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

FORM 10-Q

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

For the quarterly period ended December 31, 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
CODM	Chief Operating Decision Maker
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
FASB	Financial Accounting Standards Board
FECA	*Federal Employees' Compensation Act*
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
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
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
PMG	Postmaster General
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

Term or Acronym	Definition
RFA	*Revenue Forgone Reform Act*, enacted as Public Law 103-123
SEC	U.S. Securities and Exchange Commission
Senate	U.S. Senate
TSP	Thrift Savings Plan
U.S.	United States
U.S.C.	U.S. Code
USPS	U.S. Postal Service
VP	Vice President

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31,	
(in millions)	**2025**	**2024**
Revenue:		
Operating revenue	$ 22,235	$ 22,499
Other revenue	5	38
Total revenue	**22,240**	**22,537**
Operating expenses:		
Compensation and benefits	14,675	14,653
Retirement benefits	2,691	2,695
Retiree health benefits	175	—
Workers' compensation	486	(148)
Transportation	2,241	2,198
Other operating expenses	3,230	3,061
Total operating expenses	**23,498**	**22,459**
(Loss) income from operations	**(1,258)**	**78**
Interest and investment income	129	213
Interest expense	(130)	(147)
Net (loss) income	**$ (1,259)**	**$ 144**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	December 31, 2025	September 30, 2025
	(unaudited)	
Current Assets:		
Cash and cash equivalents	$ 7,724	$ 8,210
Restricted cash	3,573	3,487
Receivables, net (less allowances of $210 and $205)	1,207	1,325
Supplies, advances, and prepayments	564	411
Total current assets	**13,068**	**13,433**
Restricted cash, noncurrent	3,022	1,658
Restricted investments, noncurrent	—	588
Property and equipment, net	20,417	19,926
Operating lease right-of-use assets	5,376	5,295
Other assets	838	837
Total assets	**$ 42,721**	**$ 41,737**
Current Liabilities:		
Compensation and benefits	$ 4,039	$ 2,457
Retirement benefits	32,643	31,099
Retiree health benefits	175	—
Workers' compensation	1,669	1,724
Payables and accrued expenses	2,926	3,000
Deferred revenue-prepaid postage	3,057	2,925
Operating lease liabilities	1,203	1,203
Customer deposit accounts	1,334	1,263
Other current liabilities	1,236	1,289
Current maturities of long-term debt	700	700
Total current liabilities	**48,982**	**45,660**
Workers' compensation, noncurrent	14,537	15,721
Operating lease liabilities, noncurrent	4,366	4,278
Employees' accumulated leave, noncurrent	2,339	2,492
Other noncurrent liabilities	1,066	896
Long-term debt	14,300	14,300
Total liabilities	**85,590**	**83,347**
Net Deficiency:		
Capital contributions of the U.S. government	16,132	16,132
Deficit since 1971 reorganization	(59,001)	(57,742)
Total net deficiency	**(42,869)**	**(41,610)**
Total liabilities and net deficiency	**$ 42,721**	**$ 41,737**

See accompanying notes to the unaudited financial statements.

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

For the three months ended December 31, 2024

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

See accompanying notes to the unaudited financial statements.

For the three months ended December 31, 2025

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2025	**$ 16,132**	**$ (57,742)**	**$ (41,610)**
Net loss	—	(1,259)	(1,259)
Balance, December 31, 2025	**$ 16,132**	**$ (59,001)**	**$ (42,869)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Three Months Ended December 31, 2025	2024
Cash flows from operating activities:		
Net (loss) income	$ (1,259)	$ 144
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	568	526
Other, net	24	52
(Increase) decrease in operating lease right-of-use assets	(81)	1
Decrease in noncurrent workers' compensation	(1,184)	(1,810)
Increase in noncurrent operating lease liabilities	88	12
Decrease in other noncurrent liabilities	(62)	(168)
Changes in current assets and liabilities:		
Receivables, net	118	144
Other current assets	(153)	(93)
Retirement benefits	1,544	1,584
Retiree health benefits	175	—
Payables, accrued expenses, and other	1,474	1,709
Operating lease liabilities	—	(8)
Deferred revenue-prepaid postage and other deferred revenue	139	93
Net cash provided by operating activities	**1,391**	**2,186**
Cash flows from investing activities:		
Purchases of property and equipment	(1,005)	(878)
Proceeds from sales of property and equipment	19	38
Purchases of short-term investments	—	(3,000)
Purchases of restricted investments	—	(566)
Redemption of short-term investments	—	4,300
Redemption of restricted investments	567	700
Net cash (used in) provided by investing activities	**(419)**	**594**
Cash flows from financing activities:		
Payments on finance lease obligations	(8)	(7)
Net cash used in financing activities	**(8)**	**(7)**
Net increase in cash, cash equivalents & restricted cash	964	2,773
Cash, cash equivalents & restricted cash - beginning of period	13,355	6,688
Cash, cash equivalents & restricted cash - end of period	**$ 14,319**	**$ 9,461**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 122	$ 135

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, 2025, included in our Annual Report filed with the PRC on November 14, 2025, 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 2026 and 2025.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position of the Postal Service as of December 31, 2025, the results of operations for the three months ended December 31, 2025 and 2024, the changes in net deficiency for the three months ended December 31, 2025 and 2024, and the cash flows for the three months ended December 31, 2025 and 2024. Operating results for the three months ended December 31, 2025 are not necessarily indicative of the results that may be expected for all of 2026. 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

Recently Adopted

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. 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. We adopted this standard effective for our annual periods beginning on October 1, 2024, as reflected in *Note 1 - Organization and Summary of Significant Accounting Policies* and *Note 18 - Segment Information.* within our Annual Report filed with the PRC on November 14, 2025, and interim periods beginning on October 1, 2025. Our adoption of the new standard resulted only in changes to our recurring disclosures. For more information, see *Note 14 - Segment Information.*

Issued But Not Yet Adopted

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 in a tabular format. 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.

