POSTAL NEWS

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U.S. Postal Service Reports First Quarter Fiscal Year 2026 Results

- *Operating revenue was $22.2 billion, a 1.2 percent decrease compared to same quarter last year*
- *Controllable income was $350 million, down $618 million from same quarter last year*
- *Net loss increased nearly $1.4 billion compared to same quarter last year*
- *Postal Service has petitioned regulator to modify the Market Dominant ratemaking system to provide additional pricing authority and to repeal requirement for minimum remittance payments*

WASHINGTON - The U.S. Postal Service today announced its financial results for the first quarter of fiscal year 2026 (Oct. 1, 2025 - Dec. 31, 2025). Controllable income, which excludes certain expenses that are not controllable by management, was $350 million for the quarter, compared to $968 million for the same quarter last year.

Net loss for the quarter under generally accepted accounting principles (GAAP) totaled nearly $1.3 billion, compared to net income of $144 million for the same quarter last year. This change to net loss is attributed to an increase in workers' compensation expense of $634 million, operating revenue decrease of $264 million, an increase in retiree health benefits expense of $175 million, higher other operating expenses of $169 million, and higher transportation expenses of $43 million.

“While we are pleased that the holiday quarter was quite strong with regard to service improvement as measured by our on-time delivery scores and other important service performance metrics, we continue to face difficult systemic financial and business model headwinds,” said Postmaster General David Steiner. “To right our financial ship, we are aggressively pursuing growth strategies – which include creating new opportunities for businesses to leverage our vast last-mile delivery network – and driving greater efficiencies throughout our operations. We are convinced that these efforts, if combined with needed regulatory, administrative, and legislative changes, can meet the needs of the American public and return the Postal Service to long-term financial stability and strength.”

The Postal Service is in pursuit of further administrative and legislative reforms to remedy outdated and unwarranted financial and regulatory burdens that negatively impact our liquidity as we continue to strive to serve our customers in a fiscally responsible manner. These reforms include: changes in retiree pension benefit funding rules for the Civil Service Retirement System (CSRS) benefits, diversification of pension asset investments, raising the statutory debt ceiling, and workers' compensation administration reform.

The Postal Service also recently petitioned the Postal Regulatory Commission (PRC) for certain regulatory changes, including: modification of the Market Dominant ratemaking system through the elimination of the price cap and adoption of a regulatory monitoring ratemaking system in order to achieve the objectives of forging a sustainable path; alternatively, if the price cap is maintained, re-baselining the rates to ensure they are compensable while also maintaining adjustment factors to ensure that the system is flexible enough to deal with external circumstances that may arise; and repeal of the minimum remittance payment associated with retiree pension benefit amortization payments required by our regulator with regard to our retirement-based rate authority. Overall, we continue to urge the PRC to undertake a holistic review of our rate setting systems and make our financial sustainability a priority moving forward, as required by law.

Total operating revenue was $22.2 billion for the quarter, a decrease of $264 million, or 1.2 percent, compared to the same quarter last year. The decrease was due largely due to declining volumes in our First-Class Mail, Shipping and Packages, and Marketing Mail categories, partially offset by price increases for these same categories.

First-Class Mail revenue increased $68 million, or 1.0 percent, on a volume decline of 702 million pieces, or 6.1 percent, compared to the same quarter last year. Shipping and Packages revenue decreased $23 million, or 0.2

percent, on a volume decline of 243 million pieces, or 12.1 percent, compared to the same quarter last year. Marketing Mail revenue decreased $126 million, or 2.7 percent, on a volume decline of 1.8 billion pieces, or 10.9 percent, compared to the same quarter last year.

Total operating expenses increased $1.0 billion, or 4.6 percent, to $23.5 billion for the quarter, compared to the same quarter last year. The overall increase in operating expenses was primarily due to the impact of discount rates on workers' compensation costs, and increases in retiree health benefits costs, other operating costs, and transportation costs. Compensation and benefits, our largest expense component, was relatively flat compared to the same quarter last year.

