



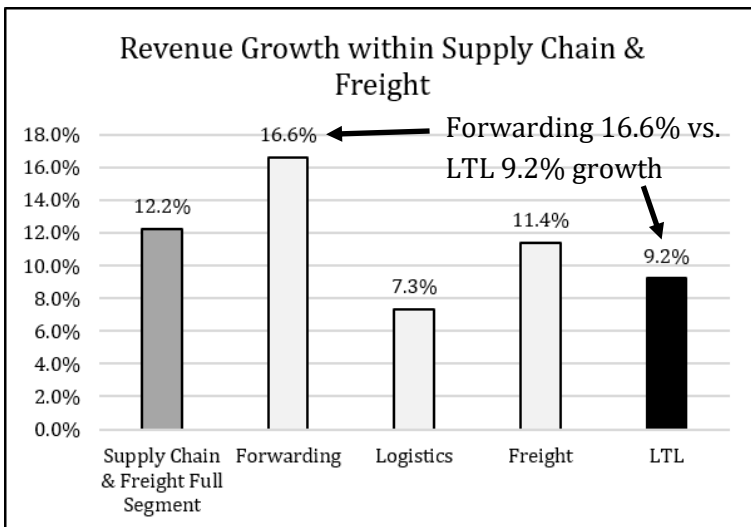
# UPS Teamster Times

## UPS Freight Earnings Report

We have received some questions about the UPS and UPS Freight earnings results, which were released on October 24, 2018. These results covered the third quarter of 2018.

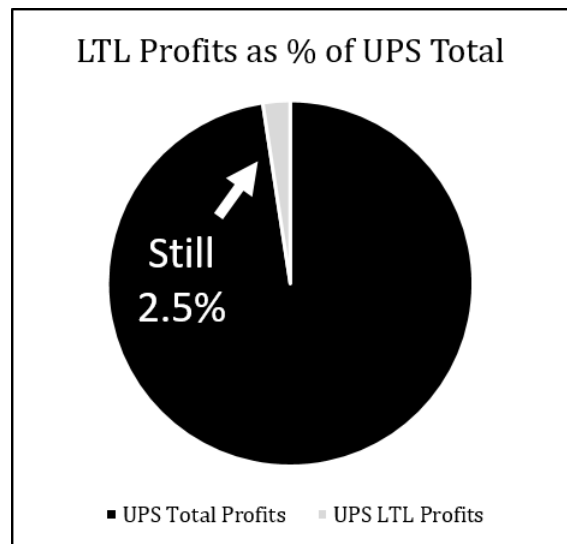
The headline numbers looked great: UPS earnings appeared to increase over 20%, with the Supply Chain & Freight segment producing strong results. As UPS Freight and the Teamsters Freight National Negotiating Committee return to the table to address issues in the contract offer that was rejected on October 5, it seems all the more important that we take a closer look at those earnings results.

### Supply Chain & Freight Revenue and Profit Growth Came Largely from the Forwarding Division



The Supply Chain & Freight segment reported revenue growth of 12.2%, which led the rest of the company. However, when we look at where that growth came from, we see that Forwarding produced 16.6% revenue growth. The LTL Freight segment actually grew revenues by a more modest 9.2%.