In July 2025, the FASB issued ASU 2025-05 *Measurement of Credit Losses on Accounts Receivable and Contract Assets*. The new standard allows for a practical expedient to be used in developing reasonable and supportable forecasts as part of estimating expected credit losses. The practical expedient may assume that current conditions as of the balance sheet date do not change for the remaining life of an asset. This ASU is effective for our annual and corresponding interim periods beginning on October 1, 2026 and early adoption is permitted. We are currently evaluating the impact of the new rule on our accounting for credit losses and related disclosures.

In September 2025, the FASB issued ASU 2025-06 *Targeted Improvements to Accounting for Internal-Use Software*. The new standard removes references to project stage software development and requires entities to start capitalizing software costs when both of the following occurs - management has authorized and committed to funding the software project and it is probable the project will be completed and software will be used to perform the function intended. Entities are permitted to apply the new guidance using either a prospective, modified, or retrospective transition approach. This ASU is effective for our annual and corresponding interim periods beginning on October 1, 2028. We are currently evaluating the impact of the new rule on our accounting for software development costs and related disclosures.

NOTE 3 - LIQUIDITY

The following table presents our cash, cash equivalents, and restricted cash included in our accompanying unaudited *Statements of Cash Flows* as of December 31, 2025 and December 31, 2024:

(in millions)	December 31, 2025	December 31, 2024
Cash and cash equivalents	$ 7,724	$ 6,597
Restricted cash, current	3,573	2,269
Restricted cash, noncurrent	3,022	595
Total cash, cash equivalents, and restricted cash	**$ 14,319**	**$ 9,461**

Liquidity Management

We manage our liquidity through cash and cash equivalents, short-term investments, and borrowing capacity. As of December 31, 2025, we did not hold any short-term investments. We currently have no borrowing capacity as we are at our $15.0 billion total debt statutory limit.

As of December 31, 2025 and September 30, 2025, our unrestricted liquidity was $7.7 billion and $8.2 billion, respectively, comprised entirely of cash and cash equivalents.

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.

As of both December 31, 2025 and September 30, 2025, the aggregate principal of all debt outstanding was $15.0 billion, all of which was issued to the FFB. The balances on the aforementioned dates include a $700 million fixed-rate note that matures on July 31, 2026 and is recorded as *Current maturities of long-term debt* in the accompanying unaudited *Balance Sheets*. As of the date of this report, management has the ability and intent to both repay this note and reissue a new note up to our statutory debt ceiling upon its maturity.

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 to allocate these costs between the Postal Service and Treasury by utilizing modern actuarial principles;
- 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.

We have also recently petitioned the PRC for the following regulatory changes:

- Modification of the Market Dominant ratemaking system through the elimination of the price cap and adoption of a regulatory monitoring ratemaking system in order to achieve the objectives of forging a sustainable path to financial stability;
- Alternatively, if the price cap is maintained, re-baselining the rates to ensure they are compensable while also maintaining adjustment factors to ensure that the system is flexible enough to deal with exogenous circumstances that may arise; and
- Repeal of the minimum remittance payment associated with retiree pension benefit amortization payments required by our retirement-based rate authority.

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, without putting our ability to fulfill that primary mission at undue risk.

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 50% between 2007 and 2025. Despite these declines, mail services still accounted for more than half of our operating revenue in 2025. While we have received some additional pricing flexibility from the PRC in recent years, mail services are still 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 and normal 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 1.8 million in 2025, 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 2.4 pieces in 2025, a decline of 57%.

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. However, we have remitted partial payments towards our annual FERS obligations in each of the past four years.

The following table presents the total retirement benefit expenses accrued but unpaid by us as of September 30, 2025, and the fiscal years in which the accruals were recorded:

(in millions)	2025	2024	2023	2014 to 2022	Total
CSRS unfunded retirement benefits amortization	$ 3,122	$ 3,245	$ 3,015	$ 10,757	$ 20,139
FERS unfunded retirement benefits amortization	659	1,286	1,541	7,300	10,786
Total expenses accrued but unpaid	**$ 3,781**	**$ 4,531**	**$ 4,556**	**$ 18,057**	**$ 30,925**

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. As previously mentioned, we also requested certain regulatory reforms by the PRC, including: modification of the Market Dominant ratemaking system through the elimination of the price cap and adoption of a regulatory monitoring ratemaking system in order to achieve the objectives of forging a sustainable path to financial stability; alternatively, if the price cap is maintained, re-baselining the rates to ensure they are compensable while also maintaining adjustment factors to ensure that the system is flexible enough to deal with exogenous circumstances that may arise; and repeal of the minimum remittance payment on retiree pension benefit amortization payments required by our retirement-based rate authority.

With annual total revenue of nearly $81 billion in 2025, 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 the 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. We continue to inform the executive branch, Congress, the PRC, and other stakeholders of the immediate and long-term financial challenges we face and the regulatory changes, as well as the legislative or administrative changes, that are required to restore our financial stability.

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, such as the annual CSRS and FERS amortization payments, as has been done in the past, as well as the PSRHBF top-up payments and FERS normal costs. By exercising these contingency plans, the Postal Service expects that it will have sufficient liquidity to continue operating through at least February 2027.

