

UNITED PARCEL SERVICE INC
Form 10-K
February 25, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-15451

United Parcel Service, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	58-2480149 (I.R.S. Employer Identification No.)
55 Glenlake Parkway, N.E. Atlanta, Georgia (Address of Principal Executive Offices)	30328 (Zip Code)
(404) 828-6000 (Registrant's telephone number, including area code)	

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class B common stock, par value \$.01 per share	New York Stock Exchange
Floating Rate Senior Notes due 2020	New York Stock Exchange
1.625% Senior Notes due 2025	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Class A common stock, par value \$.01 per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the class B common stock held by non-affiliates of the registrant was \$67,688,103,890 as of June 30, 2015. The registrant's class A common stock is not listed on a national securities exchange or traded in an organized over-the-counter market, but each share of the registrant's class A common stock is convertible into one share of the registrant's class B common stock.

As of February 16, 2016, there were 194,211,012 outstanding shares of class A common stock and 690,180,604 outstanding shares of class B common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its annual meeting of shareowners scheduled for May 5, 2016 are incorporated by reference into Part III of this report.

UNITED PARCEL SERVICE, INC.
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

	PART I	
Item 1.	<u>Business</u>	<u>1</u>
	<u>Overview</u>	<u>1</u>
	<u>Business Strategy</u>	<u>2</u>
	<u>Technology</u>	<u>4</u>
	<u>Reporting Segments and Products & Services</u>	<u>5</u>
	<u>Sustainability</u>	<u>9</u>
	<u>Community</u>	<u>10</u>
	<u>Reputation</u>	<u>10</u>
	<u>Employees</u>	<u>10</u>
	<u>Safety</u>	<u>10</u>
	<u>Competition</u>	<u>10</u>
	<u>Competitive Strengths</u>	<u>11</u>
	<u>Government Regulation</u>	<u>12</u>
	<u>Where You Can Find More Information</u>	<u>13</u>
Item 1A.	<u>Risk Factors</u>	<u>14</u>
Item 1B.	<u>Unresolved Staff Comments</u>	<u>18</u>
Item 2.	<u>Properties</u>	<u>18</u>
	<u>Operating Facilities</u>	<u>18</u>
	<u>Fleet</u>	<u>19</u>
Item 3.	<u>Legal Proceedings</u>	<u>19</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>19</u>
	PART II	
Item 5.	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>20</u>
	<u>Shareowner Return Performance Graph</u>	<u>21</u>
Item 6.	<u>Selected Financial Data</u>	<u>22</u>
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
	<u>Overview</u>	<u>23</u>
	<u>Items Affecting Comparability</u>	<u>24</u>
	<u>U.S. Domestic Package Operations</u>	<u>27</u>
	<u>International Package Operations</u>	<u>32</u>
	<u>Supply Chain & Freight Operations</u>	<u>36</u>
	<u>Operating Expenses</u>	<u>39</u>
	<u>Investment Income and Interest Expense</u>	<u>43</u>
	<u>Income Tax Expense</u>	<u>43</u>
	<u>Liquidity and Capital Resources</u>	<u>45</u>
	<u>New Accounting Pronouncements</u>	<u>52</u>
	<u>Critical Accounting Policies and Estimates</u>	<u>52</u>
Item 7A.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>57</u>
Item 8.	<u>Financial Statements and Supplementary Data</u>	<u>59</u>
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>122</u>
Item 9A.	<u>Controls and Procedures</u>	<u>122</u>
Item 9B.	<u>Other Information</u>	<u>124</u>
	PART III	
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	<u>124</u>

Item 11.	<u>Executive Compensation</u>	<u>125</u>
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>125</u>
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>125</u>
Item 14.	<u>Principal Accounting Fees and Services</u>	<u>125</u>
	PART IV	
Item 15.	<u>Exhibits and Financial Statement Schedules</u>	<u>126</u>

PART I

Cautionary Statement About Forward-Looking Statements

This report includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in the future tense, and all statements accompanied by terms such as “believe,” “project,” “expect,” “estimate,” “assume,” “intend,” “anticipate,” “target,” “plan,” and variations thereof and similar terms are intended to be forward-looking statements. We intend that all forward-looking statements we make will be subject to safe harbor protection of the federal securities laws pursuant to Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Our disclosure and analysis in this report, in our Annual Report to Shareholders and in our other filings with the Securities and Exchange Commission (“SEC”) contain forward-looking statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results. From time to time, we also provide forward-looking statements in other materials we release as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties are described in Part I, “Item 1A. Risk Factors” and may also be described from time to time in our future reports filed with the SEC. You should consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements.

Item 1. Business

Overview

United Parcel Service, Inc. (“UPS”) was founded in 1907 as a private messenger and delivery service in Seattle, Washington. Today, we are the world’s largest package delivery company, a leader in the U.S. less-than-truckload industry and the premier provider of global supply chain management solutions. We deliver packages each business day for 1.6 million shipping customers to 8.4 million receivers (“consignees”) in over 220 countries and territories. In 2015, we delivered an average of 18.3 million pieces per day, or a total of 4.7 billion packages. Total revenue in 2015 was \$58.4 billion.

We are a global leader in logistics, and we create value for our customers through solutions that lower costs, improve service and provide highly customizable supply chain control and visibility. Customers are attracted to our broad set of services that are delivered as promised through our integrated ground, air and ocean global network.

Our overall market strategy is to provide customers with advanced logistics solutions made possible by a broad portfolio of differentiated services and capabilities expertly assembled and integrated into our customers’ businesses. This approach, supported by our efficient and globally balanced multimodal network, enables us to deliver considerable value to our customers and thereby build lasting partnerships with them.

Over the last 15 years, we have significantly expanded the scope of our capabilities to include more than package delivery. Our logistics and distribution capabilities give companies the power to easily expand their businesses to new markets around the world. By leveraging our international infrastructure and know-how, UPS enables our customers to bridge time zones, cultures and distances to keep their supply chains moving smoothly.

In 2015, we continued our capabilities expansion by acquiring Coyote Logistics, a leading asset-light truckload broker, and several other specialized businesses. Each provides our customers with an ever-expanding range of high

value services and expertise, while simultaneously contributing to operational efficiency and positive returns.

We serve the global market for logistics services, which include transportation, distribution, contract logistics, ground freight, ocean freight, air freight, customs brokerage, insurance and financing. We have three reportable segments: U.S. Domestic Package, International Package and Supply Chain & Freight, all of which are described below. For financial information concerning our reportable segments and geographic regions, refer to note 12 of our consolidated financial statements.

1

Business Strategy

Customers leverage our broad portfolio of logistics capabilities; balanced global presence in North America, Europe, Middle East, Africa, Asia Pacific and Latin America; reliability; industry-leading technologies; and solutions expertise for competitive advantage in markets where they choose to compete. We prudently invest to expand our integrated global network and service portfolio.

Technology investments create user-friendly shipping, e-commerce, logistics management and visibility tools for our customers, while supporting our ongoing effort to increase operational efficiencies. We actively monitor and invest to gain insights into emerging technologies such as additive manufacturing (3D printing), route and network optimization tools, and advanced product monitoring and tracking functionality.

