

UPS Reports 2Q EPS of \$1.58 as Revenue Grows Across All Segments

- U.S. Domestic Operating Profit Jumps 13% and Margin Expands to 14.3%
- U.S. Domestic Revenue up 8.1% on Strong Air & Ground Product Growth
- Export Shipments Rise 12% with Gains from all International Regions
- International Revenue up 2.8%, Currency-Neutral Revenue* 8.3% Higher
- All Supply Chain & Freight Units Contribute to 12% Revenue Increase
- Company Reiterates Full-Year 2017 Adjusted EPS Guidance

ATLANTA, July 27, 2017 (GLOBE NEWSWIRE) -- UPS (NYSE:UPS) today announced earnings per share of \$1.58 for the second quarter of 2017, an increase of 11% versus the same period in 2016. The improved earnings per share was due to 7.7% higher revenue. All three business segments generated more profitable product mix, improved yields and better management of operating costs.

 Consolidated Results
 2Q 2017
 2Q 2016

 Revenue
 \$15,750 M
 \$14,629 M

 Operating profit
 \$2,216 M
 \$2,038 M

Currency-neutral operating profit* \$2,330 M

Diluted earnings per share \$1.58 \$1.43

"UPS generated great year-over-year revenue gains in the second quarter and we produced solid earnings per share growth, consistent with our plans," said David Abney, UPS chairman and CEO. "We continue to invest in our network to expand our capabilities, our market presence and our global reach."

For the total company in 2Q 2017:

- Revenue increased 7.7%, currency-neutral revenue* jumped 8.9%.
- Revenue increased in all segments and major product categories, as expanded customer demand spread across the company's broad product portfolio.
- Operating profit was up 8.7% to \$2.2 billion driven by strong performance in the U.S. Domestic and Supply Chain and Freight segments.

- The favorable year-over-year 2Q EPS comparison includes benefits of about \$0.10, primarily from fuel and workers' compensation.
- Year-to-date capital expenditures to support investment strategies were \$2.0 billion.
- This year, UPS has paid dividends of nearly \$1.4 billion, an increase of 6.4% per share over the prior year, rewarding shareowners with continued strong dividend yield.
- As of June 30, 2017, the company has repurchased 8.4 million shares for more than \$900 million, reaffirming its commitment to return cash to shareowners.

U.S. Domestic Segment

The Domestic segment benefitted from growing demand for ecommerce deliveries, which fueled an 8.1% increase in revenue over 2Q 2016. The U.S. consumer increasingly prefers to shop online and UPS is taking advantage of this trend through its unique portfolio of delivery solutions and industry-leading customer-facing technology.

2Q 2017 2Q 2016 Revenue \$9,745 M \$9,015 M Operating profit \$1,395 M \$1,233 M

For the U.S. Domestic segment in 2Q 2017:

- Revenue improved \$730 million over 2Q 2016 as ecommerce drove higher demand for UPS Air and Ground products.
- Next Day Air and Deferred Air shipments climbed 6.4% and 11% respectively, as customers continued to select UPS's quick and convenient solutions.
- Revenue per piece increased solidly across all products and was up 3.0% in total, as the company benefited from base-rate pricing actions and higher fuel surcharges versus 2Q 2016.
- Operating profit increased more than 13% and operating margin expanded 60 basis points to 14.3%.
- Operating costs for ongoing initiatives including facility construction and Saturday operations increased costs by about \$35 million.

International Segment

The International segment generated solid top-line improvement with increased demand for cross-border shipments. Export shipments grew across all UPS regions, as customers took advantage of UPS's expanded portfolio, improved time-in-transit and industry-leading customs brokerage solutions. The International segment also made several announcements to expand its capacity and local-market presence.

 Revenue
 \$3,163 M
 \$3,077 M

 Operating profit
 \$583 M
 \$613 M

 Currency-neutral operating profit*
 \$697 M

For the International segment in 2Q 2017:

^{*} See attached reconciliation of non-GAAP currency-neutral revenue and operating profit

- Operating margin was industry leading at 18.4%, and operating profit was \$583 million, including anticipated currency headwinds of \$114 million.
- Robust export growth continued at 12% led by Europe and Asia. All regions of the world contributed to the expansion.
- The segment reported a revenue increase of 2.8% over 2Q 2016, up 8.3% on a currency-neutral* basis.
- During the quarter, UPS announced an exclusive partnership with Expo 2020 Dubai, created an innovative alliance with S.F. Express – a market-leading Chinese logistics company, and acquired Nightline Logistics, which solidified local market leadership in Ireland.