NOTE 4 - REVENUE RECOGNITION

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

Disaggregation of Revenue

The following table summarizes our disaggregated operating revenue for the three months ended December 31, 2025 and 2024 by service category:

	Three Months Ended December 31,	
(in millions)	**2025**	**2024[1]**
Operating Revenue:		
First-Class Mail	$ 7,105	$ 7,037
Marketing Mail[2]	4,460	4,586
Shipping and Packages[3]	9,313	9,336
International	251	384
Periodicals	223	242
Other[4]	883	914
Total operating revenue	**$ 22,235**	**$ 22,499**

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

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

Contract Liabilities

The following table presents the balances of our contract liabilities, including *Deferred revenue-prepaid postage,* prepaid *PO Box* and Caller Service fees, as of December 31, 2025 and September 30, 2025:

(in millions)	**December 31, 2025**	**September 30, 2025**
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,723	$ 1,679
Mail-in-transit	604	533
Metered postage	263	291
Other	467	422
Total deferred revenue-prepaid postage	**3,057**	**2,925**
Prepaid PO Box and Caller Service fees*	601	616
Total deferred revenue	**$ 3,658**	**$ 3,541**

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

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

(in millions)	Three Months Ended December 31, 2025
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 551
Mail-in-transit	533
Metered postage	291
Other	129
Prepaid PO Box and Caller Service fees	320

NOTE 5 - RELATED PARTIES

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

In September 2022, we received a capital contribution from the U.S. government of $3.0 billion under the IRA. Of this amount, $1.29 billion 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 December 31, 2025, we held $412 million in *Restricted cash* and $1.6 billion in *Restricted cash, 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.

The following table presents related-party assets and liabilities as of December 31, 2025 and September 30, 2025:

(in millions)	December 31, 2025	September 30, 2025
Related-party assets:		
Carrying amount of revenue forgone installment receivable[1]	$ 562	$ 558
Related-party liabilities:		
Current maturities of long-term debt	$ 700	$ 700
Other current liabilities[2]	35,243	33,225
Long-term debt	14,300	14,300
Other noncurrent liabilities[3]	14,614	15,790

[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. As of December 31, 2025, the past due installments unpaid by Congress totaled $362 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 2025 Annual Report.

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

The following table presents related-party revenue and expenses for the three months ended December 31, 2025 and 2024:

	Three Months Ended December 31,	
(in millions)	**2025**	**2024**
Related-party operating revenue	$ 430	$ 447
Related-party operating expenses[1]	4,579	4,560
Related-party interest income[2]	128	213
Related-party interest expense[3]	145	157

[1] 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.

[2] 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*.

[3] 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.

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

As of December 31, 2025, all of our investments were classified as *Cash and cash equivalents*, *Restricted cash*, or *Restricted cash, noncurrent*.

As of September 30, 2025, we had invested restricted cash of $588 million in two U.S. Treasury bills with maturities of eleven months. As we had both the intent and ability to hold these securities to maturity, we classified these investments as held-to-maturity. At September 30, 2025, these investments had both a recorded amortized cost basis, included in *Restricted investments, noncurrent* in the accompanying unaudited *Balance Sheets,* and a fair value of $587 million. These investments matured and were redeemed in October 2025.

Restricted investments have limited use due to the nature of the restrictions on the underlying funding, as described in *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements, Note 1 - Organization and Summary of Significant Accounting Policies* in the 2025 Annual Report.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

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

For the three months ended December 31, 2025 and 2024, depreciation and amortization expense was $568 million and $526 million, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

As of December 31, 2025, we had active contracts with three of our major collective bargaining units and one contract with a major collective bargaining unit had expired. The agreement expiration dates for those collective bargaining units are as follows:

Collective Bargaining Unit	Agreement Expiration Date
NPMHU	September 20, 2025*
NALC	May 22, 2026
NRLCA	May 20, 2027
APWU	September 20, 2027

* Agreement with the NPMHU expired on September 20, 2025, and the parties are engaged in continuing negotiations.

Contingent Liabilities

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

From time to time, we are involved in other litigation incidental to the conduct of our business, none of which is expected to be material to our financial condition or operations. For additional information see *Part I, Item 3. Legal Proceedings* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in the 2025 Annual Report.

Provision for Losses

We have made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions as of December 31, 2025 and September 30, 2025:

(in millions)	December 31, 2025	September 30, 2025
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 213	$ 299
Noncurrent portion[2]	253	153
Total contingent liabilities	**$ 466**	**$ 452**

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

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

Reasonably Possible Contingencies
We do not accrue for contingencies which we deem reasonably possible, but not probable, of an unfavorable outcome. These ranged in amount from $200 million to $1.0 billion at December 31, 2025 and $225 million to $1.1 billion at September 30, 2025.

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 updated information provided by OPM, which includes revised actuarial assumptions and discount rates from OPM's Board of Actuaries meeting in June 2025, we have estimated our annual payments due by September 30, 2026 will be $3.3 billion and $2.3 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, 2026 during the fourth quarter of 2026, and this invoice may differ from the estimated projections and calculations due to further changes in experience and/or actuarial assumptions as of the calculation date.

The following table presents the retirement benefits expense for the three months ended December 31, 2025 and 2024:

	Three Months Ended December 31,	
(in millions)	**2025**	**2024**
FERS normal costs	$ 1,291	$ 1,245
CSRS unfunded retirement benefits amortization[1]	825	850
FERS unfunded retirement benefits amortization[2]	575	600
Total retirement benefits	**$ 2,691**	**$ 2,695**

[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 2025 Annual Report.

