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 March 31, 2025

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
CHRO	Chief Human Resources 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

Term or Acronym	Definition
PRA	*Postal Reorganization Act*, enacted as Public Law 91-375
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 March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Revenue:				
Operating revenue	$ 19,704	$ 19,712	$ 42,203	$ 41,326
Other revenue	2	3	40	6
Total revenue	**19,706**	**19,715**	**42,243**	**41,332**
Operating expenses:				
Compensation and benefits	13,745	13,296	28,398	27,331
Retirement benefits	2,675	2,602	5,370	5,183
Workers' compensation	1,407	162	1,259	1,765
Transportation	2,029	2,145	4,227	4,669
Other operating expenses	3,204	3,080	6,265	6,142
Total operating expenses	**23,060**	**21,285**	**45,519**	**45,090**
Loss from operations	**(3,354)**	**(1,570)**	**(3,276)**	**(3,758)**
Interest and investment income	197	235	410	484
Interest expense	(135)	(133)	(282)	(266)
Net loss	**$ (3,292)**	**$ (1,468)**	**$ (3,148)**	**$ (3,540)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2025	September 30, 2024
	(unaudited)	
Current Assets:		
Cash and cash equivalents	$ 7,435	$ 4,617
Restricted cash	2,665	2,005
Short-term investments	5,103	9,513
Restricted investments	295	682
Receivables, net (less allowances of $186 and $168)	1,360	1,387
Supplies, advances, and prepayments	355	309
Total current assets	**17,213**	**18,513**
Restricted cash, noncurrent	1,236	66
Restricted investments, noncurrent	2,118	2,655
Property and equipment, net	19,242	18,525
Operating lease right-of-use assets	5,173	5,169
Other assets	636	639
Total assets	**$ 45,618**	**$ 45,567**
Current Liabilities:		
Compensation and benefits	$ 3,211	$ 2,237
Retirement benefits	30,196	27,292
Workers' compensation	1,711	1,591
Payables and accrued expenses	2,754	2,904
Deferred revenue-prepaid postage	2,788	2,884
Operating lease liabilities	1,169	1,173
Customer deposit accounts	1,205	1,232
Other current liabilities	1,618	1,647
Total current liabilities	**44,652**	**40,960**
Workers' compensation, noncurrent	14,294	14,746
Operating lease liabilities, noncurrent	4,171	4,152
Employees' accumulated leave, noncurrent	2,287	2,467
Other noncurrent liabilities	994	874
Long-term debt	15,000	15,000
Total liabilities	**81,398**	**78,199**
Net Deficiency:		
Capital contributions of the U.S. government	16,132	16,132
Deficit since 1971 reorganization	(51,912)	(48,764)
Total net deficiency	**(35,780)**	**(32,632)**
Total liabilities and net deficiency	**$ 45,618**	**$ 45,567**

See accompanying notes to the unaudited financial statements.

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

For the three and six months ended March 31, 2024

(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)**
Net loss	—	(1,468)	(1,468)
Balance, March 31, 2024	**$ 16,132**	**$ (42,784)**	**$ (26,652)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2025

