

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

Three Months Ended
June 30

(amounts in millions, except per share data)

Statement of Income Data:

	2018	2017	Change	% Change
Revenue:				
U.S. Domestic Package	\$ 10,354	\$ 9,741	\$ 613	6.3%
International Package	3,602	3,171	431	13.6%
Supply Chain & Freight	3,500	3,015	485	16.1%
Total revenue	<u>17,456</u>	<u>15,927</u>	1,529	9.6%
Operating expenses:				
Compensation and benefits	9,024	8,284	740	8.9%
Other	6,659	5,606	1,053	18.8%
Total operating expenses	<u>15,683</u>	<u>13,890</u>	1,793	12.9%
Operating profit:				
U.S. Domestic Package	939	1,255	(316)	-25.2%
International Package	618	570	48	8.4%
Supply Chain & Freight	216	212	4	1.9%
Total operating profit	<u>1,773</u>	<u>2,037</u>	(264)	-13.0%
Other income (expense):				
Other pension income (expense)	284	179	105	58.7%
Investment income and other	18	14	4	28.6%
Interest expense	(149)	(111)	(38)	34.2%
Total other income (expense)	<u>153</u>	<u>82</u>	71	86.6%
Income before income taxes	1,926	2,119	(193)	-9.1%
Income tax expense	441	735	(294)	-40.0%
Net income	<u>\$ 1,485</u>	<u>\$ 1,384</u>	<u>\$ 101</u>	7.3%
Net income as a percentage of revenue	8.5%	8.7%		
Per share amounts:				
Basic earnings per share	\$ 1.71	\$ 1.59	\$ 0.12	7.5%
Diluted earnings per share	\$ 1.71	\$ 1.58	\$ 0.13	8.2%
Weighted-average shares outstanding:				
Basic	866	872	(6)	-0.7%
Diluted	870	876	(6)	-0.7%
As adjusted income data:				
Operating profit:				
U.S. Domestic Package (1)	\$ 1,135	\$ 1,255	\$ (120)	-9.6%
International Package (1)	654	570	84	14.7%
Supply Chain & Freight (1)	247	212	35	16.5%
Total operating profit (1)	<u>2,036</u>	<u>2,037</u>	(1)	0.0%
Income before income taxes (1)	\$ 2,189	\$ 2,119	\$ 70	3.3%
Net income (2)	\$ 1,685	\$ 1,384	\$ 301	21.7%
Basic earnings per share (2)	\$ 1.95	\$ 1.59	\$ 0.36	22.6%
Diluted earnings per share (2)	\$ 1.94	\$ 1.58	\$ 0.36	22.8%

(1) 2018 operating profit and consolidated income before income taxes exclude the impact of \$263 million of transformation strategy costs, which includes voluntary retirement plan severance costs of \$192 million, and other costs of \$71 million. These costs are allocated between the U.S. Domestic Package segment (\$196 million), International Package segment (\$36 million) and Supply Chain & Freight segment (\$31 million).

(2) 2018 net income and earnings per share amounts exclude the after-tax impact of the adjustments described in (1), which decreased net income by \$200 million.