NOTE 10 - HEALTH BENEFITS PLANS

Since 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 December 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.

We are now 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. OPM has estimated the annual top-up payment to be $700 million and for the three months ended December 31, 2025, the *Retiree health benefits* expense is $175 million.

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 December 31, 2025 liability and related expense by $1.5 billion. Likewise, a 1% decrease in the discount rate would increase the December 31, 2025 liability and related expense by $1.8 billion.

The following table details the applicable interest (discount) and inflation rates for compensation and medical claims, which are used to estimate the workers' compensation liability as of December 31, 2025 and September 30, 2025:

	December 31, 2025	September 30, 2025
Compensation claims liability:		
Interest (discount) rate	4.47%	4.41%
Long-term wage inflation rate	2.80%	2.80%
Medical claims liability:		
Interest (discount) rate	4.43%	4.39%
Medical inflation rate	18.00%	20.00%

As of December 31, 2025 and September 30, 2025, our total liability for workers' compensation was $16.2 billion and $17.4 billion, respectively. As of December 31, 2025 and September 30, 2025, the current portion of the liability was $1.7 billion and $1.7 billion, respectively, and the noncurrent portion of the liability was $14.5 billion and $15.7 billion, respectively, as reflected in the accompanying unaudited *Balance Sheets*.

Workers' Compensation Expense (Benefit)

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 (benefit).

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

	Three Months Ended December 31,	
(in millions)	2025	2024
Impact of discount rate changes	$ (90)	$ (1,036)
Actuarial revaluation of existing cases	40	493
Cost of new cases	510	370
Administrative fee	26	25
Total workers' compensation expense (benefit)	**$ 486**	**$ (148)**

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 14 - Workers' Compensation* in the 2025 Annual Report.

NOTE 12 - LEASES

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

Lease costs for operating leases for all non-cancellable leases are set forth below for the three months ended December 31, 2025 and 2024:

	Three Months Ended December 31,	
(in millions)	2025	2024
Operating lease cost	$ 365	$ 345
Variable lease cost	141	125
Short-term lease cost	57	48
Total lease cost	**$ 563**	**$ 518**

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

	Three Months Ended December 31,	
($ in millions)	2025	2024
Operating cash flows from operating leases	$ 356	$ 340
Right-of-use assets obtained in exchange for operating lease liabilities	$ 119	$ 19
Weighted-average remaining lease term - operating leases	5.95 years	5.88 years
Weighted-average discount rate - operating leases	3.74 %	3.12 %

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 15 - Leases* in the 2025 Annual Report.

NOTE 13 - FAIR VALUE MEASUREMENT

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

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

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

		December 31, 2025		September 30, 2025	
(in millions)	Fair value level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable[1]	Level 2	$ 562	$ 460	$ 558	$ 451
Long-term debt[2]	Level 3	$ 14,300	$ 14,029	$ 14,300	$ 14,039

[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.

NOTE 14 - SEGMENT INFORMATION

Our operations are organized into one operating segment. Our CODM is the PMG and CEO, who reviews our financial information routinely, and at least monthly. The CODM evaluates the financial performance of the operating segment and allocates resources within the terms of our collective bargaining agreements and based on assessments of operating revenue, compensation and benefits expenses, transportation expenses, and net (loss) income.

The following table presents selected information and significant expense categories included in our reported measure of segment profitability for the three months ended December 31, 2025 and 2024:

	Three Months Ended December 31,	
(in millions)	2025	2024
Revenue	$ 22,240	$ 22,537
Less:		
Compensation and benefits	14,675	14,653
Transportation	2,241	2,198
Other segment items*	6,582	5,608
Plus:		
Interest (expense) income, net	(1)	66
Segment net (loss) income	**$ (1,259)**	**$ 144**

* Other segment items include: certain unfunded retirement benefits amortization expenses, retiree health benefits top-up expenses, workers' compensation expenses (benefits), supplies and services, depreciation and amortization, rent and utilities, vehicle maintenance service, delivery vehicle fuel, information technology and communications, rural carrier equipment maintenance, and miscellaneous other.

See the accompanying unaudited *Statements of Operations* for other financial information regarding our operating segment.

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, 2025, filed with the PRC on November 14, 2025. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three months ended December 31, 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, 2026 and should be read in conjunction with our 2025 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 2026 and 2025.

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 2025 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.

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, endeavors to deliver:

- 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, diversification of pension assets, raising the statutory debt ceiling, and reforming workers' compensation administration. We have also recently petitioned the PRC for certain regulatory reforms, including: modification of the Market Dominant ratemaking system through the elimination of the price cap and adoption of a regulatory monitoring ratemaking system in order to achieve the objectives of forging a sustainable path to financial stability; alternatively, if the price cap is maintained, re-baselining the rates to ensure they are compensable while also maintaining adjustment factors to ensure that the system is flexible enough to deal with exogenous circumstances that may arise; and repeal of the minimum remittance payment on retiree pension benefit amortization payments required by our retirement-based rate authority.

RESULTS OF OPERATIONS

SUMMARY

Major factors that impacted our operating results for the three months ended December 31, 2025 include overall customer demand, the mix of postal products/services and the pricing and contribution associated with those products/services, the volume of mail and packages processed through our network, our ability to manage our cost structure in line with secularly declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business, and an increasing number of delivery points.

Three Months Ended December 31, 2025

Our operating revenue for the three months ended December 31, 2025 decreased $264 million, or 1.2%, compared to the same period last year. As more fully described below in *Operating Revenue and Volume*, this decrease was largely due to declining volumes in our *First-Class Mail*, *Marketing Mail*, and Shipping and Packages categories, partially offset by price increases in these same categories.