(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)**
Net loss	—	(3,292)	(3,292)
Balance, March 31, 2025	**$ 16,132**	**$ (51,912)**	**$ (35,780)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
(in millions)	2025	2024
Cash flows from operating activities:		
Net loss	$ (3,148)	$ (3,540)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,061	940
Other, net	113	76
(Increase) decrease in operating lease right-of-use assets	(4)	87
(Decrease) increase in noncurrent workers' compensation	(452)	213
Increase (decrease) in noncurrent operating lease liabilities	19	(33)
Decrease in other noncurrent liabilities	(108)	(139)
Changes in current assets and liabilities:		
Receivables, net	27	29
Other current assets	(46)	(47)
Retirement benefits	2,904	2,756
Payables, accrued expenses, and other	782	174
Operating lease liabilities	(4)	(48)
Deferred revenue-prepaid postage and other deferred revenue	(83)	(10)
Net cash provided by operating activities	**1,061**	**458**
Cash flows from investing activities:		
Purchases of property and equipment	(1,672)	(2,236)
Proceeds from sales of property and equipment	38	4
Purchases of short-term investments	(3,000)	(9,300)
Purchases of restricted investments	(566)	(464)
Redemption of short-term investments	7,300	8,637
Redemption of restricted investments	1,505	2,677
Net cash provided by (used in) investing activities	**3,605**	**(682)**
Cash flows from financing activities:		
Proceeds from borrowings	—	1,150
Payments on finance lease obligations	(18)	(14)
Net cash (used in) provided by financing activities	**(18)**	**1,136**
Net increase in cash, cash equivalents & restricted cash	4,648	912
Cash, cash equivalents & restricted cash - beginning of period	6,688	9,634
Cash, cash equivalents & restricted cash - end of period	**$ 11,336**	**$ 10,546**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 313	$ 274

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 March 31, 2025, the results of operations for the three and six months ended March 31, 2025 and 2024, the changes in net deficiency for the three and six months ended March 31, 2025 and 2024, and the cash flows for the six months ended March 31, 2025 and 2024. Operating results for the three and six months ended March 31, 2025 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 rule on our financial statements and disclosures; we do not expect the impact of these amendments to be material.

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 rule 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 March 31, 2025 and March 31, 2024:

(in millions)	March 31, 2025	March 31, 2024
Cash and cash equivalents	$ 7,435	$ 5,886
Restricted cash, current	2,665	2,067
Restricted cash, noncurrent	1,236	2,593
Total cash, cash equivalents, and restricted cash	**$ 11,336**	**$ 10,546**

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 March 31, 2025 and September 30, 2024:

(in millions)	March 31, 2025	September 30, 2024
Cash and cash equivalents	$ 7,435	$ 4,617
Short-term investments	5,103	9,513
Total liquidity	**$ 12,538**	**$ 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 of 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 is set by Congress and has not been increased since 1992, to access the capital necessary to achieve our mission and 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 administrative or 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 administrative or 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 and six months ended March 31, 2025 and 2024 by service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024[1]**	**2025**	**2024[1]**
Operating Revenue:				
First-Class Mail	$ 6,653	$ 6,584	$ 13,658	$ 13,305
Marketing Mail[2]	3,603	3,653	8,193	7,792
Shipping and Packages[3]	7,768	7,716	17,119	16,795
International	336	359	719	788
Periodicals	214	220	456	458
Other[4]	1,130	1,180	2,058	2,188
Total operating revenue	**$ 19,704**	**$ 19,712**	**$ 42,203**	**$ 41,326**

[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 March 31, 2025 and September 30, 2024:

(in millions)	March 31, 2025	September 30, 2024
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,579	$ 1,650
Mail-in-transit	511	542
Metered postage	263	292
Other	435	400
Total deferred revenue-prepaid postage	**2,788**	**2,884**
Prepaid PO Box and Caller Service fees*	616	613
Total deferred revenue	**$ 3,404**	**$ 3,497**

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

The following table provides details of revenue recognized during the six months ended March 31, 2025 that was reported in our contract liabilities for deferred revenue as of September 30, 2024:

(in millions)	Six Months Ended March 31, 2025
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 842
Mail-in-transit	542
Metered postage	292
Other	184
Prepaid PO Box and Caller Service fees	498

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 was made available for the procurement of zero-emission vehicles. Additionally, $1.71 billion was made 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. The IRA stipulates that these amounts remain available for use through September 30, 2031. Any unspent funds during that period earn interest that is restricted for the same purpose. As of March 31, 2025, we held $441 million in *Restricted cash,* $295 million in *Restricted investments,* and $1.6 billion in *Restricted investments, noncurrent* associated with this funding, not reflective of contractual obligations against the remaining IRA 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 March 31, 2025 and September 30, 2024:

(in millions)	March 31, 2025	September 30, 2024
Related-party assets:		
Carrying amount of revenue forgone installment receivable[1]	$ 551	$ 548
Related-party liabilities:		
Other current liabilities[2]	32,321	29,316
Long-term debt	15,000	15,000
Other noncurrent liabilities[3]	14,372	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, which it has not consistently done. During 2025, we received an $8 million appropriation for revenue forgone and as of March 31, 2025, the past due installments unpaid by Congress totaled $355 million.

We continue to include the total past due installments in each annual appropriations request to Congress. The amounts are established by the RFA and, in any year, Congress could appropriate the full amount, including past-due installments, and/or amounts that may be allocated toward the 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 and six months ended March 31, 2025 and 2024:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2025	2024	2025	2024
Related-party operating revenue[1]	$ 342	$ 427	$ 783	$ 923
Related-party operating expenses[2]	4,232	4,256	8,792	8,486
Related-party interest income[3]	196	235	409	484
Related-party interest expense[4]	147	138	304	276

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*. Amounts reported for the three and six months ended March 31, 2025 and 2024 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 March 31, 2025, we had invested excess cash of $5.1 billion and restricted cash of $2.4 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.

(in millions)	**Fair value level**	**Amortized cost basis**	**Unrealized gains**	**Unrealized losses**	**Fair value**
March 31, 2025					
U.S. government securities	Level 1	$ 7,516	$ 3	$ —	$ 7,519
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 March 31, 2025 and 2024, depreciation and amortization expense was $535 million and $477 million, respectively. For the six months ended March 31, 2025 and 2024, depreciation and amortization expense was $1.1 billion and $940 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 March 31, 2025, we had active contracts with two of our major collective bargaining units and two contracts had expired. The agreement expiration dates for those collective bargaining units are as follows:

Collective Bargaining Unit	Agreement Expiration Date
NRLCA	May 20, 2024[1]
APWU	September 20, 2024[2]
NPMHU	September 20, 2025
NALC	May 22, 2026[3]

[1] On April 18, 2025, the parties reached a tentative agreement pending ratification on a contract to expire on May 20, 2027.
[2] The respective parties are engaged in continuing negotiations.
[3] On March 21, 2025, a final and binding interest arbitration award was issued that sets the terms of a three-year collective bargaining agreement between the parties which covers the period from May 21, 2023 to its expiration.

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 March 31, 2025 and September 30, 2024:

(in millions)	March 31, 2025	September 30, 2024
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 217	$ 232
Noncurrent portion[2]	245	171
Total contingent liabilities	**$ 462**	**$ 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 $175 million to $950 million at March 31, 2025 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 and six months ended March 31, 2025 and 2024:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024**	**2025**	**2024**
FERS normal costs	$ 1,225	$ 1,227	$ 2,470	$ 2,433
CSRS unfunded retirement benefits amortization[1]	850	800	1,700	1,600
FERS unfunded retirement benefits amortization[2]	600	575	1,200	1,150
Total retirement benefits	**$ 2,675**	**$ 2,602**	**$ 5,370**	**$ 5,183**

[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

As of January 2025, the PSHB Program, a subset of the FEHB Program, covers nearly all career employees and certain pre-career employees and retirees who meet eligibility requirements. Separate from the PSHB, we offer our own healthcare plan to certain pre-career employees who are ineligible for PSHB.

