

The USPS Financial Situation

February 19, 2013

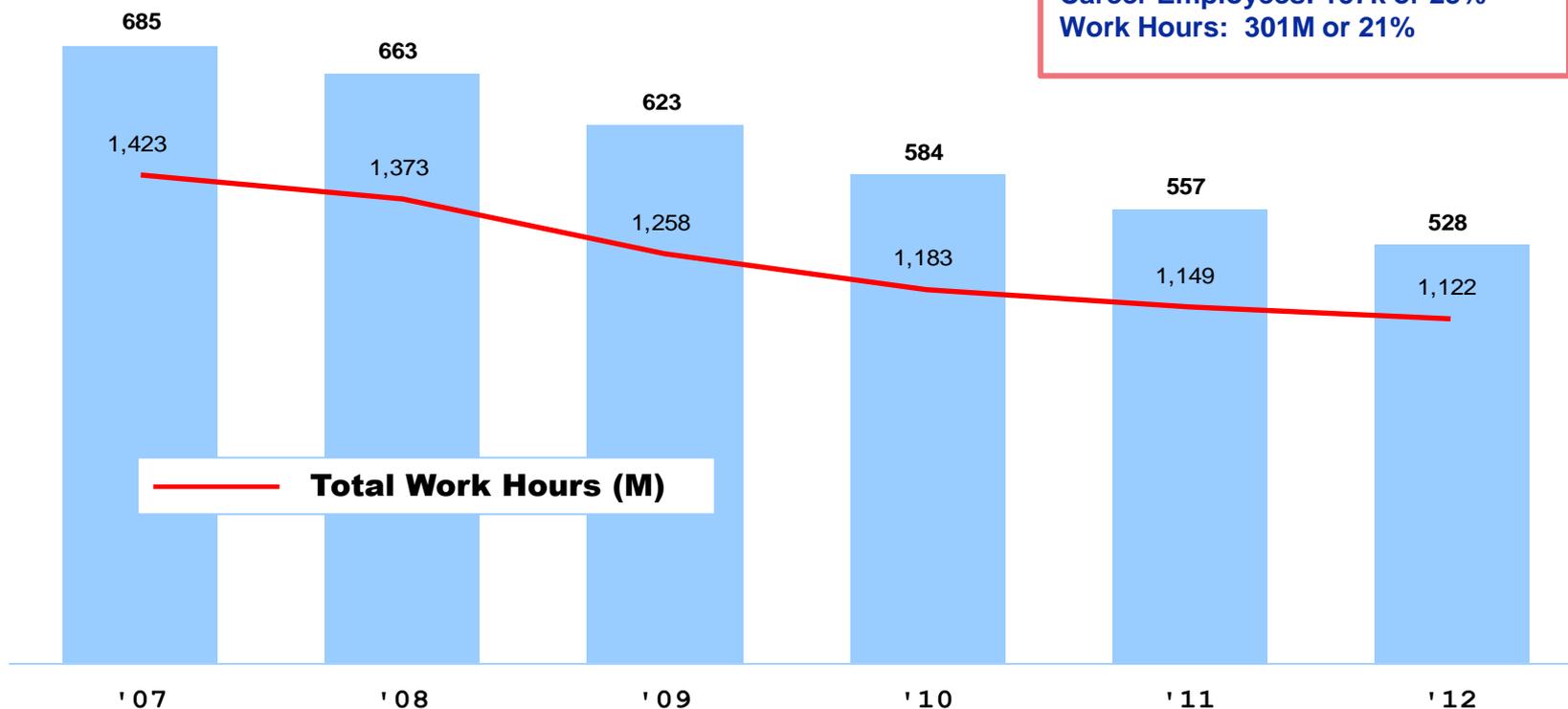
Joseph Corbett

Chief Financial Officer and Executive Vice President

- Quarter I, FY 2013, Financial Results
- Financial Outlook
- Strategic Initiatives