Our operating expenses for the three months ended December 31, 2025 increased $1.0 billion, or 4.6%, compared to the same period last year. As more fully described below in *Operating Expenses*, this increase was primarily due to the impact of discount rates on workers' compensation costs, the accrued retiree health benefits top-up expenses, and the net increases on other operating costs.

Overall, we reported a net loss of nearly $1.3 billion for the three months ended December 31, 2025, compared to net income of $144 million 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) income and other GAAP reporting measures.

We calculate controllable income, a non-GAAP measure, by excluding the accrued retiree health benefits top-up expense and the workers' compensation non-cash 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) income to our non-GAAP financial measures for the three months ended December 31, 2025 and 2024:

	Three Months Ended December 31,	
(in millions)	2025	2024
Net (loss) income	**$ (1,259)**	**$ 144**
Retiree health benefits top-up expense[1]	175	—
Workers' compensation non-cash expense (benefit)[2]	34	(626)
CSRS unfunded liability amortization expense[3]	825	850
FERS unfunded liability amortization expense[4]	575	600
Controllable income	**$ 350**	**$ 968**

[1] Expense for the accrual for the annual PSRHBF top-up payment due to OPM by September 30 of the respective fiscal year. OPM has estimated the top-up payment due in 2026 to be $700 million.

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

[3] 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.

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

Our controllable income for the three months ended December 31, 2025, decreased $618 million compared to the same period last year. The decrease was driven by the $264 million decrease in operating revenue, higher other operating expenses of $169 million largely associated with depreciation on recent property, plant and equipment investments and modernization of our information technology systems, and a decrease in interest and investment income of $84 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 optimize pricing strategies and effectively use our pricing authority to drive revenue growth, 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 2025 Annual Report.

The following table summarizes our operating revenue and volume for the three months ended December 31, 2025 and 2024 by each service category:

	Three Months Ended December 31,	
(in millions)	**2025**	**2024**
Operating Revenue:		
First-Class Mail	$ 7,105	$ 7,037
Marketing Mail[1]	4,460	4,586
Shipping and Packages[2]	9,313	9,336
International	251	384
Periodicals	223	242
Other[3]	883	914
Total operating revenue	**$ 22,235**	**$ 22,499**
Volume:		
First-Class Mail	10,823	11,525
Marketing Mail[1]	14,956	16,788
Shipping and Packages[2]	1,770	2,013
International	51	79
Periodicals	568	681
Other[4]	177	194
Total volume	**28,345**	**31,280**

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

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

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

Revenue for the three months ended December 31, 2025, was impacted by the following pricing changes when comparing to the three months ended December 31, 2024, respectively:

- From October 6, 2024 through January 19, 2025, we implemented time-limited 2024 peak season price increases for certain commercial and retail package services. This time-limited temporary price adjustment was to help cover extra handling costs to ensure a successful peak season. The peak season pricing only affected prices on *Priority Mail Express*, *Priority Mail* and *USPS Ground Advantage*;
- On January 19, 2025, we increased published prices for certain Competitive service sub-categories. Published prices for shipping services increased by an average of 3.2% for *Priority Mail* and *Priority Mail Express*, 3.9% for *USPS Ground Advantage* and 9.2% for *Parcel Select;*
- On July 13, 2025, we increased prices for certain Market Dominant services by an average of 7.4% to help achieve the financial stability sought by our *Delivering for America* plan;
- On July 13, 2025, we also increased published prices for certain Competitive service sub-categories. Published prices for shipping services increased by an average of 6.3% for *Priority Mail*, 7.1% for *USPS Ground Advantage* and 7.6% for *Parcel Select*; and
- From October 5, 2025 through January 18, 2026, we implemented time-limited 2025 peak season price increases for certain commercial and retail package services. This time-limited temporary price adjustment is to help cover extra handling costs to ensure a successful peak season. The peak season pricing only affects prices on *Priority Mail Express*, *Priority Mail, USPS Ground Advantage* and *Parcel Select*.

On January 18, 2026, we increased published prices for certain Competitive service sub-categories. Published prices for shipping services increased by an average of 6.6% for *Priority Mail*, 5.1% for *Priority Mail Express*, 7.8% for *USPS Ground Advantage* and 6.0% for *Parcel Select.*

Our 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.

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. In December 2025, we announced bid solicitation for access to our last-mile delivery network, which will expand the reach of retailers and others who value same-day or next-day delivery, helping shippers reduce their costs while generating much-needed revenue for the Postal Service.

First-Class Mail

For the three months ended December 31, 2025, *First-Class Mail* revenue increased $68 million, or 1.0%, on a volume decline of 702 million pieces, or 6.1%, compared to the same period last year. Revenue grew for the three months ended December 31, 2025, due to the price increases, partially offset by the volume decline. The most significant factor contributing to the declining trend in *First-Class Mail* volume is the on-going migration from mail to electronic communication and transaction alternatives.

Marketing Mail

For the three months ended December 31, 2025*, Marketing Mail* revenue decreased $126 million, or 2.7%, on a volume decrease of 1.8 billion pieces, or 10.9%, compared to the same period last year.

For the three months ended December 31, 2025, our revenue and volume from political and election mail, a component of *Marketing Mail,* was $84 million and 296 million pieces, respectively, decreases of $375 million and 1.5 billion pieces, respectively, compared to the same period last year. These decreases are due to the cyclical nature of these mailings and the effects associated with the 2024 general election during the first quarter of the prior year.

