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**STRONG UPS EXECUTION DRIVES POSITIVE 3Q RESULTS**

* ***UPS Revenue Rises 7% on Balanced Shipment Growth and Yield Expansion***
* ***International Operating Profit Climbs 8.9%; Currency-Neutral Profit\* up 20%***
* ***Daily Export Volume up 19% for 3rd Straight Quarter of Double-Digit Growth***
* ***U.S. Domestic Revenue up 3.9% on Higher Package Demand and Yields***
* ***U.S. Operating Profit of $1.2B, Including $50M of Negative Hurricane Impact***
* ***Supply Chain & Freight Boosts Revenue more than 13%; Profits up 9.7%***
* ***Company Lifts Bottom of Guidance Range; Expects Full-Year 2017 Adjusted Earnings Per Share of $5.85 to $6.10***

**ATLANTA – October 26, 2017** – UPS (NYSE:UPS) today announced earnings per share of $1.45 for the third quarter. All three major business units executed well during the quarter. The company converted accelerating global demand for UPS solutions into solid financial results, despite one less operating day in 3Q 2017.

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| **Consolidated Results** | **3Q 2017** | **3Q 2016** |  |
| Revenue | $15,978 M | $14,928 M |  |
| Operating profit | $2,035 M | $2,034 M |  |
| Currency-neutral operating profit\* | $2,097 M |  |  |
| Diluted earnings per share | $1.45 | $1.44 |  |

“UPS produced another solid quarter of financial performance, despite the impact of several natural disasters that slowed regional economic activity and damaged infrastructure,” said David Abney, UPS chairman and CEO. “Our business segments adapted quickly to changing conditions this quarter, taking advantage of market opportunities while minimizing cost and service disruptions from recent events.”

For the total company in 3Q 2017:

* Revenue increased 7.0%, and currency-neutral revenue\* was up 7.1%.
* Revenue increased in all segments and major product categories, as expanded customer demand spread across the company’s broad product portfolio.
* Operating profit was $2.0 billion, driven by strong performance in the International and Supply Chain and Freight segments.
* Year-to-date capital expenditures were $3.7 billion, supporting our investment strategies.
* This year UPS has paid dividends of nearly $2.1 billion, an increase of 6.4% per share over the prior year, rewarding shareowners with continued strong dividend yield.
* So far this year the company has repurchased 12.3 million shares for approximately $1.4 billion, reaffirming its commitment to return cash to shareowners.

**\* See attached reconciliation of non-GAAP currency-neutral revenue and operating profit**

**U.S. Domestic Segment**

The Domestic segment continues to benefit from online retail customer demand for both UPS Next Day Air and Ground services, which drove a 3.9% increase in revenue over 3Q 2016. The U.S. consumer increasingly prefers to shop online and UPS is benefiting from this trend through its unique portfolio of convenient and economical delivery solutions.

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|  | **3Q 2017** | **3Q 2016** |
| Revenue | $9,649 M | $9,289 M |
| Operating profit | $1,182 M | $1,252 M |

For the U.S. Domestic segment in 3Q 2017:

* Revenue increased $360 million or 3.9% over 3Q 2016, driven by Next Day Air and Ground product growth.
* Next Day Air daily shipments were up 8.0%, as customers continued to select UPS’s reliable, day-definite delivery solutions.
* Deferred Air daily shipments were down slightly when compared to the strong prior-year growth of more than 10%.
* Revenue per piece was up 2.0%, while base-rate pricing and higher fuel surcharges offset changes in customer and product mix.
* Operating profit includes negative impacts from one less operating day, about $50 million from natural disasters, and ongoing initiatives including facility construction and deployment of Saturday operations of nearly $40 million.

**International Segment**

“Our International segment continued its track record as a growth engine, generating strong top-line and operating-profit growth driven by robust demand for UPS solutions,” said Abney. “Export shipments grew across all regions as customers took advantage of UPS’s expanded portfolio and enhanced network.”

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|  | **3Q 2017** | **3Q 2016** |
| Revenue | $3,364 M | $3,024 M |
| Operating profit | $627 M | $576 M |
| Currency-neutral operating profit\* | $689 M |  |

For the International segment in 3Q 2017:

* International produced record 3Q operating profit of $627 million, up 8.9%, as the result of broad, accelerated growth combined with expanded yields.
* Currency-neutral operating profit\* increased 20%.
* The segment reported revenue growth of 11% driven by premium products.
* Robust Export shipment growth surged 19% per day. All regions of the world contributed to the expansion.
* International Domestic daily shipments increased 5.7%, led by double-digit growth across several European countries.
* Operating margin continues to lead the industry at 18.6%.
* Also highlighted in the quarter was the regulatory approval of UPS joint venture with SF Express, a small-package carrier in China.

**\* See attached reconciliation of non-GAAP currency-neutral revenue and operating profit**

**Supply Chain and Freight Segment**

The Supply Chain and Freight segment produced record third quarter results with double-digit revenue growth and near double-digit operating profit expansion. Performance results were driven by revenue-quality improvements combined with structural cost-reduction programs.

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|  | **3Q 2017** | **3Q 2016** |
| Revenue | $2,965 M | $2,615 M |
| Operating profit | $226 M | $206 M |

For the Supply Chain and Freight segment in 3Q 2017:

* Revenue increased 13% over 3Q 2016, the result of deeper alignment with preferred customers, strengthened revenue management initiatives and improved market conditions.
* Tonnage gains in Freight Forwarding, UPS Freight and Coyote Logistics contributed to improved top-line results.
* UPS Freight increased LTL (less-than-truckload) revenue by 9.3% on tonnage growth of 5.5% and LTL revenue per hundredweight gains of 3.6%.
* Increased customer demand from the retail and aerospace sectors drove the Distribution unit’s revenue and operating profit higher.
* Total segment operating profit improved 9.7% to $226 million.

**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.

“UPS third-quarter results highlight the flexibility of our business” said Richard Peretz, UPS chief financial officer. “Our recent performance gives us confidence moving forward as we adapt to evolving, global ecommerce strategies with increased seasonality. We are executing well on our plans, have a positive outlook for peak and as a result, we are moving higher in our original guidance range.”

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

* Momentum in the business will continue, led by the International segment.
* Focus remains on delivering a successful peak season for customers and investors.
* Operating penalties for ongoing facility investments and Saturday deployment will be approximately $60 million in the fourth quarter.
* Currency headwinds will continue to weigh on year-over-year comparisons.
* The tax rate is expected to be 35% for the 4Q 2017 and excludes 4Q 2016 tax savings of approximately $0.05 per share.

UPS moves 2017 adjusted diluted EPS guidance range to between $5.85 and $6.10, which includes about $400 million, or $0.30 per share of pre-tax currency headwinds.

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**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, October 26, 2017. That call is open to others through a live Webcast. To access the call, go to [www.investors.ups.com](http://www.investors.ups.com) and click on “Earnings Webcast.”

**About UPS**

UPS (NYSE: UPS) is a global leader in logistics, offering a broad range of solutions including transporting packages and freight; facilitating international trade, and deploying 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**](http://www.ups.com/) or[**pressroom.ups.com**](https://pressroom.ups.com/pressroom/Home.page) and its corporate blog can be found at [**longitudes.ups.com**](http://longitudes.ups.com/). To get UPS news direct, follow [**@UPS\_News** on Twitter**.**](https://twitter.com/UPS_News)

**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):**

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| **Three Months Ended September 30** | | | | | | | | |
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|  | **2017 As-Reported (GAAP)** | **2016 As-Reported (GAAP)** | | **% Change (GAAP)** | **Currency Impact** | **2017 Currency-Neutral (non-GAAP)** | | **% Change (non-GAAP)** |
| **Average Revenue Per Piece:** |  |  | |  |  |  | |  |
| International Package: |  |  | |  |  |  | |  |
| Domestic | $ 6.27 | $ 5.90 | | 6.3% | $(0.27) | $ 6.00 | | 1.7% |
| Export | 29.00 | 30.35 | | -4.4% | 0.47 | 29.47 | | -2.9% |
| Total International Package | $ 16.52 | $ 16.21 | | 1.9% | $ 0.06 | $ 16.58 | | 2.3% |
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| Consolidated | $ 10.77 | $ 10.49 | | 2.7% | $ 0.01 | $ 10.78 | | 2.8% |
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| **Revenue:** |  |  | |  |  |  | |  |
| U.S. Domestic Package | $ 9,649 | $ 9,289 | | 3.9% | $ - | $ 9,649 | | 3.9% |
| International Package | 3,364 | 3,024 | | 11.2% | 12 | 3,376 | | 11.6% |
| Supply Chain & Freight | 2,965 | 2,615 | | 13.4% | (9) | 2,956 | | 13.0% |
| Total revenue | $15,978 | $14,928 | | 7.0% | $ 3 | $15,981 | | 7.1% |
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| **Operating Profit:** |  |  | |  |  |  | |  |
| U.S. Domestic Package | $ 1,182 | $ 1,252 | | -5.6% | $ - | $ 1,182 | | -5.6% |
| International Package | 627 | 576 | | 8.9% | 62 | 689 | | 19.6% |
| Supply Chain & Freight | 226 | 206 | | 9.7% | - | 226 | | 9.7% |
| Total operating profit | $ 2,035 | $ 2,034 | | 0.0% | $ 62 | $ 2,097 | | 3.1% |
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| **Nine Months Ended September 30** | | | | | | | | |
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|  | **2017 As-Reported (GAAP)** | **2016 As-Reported (GAAP)** | | **% Change (GAAP)** | **Currency Impact** | **2017 Currency-Neutral (non-GAAP)** | | **% Change (non-GAAP)** |
| **Average Revenue Per Piece:** |  |  | |  |  |  | |  |
| International Package: |  |  | |  |  |  | |  |
| Domestic | $ 5.99 | $ 5.96 | | 0.5% | $ 0.12 | $ 6.11 | | 2.5% |
| Export | 28.79 | 30.72 | | -6.3% | 1.23 | 30.02 | | -2.3% |
| Total International Package | $ 16.10 | $ 16.43 | | -2.0% | $ 0.61 | $ 16.71 | | 1.7% |
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| Consolidated | $ 10.68 | $ 10.48 | | 1.9% | $ 0.09 | $ 10.77 | | 2.8% |
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| **Revenue:** |  |  | |  |  |  | |  |
| U.S. Domestic Package | $ 28,929 | $ 27,388 | | 5.6% | $ - | $ 28,929 | | 5.6% |
| International Package | 9,585 | 9,015 | | 6.3% | 352 | 9,937 | | 10.2% |
| Supply Chain & Freight | 8,529 | 7,572 | | 12.6% | 15 | 8,544 | | 12.8% |
| Total revenue | $ 47,043 | $ 43,975 | | 7.0% | $ 367 | $ 47,410 | | 7.8% |
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| **Operating Profit:** |  |  | |  |  |  | |  |
| U.S. Domestic Package | $ 3,653 | $ 3,587 | | 1.8% | $ - | $ 3,653 | | 1.8% |
| International Package | 1,739 | 1,763 | | -1.4% | 295 | 2,034 | | 15.4% |
| Supply Chain & Freight | 643 | 545 | | 18.0% | 1 | 644 | | 18.2% |
| Total operating profit | $ 6,035 | $ 5,895 | | 2.4% | $ 296 | $ 6,331 | | 7.4% |
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