

July 22, 2008



## UPS Releases 2Q Results

### Earnings Decline Caused by Economic Weakness, Fuel Costs; Supply Chain & Freight Continues to Exceed Expectations

ATLANTA--(BUSINESS WIRE)--

UPS (NYSE:UPS) today reported a 6.7% revenue increase in the second quarter but an 18.3% decline in diluted earnings per share to \$0.85 compared to \$1.04 the prior year. Increasing fuel costs and a stagnant U.S. economy caused the earnings decline in both the U.S. Domestic and International Package segments.

In contrast, the Supply Chain and Freight segment posted a substantial improvement in profitability.

"Although operating conditions in the second quarter were challenging, UPS firmly believes the long-term growth fundamentals for our company and for our industry are very favorable," said Scott Davis, UPS chairman and CEO. "We are helping our customers manage through this difficult period while doing everything we can inside UPS to adapt to current conditions."

| Consolidated Results       | 2Q 2008   | 2Q 2007   |
|----------------------------|-----------|-----------|
| Revenue                    | \$13.00 B | \$12.19 B |
| Operating profit           | \$1.45 B  | \$1.77 B  |
| Operating margin           | 11.2 %    | 14.5 %    |
| Average volume per day     | 15.0 M    | 15.0 M    |
| Diluted earnings per share | \$0.85    | \$1.04    |

For the three months ended June 30, 2008, UPS delivered consolidated volume of 959 million packages, essentially unchanged from the second quarter last year. Revenue rose to \$13.0 billion and revenue per piece increased 5.9%. Results were negatively affected by a 67% increase in fuel expense, a reduction in premium product volumes and weakness in U.S. imports.

Cash Position

For the first six months of 2008, free cash flow remained strong at \$3.4 billion, including approximately \$1 billion in U.S. federal cash tax benefits related to the company's withdrawal from the Central States Pension Plan. The company also:

- Purchased 34.8 million shares at a cost of \$2.4 billion.
- Paid dividends totaling \$1.3 billion.
- Invested \$1.4 billion in capital expenditures.
- Ended the quarter with \$1.7 billion in cash and short-term investments.

| U.S. Domestic Package  | 2Q 2008  | 2Q 2007  |
|------------------------|----------|----------|
| Revenue                | \$7.71 B | \$7.58 B |
| Operating profit       | \$0.90 B | \$1.19 B |
| Operating margin       | 11.7 %   | 15.7 %   |
| Average volume per day | 13.1 M   | 13.2 M   |

The slow U.S. economy caused average daily volume in the United States to decline 1.3% in the quarter and also contributed to a more pronounced reduction in premium products than in the previous quarter. Volumes per day declined 6.1% for Next Day Air(R), 2.3% for deferred air and 0.7% for ground. Consolidated revenue per piece rose 3.1%, increasing for all services.

These factors, along with the rapid increase in fuel cost and the impact of the two-month lag in the application of the fuel surcharge, were responsible for the declines in second quarter operating results.

During the quarter, UPS and DHL announced they were working on a 10-year agreement through which UPS would provide air lift for DHL's express, deferred and international volume within the U.S. and between the U.S., Canada and Mexico.

| International Package  | 2Q 2008  | 2Q 2007  |
|------------------------|----------|----------|
| Revenue                | \$2.95 B | \$2.50 B |
| Operating profit       | \$407 M  | \$475 M  |
| Operating margin       | 13.8 %   | 19.0 %   |
| Average volume per day | 1.93 M   | 1.80 M   |

International results were negatively impacted by higher fuel costs, declining U.S. import volume and slower growth in premium services in the major regions of the world.

Export volume increased an industry-leading 10.2%, aided by the calendar effect of an early Easter, which boosted growth rates by approximately 2%. However, volume growth slowed significantly through the quarter.

During the period, UPS continued its global investments. In the United Kingdom, the company completed network integration of Tamworth, its largest ground hub outside the U.S. In Asia, UPS announced construction of an intra-Asia hub in Shenzhen, China; initiated five weekly flights to Nagoya, Japan, and concluded the buyout of its joint venture partner in Korea.

| Supply Chain and Freight | 2Q 2008  | 2Q 2007  |
|--------------------------|----------|----------|
| Revenue                  | \$2.34 B | \$2.11 B |
| Operating profit         | \$148 M  | \$98 M   |
| Operating margin         | 6.3 %    | 4.6 %    |

Segment revenue increased almost 11% with operating profit climbing more than 50%. Results were driven by the continued strong performance of the Forwarding and Logistics businesses. During the quarter, UPS announced an expansion of its logistics campus in Burlington, Ontario, to address healthcare and high-tech customers' needs.

