarily attributable to efforts associated with continued cost-cutting initiatives and enhanced revenue from strong shipping and package volume. Controllable income is defined as net income excluding retiree health benefits prefunding expense and expenses for interest rate and other non-cash workers' compensation expense, which are factors outside of management's control.

"We're pleased with the increase in our controllable net income compared to the same period last year, which demonstrates that our cost containment and revenue strategies are delivering results," said Postmaster General and Chief Executive Officer Megan Brennan. "We also took significant steps during the quarter to improve our long-term operating model, which will help drive greater long-term efficiencies throughout our network."

While shipping and package volume and revenue have demonstrated continued growth, volume and revenue from other products have declined. First-Class Mail and Standard Mail volumes declined 2.1 percent and 1.1 percent, respectively, during the second quarter compared to the same period last year.

"Shipping and Package Services are a key business driver, however, operating margins in this business are lower than in mailing services," said Chief Financial Officer and Executive Vice President Joseph Corbett. "And, while we're pleased to see a small increase in controllable income, to improve our margins, we'll need to make investments in our network infrastructure and delivery vehicles."

The Postal Service ended the quarter with \$6.1 billion in unrestricted cash, representing 22 days of operating cash. Considering that the Postal Service has reached its borrowing limit of \$15 billion, the current level of available liquidity is not sufficient to support both operations and prefund retiree health benefits.

Second Quarter Results of Operations Compared to Same Period Last Year

- Total mail volume of 37.7 billion pieces declined by 420 million pieces from 38.2 billion pieces for the same period last year.
 - Shipping and Package volume increased 14.4 percent.
 - First-Class Mail and Standard Mail volume declined by 2.1 percent and 1.1 percent, respectively.
- Operating revenue of \$16.9 billion increased by \$223 million or 1.3 percent.

- Operating expenses of \$18.4 billion decreased by \$160 million or 0.9 percent.

Complete financial results are available in the Form 10-Q, at <http://about.usps.com/who-we-are/financials/welcome.htm>

Financial Briefing

Postmaster General & CEO Megan J. Brennan and Chief Financial Officer and Executive Vice President Joseph Corbett will host a telephone/Web conference call **Fri., May 8** to discuss the financial results in more detail. The call will begin at 10 a.m. ET and is open to the news media and all other interested parties.

How to Participate:

Important Notice: To ensure your computer is set up to join the event, click on the link www.webex.com/jointest/

US/Canada Attendee Dial-in: (855) 293-5496
Conference ID: 23486889

Attendee Direct URL: <https://usps.webex.com/usps/onstage/g.php?MTID=e303366d8212228d33a4ad99534abef64>

If you cannot join using the direct link above, please use the alternate logins below:

Alternate URL: <https://usps.webex.com>
Event Number: 997 653 835

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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