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

Three Months Ended
June 30

	2018	2017	Change	% Change
Revenue (in millions):				
U.S. Domestic Package:				
Next Day Air	\$ 1,830	\$ 1,752	\$ 78	4.5%
Deferred	1,080	1,020	60	5.9%
Ground	7,444	6,969	475	6.8%
Total U.S. Domestic Package	10,354	9,741	613	6.3%
International Package:				
Domestic	700	623	77	12.4%
Export	2,747	2,426	321	13.2%
Cargo and Other	155	122	33	27.0%
Total International Package	3,602	3,171	431	13.6%
Supply Chain & Freight:				
Forwarding	1,659	1,347	312	23.2%
Logistics	784	718	66	9.2%
Freight	853	755	98	13.0%
Other	204	195	9	4.6%
Total Supply Chain & Freight	3,500	3,015	485	16.1%
Consolidated	\$ 17,456	\$ 15,927	\$ 1,529	9.6%
Consolidated volume (in millions)	1,226	1,189	37	3.1%
Operating weekdays	64	64	-	0.0%
Average Daily Package Volume (in thousands):				
U.S. Domestic Package:				
Next Day Air	1,424	1,396	28	2.0%
Deferred	1,226	1,253	(27)	-2.2%
Ground	13,420	13,012	408	3.1%
Total U.S. Domestic Package	16,070	15,661	409	2.6%
International Package:				
Domestic	1,654	1,621	33	2.0%
Export	1,424	1,300	124	9.5%
Total International Package	3,078	2,921	157	5.4%
Consolidated	19,148	18,582	566	3.0%
Average Revenue Per Piece:				
U.S. Domestic Package:				
Next Day Air	\$ 20.08	\$ 19.61	\$ 0.47	2.4%
Deferred	13.76	12.72	1.04	8.2%
Ground	8.67	8.37	0.30	3.6%
Total U.S. Domestic Package	10.07	9.72	0.35	3.6%
International Package:				
Domestic	6.61	6.01	0.60	10.0%
Export	30.14	29.16	0.98	3.4%
Total International Package	17.50	16.31	1.19	7.3%
Consolidated	\$ 11.26	\$ 10.76	\$ 0.50	4.6%

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

United Parcel Service, Inc.
Supplemental Analysis of Currency and UPS Freight

Currency Neutral Revenue Per Piece
(unaudited)

	Three Months Ended June 30			Currency Neutral		
	2018	2017	% Change	Currency	2018*	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 6.61	\$ 6.01	10.0%	\$ (0.41)	\$ 6.20	3.2%
Export	30.14	29.16	3.4%	(0.73)	29.41	0.9%
Total International Package	<u>\$ 17.50</u>	<u>\$ 16.31</u>	7.3%	<u>\$ (0.57)</u>	<u>\$ 16.93</u>	3.8%
Consolidated	<u>\$ 11.26</u>	<u>\$ 10.76</u>	4.6%	<u>\$ (0.09)</u>	<u>\$ 11.17</u>	3.8%

* Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Currency Neutral Revenue
(unaudited)

	Three Months Ended June 30			Currency Neutral		
	2018	2017	% Change	Currency	2018*	% Change
Revenue (in millions):						
U.S. Domestic Package	\$ 10,354	\$ 9,741	6.3%	\$ -	\$ 10,354	6.3%
International Package	3,602	3,171	13.6%	(113)	3,489	10.0%
Supply Chain & Freight	3,500	3,015	16.1%	(29)	3,471	15.1%
Total revenue	<u>\$ 17,456</u>	<u>\$ 15,927</u>	9.6%	<u>\$ (142)</u>	<u>\$ 17,314</u>	8.7%

* Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Currency Neutral Operating Profit
(unaudited)

	Three Months Ended June 30			Currency Neutral		
	2018*	2017	% Change	Currency	2018**	% Change
As-Adjusted Operating profit (in millions):						
U.S. Domestic Package	\$ 1,135	\$ 1,255	-9.6%	\$ -	\$ 1,135	-9.6%
International Package	654	570	14.7%	(22)	632	10.9%
Supply Chain & Freight	247	212	16.5%	2	249	17.5%
Total operating profit	<u>\$ 2,036</u>	<u>\$ 2,037</u>	0.0%	<u>\$ (20)</u>	<u>\$ 2,016</u>	-1.0%

* Amounts adjusted for Transformation strategy costs

** Amounts adjusted for Transformation strategy costs and period over period foreign currency exchange rate and hedging differences

UPS Freight Selected Operating Data - Second Quarter
(unaudited)

	Three Months Ended June 30			
	2018	2017	Change	% Change
LTL revenue (in millions)	\$ 726	\$ 654	\$ 72	11.0%
LTL revenue per LTL hundredweight	\$ 25.36	\$ 23.62	\$ 1.74	7.4%
LTL shipments (in thousands)	2,639	2,639	-	0.0%
LTL shipments per day (in thousands)	41.2	41.2	-	0.0%
LTL gross weight hauled (in millions of pounds)	2,861	2,767	94	3.4%
LTL weight per shipment (in pounds)	1,084	1,049	35	3.3%
Operating weekdays	64	64	-	0.0%

United Parcel Service, Inc.