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 March 31, 2025 and 2024. Our employee health benefits expense was $2.8 billion for both the six months ended March 31, 2025 and 2024. This expense is included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Retirees eligible to be covered by the PSHB Program are also required to enroll in Medicare, with certain limited exceptions. The PSRHBF, held by OPM, will pay for the employer portion of annuitant premiums until the fund is exhausted. Once exhausted, we will be required to pay the employer portion of the annuitant premiums on a pay-as-you-go method. While this is similar to the federal government's funding of the employer portion of annuitant premiums, consistent with all our costs, we 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 general industry trends, adjusted for an 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 March 31, 2025 liability and related expense by $1.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2025 liability and related expense by $1.7 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 March 31, 2025 and September 30, 2024:

	March 31, 2025	September 30, 2024
Compensation claims liability:		
Interest (discount) rate	4.40%	3.99%
Long-term wage inflation rate	2.80%	2.80%
Medical claims liability:		
Interest (discount) rate	4.39%	3.99%
Medical inflation rate	11.60%	3.10%

As of March 31, 2025 and September 30, 2024, our total liability for workers' compensation was $16.0 billion and $16.3 billion, respectively. As of March 31, 2025 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 $14.3 billion and $14.7 billion, respectively, as reflected in the accompanying unaudited *Balance Sheets*.

Workers' Compensation 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 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 expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2025 and 2024:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Impact of discount rate changes	$ 383	$ (414)	$ (653)	$ 567
Actuarial revaluation of existing cases	525	240	1,018	554
Cost of new cases	474	312	844	596
Administrative fee	25	24	50	48
Total workers' compensation expense	**$ 1,407**	**$ 162**	**$ 1,259**	**$ 1,765**

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 and six months ended March 31, 2025 and 2024:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Operating lease cost	$ 345	$ 343	$ 690	$ 682
Variable lease cost	124	134	249	284
Short-term lease cost	56	42	105	81
Total lease cost	**$ 525**	**$ 519**	**$ 1,044**	**$ 1,047**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information for operating leases for the six months ended March 31, 2025 and 2024:

	Six Months Ended March 31,	
($ in millions)	**2025**	**2024**
Operating cash flows from operating leases	$ 679	$ 672
Right-of-use assets obtained in exchange for operating lease liabilities	$ 57	$ 121
Weighted-average remaining lease term - operating leases	5.85 years	5.83 years
Weighted-average discount rate - operating leases	3.30 %	2.60 %

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:

		March 31, 2025		September 30, 2024	
(in millions)	**Fair value level**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Revenue forgone installment receivable[1]	Level 2	$ 551	$ 454	$ 548	$ 460
Long-term debt[2]	Level 3	$ 15,000	$ 14,664	$ 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 and six months ended March 31, 2025 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 which aims to drive package growth by broadening network access to 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 four 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.

We continue to execute on 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 remain unpredictable and continue to impact our results of operations for the three and six months ended March 31, 2025.

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 March 31, 2025

Our operating revenue for the three months ended March 31, 2025 was essentially flat compared to the same period last year.

Our operating expenses for the three months ended March 31, 2025 increased $1.8 billion, or 8.3%, compared to the same period last year. As more fully described below in *Operating Expenses*, this increase was primarily due to actuarial revaluation and discount rate impacts on workers' compensation costs and inflationary impacts on compensation costs, retirement costs and other operating costs, partially offset by lower transportation costs. Overall, we reported a net loss of $3.3 billion for the three months ended March 31, 2025, compared to a net loss of $1.5 billion for the same period last year.

Six Months Ended March 31, 2025

Our operating revenue for the six months ended March 31, 2025 increased $877 million, or 2.1%, 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 six-month period.

Our operating expenses for the six months ended March 31, 2025 increased $429 million, or 1.0%, compared to the same period last year. As more fully described below in *Operating Expenses*, this increase was primarily due to the inflationary increases on compensation costs (including workers' compensation), retirement costs and other operating costs, as well as the impact of actuarial revaluation on workers' compensation costs, partially offset by the impact of discount rates on workers' compensation costs and lower transportation costs.

Overall, we reported a net loss of $3.1 billion for the six months ended March 31, 2025, compared to a net loss of $3.5 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 loss and other GAAP reporting measures.