### Despite Revenue Growth, LTL Freight Profits Remain an Inconsequential Percentage of UPS's Total Profits



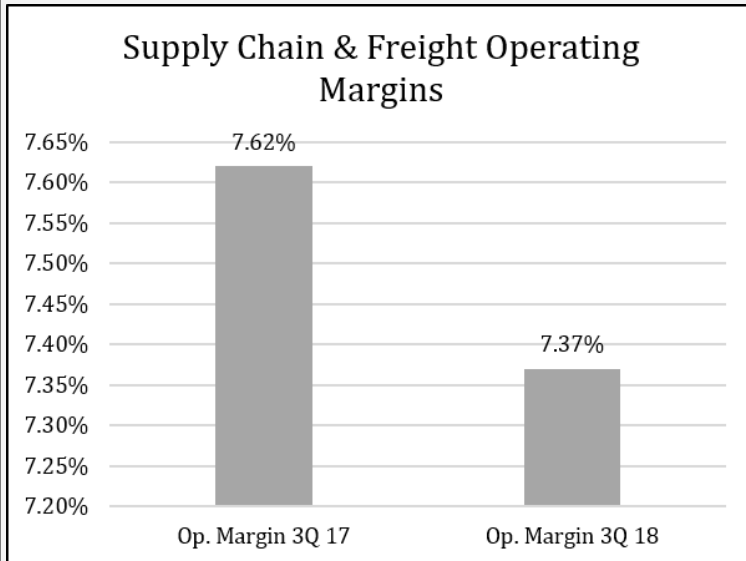
In a video shown at your Contract Explanatory Meeting, you saw that LTL Freight makes up just 2.5% of UPS's entire operating profit.\* This quarterly earnings report does not change that at all. In fact, while the prior rolling 5-year average was 2.47%, adding in this quarter causes that rolling 5-year average to decrease to 2.46%.

### Third Quarter Results are Traditionally the Strongest

As you well know, Freight has its "peak season" in the third quarter of the year. On a revenue basis, LTL has produced 4.45% of all UPS revenues in the third quarter since 2013. In 2018, the third quarter produced 4.21% of total UPS revenues.

5-year avg LTL Revenues as % of Total UPS Revenues: 3rd Quarter	3Q 2018 LTL Revenues as % of Total UPS Revenues:
4.45%	4.21%

## Supply Chain & Freight Margins Decreased Over Last Year

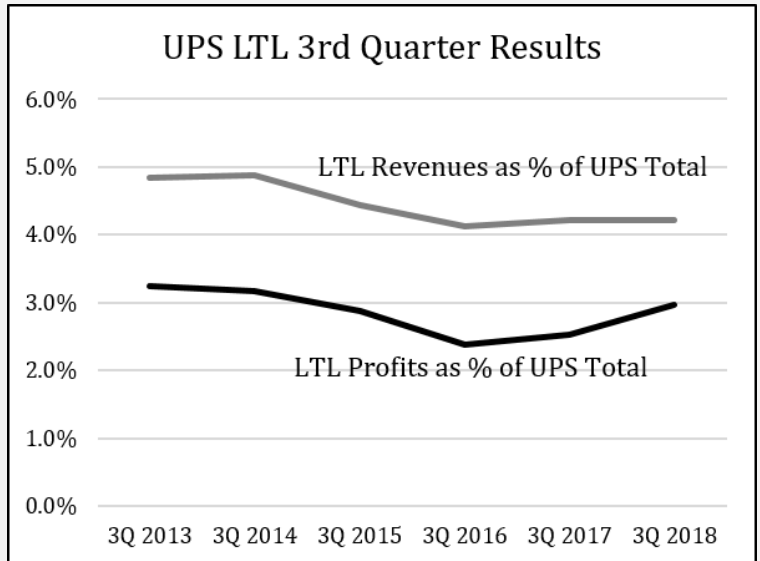


In the third quarter of 2017, Supply Chain & Freight margins were 7.62%.

In the third quarter of 2018, Supply Chain & Freight margins were 7.37%

This means that while revenues increased sharply, operating profits increased at a slower rate.

## These Quarterly Results are Well Within the Norm for UPS Freight Third Quarters



You can clearly see by looking at the chart that this year's third quarter results were not meaningfully different or improved over prior years' third quarter results at UPS. LTL Freight did not outperform the rest of the company in a significant way, and long term trends appear to be continuing as normal.

**While these earnings results seem like good news — and they are good news, as we are glad to see that Freight has not underperformed its historic results — we caution you not to raise your expectations for negotiations too high.**

**We still believe that by the third year of the contract that was rejected, UPS Freight's results will begin to be subsidized by the rest of UPS.**