Detail of Other Operating Expenses - Second Quarter
(unaudited)

(in millions)

	Three Months Ended June 30			
	2018	2017	Change	% Change
Repairs and maintenance	\$ 423	\$ 392	\$ 31	7.9%
Depreciation and amortization	542	562	(20)	-3.6%
Purchased transportation	3,209	2,614	595	22.8%
Fuel	852	616	236	38.3%
Other occupancy	321	264	57	21.6%
Other expenses	1,312	1,158	154	13.3%
Total other operating expenses	<u>\$ 6,659</u>	<u>\$ 5,606</u>	<u>\$ 1,053</u>	<u>18.8%</u>

Detail of Other Pension Income (Expense) - Second Quarter
(unaudited)

(in millions)

	Three Months Ended June 30			
	2018	2017	Change	% Change
U.S. Domestic Package	\$ 227	\$ 137	\$ 90	65.7%
International Package	20	14	6	42.9%
Supply Chain & Freight	37	28	9	32.1%
Total other pension income (expense)	<u>\$ 284</u>	<u>\$ 179</u>	<u>\$ 105</u>	<u>58.7%</u>

Earnings Per Share and Share Data - Second Quarter
(unaudited)

(amounts in millions, except per share data)

	Three Months Ended June 30	
	2018	2017
Numerator:		
Net income	<u>\$ 1,485</u>	<u>\$ 1,384</u>
Denominator:		
Weighted-average shares	861	867
Deferred compensation obligations	1	1
Vested portion of restricted units	4	4
Denominator for basic earnings per share	<u>866</u>	<u>872</u>
Effect of dilutive securities:		
Restricted units	3	3
Stock options	1	1
Denominator for diluted earnings per share	<u>870</u>	<u>876</u>
Basic earnings per share	<u>\$ 1.71</u>	<u>\$ 1.59</u>
Diluted earnings per share	<u>\$ 1.71</u>	<u>\$ 1.58</u>

Detail of shares outstanding as of June 30, 2018:

Class A shares	167
Class B shares	693
Total shares outstanding	<u>860</u>

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

Six Months Ended
June 30

(amounts in millions, except per share data)

Statement of Income Data:

	2018	2017	Change	% Change
Revenue:				
U.S. Domestic Package	\$ 20,581	\$ 19,277	\$ 1,304	6.8%
International Package	7,135	6,245	890	14.3%
Supply Chain & Freight	6,853	5,915	938	15.9%
Total revenue	<u>34,569</u>	<u>31,437</u>	<u>3,132</u>	<u>10.0%</u>
Operating expenses:				
Compensation and benefits	18,069	16,595	1,474	8.9%
Other	13,207	11,188	2,019	18.0%
Total operating expenses	<u>31,276</u>	<u>27,783</u>	<u>3,493</u>	<u>12.6%</u>
Operating profit:				
U.S. Domestic Package	1,695	2,205	(510)	-23.1%
International Package	1,212	1,088	124	11.4%
Supply Chain & Freight	386	361	25	6.9%
Total operating profit	<u>3,293</u>	<u>3,654</u>	<u>(361)</u>	<u>-9.9%</u>
Other income (expense):				
Other pension income (expense)	569	359	210	58.5%
Investment income and other	27	29	(2)	-6.9%
Interest expense	(302)	(213)	(89)	41.8%
Total other income (expense)	<u>294</u>	<u>175</u>	<u>119</u>	<u>68.0%</u>
Income before income taxes	3,587	3,829	(242)	-6.3%
Income tax expense	757	1,279	(522)	-40.8%
Net income	<u>\$ 2,830</u>	<u>\$ 2,550</u>	<u>\$ 280</u>	<u>11.0%</u>
Net income as a percentage of revenue	8.2%	8.1%		
Per share amounts:				
Basic earnings per share	\$ 3.27	\$ 2.92	\$ 0.35	12.0%
Diluted earnings per share	\$ 3.25	\$ 2.91	\$ 0.34	11.7%
Weighted-average shares outstanding:				
Basic	866	873	(7)	-0.8%
Diluted	870	877	(7)	-0.8%
As adjusted income data:				
Operating profit:				
U.S. Domestic Package (1)	\$ 1,891	\$ 2,205	\$ (314)	-14.2%
International Package (1)	1,248	1,088	160	14.7%
Supply Chain & Freight	417	361	56	15.5%
Total operating profit (1)	<u>3,556</u>	<u>3,654</u>	<u>(98)</u>	<u>-2.7%</u>
Income before income taxes (1)	\$ 3,850	\$ 3,829	\$ 21	0.5%
Net income (2)	\$ 3,030	\$ 2,550	\$ 480	18.8%
Basic earnings per share (2)	\$ 3.50	\$ 2.92	\$ 0.58	19.9%
Diluted earnings per share (2)	\$ 3.48	\$ 2.91	\$ 0.57	19.6%

(1) 2018 operating profit and consolidated income before income taxes exclude the impact of \$263 million of transformation strategy costs, which includes voluntary retirement plan severance costs of \$192 million, and other costs of \$71 million. These costs are allocated between the U.S. Domestic Package segment (\$196 million), International Package segment (\$36 million) and Supply Chain & Freight segment (\$31 million).

(2) 2018 net income and earnings per share amounts exclude the after-tax impact of the adjustments described in (1), which decreased net income by \$200 million.

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

Six Months Ended
June 30

	2018	2017	Change	% Change
Revenue (in millions):				
U.S. Domestic Package:				
Next Day Air	\$ 3,614	\$ 3,417	\$ 197	5.8%
Deferred	2,149	\$ 1,990	159	8.0%
Ground	14,818	13,870	948	6.8%
Total U.S. Domestic Package	20,581	19,277	1,304	6.8%
International Package:				
Domestic	1,416	\$ 1,236	180	14.6%
Export	5,419	\$ 4,763	656	13.8%
Cargo and Other	300	246	54	22.0%
Total International Package	7,135	6,245	890	14.3%
Supply Chain & Freight:				
Forwarding	3,264	2,613	651	24.9%
Logistics	1,566	1,458	108	7.4%
Freight	1,630	1,462	168	11.5%
Other	393	382	11	2.9%
Total Supply Chain & Freight	6,853	5,915	938	15.9%
Consolidated	<u>\$ 34,569</u>	<u>\$ 31,437</u>	<u>\$ 3,132</u>	<u>10.0%</u>
Consolidated volume (in millions)	2,467	2,376	91	3.8%
Operating weekdays	128	128	-	0.0%
Average Daily Package Volume (in thousands):				
U.S. Domestic Package:				
Next Day Air	1,430	1,355	75	5.5%
Deferred	1,261	1,248	13	1.0%
Ground	13,483	13,011	472	3.6%
Total U.S. Domestic Package	16,174	15,614	560	3.6%
International Package:				
Domestic	1,662	1,652	10	0.6%
Export	1,435	1,299	136	10.5%
Total International Package	3,097	2,951	146	5.0%
Consolidated	<u>19,271</u>	<u>18,565</u>	<u>706</u>	<u>3.8%</u>
Average Revenue Per Piece:				
U.S. Domestic Package:				
Next Day Air	\$ 19.74	\$ 19.70	\$ 0.04	0.2%
Deferred	13.31	12.46	0.85	6.8%
Ground	8.59	8.33	0.26	3.1%
Total U.S. Domestic Package	9.94	9.65	0.29	3.0%
International Package:				
Domestic	6.66	5.85	0.81	13.8%
Export	29.50	28.65	0.85	3.0%
Total International Package	17.24	15.88	1.36	8.6%
Consolidated	<u>\$ 11.11</u>	<u>\$ 10.64</u>	<u>\$ 0.47</u>	<u>4.4%</u>

