

United States Postal Service
Statement on Quarter II Results
May 11, 2007

In our May 2, 2007, news release following the Board of Governors meeting in Washington, D.C., we reported our financial results for the period ended March 31, 2007. Included in those results was a gain of \$153 million for the March 30, 2007, sale of the James A. Farley building in New York City. The Farley transaction is complex. It includes the potential for up to \$55 million of additional proceeds based upon the attainment of certain milestones by the property developer, a purchase option for a portion of the building, and includes two separate leases in which we lease back portions of the building.

As we continued to research the accounting issues, it was determined that Generally Accepted Accounting Principles (GAAP) require us to defer the recognition of the gain. Under the provisions of GAAP, the form of the lease and purchase option and the contingent sales proceeds in the transaction precluded accounting for the transaction as a sale of real estate. The gain will not be recognized in our Statement of Operations until the lease and other continuing involvement in the building have expired. Accordingly, we have lowered our revenue and net income for Quarter II by \$153 million. Please consult note 4 to our Quarter II financial statements for further information on the accounting for this transaction.