Our service portfolio and investments are rewarded with among the best return on invested capital and operating margins in the industry. We have a long history of sound financial management and our consolidated balance sheet reflects financial strength that few companies can match. Cash generation is a significant strength of UPS, giving us strong capacity to service our obligations and allowing for distributions to shareowners, reinvestment in our business and the pursuit of growth opportunities.

We enable and are the beneficiaries of the following trends:

Expansion of Global Trade

We continue to invest to expand in both developed and emerging international markets. In Europe, we have committed to nearly \$2 billion of capital to expand our infrastructure to meet the growing demand for cross-border commerce. The enhancements to our European ground network are designed to ensure that we provide fast, reliable service to high-value customers moving goods across country borders.

Emerging market opportunities continue to expand. Over the next ten years, these markets are expected to represent the majority of global GDP growth and an increasing proportion of global trade. Emerging markets are an understandable focus of investment and growth for our current customers and will be a source of our next generation of customers. To take advantage of these opportunities, we continue to make long-term investments in markets where our customers choose to grow. Over the past ten years, we have established a strong market presence in three leading emerging markets: China, Poland and Turkey. The Middle East, Latin America, Africa and Eastern Europe are also becoming increasingly important to us.

Transcontinental and trade across borders are predicted to grow faster than U.S. and global gross domestic production for the foreseeable future. As a result, U.S. and international economies are becoming more inter-connected and dependent on foreign trade.

UPS plays an important role in global trade and is well positioned to take advantage of trade growth, wherever it occurs. Our global presence and productivity enhancing technologies allow customers to expand into new markets. We advocate the expansion of free trade, including the passage of regional trade pacts and the removal of trade barriers. The 2015 Trans-Pacific Partnership agreement will connect 12 global economies and 800 million consumers across the Americas and the Asia-Pacific regions. We believe free trade is a catalyst for job creation, economic growth and improved living standards.

These trends underscore why we believe our international business is a catalyst for our future growth.

e-Commerce Growth in Retail Sectors

Throughout much of the world, e-commerce growth continues to outpace traditional lines of business. Our integrated network puts us in an ideal position to capitalize on the shift towards residential deliveries. We continue to create new services, supported by our technology, that complement the traditional UPS premium home delivery service and

address the needs of e-commerce shippers and consignees. Our offerings span a broad spectrum that supports retailers across their value chains, from global sourcing to distribution and returns. We offer cost-effective solutions such as UPS SurePost, for U.S. domestic shipments and UPS i-parcel for a low-cost deferred cross border solution, where economy takes precedence over speed. We also offer feature-rich solutions, such as UPS My Choice, a service that provides receivers with visibility and control of their inbound shipments.

UPS My Choice keeps 22 million members up-to-date on their parcels' delivery status through proactive alerts and offers flexible delivery options to control when and where these deliveries are made. Following on the success of UPS My Choice in the U.S., we expanded the service to 15 additional countries and territories in the Americas and Europe regions. With UPS My Choice, receivers may adjust the timing and location of their deliveries to obtain delivery on the first attempt. We strive to give our customers the best delivery experience in the industry and we intend to continue to expand the service in new markets in conjunction with the growing UPS Access Point network.

UPS My Choice members have the added flexibility to direct packages to UPS Access Point locations when they will not be home to accept a delivery. UPS Access Point locations are convenient places – such as the The UPS Store and other local businesses – that offer easy package drop-off and pickup. With evening and weekend hours, UPS Access Point locations better fit consumers' schedules. Merchants in nearly 50 origin countries and territories can ship directly to UPS Access Point locations in 12 destination countries, giving merchants and consumers greater control over package deliveries. At the end of 2015, we had more than 23,000 locations worldwide. In 2016, we plan to continue our expansion of UPS Access Point locations. This move enhances our cross-border e-commerce offerings for merchants, while increasing choice for their customers, who can opt to pick up and drop off parcels at retail locations that are convenient to them.

Industry-focused Solutions and Offerings

We offer differentiated value propositions in several segments, including aerospace, automotive, industrial manufacturing, retail, professional and consumer services, healthcare and high-tech.

Our industry-specific solutions are increasingly tailored to align with customer needs in each of these sectors. Staying abreast of industry trends positions us to anticipate business challenges in each industry. We deepen our understanding by studying these challenges and engaging with customers at the strategic planning stage. We then align our logistics expertise to address these business challenges to help our customers compete.

Our understanding of how macro and industry trends impact the stakeholders in each market allows us to develop commercial insights for our customers. These insights are incorporated into our sales and solutions process and are shared with customers through direct engagement, industry forums, and publications. We help customers achieve their business objectives and improve their performance through our value-added solutions.

Demographic trends support growth in healthcare: an aging global population, a rising middle class and rapid urbanization are catalysts for chronic disease growth. The combination of rising global demand for healthcare, new product innovations, increasing regulatory demands and downward pressure on reimbursement is creating both opportunities and challenges for healthcare and life sciences firms. In today's environment, healthcare logistics executives are most concerned with regulatory compliance, product security, supply chain cost management and product damage/spoilage. To address these challenges, more healthcare and life sciences companies are relying on partnerships with third party logistics providers to gain regulatory and trade management expertise, leverage scalable access to healthcare compliant infrastructure and to ensure product integrity through validated temperature and time-sensitive transportation solutions.

Rapid technology innovation and growing worldwide demand for electronics are driving change in the already-dynamic high-tech industry. As the technology marketplace becomes more complex, high-tech companies are optimizing their supply chains to remain competitive. Every year, product life cycles are getting shorter, dictating the need for high-tech companies to better predict demand and understand their logistics requirements. Increasingly, they are looking to third party logistics providers for support in product launches, distribution, post-sales support and reverse logistics.

We have the experience these companies need, as well as a global transportation network and integrated technology solutions that can generate supply chain efficiency. This means high-tech companies can get their products to market

faster, improve customer service and boost revenue. We offer global sourcing and a significant amount of repair space to leverage one of the largest networks of post-sales facilities in the world. With more than 950 field stocking locations in over 110 countries, we help high-tech companies identify better ways to manage inventories and meet their crucial logistics needs. Our experience and global capabilities make us a strong partner in the high-tech industry.

We are expanding our presence in the aerospace industry. The precise requirements of this industry's manufacturing, assembly and post-sales fit well within our service portfolio.

In each of our focus industries, our aim is to increase the number of customers using logistics capabilities across our portfolio.

3

Logistics Outsourcing

Outsourcing supply chain management is becoming more prevalent, as customers increasingly view professional management and operation of their supply chains as a strategic advantage. This trend enables companies to focus on what they do best. We can meet our customers' needs for outsourced logistics with our global capabilities in customized forwarding, transportation, warehousing, distribution, delivery and post-sales services. As we move deeper into customers' supply chains, we do so with a shared vision on how to best equip our customers with transportation and logistics solutions to better serve their customers.

Technology

Technology powers logistics, forms the foundation of our reliability and allows us to enhance the customer experience. Technology delivers value to our customers and returns to our shareowners. Recent developments that improve our operational efficiency, flexibility, reliability and customer experience include:

Continued rollout of telematics to our international delivery fleet to complement our telematics-enabled U.S. small package, freight forwarding and freight ground fleets. By the end of 2015, telematics was installed in close to 83,000 vehicles. Telematics helps UPS determine a truck's performance and condition by capturing data on more than 200 related elements, including speed, RPM, oil pressure, seat belt use, number of times the vehicle is placed in reverse and idling time. Together, improved data and driver coaching help reduce fuel consumption, emissions and maintenance costs while improving driver safety. Additionally, customers experience more consistent pickup times and more reliable deliveries, thereby enhancing their profitability and competitiveness.