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

United Parcel Service, Inc.
Supplemental Analysis of Currency and UPS Freight

Currency Neutral Revenue Per Piece
(unaudited)

	Six Months Ended June 30			Currency Neutral		
	2018	2017	% Change	Currency	2018*	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 6.66	\$ 5.85	13.8%	\$ (0.58)	\$ 6.08	3.9%
Export	29.50	28.65	3.0%	(0.97)	28.53	-0.4%
Total International Package	<u>\$ 17.24</u>	<u>\$ 15.88</u>	8.6%	<u>\$ (0.76)</u>	<u>\$ 16.48</u>	3.8%
Consolidated	<u>\$ 11.11</u>	<u>\$ 10.64</u>	4.4%	<u>\$ (0.12)</u>	<u>\$ 10.99</u>	3.3%

* Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Currency Neutral Revenue
(unaudited)

	Six Months Ended June 30			Currency Neutral		
	2018	2017	% Change	Currency	2018*	% Change
Revenue (in millions):						
U.S. Domestic Package	\$ 20,581	\$ 19,277	6.8%	\$ -	\$ 20,581	6.8%
International Package	7,135	6,245	14.3%	(306)	6,829	9.4%
Supply Chain & Freight	6,853	5,915	15.9%	(80)	6,773	14.5%
Total revenue	<u>\$ 34,569</u>	<u>\$ 31,437</u>	10.0%	<u>\$ (386)</u>	<u>\$ 34,183</u>	8.7%

* Amounts adjusted for period over period foreign currency exchange rate and hedging differences

Currency Neutral Operating Profit
(unaudited)

	Six Months Ended June 30			Currency Neutral		
	2018*	2017	% Change	Currency	2018**	% Change
As-Adjusted Operating profit (in millions):						
U.S. Domestic Package	\$ 1,891	\$ 2,205	-14.2%	\$ -	\$ 1,891	-14.2%
International Package	1,248	1,088	14.7%	(44)	1,204	10.7%
Supply Chain & Freight	417	361	15.5%	1	418	15.8%
Total operating profit	<u>\$ 3,556</u>	<u>\$ 3,654</u>	-2.7%	<u>\$ (43)</u>	<u>\$ 3,513</u>	-3.9%

* Amounts adjusted for Transformation strategy costs

** Amounts adjusted for Transformation strategy costs and period over period foreign currency exchange rate and hedging differences

UPS Freight Selected Operating Data - Year to Date
(unaudited)

	Six Months Ended June 30			
	2018	2017	Change	% Change
LTL revenue (in millions)	\$ 1,387	\$ 1,270	\$ 117	9.2%
LTL revenue per LTL hundredweight	\$ 25.08	\$ 23.61	\$ 1.47	6.2%
LTL shipments (in thousands)	5,107	5,149	(42)	-0.8%
LTL shipments per day (in thousands)	39.9	40.2	(0.3)	-0.8%
LTL gross weight hauled (in millions of pounds)	5,531	5,380	151	2.8%
LTL weight per shipment (in pounds)	1,083	1,045	38	3.6%
Operating weekdays	128	128	-	0.0%

United Parcel Service, Inc.

