UNITED STATES POSTAL SERVICE ®

POSTAL NEWS

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FOR IMMEDIATE RELEASE

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U.S. Postal Service Reports Fiscal Year 2016 Results

- *Net loss of $5.6 billion, driven by mandated retiree health benefits expenses*
- *Controllable income of $610 million*
- *Continued double-digit growth in revenue and volume in the Shipping and Packages business*
- *Enactment of postal reform legislation remains urgently needed*

WASHINGTON -- After accounting for a $5.8 billion retiree health benefit prefunding obligation, the U.S. Postal Service posted a net loss of approximately $5.6 billion for fiscal year 2016 (October 1, 2015 - September 30, 2016), as compared to a $5.1 billion net loss for the year ended September 30, 2015. Excluding this prefunding obligation, the Postal Service would have recorded net income of approximately $200 million in 2016.

“To drive growth in revenue and better serve our customers, we continue to invest in the future of the Postal Service by leveraging technology, improving processes and adjusting our network," said Postmaster General and CEO Megan J. Brennan. "In 2016, we invested $1.4 billion, an increase of $206 million over 2015, to fund some of our much-needed building improvements, vehicles, equipment and other capital projects."

The Shipping and Packages business continued its strong performance with revenue growth of $2.4 billion, or 15.8 percent. This was offset by a decline in First-Class Mail revenue of $925 million, or 3.3 percent, due largely to the exigent surcharge expiration and continuing electronic migration. These two trends, together with steady standard or advertising mail revenues, and a slight increase in other revenues account for the $1.6 billion growth in operating revenue.

"The Postal Service continues to win e-commerce customers and grow our package delivery business. We deliver more e-commerce packages to the home than any other shipper because of our predictable service, enhanced visibility and competitive pricing," said Brennan.

Overall, the Postal Service reported operating revenue of $70.4 billion for 2016, excluding a $1.1 billion change in accounting estimate recorded during the year. This equates to an increase of $1.6 billion, or 2.3 percent, over last year (See *Selected 2016 Results of Operations* table below). Revenue growth was achieved despite the April 2016 expiration of the exigent surcharge mandated by the Postal Regulatory Commission. As a result of this expiration, revenue for 2016 was lower by approximately $1 billion than what it otherwise would have been. Going forward, without the surcharge, the Postal Service expects its revenue to decline from what it otherwise would be by almost $2 billion per year.

Despite the positive trends in some aspects of its business, the net loss suffered by the Postal Service this year cannot be ignored. Even with continued proactive and aggressive management, such losses are likely to persist for the foreseeable future because of mandated costs such as an unaffordable retiree health benefits program that is not fully integrated with Medicare, and an ineffective pricing system.

"This is why legislative and regulatory reforms remain critical for us to meet the needs of the American public now and well into the future,” said Brennan.

Operating expenses increased in 2016 compared to last year. In addition to a $922 million increase in workers' compensation expense, compensation and benefits expenses increased by approximately $1.2 billion and transportation costs increased by $413 million. The growth in labor and transportation costs is largely due to the increase in Shipping and Packages volumes, which are more labor-intensive to process and require greater transportation capacity than mail. Transportation expense also increased to significantly improve service levels in 2016.

Controllable income for 2016 was $610 million compared to $1.2 billion for last year. In the day-to-day operation of its business, the Postal Service focuses on controllable income, which takes into account the impact of operational expenses including compensation and benefits; but does not reflect factors such as the legally-mandated expense to prefund retiree health benefits or the change in accounting estimate noted above (see *Controllable Income* below for a full description).

FY 2016 Revenue and Volume by Service Category Compared to Last Year
The following presents revenue and volume by category for the years ended September 30, 2016, and 2015:

	Revenue		Volume	
(revenue in $ millions; volume in millions of pieces)	**2016**	**2015**	**2016**	**2015**
Service Category				
First-Class Mail	$ 27,281	$ 28,206	60,922	62,353
Standard Mail	17,982	17,992	80,885	80,030
Shipping and Packages	17,307	14,942	5,134	4,510
International	2,695	2,702	1,006	913
Periodicals	1,507	1,589	5,544	5,838
Other	3,596	3,359	450	391
Total before change in accounting estimate	**$ 70,368**	**$ 68,790**	**153,941**	**154,035**
Change in accounting estimate	1,061	—	—	—
Total revenue and volume	**$ 71,429**	**$ 68,790**	**153,941**	**154,035**

Selected FY 2016 Results of Operations and Change in Accounting Estimate
During the three months ended June 30, 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 three months ended June 30, 2016, and 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 liquidity or access to cash and does not affect its controllable income.

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 reconciles these non-GAAP operating revenue calculations with GAAP net loss for the years ended September 30, 2016, and 2015:

(results in $ millions)	2016	2015
Operating revenue		
Operating revenue before temporary exigent surcharge	$ 69,232	$ 66,672
Temporary exigent surcharge*	1,136	2,118
Operating revenue after exigent surcharge before change in accounting estimate	**$ 70,368**	**$ 68,790**
Change in accounting estimate	1,061	—
Total operating revenue	**$ 71,429**	**$ 68,790**
Other revenue	69	138
Total revenue	**$ 71,498**	**$ 68,928**
Operating expenses	**$ 76,899**	**$ 73,826**
Other interest (income) expense, net	190	162
Total expenses	**$ 77,089**	**$ 73,988**
Net loss	**$ (5,591)**	**$ (5,060)**

* The temporary exigent surcharge expired on April 10, 2016.

Controllable Income

This news release references *controllable income*, which is not calculated and presented in accordance with GAAP. Controllable income 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 the mandated prefunding of retirement health benefits, actuarial revaluation of retirement liabilities, non-cash workers' compensation adjustments and the change in accounting estimate.

The following reconciles GAAP net loss to controllable income and illustrates the income from ongoing business activities without the impact of non-controllable and non-recurring items for the years ended September 30, 2016, and 2015:

(in $ millions)	2016	2015
Net loss	**$ (5,591)**	**$ (5,060)**
PSRHBF prefunding expense	5,800	5,700
Change in workers' compensation liability due to fluctuations in discount rates	1,026	809
Other change in workers' compensation liability[1]	188	(502)
Actuarial revaluation of retirement liability[2]	248	241
Change in accounting estimate	(1,061)	—
Controllable income	**$ 610**	**$ 1,188**

[1] This is a net amount that includes changes in assumptions, as well as the valuation of new claims and revaluation of existing claims, less claim payments for the applicable periods.

[2] Determined by OPM in 2015 to amortize the $3.6 billion unfunded FERS retirement obligation based on actuarial valuations and assumptions. The payments are to be made in equal installments over the next 30 years.

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 1:00 pm on November 15, 2016 ET and is open to news media and all other interested parties.

How to Participate:
US/Canada Attendee Dial-in: 855-293-5496 Conference ID: 8695123

Important Notice: *To ensure your computer is set up to join the event, click on the link* : Join Test Meeting

Attendee Direct URL: https://usps.webex.com/usps/onstage/g.php?MTID=e82366e535f1f244da103139ceaa7ffd8

If you cannot join using the direct link above, please use the alternate logins below:
Alternate URL: https://usps.webex.com
Event Number: 990 313 930

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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