UPS Freight LTL revenue grew 7.2%, but shipments declined 2.3% as a consequence of the stagnant U.S. economy. UPS Freight expanded its reliability guarantee on shipments to and from Canada and introduced time-in-transit enhancements to 1,000 lanes in the United States.

### Outlook

"Slow U.S. economic activity and fuel price increases hit us and our customers during the quarter," said Kurt Kuehn, UPS's chief financial officer. "Even though economists do not predict a recovery until 2009, we anticipate that the second half of 2008 will generate modestly better results than the first half, assuming business conditions do not worsen. Therefore, we are providing earnings-per-share guidance for 2008 within a range of \$3.50 to \$3.70. This translates to a range of \$1.78-to-\$1.98 for the second half compared to \$1.72 for the first half."

Kuehn pointed out that comparisons to last year's results would be more difficult in the third quarter and moderate in the fourth.

"We are taking the necessary steps to control costs, add value for customers and grow our business while adjusting to the realities of today's challenging environment," Kuehn added.

UPS (NYSE: UPS) is the world's largest package delivery company and a global leader in supply chain and freight services. With more than a century of experience in transportation and logistics, UPS is a leading global trade expert equipped with a broad portfolio of solutions. Headquartered in Atlanta, Ga., UPS serves more than 200 countries and territories worldwide. The company can be found on the Web at UPS.com. To get UPS news direct, visit [pressroom.ups.com/RSS](http://pressroom.ups.com/RSS).

EDITOR'S NOTE: UPS Chairman and CEO Scott Davis and CFO Kurt Kuehn will discuss second quarter results with investors and analysts during a conference call at 8:30 a.m. EDT today. That call is open to listeners through a live Webcast. To access the call, go to [www.shareholder.com/UPS](http://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.

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 - Second Quarter  
(unaudited)

| Three Months<br>Ended<br>June 30, |      | Change |   |
|-----------------------------------|------|--------|---|
| 2008                              | 2007 | \$     | % |

(amounts in millions, except per share data)

Statement of Income Data:

Revenue:

|                        |          |          |        |       |
|------------------------|----------|----------|--------|-------|
| U.S. Domestic Package  | \$ 7,714 | \$ 7,579 | \$ 135 | 1.8%  |
| International Package  | 2,948    | 2,500    | 448    | 17.9% |
| Supply Chain & Freight | 2,339    | 2,110    | 229    | 10.9% |
| Total revenue          | 13,001   | 12,189   | 812    | 6.7%  |

|                                       |         |          |           |        |
|---------------------------------------|---------|----------|-----------|--------|
| Operating expenses:                   |         |          |           |        |
| Compensation and benefits             | 6,522   | 6,327    | 195       | 3.1%   |
| Other                                 | 5,025   | 4,097    | 928       | 22.7%  |
|                                       | -----   |          |           |        |
| Total operating expenses              | 11,547  | 10,424   | 1,123     | 10.8%  |
| Operating profit:                     |         |          |           |        |
| U.S. Domestic Package                 | 899     | 1,192    | (293)     | -24.6% |
| International Package                 | 407     | 475      | (68)      | -14.3% |
| Supply Chain & Freight                | 148     | 98       | 50        | 51.0%  |
|                                       | -----   |          |           |        |
| Total operating profit                | 1,454   | 1,765    | (311)     | -17.6% |
| Other income (expense):               |         |          |           |        |
| Investment income                     | 14      | 28       | (14)      | -50.0% |
| Interest expense                      | (104)   | (61)     | (43)      | 70.5%  |
|                                       | -----   |          |           |        |
| Total other income (expense)          | (90)    | (33)     | (57)      | 172.7% |
|                                       | -----   |          |           |        |
| Income before income taxes            | 1,364   | 1,732    | (368)     | -21.2% |
| Income tax expense                    | 491     | 628      | (137)     | -21.8% |
|                                       | -----   |          |           |        |
| Net income                            | \$ 873  | \$ 1,104 | \$ (231)  | -20.9% |
|                                       | =====   |          |           |        |
| Net income as a percentage of revenue | 6.7%    | 9.1%     |           |        |
| Per share amounts                     |         |          |           |        |
| Basic earnings per share              | \$ 0.86 | \$ 1.04  | \$ (0.18) | -17.3% |
| Diluted earnings per share            | \$ 0.85 | \$ 1.04  | \$ (0.19) | -18.3% |
| Weighted-average shares outstanding   |         |          |           |        |
| Basic                                 | 1,021   | 1,060    | (39)      | -3.7%  |
| Diluted                               | 1,029   | 1,066    | (37)      | -3.5%  |