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

Shipping and Packages

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

The results for our Shipping and Packages category for the three months ended December 31, 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, we offer an improved affordable ground product, *USPS Ground Advantage*, that features two-to-five-day service standards for packages up to 70 pounds.

The following table summarizes our operating revenue and volume for Shipping and Packages for the three months ended December 31, 2025 and 2024, by each service subcategory:

(in millions)	Three Months Ended December 31,	
	2025	2024
Shipping and Packages Revenue:		
USPS Ground Advantage	$ 5,376	$ 4,237
Parcel Services[1]	2,109	2,986
Priority Mail Services[2]	1,562	1,873
Package Services	266	240
Total Shipping and Packages revenue	**$ 9,313**	**$ 9,336**
Shipping and Packages Volume:		
USPS Ground Advantage	885	713
Parcel Services[1]	669	1,035
Priority Mail Services[2]	116	157
Package Services	100	108
Total Shipping and Packages volume	**1,770**	**2,013**

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

For the three months ended December 31, 2025, Shipping and Packages revenue decreased $23 million, or 0.2%, and volume decreased 243 million pieces, or 12.1%, compared to the same period last year. The results reflect the revenue increases and success of *USPS Ground Advantage*, as well as the impact of price increases in Package Services, offset by revenue decreases in Priority Mail Services and Parcel Services, as a result of intense market competition, in-sourcing from our major customers and e-commerce retailers, and the trend away from expedited products. Volume declined in all sub-categories except *USPS Ground Advantage.*

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

- *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 months ended December 31, 2025, *USPS Ground Advantage* revenue increased 26.9%, and volume increased 24.1%, compared to the same period last year;
- Our Parcel Services sub-category is an economical ground delivery service for packages entered in bulk, including those entered at destination facilities. It is designed for and generally used by large- and medium-sized parcel shippers, although we are undertaking efforts to expand its use. This is our lowest-priced Shipping and Packages service. For the three months ended December 31, 2025, Parcel Services revenue decreased 29.4%, and volume decreased 35.4%, compared to the same period last year;
- 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 with slower delivery standards and an industry-wide trend away from expedited products. For the three months ended December 31, 2025, Priority Mail Services revenue decreased 16.6%, and volume decreased 26.1%, compared to the same period last year; and
- Our Package Services sub-category is the only Market Dominant service within Shipping and Packages. As such, this service has historically followed trends more similar to our other Market Dominant products. For the three months ended December 31, 2025, Package Services revenue increased 10.8%, and volume decreased 7.4%, compared to the same period last year.

International Mail

For the three months ended December 31, 2025, international mail and package revenue decreased 34.6%, on a volume decline of 35.4%, compared to the same period last year. The decline in revenue and volume was due to various competitive pricing, geopolitical, and economic factors.

Periodicals

For the three months ended December 31, 2025*, Periodicals* revenue decreased 7.9%, on a volume decline of 16.6%, compared to the same period last year. The declining volume is consistent with the systemic decline related to the decade-long trend away from hard-copy reading behavior and the shift of advertising away from print. We expect the *Periodicals* category to continue to decline as electronic content has gained a significant portion of this market share.

OPERATING EXPENSES

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

We originally designed our mail processing and distribution network to provide delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not well aligned to today's mail and package mix and volume. Consequently, certain of our processing and distribution facilities and our transportation continue to operate at less than full capacity, although we are in the process of realigning our processing and transportation networks through the *Delivering for America* plan to increase use of this 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 2.4 pieces in 2025, a decline of 57%.

Compensation and Benefits

Compensation and benefits, our largest operating expense category, is significantly impacted by the terms of our collective bargaining agreements. As of December 31, 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 2025 Annual Report.

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

The following table presents compensation and benefits expense for the three months ended December 31, 2025 and 2024:

	Three Months Ended December 31,	
(in millions)	**2025**	**2024**
Compensation	$ 12,052	$ 12,051
Employee health benefits	1,406	1,422
Social Security	692	677
Thrift Savings Plan	427	404
Other	98	99
Total compensation and benefits	**$ 14,675**	**$ 14,653**

Overall, our compensation and benefits expense was essentially flat for three months ended December 31, 2025, compared to the same period last year. While contractual wages increased as a result of COLA, it was offset by a reduction in work hours and a decrease in our total workforce.

Work Hours

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

For the three months ended December 31, 2025, total work hours were 291 million, a decrease of 9 million hours, or 3.0%, compared to the same period last year. The work hour decrease included 6 million fewer overtime hours and 3 million fewer straight time hours.

Workforce Composition

The number of career employees at December 31, 2025 was 534,000, a decrease of 2,000 employees, or 0.4%, compared to the same date a year ago.

The number of pre-career employees at December 31, 2025 was 104,000, a decrease of 2,000 employees, or 1.9%, compared to the same date a year ago.

Retirement Benefits

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

For the three months ended December 31, 2025, our retirement benefits expense was essentially flat, compared to the same period last year.

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 2025 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 are now 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. OPM has estimated the annual top-up payment to be $700 million. For the three months ended December 31, 2025, the *Retiree health benefit* expense is $175 million.