Expanded implementation of our On Road Integrated Optimization and Navigation system (ORION), which employs advanced algorithms to determine the optimal route for each delivery, while meeting service commitments. By the end of 2015, ORION was deployed to over 40,000 drivers.

Accelerated installations of our Next Generation Small Sort (NGSS) technology, which reduces the amount of memorization required to sort a package, thereby improving productivity and quality. Employees sort packages to bins tagged with flashing lights, rather than memorizing addresses, allowing us to dramatically reduce training time. NGSS has been deployed in about 300 sites globally.

We bring industry-leading UPS technology to our customers who, in turn, realize increased productivity, greater control of their supply chains and improved customer experience when they integrate with our systems. Customers benefit through offerings such as:

Shipping

WorldShip™, which is our flagship desktop shipping application, provides middle market and large customers with robust shipping capabilities. Customers can create custom labels, set up shipment alerts, create and upload customs documentation, track and export shipments, create reports and integrate with their enterprise resource planning and accounting systems to streamline shipping with real-time connectivity.

UPS marketplace shipping, which integrates www.ups.com with eBay® and Amazon®, allows marketplace sellers to easily ship their orders via www.ups.com or WorldShip. UPS marketplace shipping provides simplified shipment processing; multiple payment options, including PayPal™; order and shipment history; and automatic tracking updates.

Tracking and Visibility

UPS Quantum View® can help customers better manage shipments, facilitate tracking, allow for inbound volume planning, manage third-party shipping costs and automatically notify customers of incoming shipments. With visibility into transit times and delivery confirmations, customers can speed up their revenue cycle and collect accounts receivables more quickly while improving customer service.

International Trade Tools

UPS Paperless™ solutions allow customers to self-enroll in UPS Paperless™ Invoice and upload shipping documents. These solutions enable customers to electronically transmit a commercial invoice, packing list or their own customs documents when shipping internationally. This eliminates redundant data entry and errors, while reducing customs delays and paper waste.

UPS TradeAbility® tools help customers effectively and confidently manage the movement of goods internationally in a timely, efficient and compliant manner.

4

Billing

The UPS Billing Center, a secure location for customers to view, download, manage and pay their UPS invoices, helps customers accelerate billing and payment processes. Customers can assign privileges with administrative controls, manage multiple accounts and create custom reports using a single simple interface.

Integration

The UPS Developer Kit, which is comprised of multiple Application Programming Interfaces (APIs), helps customers streamline and automate their internal business processes. The UPS Developer Kit APIs allow customers to integrate a wide range of UPS functionality into their business systems and websites such as address validation, shipment scheduling, selection of shipping service levels, tracking and much more.

Business-to-Consumer

We selectively choose UPS Access Point locations that meet our business standards and ensure the safety of our customers' packages. Then, we equip each one with the latest UPS technology to help make package pickup quick and convenient. Consumers can track their packages on www.ups.com, m.ups.com or the UPS Mobile app to know when their packages are ready for pickup.

UPS My Choice®, which focuses on the consignee, has transformed the residential delivery experience. Receivers can direct the timing and circumstances of their deliveries using their computer, mobile devices or Facebook™ app. This innovative service is powered by the complex integration of real-time route optimization and other technologies within our delivery network.

The Global Locator on www.ups.com was enhanced to give customers faster and simpler access to UPS drop-off and pickup locations, including new UPS Access Point sites. The Global Locator has a new single search field with updated filters, location images and location-specific promotions. Customers can also provide online feedback, e-mail search results, save favorite locations and access recent searches.

Mobile

UPS Mobile, which includes the mobile website, m.ups.com, and apps for iPhone®, iPad® and Android devices, is readily available for our customers in over 80 countries. Customers can track, ship, find UPS locations, manage UPS My Choice shipments and receive shipment notifications on their mobile devices. The UPS Mobile apps and website were enhanced so that customers can now convert a rate estimate into a shipment, ship a package without logging in, compare shipping services more easily, select PayPal™ as a payment option, view details on shipping charges and utilize the redesigned Global Locator.

Reporting Segments and Products & Services

As a global leader in logistics, we offer a broad range of domestic and export delivery services; the facilitation of international trade; and the deployment of advanced technologies to more efficiently manage the world of business. We seek to streamline our customers' shipment processing and integrate critical transportation information into their own business processes, helping them to create supply chain efficiencies, better serve their customers and improve cash flow.

Global Small Package

Our global small package operations provide time-definite delivery services for express letters, documents, small packages and palletized freight via air and ground services. We serve more than 220 countries and territories around the world along with domestic delivery service within 54 countries. We handle packages that weigh up to 150 pounds and are up to 165 inches in combined length and girth as well as palletized shipments weighing more than 150 pounds. All of our package services are supported by numerous shipping, visibility and billing technologies.

We handle all levels of service (air, ground, domestic, international, commercial, residential) through one global integrated pickup and delivery network. All packages are commingled within our network, except when necessary to meet their specific service commitments. This enables one UPS driver to pick up customers' shipments for any of our services at the same scheduled time each day. Compared to companies with single service network designs, our integrated network uniquely provides operational and capital efficiencies while being more environmentally-friendly.

We offer same-day pickup of air and ground packages upon request. Customers can schedule pickups for one to five days a week, based on their specific needs. Additionally, our wholly-owned and partnered global network offers more than 150,000 entry points where customers can tender a package to us at a location or time convenient to them. This combined network includes UPS drivers who can accept packages provided to them; UPS drop boxes; UPS Access Point locations; The UPS Store locations; authorized shipping outlets and commercial counters; alliance locations; and customer centers attached to UPS facilities. Some of these locations offer a full array of services including pickup, delivery and packing options, while others are drop-off locations only. We continually look for ways to enhance the customer experience by offering easy access to UPS.

The growth of online shopping has increased our customers' needs for efficient and reliable returns, resulting in our development of a robust selection of returns services that are available in more than 145 countries. Options vary based on customer needs and country, and range from cost-effective solutions such as UPS Returns, to more-specialized services such as UPS Returns Exchange. UPS Returns enables shippers to provide their customers with a return shipping label, while UPS Returns Exchange simplifies product exchanges by delivering a replacement item and picking up a return item in the same stop, and assisting with the re-packaging process.

We operate one of the largest airlines in the world, with global operations centered at our Worldport hub in Louisville, Kentucky. Worldport sort capacity, currently at 416,000 packages per hour, has expanded over the years due to volume growth and a centralization effort. Our European air hub is located in Cologne, Germany, and we maintain Asia-Pacific air hubs in Shanghai, China; Shenzhen, China; and Hong Kong. Our regional air hub in Canada is located in Hamilton, Ontario, and our regional air hub for Latin America and the Caribbean is in Miami, Florida.

