For Immediate Release

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UPS DRIVES HIGHER PROFIT IN 3Q16

- ***3Q16 Diluted Earnings per Share Increased to $1.44***
- ***U.S. Domestic Deliveries per Day Climb 5.7% Driven by Ecommerce***
- ***Deferred Air Shipments Jump 10% and Next Day Air Increased 5.9%***
- ***International Operating Profit up 14% on Daily Package Growth of 7.5%***
- ***Daily Export Shipments up 7.1% Led by Double-Digit Gains in Asia***
- ***Total UPS Revenue up 4.9% with Headwinds from Fuel and Currency***

ATLANTA, Oct. 27, 2016 – UPS (NYSE:UPS) today announced third-quarter 2016 diluted earnings per share of $1.44, a 3.6% increase over the same period last year. International operating profit increased 14% to $576 million, achieving the seventh consecutive quarter of double-digit growth.

Total reported revenue was $14.9 billion, up 4.9% over the same quarter last year. Changes in fuel surcharges and currency exchange rates negatively affected revenue growth. On a currency-neutral basis, revenue increased 5.1%. In addition, lower fuel surcharge rates reduced revenue growth by approximately 50 basis points.

“We are providing value to UPS customers worldwide and our solutions enabled strong growth this quarter,” said David Abney, UPS chairman and CEO. ”The investments we are making in technology and capacity will ensure UPS continues to deliver great results well into the future.”

Outlook

The company does not provide full-year 2016 earnings per share guidance on a GAAP basis, or a reconciliation from its full-year 2016 adjusted earnings per share guidance to full-year 2016 GAAP earnings per share, because it is not possible to reliably forecast certain items that could impact GAAP earnings per share. In the fourth quarter, GAAP earnings per share is subject to an expected year-end mark-to-market (“MTM”) pension accounting adjustment, which could be material.

The MTM adjustment is significantly impacted by changes in interest rates, financial returns, demographics and other actuarial assumptions. As a result, the MTM pension adjustment is not included in the company’s 2016 full-year earnings per share guidance or a reconciliation to 2016 GAAP earnings.

The company’s adjusted earnings guidance for full-year 2016 remains at $5.70 to $5.90 per diluted share. Adjusted earnings per share refers to the company’s expectation for earnings per share before the impact of the expected MTM pension accounting adjustment.

“Through the third quarter we are performing according to our expectations, and we’ve taken the necessary steps to ensure we capitalize on record volume levels during peak season,” said Richard Peretz, UPS chief financial officer. “As a result, we remain confident in achieving our 2016 full-year guidance for adjusted diluted earnings per share.”

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U.S. Domestic Package

U.S. Domestic revenue increased 4.8% over the third quarter of 2015, to $9.3 billion. Average daily package volume increased 5.7%, with Deferred Air products up 10%, Next Day Air up 5.9% and Ground products up 5.2%. Strong business-to-consumer (B2C) growth trends continued this quarter, while business-to-business (B2B) growth was positive primarily due to online retail returns.

Revenue per package increased 0.9% over the same period last year. Fuel surcharge rates reduced revenue per package growth by about 40 basis points. Increases in base rates offset changes in product and customer mix.

The underlying performance of the U.S. Domestic segment remains strong and is consistent with the first half of the year. Operating profit was $1.3 billion and operating margin was 13.5%.

International Package

International operating profit jumped 14% to $576 million, a record for any third quarter in company history. Volume growth in all products, base-rate increases and network efficiency gains contributed to the improved profitability.

Revenue was $3.0 billion, up 2.2% compared to the third quarter last year. On a currency-neutral basis, revenue was 3.1% higher. In addition, lower fuel surcharges reduced revenue growth by approximately 70 basis points. Daily Export volume increased 7.1%, on double-digit gains out of Asia and high-single digit cross-border shipments within Europe.

Revenue per package decreased 2.8% from the prior year, with currency-neutral yields down 1.9%. Additionally, lower fuel surcharge rates reduced revenue-per-package growth. Changes in trade lanes and product mix offset base rate improvements.