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

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

|                             | Three Months<br>Ended |          |         |       |
|-----------------------------|-----------------------|----------|---------|-------|
|                             | June 30,              |          | Change  |       |
|                             | 2008                  | 2007     | \$/ #   | %     |
|                             | -----                 |          |         |       |
| Revenue (in millions):      |                       |          |         |       |
| U.S. Domestic Package:      |                       |          |         |       |
| Next Day Air                | \$ 1,648              | \$ 1,684 | \$ (36) | -2.1% |
| Deferred                    | 789                   | 792      | (3)     | -0.4% |
| Ground                      | 5,277                 | 5,103    | 174     | 3.4%  |
|                             | -----                 |          |         |       |
| Total U.S. Domestic Package | 7,714                 | 7,579    | 135     | 1.8%  |
| International Package:      |                       |          |         |       |
| Domestic                    | 622                   | 517      | 105     | 20.3% |

|  |          |          |        |       |
|--|----------|----------|--------|-------|
| Export                                       | 2,145    | 1,834    | 311    | 17.0% |
| Cargo  | 181      | 149      | 32     | 21.5% |
|  | -----    |          |        |       |
| Total International Package                  | 2,948    | 2,500    | 448    | 17.9% |
| Supply Chain & Freight:                      |          |          |        |       |
| Forwarding and Logistics                     | 1,635    | 1,465    | 170    | 11.6% |
| Freight                                      | 596      | 549      | 47     | 8.6%  |
| Other  | 108      | 96       | 12     | 12.5% |
|  | -----    |          |        |       |
| Total Supply Chain & Freight                 | 2,339    | 2,110    | 229    | 10.9% |
|  | -----    |          |        |       |
| Consolidated                                 | \$13,001 | \$12,189 | \$ 812 | 6.7%  |
|  | =====    |          |        |       |
| Consolidated volume (in millions)            | 959      | 962      | (3)    | -0.3% |
| Operating weekdays                           | 64       | 64       |        |       |
| Average Daily Package Volume (in thousands): |          |          |        |       |
| U.S. Domestic Package:                       |          |          |        |       |
| Next Day Air                                 | 1,183    | 1,260    | (77)   | -6.1% |
| Deferred                                     | 878      | 899      | (21)   | -2.3% |
| Ground                                       | 10,999   | 11,071   | (72)   | -0.7% |
|  | -----    |          |        |       |
| Total U.S. Domestic Package                  | 13,060   | 13,230   | (170)  | -1.3% |
| International Package:                       |          |          |        |       |
| Domestic                                     | 1,127    | 1,077    | 50     | 4.6%  |
| Export                                       | 798      | 724      | 74     | 10.2% |
|  | -----    |          |        |       |
| Total International Package                  | 1,925    | 1,801    | 124    | 6.9%  |
|  | -----    |          |        |       |
| Consolidated                                 | 14,985   | 15,031   | (46)   | -0.3% |
|  | =====    |          |        |       |
| Average Revenue Per Piece:                   |          |          |        |       |
| U.S. Domestic Package:                       |          |          |        |       |
| Next Day Air                                 | \$ 21.77 | \$ 20.88 | \$0.89 | 4.3%  |
| Deferred                                     | 14.04    | 13.77    | 0.27   | 2.0%  |
| Ground                                       | 7.50     | 7.20     | 0.30   | 4.2%  |
| Total U.S. Domestic Package                  | 9.23     | 8.95     | 0.28   | 3.1%  |
| International Package:                       |          |          |        |       |
| Domestic                                     | 8.62     | 7.50     | 1.12   | 14.9% |
| Export                                       | 42.00    | 39.58    | 2.42   | 6.1%  |
| Total International Package                  | 22.46    | 20.40    | 2.06   | 10.1% |
| Consolidated                                 | \$ 10.93 | \$ 10.32 | \$0.61 | 5.9%  |
|  | =====    |          |        |       |

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)

| Six Months Ended |      | Change |   |
|------------------|------|--------|---|
| June 30,         |      |        |   |
| -----            |      |        |   |
| 2008             | 2007 | \$     | % |
| -----            |      |        |   |

(amounts in millions, except per share data)

