

For Immediate Release

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UPS 3Q18 EARNINGS PER SHARE UP MORE THAN 20%

- **3Q18 EPS of \$1.73, up More Than 20%; Adjusted EPS up 26% to \$1.82**
- **U.S. Domestic Revenue up 8.1% on Growth and Accelerating Yields**
- **International Currency-Neutral Revenue Grew 5%, with Gains in all Regions**
- **International Year-Over-Year Comparisons Affected by Headwinds from Currency and Fuel**
- **Supply Chain & Freight Operating Profit up 24%; Adjusted Operating Profit Jumps 33%**
- **YTD Cash from Operations was \$9.4B and Free Cash Flow was up to \$4.9B**
- **Raising Free Cash Flow Guidance to Over \$5B and Reaffirming Adjusted EPS**

ATLANTA – October 24, 2018 – UPS (NYSE:UPS) today announced third-quarter diluted earnings per share of \$1.73, up more than 20%, and adjusted, diluted earnings per share of \$1.82, up 26%.

Third-quarter adjusted results exclude a pre-tax charge of \$97 million, or \$0.09 per share after tax, due to transformation-related costs. These projects are a part of the company's transformation initiatives that will create efficiencies across the enterprise. Transformation will also produce higher-quality revenue growth.

<u>Consolidated Results</u>	<u>3Q 2018</u>	<u>Adjusted 3Q 2018</u>	<u>3Q 2017</u>
Revenue	\$17,444 M		\$16,173 M
Net Income	\$1,508 M	\$1,581 M	\$1,259 M
Diluted Earnings Per Share	\$1.73	\$1.82	\$1.44
EPS Growth	20.1%	26.4%	

“Our business strategies position UPS to improve operating leverage and many of our actions are already contributing to performance gains,” said UPS Chairman and CEO David Abney. “We generated another quarter of industry-leading margins and strong free cash flow and we are confident in the outlook for the business.”

* Information on non-GAAP financial measures is attached to this press release.

For the company in 3Q 2018:

- Consolidated revenue increased 7.9% and currency-neutral revenue was 8.4% higher.
- Average revenue yield increased 4.0%, with base-pricing gains in all product categories.
- Year-to-date cash from operations expanded to \$9.4 billion.
- Free cash flow increased to \$4.9 billion through the first nine months of the year.
- Year-to-date dividends per share increased by 10%, producing an annual dividend yield in excess of 3%.
- The company repurchased 6.6 million shares year-to-date for approximately \$750 million.
- Capital investments and associated efficiencies were as expected in the quarter with year-to-date expenditures at \$4.5 billion.
- Third quarter results benefited from several discrete items, including tax that helped to offset unplanned International headwinds from currency and fuel.

U.S. Domestic Segment

The U.S. Domestic segment experienced strong revenue growth of 8.1% to \$10.4 billion, driven by high demand for the company's solutions and robust yield expansion compared to 3Q 2017. The segment also generated sequential yield improvements driven in part by a more disciplined approach to capture high-quality growth opportunities.

	<u>3Q 2018</u>	<u>Adjusted</u> <u>3Q 2018</u>	<u>3Q 2017</u>
Revenue	\$10,437 M		\$9,651 M
Operating profit	\$949 M	\$988 M	\$1,011 M

For the U.S. Domestic segment in 3Q 2018:

- Revenue, volume and revenue per piece increased across all products in the quarter.
- Daily shipments increased 3.3%, led by Next Day Air and Ground products.
- Ground revenue per piece increased by 5.1% over the prior year.
- Operating profit was reduced by planned increases in pension expense and the cost of ongoing network improvements.
- Adjusted operating profit excludes transformation charges of \$39 million.

International Segment

International segment revenue increased in all regions compared to the same period last year, on both a reported and currency-neutral basis. Export volume also increased across all regions and exports grew nearly 3% on top of 19% growth last year. Year-over-year comparisons are affected by the strong 3Q 2017 growth UPS experienced in Europe.

	<u>3Q 2018</u>	<u>Adjusted</u> <u>3Q 2018</u>	<u>3Q 2017</u>
Revenue	\$3,478 M		\$3,376 M
Operating profit	\$536 M	\$576 M	\$606 M

* Information on non-GAAP financial measures is attached to this press release.

For the International segment in 3Q 2018:

- Revenue increased 3%; on a currency-neutral basis, revenue increased 5%.
- Europe export volume grew 4.2% on top of the 25% growth in 3Q 2017.
- Yield increased 3.0% and currency-neutral yield jumped 5.1%, driven by revenue management actions and improved product mix.
- Operating profit includes headwinds primarily from currency and fuel, as well as some economic softening related to changing trade policies.
- Currency was a negative impact of \$28 million, primarily from emerging markets.
- Adjusted operating profit excludes transformation charges of \$40 million.