Total Career Employees In Thousands

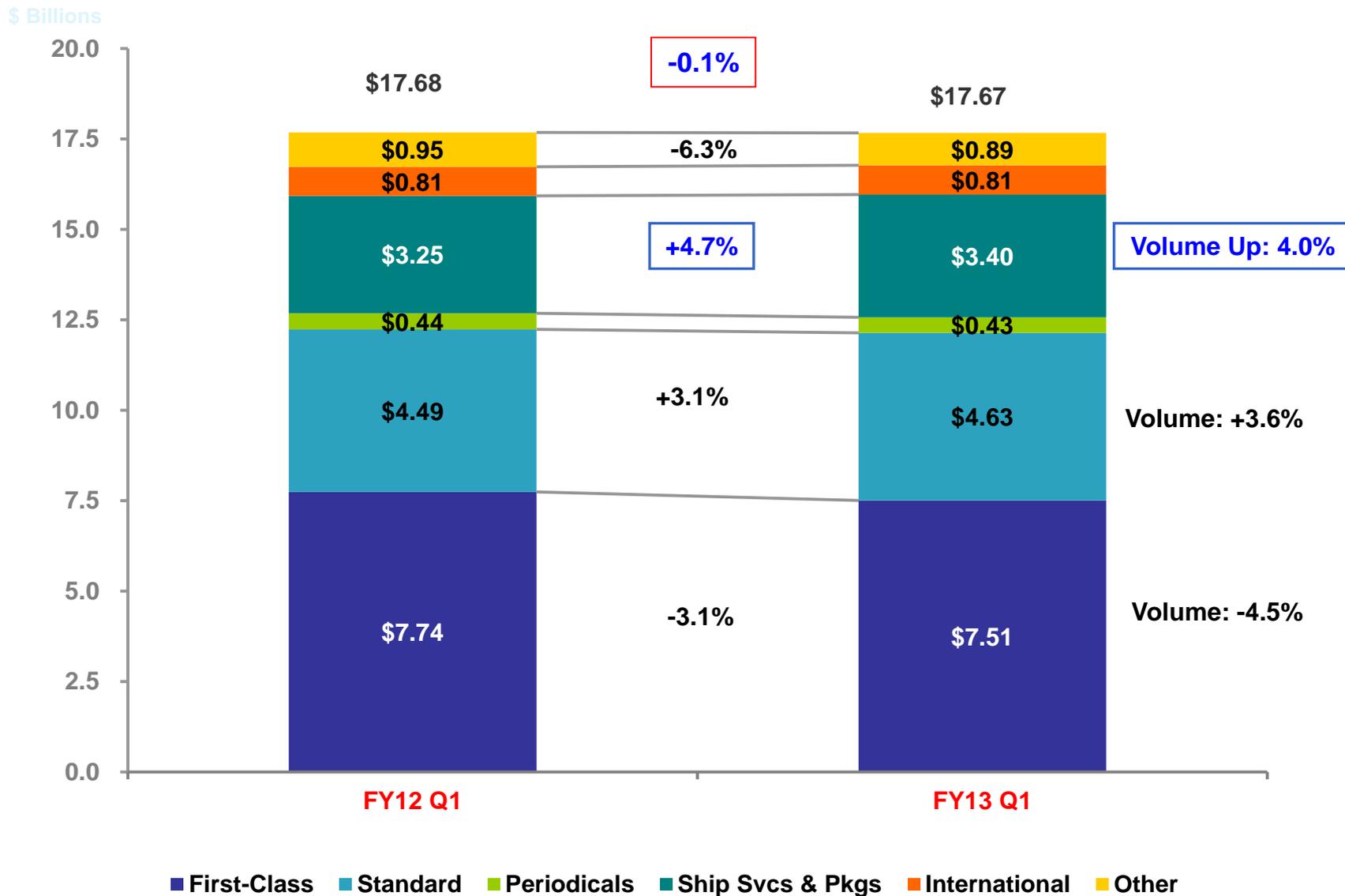
Reductions during the last five fiscal years (through 2012):
Career Employees: 157k or 23%
Work Hours: 301M or 21%



Quarter 1 YTD - 3 Months	FY	Q1, FY
(Billions)	2013	2012
Revenue	\$17.7	\$17.7
Expenses *	17.5	17.5
Separation Incentive Costs	0.1	-
Operating Income (Loss)*	0.1	0.2
Retiree Health Benefits Pre-Funding	(1.4)	(3.1)
Workers' Comp. Fair Value Adj.	0.2	(0.1)
Workers' Comp. Other Non-Cash Adj.	(0.2)	(0.3)
Net Income (Loss)	<u>(\$1.3)</u>	<u>(\$3.3)</u>
Liquidity (Days Cash)	10	11
Volume (pieces)	43.5	43.6

