UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO 39 U.S.C. §3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

The following are definitions of some of the terms or acronyms that may be used throughout this report:

Term or Acronym	Definition
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
Annual Report	Annual Report on Form 10-K
APWU	American Postal Workers Union, AFL-CIO
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Board	Board of Governors of the United States Postal Service
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CODM	Chief Operating Decision Maker
COFA	Compacts of Free Association
COLA(s)	Cost-of-living adjustment(s)
COVID-19	Coronavirus
CPI-U	Consumer Price Index for All Urban Consumers
CSRS	Civil Service Retirement System
DOL	U.S. Department of Labor
DPMG	Deputy Postmaster General
Exchange Act	*Securities and Exchange Act of 1934*, enacted as Public Law 73-291
FAS	Freely Associated States
FASB	Financial Accounting Standards Board
FECA	*Federal Employees' Compensation Act*
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
FMLA	*Family Medical Leave Act*
GAAP	Generally accepted accounting principles in the U.S.
HHS	U.S. Department of Health and Human Services
House	U.S. House of Representatives
IRA	*Inflation Reduction Act of 2022*, enacted as Public Law 117-169
NALC	National Association of Letter Carriers, AFL-CIO
NPMHU	National Postal Mail Handlers Union, AFL-CIO
NRLCA	National Rural Letter Carriers Association
OIG	U.S. Postal Service Office of Inspector General
OPM	U.S. Office of Personnel Management
OWCP	Office of Workers' Compensation Programs
PAEA	*Postal Accountability and Enhancement Act*, enacted as Public Law 109-435
P&DC	Processing and Delivery Center
PMG	Postmaster General
PRA	*Postal Reorganization Act*, enacted as Public Law 91-375

Term or Acronym	Definition
PRC	Postal Regulatory Commission
President	U.S. President
PSHB	Postal Service Health Benefits
PSRA	*Postal Service Reform Act of 2022*, enacted as Public Law 117-108
PSRHBF	Postal Service Retiree Health Benefits Fund
RFA	*Revenue Forgone Reform Act*, enacted as Public Law 103-123
SEC	U.S. Securities and Exchange Commission
Senate	U.S. Senate
TSP	Thrift Savings Plan
U.S.	United States
U.S.C.	U.S. Code
USPS	U.S. Postal Service
VP	Vice President

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31,	
(in millions)	**2024**	**2023**
Revenue:		
Operating revenue	$ 22,499	$ 21,614
Other revenue	38	3
Total revenue	**22,537**	**21,617**
Operating expenses:		
Compensation and benefits	14,653	14,035
Retirement benefits	2,695	2,581
Workers' compensation	(148)	1,603
Transportation	2,198	2,524
Other operating expenses	3,061	3,062
Total operating expenses	**22,459**	**23,805**
Income (loss) from operations	**78**	**(2,188)**
Interest and investment income	213	249
Interest expense	(147)	(133)
Net income (loss)	**$ 144**	**$ (2,072)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	December 31, 2024	September 30, 2024
	(unaudited)	
Current Assets:		
Cash and cash equivalents	$ 6,597	$ 4,617
Restricted cash	2,269	2,005
Short-term investments	8,111	9,513
Restricted investments	400	682
Receivables, net (less allowances of $177 and $168)	1,243	1,387
Supplies, advances, and prepayments	402	309
Total current assets	**19,022**	**18,513**
Restricted cash, noncurrent	595	66
Restricted investments, noncurrent	2,817	2,655
Property and equipment, net	18,835	18,525
Operating lease right-of-use assets	5,168	5,169
Other assets	644	639
Total assets	**$ 47,081**	**$ 45,567**
Current Liabilities:		
Compensation and benefits	$ 4,027	$ 2,237
Retirement benefits	28,876	27,292
Workers' compensation	1,663	1,591
Payables and accrued expenses	2,818	2,904
Deferred revenue-prepaid postage	2,999	2,884
Operating lease liabilities	1,165	1,173
Customer deposit accounts	1,206	1,232
Other current liabilities	1,548	1,647
Total current liabilities	**44,302**	**40,960**
Workers' compensation, noncurrent	12,936	14,746
Operating lease liabilities, noncurrent	4,164	4,152
Employees' accumulated leave, noncurrent	2,276	2,467
Other noncurrent liabilities	891	874
Long-term debt	15,000	15,000
Total liabilities	**79,569**	**78,199**
Net Deficiency:		
Capital contributions of the U.S. government	16,132	16,132
Deficit since 1971 reorganization	(48,620)	(48,764)
Total net deficiency	**(32,488)**	**(32,632)**
Total liabilities and net deficiency	**$ 47,081**	**$ 45,567**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three months ended December 31, 2023

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2023	**$ 16,132**	**$ (39,244)**	**$ (23,112)**
Net loss	—	(2,072)	(2,072)
Balance, December 31, 2023	**$ 16,132**	**$ (41,316)**	**$ (25,184)**

See accompanying notes to the unaudited financial statements.

For the three months ended December 31, 2024

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2024	**$ 16,132**	**$ (48,764)**	**$ (32,632)**
Net income	—	144	144
Balance, December 31, 2024	**$ 16,132**	**$ (48,620)**	**$ (32,488)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended December 31,	
(in millions)	2024	2023
Cash flows from operating activities:		
Net income (loss)	$ 144	$ (2,072)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	526	463
Other, net	52	(11)
Decrease in operating lease right-of-use assets	1	85
(Decrease) increase in noncurrent workers' compensation	(1,810)	97
Increase (decrease) in noncurrent operating lease liabilities	12	(37)
Decrease in other noncurrent liabilities	(168)	(52)
Changes in current assets and liabilities:		
Receivables, net	144	17
Other current assets	(93)	(86)
Retirement benefits	1,584	1,490
Payables, accrued expenses, and other	1,709	973
Operating lease liabilities	(8)	(47)
Deferred revenue-prepaid postage and other deferred revenue	93	15
Net cash provided by operating activities	**2,186**	**835**
Cash flows from investing activities:		
Purchases of property and equipment	(878)	(1,218)
Proceeds from sales of property and equipment	38	3
Purchases of short-term investments	(3,000)	(4,500)
Purchases of restricted investments	(566)	(360)
Redemption of short-term investments	4,300	4,500
Redemption of restricted investments	700	276
Net cash provided by (used in) investing activities	**594**	**(1,299)**
Cash flows from financing activities:		
Payments on finance lease obligations	(7)	(7)
Net cash used in financing activities	**(7)**	**(7)**
Net increase (decrease) in cash, cash equivalents & restricted cash	2,773	(471)
Cash, cash equivalents & restricted cash - beginning of period	6,688	9,634
Cash, cash equivalents & restricted cash - end of period	**$ 9,461**	**$ 9,163**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 135	$ 114

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of the United States Postal Service (the “Postal Service,” “USPS,” “we,” “our,” and “us”) have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the SEC Regulation S-X. These financial statements should be read in conjunction with our financial statements for the year ended September 30, 2024, included in our Annual Report filed with the PRC on November 14, 2024, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2025 and 2024.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position of the Postal Service as of December 31, 2024, the results of operations for the three months ended December 31, 2024 and 2023, the changes in net deficiency for the three months ended December 31, 2024 and 2023, and the cash flows for the three months ended December 31, 2024 and 2023. Operating results for the three months ended December 31, 2024 are not necessarily indicative of the results that may be expected for all of 2025. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued ASU 2023-07 *Improvements to Reportable Segment Disclosures* (“ASU 2023-07”), which has since been codified in ASC 280, *Segment Reporting*. This ASU is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. It mandates entities to disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit or loss. It also requires entities to disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment profit or loss and segment revenue less significant segment expenses. Entities are also required to provide all annual disclosures about a reportable segment’s profit or loss and assets currently required by ASC 280 in interim periods. Finally, entities must disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss. This ASU does not change how an entity identifies a reportable segment. We do not operate in segments; we report our performance as a single business. This ASU is effective for our annual periods beginning on October 1, 2024 and interim periods beginning on October 1, 2025. We are currently evaluating the impact of the new rules on our financial statements and disclosures; we do not expect the impact of these amendments to be material.