We calculate controllable (loss) 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 loss to our non-GAAP financial measures for the three and six months ended March 31, 2025 and 2024:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Net loss	**$ (3,292)**	**$ (1,468)**	**$ (3,148)**	**$ (3,540)**
Workers' compensation non-cash expense (benefit)[1]	994	(224)	369	945
CSRS unfunded liability amortization expense[2]	850	800	1,700	1,600
FERS unfunded liability amortization expense[3]	600	575	1,200	1,150
Controllable (loss) income	**$ (848)**	**$ (317)**	**$ 121**	**$ 155**

[1] Represents workers' compensation non-cash expense (benefit) resulting from fluctuations in discount rates, changes in assumptions, valuation of new claims, revaluation of existing claims, and the administrative fee paid to 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 loss for the three months ended March 31, 2025, increased $531 million compared to the same period last year. The increase was driven by higher compensation and benefit expenses of $449 million and higher other operating expenses of $124 million, partially offset by lower transportation expense of $116 million.

Our controllable income for the six months ended March 31, 2025, decreased $34 million compared to the same period last year. The decrease was driven by the higher compensation and benefit expenses of $1.1 billion and higher other operating expenses of $123 million, partially offset by the $877 million increase in operating revenue and lower transportation expense of $442 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 and six months ended March 31, 2025 and 2024 by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Operating Revenue:				
First-Class Mail	$ 6,653	$ 6,584	$ 13,658	$ 13,305
Marketing Mail[1]	3,603	3,653	8,193	7,792
Shipping and Packages[2]	7,768	7,716	17,119	16,795
International	336	359	719	788
Periodicals	214	220	456	458
Other[3]	1,130	1,180	2,058	2,188
Total operating revenue	**$ 19,704**	**$ 19,712**	**$ 42,203**	**$ 41,326**
Volume:				
First-Class Mail	10,991	11,671	22,426	23,570
Marketing Mail[1]	13,031	13,818	29,659	29,352
Shipping and Packages[2]	1,597	1,715	3,611	3,748
International	68	73	146	165
Periodicals	601	671	1,282	1,401
Other[4]	58	58	236	243
Total volume	**26,346**	**28,006**	**57,360**	**58,479**

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 and six months ended March 31, 2025, was impacted by the following pricing changes when comparing to the three and six months ended March 31, 2024, respectively:

- 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%;

- 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*; and
- 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*.

On April 9, 2025, we filed with the PRC notice of our intent to increase prices for certain mailing services to help achieve the financial stability sought by our *Delivering for America* plan. The average proposed price increase is 7.4% for certain Market-Dominant services and, subject to PRC favorable review of this plan, is scheduled to take effect on July 13, 2025. As of the date of this report, the PRC has not completed its review of this price increase plan.

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 March 31, 2025, *First-Class Mail* revenue increased $69 million, or 1.0%, on a volume decline of 680 million pieces, or 5.8%, compared to the same period last year. For the six months ended March 31, 2025, *First-Class Mail* revenue increased $353 million, or 2.7%, on a volume decline of 1.1 billion pieces, or 4.9%, compared to the same period last year. Revenue grew for the three and six months ended March 31, 2025, due to the price increases, as noted above, partially offset by the volume declines. 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 March 31, 2025, *Marketing Mail* revenue decreased $50 million, or 1.4%, on a volume decline of 787 million pieces, or 5.7%, compared to the same period last year. For the six months ended March 31, 2025, *Marketing Mail* revenue increased $401 million, or 5.1%, on a volume increase of 307 million pieces, or 1.0%, compared to the same period last year.