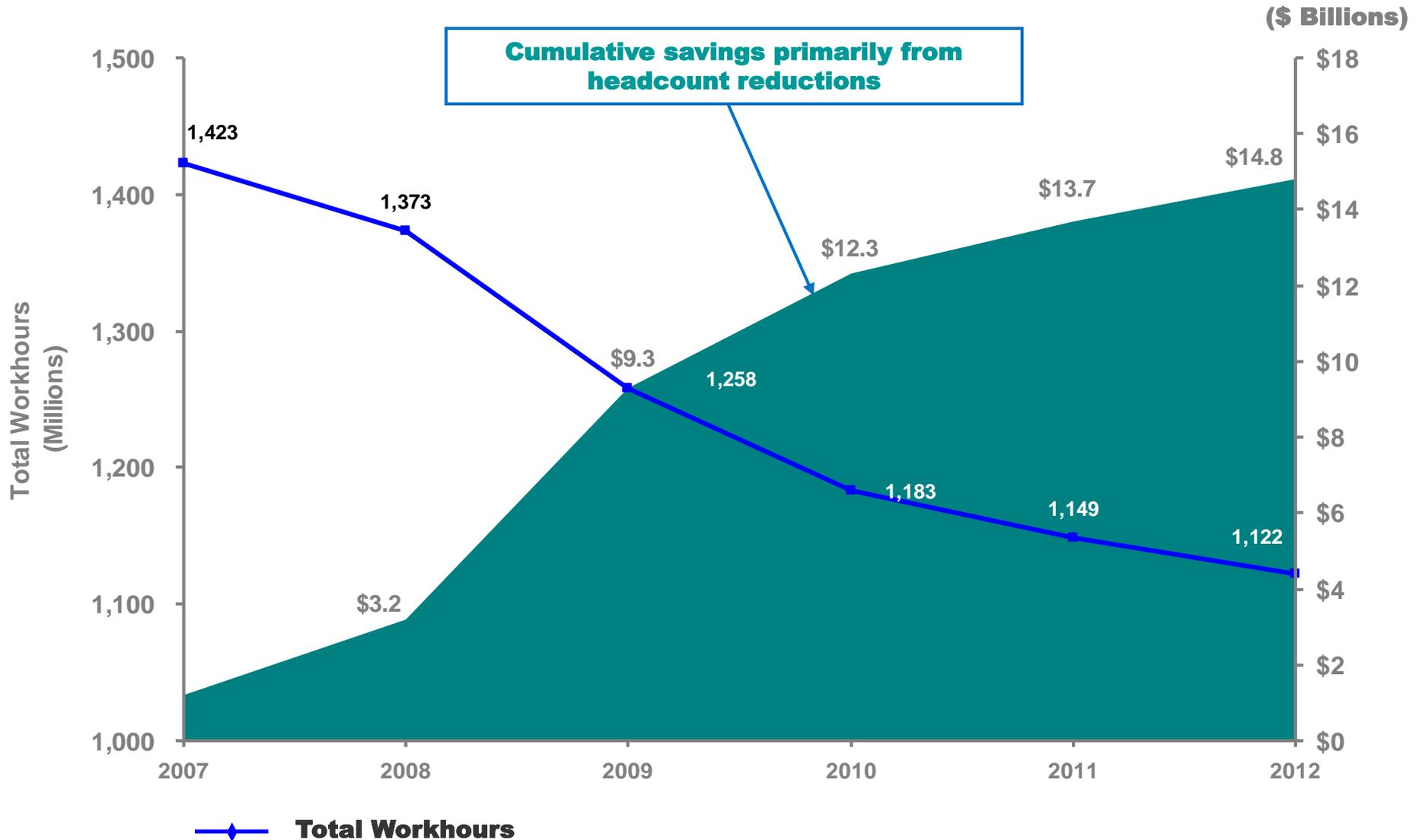
* Before RHB pre-funding and non-cash adjustments to workers' compensation liabilities.