## Statement of Income Data:

## Revenue:

|                        |          |          |        |       |
|------------------------|----------|----------|--------|-------|
| U.S. Domestic Package  | \$15,449 | \$15,131 | \$ 318 | 2.1%  |
| International Package  | 5,707    | 4,885    | 822    | 16.8% |
| Supply Chain & Freight | 4,520    | 4,079    | 441    | 10.8% |
|                        | -----    |          |        |       |
| Total revenue          | 25,676   | 24,095   | 1,581  | 6.6%  |

## Operating expenses:

|                           |        |        |       |       |
|---------------------------|--------|--------|-------|-------|
| Compensation and benefits | 13,022 | 12,668 | 354   | 2.8%  |
| Other                     | 9,707  | 8,304  | 1,403 | 16.9% |
|                           | -----  |        |       |       |
| Total operating expenses  | 22,729 | 20,972 | 1,757 | 8.4%  |

## Operating profit:

|                        |       |       |       |        |
|------------------------|-------|-------|-------|--------|
| U.S. Domestic Package  | 1,858 | 2,133 | (275) | -12.9% |
| International Package  | 828   | 846   | (18)  | -2.1%  |
| Supply Chain & Freight | 261   | 144   | 117   | 81.3%  |
|                        | ----- |       |       |        |
| Total operating profit | 2,947 | 3,123 | (176) | -5.6%  |

## Other income (expense):

|                              |       |       |       |        |
|------------------------------|-------|-------|-------|--------|
| Investment income            | 71    | 42    | 29    | 69.0%  |
| Interest expense             | (238) | (110) | (128) | 116.4% |
|                              | ----- |       |       |        |
| Total other income (expense) | (167) | (68)  | (99)  | 145.6% |

|                            |       |       |       |       |
|----------------------------|-------|-------|-------|-------|
|                            | ----- |       |       |       |
| Income before income taxes | 2,780 | 3,055 | (275) | -9.0% |

|              |       |       |       |       |
|--------------|-------|-------|-------|-------|
| Income taxes | 1,001 | 1,108 | (107) | -9.7% |
|              | ----- |       |       |       |

|            |          |          |          |       |
|------------|----------|----------|----------|-------|
| Net income | \$ 1,779 | \$ 1,947 | \$ (168) | -8.6% |
|            | =====    |          |          |       |

|                                       |      |      |  |  |
|---------------------------------------|------|------|--|--|
| Net income as a percentage of revenue | 6.9% | 8.1% |  |  |
|---------------------------------------|------|------|--|--|

## Per share amounts

|                            |         |         |           |       |
|----------------------------|---------|---------|-----------|-------|
| Basic earnings per share   | \$ 1.73 | \$ 1.83 | \$ (0.10) | -5.5% |
| Diluted earnings per share | \$ 1.72 | \$ 1.82 | \$ (0.10) | -5.5% |

## Weighted average shares outstanding

|         |       |       |      |       |
|---------|-------|-------|------|-------|
| Basic   | 1,029 | 1,065 | (36) | -3.4% |
| Diluted | 1,036 | 1,070 | (34) | -3.2% |

## As adjusted income data:

|                              |          |          |          |        |
|------------------------------|----------|----------|----------|--------|
| U.S. domestic package (1)    | \$ 1,858 | \$ 2,345 | \$ (487) | -20.8% |
| International package (1)    | 828      | 915      | (87)     | -9.5%  |
| Supply chain and freight (1) | 261      | 152      | 109      | 71.7%  |
|                              | -----    |          |          |        |

|                        |       |       |       |        |
|------------------------|-------|-------|-------|--------|
| Total operating profit | 2,947 | 3,412 | (465) | -13.6% |
|------------------------|-------|-------|-------|--------|

|                                |          |          |          |        |
|--------------------------------|----------|----------|----------|--------|
| Income before income taxes (1) | \$ 2,780 | \$ 3,344 | \$ (564) | -16.9% |
|--------------------------------|----------|----------|----------|--------|

|                |          |          |          |        |
|----------------|----------|----------|----------|--------|
| Net income (2) | \$ 1,779 | \$ 2,131 | \$ (352) | -16.5% |
|----------------|----------|----------|----------|--------|

|                              |         |         |           |        |
|------------------------------|---------|---------|-----------|--------|
| Basic earnings per share (2) | \$ 1.73 | \$ 2.00 | \$ (0.27) | -13.5% |
|------------------------------|---------|---------|-----------|--------|

|                                |         |         |           |        |
|--------------------------------|---------|---------|-----------|--------|
| Diluted earnings per share (2) | \$ 1.72 | \$ 1.99 | \$ (0.27) | -13.6% |
|--------------------------------|---------|---------|-----------|--------|

(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 accepted by 195, or 30%, of the eligible employees. We 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.