Supply Chain and Freight Segment

"The Supply Chain and Freight segment again showed good momentum this quarter as the teams in each business unit are executing on revenue quality improvements combined with structural cost reduction programs," Abney said. "This performance shows balanced improvement across all business units as revenue and operating cost initiatives strengthen core performance."

2Q 2017 2Q 2016Revenue \$2,842 M \$2,537 M
Operating profit \$238 M \$192 M

- Revenue increased 12% over 2Q 2016 as the company deeply aligned with preferred customers, strengthened revenue management initiatives and market conditions improved across all business units.
- Tonnage gains in Freight Forwarding and UPS Freight contributed to improved top-line results as economic conditions across non-retail markets continue to strengthen.
- Retail inventory replenishment and improved aerospace sector performance enhanced the Distribution unit results.
- Coyote Logistics delivered double-digit revenue growth as the unit continued to gain market share.
- All business units contributed to segment operating profit expansion of 24%, which included a one-time benefit.

Outlook

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

"Second quarter results were in line with our expectations and we are pleased with the progress on our strategic initiatives," said Richard Peretz, UPS chief financial officer. "Looking at the second half of the year, our core business performance will continue to produce solid results."

The company's full-year 2017 adjusted earnings per share guidance includes the following:

^{*} See attached reconciliation of non-GAAP currency-neutral revenue and operating profit

- Second half currency headwinds and continued costs for strategic initiatives will weigh on results.
- One less operating day in 3Q 2017 compared to 3Q 2016 will contribute to relatively flat diluted earnings per share (EPS) growth.
- The tax rate is expected to be 35% for the second half of 2017 and excludes 4Q 2016 tax savings of approximately \$0.05 per share.

UPS reaffirms 2017 adjusted diluted EPS guidance to be between \$5.80 and \$6.10, which includes about \$400 million, or \$0.30 per share of pre-tax currency headwinds.

Conference Call Information

UPS CEO David Abney and CFO Richard Peretz will discuss second-quarter results with investors and analysts during a conference call at 8:30 a.m. ET, July 27, 2017. 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

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.

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 as well as currency-neutral revenue, revenue per piece and operating profit.

We believe that these non-GAAP measures provide additional meaningful information to assist users of our financial statements in understanding our financial results 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.

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.

Reconciliation of GAAP and non-GAAP Revenue, Revenue Per Piece and Operating Profit (in millions, except Per Piece amounts):

Three Months Ended June 30

	Re	017 As- eported GAAP)	Re	016 As- eported GAAP)	% Cha (GAA	_	rency pact	Cu N	2017 Irrency- leutral (non- GAAP)	% Cha (noi GAA	n-
Average Revenue Per Piece:											
International Package:											
Domestic	\$	5.99	\$	6.07	-1.3	, -	\$ 0.36	\$	6.35		
Export		29.22		31.36	-6.8	%	1.60		30.82	-1.7	%
Total International Package	=	16.31		16.70	-2.3	%	 0.91		17.22	3.1	%
Consolidated	\$	10.75	\$	10.57	1.7	%	\$ 0.15	\$	10.90	3.1	%
Revenue:											
U.S. Domestic Package	\$	9,745	\$	9,015	8.1	%	\$ -	\$	9,745	8.1	%
International Package		3,163		3,077	2.8	%	170		3,333	8.3	%
Supply Chain & Freight		2,842		2,537	12.0	%	14		2,856	12.6	%
Total revenue	\$	15,750	\$	14,629	7.7	%	\$ 184	\$	15,934	8.9	%
Operating Profit:											
U.S. Domestic Package	\$	1,395	\$	1,233	13.1	%	\$ -	\$	1,395	13.1	%
International Package		583		613	-4.9	%	114		697	13.7	%
Supply Chain & Freight		238		192	24.0	%	-		238	24.0	%
Total operating profit	\$	2,216	\$	2,038	8.7	%	\$ 114	\$	2,330	14.3	%

Six Months Ended June 30

	Re	017 As- eported GAAP)	Re	016 As- eported GAAP)	% Char (GAA	_		ency pact	Cu N	2017 Irrency- eutral (non- GAAP)	% Cha (nor GAA	1-
Average Revenue Per Piece:												
International Package:	_		_				_		_			
Domestic	\$	5.85	\$	5.99	-2.3		\$	0.32	\$	6.17	3.0	
Export		28.67		30.90	-7.2	%		1.63		30.30	-1.9	%
Total International Package		15.88		16.54	-4.0	%		0.90		16.78	1.5	%
Consolidated	\$	10.63	\$	10.48	1.4	%	\$	0.15	\$	10.78	2.9	%
Revenue:												
U.S. Domestic Package	\$	19,280	\$	18,099	6.5	%	\$	-	\$	19,280	6.5	%
International Package		6,221		5,991	3.8	%		340		6,561	9.5	%
Supply Chain & Freight		5,564		4,957	12.2	%		24		5,588	12.7	%
Total revenue	\$	31,065	\$	29,047	6.9	%	\$	364	\$	31,429	8.2	%
Operating Profit:												
U.S. Domestic Package	\$	2,471	\$	2,335	5.8	%	\$	-	\$	2,471	5.8	%
International Package		1,112		1,187	-6.3	%		233		1,345	13.3	%
Supply Chain & Freight		417		339	23.0	%		1		418	23.3	%
Total operating profit	\$	4,000	\$	3,861	3.6	%	\$	234	\$	4,234	9.7	%

United Parcel Service, Inc. Selected Financial Data - Second Quarter (unaudited)

Three Months Ended June 30

		ou.	•	-				
		2017		2016	С	hange	% Cha	nge
(amounts in millions, except per share data)								
Statement of Income Data:								
Revenue:								
U.S. Domestic Package	\$	9,745	\$	9,015	\$	730	8.1	%
International Package	·	3,163	·	3,077	·	86	2.8	
Supply Chain & Freight		2,842		2,537		305	12.0	%
Total revenue		15,750		14,629		1,121	7.7	%
Operating expenses:								
Compensation and benefits		8,105		7,738		367	4.7	
Other		5,429		4,853		576	11.9	
Total operating expenses		13,534		12,591		943	7.5	%
Operating profit:								
U.S. Domestic Package		1,395		1,233		162	13.1	%
International Package		583		613		(30)	-4.9	%
Supply Chain & Freight		238		192		46	24.0	%
Total operating profit		2,216		2,038		178	8.7	%
Other income (expense):								
Investment income and other		14		8		6	75.0	%
Interest expense		(111)		(94)		(17)	18.1	%
Total other income (expense)		(97)		(86)		(11)	12.8	%
Income before income taxes		2,119		1,952		167	8.6	%
Income tax expense		735		683		52	7.6	%
Net income	\$	1,384	\$	1,269	\$	115	9.1	%
Net income as a percentage of revenue		8.8 %		8.7 %				
Per share amounts:								
Basic earnings per share	\$	1.59	\$	1.43	\$	0.16	11.2	%
Diluted earnings per share	\$	1.58	\$	1.43	\$	0.15	10.5	%
Weighted-average shares outstanding:								
Basic		872		886		(14)	-1.6	
Diluted		876		890		(14)	-1.6	%

United Parcel Service, Inc. Selected Operating Data - Second Quarter (unaudited)