In the U.S., Worldport is supported by our regional air hubs in Columbia, South Carolina; Dallas, Texas; Ontario, California; Philadelphia, Pennsylvania; and Rockford, Illinois. This network design allows for cost-effective package processing in our most technology-enabled facilities, which allow us to use fewer, larger and more fuel-efficient aircraft. Our U.S. ground fleet serves all business and residential zip codes in the contiguous U.S.

U.S. Domestic Package Reporting Segment

We are a leader in time-definite, money-back guaranteed, small package delivery services in the U.S. We offer a full spectrum of U.S. domestic guaranteed ground and air package transportation services. Depending on the delivery speed needed, customers can select from a range of guaranteed time and day-definite delivery options.

Customers can select from same day, next day, two day and three day delivery alternatives. Many of these services offer options that enable customers to specify a time-of-day guarantee for their delivery (e.g., by 8:00 AM, 10:30 AM, noon, end of day, etc.).

In 2015, we expanded UPS Next Day Air Early (previously known as "UPS Next Day Air Early AM") service to over 4,000 additional ZIP Codes where previously only an end-of-day guarantee was available. This enhancement provides shippers and their customers the option of an earlier first-of-day delivery with commit times from 8:00 AM to 2:00 PM and enlarged our early delivery coverage. With this expansion, more of our customers can get critical shipments delivered earlier, across the U.S. and from around the world.

Customers can also leverage our extensive ground network to ship using our day-definite guaranteed ground service that serves every U.S. business and residential address. We deliver more ground packages than any other carrier, with average daily package volume of 13 million in the U.S., most within one to three business days.

We also offer UPS SurePost, an economy residential ground service for customers with non-urgent, lightweight residential shipments. UPS SurePost is a contractual residential ground service that combines the consistency and reliability of the UPS Ground network with final delivery often provided by the U.S. Postal Service.

Growth in U.S. online sales, which are estimated to nearly double by 2020, is driving significant growth in package delivery volume, with a large seasonal spike during peak season beginning at Thanksgiving and lasting through Christmas. In order to meet the demand and ensure successful peak season operations, we have invested over \$1 billion in facility expansions and equipment modernization since 2014. We continue to make other improvements to effectively manage the seasonal volume fluctuations associated with peak season:

- Enhancing Cyber Week operations in the U.S. including ground and air pickup and delivery operations on Black Friday.

Adding weekend pickup, sort, and delivery operations as needed in the U.S. to smooth out geographical spikes in volume.

Utilizing additional aircraft and regional air hubs to add significant capacity to our air network during critical periods.

Adding new delivery vehicles and trailers to our fleet of 100,000 package cars, vans, tractors, trailers and other vehicles.

6

Automating facilities to expand our existing capabilities through enhanced technology.

Updating www.ups.com and expanding UPS communications to enhance the timeliness and relevance of alerts when service disruptions occur.

International Package Reporting Segment

Our International Package reporting segment includes the small package operations in Europe, Asia-Pacific, Canada and Latin America, the Indian sub-continent and the Middle East and Africa. We offer a wide selection of guaranteed day and time-definite international shipping services.

We offer more guaranteed time-definite express options (Express Plus, Express and Express Saver) than any other carrier.

In 2015, we undertook the largest one-time expansion in the history of UPS Worldwide Express service by adding coverage to more than 41,000 new postal codes around the world, creating earlier guaranteed-delivery options for customers that previously had only end-of-day guarantees. UPS Worldwide Express service offers guaranteed delivery on the next possible business day by 10:30 AM, noon or 2:00 PM, depending on the destination, and is available in 65 countries. We will continue this expansion in 2016, with plans to add UPS Worldwide Express service to additional countries and postal codes.

For international shipments that do not require express services, UPS Worldwide Expedited offers a reliable, deferred, guaranteed day-definite service option. In 2013, we tripled the coverage area for UPS Worldwide Expedited, providing delivery in two-to-five business days to more than 220 countries and territories. We expanded our origin footprint for this service in 2015 by adding two new countries, bringing the total origins to more than 80. This expansion helps our customers magnify their global reach and balance delivery speed with cost, no matter where they ship.

For cross-border ground package delivery, we offer UPS Transborder (Express, Expedited and Standard) delivery services within Europe, between the U.S. and Canada and between the U.S. and Mexico.

In 2013, we introduced UPS Worldwide Express Freight for palletized shipments over 150 pounds. This service was enhanced to include a total of 58 origins and 56 destinations in 2015, enabling our customers to send their palletized shipments to more markets throughout the world. More expansion is planned for 2016 with additional origin and destination countries. UPS Worldwide Express Freight leverages our unique combination of package and freight networks to provide industry leading transit times with a money-back guarantee.

Europe, our largest region outside of the U.S., accounts for approximately half of international revenue and is one of the primary drivers of our growth. Several characteristics of the European market provide us with opportunities, including its highly fragmented nature and the fact that exports make up a significant part of Europe's GDP. To accommodate the strong potential for growth in small package exports, we expanded our facility at Nuremberg, Germany in the second quarter of 2015, doubling the sorting capacity to 30,000 packages per hour.

Asia-Pacific remains a strategic market due to growth rates in intra-Asia trade, the expanding Chinese economy, and the trade opportunities created by the Trans-Pacific Partnership agreement. To capitalize on these opportunities, we are bringing faster time-in-transit to customers focused on intra-Asia trade, and reducing transit days from Asia to the U.S. and Europe. Through added flight frequencies, we provide our customers the ability to ship next day to more places in the U.S. and Europe, guaranteed, than any other express carrier. We continue to build our presence in China through the expansion of our service capabilities, investing in our transportation network and strengthening brand awareness across 13 cities.

Additional international highlights include the following:

We expanded the International Special Commodities program in 2015 with the addition of seven destination countries. Customers can now ship biological substances, dry ice and dangerous goods to and from more than 50 countries around the world.

During 2015, we added Trade Management Services to the UPS customs brokerage portfolio in Asia to facilitate customers' expansion opportunities. These services include: trade consulting, import/export technologies and managed services.

•

By the end of 2015, we expanded the UPS Access Point network coverage to over 15,000 locations across 11 countries including Canada and Mexico (U.S. locations excluded). We plan to further expand the UPS Access Point network to new countries in 2016.

We increased the availability of the UPS Mobile App for Apple iPhone® and Android devices to ten additional countries in 2015, for a total of 16 countries. The UPS Mobile App is now available in Austria, Belgium, Canada,

7

Denmark, France, Germany, Italy, Mexico, Netherlands, Poland, Puerto Rico, Spain, Sweden, Switzerland, the United Kingdom and the United States. The UPS Mobile App includes on-the-go access to UPS My Choice®, which now has over 22 million members around the world.

Supply Chain & Freight Reporting Segment

The Supply Chain & Freight reporting segment consists of our forwarding and logistics services, truckload freight brokerage, UPS Freight and our financial offerings through UPS Capital. Supply chain complexity creates demand for a global service offering that incorporates transportation, distribution, and international trade and brokerage services, with complementary financial and information services. We meet this demand by offering a broad array of supply chain services in over 195 countries and territories.

In 2015, we continued to invest in our global logistics network by adding an additional two million square feet of warehouse space in the United States, Canada and Western Europe. This follows our 2014 facility expansions in several key emerging markets including Brazil and China where the demand for outsourced value-added warehousing and logistics services continues to grow.