(2) 2007 net income and earnings per share amounts exclude the after-tax impact of the charges described in (1), which total \$184 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)

|  | Six Months<br>Ended<br>June 30, |          | Change  |       |
|--|---------------------------------|----------|---------|-------|
|  | 2008                            | 2007     | \$/ #   | %     |
| Revenue (in millions):                       |                                 |          |         |       |
| U.S. Domestic Package:                       |                                 |          |         |       |
| Next Day Air                                 | \$ 3,286                        | \$ 3,337 | \$ (51) | -1.5% |
| Deferred                                     | 1,594                           | 1,594    | -       | 0.0%  |
| Ground                                       | 10,569                          | 10,200   | 369     | 3.6%  |
|  | -----                           |          |         |       |
| Total U.S. Domestic Package                  | 15,449                          | 15,131   | 318     | 2.1%  |
| International Package:                       |                                 |          |         |       |
| Domestic                                     | 1,205                           | 1,028    | 177     | 17.2% |
| Export                                       | 4,167                           | 3,581    | 586     | 16.4% |
| Cargo  | 335                             | 276      | 59      | 21.4% |
|  | -----                           |          |         |       |
| Total International Package                  | 5,707                           | 4,885    | 822     | 16.8% |
| Supply Chain & Freight:                      |                                 |          |         |       |
| Forwarding and Logistics                     | 3,198                           | 2,851    | 347     | 12.2% |
| Freight                                      | 1,109                           | 1,037    | 72      | 6.9%  |
| Other  | 213                             | 191      | 22      | 11.5% |
|  | -----                           |          |         |       |
| Total Supply Chain & Freight                 | 4,520                           | 4,079    | 441     | 10.8% |
|  | -----                           |          |         |       |
| Consolidated                                 | \$25,676                        | \$24,095 | \$1,581 | 6.6%  |
|  | =====                           |          |         |       |
| Consolidated volume (in millions)            | 1,927                           | 1,930    | (3)     | -0.1% |
| Operating weekdays                           | 128                             | 128      |         |       |
| Average Daily Package Volume (in thousands): |                                 |          |         |       |
| U.S. Domestic Package:                       |                                 |          |         |       |
| Next Day Air                                 | 1,191                           | 1,253    | (62)    | -4.9% |
| Deferred                                     | 894                             | 918      | (24)    | -2.6% |
| Ground                                       | 11,069                          | 11,089   | (20)    | -0.2% |
|  | -----                           |          |         |       |



|                             |          |          |         |       |
|-----------------------------|----------|----------|---------|-------|
| Total U.S. Domestic Package | 13,154   | 13,260   | (106)   | -0.8% |
| International Package:      |          |          |         |       |
| Domestic                    | 1,114    | 1,095    | 19      | 1.7%  |
| Export                      | 788      | 723      | 65      | 9.0%  |
|                             | -----    |          |         |       |
| Total International Package | 1,902    | 1,818    | 84      | 4.6%  |
|                             | -----    |          |         |       |
| Consolidated                | 15,056   | 15,078   | (22)    | -0.1% |
|                             | =====    |          |         |       |
| Average Revenue Per Piece:  |          |          |         |       |
| U.S. Domestic Package:      |          |          |         |       |
| Next Day Air                | \$ 21.55 | \$ 20.81 | \$ 0.74 | 3.6%  |
| Deferred                    | 13.93    | 13.57    | 0.36    | 2.7%  |
| Ground                      | 7.46     | 7.19     | 0.27    | 3.8%  |
| Total U.S. Domestic Package | 9.18     | 8.91     | 0.27    | 3.0%  |
| International Package:      |          |          |         |       |
| Domestic                    | 8.45     | 7.33     | 1.12    | 15.3% |
| Export                      | 41.31    | 38.70    | 2.61    | 6.7%  |
| Total International Package | 22.07    | 19.81    | 2.26    | 11.4% |
| Consolidated                | \$ 10.80 | \$ 10.23 | \$ 0.57 | 5.6%  |
|                             | =====    |          |         |       |

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<br>Year-to-Date<br>June 30, 2008 |
|                                   | -----  |
| Net cash from operations          | \$ 5,019                                     |
| Capital expenditures              | (1,387)                                      |
| Proceeds from disposals of PP&E   | 71   |
| Net change in finance receivables | (66)   |
| Other investing activities        | (254)  |
|                                   | -----  |
| Free cash flow                    | \$ 3,383                                     |
|                                   | =====  |

Amounts are subject to reclassification.

Source: UPS