Three Months Ended June 30

	June 30									
		2017 2016		(Change	% Cha	nge			
Revenue (in millions):										
U.S. Domestic Package:										
Next Day Air	\$	1,752	\$	1,637	\$	115	7.0	%		
Deferred		1,020		899		121	13.5	%		
Ground		6,973		6,479		494	7.6	%		
Total U.S. Domestic Package		9,745		9,015		730	8.1	%		
International Package: Domestic		621		621			0.0	0/		
Export		2,420		2,326		94	4.0			
Cargo and Other		122		130		(8)	-6.2			
•										
Total International Package		3,163		3,077		86	2.8	70		
Supply Chain & Freight:		4 000		4.050		004	44.4	0/		
Forwarding and Logistics		1,893		1,659		234	14.1			
Freight		753		693		60	8.7			
Other		196		185		11	6.0			
Total Supply Chain & Freight		2,842		2,537		305	12.0			
Consolidated	\$	15,750	\$	14,629	\$	1,121	7.7	%		
Consolidated volume (in millions)		1,189		1,132		57	5.0	%		
Operating weekdays		64		64		-	0.0	%		
Average Daily Package Volume (in	thou	ısands):								
U.S. Domestic Package:		,								
Next Day Air		1,395		1,311		84	6.4	%		
Deferred		1,253		1,129		124	11.0	%		
Ground		13,019		12,489		530	4.2	%		
Total U.S. Domestic Package		15,667		14,929		738	4.9	%		
International Package:										
Domestic		1,619		1,599		20	1.3	%		
Export		1,294		1,159		135	11.6	%		
Total International Package		2,913		2,758		155	5.6	%		
Consolidated		18,580		17,687		893	5.0	%		
Average Revenue Per Piece:										
U.S. Domestic Package:										
Next Day Air	\$	19.62	\$	19.51	\$	0.11	0.6	%		
Deferred		12.72		12.44	·	0.28	2.3			
Ground		8.37		8.11		0.26	3.2			
Total U.S. Domestic Package		9.72		9.44		0.28	3.0			
International Package:										
Domestic		5.99		6.07		(0.08)	-1.3			
Export		29.22		31.36		(2.14)	-6.8			
Total International Package		16.31		16.70		(0.39)	-2.3	%		
Consolidated	\$	10.75	\$	10.57	\$	0.18	1.7	%		

Currency Neutral Revenue Per Piece (unaudited)

	Th	ree Mor Jun	iths ie 30					rrency leutral	
		2017		2016	% Change	Currency	2	2017*	% Change
Average Revenue Per Piece: International Package:									
Domestic Export	\$	5.99 29.22	\$	6.07 31.36	-1.3 % -6.8 %	\$ 0.36 1.60	\$	6.35 30.82	4.6 % -1.7 %
Total International Package	\$	16.31	\$	16.70	-2.3 %	\$ 0.91	\$	17.22	3.1 %
Consolidated	\$	10.75	\$	10.57	1.7 %	\$ 0.15	\$	10.90	3.1 %

^{*} Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Currency Neutral Revenue (unaudited)

	Tł	Three Months Ended June 30						Currency Neutral						
		2017		2016	% Change	Cu	rrency	:	2017*	% Cha	nge			
Revenue (in millions):														
U.S. Domestic Package	\$	9,745	\$	9,015	8.1 %	\$	-	\$	9,745	8.1	%			
International Package		3,163		3,077	2.8 %		170		3,333	8.3	%			
Supply Chain & Freight		2,842		2,537	12.0 %		14		2,856	12.6	%			
Total revenue	\$	15,750	\$	14,629	7.7 %	\$	184	\$	15,934	8.9	%			

^{*} Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Currency Neutral Operating Profit (unaudited)

	Th	ree Mon Jun	iths e 30			Currency Neutral				
		2017		2016	% Change	Currency	2	2017*	% Change	
Operating profit (in millions):										
U.S. Domestic Package	\$	1,395	\$	1,233	13.1 %	\$ -	\$	1,395	13.1 %	
International Package		583		613	-4.9 %	114		697	13.7 %	
Supply Chain & Freight		238		192	24.0 %	-		238	24.0 %	
Total operating profit	\$	2,216	\$	2,038	8.7 %	\$ 114	\$	2,330	14.3 %	

^{*} Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Freight Selected Operating Data - Second Quarter (unaudited)

Three Months Ended

	Jun	e 30)			
	2017		2016	(Change	% Change
LTL revenue (in millions)	\$ 652	\$	600	\$	52	8.7 %
LTL revenue per LTL hundredweight	\$ 23.62	\$	23.47	\$	0.15	0.6 %
LTL shipments (in thousands)	2,633		2,540		93	3.7 %
LTL shipments per day (in thousands)	41.1		39.7		1.4	3.7 %
LTL gross weight hauled (in millions of pounds)	2,762		2,556		206	8.1 %

LTL weight per shipment (in pounds)	1,049	1,006	43	4.3 %
Operating weekdays	64	64	-	0.0 %

United Parcel Service, Inc.

Detail of Other Operating Expenses - Second Quarter (unaudited)

(in millions)		onths Ended ne 30	I	
	2017	2016	Change	% Change
Repairs and maintenance	\$ 392	\$ 383	\$ 9	2.3 %
Depreciation and amortization	562	555	7	1.3 %
Purchased transportation	2,443	2,070	373	18.0 %
Fuel	616	505	111	22.0 %
Other occupancy	264	245	19	7.8 %
Other expenses	1,152	1,095	57	5.2 %
Total other operating expenses	\$ 5,429	\$ 4,853	\$ 576	11.9 %

Earnings Per Share and Share Data - Second Quarter (unaudited)

	Th	ree Mor	nths	Ended
(amounts in millions, except per share data)		Jun	e 30	
		2017		2016
Numerator:				
	Φ.	4.004	•	4 000
Net income	\$	1,384	\$	1,269
Denominator:				
Weighted-average shares		867		881
Deferred compensation obligations		1		1
Vested portion of restricted units		4		4
		872		886
Denominator for basic earnings per share				
Effect of dilutive securities:				
Restricted units		3		3
Stock options		1		1
Denominator for diluted earnings per share		876		890
Basic earnings per share	\$	1.59	\$	1.43
Diluted earnings per share	\$	1.58	\$	1.43

Detail of shares outstanding as of June 30, 2017:

Total shares outstanding	865
Class B shares	688
Class A shares	177

United Parcel Service, Inc. Selected Financial Data - Year to Date (unaudited)

Six Months Ended June 30

		ou.						
		2017		2016	С	hange	% Cha	nge
(amounts in millions, except per share data)								
Statement of Income Data:								
Revenue:								
U.S. Domestic Package	\$	19,280	\$	18,099	\$	1,181	6.5	0/2
International Package	Ψ	6,221	Ψ	5,991	Ψ	230	3.8	
Supply Chain & Freight		5,564		4,957		607	12.2	
Total revenue	_	31,065		29,047		2,018	6.9	
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Operating expenses:								
Compensation and benefits		16,236		15,591		645	4.1	%
Other		10,829		9,595		1,234	12.9	%
Total operating expenses		27,065		25,186		1,879	7.5	%
Operating profit:								
U.S. Domestic Package		2,471		2,335		136	5.8	%
International Package		1,112		1,187		(75)	-6.3	%
Supply Chain & Freight		417		339		78	23.0	%
Total operating profit		4,000		3,861		139	3.6	%
Other income (expense):								
Investment income and other		29		25		4	16.0	%
Interest expense		(213)		(187)		(26)	13.9	%
Total other income (expense)		(184)		(162)		(22)	13.6	%
Income before income taxes	_	3,816		3,699		117	3.2	%
Income tax expense		1,274		1,299		(25)	-1.9	%
Net income	\$	2,542	\$	2,400	\$	142	5.9	%
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Net income as a percentage of revenue		8.2 %		8.3 %				
Per share amounts:								
Basic earnings per share	\$	2.91	\$	2.71	\$	0.20	7.4	0/2
Diluted earnings per share	\$	2.90	\$	2.69	\$	0.21	7.8	
Dialog Garrings per share	Ψ	2.00	Ψ	2.00	Ψ	J.Z I	7.0	70
Weighted-average shares outstanding:								
Basic		873		887		(14)	-1.6	%
Diluted		877		892		(15)	-1.7	%

United Parcel Service, Inc. Selected Operating Data - Year to Date (unaudited)

Six Months Ended June 30

		Jun	e 30)				
		2017		2016	(Change	% Cha	nge
Revenue (in millions):								
U.S. Domestic Package:								
Next Day Air	\$	3,416	\$	3,212	\$	204	6.4	%
Deferred		1,990		1,814		176	9.7	%
Ground		13,874		13,073		801	6.1	%
Total U.S. Domestic Package International Package:		19,280		18,099		1,181	6.5	%
Domestic		1,233		1,195		38	3.2	%
Export		4,742		4,529		213	4.7	%
Cargo and Other		246		267		(21)	-7.9	%
Total International Package Supply Chain & Freight:		6,221		5,991		230	3.8	%
Forwarding and Logistics		3,720		3,245		475	14.6	%
Freight		1,462		1,349		113	8.4	%
Other		382		363		19	5.2	%
Total Supply Chain & Freight		5,564		4,957		607	12.2	%
Consolidated	\$	31,065	\$	29,047	\$	2,018	6.9	%
Consolidated volume (in millions)		2,376		2,273		103	4.5	%
Operating weekdays		128		128		-	0.0	%
Average Daily Package Volume (in	thou	ısands):						
U.S. Domestic Package:		,						
Next Day Air		1,356		1,289		67	5.2	%
Deferred		1,249		1,163		86	7.4	%
Ground		13,016		12,606		410	3.3	%
Total U.S. Domestic Package		15,621		15,058		563	3.7	%
International Package:		1 0 4 0		1 550		00	<i>-</i> 0	0/
Domestic		1,648		1,558		90 147	5.8	
Export Total International Backage		1,292		1,145		147	12.8	
Total International Package		2,940		2,703		237	8.8	
Consolidated	_	18,561		17,761		800	4.5	%
Average Revenue Per Piece:								
U.S. Domestic Package:								
Next Day Air	\$	19.68	\$	19.47	\$	0.21	1.1	%
Deferred		12.45		12.19		0.26	2.1	%
Ground		8.33		8.10		0.23	2.8	%
Total U.S. Domestic Package International Package:		9.64		9.39		0.25	2.7	%
Domestic		5.85		5.99		(0.14)	-2.3	%
Export		28.67		30.90		(2.23)	-7.2	%
Total International Package		15.88		16.54		(0.66)	-4.0	%
Consolidated	\$	10.63	\$	10.48	\$	0.15	1.4	%

United Parcel Service, Inc.
Supplemental Analysis of Currency and UPS Freight

Currency Neutral Revenue Per Piece (unaudited)

	S	Six Months Ended June 30				Currency Neutral					
		2017		2016	% Change	Currency	- 2	2017*	% Change		
Average Revenue Per Piece: International Package:											
Domestic Export	\$	5.85 28.67	\$	5.99 30.90	-2.3 % -7.2 %	\$ 0.32 1.63	\$	6.17 30.30	3.0 % -1.9 %		
Total International Package	\$	15.88	\$	16.54	-4.0 %	\$ 0.90	\$	16.78	1.5 %		
Consolidated	\$	10.63	\$	10.48	1.4 %	\$ 0.15	\$	10.78	2.9 %		

^{*} Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Currency Neutral Revenue (unaudited)

		Six Months Ended June 30				
	2017	2016	% Change	Currency	2017*	% Change
Revenue (in millions):						
U.S. Domestic Package	\$ 19,280	\$ 18,099	6.5 %	\$ -	\$ 19,280	6.5 %
International Package	6,221	5,991	3.8 %	340	6,561	9.5 %
Supply Chain & Freight	5,564	4,957	12.2 %	24	5,588	12.7 %
Total revenue	\$ 31,065	\$ 29,047	6.9 %	\$ 364	\$ 31,429	8.2 %

^{*} Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Currency Neutral Operating Profit (unaudited)

	s	Six Months Ended June 30							rrency eutral	•				
	·	2017		2016	% Change	С	urrency	2	2017*	% Change				
Operating profit (in millions):														
U.S. Domestic Package	\$	2,471	\$	2,335	5.8 %	\$	-	\$	2,471	5.8 %				
International Package		1,112		1,187	-6.3 %		233		1,345	13.3 %				
Supply Chain & Freight		417		339	23.0 %		1		418	23.3 %				
Total operating profit	\$	4,000	\$	3,861	3.6 %	\$	234	\$	4,234	9.7 %				

^{*} Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Freight Selected Operating Data - Year to Date (unaudited)

Six Months Ended June 30

	2017	2016	(Change	% Cha	nge
LTL revenue (in millions)	\$ 1,270	\$ 1,164	\$	106	9.1	%
LTL revenue per LTL hundredweight	\$ 23.60	\$ 23.36	\$	0.24	1.0	%
LTL shipments (in thousands)	5,150	4,956		194	3.9	%
LTL shipments per day (in thousands)	40.2	38.7		1.5	3.9	%
LTL gross weight hauled (in millions of pounds)	5,381	4,982		399	8.0	%

LTL weight per shipment (in pounds)	1,045	1,005	40	4.0 %
Operating weekdays	128	128	_	0.0 %

United Parcel Service, Inc.