Freight Forwarding

We are one of the largest U.S. domestic air freight carriers and among the top international air freight forwarders globally. We offer a portfolio of guaranteed and non-guaranteed global air freight services. Additionally, as one of the world's leading non-vessel operating common carriers, we also provide ocean freight full-container load, less-than-container load and multi-modal transportation services between most major ports around the world.

Truckload Freight Brokerage (Coyote)

In 2015, we acquired Coyote Logistics, a U.S.-based truckload freight brokerage company. The acquisition added large scale truckload freight brokerage and other transportation management services to our Supply Chain & Freight reporting segment. In addition, we expect to benefit from synergies in purchased transportation, backhaul utilization, cross-selling to customers, as well as technology systems and industry best practices.

Logistics and Distribution

UPS Logistics offers the following services:

Distribution Services: Our comprehensive distribution services are provided through a global network of distribution centers that manage the flow of goods from receiving to storage and order processing to shipment. We also provide specialized services to streamline supply chains in the healthcare, high tech, retail, industrial manufacturing and aerospace industries. Together, these services allow companies to save time and money by minimizing capital investment and positioning products closer to their customers.

Post Sales: Post Sales services support goods after they have been delivered or installed in the field. The four core service offerings within Post Sales include: (1) Critical Parts Fulfillment; (2) Reverse Logistics; (3) Test, Repair, and Refurbish and (4) Network and Parts Planning. We leverage our global distribution network of over 950 field stocking locations to ensure that the right type and quantity of our customers' stock is in the right locations to meet the needs of their end-customers. These solutions allow our customers to maximize service to their end-customers while reducing costs.

UPS Mail Innovations: UPS Mail Innovations offers an efficient, cost-effective method for sending lightweight parcels and flat mail to global addresses from the U.S. We pick up customers' domestic and international mail, and then sort, post, manifest and expedite the secured mail containers to the destination postal service for last-mile delivery. In 2015, we launched UPS Mail Innovations Returns, an easy-to-use postal solution that combines the convenience of mailbox drop-off with the best-in-class speed, reliability and tracking of the UPS Mail Innovations network. Consumers can use their mailboxes to return lightweight parcels and the packages will flow through the UPS Mail Innovations network for delivery back to the shippers. UPS Mail Innovations Returns rounds out the industry-leading UPS Returns portfolio by giving consumers convenient postal access for returning lightweight shipments.

UPS Express Critical: UPS Express Critical provides a broad range of urgent global transportation options designed to complement UPS's core services and fill the gaps for late cut-offs, weekends and holidays. UPS Express Critical expanded its capabilities into Mexico in 2015. The initial time-critical service solutions offered for volume between the U.S. and Mexico as well as intra-Mexico are Next Flight Out, Charter, Hand Carry and Surface for lightweight to heavyweight shipments.

8

UPS Freight

UPS Freight offers regional, inter-regional and long-haul less-than-truckload ("LTL") services, as well as full truckload services, in all 50 states, Canada, Puerto Rico, Guam, the U.S. Virgin Islands and Mexico. UPS Freight provides reliable LTL service backed by a day-definite, on-time guarantee at no additional cost. Additionally, many user-friendly small package technology offerings are available for freight including: UPS WorldShip; Billing Center and Quantum View; these systems allow freight customers to process and track LTL shipments, create electronic bills of lading and reconcile billing.

Customs Brokerage

We are among the world's largest customs brokers by both the number of shipments processed annually and by the number of dedicated brokerage employees worldwide. We provide our customers with customs clearance, trade management and international trade consulting services.

UPS Capital

UPS Capital provides financial, insurance, and payment services to help protect companies from risk and leverage cash in their supply chains. With services available in over 20 countries, UPS Capital and its affiliates support all aspects of the order-to-cash cycle, including financing inventory warehoused overseas, insuring shipments and providing payment solutions. The UPS Capital suite of customizable cargo and credit insurance, trade finance and payment solutions is designed to help customers protect their assets and keep their businesses running smoothly. With the recent acquisitions of Parcel Pro and the Insured Parcel Services business of G4S International Logistics, UPS Capital now offers services and insurance coverage for the transport of high value luxury goods.

Sustainability

Our business and corporate responsibility strategies pursue a common interest to increase the vitality and environmental sustainability of the global economy by aggregating the shipping activity of millions of businesses and individuals worldwide into a single, highly efficient logistics network. This provides benefits to:

• UPS, by ensuring strong demand for our services.

• The economy, by enabling global commerce and making global supply chains more efficient and less expensive.

• The environment, by enabling our global customers to leverage UPS's network efficiency and thereby reduce the greenhouse gas emissions intensity of their supply chains.

• Communities, by connecting individuals to global markets and providing the economic empowerment that can help facilitate positive social change.

We pursue sustainable business practices worldwide through operational efficiency, fleet and fuel advances, facility engineering projects and conservation-enabling technology and service offerings. We help our customers do the same. We consider stakeholder engagement an essential aspect of corporate governance and regularly collaborate with a diverse set of global stakeholders on sustainability issues. Our most material global sustainability issues primarily involve our energy use, emissions and workplace policies. The full results of the global assessment are available at www.ups.com/sustainability.

Sustainability highlights in 2015 include:

• One of Corporate Responsibility's "100 Best Corporate Citizens" for the 6th consecutive year.

• Recognized by Ethisphere Institute as one of the "World's Most Ethical Companies" for the 9th consecutive year.

• Recognized as a constituent of the Dow Jones Sustainability North America Index for the 11th consecutive year; in addition, we were included on the Dow Jones Sustainability World Index for the 3rd consecutive year.

• Recognized as a constituent of the NASDAQ OMX Global Sustainability Index for the 6th consecutive year.

• Achieved a disclosure score of 100% in response to the Carbon Disclosure Project. It is the 5th consecutive year we have achieved a rating at or above 99%.

• Received a Climate Leadership Award for Excellence in Greenhouse Gas Management from the U.S. Environmental Protection Agency.

More information on how we address our most significant sustainability issues is available in the UPS Corporate Sustainability Report and on the UPS Sustainability website.

Community

We believe that strong communities are vital to the success of our company. By combining our philanthropy with the volunteer time and talents of our employees, we help drive positive change for organizations and communities in need across the globe. The highlights of our corporate citizenship efforts in 2015 include:

- Local non-profits around the world received nearly 2.35 million hours of volunteer service from our employees participating in our Neighbor-to-Neighbor program.

The UPS Foundation, which oversees corporate citizenship efforts for the company, invested \$111 million in donations of both cash and in-kind services to global causes primarily in four focus areas—community safety, environmental sustainability, diversity and volunteerism.

- Our employees, both active and retired, contributed approximately \$55 million to United Way which was matched by a corporate contribution of \$8 million.

Through The UPS Foundation we have the opportunity to support our global communities to offset carbon, support clean water, reduce poverty and help individuals sustain their lives through the planting of trees. The UPS Global Forestry Initiative, which began in 2013, is the signature program of The UPS Foundation's Environmental Focus area. By the end of 2015, we have supported the planting of five million trees worldwide.