Supply Chain and Freight Segment

“Supply Chain and Freight performance was outstanding this quarter, as the unit delivered double-digit growth in both revenue and adjusted operating profit,” Abney said. “UPS will continue to leverage our vast forwarding, customs, and supply-chain solutions to help customers expand their existing businesses and reach new markets.”

	<u>3Q 2018</u>	<u>Adjusted 3Q 2018</u>	<u>3Q 2017</u>
Revenue	\$3,529 M		\$3,146 M
Operating profit	\$242 M	\$260 M	\$195 M

For the Supply Chain and Freight segment in 3Q 2018:

- Revenue increased more than 12% to \$3.5 billion, as the business units benefited from strategies focused on small and medium-sized customers.
- The Forwarding business led all units with 17% revenue growth, as revenue management initiatives and high-value solutions generated yield improvement.
- UPS Freight revenue increased 11% on higher pricing and heavier shipments.
- Third quarter operating margin was 6.8%; adjusted operating margin expanded 120 basis points to 7.4%.
- Operating profit was up 24% to \$242 million and adjusted operating profit increased 33% to \$260 million.
- Adjusted operating profit excludes transformation charges of \$18 million.

Outlook

The company provides earnings per share guidance on an adjusted (non-GAAP) basis because it is not possible to predict or provide a reconciliation reflecting the impact of future required pension mark-to-market adjustments, which would be included in reported (GAAP) results. The impact of such adjustments could be material.

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“Improvements in revenue quality and our new, highly-automated capacity gives us confidence in a successful peak season for our customers and shareowners”, said Richard Peretz, UPS’s chief financial officer.

- UPS expects 2018 adjusted, diluted earnings per share in a range of \$7.03 to \$7.37.
- The company is raising free cash flow guidance to over \$5.0 billion in 2018.
- Capital expenditures in 2018 remain planned between \$6.5 billion and \$7.0 billion.
- As previously guided, UPS expects 4Q18 adjusted EPS to increase about 15 percent, despite anticipated currency headwinds in emerging markets and one less operating day during peak season.
- The effective tax rate should be in a range of 23% to 24% for the fourth quarter.

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Conference Call Information

UPS CEO David Abney and CFO Richard Peretz will discuss third-quarter results with investors and analysts during a conference call at 8:30 a.m. ET, October 24, 2018. That call is open to others through a live Webcast. To access the call, go to www.investors.ups.com and click on “Earnings Webcast.”

About UPS

UPS (NYSE: UPS) is a global leader in logistics, offering a broad range of solutions including transporting packages and freight; facilitating international trade, and deploying advanced technology to more efficiently manage the world of business. UPS is committed to operating more sustainably – for customers, the environment and the communities we serve around the world. Learn more about our efforts at ups.com/sustainability. Headquartered in Atlanta, UPS serves more than 220 countries and territories worldwide. The company can be found on the web at ups.com and its corporate blog can be found at longitudes.ups.com. To get UPS news direct, follow @UPS_News on Twitter.

Forward-Looking Statements

Except for historical information contained herein, the statements made in this release constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements, including statements regarding the intent, belief or current expectations of UPS and its management regarding the company's strategic directions, prospects and future results, involve certain risks and uncertainties.

Certain factors may cause actual results to differ materially from those contained in the forward-looking statements, including economic and other conditions in the markets in which we operate, governmental regulations (including tax laws and regulations), our competitive environment, changes in the facts or assumptions underlying our health and pension benefit funding obligations, negotiation and ratification of labor contracts, strikes, work stoppages and

slowdowns, changes in aviation and motor fuel prices, cyclical and seasonal fluctuations in our operating results, and other risks discussed in the company's Form 10-K and other filings with the Securities and Exchange Commission, which discussions are incorporated herein by reference.

Reconciliation of GAAP and non-GAAP Financial Measures

We supplement the reporting of our financial information determined under generally accepted accounting principles ("GAAP") with certain non-GAAP financial measures, including, as applicable, "as adjusted" operating profit, operating margin, pre-tax income, net income and earnings per share. The equivalent measures determined in accordance with GAAP are also referred to as "reported" or "unadjusted." Additionally, we periodically disclose free cash flow, free cash flow excluding discretionary pension contributions, as well as currency-neutral revenue, revenue per piece and operating profit.