Detail of Other Operating Expenses - Year to Date (unaudited)

(in millions)	Six Months Ended June 30								
		2017 2016			CI	nange	% Change		
Repairs and Maintenance	\$	782	\$	764	\$	18	2.4	%	
Depreciation and Amortization		1,116		1,107		9	8.0	%	
Purchased Transportation		4,809		4,094		715	17.5	%	
Fuel		1,237		939		298	31.7	%	
Other Occupancy		563		514		49	9.5	%	
Other Expenses		2,322		2,177		145	6.7	%	
Total Other Operating Expenses	\$	10,829	\$	9,595	\$	1,234	12.9	%	

Earnings Per Share and Share Data - Year to Date (unaudited)

	Six Months Ended						
(amounts in millions, except per share data)	June 30						
		2017		2016			
Numerator:							
Net income	\$	2,542	\$	2,400			
Denominator:							
Weighted-average shares outstanding		868		883			
Deferred compensation arrangements		1		1			
Vested portion of restricted shares		4		3			
Denominator for basic earnings per share	_	873		887			
Effect of dilutive securities:							
Restricted shares		3		4			
Stock options		1		1			
Denominator for diluted earnings per share		877		892			
Basic earnings per share	\$	2.91	\$	2.71			
Diluted earnings per share	\$	2.90	\$	2.69			

United Parcel Service, Inc. Consolidated Balance Sheets - June 30, 2017 and December 31, 2016 (unaudited)

(amounts in millions)	June 30, 2017	December 31, 2016		
ASSETS				
Current Assets:				
Cash and marketable securities	\$ 4,604	\$ 4,567		
Other current assets	7,790	9,282		
Total Current Assets	12,394	13,849		
Property, Plant and Equipment	45,588	43,674		
Less accumulated depreciation and amortization	25,747	24,874		
	19,841	18,800		
Other Assets	7,489	7,728		
	\$ 39,724	\$ 40,377		
LIABILITIES AND SHAREOWNERS' EQUITY				
Current Liabilities	\$ 11,082	\$ 11,730		
Long-Term Debt	14,257	12,394		
Pension and Postretirement Benefit Obligations	9,981	12,694		
Deferred Taxes, Credits and Other Liabilities	3,130	3,130		
Shareowners' Equity	1,274	429		
	\$ 39,724	\$ 40,377		

Amounts are subject to reclassification.

United Parcel Service, Inc. Selected Cash Flow Data (unaudited)

Net Increase (Decrease) in Cash and Cash Equivalents

	Ye	eliminary ar-to-Date
(amounts in millions)	•	June 30
Cash flows from operating activities	\$	2,621
Cash flows used in investing activities		(2,027)
Cash flows used in financing activities		(556)
Effect of exchange rate changes on cash and cash equivalents		30
Net increase in cash and cash equivalents	\$	68

Reconciliation of Free Cash Flow (non-GAAP measure)

		eliminary ar-to-Date
(amounts in millions)	June 30	
Cash flows from operating activities	\$	2,621
Capital expenditures		(2,009)
Proceeds from disposals of PP&E		14
Net change in finance receivables		(16)
Other investing activities		14
Free cash flow (non-GAAP measure)	\$	624

Amounts are subject to reclassification.

United Parcel Service, Inc. Aircraft Fleet - As of June 30, 2017 (unaudited)

	Owned and	Leases & Charters		
Description	Capital Leases	from Others	On Order	Under Option
Operating:				
Boeing 757-200	75	-	-	-
Boeing 767-300	59	-	-	-
Boeing 767-300BCF	1	-	2	-
Airbus A300-600	52	-	-	-
Boeing MD-11*	38	-	-	-
Boeing 747-400F	11	-	-	-
Boeing 747-400BCF	2	-	-	-
Boeing 747-8F	-	-	14	14
Other	-	302	-	-
Total	238	302	16	14

^{*} One Boeing MD-11 not in operation pending disposal

Contacts:



Source: UPS