In March 2024, the SEC adopted final rules requiring public entities to provide certain climate-related disclosures, including estimates of greenhouse gas emissions, in their registration statements and annual reports. As part of the disclosures, entities will be required to quantify effects of severe weather events and other natural conditions in notes to their audited financial statements. On April 4, 2024, the SEC paused the implementation of the final rules pending judicial review and as of the date of this report the judicial review is still in process. Assuming the implementation timelines for the rules remain the same, we will begin to adopt the rules for our 2026 fiscal year. We are currently evaluating the impact of the new rules on our financial statements and disclosures.

In November 2024, the FASB issued ASU 2024-03 *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Disaggregation of Income Statement Expenses)*. The new standard requires disclosure in the notes to the financial statements of additional specified information about certain costs and expenses. The standard does not change or remove current expense disclosure requirements. This ASU is effective for our annual periods beginning on October 1, 2027 and interim periods beginning on October 1, 2028. We are currently evaluating the impact of the new rules on our financial statements and disclosures.

NOTE 3 - LIQUIDITY

The following table presents our cash, cash equivalents, and restricted cash included in our accompanying unaudited *Statements of Cash Flows* as of December 31, 2024 and December 31, 2023:

(in millions)	December 31, 2024	December 31, 2023
Cash and cash equivalents	$ 6,597	$ 7,291
Restricted cash, current	2,269	1,432
Restricted cash, noncurrent	595	440
Total cash, cash equivalents, and restricted cash	**$ 9,461**	**$ 9,163**

Liquidity Management
We manage our liquidity through cash and cash equivalents, short-term investments, and borrowing capacity. We currently have no borrowing capacity as we are at our $15.0 billion total debt statutory limit.

The following table presents the components of our unrestricted liquidity as of December 31, 2024 and September 30, 2024:

(in millions)	December 31, 2024	September 30, 2024
Cash and cash equivalents	$ 6,597	$ 4,617
Short-term investments	8,111	9,513
Total liquidity	**$ 14,708**	**$ 14,130**

Cash and Cash Equivalents
We generate our cash almost entirely from the sale of postal products and services. We hold our *Cash and cash equivalents* with the Federal Reserve Bank of New York and invest our excess cash, when available and not immediately necessary for operations, in highly liquid, short-term investments issued by the U.S. Treasury. See *Note 6 - Investments* for additional information on our investments.

Debt and Borrowing Capacity
We are authorized by the PRA to raise cash through the issuance of debt obligations. The PRA requires us to notify the Secretary of the Treasury of our intent to issue debt and to allow the U.S. Treasury the first option to purchase such obligations. We coordinate with the FFB, a government-owned corporation under the general supervision of the Secretary of the Treasury, on these notifications.

Liquidity Concerns
We continue to face systemic imbalances that make our current operating model unsustainable. As communicated in the *Delivering for America* plan, we are implementing strategic operational reforms to meet the changing needs of our business and residential customers. While significant progress has been made, the success of the plan still requires complete implementation of numerous management initiatives. Furthermore, administrative and legislative reforms are still required to address the following:

- Retiree pension benefit funding rules determining how OPM apportions the costs for the CSRS benefits for employees and retirees that worked for both the Postal Service and the Post Office Department;
- Reconsideration of withdrawal and mortality assumptions for retiree pension liability calculations;
- Diversification of pension assets and the ability to invest in market-based instruments to allow greater flexibility;
- Statutory debt limit of $15.0 billion, which was set by Congress in the 1970s, to access the capital necessary to continue to compete with private sector companies that have access to credit and capital markets; and
- Workers' compensation administration to adopt private sector best practices.

Shortfalls or delays in implementation of the plan will place additional pressure on our liquidity and financial results. As a result of these concerns, we may not have sufficient liquidity to meet all of our existing legal obligations when due while also repaying our maturing debt and making the critical infrastructure investments that have been deferred in recent years, and that are necessary to fulfill our primary mission.

Business Model Challenges and Constraints

We are constrained by laws and regulations which restrict revenue sources, mandate certain expenses, and have significantly affected our ability to cover all legally imposed costs. Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change, and some of these costs have historically increased at a higher rate than inflation. Such expenses include amortization payments to provide full funding of retiree pension benefits that must be funded through the sale of postal products and services and that are therefore unlike those imposed on most other federal entities who receive appropriations for such charges. As a result, we have experienced many years of net losses, and our liabilities greatly exceed our assets.

Mail volumes, representing *First-Class Mail* and *Marketing Mail*, have declined 49% between 2007 and 2024. Despite these declines, mail services still accounted for more than half of our operating revenue in 2024. While we have received some additional pricing flexibility from the PRC in recent years, mail services are subject to an inflation-based price cap system that limits our ability to offset declining volumes or generate increased revenue.

However, our costs are not similarly constrained or capped, and we continue to be constrained by law, or by contract, from reducing many of our costs or from pursuing many alternate sources of revenue. A large portion of our cost structure cannot be altered expeditiously due to our universal service mission. Many employee costs, such as compensation and employee health benefit premiums, are subject to contractual arrangements. Other employee costs, such as workers' compensation costs and retiree pension benefit amortization costs, are mandated by law. The allocation of retiree pension benefit amortization costs related to CSRS employees who worked for both the Post Office Department and the Postal Service cannot be altered without legislative reform. See *Note 9 - Retirement Plans*, *Note 10 - Health Benefits Plans,* and *Note 11 - Workers' Compensation* for further information on statutorily mandated costs.

Furthermore, the number of delivery points continues to grow with an increase of 2.0 million in 2024, which drives up delivery costs. When combined with lower mail volume, this has resulted in a drop in the average number of pieces delivered per delivery point per day from 5.5 pieces in 2007 to 2.5 pieces in 2024, a decline of 55%.

Past Due Obligations

In order to preserve liquidity and ensure that our ability to fulfill our primary mission is not placed at undue risk, we have not made certain annual amortization payments to OPM for CSRS and FERS. In 2024, 2023 and 2022, we were unable to make any of the CSRS payments of $3.2 billion, $3.0 billion and $2.3 billion and the full payments of $2.3 billion, $2.1 billion and $1.6 billion towards our FERS obligations, respectively. However, we did remit partial payments of $1.0 billion, $600 million and $500 million towards our FERS obligation for 2024, 2023 and 2022, respectively.

The following table presents the total retirement benefit expenses accrued but unpaid by us as of September 30, 2024, and the fiscal years in which the accruals were recorded:

(in millions)	**2024**	**2023**	**2022**	**2014 to 2021**	**Total**
CSRS unfunded retirement benefits amortization	$ 3,245	$ 3,015	$ 2,284	$ 8,473	$ 17,017
FERS unfunded retirement benefits amortization	1,286	1,541	1,126	6,174	10,127
Total expenses accrued but unpaid	**$ 4,531**	**$ 4,556**	**$ 3,410**	**$ 14,647**	**$ 27,144**

As of the date of this report, we have not incurred any penalties or negative financial consequences as a result of not making these payments.

Mitigating Circumstances
We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending what we believed was essential to maintain our existing facilities and service levels, to ensure employee health and safety, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade and modernize our facilities, fleet of vehicles, and processing equipment to remain operationally viable. Aggressive management of the business operations that will enable us to increase revenue and reduce costs and legislative reform related to how OPM apportions the cost of the CSRS benefits for our employees and retirees who also worked for the Post Office Department will all be necessary to restore us to financial health.

With annual total revenue of nearly $80 billion in 2024, a financially sound Postal Service continues to be vital to the U.S. economy and commerce. The U.S. economy benefits greatly from the Postal Service and many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, as well as the delivery of vital mail and packages like medicine, essential consumer staples, benefit checks, and important information. In the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations.

In the event that circumstances leave us with insufficient liquidity, we would likely be required to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, employees, and suppliers ahead of some payments to fund retirement pension benefits, as has been done in the past.

NOTE 4 - REVENUE RECOGNITION

The PAEA classifies the services we offer as either Market-Dominant or Competitive products; however, the term "services" is used in this report for consistency with other descriptions of services we offer. We generate the majority of our revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over several days.