For the three months ended March 31, 2025, our revenue and volume from political and election mail, a component of *Marketing Mail,* decreased by $109 million and 410 million pieces, respectively, compared to the same period last year. For the six months ended March 31, 2025, our revenue and volume from political and election mail increased by nearly $260 million and nearly 1.1 billion pieces, respectively, compared to the same period last year. During the three-month period, we saw the effects of lower revenue and volume for political and election mail subsequent to the 2024 general election. During the six-month period, we saw the effects of higher revenue and volume in the first quarter 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 March 31, 2025 would have increased revenue $59 million, or 1.6%, and decreased volume 377 million pieces, or 2.7%, compared to the same period last year. *Marketing Mail*'s adjusted results for the six months ended March 31, 2025 would have increased revenue $141 million, or 1.8%, and decreased volume 753 million pieces, or 2.6%, 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 and six months ended March 31, 2025 and 2024 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 and six months ended March 31, 2025 and 2024, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2025	**2024**	**2025**	**2024**
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 1,563	$ 1,944	$ 3,454	$ 4,430
Parcel Services[2]	2,179	2,445	5,166	5,460
USPS Ground Advantage	3,788	3,095	8,023	6,427
Package Services	238	232	476	478
Total Shipping and Packages revenue	**$ 7,768**	**$ 7,716**	**$ 17,119**	**$ 16,795**
Shipping and Packages Volume:				
Priority Mail Services[1]	136	180	295	416
Parcel Services[2]	673	867	1,707	1,934
USPS Ground Advantage	681	555	1,394	1,169
Package Services	107	113	215	229
Total Shipping and Packages volume	**1,597**	**1,715**	**3,611**	**3,748**

[1] Includes *Priority Mail and Priority Mail Express.*

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

For the three months ended March 31, 2025, Shipping and Packages revenue increased $52 million, or 0.7%, and volume decreased 118 million pieces, or 6.9%, compared to the same period last year. For the six months ended March 31, 2025, Shipping and Packages revenue increased $324 million, or 1.9%, and volume decreased 137 million pieces, or 3.7%, 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. For the three and six months ended March 31, 2025, Priority Mail Services revenue decreased 19.6% and 22.0%, respectively, and volume decreased 24.4% and 29.1%, respectively, compared to the same periods 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. For the three and six months ended March 31, 2025, Parcel Services revenue decreased 10.9% and 5.4%, respectively, and volume decreased 22.4% and 11.7%, respectively, compared to the same periods last year;

- *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. For the three and six months ended March 31, 2025, *USPS Ground Advantage* revenue increased 22.4% and 24.8%, respectively, and volume increased 22.7% and 19.2%, respectively, compared to the same periods 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. For the three and six months ended March 31, 2025, Package Services revenue increased 2.6% and decreased 0.4%, respectively, and volume decreased 5.3% and 6.1%, respectively, compared to the same periods last year.

International Mail

For the three months ended March 31, 2025, international mail and package revenue decreased 6.4%, on a volume decline of 6.8%, compared to the same period last year. For the six months ended March 31, 2025, international mail and package revenue decreased 8.8%, on a volume decline of 11.5%, 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 March 31, 2025*, Periodicals* revenue decreased 2.7%, on a volume decline of 10.4%, compared to the same period last year. For the six months ended March 31, 2025*, Periodicals* revenue decreased 0.4%, on a volume decline of 8.5%, 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 March 31, 2025, 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 and six months ended March 31, 2025 and 2024:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Compensation	$ 11,066	$ 10,805	$ 23,117	$ 22,340
Employee health benefits	1,413	1,404	2,834	2,764
Social Security	636	635	1,314	1,291
Thrift Savings Plan	376	370	781	757
Other	254	82	352	179
Total compensation and benefits	**$ 13,745**	**$ 13,296**	**$ 28,398**	**$ 27,331**

Overall, our compensation and benefits expense increased 3.4% and 3.9% for three and six months ended March 31, 2025, respectively, compared to the same period last year. The expense increases are driven by inflationary COLA adjustments on contractual wages, changes in workforce composition, and costs associated with the voluntary early retirement incentive, partially offset by the lower 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 March 31, 2025, which had two fewer delivery days, total work hours were 274 million, a decrease of nearly 10 million hours, or 3.5%, compared to the same period last year, with the decrease achieved largely from fewer straight time hours. For the six months ended March 31, 2025, which had one less delivery day, total work hours were 574 million, a decrease of nearly 7 million hours, or 1.2%, compared to the same period last year. The work hour decrease included 9 million straight time hours, partially offset by 2 million additional overtime hours.