We continued to aid communities impacted by disasters through our UPS Humanitarian Relief and Resilience program, by providing our logistics expertise, skilled volunteers, capacity building support and in-kind services. In 2015, we coordinated more than 350 humanitarian relief shipments across 50 countries and provided funding and logistics support to strengthen long-term recovery efforts of communities impacted by the Ebola Crisis, the Syrian Refugee Crisis and the Nepal Earthquake.

Nearly 6,700 teenagers and novice drivers in the U.S., Canada, the U.K., Germany and China participated in UPS Road Code. This safety program for new drivers features our employees as instructors – a role where they share driving knowledge and safety tips amassed over our long history of safe driving.

Reputation

Great brands require connecting with customers, investors and other stakeholders with honesty and transparency. In working to develop these connections, we regularly receive high accolades from independent brand and reputation evaluations.

In 2015, we continued to be ranked highly by the following:

- Forbes' 2015 ranking of America's Most Reputable Companies, as rated by the Reputation Institute,
- Interbrand's Best Global Brands,
- Millward Brown's BrandZ Most Valuable Global Brands and
- Rittenhouse Rankings' annual CEO Candor and Culture Survey.

Employees

The strength of our company is our people, working together with a common purpose. We had approximately 444,000 employees (excluding temporary seasonal employees) as of December 31, 2015, of which 362,000 are in the U.S. and 82,000 are located internationally. Our global workforce includes approximately 76,000 management employees (38% of whom are part-time) and 368,000 hourly employees (48% of whom are part-time).

As of December 31, 2015, we had approximately 266,000 employees employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters ("Teamsters"). During 2014, the Teamsters ratified a new national master agreement with UPS that will expire on July 31, 2018.

We have approximately 2,600 pilots who are employed under a collective bargaining agreement with the Independent Pilots Association ("IPA"), which became amendable at the end of 2011. The ongoing contract negotiations between UPS and the IPA are in mediation by the National Mediation Board.

Our airline mechanics are covered by a collective bargaining agreement with Teamsters Local 2727, which became amendable November 1, 2013. In addition, approximately 3,100 of our auto and maintenance mechanics who are not employed under agreements with the Teamsters are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers ("IAM") that will expire on July 31, 2019.

The experience of our management team continues to be an organizational strength. Nearly 34% of our full-time managers have more than 20 years of service with UPS.

We believe that our relations with our employees are good. We periodically survey all our employees to determine their level of job satisfaction. Areas of concern receive management attention as we strive to keep UPS the employer-of-choice among our employees. We consistently receive numerous awards and wide recognition as an employer-of-choice, resulting in part from our emphasis on diversity and corporate citizenship.

Safety

Health, Wellness and Safety are core values at UPS and an enduring belief that the well-being of our people, business partners and the general public is of utmost importance. We train our people to recognize hazards, mitigate risk and avoid injury to themselves and others in all aspects of their work. We do not tolerate unsafe work practices.

We recognize employees for health, wellness, and safety accomplishments. We provide programs to educate and promote the health and wellness of employees and their families and the safety of our operations. We are committed to fostering the most effective safety practices in our work environment. By meeting our high safety standards, we contribute to the well-being of our people, company and the communities we serve.

We use an all-encompassing Comprehensive Health and Safety Process ("CHSP") to promote wellness and prevent occupational injuries, illnesses and auto crashes through the development of workplace programs. The foundation of this process is our co-chaired employee and management health and safety committees. Together they conduct facility and equipment audits, perform work practice and behavior analysis, conduct training and recommend work process and equipment changes.

The components of CHSP are:

Personal Value. Which is the foundation and forms the base of our health, wellness and safety culture.

Management Commitment and Employee Involvement. Where employees take an active role in their own safety as well as their fellow workers and are supported by management. All operations management commit to providing a work environment that is conducive to the well-being and safety of our employees.

Work Site Analysis. Which includes injury and auto crash data analysis, behavior observations and facility and equipment audits to identify gaps and develop solutions. Our operations managers are responsible for their employees' safety results. We investigate every injury and auto crash and develop prevention activities.

Hazard Prevention and Control. Where solutions are developed and documented to ensure identified risks have been mitigated.

Safety Education and Training. Employees who are healthy and well-trained in proper methods are more safe and efficient in performing their jobs. Our approach starts with training the trainer. All trainers are certified to ensure that they have the skills and motivation to effectively instruct new employees. All new employees receive safety training during orientation and in the work area. In addition, each new driver receives extensive classroom and online instruction, as well as on-road training.

Other components to ensure the safety of our people and fleet include:

Wellness. We have a "Five Being Habits" wellness program that turns health and wellness knowledge into actionable measures. These habits are designed to enable employees and their families to take positive steps toward healthy lifestyles. The "Five Being Habits" themes are: Fitness, Sleep, Hydration, Nutrition, and Stress Management.

Recognition. We have a well-defined safe driving honor plan to recognize our drivers when they achieve accident-free milestones. We have more than 7,800 drivers enshrined in our coveted Circle of Honor for drivers who have driven 25 years or more without an avoidable auto crash.

Preventive Maintenance. We have a comprehensive Preventive Maintenance Program to ensure the safety of our fleet. Our fleet is managed and monitored electronically to ensure that each vehicle is serviced at a specific time to prevent malfunction or breakdown.

Competition

UPS is a global leader in logistics. We offer a broad array of services in the package and freight delivery industry and, therefore, compete with many different local, regional, national and international carriers. Our competitors include worldwide postal services, various motor carriers, express companies, freight forwarders, air couriers and others, including startups that combine technology with crowdsourcing to focus on local market needs. Through our supply chain service offerings, we compete with a number of providers in the supply chain, financial services and information technology industries.

Competitive Strengths

Our competitive strengths include:

Global Network. We believe that our integrated global ground and air network is the most extensive in the industry. We provide all types of package service (air, ground, domestic, international, commercial and residential) through a single pickup and delivery service network. We also have extensive air freight, ocean freight, ground freight and logistics networks that provide additional capabilities in the global transportation and logistics market.

Our sophisticated engineering systems allow us to optimize our network efficiency and asset utilization on a daily basis. This unique, integrated global business model creates consistent and superior returns.

Global Presence. We serve more than 220 countries and territories around the world. We have a significant presence in all of the world's major economies.

Leading-edge Technology. We are a global leader in developing technology that helps our customers optimize their shipping and logistics business processes to lower costs, improve service and increase efficiency.

Technology powers virtually every service we offer and every operation we perform. Our technology offerings are driven by our customers' needs. We offer a variety of online service options that enable our customers to integrate UPS functionality into their own businesses not only to send, manage and track their shipments conveniently, but also to provide their customers with better information services. We provide the infrastructure for an Internet presence that extends to tens of thousands of customers who have integrated UPS tools directly into their own websites.

Broad Portfolio of Services. Our portfolio of services enables customers to choose the delivery option that is most appropriate for their requirements. Increasingly, our customers benefit from business solutions that integrate many UPS services in addition to package delivery. For example, our supply chain services—such as freight forwarding, customs brokerage, order fulfillment and returns management—help improve the efficiency of the supply chain management process.

Customer Relationships. We focus on building and maintaining long-term customer relationships. We serve 1.6 million pickup customers and 8.4 million delivery customers daily. Cross-selling small package, supply chain and freight services across our customer base is an important growth mechanism for UPS.