Disaggregation of Revenue
The following table summarizes our disaggregated operating revenue for the three months ended December 31, 2024 and 2023 by service category:

	Three Months Ended December 31,	
(in millions)	**2024**	**2023**[1]
Operating Revenue:		
First-Class Mail	$ 7,005	$ 6,721
Marketing Mail[2]	4,589	4,139
Shipping and Packages[3]	9,351	9,079
International	384	429
Periodicals	242	238
Other[4]	928	1,008
Total operating revenue	**$ 22,499**	**$ 21,614**

[1] Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category and have no effect on total operating revenue for the period. These reclassifications are required by our regulatory requirements and are included in this document for consistency amongst publicly available information.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail, USPS Ground Advantage, Parcel Select Mail, Parcel Return Service Mail, Marketing Mail Parcels, Package Service Mail,* and *Priority Mail Express.*

[4] Includes revenue other than postage associated with COVID-19 test distribution, *PO Box* and Caller services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other services.

Contract Liabilities

The following table presents the balances of our contract liabilities, including *Deferred revenue-prepaid postage,* prepaid *PO Box* and Caller Service fees, as of December 31, 2024 and September 30, 2024:

(in millions)	December 31, 2024	September 30, 2024
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,648	$ 1,650
Mail-in-transit	581	542
Metered postage	265	292
Other	505	400
Total deferred revenue-prepaid postage	**2,999**	**2,884**
Prepaid PO Box and Caller Service fees*	596	613
Total deferred revenue	**$ 3,595**	**$ 3,497**

* Included within *Other current liabilities* in the accompanying unaudited *Balance Sheets.*

The following table provides details of revenue recognized during the three months ended December 31, 2024 that was reported in our contract liabilities for deferred revenue as of September 30, 2024:

(in millions)	Three Months Ended December 31, 2024
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 613
Mail-in-transit	542
Metered postage	292
Other	60
Prepaid PO Box and Caller Service fees	320

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, we have significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

In September 2022, we received a capital contribution from the U.S. government of $3.0 billion under the IRA. Of this amount, $1.29 billion is available for the procurement of zero-emission vehicles. Additionally, $1.71 billion is available for the purchase, design, and installation of the requisite infrastructure to support zero-emission delivery vehicles at facilities that we own or lease from non-federal entities. These amounts remain available for use through September 30, 2031 and may earn interest restricted for the same purpose. As of December 31, 2024, we held $427 million in *Restricted cash,* $400 million in *Restricted investments,* and $2.3 billion in *Restricted investments, noncurrent* associated with this funding.

In January 2022, we signed an inter-agency agreement with HHS to distribute COVID-19 test kits to American households upon their requests. The current agreement provides that we will receive payment for postage and be fully reimbursed for our direct costs. We have received advanced payments pursuant to this agreement. Any unused funding will be returned to HHS following the completion of the contract. If the postage and reimbursable costs should exceed the amount already received, HHS will provide additional funding.

The following table presents related-party assets and liabilities as of December 31, 2024 and September 30, 2024:

(in millions)	December 31, 2024	September 30, 2024
Related-party assets:		
Carrying amount of revenue forgone installment receivable[1]	$ 555	$ 548
Related-party liabilities:		
Other current liabilities[2]	31,283	29,316
Long-term debt	15,000	15,000
Other noncurrent liabilities[3]	12,977	14,785

[1] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion of the fair value measurement of this receivable in *Note 13 - Fair Value Measurement.*

[2] Includes the CSRS and FERS obligations due to OPM and current workers' compensation obligations due to DOL, as well as payables to other agencies and the remaining funding associated with the COVID-19 test kit distribution. See further discussion in *Note 9 - Retirement Plans* and *Note 11 - Workers' Compensation*.

[3] Includes noncurrent workers' compensation obligations due to DOL. See further discussion in *Note 11 - Workers' Compensation*.

The revenue forgone installment receivable represents the receivable associated with the RFA. The RFA authorized $1.2 billion to be paid to the Postal Service in 42 annual installment payments of $29 million each year from 1994 through 2035 as reimbursement for below-cost postage offered to certain categories of mailers between 1991 and 1998. Although the RFA authorized the reimbursement, Congress must appropriate the $29 million to us within the annual federal budget for us to receive funding. As of September 30, 2024, the past due installments unpaid by Congress was $334 million, and as of the date of this report, the 2025 Congressional appropriations bill is yet to be passed.

We continue to include the total past due installments in each annual appropriations request to Congress. Although we have not consistently received the installment payments, the amounts are established by the RFA and, in any year, Congress could appropriate the full amount, including past-due installments. We believe that the amount remains fully collectible and therefore no reserve is necessary for the uncollected amounts due to the full faith and credit of the U.S. government. For additional information on the revenue forgone installment receivable, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 16 - Revenue Forgone* in the 2024 Annual Report.

We also hold our *Cash and cash equivalents* and restricted cash with the Federal Reserve Bank of New York. See *Note 3 - Liquidity and Note 6 - Investments* for additional information.

The following table presents related-party revenue and expenses for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31,	
(in millions)	2024	2023
Related-party operating revenue[1]	$ 441	$ 495
Related-party operating expenses[2]	4,560	4,230
Related-party interest income[3]	213	249
Related-party interest expense[4]	157	138

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*. Amounts reported for the three months ended December 31, 2024 and 2023 include revenue from HHS associated with the COVID-19 test distribution.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*. Amounts reported include CSRS and FERS related retirement benefits expense and workers' compensation expense.

[3] Represents interest imputed on the revenue forgone installment receivable, as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - INVESTMENTS

We invest our restricted cash and excess cash, when available and not immediately necessary for operations, in investments issued by the U.S. Treasury. As we have both the intent and ability to hold these securities to maturity, we have classified all of our investments as held-to-maturity.

Our highly liquid investments with initial maturities of three months or less are included in *Cash and cash equivalents* or *Restricted cash* in the accompanying unaudited *Balance Sheets*. These amounts are not presented in the table below as their carrying values approximate fair value due to their short-term nature.

As of December 31, 2024, we had invested excess cash of $8.1 billion and restricted cash of $3.2 billion in Treasury bills of various maturities ranging between four-months and one-year.

As of September 30, 2024, we had invested excess cash of $9.5 billion and restricted cash of $3.3 billion in Treasury bills of various maturities ranging between four-months and one-year.

These held-to-maturity investments, which are recorded on an amortized cost basis, are presented in the table below. Any unrealized losses are temporary due to changes in interest rates. The cost basis of these securities will be recovered on redemption.

(in millions)	Fair value level	Amortized cost basis	Unrealized gains	Unrealized losses	Fair value
December 31, 2024					
U.S. government securities	Level 1	$ 11,328	$ 12	$ —	$ 11,340
September 30, 2024					
U.S. government securities	Level 1	$ 12,849	$ 21	$ —	$ 12,870

These investments are included in *Short-term investments, Restricted investments,* and *Restricted investments, noncurrent* in the accompanying unaudited *Balance Sheets. Restricted investments* and *Restricted investments, noncurrent* include investments purchased with excess restricted cash, when available and not immediately necessary for operations, and have limited use due to the nature of the restrictions on the underlying funding, as described in *Note 3 - Liquidity*.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying unaudited *Balance Sheets* are recorded at cost, which is calculated by including the interest on borrowings used to finance construction of major capital additions less allowances for depreciation and amortization. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

For the three months ended December 31, 2024 and 2023, depreciation and amortization expense was $526 million and $463 million, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

As of December 31, 2024, we had an active contract with one of our major collective bargaining units and three contracts had expired. The agreement expiration dates for those collective bargaining units are as follows:

Collective Bargaining Unit	Agreement Expiration Date
NALC	May 20, 2023[1]
NRLCA	May 20, 2024[2]
APWU	September 20, 2024[2]
NPMHU	September 20, 2025

[1] On October 18, 2024, the respective parties reached a tentative agreement pending ratification on a contract to expire on November 7, 2026. Members of the NALC failed to ratify the tentative agreement with the Postal Service reached in October 2024. The union and the Postal Service have agreed to reopen negotiations for a period of 15 days.
[2] The respective parties are engaged in continuing negotiations.

Contingent Liabilities

Our contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on our properties; and issues arising from our contracts, personal injury claims and traffic accidents. Each quarter, we evaluate each claim to determine our potential liability. If we determine that an unfavorable outcome from a new claim is both probable and reasonably estimable, we record a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

From time to time, we are involved in other litigation incidental to the conduct of our business, none of which is expected to be material to our financial condition or operations. For additional information see *Part I, Item 3. Legal Proceedings* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in the 2024 Annual Report.