**Detail of Other Operating Expenses - Year to Date
(unaudited)**

(in millions)

	Six Months Ended June 30			
	2018	2017	Change	% Change
Repairs and Maintenance	\$ 857	\$ 782	\$ 75	9.6%
Depreciation and Amortization	1,138	1,116	22	2.0%
Purchased Transportation	6,354	5,159	1,195	23.2%
Fuel	1,602	1,237	365	29.5%
Other Occupancy	682	563	119	21.1%
Other Expenses	2,574	2,331	243	10.4%
Total Other Operating Expenses	\$ 13,207	\$ 11,188	\$ 2,019	18.0%

**Detail of Other Pension Income (Expense) - Year to Date
(unaudited)**

(in millions)

	Six Months Ended June 30			
	2018	2017	Change	% Change
U.S. Domestic Package	\$ 454	\$ 276	\$ 178	64.5%
International Package	40	27	13	48.1%
Supply Chain & Freight	75	56	19	33.9%
Total other pension income (expense)	\$ 569	\$ 359	\$ 210	58.5%

**Earnings Per Share and Share Data - Year to Date
(unaudited)**

(amounts in millions, except per share data)

	Six Months Ended June 30	
	2018	2017
Numerator:		
Net income	\$ 2,830	\$ 2,550
Denominator:		
Weighted-average shares	861	868
Deferred compensation obligations	1	1
Vested portion of restricted units	4	4
Denominator for basic earnings per share	866	873
Effect of dilutive securities:		
Restricted units	3	3
Stock options	1	1
Denominator for diluted earnings per share	870	877
Basic earnings per share	\$ 3.27	\$ 2.92
Diluted earnings per share	\$ 3.25	\$ 2.91

United Parcel Service, Inc.
Consolidated Balance Sheets - June 30, 2018 and December 31, 2017
(unaudited)

(amounts in millions)	<u>June 30, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Current Assets:		
Cash and marketable securities	\$ 4,934	\$ 4,069
Other current assets	8,940	11,649
Total Current Assets	<u>13,874</u>	<u>15,718</u>
Property, Plant and Equipment	51,200	48,726
Less accumulated depreciation and amortization	<u>27,299</u>	<u>26,608</u>
	23,901	22,118
Other Assets	<u>7,448</u>	<u>7,738</u>
	<u>\$ 45,223</u>	<u>\$ 45,574</u>
 LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities	\$ 12,487	\$ 12,886
Long-Term Debt	19,121	20,278
Pension and Postretirement Benefit Obligations	7,026	7,061
Deferred Taxes, Credits and Other Liabilities	4,233	4,325
Shareowners' Equity	<u>2,356</u>	<u>1,024</u>
	<u>\$ 45,223</u>	<u>\$ 45,574</u>

Amounts are subject to reclassification.

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

Net Increase (Decrease) in Cash and Cash Equivalents

(amounts in millions)	Preliminary Year-to-Date June 30
Cash flows from operating activities	\$ 7,200
Cash flows used in investing activities	(2,820)
Cash flows used in financing activities	(3,607)
Effect of exchange rate changes on cash and cash equivalents	(51)
Net increase in cash and cash equivalents	<u>\$ 722</u>

Reconciliation of Free Cash Flow (non-GAAP measure)

(amounts in millions)	Preliminary Year-to-Date June 30
Cash flows from operating activities	\$ 7,200
Capital expenditures	(2,849)
Proceeds from disposals of PP&E	35
Net change in finance receivables	(4)
Other investing activities	(7)
Free cash flow (non-GAAP measure)	<u>\$ 4,375</u>

Amounts are subject to reclassification.

United Parcel Service, Inc.
Aircraft Fleet - As of June 30, 2018
(unaudited)

Description	Owned and Capital Leases	Leases & Charters from Others	On Order	Under Option
Operating:				
Boeing 757-200	75	-	-	-
Boeing 767-200	-	2	-	-
Boeing 767-300	59	-	9	-
Boeing 767-300BCF	3	-	-	-
Airbus A300-600	52	-	-	-
Boeing MD-11	37	5	-	-
Boeing 747-400F	11	-	-	-
Boeing 747-400BCF	2	-	-	-
Boeing 747-8F	6	-	22	-
Other	-	315	-	-
	<hr/>			
Total	245	322	31	-
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