Workforce Composition

The number of career employees at March 31, 2025 was 537,000, an increase of 5,500 employees, or 1.0%, compared to the same date a year ago.

The number of pre-career employees at March 31, 2025 was 97,500, a decrease of 16,500 employees, or 14.5%, compared to the same date a year ago.

Voluntary Early Retirement

On January 13, 2025, we offered an optional retirement opportunity that included 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 was $15,000 per employee. We have included a $167 million provision for the voluntary early retirement incentive during the quarter.

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 and six months ended March 31, 2025, our retirement benefits expense increased 2.8% and 3.6%, respectively, compared to the same periods 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 the employer portion of annuitant premiums for our annuitants until the fund is exhausted. Once exhausted, we will be required to pay the employer portion of annuitant premiums on a pay-as-you-go method. While this is similar to the federal government's funding of the employer portion of annuitant premiums, consistent with all our costs, we 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.*

Workers' Compensation

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 expense in order to determine the non-cash component of workers' compensation expense (benefit), a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by the DOL on behalf of our employees for workers' compensation obligations, for the three and six months ended March 31, 2025 and 2024:

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(in millions)	**2025**	**2024**	**2025**	**2024**
Impact of discount rate changes	$ 383	$ (414)	$ (653)	$ 567
Actuarial revaluation of existing cases	525	240	1,018	554
Cost of new cases	474	312	844	596
Administrative fee	25	24	50	48
Total workers' compensation expense	**$ 1,407**	**$ 162**	**$ 1,259**	**$ 1,765**
Less cash payments made by the DOL on behalf of workers' compensation obligations	(413)	(386)	(890)	(820)
Total workers' compensation non-cash expense (benefit)	**$ 994**	**$ (224)**	**$ 369**	**$ 945**

For the three and six months ended March 31, 2025, the portion of workers' compensation expense driven by discount rate changes increased $797 million and decreased $1.2 billion, respectively, compared to the same periods last year.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased $447 million and $712 million for the three and six months ended March 31, 2025, respectively, compared to the same periods 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.

Transportation

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 5.4% and 9.5% for the three and six months ended March 31, 2025, respectively, compared to the same periods last year. The components of transportation expense for the three and six months ended March 31, 2025 and 2024 are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Highway	$ 1,504	$ 1,476	$ 3,072	$ 3,188
Air	446	574	985	1,278
International	60	87	138	187
Other	19	8	32	16
Total transportation expense	**$ 2,029**	**$ 2,145**	**$ 4,227**	**$ 4,669**

Highway transportation expense increased 1.9% and decreased 3.6% for the three and six months ended March 31, 2025, respectively, compared to the same periods last year. The increase in the three-month period is due to a higher average rate per mile due to modes of highway transportation used. The decrease in the six-month period is 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 22.3% and 22.9% for the three and six months ended March 31, 2025, respectively, compared to the same periods last year. These decreases were primarily due to the previously mentioned changes in service standards that facilitated our shifting certain package volume to highway transportation, along with the impact of lower average jet fuel prices.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2025 and 2024, are detailed in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Supplies and services	$ 833	$ 849	$ 1,668	$ 1,723
Depreciation and amortization	535	477	1,061	940
Rent and utilities	553	542	1,088	1,057
Information technology and communications	407	363	687	638
Vehicle maintenance service	175	183	347	394
Rural carrier equipment maintenance	144	147	305	307
Fuel - delivery vehicles	161	169	330	355
Miscellaneous other	396	350	779	728
Total other operating expenses	**$ 3,204**	**$ 3,080**	**$ 6,265**	**$ 6,142**

Total other operating expenses increased 4.0% and 2.0% for the three and six months ended March 31, 2025, respectively, compared to the same periods last year. The period-over-period variances in the components of other operating expenses for the three and six months ended March 31, 2025, 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.