Revenue FY12 Q1 vs. FY13 Q1



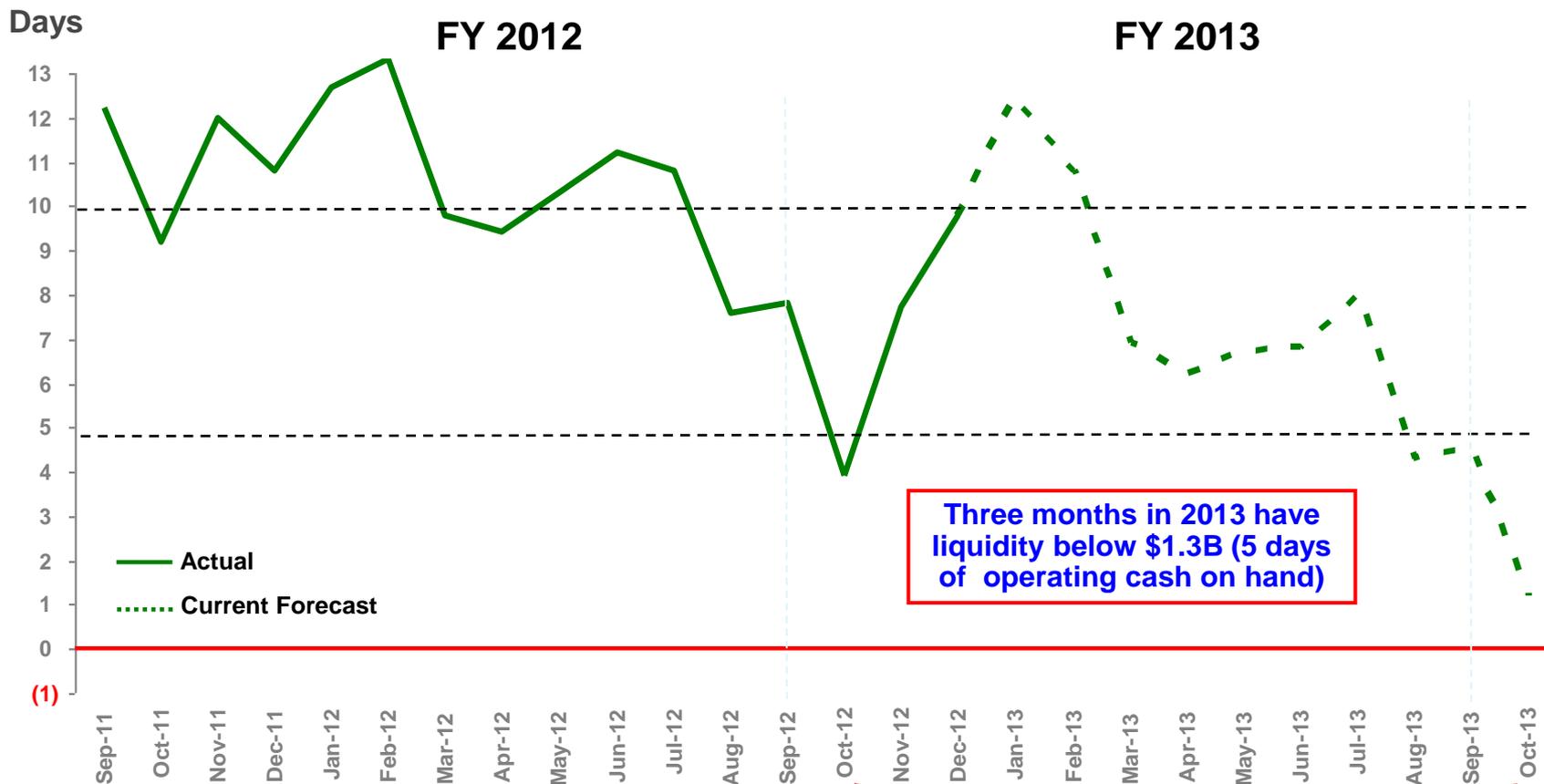
Quarter I YTD - 3 months (Billions)	FY 2013	FY 2012
Compensation	\$9.6	9.6
Benefits	3.8	3.8
Transportation	1.8	1.8
Depreciation	0.5	0.6
Supplies & Services	0.6	0.5
Rent, Utilities & Other	1.2	1.2
Operating Expenses *	<u>\$17.5</u>	<u>17.5</u>

* Before RHB pre-funding and non-cash adjustments to workers' compensation liabilities.