Provision for Losses

We have made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions as of December 31, 2024 and September 30, 2024:

(in millions)	December 31, 2024	September 30, 2024
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 233	$ 232
Noncurrent portion[2]	196	171
Total contingent liabilities	**$ 429**	**$ 403**

[1] Included within *Payables and accrued expenses* in the accompanying unaudited *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheets*.

Reasonably Possible Contingencies

We do not accrue for contingencies which we deem reasonably possible, but not probable of an unfavorable outcome. These ranged in amount from $200 million to $975 million at December 31, 2024 and $225 million to $1.2 billion at September 30, 2024.

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which are administered by OPM. Associated costs include the FERS normal costs, which are contributions based on a percentage of active employees' basic pay, and the CSRS and FERS amortization costs to fund the remaining unfunded liabilities. These costs are recorded in *Retirement benefits* in the accompanying unaudited *Statement of Operations*.

Employees who participate in FERS are eligible to receive matching retirement contributions to the TSP, a defined contribution plan. Employees who participate in FERS and certain employees who participate in CSRS are also eligible to receive Social Security benefits upon retirement. We contribute at standard Social Security tax rates for these employees. These TSP and Social Security costs are recorded in *Compensation and benefits* in the accompanying unaudited *Statement of Operations*.

Based on preliminary information provided by OPM, we estimate our annual payments due by September 30, 2025 will be $3.4 billion and $2.4 billion for the CSRS amortization and FERS amortization, respectively. We expect to receive the invoice from OPM for the actual amounts due by September 30, 2025 during the fourth quarter of 2025, and this invoice may differ from the estimated projections and calculations due to further changes in experience and/or actuarial assumptions as of the calculation date.

The following table presents the retirement benefits expense for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31,	
(in millions)	**2024**	**2023**
FERS normal costs	$ 1,245	$ 1,206
CSRS unfunded retirement benefits amortization[1]	850	800
FERS unfunded retirement benefits amortization[2]	600	575
Total retirement benefits	**$ 2,695**	**$ 2,581**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on the OPM invoices.

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

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 12 - Retirement Plans* in the 2024 Annual Report.

NOTE 10 - HEALTH BENEFITS PLANS

The FEHB Program covers nearly all career employees and also covers some pre-career employees and retirees who meet certain eligibility requirements. OPM administers the FEHB Program and allocates the cost of funding the program to participating U.S. government employers. Separate from the FEHB Program, we offer our own healthcare plan to certain pre-career employees who are ineligible for the FEHB Program.

The PSRA, which was enacted in April 2022, established the PSHB Program within the FEHB Program. Beginning in January 2025, our employees and annuitants eligible under the FEHB Program will be covered under the PSHB Program. Coverage and cost-sharing under the PSHB Program is equivalent to that under the FEHB Program to the greatest extent practicable.

Active Employees

Our employee health benefits expense, which includes the employer portion of Medicare taxes, is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our employee health benefits expense was $1.4 billion for both the three months ended December 31, 2024 and 2023. This expense is included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Despite us being a significant contributor of Medicare taxes, not all of our annuitants enrolled in Medicare upon retirement. Beginning in January 2025, the PSRA required the enrollment of annuitants covered by the PSHB Program in Medicare, with certain limited exceptions.

The PSRHBF will continue to pay annuitant premiums for our annuitants until the fund is exhausted. Once exhausted, we will be required to contribute to the PSRHBF based on a pay-as-you-go method, similar to most other federal agencies, although the Postal Service will be required to fund these payments primarily through the sale of postal products and services, rather than through appropriations.

Beginning in 2026, we will also be required to make annual top-up payments to the PSRHBF, based on the difference between annuitant premiums and net claims costs, but only in the event premium payments exceed the claims costs.

We will not incur retiree health benefit costs until either OPM's annual calculation results in a top-up payment, expected to occur in 2026, or the PSRHBF is exhausted and we are required to make contributions to OPM for annuitant premiums.

NOTE 11 - WORKERS' COMPENSATION

Our employees who are injured on the job are covered by the FECA, administered by the DOL's OWCP, which makes most decisions regarding injured workers' eligibility for benefits. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees. We also pay the DOL an administrative fee for its services.

Workers' Compensation Liability

We record a liability for workers' compensation obligations for employees who have been injured on the job and are eligible for benefits or for their qualified survivors. We use an estimation model that utilizes generally accepted actuarial valuation techniques based on past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in interest (discount) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the liability each quarter, we first estimate the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries, and the expected trend in future costs. We then calculate the amount that would need to be invested at current interest (discount) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

In setting the discount rates, we use the current yield, as of the measurement date, on U.S. Treasury securities that are matched to the expected duration of both the medical and compensation payments. Expected inflation in compensation claim obligations is estimated using the consensus inflation forecast from the Federal Reserve Bank of Philadelphia Survey of Professional Forecasters. Expected inflation for future medical claim obligations is estimated using the average rate of medical cost increases experienced by our workers' compensation claimants over the past five years.

This liability calculation is highly sensitive to changes in interest (discount) rates. For example, a 1% increase in the discount rate would decrease the December 31, 2024 liability and related expense by $1.3 billion. Likewise, a 1% decrease in the discount rate would increase the December 31, 2024 liability and related expense by $1.6 billion.

The following table details the applicable interest (discount) and inflation rates for compensation and medical claims, which are used to estimate the workers' compensation liability as of December 31, 2024 and September 30, 2024:

	December 31, 2024	September 30, 2024
Compensation claims liability:		
Interest (discount) rate	4.68%	3.99%
Long-term wage inflation rate	2.80%	2.80%
Medical claims liability:		
Interest (discount) rate	4.67%	3.99%
Medical inflation rate	3.10%	3.10%

As of December 31, 2024 and September 30, 2024, our total liability for workers' compensation was $14.6 billion and $16.3 billion, respectively. As of December 31, 2024 and September 30, 2024, the current portion of the liability was $1.7 billion and $1.6 billion, respectively, and the noncurrent portion of the liability was $12.9 billion and $14.7 billion, respectively, as reflected in the accompanying unaudited *Balance Sheets*.

Workers' Compensation (Benefit) Expense

The impacts of changes in discount rates and inflation rates, actuarial valuation of new cases, and revaluation of existing cases are components of total workers' compensation (benefit) expense recorded in the accompanying unaudited *Statements of Operations*. In addition, we pay an administrative fee to the DOL, which is considered a component of workers' compensation (benefit) expense.

The following table presents the components of workers' compensation (benefit) expense for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31,	
(in millions)	2024	2023
Impact of discount rate changes	$ (1,036)	$ 980
Actuarial revaluation of existing cases	493	315
Cost of new cases	370	284
Administrative fee	25	24
Total workers' compensation (benefit) expense	**$ (148)**	**$ 1,603**

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 14 - Workers' Compensation* in the 2024 Annual Report.

NOTE 12 - LEASES

We hold lessee positions in real property leases as well as in leases embedded in service contracts involving rights to use transportation equipment and facilities.

Lease costs for operating leases for all non-cancellable leases are set forth below for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31,	
(in millions)	2024	2023
Operating lease cost	$ 345	$ 338
Variable lease cost	125	150
Short-term lease cost	48	39
Total lease cost	**$ 518**	**$ 527**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information for operating leases for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31,	
($ in millions)	2024	2023
Operating cash flows from operating leases	$ 340	$ 347
Right-of-use assets obtained in exchange for operating lease liabilities	$ 19	$ 90
Weighted-average remaining lease term - operating leases	5.88 years	5.86 years
Weighted-average discount rate - operating leases	3.12 %	2.45 %

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 15 - Leases* in the 2024 Annual Report.

NOTE 13 - FAIR VALUE MEASUREMENT

The carrying amounts of certain current assets and liabilities, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are disclosed at fair value using inputs of the fair value hierarchy model. This model prioritizes observable and unobservable inputs, which are used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

		December 31, 2024		September 30, 2024	
(in millions)	Fair value level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable[1]	Level 2	$ 555	$ 451	$ 548	$ 460
Long-term debt[2]	Level 3	$ 15,000	$ 14,411	$ 15,000	$ 14,967

[1] The carrying amount is included within *Other assets* in the accompanying unaudited *Balance Sheets*. See *Note 5 - Related Parties* for additional information.