"The financial results for the quarter continue to reflect the realities of our mandated cost structure and the ongoing decline in volume. We were able to offset these constraints to some degree by aggressively managing the costs under our control, including a 9 million work hour decrease during a successful peak season, which kept our largest expense component relatively flat," said Chief Financial Officer Luke Grossmann. "But for our strategy to truly succeed, further reforms and regulatory changes will be required on top of organizational efforts to find additional operational efficiencies and to develop revenue strategies and innovative products and offerings that generate growth."

First Quarter Fiscal Year 2026 Operating Revenue and Volume by Service Category Compared to Prior Year
The following table presents revenue and volume by service category for the years ended December 31, 2025 and 2024:

	Revenue		Volume	
(revenue in $ millions; volume in millions of pieces)	**2025**	**2024**	**2025**	**2024**
Service Category				
First-Class Mail	$ 7,105	$ 7,037	10,823	11,525
Marketing Mail	4,460	4,586	14,956	16,788
Shipping and Packages	9,313	9,336	1,770	2,013
International	251	384	51	79
Periodicals	223	242	568	681
Other	883	914	177	194
Total operating revenue and volume	**$ 22,235**	**$ 22,499**	**28,345**	**31,280**

Selected First Quarter Fiscal Year 2026 Results of Operations and Non-GAAP Measures
This news release includes c*ontrollable income* which is not calculated and presented in accordance with GAAP. This non-GAAP measure is calculated as net (loss) income adjusted for costs outside of management's control, including the accrued retiree health benefits top-up expense, workers' compensation expense caused by actuarial revaluation and discount rate changes, and the amortization of the CSRS and Federal Employee Retirement System (FERS) unfunded liabilities. These latter costs not only are largely outside of management's control but also can fluctuate significantly based on actuarial assumptions and interest rates.

This non-GAAP measure provides meaningful information to assist users of the Postal Service's financial statements to more fully understand the financial results and assess the Postal Service's ongoing performance because it excludes items that may not be indicative of, or are unrelated to, underlying operations.

Non-GAAP financial measures should be considered in addition to, and not as an alternative for, the Postal Service's reported results prepared in accordance with GAAP. This adjusted financial information does not represent a comprehensive basis of accounting.

The following table reconciles GAAP net (loss) income to our non-GAAP financial measure for the years ended December 31, 2025 and 2024:

(results in $ millions)	2025	2024
Net (loss) income	**$ (1,259)**	**$ 144**
Retiree health benefits top-up expense[1]	175	—
Workers' compensation non-cash expense (benefit)[2]	34	(626)
CSRS unfunded liability amortization expense[3]	825	850
FERS unfunded liability amortization expense[4]	575	600
Controllable income	**$ 350**	**$ 968**

[1] Expense for the accrual for the annual Postal Service Retiree Health Benefits Fund top-up payment due to OPM by September 30 of the respective fiscal year. OPM has estimated the top-up payment due on September 30, 2026 to be $700 million.

[2] Represents workers' compensation non-cash expense (benefit) resulting from fluctuations in discount rates, changes in assumptions, valuation of new claims, revaluation of existing claims, and the administrative fee paid to the U.S. Department of Labor, less current year claim payments.

[3] Expense for the annual payments due September 30 of the respective year, calculated by the Office of Personnel Management (OPM), to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the annual payments due September 30 of the respective year, calculated by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Financial results in the Form 10-Q are available at *http://about.usps.com/what/financials/*.

Forward-Looking Statements

Forward-looking statements contained in this release represent the Postal Service's best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this release use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project,” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. The Postal Service has no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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Please Note: The United States Postal Service is an independent federal establishment, mandated to be self-financing and to serve every American community through the affordable, reliable and secure delivery of mail and packages to more than 170 million addresses six and often seven days a week. Overseen by a bipartisan Board of Governors, the Postal Service is celebrating its 250th year of service to customers amidst a network modernization plan aimed at restoring long-term financial sustainability, improving service, and maintaining the organization as one of America’s most valued and trusted brands.

The Postal Service generally 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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