We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Examples of items for which we may make adjustments include but are not limited to: amounts related to mark-to-market gains or losses (non-cash); settlement of contingencies; gains or losses associated with mergers, acquisitions, divestitures and other structural changes; charges related to restructuring programs; asset impairments (non-cash); amounts related to changes in tax regulations or positions; pension and postretirement related items; and debt modifications.

We believe that these non-GAAP measures provide additional meaningful information to assist users of our financial statements in understanding our financial results, cash flows and assessing our ongoing performance because they exclude items that may not be indicative of, or are unrelated to, our underlying operations and may provide a useful baseline for analyzing trends in our underlying businesses. Management uses these non-GAAP financial measures in making financial, operating and planning decisions. We also use certain of these measures for the determination of incentive compensation award results.

Non-GAAP financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP. Our non-GAAP financial information does not represent a comprehensive basis of accounting. Therefore, our non-GAAP financial information may not be comparable to similarly titled measures reported by other companies.

Transformation Strategy Costs

We supplement the presentation of our operating profit, operating margin, pre-tax income, net income and earnings per share with similar non-GAAP measures that exclude the impact of transformation strategy costs. We believe this adjusted information provides important supplemental information that provides useful comparison of year-to-year financial performance without considering the short-term impact of transformation impacts. We evaluate the performance of our businesses on an adjusted basis.

Currency-Neutral Revenue, Revenue per Piece and Operating Profit

We supplement the reporting of our revenue, revenue per piece and operating profit with similar non-GAAP measures that exclude the period-over-period impact of foreign currency exchange rate changes and hedging activities. We believe currency-neutral revenue, revenue per piece and operating profit information allows users of our financial statements to understand

growth trends in our products and results. We evaluate the performance of our International Package and Supply Chain and Freight businesses on a currency-neutral basis.

Currency-neutral revenue, revenue per piece and operating profit are calculated by dividing current period reported U.S. dollar revenue, revenue per piece and operating profit by the current period average exchange rates to derive current period local currency revenue, revenue per piece and operating profit. The derived current period local currency revenue, revenue per piece and operating profit are then multiplied by the average foreign exchange rates used to translate the comparable results for each month in the prior year period (including the period over period impact of foreign currency revenue hedging activities). The difference between the current period reported U.S. dollar revenue, revenue per piece and operating profit and the derived current period U.S. dollar revenue, revenue per piece and operating profit is the period over period impact of currency fluctuations.

Free Cash Flow

We supplement the reporting of cash flows from operating activities with free cash flow and free cash flow excluding discretionary pension contributions, non-GAAP liquidity measures. We believe free cash flow is an important indicator of how much cash is generated by regular business operations and we use it as a measure of incremental cash available to invest in our business, meet our debt obligations and return cash to shareowners. We calculate free cash flow as cash flows from operating activities less capital expenditures, proceeds from disposals of property, plant and equipment, and plus or minus the net changes in finance receivables and other investing activities.

**Reconciliation of GAAP and non-GAAP Income Statement Data
(in millions, except EPS amounts):**

Three Months Ended September 30, 2018

	As-Reported (GAAP)	Transformation Strategy Costs	As-Adjusted (non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 949	\$ 39	\$ 988
International Package	536	40	576
Supply Chain & Freight	242	18	260
Total operating profit	<u>\$ 1,727</u>	<u>\$ 97</u>	<u>\$ 1,824</u>
Income before income taxes	\$ 1,889	\$ 97	\$ 1,986
Income tax expense	\$ 381	24	\$ 405
Net income	<u>\$ 1,508</u>	<u>\$ 73</u>	<u>\$ 1,581</u>
Diluted earnings per share	\$ 1.73	\$ 0.09	\$ 1.82

Nine Months Ended September 30, 2018

	As-Reported (GAAP)	Transformation Strategy Costs	As-Adjusted (non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 2,644	\$ 235	\$ 2,879
International Package	1,748	76	1,824
Supply Chain & Freight	628	49	677
Total operating profit	<u>\$ 5,020</u>	<u>\$ 360</u>	<u>\$ 5,380</u>
Income before income taxes	\$ 5,476	\$ 360	\$ 5,836
Income tax expense	\$ 1,138	\$ 87	\$ 1,225
Net income	<u>\$ 4,338</u>	<u>\$ 273</u>	<u>\$ 4,611</u>
Diluted earnings per share	\$ 4.99	\$ 0.31	\$ 5.30

Note: Certain amounts may not compute due to rounding.