Brand Equity. We have built a leading and trusted brand that stands for quality service, reliability and service innovation. The distinctive appearance of our vehicles and the professional courtesy of our drivers are major contributors to our brand equity.

Distinctive Culture. We believe that the dedication of our employees results in large part from our distinctive “employee-owner” concept. Our employee stock ownership tradition dates from 1927, when our founders, who believed that employee stock ownership was a vital foundation for successful business, first offered stock to employees. To encourage employee stock ownership, we maintain several stock-based compensation programs.

Our long-standing policy of “promotion from within” complements our tradition of employee ownership, and this policy reduces the need for us to hire managers and executive officers from outside UPS. The majority of our management team began their careers as full-time or part-time hourly UPS employees, and have spent their entire careers with us. Many of our executive officers have more than 30 years of service with UPS and have accumulated a meaningful ownership stake in our company. Therefore, our executive officers have a strong incentive to effectively manage UPS, which benefits all of our shareowners.

Financial Strength. Our balance sheet reflects financial strength that few companies can match. Our financial strength gives us the resources to achieve global scale; to invest in employee development, technology, transportation equipment and facilities; to pursue strategic opportunities that facilitate our growth; to service our obligations; and to return value to our shareowners in the form of dividends, share repurchases and steady share growth.

Government Regulation

We are subject to numerous laws and regulations in connection with our package and non-package businesses in the countries in which we operate. A summary of certain laws and regulations are described below.

Air Operations

The U.S. Department of Transportation (“DOT”), the Federal Aviation Administration (“FAA”), and the U.S. Department of Homeland Security, through the Transportation Security Administration (“TSA”), have regulatory authority over United Parcel Service Co.’s (“UPS Airlines”) air transportation services. The Federal Aviation Act of 1958, as amended, is the statutory basis for DOT and FAA authority and the Aviation and Transportation Security Act of 2001, as amended, is the basis for TSA aviation security authority.

The DOT’s authority primarily relates to economic aspects of air transportation, such as insurance requirements, discriminatory pricing, non-competitive practices, interlocking relations and cooperative agreements. The DOT also regulates, subject to the authority of the President of the United States, international routes, fares, rates and practices, and is authorized to investigate and take action against discriminatory treatment of U.S. air carriers abroad.

International operating rights for U.S. airlines are usually subject to bilateral agreement between the U.S. and foreign governments or, in the absence of such agreements, by principles of reciprocity. We are also subject to current and potential aviation regulations imposed by foreign governments in the countries in which we operate, including registration and license requirements and security regulations. UPS Airlines has international route operating rights granted by the DOT and we may apply for additional authorities when those operating rights are available and are required for the efficient operation of our international network. The efficiency and flexibility of our international air transportation network is dependent on DOT and foreign government regulations and operating restrictions.

The FAA’s authority primarily relates to safety aspects of air transportation, including aircraft operating procedures, transportation of hazardous materials, record keeping standards and maintenance activities and personnel. In 1988, the FAA granted us an operating certificate, which remains in effect so long as we meet the safety and operational requirements of the applicable FAA regulations. In addition, we are subject to non-U.S. government regulation of aviation rights involving non-U.S. jurisdictions and non-U.S. customs regulation.

UPS aircraft maintenance programs and procedures, including aircraft inspection and repair at periodic intervals, are approved for all aircraft under FAA regulations. The future cost of repairs pursuant to these programs may fluctuate according to aircraft condition, age and the enactment of additional FAA regulatory requirements.

The TSA regulates various security aspects of air cargo transportation in a manner consistent with the TSA mission statement to “protect the Nation’s transportation systems to ensure freedom of movement for people and commerce.” UPS Airlines, and specified airport and off-airport locations, are regulated under TSA regulations applicable to the transportation of cargo in an air network. In addition, personnel, facilities and procedures involved in air cargo transportation must comply with TSA regulations.

UPS Airlines, along with a number of other domestic airlines, participates in the Civil Reserve Air Fleet (“CRAF”) program. Our participation in the CRAF program allows the U.S. Department of Defense (“DOD”) to requisition specified UPS Airlines wide-body aircraft for military use during a national defense emergency. The DOD compensates us for the use of aircraft under the CRAF program. In addition, participation in CRAF entitles UPS Airlines to bid for military cargo charter operations.

Ground Operations

Our ground transportation of packages in the U.S. is subject to regulation by the DOT and its agency, the Federal Motor Carrier Safety Administration (the “FMCSA”) and the states’ jurisdiction with respect to the regulation of operations, safety, insurance and hazardous materials. We also must comply with the safety and fitness regulations promulgated by the FMCSA, including those relating to drug and alcohol testing and hours-of service. We are subject to similar regulation in many non-U.S. jurisdictions.

The Postal Reorganization Act of 1970 created the U.S. Postal Service as an independent establishment of the executive branch of the federal government, and created the Postal Rate Commission, an independent agency, to recommend postal rates. The Postal Accountability and Enhancement Act of 2006 amended the 1970 Act to give the re-named Postal Regulatory Commission revised oversight authority over many aspects of the Postal Service, including postal rates, product offerings and service standards. We sometimes participate in the proceedings before the

Postal Regulatory Commission in an attempt to secure fair postal rates for competitive services.

12

Our ground operations are subject to compliance with various cargo-security and transportation regulations issued by the U.S. Department of Homeland Security, including regulation by the TSA.

Customs

We are subject to the customs laws in the countries in which we operate, regarding the import and export of shipments, including those related to the filing of documents on behalf of client importers and exporters. Our activities, including customs brokerage and freight forwarding, are subject to regulation by the Bureau of Customs and Border Protection and the TSA, the U.S. Federal Maritime Commission and the DOT.

Environmental

We are subject to federal, state and local environmental laws and regulations across all of our business units. These laws and regulations cover a variety of processes, including, but not limited to: proper storage, handling and disposal of waste materials; appropriately managing wastewater and stormwater; monitoring and maintaining the integrity of underground storage tanks; complying with laws regarding clean air, including those governing emissions; protecting against and appropriately responding to spills and releases; and communicating the presence of reportable quantities of hazardous materials to local responders. We have established site- and activity-specific environmental compliance and pollution prevention programs to address our environmental responsibilities and remain compliant. In addition, we have created numerous programs which seek to minimize waste and prevent pollution within our operations. Pursuant to the Federal Aviation Act, the FAA, with the assistance of the Environmental Protection Agency (the "EPA"), is authorized to establish standards governing aircraft noise. Our aircraft fleet is in compliance with current noise standards of the federal aviation regulations. Our international operations are also subject to noise regulations in certain of the countries in which we operate.

Communications

Because of our extensive use of radio and other communication facilities in our aircraft and ground transportation operations, we are subject to the Federal Communications Act of 1934, as amended. Additionally, the Federal Communications Commission regulates and licenses our activities pertaining to satellite communications.

Where You Can Find More Information

We maintain a website at www.ups.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 are made available through our website www.investors.ups.com as soon as reasonably practical after we electronically file or furnish the reports to the SEC. However, information on these websites is not incorporated by reference into this report or any other report filed with or furnished to the SEC. We have adopted a written Code of Business Conduct that applies to all of our directors, officers and employees, including our principal executive officer and senior financial officers. It is available in the governance section of our investor relations website, located at www.investors.ups.com. In the event that we make changes in, or provide waivers from, the provisions of the Code of Business Conduct that the SEC requires us to disclose, we intend to disclose these events in the governance section of our investor relations website.