Supply Chain & Freight

Supply Chain and Freight revenue increased 8.1%, to $2.6 billion. Revenue growth was primarily due to the Coyote Logistics acquisition midway through the third quarter last year. Weak market conditions in the Air Freight Forwarding and LTL (less than truckload) markets weighed on top-line growth.

Market conditions in International Air Freight and the U.S. truckload brokerage industries remain soft. Despite these conditions, we saw increased loads in Coyote Logistics. The Forwarding business experienced tonnage growth in the Ocean and North American Air Freight products partially offsetting the decline in International Air Freight tonnage.

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The Distribution unit experienced mid-single-digit revenue growth this quarter. Revenue gains in the Healthcare, Retail and Aerospace sectors led the unit higher.

UPS Freight LTL revenue per hundredweight increased 3.7% over the same period last year. Total tonnage remains challenged by current market conditions. The business unit continued to focus on disciplined revenue management and profitable trade lanes.

Cash Flow

For the nine months ended Sept. 30, UPS generated $5.4 billion in cash from operations, which includes a planned discretionary pension contribution of $1.2 billion in the third quarter. Free cash flow was $3.6 billion after making capital expenditures of $1.8 billion. The company paid dividends of about $2.0 billion and repurchased 19.5 million shares for $2.0 billion.

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, Oct. 27, 2016. That call is open to listeners through a live webcast. To access the call, go to www.investors.ups.com and click on “Quarterly Earnings” then “Webcast.”

About UPS

UPS (NYSE: UPS) is a global leader in logistics, offering a broad range of solutions including the transportation of packages and freight; the facilitation of international trade, and the deployment of advanced technology to more efficiently manage the world of business. 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, visit pressroom.ups.com/RSS.

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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 to exclude the impact of fourth quarter mark-to-market pension accounting adjustments. The equivalent measures determined in accordance with GAAP are also referred to as "reported" or "unadjusted.” Additionally, we disclose free cash flow as well as revenue and revenue per piece growth adjusted for the impact of foreign currency. 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.

Free cash flow is defined as net cash from operations less capital expenditures, proceeds from disposals of property, plant and equipment, net change in finance receivables and other investing activities. We believe this metric is an important indicator of how much cash is generated by regular business operations and we use it as a measure of cash available to meet debt obligations and return cash to shareowners.

Currency neutral revenue and revenue per piece are calculated by multiplying prior period reported U.S. dollar revenue and revenue per piece by the prior period average exchange rates to derive prior period local currency revenue and revenue per piece. The derived prior period local currency revenue and revenue per piece are then divided by the average foreign currency exchange rates used to translate the company's financial statements in the comparable current year. The difference between the prior period reported U.S. dollar revenue and revenue per piece and the derived prior period U.S. dollar revenue and revenue per piece (including the impact of current period currency hedging activities) is added to the current period reported U.S. dollar revenue and revenue per piece to derive current period currency neutral U.S. dollar revenue and revenue per piece.

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 revenue, operating profit, operating margin, income before taxes, net income, earnings per share and cash flow from operations, which are 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. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties include, but are not limited to: general economic conditions, both in the U.S. and internationally; significant competition on a local, regional, national, and international basis; changes in our relationships with our significant customers; the existing complex and stringent regulation in the U.S. and internationally, changes to which can impact our business; increased security requirements that may increase our costs of operations and reduce operating efficiencies; legal, regulatory or market responses to global climate change; negotiation and ratification of labor contracts; strikes, work stoppages and slowdowns by our employees; the effects of changing prices of energy, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities; changes in exchange rates or interest rates; our ability to maintain the image of our brand; breaches in data security; disruptions to the Internet or our technology infrastructure; our ability to accurately forecast our future capital investment needs; exposure to changing economic, political and social developments in international and emerging markets; changes in business strategy, government regulations, or economic or market conditions that may result in substantial impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; the potential for various claims and litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters; our ability to realize the anticipated benefits from acquisitions, joint ventures or strategic alliances; our ability to manage insurance and claims expenses; and other risks discussed in our filings with the Securities and Exchange Commission from time to time, including our Annual Report on Form 10-K for the year ended December 31, 2015 and our Form 10-Q for the quarterly period ended June 30, 2016, or described from time to time in our future reports filed with the Securities and Exchange Commission. You should consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements.