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**UPS GENERATES 6.2% REVENUE GROWTH**

**AND INCREASES Q1 EPS TO $1.32**

* ***U.S. Domestic Revenue Increases 5.0% as Package Yield Expands on Continued Ecommerce Demand***
* ***International Reported Operating Profit $529 Million, Currency-Neutral Operating Profit $648 Million***
* ***Supply Chain & Freight Building Momentum as Operating Profit Jumps 22% on 13% Revenue Growth***
* ***Operating Profit Growth Dampened by Fuel Surcharge Lag***
* ***Reaffirms Full-Year 2017 Adjusted EPS Guidance***

**ATLANTA - April 27, 2017** – UPS (NYSE:UPS) today announced first-quarter 2017 operating results with healthy revenue growth across all three segments. The company improved earnings per share by 3.9% versus the same period in 2016. The improved per-share result was due to a 22% increase in Supply Chain and Freight segment operating profit, strong underlying performance in the International segment and solid results in the Domestic segment, plus the favorable tax impact of adopting the new stock compensation accounting standard (ASU 2016-9).

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| **Consolidated Results** | **1Q 2017** | **1Q 2016** |
| Revenue | $15,315 M | $14,418 M |
| Operating profit | $1,784 M | $1,823 M |
| Currency-neutral operating profit\* | $1,904 M |  |
|  |  |  |
| Diluted earnings per share | $1.32 | $1.27 |

“Revenue came in strong this quarter with all segments adding to the topline,” said David Abney, UPS chairman and CEO. “We are accelerating investments to create the industry’s leading smart global logistics network and value-creating portfolio. UPS customers are benefiting from expanded capacity, choice and improved time-in-transit, while technology solutions continue to deliver efficiencies.”

For the total company in Q1 2017:

* Total revenue climbed 6.2% and currency-neutral revenue increased 7.5%.
* Revenue grew in all segments and in all major product categories, as balanced market demand occurred across the company’s broad product portfolio.
* Total fuel expense increased $187 million or 43% over Q1 2016. The fuel surcharge revenue lagged expense, however a February 2017 surcharge change mitigates this variance for future periods.
* Capital expenditures to support network enhancements were $938 million during the quarter, demonstrating a run-rate at the annualized guidance level.
* UPS paid dividends of $774 million, an increase of 6.4% per share over the prior year, rewarding shareowners with continued strong dividend yield.
* The company repurchased 4.2 million shares for approximately $450 million in line with the company’s capital allocation policy.

**U.S. Domestic Segment**

The Domestic segment benefitted from strong demand for ecommerce deliveries and revenue was up 5% over Q1 2016. The U.S. consumer continues to transform retail consumption due, in part to the simplicity, personal convenience and reliable delivery solutions offered by UPS.

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|  | **1Q 2017** | **1Q 2016** |
| Revenue | $9,535 M | $9,084 M |
| Operating profit | $1,076 M | $1,102 M |

For the U.S. Domestic segment in Q1 2017:

* Revenue increased $451 million over Q1 2016 as B2C deliveries rose.
* Revenue per piece increased across all products, up 2.4% in total, as the company benefitted from previously implemented base rate pricing actions.
* Next Day Air and Deferred Air shipments were up 3.9% and 4.1% respectively, as consumers continue to select UPS’s quick and convenient solutions.
* Construction is now underway on 17 major facility projects (over 5 million square feet) to create capacity and efficiency to support further B2B and B2C growth.
* The UPS portfolio expanded through an initiative to pick-up and deliver Ground products on Saturday in 15 major metropolitan areas during the quarter. This begins the rapid deployment to more than 4,700 cities by the peak holiday season in 2017.
* Operating costs for facility construction and Saturday initiative increased operating costs by approximately $35 million during the quarter.
* Headwinds from the fuel surcharge lag, some unusual weather and a facility fire totaled about $50 million in one-time costs this quarter.

**International Operating Segment**

“The UPS International segment continues to show excellent operating fundamentals and consistent quarterly improvement,” continued Abney.

The International segment generated strong topline growth with increased demand for cross-border shipments. Export shipment growth was strong across all UPS regions, as customers took advantage of our expanded portfolio and industry-leading customs brokerage solutions.

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|  | **1Q 2017** | **1Q 2016** |
| Revenue | $3,058 M | $2,914 M |
| Operating profit | $529 M | $574 M |
| Currency-neutral operating profit\* | $648 M |  |

For the International Operating segment in Q1 2017:

* Operating margin was strong at 17.3%, despite the impact of unfavorable currency.
* Currency was a drag of $119 million this quarter, full-year impact expected to be more than $400 million.
* The segment reported a revenue increase of 4.9% over Q1 2016, up 11% on a currency-neutral basis.
* Customers increasingly selected UPS due to network and time-in-transit improvements, which generated robust, double-digit shipment growth of 14% in Export and 11% in Non-U.S. domestic products.

**Supply Chain and Freight Segment**

“We are extremely pleased with the growth and margin enhancing performance of the Supply Chain and Freight segment this quarter,” Abney said. “The team has been working on growth initiatives, cost reduction programs and business unit portfolio strategies to address unique market conditions for the last several quarters. These initiatives showed excellent progress.”

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|  | **1Q 2017** | **1Q 2016** |
| Revenue | $2,722 M | $2,420 M |
| Operating profit | $179 M | $147 M |

* Revenue increased 13% over Q1 2016, due to higher-performing business development programs and improved market conditions across all business units.
* Tonnage increases in Freight Forwarding and UPS Freight increased revenue.
* Healthcare, Retail and Aerospace sector performance enhanced strong Distribution results.
* Coyote Logistics continued to accelerate its growth strategies and gained market share during the quarter.
* All business units contributed to segment operating profit growth of 22% as profit improvement programs generated stronger performance.

**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.

“First quarter results continue to show the benefit of our operating plan improvements across all business units,” said Richard Peretz, UPS chief financial officer. “Our current momentum, combined with accelerated investment initiatives gives us confidence in our ability to attain our full-year guidance.”

* UPS reaffirms 2017 adjusted diluted EPS guidance to be between $5.80 and $6.10, which includes more than $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 first-quarter results with investors and analysts during a conference call at 8:30 a.m. ET, April 27, 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.”

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](http://longitudes.ups.com). To get UPS news directly, visit [pressroom.ups.com/RSS](http://pressroom.ups.com/RSS).

**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 business 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 March 31** |
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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 | $ 5.70 | $ 5.91 | -3.6% | $ 0.29 | $ 5.99 | 1.4% |
|  Export | 28.13 | 30.46 | -7.6% | 1.67 | 29.80 | -2.2% |
|  Total International Package | 15.45 | 16.39 | -5.7% | 0.89 | 16.34 | -0.3% |
|  |  |  |  |  |  |  |
|  Consolidated | $ 10.50 | $ 10.39 | 1.1% | $ 0.15 | $ 10.65 | 2.5% |
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| **Revenue:** |  |  |  |  |  |  |
|  U.S. Domestic Package | $ 9,535 | $ 9,084 | 5.0% |  $ - | $ 9,535 | 5.0% |
|  International Package | 3,058 | 2,914 | 4.9% | 170 | 3,228 | 10.8% |
|  Supply Chain & Freight | 2,722 | 2,420 | 12.5% | 10 | 2,732 | 12.9% |
|  Total revenue | $15,315 | $14,418 | 6.2% | $ 180 | $15,495 | 7.5% |
|  |  |  |  |  |  |  |
| **Operating Profit:** |  |  |  |  |  |  |
|  U.S. Domestic Package | $ 1,076 | $ 1,102 | -2.4% |  $ - | $ 1,076 | -2.4% |
|  International Package | 529 | 574 | -7.8% | 119 | 648 | 12.9% |
|  Supply Chain & Freight | 179 | 147 | 21.8% | 1 | 180 | 22.4% |
|  Total revenue | $1,784 | $1,823 | -2.1% | $ 120 | $1,904 | 4.4% |
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