**Reconciliation of GAAP and non-GAAP Revenue, Revenue Per Piece and
As-Adjusted Currency Neutral Operating Profit
(in millions, except per piece amounts):**

Three Months Ended September 30

	2018 As- Reported (GAAP)	2017 As- Reported (GAAP)	% Change (GAAP)	Currency Impact	2018 Currency Neutral (non- GAAP)	% Change (non GAAP)
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 6.47	\$ 6.26	3.4%	\$ 0.15	\$ 6.62	5.8%
Export	29.32	29.09	0.8%	0.55	29.87	2.7%
Total International Package	<u>\$ 17.06</u>	<u>\$ 16.56</u>	3.0%	<u>\$ 0.34</u>	<u>\$ 17.40</u>	5.1%
Consolidated	<u>\$ 11.20</u>	<u>\$ 10.77</u>	4.0%	<u>\$ 0.06</u>	<u>\$ 11.26</u>	4.5%
Revenue:						
U.S. Domestic Package	\$ 10,437	\$ 9,651	8.1%	\$ -	\$ 10,437	8.1%
International Package	3,478	3,376	3.0%	67	3,545	5.0%
Supply Chain & Freight	3,529	3,146	12.2%	17	3,546	12.7%
Total revenue	<u>\$ 17,444</u>	<u>\$ 16,173</u>	7.9%	<u>\$ 84</u>	<u>\$ 17,528</u>	8.4%
	2018 As- Adjusted (non- GAAP)	2017 As- Adjusted (non- GAAP)	% Change (non- GAAP)	Currency Impact	2018 As- Adjusted Currency Neutral (non- GAAP)	% Change (non- GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 988	\$ 1,011	-2.3%	\$ -	\$ 988	-2.3%
International Package	576	606	-5.0%	28	604	-0.3%
Supply Chain & Freight	260	195	33.3%	4	264	35.4%
Total operating profit	<u>\$ 1,824</u>	<u>\$ 1,812</u>	0.7%	<u>\$ 32</u>	<u>\$ 1,856</u>	2.4%

**Reconciliation of GAAP and non-GAAP Revenue, Revenue Per Piece and
As-Adjusted Currency Neutral Operating Profit**
(in millions, except per piece amounts):

Nine Months Ended September 30

	2018 As- Reported (GAAP)	2017 As- Reported (GAAP)	% Change (GAAP)	Currency Impact	2018 Currency Neutral (non- GAAP)	% Change (non- GAAP)
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 6.60	\$ 5.99	10.2%	\$ (0.34)	\$ 6.26	4.5%
Export	29.43	28.79	2.2%	(0.46)	28.97	0.6%
Total International Package	<u>\$ 17.18</u>	<u>\$ 16.11</u>	6.6%	<u>\$ (0.39)</u>	<u>\$ 16.79</u>	4.2%
Consolidated	<u>\$ 11.14</u>	<u>\$ 10.68</u>	4.3%	<u>\$ (0.06)</u>	<u>\$ 11.08</u>	3.7%
Revenue:						
U.S. Domestic Package	\$ 31,018	\$ 28,928	7.2%	\$ -	\$ 31,018	7.2%
International Package	10,613	9,621	10.3%	(239)	10,374	7.8%
Supply Chain & Freight	10,382	9,061	14.6%	(63)	10,319	13.9%
Total revenue	<u>\$ 52,013</u>	<u>\$ 47,610</u>	9.2%	<u>\$ (302)</u>	<u>\$ 51,711</u>	8.6%
	2018 As- Adjusted (non- GAAP)	2017 As- Adjusted (non- GAAP)	% Change (non- GAAP)	Currency Impact	2018 As- Adjusted Currency Neutral (non- GAAP)	% Change (non- GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 2,879	\$ 3,216	-10.5%	\$ -	\$ 2,879	-10.5%
International Package	1,824	1,694	7.7%	(16)	1,808	6.7%
Supply Chain & Freight	677	556	21.8%	5	682	22.7%
Total operating profit	<u>\$ 5,380</u>	<u>\$ 5,466</u>	-1.6%	<u>\$ (11)</u>	<u>\$ 5,369</u>	-1.8%

**Reconciliation of non-GAAP Liquidity Measures
(in millions):**

Nine Months Ended September 30

Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash

	Preliminary 2018
Cash flows from operating activities	\$ 9,422
Cash flows used in investing activities	(4,499)
Cash flows used in financing activities	(4,260)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(57)
Net increase in cash, cash equivalents and restricted cash	<u>\$ 606</u>

Reconciliation of Free Cash Flow (non-GAAP)

	Preliminary 2018
Cash flows from operating activities (GAAP)	\$ 9,422
Capital expenditures	(4,490)
Proceeds from disposals of PP&E	45
Net change in finance receivables	(7)
Other investing activities	(23)
Free cash flow (non-GAAP)	<u>\$ 4,947</u>