

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

Three Months Ended
September 30

(amounts in millions, except per share data)

Statement of Income Data:

	2016	2015	Change	% Change
Revenue:				
U.S. Domestic Package	\$ 9,289	\$ 8,860	\$ 429	4.8%
International Package	3,024	2,959	65	2.2%
Supply Chain & Freight	2,615	2,418	197	8.1%
Total revenue	<u>14,928</u>	<u>14,237</u>	691	4.9%
Operating expenses:				
Compensation and benefits	7,857	7,458	399	5.3%
Other	5,037	4,795	242	5.0%
Total operating expenses	<u>12,894</u>	<u>12,253</u>	641	5.2%
Operating profit:				
U.S. Domestic Package	1,252	1,258	(6)	-0.5%
International Package	576	507	69	13.6%
Supply Chain & Freight	206	219	(13)	-5.9%
Total operating profit	<u>2,034</u>	<u>1,984</u>	50	2.5%
Other income (expense):				
Investment income and other	13	4	9	N/A
Interest expense	(94)	(83)	(11)	13.3%
Total other income (expense)	<u>(81)</u>	<u>(79)</u>	(2)	2.5%
Income before income taxes	<u>1,953</u>	<u>1,905</u>	48	2.5%
Income tax expense	683	648	35	5.4%
Net income	<u>\$ 1,270</u>	<u>\$ 1,257</u>	<u>\$ 13</u>	1.0%
Net income as a percentage of revenue	8.5%	8.8%		
Per share amounts:				
Basic earnings per share	\$ 1.44	\$ 1.40	\$ 0.04	2.9%
Diluted earnings per share	\$ 1.44	\$ 1.39	\$ 0.05	3.6%
Weighted-average shares outstanding:				
Basic	880	895	(15)	-1.7%
Diluted	885	903	(18)	-2.0%

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(unaudited)

Three Months Ended
September 30

	2016	2015	Change	% Change
Revenue (in millions):				
U.S. Domestic Package:				
Next Day Air	\$ 1,706	\$ 1,662	\$ 44	2.6%
Deferred	967	883	84	9.5%
Ground	6,616	6,315	301	4.8%
Total U.S. Domestic Package	9,289	8,860	429	4.8%
International Package:				
Domestic	609	594	15	2.5%
Export	2,284	2,215	69	3.1%
Cargo and Other	131	150	(19)	-12.7%
Total International Package	3,024	2,959	65	2.2%
Supply Chain & Freight:				
Forwarding and Logistics	1,735	1,500	235	15.7%
Freight	701	740	(39)	-5.3%
Other	179	178	1	0.6%
Total Supply Chain & Freight	2,615	2,418	197	8.1%
Consolidated	<u>\$ 14,928</u>	<u>\$ 14,237</u>	<u>\$ 691</u>	<u>4.9%</u>
Consolidated volume (in millions)	1,162	1,114	48	4.3%
Operating weekdays	64	65	(1)	-1.5%
Average Daily Package Volume (in thousands):				
U.S. Domestic Package:				
Next Day Air	1,361	1,285	76	5.9%
Deferred	1,260	1,141	119	10.4%
Ground	12,743	12,114	629	5.2%
Total U.S. Domestic Package	15,364	14,540	824	5.7%
International Package:				
Domestic	1,612	1,495	117	7.8%
Export	1,176	1,098	78	7.1%
Total International Package	2,788	2,593	195	7.5%
Consolidated	<u>18,152</u>	<u>17,133</u>	<u>1,019</u>	<u>5.9%</u>
Average Revenue Per Piece:				
U.S. Domestic Package:				
Next Day Air	\$ 19.59	\$ 19.90	\$ (0.31)	-1.6%
Deferred	11.99	11.91	0.08	0.7%
Ground	8.11	8.02	0.09	1.1%
Total U.S. Domestic Package	9.45	9.37	0.08	0.9%
International Package:				
Domestic	5.90	6.11	(0.21)	-3.4%
Export	30.35	31.04	(0.69)	-2.2%
Total International Package	16.21	16.67	(0.46)	-2.8%
Consolidated	<u>\$ 10.49</u>	<u>\$ 10.48</u>	<u>\$ 0.01</u>	<u>0.1%</u>

United Parcel Service, Inc.
Supplemental Analysis of Currency

Currency Neutral Revenue Per Piece
(unaudited)

	Three Months Ended September 30			Currency Neutral		
	2016	2015	% Change	Currency	2016*	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 5.90	\$ 6.11	-3.4%	\$ 0.18	\$ 6.08	-0.5%
Export	30.35	31.04	-2.2%	0.10	30.45	-1.9%
Total International Package	<u>\$ 16.21</u>	<u>\$ 16.67</u>	-2.8%	<u>\$ 0.15</u>	<u>\$ 16.36</u>	-1.9%
Consolidated	<u>\$ 10.49</u>	<u>\$ 10.48</u>	0.1%	<u>\$ 0.02</u>	<u>\$ 10.51</u>	0.3%

* Amounts adjusted reflect impacts for currency exchange rate differences

Currency Neutral Revenue
(unaudited)

	Three Months Ended September 30			Currency Neutral		
	2016	2015	% Change	Currency	2016*	% Change
Revenue (in millions):						
U.S. Domestic Package	\$ 9,289	\$ 8,860	4.8%	\$ -	\$ 9,289	4.8%
International Package	3,024	2,959	2.2%	26	3,050	3.1%
Supply Chain & Freight	2,615	2,418	8.1%	8	2,623	8.5%
Total revenue	<u>\$ 14,928</u>	<u>\$ 14,237</u>	4.9%	<u>\$ 34</u>	<u>\$ 14,962</u>	5.1%

* Amounts adjusted reflect impacts for currency exchange rate differences

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

	Nine Months Ended September 30			
	2016	2015	Change	% Change
<small>(amounts in millions, except per share data)</small>				
Statement of Income Data:				
Revenue:				
U.S. Domestic Package	\$ 27,388	\$ 26,482	\$ 906	3.4%
International Package	9,015	8,974	41	0.5%
Supply Chain & Freight	7,572	6,853	719	10.5%
Total revenue	43,975	42,309	1,666	3.9%
Operating expenses:				
Compensation and benefits	23,448	22,524	924	4.1%
Other	14,632	14,168	464	3.3%
Total operating expenses	38,080	36,692	1,388	3.8%
Operating profit:				
U.S. Domestic Package	3,587	3,483	104	3.0%
International Package	1,763	1,557	206	13.2%
Supply Chain & Freight	545	577	(32)	-5.5%
Total operating profit	5,895	5,617	278	4.9%
Other income (expense):				
Investment income and other	38	12	26	N/A
Interest expense	(281)	(256)	(25)	9.8%
Total other income (expense)	(243)	(244)	1	-0.4%
Income before income taxes	5,652	5,373	279	5.2%
Income tax expense	1,982	1,860	122	6.6%
Net income	\$ 3,670	\$ 3,513	\$ 157	4.5%
Net income as a percentage of revenue	8.3%	8.3%		
Per share amounts:				
Basic earnings per share	\$ 4.15	\$ 3.90	\$ 0.25	6.4%
Diluted earnings per share	\$ 4.13	\$ 3.87	\$ 0.26	6.7%
Weighted-average shares outstanding:				
Basic	885	901	(16)	-1.8%
Diluted	889	908	(19)	-2.1%

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

Nine Months Ended
September 30

	2016	2015	Change	% Change
Revenue (in millions):				
U.S. Domestic Package:				
Next Day Air	\$ 4,918	\$ 4,810	\$ 108	2.2%
Deferred	2,781	2,657	124	4.7%
Ground	19,689	19,015	674	3.5%
Total U.S. Domestic Package	<u>27,388</u>	<u>26,482</u>	906	3.4%
International Package:				
Domestic	1,804	1,799	5	0.3%
Export	6,813	6,698	115	1.7%
Cargo and Other	398	477	(79)	-16.6%
Total International Package	<u>9,015</u>	<u>8,974</u>	41	0.5%
Supply Chain & Freight:				
Forwarding and Logistics	4,980	4,149	831	20.0%
Freight	2,050	2,202	(152)	-6.9%
Other	542	502	40	8.0%
Total Supply Chain & Freight	<u>7,572</u>	<u>6,853</u>	719	10.5%
Consolidated	<u>\$ 43,975</u>	<u>\$ 42,309</u>	<u>\$ 1,666</u>	3.9%
Consolidated volume (in millions)	3,435	3,316	119	3.6%
Operating weekdays	192	192	-	0.0%
Average Daily Package Volume (in thousands):				
U.S. Domestic Package:				
Next Day Air	1,313	1,252	61	4.9%
Deferred	1,195	1,163	32	2.8%
Ground	12,652	12,208	444	3.6%
Total U.S. Domestic Package	<u>15,160</u>	<u>14,623</u>	537	3.7%
International Package:				
Domestic	1,576	1,534	42	2.7%
Export	1,155	1,112	43	3.9%
Total International Package	<u>2,731</u>	<u>2,646</u>	85	3.2%
Consolidated	<u>17,891</u>	<u>17,269</u>	622	3.6%
Average Revenue Per Piece:				
U.S. Domestic Package:				
Next Day Air	\$ 19.51	\$ 20.01	\$ (0.50)	-2.5%
Deferred	12.12	11.90	0.22	1.8%
Ground	8.11	8.11	-	0.0%
Total U.S. Domestic Package	9.41	9.43	(0.02)	-0.2%
International Package:				
Domestic	5.96	6.11	(0.15)	-2.5%
Export	30.72	31.37	(0.65)	-2.1%
Total International Package	16.43	16.73	(0.30)	-1.8%
Consolidated	<u>\$ 10.48</u>	<u>\$ 10.55</u>	<u>\$ (0.07)</u>	-0.7%

United Parcel Service, Inc.
Supplemental Analysis of Currency

Currency Neutral Revenue Per Piece
(unaudited)

	Nine Months Ended September 30			Currency Neutral		
	2016	2015	% Change	Currency	2016*	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 5.96	\$ 6.11	-2.5%	\$ 0.21	\$ 6.17	1.0%
Export	30.72	31.37	-2.1%	0.17	30.89	-1.5%
Total International Package	<u>\$ 16.43</u>	<u>\$ 16.73</u>	-1.8%	<u>\$ 0.19</u>	<u>\$ 16.62</u>	-0.7%
Consolidated	<u>\$ 10.48</u>	<u>\$ 10.55</u>	-0.7%	<u>\$ 0.03</u>	<u>\$ 10.51</u>	-0.4%

* Amounts adjusted reflect impacts for currency exchange rate differences

Currency Neutral Revenue
(unaudited)

	Nine Months Ended September 30			Currency Neutral		
	2016	2015	% Change	Currency	2016*	% Change
Revenue (in millions):						
U.S. Domestic Package	\$ 27,388	\$ 26,482	3.4%	\$ -	\$ 27,388	3.4%
International Package	9,015	8,974	0.5%	100	9,115	1.6%
Supply Chain & Freight	7,572	6,853	10.5%	40	7,612	11.1%
Total revenue	<u>\$ 43,975</u>	<u>\$ 42,309</u>	3.9%	<u>\$ 140</u>	<u>\$ 44,115</u>	4.3%

* Amounts adjusted reflect impacts for currency exchange rate differences

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

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

Net Increase (Decrease) in Cash and Cash Equivalents

(amounts in millions)	Preliminary Year-to-Date September 30
Cash flows from operating activities	\$ 5,363
Cash flows from investing activities	(2,027)
Cash flows from financing activities	(2,781)
Effect of exchange rate changes on cash and cash equivalents	14
Net increase in cash and cash equivalents	<u>\$ 569</u>

Reconciliation of Free Cash Flow (non-GAAP measure)

(amounts in millions)	Preliminary Year-to-Date September 30
Cash flows from operating activities	\$ 5,363
Capital expenditures	(1,837)
Proceeds from disposals of PP&E	76
Net change in finance receivables	4
Other investing activities	(55)
Free cash flow (non-GAAP measure)	<u>\$ 3,551</u>

Amounts are subject to reclassification.