October 23, 2007

UPS 3rd Quarter Earnings Rise; All Segments Show Profit Advance

Results Driven by Supply Chain & Freight, International

ATLANTA--(BUSINESS WIRE)--

UPS (NYSE:UPS) today reported a 9.4% increase in adjusted diluted earnings per share for its third quarter on a 4.7% gain in revenue. The company saw significant improvement in the supply chain and freight segment and good gains in its international business. Its U.S. small package operation posted modest improvement in spite of a sluggish economy.

For the three months ended Sept. 30, 2007, adjusted diluted earnings per share climbed to $1.05 as consolidated package volume rose to an average daily total of 15.25 million.

The adjusted financial results exclude a $46 million restructuring charge and related expenses for a supply chain business in France. Including the impact of this charge, diluted earnings per share increased 6.3% to $1.02 compared to $0.96 per diluted share in the same period in 2006.

"This was a very good quarter for the company from many perspectives," said Mike Eskew, UPS's chairman and CEO. "First, UPS turned in a solid performance in the face of a slower U.S. economy. We reached tentative agreement with the Teamsters on a new contract almost a year early. And we unveiled industry-leading service and technology innovations."

Consolidated Results	3Q 2007	3Q 2007 Adjusted	3Q 2006
Revenue	$ 12.21B		$11.66B
Operating profit	$ 1.71B	$ 1.75B	$ 1.58B
Operating margin	14.0%	14.4%	13.5%
Average volume per day	15.25M		15.07M
Diluted earnings per share	$ 1.02	$ 1.05	$ 0.96

Adjusted operating profit improved 11.3% with gains in all three business segments.

Consolidated revenue per piece increased 3.1%.

Cash Position

For the first nine months of 2007, UPS:

-- Generated more than $5.2 billion in cash from operations.

-- Invested $2 billion in capital expenditures.

-- Spent $2 billion to repurchase 27.9 million shares.

-- Paid $1.7 billion in dividends.

-- Produced more than $3.1 billion in free cash flow.

U. S. Domestic Package	3Q 2007	3Q 2006
Revenue	$ 7.55B	$ 7.40B
Operating profit	$ 1.23B	$ 1.21B
Operating margin	16.3%	16.3%
Average volume per day	13.4M	13.3M

Total domestic volume increased nearly 1%. Revenue per piece was firm, with ground package revenue per piece rising 2.4%.

During the quarter, UPS and the Teamsters reached a handshake agreement on a new five-year contract covering about 240,000 U.S. employees. The tentative deal, which is going through the ratification process, will extend UPS's contract with the Teamsters through July 31, 2013. The company views the agreement as good for UPS employees, customers and shareowners alike.

International Package	3Q 2007	3Q 2006
Revenue	$ 2.53B	$ 2.25B
Operating profit	$ 428M	$ 387M
Operating margin	16.9%	17.2%
Average volume per day	1.84M	1.77M

Export volume increased 9.3%. Double-digit gains in both Europe and Asia were offset somewhat by mid single-digit growth in U.S. export volume. Operating profit improved 10.6% to $428 million.

During the quarter, UPS won authority to operate six daily flights between the United States and Nagoya, Japan. These flights will connect with the company's new hub in Shanghai, on which construction began in August. As the quarter ended, UPS unveiled two new "firsts" in the package industry: paperless invoice international shipping and package return capability to 98 countries and territories. The new services will be known as UPS Paperless(sm) Invoice and international UPS Returns(R).

Supply Chain and Freight	3Q 2007	3Q 2007 Adjusted	3Q 2006
Revenue	$2.13B		$ 2.01B
Operating profit	$ 52M	$ 98M	($19)M
Operating margin	2.4%	4.6%	(.9)%

The supply chain and freight segment continued the momentum established earlier in the year. Adjusted operating profit improved $117 million. Forwarding and logistics revenue rose 4.7% to $1.49 billion. Less-than-truckload revenue increased 12.1% to $521 million with 13.3% shipment growth.

Outlook

"Once again, UPS's balanced network around the globe produced solid results even in the face of a lackluster U.S. economy," said Scott Davis, UPS's vice chairman and CFO. "Fourth quarter results will be driven by good performance in our international operations and further gains in supply chain and freight. We expect slowing retail sales will restrain U.S. domestic volume growth. For the full year, we expect adjusted diluted earnings per share to be between $4.13 and $4.19, well within the range we provided at the beginning of 2007."

UPS, which celebrated its 100th anniversary in 2007, is the world's largest package delivery company and a global leader in supply chain services, offering an extensive range of options for synchronizing the movement of goods, information and funds. Headquartered in Atlanta, Ga., UPS serves more than 200 countries and territories worldwide. UPS's stock trades on the New York Stock Exchange (UPS) and the company can be found on the Web at UPS.com. To get UPS news direct, visit pressroom.ups.com/RSS.

EDITOR'S NOTE: UPS Chairman and CEO Mike Eskew and Vice Chairman and CFO Scott Davis will discuss third quarter results with investors and analysts during a conference call today at 8:30 a.m. EDT. That conference call is open to listeners through a live Webcast. To access the call, go to www.shareholder.com/UPS and click on "Earnings Webcast."

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. We believe that these adjusted measures provide meaningful information to assist investors and analysts in understanding our financial results and assessing our prospects for future performance. We believe these adjusted financial measures are important indicators of our recurring operations because they exclude items that may not be indicative of or are unrelated to our core operating results, and provide a better baseline for analyzing trends in our underlying businesses. Furthermore, we use these adjusted financial measures to determine awards for our management personnel under our incentive compensation plans. We also provide the amount of our free cash flow to supplement our cash flow determined under GAAP. We define free cash flow as net cash from operating activities adjusted for capital expenditures, proceeds from disposals of property, plant and equipment, net change in finance receivables and other investing activities. We believe free cash flow is an important measure in assessing the generation of cash for discretionary investments and dividends.

In the first quarter of 2007, we recorded a $221 million pre-tax impairment charge related to aircraft and a $68 million pre-tax charge related to cash payouts and the acceleration of stock compensation and certain retiree healthcare benefits for employees who accepted a voluntary separation opportunity. Additionally, we recorded a $46 million pre-tax charge in the third quarter of 2007 related to the restructuring and disposal of certain operations in France within the Supply Chain & Freight segment. We presented third quarter and year-to-date 2007 operating profit, operating margin, pre-tax income, net income and earnings per

share excluding the impact of these items as we believe these adjusted measures better enable shareowners to focus on period-over-period operating performance. The underlying matters that produced the impairment charge and the charge related to the voluntary separation opportunity were unique, and we do not believe they are reflective of the types of charges that will affect future anticipated results. Additionally, the restructuring charge reflected our exit of certain non-core lines of business in our Supply Chain & Freight operations, and we do not believe this charge is indicative of future operating results of our core forwarding, logistics and freight operations.

Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These adjusted financial measures should not be considered in isolation or as a substitute for GAAP operating profit, operating margin, net income and earnings per share, the most directly comparable GAAP financial measures. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the preceding reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our business. We strongly encourage investors to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

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, our competitive environment, strikes, work stoppages and slowdowns, increases 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.

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

	Three Months Ended September 30,		Change	
	2007	2006	$	%
(amounts in millions, except per share data)				
Statement of Income Data:				
Revenue:				
U.S. Domestic Package	$ 7,545	$ 7,402	$ 143	1.9%
International Package	2,529	2,251	278	12.4%
Supply Chain & Freight	2,131	2,009	122	6.1%
Total revenue	12,205	11,662	543	4.7%
Operating expenses:				
Compensation and benefits	6,253	5,908	345	5.8%

Other	4,244	4,178	66	1.6%
Total operating expenses	10,497	10,086	411	4.1%
Operating profit (loss):				
U.S. Domestic Package	1,228	1,208	20	1.7%
International Package	428	387	41	10.6%
Supply Chain & Freight	52	(19)	71	N/A
Total operating profit	1,708	1,576	132	8.4%
Other income (expense):				
Investment income	14	25	(11)	-44.0%
Interest expense	(53)	(54)	1	-1.9%
Total other income (expense)	(39)	(29)	(10)	34.5%
Income before income taxes	1,669	1,547	122	7.9%
Income taxes	593	509	84	16.5%
Net income	$ 1,076	$ 1,038	$ 38	3.7%
Net income as a percentage of revenue	8.8%	8.9%		
Per share amounts				
Basic earnings per share	$ 1.02	$ 0.96	$0.06	6.3%
Diluted earnings per share	$ 1.02	$ 0.96	$0.06	6.3%
Weighted-average shares outstanding				
Basic	1,051	1,080	(29)	-2.7%
Diluted	1,058	1,085	(27)	-2.5%
As adjusted income data:				
Operating profit (loss):				
U.S. Domestic Package	$ 1,228	$ 1,208	$ 20	1.7%
International Package	428	387	41	10.6%
Supply Chain & Freight (1)	98	(19)	117	N/A
Total operating profit	1,754	1,576	178	11.3%
Income before income taxes (1)	$ 1,715	$ 1,547	$ 168	10.9%
Net income (2)	$ 1,107	$ 1,038	$ 69	6.6%
Basic earnings per share (2)	$ 1.05	$ 0.96	$0.09	9.4%
Diluted earnings per share (2)	$ 1.05	$ 0.96	$0.09	9.4%

(1) Third quarter 2007 adjusted operating profit and income before income taxes exclude a $46 million charge related to the restructuring and disposal of certain operations in France within the Supply Chain & Freight segment.

(2) Third quarter 2007 adjusted net income and earnings per share amounts exclude the after-tax impact of the Supply Chain & Freight restructuring charge described in (1), which totaled $31 million.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Selected Operating Data - Third Quarter
(unaudited)

	Three Months Ended September 30,		Change	
	2007	2006	$/ #	%
Revenue (in millions):				
U.S. Domestic Package:				
Next Day Air	$ 1,666	$ 1,683	$ (17)	-1.0%
Deferred	782	794	(12)	-1.5%
Ground	5,097	4,925	172	3.5%
Total U.S. Domestic Package	7,545	7,402	143	1.9%
International Package:				
Domestic	535	482	53	11.0%
Export	1,831	1,622	209	12.9%
Cargo	163	147	16	10.9%
Total International Package	2,529	2,251	278	12.4%
Supply Chain & Freight:				
Forwarding and Logistics	1,486	1,419	67	4.7%
Freight	546	497	49	9.9%
Other	99	93	6	6.5%
Total Supply Chain & Freight	2,131	2,009	122	6.1%
Consolidated	$ 12,205	$ 11,662	$ 543	4.7%
Consolidated volume (in millions)	960	949	11	1.2%
Operating weekdays	63	63		
Average Daily Package Volume (in thousands):				
U.S. Domestic Package:				
Next Day Air	1,238	1,239	(1)	-0.1%
Deferred	874	889	(15)	-1.7%
Ground	11,291	11,175	116	1.0%
Total U.S. Domestic Package	13,403	13,303	100	0.8%
International Package:				
Domestic	1,102	1,088	14	1.3%
Export	740	677	63	9.3%
Total International Package	1,842	1,765	77	4.4%
Consolidated	15,245	15,068	177	1.2%
Average Revenue Per Piece:				
U.S. Domestic Package:				
Next Day Air	$ 21.36	$ 21.56	$(0.20)	-0.9%
Deferred	14.20	14.18	0.02	0.1%
Ground	7.17	7.00	0.17	2.4%
Total U.S. Domestic Package	8.94	8.83	0.11	1.2%
International Package:				
Domestic	7.71	7.03	0.68	9.7%

Export	39.27	38.03	1.24	3.3%
Total International Package	20.39	18.92	1.47	7.8%
Consolidated	$ 10.32	$ 10.01	$ 0.31	3.1%

Certain prior year amounts have been reclassified to conform to the current year presentation.

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

	Nine Months Ended September 30,		Change	
	2007	2006	$	%
(amounts in millions, except per share data)				
Statement of Income Data:				
Revenue:				
U.S. Domestic Package	$22,676	$22,327	$ 349	1.6%
International Package	7,414	6,645	769	11.6%
Supply Chain & Freight	6,210	5,947	263	4.4%
Total revenue	36,300	34,919	1,381	4.0%
Operating expenses:				
Compensation and benefits	18,921	17,917	1,004	5.6%
Other	12,548	12,176	372	3.1%
Total operating expenses	31,469	30,093	1,376	4.6%
Operating profit:				
U.S. Domestic Package	3,361	3,627	(266)	-7.3%
International Package	1,274	1,196	78	6.5%
Supply Chain & Freight	196	3	193	N/A
Total operating profit	4,831	4,826	5	0.1%
Other income (expense):				
Investment income	56	71	(15)	-21.1%
Interest expense	(163)	(156)	(7)	4.5%
Total other income (expense)	(107)	(85)	(22)	25.9%
Income before income taxes	4,724	4,741	(17)	-0.4%
Income taxes	1,701	1,667	34	2.0%
Net income	$ 3,023	$ 3,074	$ (51)	-1.7%
Net income as a percentage of revenue	8.3%	8.8%		
Per share amounts				
Basic earnings per share	$ 2.85	$ 2.83	$ 0.02	0.7%
Diluted earnings per share	$ 2.84	$ 2.82	$ 0.02	0.7%

Weighted average shares outstanding				
Basic	1,060	1,088	(28)	-2.6%
Diluted	1,066	1,092	(26)	-2.4%
As adjusted income data:				
Operating profit:				
U.S. domestic package (1)	$ 3,573	$ 3,627	$ (54)	-1.5%
International package (1)	1,343	1,196	147	12.3%
Supply chain and freight (1)	250	3	247	N/A
Total operating profit	5,166	4,826	340	7.0%
Income before income taxes (1)	$ 5,059	$ 4,741	$ 318	6.7%
Net income (2)	$ 3,238	$ 3,074	$ 164	5.3%
Basic earnings per share (2)	$ 3.05	$ 2.83	$ 0.22	7.8%
Diluted earnings per share (2)	$ 3.04	$ 2.82	$ 0.22	7.8%

(1) 2007 adjusted operating profit and income before income taxes exclude an impairment charge on Boeing 727 and 747 aircraft, and related engines and parts, of $221 million ($159 million U.S. Domestic Package and $62 million International Package), due to the acceleration of the planned retirement of these aircraft.

2007 adjusted operating profit and income before income taxes also exclude a charge related to the special voluntary separation opportunity ("SVSO"), which was offered to approximately 640 employees who work in non-operating functions. The SVSO was accepted by 195, or 30%, of the eligible employees during the first quarter. As a result, we have recorded a charge to expense of $68 million ($53 million U.S. Domestic Package, $7 million International Package, and $8 million Supply Chain & Freight), to reflect the cash payout and the acceleration of stock compensation and certain retiree healthcare benefits under the SVSO program.

Third quarter 2007 adjusted operating profit and income before income taxes exclude a $46 million charge related to the restructuring and disposal of certain operations in France within the Supply Chain & Freight segment.

(2) First quarter 2007 adjusted net income and earnings per share amounts exclude the after-tax impact of the aircraft impairment and SVSO charges described in (1), which total $184 million. Third quarter net income and earnings per share amounts exclude the after-tax impact of the Supply Chain & Freight restructuring charge described in (1), which totaled $31 million.

Certain prior year amounts have been reclassified to conform to the current year presentation.

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

	Nine Months Ended September 30,		Change	
	2007	2006	$/ #	%
Revenue (in millions):				
U.S. Domestic Package:				

Next Day Air	$ 5,003	$ 5,054	$ (51)	-1.0%
Deferred	2,376	2,447	(71)	-2.9%
Ground	15,297	14,826	471	3.2%
Total U.S. Domestic Package	22,676	22,327	349	1.6%
International Package:				
Domestic	1,563	1,421	142	10.0%
Export	5,412	4,797	615	12.8%
Cargo	439	427	12	2.8%
Total International Package	7,414	6,645	769	11.6%
Supply Chain & Freight:				
Forwarding and Logistics	4,337	4,202	135	3.2%
Freight	1,583	1,484	99	6.7%
Other	290	261	29	11.1%
Total Supply Chain & Freight	6,210	5,947	263	4.4%
Consolidated	$ 36,300	$ 34,919	$1,381	4.0%
Consolidated volume (in millions)	2,890	2,871	19	0.7%
Operating weekdays	191	191		
Average Daily Package Volume (in thousands):				
U.S. Domestic Package:				
Next Day Air	1,248	1,244	4	0.3%
Deferred	903	926	(23)	-2.5%
Ground	11,156	11,120	36	0.3%
Total U.S. Domestic Package	13,307	13,290	17	0.1%
International Package:				
Domestic	1,097	1,080	17	1.6%
Export	728	663	65	9.8%
Total International Package	1,825	1,743	82	4.7%
Consolidated	15,132	15,033	99	0.7%
Average Revenue Per Piece:				
U.S. Domestic Package:				
Next Day Air	$ 20.99	$ 21.27	$(0.28)	-1.3%
Deferred	13.78	13.84	(0.06)	-0.4%
Ground	7.18	6.98	0.20	2.9%
Total U.S. Domestic Package	8.92	8.80	0.12	1.4%
International Package:				
Domestic	7.46	6.89	0.57	8.3%
Export	38.92	37.88	1.04	2.7%
Total International Package	20.01	18.68	1.33	7.1%
Consolidated	$ 10.26	$ 9.94	$ 0.32	3.2%

Certain prior year amounts have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Reconciliation of Free Cash Flow
(unaudited)

(amounts in millions)	Preliminary Year-to-Date September 30, 2007
Net cash from operations	$ 5,255
Capital expenditures	(2,009)
Proceeds from disposals of PP&E	58
Net change in finance receivables	(36)
Other investing activities	(147)
Free cash flow	$ 3,121

Amounts are subject to reclassification.

Source: UPS