2012 & 2013 Liquidity Days of Operating Cash on Hand

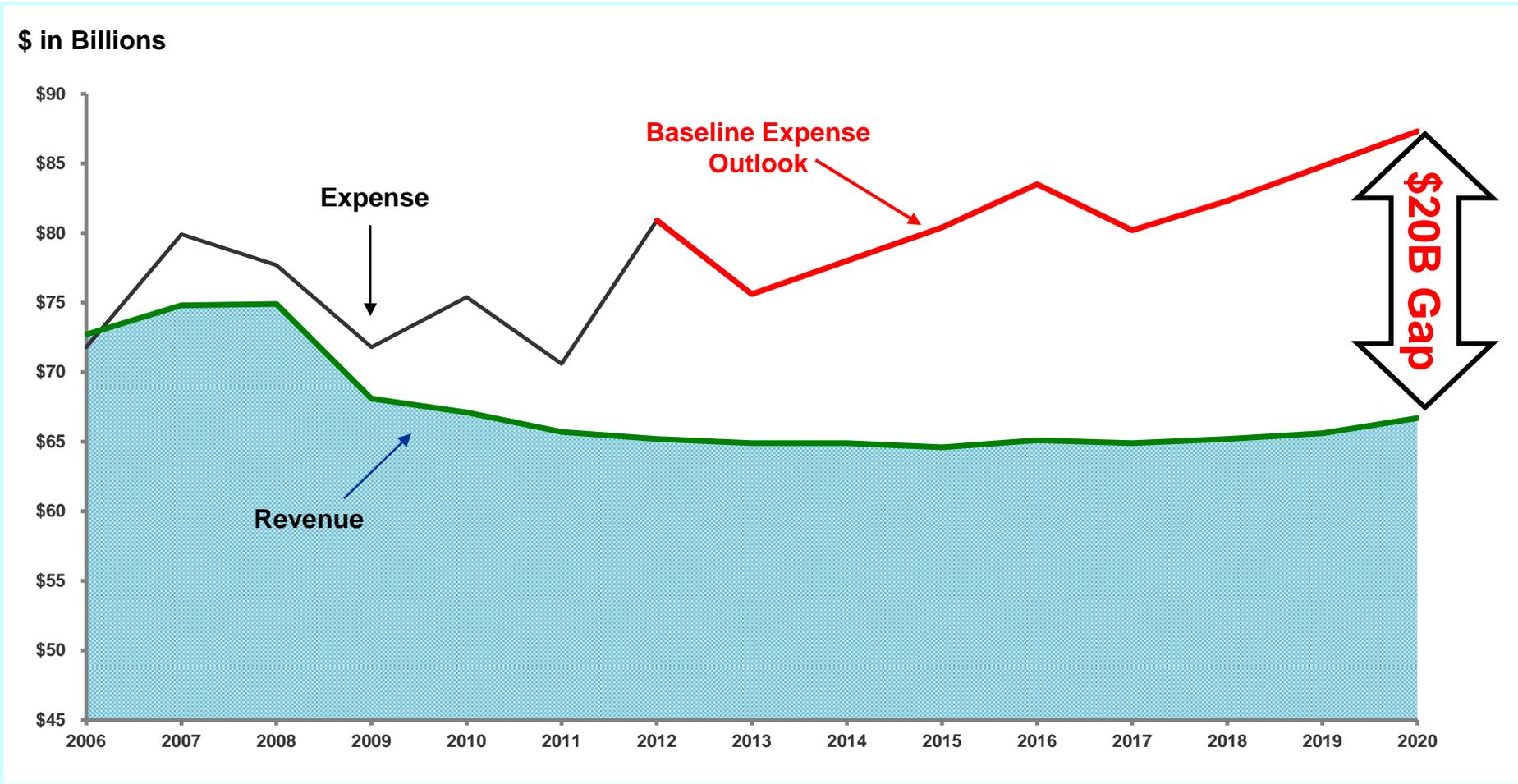
No Retiree Health Benefits Pre-Funding included (\$11.1B in 2012 and \$5.6B in 2013)



Three months in 2013 have liquidity below \$1.3B (5 days of operating cash on hand)

- Liquidity includes unrestricted cash plus available borrowing, up to \$15B limit
- Days of Operating Cash – based on average operating costs disbursed per day ~\$265M

Mid-October Balances shown - Low points after annual Workers' Compensation payments to DOL



Access & Acceptance



Processing



Transportation



Delivery



Customer



Initiatives

Post Plan



Retail Channel Strategy



Commercial Mail Acceptance Transformation



Objectives

- Match hours to transaction activity
- Consolidate small Post Offices and operate longer hours
- Village Post Offices
- Move customers into low-cost channels
- Increase assisted self-service
- Provide easy, more convenient access to postal products on usps.com or 3rd party partners' Web site
- Automate acceptance and verification procedures to:
 - Improve customer experience
 - Reduce work hours