[2] The fair value amount reflects the premium or discount associated with prepayment of all debt based on prevailing interest rates plus any prepayment penalties, as applicable.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources, and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our," and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report for the year ended September 30, 2024, filed with the PRC on November 14, 2024. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three months ended December 31, 2024 are presented in accordance with accounting principles generally accepted in the U.S. These results are not necessarily indicative of the results to be expected for the year ending September 30, 2025 and should be read in conjunction with our 2024 Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2025 and 2024.

Forward-looking statements contained in this report represent our 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 report 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. See *Part I, Item 1A. Risk Factors* in our 2024 Annual Report for additional discussion on the risks and uncertainties that the Postal Service may face. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, nor for any other reason.

OVERVIEW

As an independent establishment of the Executive Branch of the U.S. government, we have a unique mission to:

- Serve the American people and, through the universal service mission, bind our nation together by maintaining and operating our unique, vital, and resilient infrastructure;
- Provide trusted, safe, and secure communications and services between the U.S. government and the American people, businesses and their customers, and the American people with each other; and
- Serve all areas of our nation, making full use of evolving technologies.

We will carry out this mission by remaining an integral part of the U.S. government and providing all Americans with universal and open access to our unrivaled delivery and retail network; using technology, innovation and, where appropriate, private-sector partnerships to meet our customers’ changing needs; operating in a modern, precise, efficient, and effective manner; and remaining an employer of choice, including attracting and retaining high-quality employees.

We serve consumer and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation, and delivery network, and we operate throughout the U.S., including its possessions and territories. We do not operate in segments; we report our performance as a single business.

The PAEA, classifies our products into two broad categories: Market-Dominant and Competitive “products.” However, we use the term “services” in this document for consistency with other descriptions of services offered. Legal and regulatory restrictions on Market-Dominant pricing, service diversification, and operations currently restrict our ability to cover the costs we incur to provide prompt, reliable, and efficient postal services to the nation. Additionally, the statutes under which we operate establish certain mandated costs that affect our financial results, including obligations for retirement pension benefits within CSRS and FERS. We must coordinate with OPM to address these obligations.

While legal restrictions on pricing, service diversification, and operations currently restrict our ability to cover our costs to provide prompt, reliable, and efficient postal services to the nation, we continue to implement initiatives that are expected to drive revenue by capitalizing on innovation, technology, customer and consumer insights, and data management. This includes strengthening the value of mail through the continued enhancement of *Informed Delivery,* which enables customers to digitally preview mail and manage package delivery and adds digital marketing capabilities to the printed mail piece, and by adhering to the commitment to meet evolving business needs via *USPS Connect*, which aims to drive package growth by broadening network access to same-day and next-day delivery capability for businesses of all sizes. In 2023 we launched an improved affordable ground product, *USPS Ground Advantage*, that features two-to-five-day service standards for packages up to 70 pounds, replacing our retired *First-Class Package Services* subcategory and several other service offerings.

DELIVERING FOR AMERICA

On September 30, 2024, we published *Delivering for America 2.0 - Fulfilling the Promise ("Delivering for America"),* which updates our *Delivering for America* plan that was first published in March 2021. This updated plan revisits and re-examines the factors contributing to the development of our original ten-year transformation and modernization plan, describes the significant progress made over the past three years, and summarizes the evolution of our major strategies that are now driving the organization forward to financial stability and sustained service excellence. (*https://about.usps.com/what/strategic-plans/delivering-for-america/assets/dfa-2-0-fulfilling-the-promise-2024.pdf*).

Our comprehensive plan, as updated, delivers:

- A modernized Postal Service capable of providing world class service reliability at affordable prices;
- Maintenance of universal six-day mail delivery and expanded seven-day package delivery across an integrated network;
- Workforce stability and investment strategies that empower, equip, and engage each employee and put them in the best possible position to succeed;
- Innovation that grows revenue and meets changing marketplace needs; and
- Financial sustainability to fund our universal service mission.

Over the next six years, our unwavering mission will remain the execution of the *Delivering for America* strategies, which include the full integration of our mail and package processing, transportation, and delivery network. This strategic focus is aimed at reducing costs, enhancing reliability, shoring up our capabilities to effectively deliver mail and packages, and growing our market share in the package delivery sector. As we accomplish our goals and demonstrate our ability to attain the service, operational, and revenue targets we seek, we will also pursue administrative and legislative actions from Congress to remedy the financial and regulatory burdens that negatively impact the full achievement of our legislated business model. These include: realigning retiree pension benefit funding rules for CSRS benefits, reconsideration of withdrawal and mortality assumptions for retiree pension liability calculations, diversification of pension assets, raising the statutory debt ceiling, and reforming workers' compensation administration.

RESULTS OF OPERATIONS

SUMMARY

The U.S. and global economies continue to experience volatility due to inflation and geopolitical conditions. While inflation has continued to moderate in the past year, inflationary impacts and business and consumer confidence still remain unpredictable and continue to impact our results of operations for the three months ended December 31, 2024.

Regulatory constraints cause delays in our ability to generate revenue to keep pace with inflation. Our Market-Dominant services are subject to a price cap system that is generally limited by the CPI-U, with some additional pricing flexibility and authority granted by the PRC. While we continue to judiciously implement our pricing authority, our price cap system restricts our ability to timely adjust prices in line with inflation. In addition, the PRC is considering the re-evaluation of the system for regulating the prices for our Market-Dominant products through a rule making which could impact our pricing authority for such products either positively or negatively.

Other major factors that impacted our operating results include overall customer demand, the mix of postal services and the pricing and contribution associated with those services, the volume of mail and packages processed through our network, our ability to manage our cost structure in line with secularly declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business, and an increasing number of delivery points.

Three Months Ended December 31, 2024

Our operating revenue for the three months ended December 31, 2024 increased $885 million, or 4.1%, compared to the same period last year. As more fully described below in *Operating Revenue and Volume*, this increase was largely due to a significant volume increase in political and election mail, which is a component of our *Marketing Mail* category, along with price increases in our *First-Class Mail*, *Marketing Mail*, and Shipping and Packages categories. However, these price increases were partially offset by declining volumes in our *First-Class Mail* and Shipping and Packages categories during the three-month period.

Our operating expenses for the three months ended December 31, 2024 decreased $1.3 billion, or 5.7%, compared to the same period last year. As more fully described below in *Operating Expenses*, this decrease was primarily due to the impact of discount rates on workers' compensation fair-value adjustments and lower transportation costs, partially offset by inflationary increases on compensation costs, retirement costs and other operating costs.

Overall, we reported a net income of $144 million for the three months ended December 31, 2024, compared to a net loss of $2.1 billion for the same period last year.

Non-GAAP Measures

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We use various non-GAAP measures to help us better manage our business. However, these non-GAAP measures should not be considered a substitute for net income (loss) and other GAAP reporting measures.

We calculate controllable income, a non-GAAP measure, by excluding the workers' compensation non-cash (benefit) expense driven by valuation of new claims and actuarial revaluation of existing claims and discount rate changes, which can fluctuate significantly and over which we have no control. We also exclude the amortization of unfunded pension liabilities. The variance in these expenses depends primarily on factors over which we have no control, such as changes in projected discount rates and inflation.

The following table reconciles our GAAP net income (loss) to our non-GAAP financial measures for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31,	
(in millions)	2024	2023
Net income (loss)	**$ 144**	**$ (2,072)**
Workers' compensation non-cash (benefit) expense[1]	(626)	1,169
CSRS unfunded liability amortization expense[2]	850	800
FERS unfunded liability amortization expense[3]	600	575
Controllable income	**$ 968**	**$ 472**

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

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on the OPM invoices.

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

Our controllable income for the three months ended December 31, 2024, increased $496 million compared to the same period last year. The increase was driven by the $885 million increase in operating revenue and lower transportation expense of $326 million, partially offset by higher compensation and benefit expenses of $618 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

We generate the vast majority of our revenue through the sale of products and services associated with the processing and delivery of various types of mail and packages, both domestically and internationally. We continue to grow our revenue through optimization of our pricing strategies and effective use of our pricing authority, as outlined in the *Delivering for America* plan.

Although we operate as a single segment, we monitor and report revenue by mail classes, products, and shapes. We use the following broad service categories to describe and report on our performance: *First-Class*

Mail, *Marketing Mail*, Shipping and Packages, *International Mail*, *Periodicals*, and other services. Additional information on these service categories can be found in *Part I, Item 1. Business, Services* and *Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations, Operating Revenue and Volume* in our 2024 Annual Report.

The following table summarizes our operating revenue and volume for the three months ended December 31, 2024 and 2023 by each service category:

	Three Months Ended December 31,	
(in millions)	**2024**	**2023**
Operating Revenue:		
First-Class Mail	$ 7,005	$ 6,721
Marketing Mail[1]	4,589	4,139
Shipping and Packages[2]	9,351	9,079
International	384	429
Periodicals	242	238
Other[3]	928	1,008
Total operating revenue	**$ 22,499**	**$ 21,614**
Volume:		
First-Class Mail	11,435	11,899
Marketing Mail[1]	16,628	15,535
Shipping and Packages[2]	2,014	2,033
International	79	92
Periodicals	681	729
Other[4]	178	185
Total volume	**31,015**	**30,473**

Note: Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category and have no effect on total operating revenue for the period. These reclassifications are required by Postal Service regulatory requirements and are included in this document for consistency amongst publicly available information.

[1] Excludes *Marketing Mail Parcels*.

[2] Includes *Priority Mail, USPS Ground Advantage, Parcel Select Mail, Parcel Return Service Mail, Marketing Mail Parcels, Package Service Mail,* and *Priority Mail Express*.

[3] Includes revenue other than postage associated with COVID-19 test distribution, *PO Box* and Caller services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, Registered Mail, Stamped Envelopes and Cards, Money Orders and other services.

[4] Includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

Revenue for the three months ended December 31, 2024, was impacted by the following pricing changes when comparing to the three months ended December 31, 2023:

- On January 21, 2024, we increased prices for certain Market-Dominant services by an average of 2.0%;
- On July 14, 2024, we increased prices for certain Market-Dominant services by an average of 7.8% to help achieve the financial stability sought by our *Delivering for America* plan;
- On July 14, 2024, we increased published prices for a certain Competitive service sub-category to help achieve the financial stability sought by our *Delivering for America* plan. Published prices for *Parcel Select* services, which allows high-volume shippers to enter packages at destination plants or delivery units for regional delivery, were increased by an average of 25.0%; and
- From October 6, 2024 through January 19, 2025, we implemented time-limited 2024 peak season price increases for certain commercial and retail package services. This time-limited temporary price adjustment was to help cover extra handling costs to ensure a successful peak season. The peak season pricing only affected prices on *Priority Mail Express*, *Priority Mail* and *USPS Ground Advantage.*

On January 19, 2025, we increased published prices for certain Competitive service sub-categories. Published prices for shipping services increased by an average of 3.2% for *Priority Mail* and *Priority Mail Express*, 3.9% for *USPS Ground Advantage* and 9.2% for *Parcel Select*.

Although revenue and volume are generally linked to the strength of the U.S. economy and changes in how our customers use mail and packages, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our marketing investment in mail and package innovation. However, we also recognize that revenue growth is constrained by competition, electronic media, laws and regulations restricting the types of products and services we may offer to our customers, the prices we charge them, and the speed with which we can bring new services to market.

First-Class Mail

For the three months ended December 31, 2024, *First-Class Mail* revenue increased $284 million, or 4.2%, on a volume decline of 464 million pieces, or 3.9%, compared to the same period last year. Revenue grew for the three months ended December 31, 2024, due to the price increases, as noted above, partially offset by the volume decline. The most significant factor contributing to the declining trend in *First-Class Mail* volume is the on-going migration from mail to electronic communication and transaction alternatives.

Marketing Mail

For the three months ended December 31, 2024, *Marketing Mail* revenue increased $450 million, or 10.9%, on a volume increase of 1.1 billion pieces, or 7.0%, compared to the same period last year.

For the three months ended December 31, 2024, our revenue and volume from political and election mail, a component of *Marketing Mail,* increased by over $360 million and nearly 1.5 billion pieces, respectively, compared to the same period last year. During the three-month period, we saw the effects of higher revenue and volume for political and election mail associated with the 2024 general election. Absent the impact of these cyclical mailings, *Marketing Mail*'s adjusted results for the three months ended December 31, 2024 would have increased revenue $90 million, or 2.2%, and decreased volume 357 million pieces, or 2.3%, compared to the same period last year.

Marketing Mail has been challenged by commercial mailers' increasing use of digital and mobile advertising, which was accelerated by the pandemic, and a higher inflationary environment affecting print media production costs. Nevertheless, this category has generally proven to be a resilient marketing channel, and its value to U.S. businesses remains strong due to healthy customer returns on investment and better data and technology integration.

Shipping and Packages

Our Shipping and Packages business is subject to intense competition. In-sourcing from our major customers, major e-commerce retailers, and other competitors continues to grow. Our ability to remain competitive and maintain or grow our shipping services market share significantly impacts both revenue and volume.

The results for our Shipping and Packages category for the three months ended December 31, 2024 and 2023 generally reflect both our efforts and challenges to compete in shipping services, including "last-mile" e-commerce fulfillment markets and Sunday delivery, as well as end-to-end markets, driven by consumers' continued use of online shopping. As part of our ongoing commitment to respond to customer needs, in 2023 we launched an improved affordable ground product, *USPS Ground Advantage*, that features two-to-five-day service standards for packages up to 70 pounds, replacing our retired *First-Class Package Services* subcategory and several other service offerings.

The following table summarizes our operating revenue and volume for Shipping and Packages for the three months ended December 31, 2024 and 2023, by each service subcategory:

(in millions)	Three Months Ended December 31,	
	2024	2023
Shipping and Packages Revenue:		
Priority Mail Services[1]	$ 1,892	$ 2,486
Parcel Services[2]	2,987	3,014
USPS Ground Advantage	4,234	3,333
Package Services	238	246
Total Shipping and Packages revenue	**$ 9,351**	**$ 9,079**
Shipping and Packages Volume:		
Priority Mail Services[1]	159	235
Parcel Services[2]	1,034	1,067
USPS Ground Advantage	713	614
Package Services	108	117
Total Shipping and Packages volume	**2,014**	**2,033**

[1] Includes *Priority Mail and Priority Mail Express.*
[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

For the three months ended December 31, 2024, Shipping and Packages revenue increased $272 million, or 3.0%, and volume decreased 19 million pieces, or 0.9%, compared to the same period last year.

Each of the services within the Shipping and Packages category has its own unique opportunities and challenges:

- Our Priority Mail Services sub-category can be more price sensitive than other services and it continues to face intense competition from more affordable products and an industry-wide trend away from expedited products. Priority Mail Services revenue and volume decreased 23.9% and 32.3%, respectively, for the three months ended December 31, 2024, compared to the same period last year;
- Our Parcel Services sub-category largely consists of last-mile deliveries, offered to large bulk shippers that perform their own sorting before conveying parcels to us for processing and/or delivery deeper into our network. This is our lowest-priced Shipping and Packages service and produces a lower-contribution per piece when compared to many of our other services. Parcel Services revenue and volume decreased 0.9% and 3.1%, respectively, for the three months ended December 31, 2024, compared to the same period last year;
- Our *USPS Ground Advantage* sub-category has experienced wide adoption across consumer and commercial customers since its launch. While *USPS Ground Advantage* promises to continue to meet market needs and offer significant value, it has been met with heavy competition. However, its acceptance in the marketplace and contribution to revenue growth and profitability are above expectations. *USPS Ground Advantage* anchors our shipping portfolio, and our focus is to consistently enhance the product to maximize its value, to thereby ensure long-term growth and customer utilization. *USPS Ground Advantage* revenue and volume increased 27.0% and 16.1%, respectively, for the three months ended December 31, 2024, compared to the same period last year; and
- Our Package Services sub-category is the only Market-Dominant service within Shipping and Packages. As such, this service has historically followed trends more similar to our other Market-Dominant products, with much larger volume declines than our other Shipping and Packages subcategories. Package Services revenue and volume decreased 3.3% and 7.7%, respectively, for the three months ended December 31, 2024, compared to the same period last year.

International Mail

For the three months ended December 31, 2024, international mail and package revenue decreased 10.5%, on a volume decline of 14.1%, compared to the same period last year. The decline in volume was due to various competitive pricing, political, and economic factors. Revenue for the *International Mail* category decreased, largely as a result of the volume decline due to shifts in the mix of services provided, though revenue declined at a lesser rate due to price increases.