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 $16.8 billion and $20.6 billion for the six months ended March 31, 2025 and 2024, respectively.

CASH FLOW ANALYSIS

Operating Activities

Net cash provided by operating activities was $1.1 billion for the six months ended March 31, 2025, compared to $458 million provided by operating activities for the six months ended March 31, 2024. 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 $1.7 billion in the purchase of property and equipment for the six months ended March 31, 2025, which is a decrease of $564 million, or 25.2%, 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 six months ended March 31, 2025, 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. Eight of our short-term investments matured and were redeemed for $7.3 billion during the period, and four of our restricted investments matured and were redeemed for $1.5 billion. The remainder of the investments held had yet to mature as of March 31, 2025. During the same period last year, there were investments of $9.3 billion and $464 million, which we made from excess cash and restricted cash, respectively. During the six months ended March

31, 2024, the short term investments matured and were redeemed for $8.6 billion and the restricted investments matured and were redeemed for $2.7 billion.

Financing Activities

Net cash used in financing activities was $18 million for the six months ended March 31, 2025. For the six months ended March 31, 2024, net cash provided by financing activities was $1.1 billion related to borrowings on long-term notes of $500 million and $650 million, respectively.

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 March 31, 2025, 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 $1.2 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 five Presidentially appointed, Senate-confirmed Governors in office.

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

APPROPRIATIONS

On March 15, 2025, the President signed the *Full-Year Continuing Appropriations and Extensions Act, 2025* (H.R. 1968), enacted as Public Law 119-4. The law extends government funding at fiscal year 2024 levels through September 30, 2025. We received $49,750,000 for revenue forgone on free and reduced rate mail, including mail for overseas voting and the blind.

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 are several bills that have been introduced in the House and Senate in this reporting period, that if passed, could impact our operations and financial results and condition, including our ability to fully implement key *Delivering for America* plan initiatives. However, our assessment at this time is that none of the bills are likely to significantly advance or ultimately be passed into law in their current form. 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 a request for an advisory opinion with the PRC regarding our plans 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. Following the conclusion of the regulatory proceeding, we began implementation of the proposal, which balances operational efficiency and cost savings with prompt and reliable service for all customers. We are adding one day to the service standard for certain *First-Class Mail* originating in areas far from our processing network. However, we expect current day ranges for *First-Class Mail* will remain constant and be shortened for other end-to-end mail products, most mail and package volume will retain the same or a faster standard, and delivery and service reliability overall will improve. The refinements 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. On February 28, 2025, we published in the Federal Register notice of the revised service standards. We will implement the final rule in two phases, with phase 1 having gone into effect on April 1, 2025, and phase 2 going into effect on July 1, 2025.

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 Acting 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 Acting PMG and the CFO, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2025. Based on and as of the date of the evaluation, the Acting 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 March 31, 2025 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/ Douglas Tulino
Douglas Tulino
Acting PMG and CEO,
and CHRO

Date: May 9, 2025

/s/ Luke Grossmann
Luke Grossmann
CFO and Executive VP

Date: May 9, 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, Douglas Tulino, 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: May 9, 2025

/s/ Douglas Tulino

Douglas Tulino

Acting PMG and CEO,

and CHRO

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: May 9, 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 March 31, 2025, (the “Report”), I, Douglas Tulino, 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: May 9, 2025

/s/ Douglas Tulino
Douglas Tulino
Acting PMG and CEO,
and CHRO

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 March 31, 2025, (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: May 9, 2025

/s/ Luke Grossmann
Luke Grossmann
CFO and Executive VP