Access &
Acceptance



Processing



Transportation



Delivery



Customer



Initiative

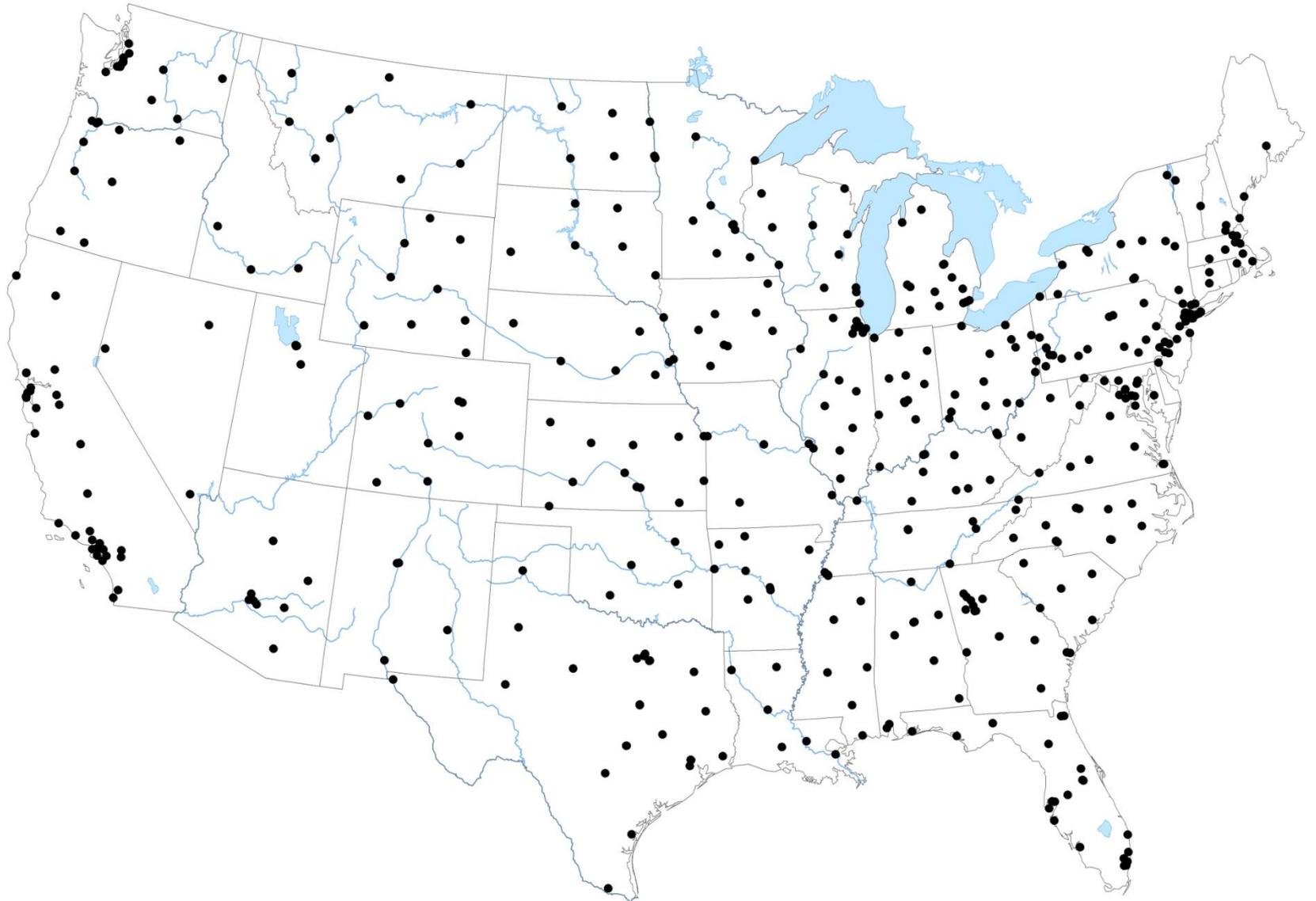
Objectives

**Network
Optimization**

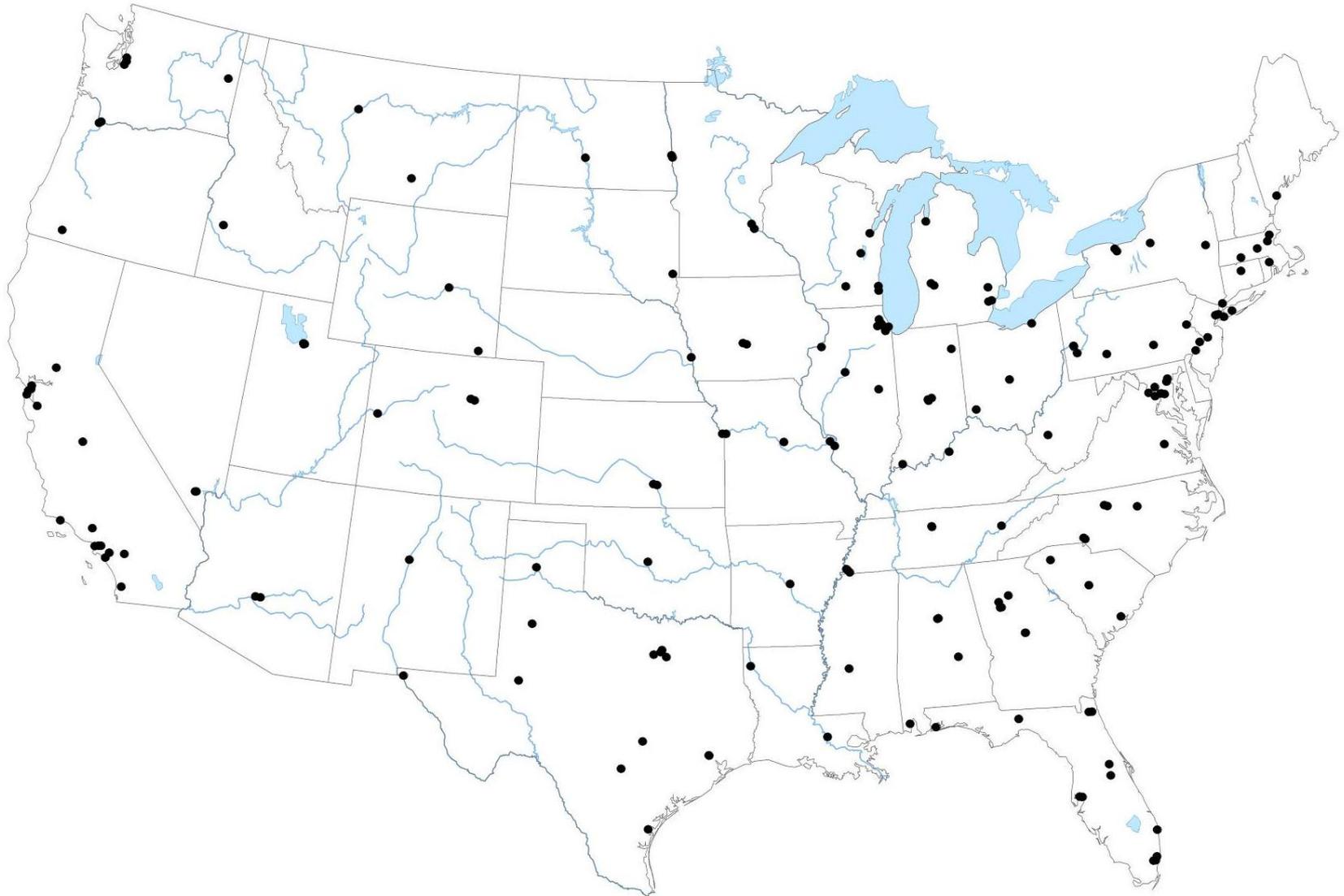


- Consolidate excess network capacity

417 PROCESSING FACILITIES TODAY



RATIONALIZED NETWORK – <250 FACILITIES



Access &
Acceptance



Processing



Initiative

Objectives

Transportation



**Realign
Transportation
Model**

- Eliminate multiple overnight trips
- Maximize trailer utilization
- Area transportation network

Delivery



Customer



Access &
Acceptance



Processing



Transportation



Delivery



Customer



Initiatives

Objectives

**Flats
Sequencing
System & DPS**

- Reduce casing time

**Delivery Unit
Optimization**

- Reduce number of routes
- Combine delivery units

**GPS & Real
Time Delivery
Notification**

- Rural contract and efficiency

**Dynamic
Delivery**

- The future of delivery

Efficiency



Closing The Gap

\$ Billions	2013	2014	2015	2016	2017
Revenues	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65
Operating Costs	(70)	(70)	(70)	(70)	(80)
OMB Pre-funding	(0)	(0)	(0)	(0)	—
Net Loss — No Changes	(15)	(15)	(15)	(15)	(15)
Legislative Reforms					
FERS Refund	12	6	7	8	2
Postal Service Health Plan					
Authorizes Expanded Product Line					
Operational					
Network	3	7	8	10	12
Delivery					
Retail					
Compensation & Other					
—	—	2	2	3	4
Total Savings	15	15	18	21	18
Net Income	\$ 4	\$ 2	\$ 2	\$ 2	\$ 3
Debit/Cash	\$ (0)	\$ (0)	(4)	\$ 0	\$ 3

Access &
Acceptance



Processing



Transportation



Delivery



Customer



Initiatives

Objectives

Channel Strategy

Package Pick Up

Return Service

usps.com

Click-N-Ship

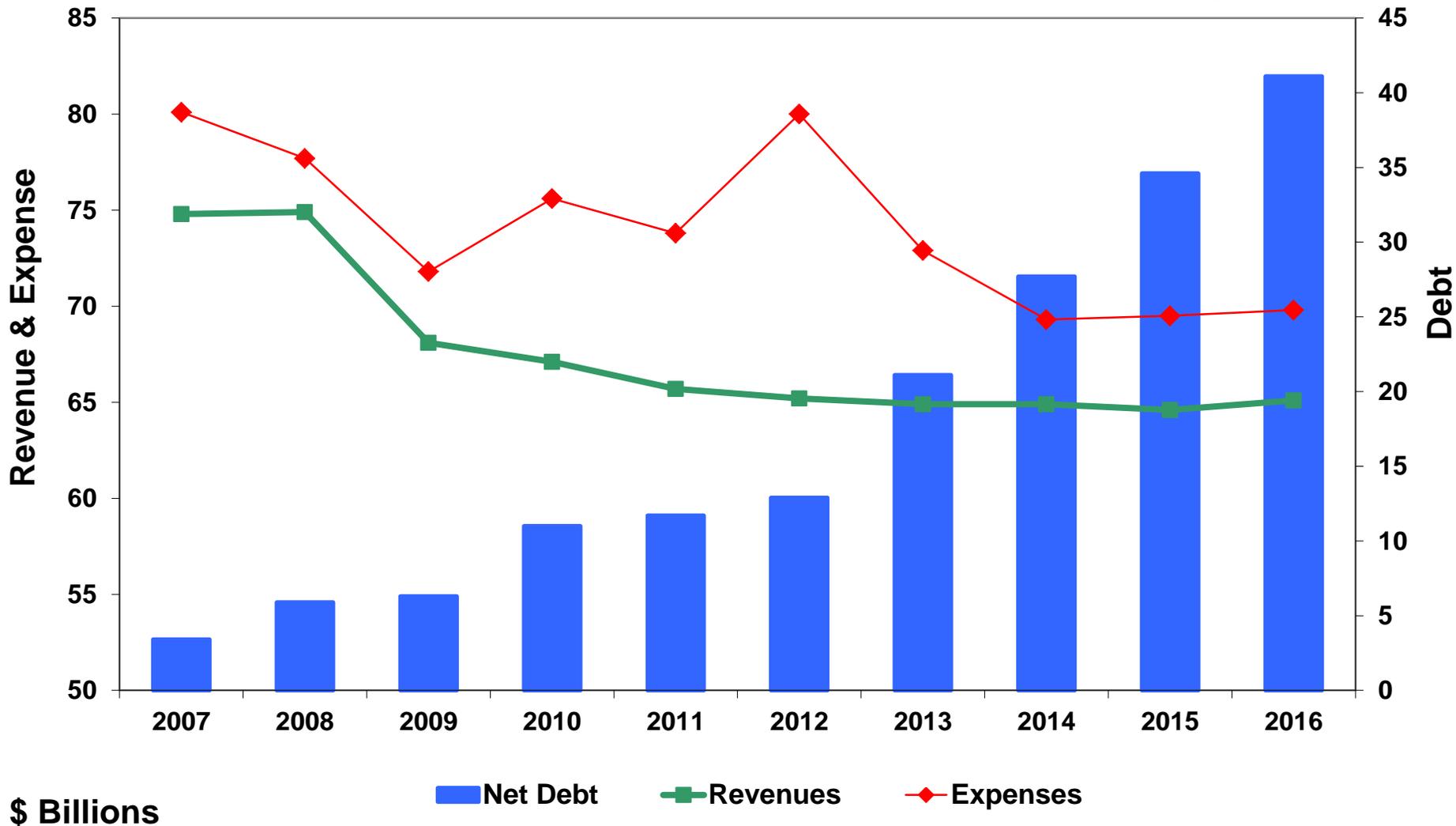
• Customer Service

• Convenience

• Marketing Plan



Assumes all Postal Service Initiatives, but does not include any legislation.



The Mailing Industry is Critical for the U.S. Economy

**160 Billion pieces delivered annually
to 150 million addresses**

A healthy, financially viable Postal Service is vital to the
U.S. economy.



The USPS Financial Situation

February 19, 2013

Joseph Corbett

Chief Financial Officer and Executive Vice President