Periodicals

For the three months ended December 31, 2024*, Periodicals* revenue increased 1.7%, on a volume decline of 6.6%, compared to the same period last year. The declining volume is consistent with the systemic decline related to the decade-long trend away from hard-copy reading behavior and the shift of advertising away from print. We expect the *Periodicals* category to continue to decline as electronic content has gained a significant portion of this market share.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenses under management's control.

We originally designed our mail processing and distribution network to provide delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not well aligned to today's mail and package mix and volume. Consequently, certain of our processing and distribution facilities and our transportation continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which drives up delivery costs. When combined with lower mail volume, this has resulted in a drop in the average number of pieces delivered per delivery point per day from 5.5 pieces in 2007 to 2.5 pieces in 2024, a decline of 55%.

Compensation and Benefits

Compensation and benefits, our largest operating expense category, is significantly impacted by the terms of our collective bargaining agreements. As of December 31, 2024, 91% of our employees are covered by collective bargaining agreements. For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 8 - Commitments and Contingencies* in this document and *Part I, Item 1. Business, Employees* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in our 2024 Annual Report.

Our compensation and benefits expense consists of costs related to our active career and pre-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health benefits costs, which are further discussed in *Retirement Benefits* and *Retiree Health Benefits*, respectively.

The following table presents compensation and benefits expense for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31,	
(in millions)	**2024**	**2023**
Compensation	$ 12,051	$ 11,536
Employee health benefits	1,422	1,360
Social Security	677	655
Thrift Savings Plan	404	387
Other	99	97
Total compensation and benefits	**$ 14,653**	**$ 14,035**

Overall, our compensation and benefits expense increased 4.4% for three months ended December 31, 2024, compared to the same period last year. Contractual wages increased as a result of the inflationary impacts on related COLA and the higher number of work hours, as discussed below.

Work Hours
Work hours are a significant component of compensation expense. We are committed to minimizing costs by using the appropriate mix of work hours based on the complement and the assessment of relative cost for each work hour type.

For the three months ended December 31, 2024, which included an additional delivery day, total work hours were 300 million, an increase of nearly 3 million hours, or 1.0%, compared to the same period last year. The work hour increase included nearly 2 million overtime hours and 1 million straight time hours.

Workforce Composition
The number of career employees at December 31, 2024 was 536,000, an increase of 6,500 employees, or 1.2%, compared to the same date a year ago.

The number of pre-career employees at December 31, 2024 was 106,000, a decrease of 15,000 employees, or 12.4%, compared to the same date a year ago.

Voluntary Early Retirement
On January 13, 2025, we offered an optional retirement opportunity that includes an incentive to certain employees who are eligible for optional retirement or voluntary early retirement as of April 30, 2025. The separation incentive attached to this early retirement offer is $15,000 per employee.

Retirement Benefits
We participate in CSRS and FERS, federal employee defined pension benefit programs administered by OPM. Our retirement benefits expense includes statutorily required contributions to amortize the unfunded portion of these programs and a percentage of basic pay for our active employees, as established by OPM.

For the three months ended December 31, 2024, our retirement benefits expense increased 4.4%, compared to the same period last year, primarily due to workforce composition and the inflationary impact on amortization calculations for the CSRS and FERS unfunded retirement benefits.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*, in this document and *Part II, Item 8. Financial Statements and Supplementary Data, and Supplementary Data*, *Notes to Financial Statements*, *Note 12 - Retirement Plans* in our 2024 Annual Report.

Retiree Health Benefits
We participate in federal employee benefit programs for retiree health benefits. The PSRHBF will continue to pay annuitant premiums for our annuitants until the fund is exhausted. Once exhausted, we will be required to contribute to the PSRHBF based on a pay-as-you-go method, similar to most other federal agencies, although the Postal Service will be required to fund these payments primarily through the sale of postal products and services, rather than through appropriations..

We will not incur additional retiree health benefit costs until either OPM’s annual calculation results in a top-up payment, expected to occur in 2026, or the PSRHBF is exhausted and we are required to make contributions to OPM for annuitant premiums.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

<u>Workers' Compensation</u>
Our employees injured on the job are covered by the FECA, administered by the DOL's OWCP, as described in our 2024 Annual Report.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by the DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation (benefit) expense in order to determine the non-cash component of workers' compensation (benefit) expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation (benefit) expense, including the cash payments made by the DOL on behalf of our employees for workers' compensation obligations, for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31,	
(in millions)	**2024**	**2023**
Impact of discount rate changes	$ (1,036)	$ 980
Actuarial revaluation of existing cases	493	315
Cost of new cases	370	284
Administrative fee	25	24
Total workers' compensation (benefit) expense	**$ (148)**	**$ 1,603**
Less cash payments made by the DOL on behalf of workers' compensation obligations	(477)	(434)
Total workers' compensation non-cash (benefit) expense	**$ (625)**	**$ 1,169**

For the three months ended December 31, 2024, the portion of workers' compensation (benefit) expense driven by discount rate changes decreased $2.0 billion, compared to the same period last year.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased $264 million for the three months ended December 31, 2024, compared to the same period last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases, and updated COLA assumptions, which are largely outside of management's control.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation* in this document and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 14 - Workers' Compensation* in our 2024 Annual Report.

<u>Transportation</u>
Transportation expense includes the costs we incur to transport mail and packages between facilities, comprising highway, air, and international transportation contracts, plus contract delivery services. We rely on third-parties under highway contract routes for the significant majority of long-haul transportation services between facilities. Furthermore, we do not own or operate aircraft, and we rely on third parties for the air transportation service required to deliver our mail and packages to various destinations within the U.S. and abroad.

With the exception of contract delivery services, our costs to deliver mail and other products to end delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs in the accompanying unaudited *Statements of Operations.* Furthermore, transportation expense does not include the compensation and related costs of employees responsible for transporting mail and packages between closely located facilities.

Variations in the volume and weight of mail and packages transported, the mode of transportation used, and fuel prices have significant impacts on transportation expense.

Overall, transportation expense decreased 12.9% for the three months ended December 31, 2024, compared to the same period last year. The components of transportation expense for the three months ended December 31, 2024 and 2023 are presented in the following table:

	Three Months Ended December 31,	
(in millions)	**2024**	**2023**
Highway	$ 1,568	$ 1,712
Air	539	704
International	78	100
Other	13	8
Total transportation expense	**$ 2,198**	**$ 2,524**

Highway transportation expense decreased 8.4% for the three months ended December 31, 2024, compared to the same period last year, primarily due to our *Delivering for America* plan network optimization efforts, including the reduction of facilities and the logical alignment of operating functions, resulting in the elimination of underutilized transportation trips, significantly increasing truck fill rates and reducing costs. We also benefited from lower average diesel fuel prices compared to the prior year, and our optimization of peak-season contracts. Our changes in service standards have further facilitated the shift of package volume from air to highway transportation when more economical and enabling improved reliability and service performance.

Air transportation expense decreased 23.4% for the three months ended December 31, 2024, compared to the same period last year. This decrease was primarily due to the shift of certain package volume to highway transportation and the impact of lower average jet fuel prices.

Other Operating Expenses

Other operating expenses for the three months ended December 31, 2024 and 2023, are detailed in the following table:

	Three Months Ended December 31,	
(in millions)	**2024**	**2023**
Supplies and services	$ 835	$ 875
Depreciation and amortization	526	463
Rent and utilities	535	514
Information technology and communications	279	276
Vehicle maintenance service	171	211
Rural carrier equipment maintenance	162	160
Fuel - delivery vehicles	170	185
Miscellaneous other	383	378
Total other operating expenses	**$ 3,061**	**$ 3,062**

Total other operating expenses were flat for the three months ended December 31, 2024, compared to the same period last year. The period-over-period variances in the components of other operating expenses for the three months ended December 31, 2024, are immaterial, except for the increase in the depreciation and amortization component which reflect investments in property, plant and equipment in line with the *Delivering for America* plan.

NON-OPERATING REVENUES AND EXPENSES

Interest and Investment Income

We generate income from investments in securities issued by the U.S. Treasury. Investment interest income was $213 million for the three months ended December 31, 2024, compared to $249 million for the same period last year. The period-over-period changes were relatively flat as the overall investment portfolio in Treasury securities and average interest rates were comparable in both periods.