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 2025 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 (benefit) 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 (benefit), including the cash payments made by the DOL on behalf of our employees for workers' compensation obligations, for the three months ended December 31, 2025 and 2024:

	Three Months Ended December 31,	
(in millions)	**2025**	**2024**
Impact of discount rate changes	$ (90)	$ (1,036)
Actuarial revaluation of existing cases	40	493
Cost of new cases	510	370
Administrative fee	26	25
Total workers' compensation expense (benefit)	**$ 486**	**$ (148)**
Less cash payments made by the DOL on behalf of workers' compensation obligations	(452)	(477)
Total workers' compensation non-cash expense (benefit)	**$ 34**	**$ (625)**

For the three months ended December 31, 2025, the portion of workers' compensation expense (benefit) driven by discount rate changes increased $946 million, compared to the same period last year.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases decreased $313 million for the three months ended December 31, 2025, compared to the same period last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases, and updated COLA assumptions, which are largely outside of management's control.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation* in this document and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 14 - Workers' Compensation* in our 2025 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 increased 2.0% for the three months ended December 31, 2025, compared to the same period last year. The components of transportation expense for the three months ended December 31, 2025 and 2024 are presented in the following table:

	Three Months Ended December 31,	
(in millions)	**2025**	**2024**
Highway	$ 1,640	$ 1,568
Air	527	539
International	59	78
Other	15	13
Total transportation expense	**$ 2,241**	**$ 2,198**

Highway transportation expense increased 4.6% for the three months ended December 31, 2025, compared to the same period last year. The increase is due to a heavier reliance on freight auction during the quarter, as we continued to progress on our network realignments. While freight auction trips provide additional needed flexibility, they do have a higher average rate per mile. 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 2.2% for the three months ended December 31, 2025, compared to the same period last year. The decrease was 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.

<u>Other Operating Expenses</u>

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

	Three Months Ended December 31,	
(in millions)	**2025**	**2024**
Supplies and services	$ 854	$ 835
Depreciation and amortization	568	526
Rent and utilities	555	535
Information technology and communications	338	279
Vehicle maintenance service	198	171
Rural carrier equipment maintenance	162	162
Fuel - delivery vehicles	164	170
Miscellaneous other	391	383
Total other operating expenses	**$ 3,230**	**$ 3,061**

Total other operating expenses increased 5.5% for the three months ended December 31, 2025, compared to the same period last year. The period-over-period variances in the components of other operating expenses for the three months ended December 31, 2025, are immaterial.

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 $7.5 billion and $17.1 billion for the three months ended December 31, 2025 and 2024, respectively.

CASH FLOW ANALYSIS

Operating Activities

Net cash provided by operating activities was $1.4 billion for the three months ended December 31, 2025, compared to $2.2 billion provided by operating activities for the three months ended December 31, 2024. This decrease in cash provided by operations was due to lower revenue, as well as the timing of cash expenditures for compensation and benefits, retirement benefits, and certain payable and accrued expenses.

Investing Activities

We invested $1.0 billion in the purchase of property and equipment for the three months ended December 31, 2025, which is an increase of $127 million, or 14.5%, compared to the same period last year. The increase is due to the timing of our investments in network infrastructure consistent with our *Delivering for America* plan. Our projected capital expenditures for 2026 remains at $4.2 billion.

During the three months ended December 31, 2025, two of our restricted investments matured and were redeemed for $567 million. During the same period last year, investments of $3.0 billion and $566 million, were made from excess cash and restricted cash, respectively. During the three months ended December 31, 2024, certain short-term investments matured and were redeemed for $4.3 billion and the restricted investments matured and were redeemed for $700 million.

Financing Activities

Net cash used in financing activities was $8 million for the three months ended December 31, 2025, compared to $7 million net cash used in financing activities for the three months ended December 31, 2024.

LIQUIDITY OUTLOOK

2026 and Beyond

We continue to face systemic imbalances that make our current operating model unsustainable. While we have adequate short-term liquidity as of December 31, 2025, 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

We have estimated obligations to pay OPM for unfunded retirement benefits of $5.6 billion and the PSRHBF top-up payment of $700 million on September 30, 2026. We also have an estimated obligation to pay the DOL approximately $1.7 billion in October 2026, representing the workers' compensation claims paid by the DOL for the chargeback year July 1, 2025 to June 30, 2026, 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 have initially planned for over $40 billion in capital investments between 2021 and 2030. We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service mission will amount to $3.2 billion for the remainder of 2026 and an additional $15.6 billion for years 2027 through 2030. However, these projections could change depending on the timing of investments to replace our delivery fleet, transform our retail locations, improve our processing facilities, and acquire or contribute to other appropriate capital assets. Furthermore, operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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 four Presidentially appointed, Senate-confirmed Governors in office.

On December 8, 2025, the holdover term of former Governor Roman Martinez IV expired, and he cycled off the Board.

The Senate returned the previously submitted Board of Governor nomination for Anthony Lomangino to the President on January 3, 2026 because no action was taken during the First Session of the 119th Congress, which ended on December 31, 2025. The nomination did not receive confirmation during the First Session under the provisions of Rule XXXI, paragraph 6, of the Standing Rules of the Senate and any further consideration would require resubmission of the nomination by the President.

On January 13, 2026, the President resubmitted to the Senate the nomination of Anthony Lomangino to serve on the Board of Governors for a term expiring on December 8, 2031. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee, where it awaits further action.

APPROPRIATIONS

On February 3, 2026 the President signed into law the five-bill appropriations package, the *Further Continuing Appropriations Act, 2026* (H.R. 7148), that includes appropriations for financial services and general government for the fiscal year ending September 30, 2026. The law, which has not been assigned a public law number at the time of publication, includes $38.36 million for revenue forgone on free and reduced rate mail. It requires that mail for overseas voting and mail for the blind continue to be free; that none of the funds may be used to implement any rule, regulation, or policy of charging child support officials a fee for information concerning an address of a postal customer; that none of the funds may be used to consolidate or close small and/or rural post offices; and that the Postal Service does not destroy and continues to offer for sale any copies of the Multinational Species Conservation Funds Semipostal Stamp.