Interest Expense

Interest expense was $147 million for the three months ended December 31, 2024, compared to $133 million for the same period last year.

As of December 31, 2024, we had no short-term debt and $15.0 billion in long-term debt. We finance a portion of our debt at longer-term fixed-rates to decrease our interest rate risk and interest expense volatility in future years and a portion of our debt at floating-rates, which typically have remained below longer-term fixed rates. Floating-rates reset every three months and are impacted by interest rate volatility.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Our liquidity consists of unrestricted cash and cash equivalents, short-term investments, plus our authorized borrowing capacity under the PRA. For additional information see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 3 - Liquidity.*

Our average daily liquidity balance was $17.1 billion and $20.8 billion for the three months ended December 31, 2024 and 2023, respectively.

CASH FLOW ANALYSIS

Operating Activities

Net cash provided by operating activities was $2.2 billion for the three months ended December 31, 2024, compared to $835 million provided by operating activities for the three months ended December 31, 2023. This change in cash provided by operations was due to higher revenue and lower transportation expenses, as well as the timing of cash expenditures for compensation and benefits, retirement benefits, and certain payable and accrued expenses.

Investing Activities

We invested $878 million in the purchase of property and equipment for the three months ended December 31, 2024, which is a decrease of $340 million, or 27.9%, compared to the same period last year. The decrease is due to the timing of our investments in network infrastructure in the prior year consistent with our *Delivering for America* plan. Our projected capital expenditures for 2025 remains at $2.9 billion.

During the three months ended December 31, 2024, we invested excess cash of $3.0 billion and restricted cash of $566 million in Treasury bills of various maturities ranging between four-months and one-year. Three of our short-term investments matured and were redeemed for $4.3 billion during the period, and two of our restricted investments matured and were redeemed for $700 million. The remainder of the investments held had yet to mature as of December 31, 2024. During the same period last year, there were investments of $4.5 billion and $360 million, which we made from excess cash and restricted cash, respectively. During the three months ended December 31, 2023, the short term investments matured and were redeemed for $4.5 billion and the restricted investments matured and were redeemed for $276 million.

Financing Activities

Net cash used in financing activities was $7 million for both the three months ended December 31, 2024, and for the three months ended December 31, 2023.

LIQUIDITY OUTLOOK

2025 and Beyond

While the enactment of the PSRA in April 2022 was a critical component of the *Delivering for America* plan and restoring us to financial sustainability, we continue to face systemic imbalances that make our current operating model unsustainable. We have adequate short-term liquidity as of December 31, 2024, however, in the medium to long-term, our liquidity remains insufficient to pay all obligations, to make capital investments necessary for continuity of operations, and to prepare for unexpected contingencies. For additional information on our operating challenges and constraints and the relevant mitigating circumstances, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 3 - Liquidity.*

Legally Required Obligations
As previously discussed, we have estimated obligations for unfunded retirement benefits of $5.8 billion due on September 30, 2025. We also have an estimated obligation to pay the DOL approximately $1.7 billion in October 2025, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2024 to June 30, 2025, plus the administrative fee.

Capital Investments
As outlined in our *Delivering for America* plan, our technological and physical infrastructures require extensive upgrades. To invest in these upgrades, we had planned for almost $40 billion in capital investments between 2021 and 2030. We currently estimate that our required cash outlays for capital investments necessary to modernize the network and ensure that we can continue to perform our universal service mission will amount to $2.0 billion for the remainder of 2025 and an additional $13.7 billion for years 2026 through 2029. However, these projections could change depending on the timing of investments to replace our delivery fleet, modernize our delivery units, transform our retail locations, improve our processing facilities, and acquire or contribute to other appropriate capital assets.

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations have the potential to be influenced by congressional oversight and legislation.

BOARD OF GOVERNORS
Consistent with our independent self-funded design, Congress intended for us to be governed by an eleven-member Board which consists of our PMG, our DPMG, and nine independent Governors. The President appoints the Governors with the advice and consent of the Senate. As of the date of this report, we have six Presidentially appointed, Senate-confirmed Governors in office.

The original term of Governor Anton Hajjar expired on December 8, 2023 and his holdover term expired on December 8, 2024. While there were several outstanding nominations made by the former President during the 118th Congress, none received Senate consideration prior to the end of the term and those nominations have therefore expired.

The original term of Governor Roman Martinez IV expired on December 8, 2024, and he is currently in his holdover year.

APPROPRIATIONS
On December 21, 2024, the former President signed the *American Relief Act, 2025* (H.R. 10545), enacted as Public Law 118-158. The law extends government funding at FY 2023 levels through March 14, 2025.

LEGISLATION
Although we are an independent entity, we are required to comply with various laws and regulations concerning numerous matters. Congress can influence how we conduct our business and operations through the passage of legislation. However, in the last two decades only four bills - the PAEA, PSRA, *CARES Act*, and IRA - were ultimately passed into law and materially impacted our operations and/or financial results. There were several bills that were introduced in the House and Senate during the 118th Congress, that if passed, could have impacted our operations and financial results and condition, including our ability to fully implement key *Delivering for America* plan initiatives. However, none of the bills passed prior to the end of the 118th Congress on January 3, 2025. Any bills previously introduced during this reporting period will need to be reintroduced in the 119th Congress to receive consideration. We continually monitor all legislation introduced and evaluate the probability of bills becoming law, and in the event we determine that passage is likely we also evaluate the potential materiality of the impact of such bills on our financial condition.

REGULATORY MATTERS

On October 4, 2024, we filed plans with the PRC to improve mail processing and transportation and explained how these improvements align with proposed refinements to the existing service standards for mail and package products. The proposed refinements are within the existing service standard day ranges and will enable us to operate more reliably and at a lower cost to deliver, and with a more rational logistics approach applicable to today's use of our network infrastructure. On January 31, 2025, we received the PRC's advisory opinion and are currently reviewing their recommendations.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties in accordance with GAAP. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies that require significant management judgment or the selection or application of alternative accounting policies and could result in a material impact to the financial statements are described in *Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies and Estimates* of our 2024 Annual Report. Management discusses the development and selection of critical accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements and Supplementary Data*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates, and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline, and aircraft fuel for transportation of the mail, as well as fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We also have provisions in our debt agreements that allow us to prepay our $15.0 billion debt with the FFB at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange, or interest rate fluctuations for debt instruments. Additionally, we have not purchased or held derivative financial instruments for speculative purposes.

See *Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in our 2024 Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

We are responsible for the preparation, integrity, and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA and that this information is accumulated and communicated to our management, including the PMG and CFO, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the PMG and the CFO, of the effectiveness of the design and operation of disclosure controls and procedures as of December 31, 2024. Based on and as of the date of the evaluation, the PMG and the CFO concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Part I. Financial Information, Item 1. Financial Statements*, *Notes to Unaudited Financial Statements, Note 8 - Commitments and Contingencies* in this document, as well as *Part I, Item 3. Legal Proceedings* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in our 2024 Annual Report.

ITEM 1A. RISK FACTORS

No material changes have transpired in our risk factors from the disclosures in *Part I, Item 1A. Risk Factors* in our 2024 Annual Report.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/ Louis DeJoy
Louis DeJoy
PMG and CEO

Date: February 6, 2025

/s/ Luke Grossmann
Luke Grossmann
CFO and Executive VP

Date: February 6, 2025

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Louis DeJoy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: February 6, 2025

/s/ Louis DeJoy

Louis DeJoy

PMG and CEO

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Luke Grossmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service (“Postal Service”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service’s internal control over financial reporting that occurred during the Postal Service’s most recent fiscal quarter (the Postal Service’s fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service’s internal control over financial reporting; and
5. The Postal Service’s other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service’s independent registered accounting firm and the Audit and Finance Committee of the Postal Service’s Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service’s internal control over financial reporting.

Date: February 6, 2025

/s/ Luke Grossmann

Luke Grossmann

CFO and Executive VP

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service (“Postal Service”) on Form 10-Q for the period ended December 31, 2024, (the “Report”), I, Louis DeJoy, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Date: February 6, 2025

/s/ Louis DeJoy

Louis DeJoy

PMG and CEO

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service (“Postal Service”) on Form 10-Q for the period ended December 31, 2024, (the “Report”), I, Luke Grossmann, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Date: February 6, 2025

/s/ Luke Grossmann
Luke Grossmann
CFO and Executive VP