LEGISLATION

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 the bills are unlikely 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 January 13, 2026, the PRC issued Order No. 9426 which adopts rules to restrict the Postal Service from increasing rates for Market Dominant products more than once per fiscal year (from March 1, 2026 through September 30, 2030) and places additional restrictions on the Postal Service regarding workshare discounts that further limits our pricing flexibility.

On December 22, 2025, we filed a petition for rulemaking with the PRC to modify the Market Dominant ratemaking system through the elimination of the price cap and adoption of a regulatory monitoring ratemaking system in order to achieve the objectives of forging a sustainable path to financial stability. The petition suggests that the PRC conducts a holistic system-wide review of the regulatory monitoring approach five years after implementation. The petition provides an alternative to the elimination of the price cap by providing sufficient pricing authority to reset rates to a more compensatory level, while preserving adjustment factors to ensure that the system is flexible enough to deal with exogenous circumstances that may arise. As of the date of this report, the PRC has not ruled on our petition.

On December 22, 2025, we also filed a petition for rulemaking with the PRC to repeal the minimum remittance payment on retiree pension benefit amortization payments required by our retirement-based rate authority. As of the date of this report, the PRC has not ruled on our petition.

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 2025 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*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently issued 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 2025 Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

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

DISCLOSURE CONTROLS

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

We carried out an evaluation under the supervision and with the participation of management, including the PMG and the CFO, of the effectiveness of the design and operation of disclosure controls and procedures as of December 31, 2025. Based on and as of the date of the evaluation, the PMG and the CFO concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended December 31, 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 2025 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 2025 Annual Report.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
10.1	Retention Agreement with Douglas Tulino, Deputy Postmaster General, Chief Operating Officer, and Chief Human Resources Officer.
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/ David Steiner
David Steiner
PMG and CEO

Date: February 5, 2026

/s/ Luke Grossmann
Luke Grossmann
CFO and Executive VP

Date: February 5, 2026

Exhibit 10.1

RETENTION AGREEMENT

This is an agreement between the United States Postal Service (Postal Service) and Doug A. Tulino (Employee) as contemplated by the PMG, DPMG & Other Officer Pay Policy approved by the Postal Service Board of Governors (Governors) in September 2020 and amended in August 2023 (hereinafter, the "Agreement"), and specifically authorized by action of the Governors on November 13, 2025.

1. As an incentive to induce Employee to continue in the position of Deputy Postmaster General, Chief Operating Officer and Chief Human Resources Officer, the Postal Service agrees to provide Employee with two retention payments of $100,000 each, less required withholding and deductions. These retention payments will cause the Employee's total compensation to exceed the Postal Service's applicable statutory cap on employee compensation for calendar years 2026 and 2027 as set forth in 39 U.S.C. §3686; therefore, these payments will be added to the Employee's deferred compensation account to ensure compliance with the statutory cap. The retention payments will be added to the Employee's deferred compensation account as follows: (1) $100,000 on March 1, 2026, on the condition that he is employed by the Postal Service in any capacity at the time payment is due; and (2) $100,000 after December 31, 2026, but no later than January 30, 2027, on the condition that he was employed by the Postal Service in any capacity on December 31, 2026.

2. Employee acknowledges that pursuant to section 204 of title 39 of the United States Code, Employee serves in his position as an Officer of the Postal Service at the pleasure of the Postmaster General. Nothing in this Agreement is intended to limit the authority of the Postmaster General to exercise the authority conferred upon him by section 204 of the United States Code.

3. The full amount of the retention payments will be paid into the Employee's deferred compensation account to ensure compliance with the statutory caps. The deferred compensation account is an interest-bearing account. Per the PMG, DPMG & Other Officer Pay Policy, the Postal Service will credit interest during the calendar year at a rate that will result in a yield equal to the Moody's Average Corporate Yield, averaged over the 12-month period ending on December 31 of the prior year. Any deferred compensation payment due to Employee shall be paid to him no earlier than 90 days but no later than 120 days after his separation of employment with the Postal Service. This Agreement, including this Paragraph, is intended to fully comply with the requirements of section 409A of the Internal Revenue Code, as amended, and any regulations thereunder, so as to not result in any income inclusion to Employee under Section 409A(a)(1)(a).

4. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party that are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding.

5. This Agreement may be amended or modified only upon written agreement of the parties. No amendment or modification of this Agreement shall be valid or effective unless in writing and executed by the parties to this Agreement.

6. Employee hereby acknowledges and agrees that he has been provided with the opportunity to review and consider the terms of this Agreement and that he has been informed of his right to consult with an attorney should he so desire before signing this Agreement.

David P. Steiner Postmaster General and CEO	Doug A. Tulino
12/9/25 Date	12/9/25 Date

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, David Steiner, certify that:

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

Date: February 5, 2026

/s/ David Steiner

David Steiner

PMG and CEO

Exhibit 31.2

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

I, Luke Grossmann, certify that:

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

Date: February 5, 2026

/s/ Luke Grossmann

Luke Grossmann

CFO and Executive VP

Exhibit 32.1

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

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended December 31, 2025, (the "Report"), I, David Steiner, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

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

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

Date: February 5, 2026

/s/ David Steiner

David Steiner

PMG and CEO

Exhibit 32.2

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

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended December 31, 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: February 5, 2026

/s/ Luke Grossmann

Luke Grossmann

CFO and Executive VP