Our Corporate Governance Guidelines and the Charters for our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are also available in the governance section of our investor relations website.

Our sustainability report, which describes our activities that support our commitment to acting responsibly and contributing to society, is available at www.sustainability.ups.com. We provide the addresses to our Internet sites solely for the information of investors. We do not intend for any addresses to be active links or to otherwise incorporate the contents of any website into this report.

Item 1A. Risk Factors

You should carefully consider the following factors, which could materially affect our business, financial condition or results of operations. You should read these Risk Factors in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and our Consolidated Financial Statements and related notes in Item 8.

General economic conditions, both in the U.S. and internationally, may adversely affect our results of operations. We conduct operations in over 220 countries and territories. Our U.S. and international operations are subject to normal cycles affecting the economy in general, as well as the local economic environments in which we operate. The factors that create cyclical changes to the economy and to our business are beyond our control, and it may be difficult for us to adjust our business model to mitigate the impact of these factors. In particular, our business is affected by levels of industrial production, consumer spending and retail activity, and our business, financial position and results of operations could be materially affected by adverse developments in these aspects of the economy.

We face significant competition which could adversely affect our business, financial position and results of operations.

We face significant competition on a local, regional, national and international basis. Our competitors include the postal services of the U.S. and other nations, various motor carriers, express companies, freight forwarders, air couriers and others. Competition may also come from other sources in the future. Some of our competitors have cost and organizational structures that differ from ours and may offer services and pricing terms that we may not be willing or able to offer. If we are unable to timely and appropriately respond to competitive pressures, our business, financial position and results of operations could be adversely affected.

The transportation industry continues to consolidate and competition remains strong. As a result of consolidation, our competitors may increase their market share and improve their financial capacity, and may strengthen their competitive positions. Business combinations could also result in competitors providing a wider variety of services and products at competitive prices, which could adversely affect our financial performance.

Changes in our relationships with our significant customers, including the loss or reduction in business from one or more of them, could have an adverse impact on us.

No single customer accounts for 10% or more of our consolidated revenue. We do not believe the loss of any single customer would materially impair our overall financial condition or results of operations; however, collectively, some of our large customers might account for a relatively significant portion of the growth in revenue in a particular quarter or year. These customers can drive the growth in revenue for particular services based on factors such as: new customer product launches; trends in the e-commerce industry, such as the seasonality associated with the fourth quarter holiday season; business mergers and acquisitions; and the overall fast growth of a customer's underlying business. These customers could choose to divert all or a portion of their business with us to one of our competitors, demand pricing concessions for our services, require us to provide enhanced services that increase our costs, or develop their own shipping and distribution capabilities. If these factors drove some of our large customers to cancel all or a portion of their business relationships with us, it could materially impact the growth in our business and the ability to meet our current and long-term financial forecasts.

Our business is subject to complex and stringent regulation in the U.S. and internationally.

We are subject to complex and stringent aviation, transportation, environmental, security, labor, employment and other governmental laws, regulations and policies, both in the U.S. and in the other countries in which we operate. In addition, our business is impacted by laws, regulations and policies that affect global trade, including tariff and trade policies, export requirements, taxes, monetary policies and other restrictions and charges. Changes in laws, regulations and policies and the related interpretations may alter the landscape in which we do business and may affect our costs of doing business. The impact of new laws, regulations and policies cannot be predicted. Compliance with new laws and regulations may increase our operating costs or require significant capital expenditures. Any failure to comply with applicable laws or regulations in the U.S. or in any of the countries in which we operate could result in substantial fines or possible revocation of our authority to conduct our operations, which could adversely affect our financial performance.

Increased security requirements could impose substantial costs on us and we could be the target of an attack or have a security breach.

As a result of concerns about global terrorism and homeland security, governments around the world have adopted or may adopt stricter security requirements that will result in increased operating costs for businesses in the transportation industry. These requirements may change periodically as a result of regulatory and legislative requirements and in response to evolving threats. We cannot determine the effect that these new requirements will have on our cost structure or our operating results, and these rules or other future security requirements may increase our costs of operations and reduce operating efficiencies. Regardless of our compliance with security requirements or the steps we take to secure our facilities or fleet, we could be the target of an attack or security breaches could occur, which could adversely affect our operations or our reputation.

We may be affected by global climate change or by legal, regulatory or market responses to such a potential change. Concern over climate change, including the impact of global warming, has led to significant federal, state and international legislative and regulatory efforts to limit greenhouse gas (“GHG”) emissions. For example, in the past several years, the U.S. Congress has considered various bills that would regulate GHG emissions. While these bills have not yet received sufficient Congressional support for enactment, some form of federal climate change legislation is possible in the future. Even in the absence of such legislation, the Environmental Protection Agency, spurred by judicial interpretation of the Clean Air Act, may regulate GHG emissions, especially aircraft or diesel engine emissions, and this could impose substantial costs on us. These costs include an increase in the cost of the fuel and other energy we purchase and capital costs associated with updating or replacing our aircraft or vehicles prematurely. Until the timing, scope and extent of any future regulation becomes known, we cannot predict its effect on our cost structure or our operating results. It is reasonably possible that such legislation or regulation could impose material costs on us. Moreover, even without such legislation or regulation, increased awareness and any adverse publicity in the global marketplace about the GHGs emitted by companies in the airline and transportation industries could harm our reputation and reduce customer demand for our services, especially our air services.

Strikes, work stoppages and slowdowns by our employees could adversely affect our business, financial position and results of operations.

A significant number of our employees are employed under a national master agreement and various supplemental agreements with local unions affiliated with the Teamsters. In addition, our airline pilots, airline mechanics, ground mechanics and certain other employees are employed under other collective bargaining agreements. Strikes, work stoppages and slowdowns by our employees could adversely affect our ability to meet our customers' needs, and customers may do more business with competitors if they believe that such actions or threatened actions may adversely affect our ability to provide services. We may face a permanent loss of customers if we are unable to provide uninterrupted service, and this could adversely affect our business, financial position and results of operations. The terms of future collective bargaining agreements also may affect our competitive position and results of operations.

We are exposed to the effects of changing prices of energy, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities.

Changing fuel and energy costs may have a significant impact on our operations. We require significant quantities of fuel for our aircraft and delivery vehicles and are exposed to the risk associated with variations in the market price for petroleum products, including gasoline, diesel and jet fuel. We mitigate our exposure to changing fuel prices through our indexed fuel surcharges and we may also enter into hedging transactions from time to time. If we are unable to maintain or increase our fuel surcharges, higher fuel costs could adversely impact our operating results. Even if we are able to offset the cost of fuel with our surcharges, high fuel surcharges may result in a mix shift from our higher-yielding air products to lower-yielding ground products or an overall reduction in volume. If fuel prices rise sharply, even if we are successful in increasing our fuel surcharge, we could experience lag time in implementing the surcharge, which could adversely affect our short-term operating results. There can be no assurance that our hedging transactions will be effective to protect us from changes in fuel prices. Moreover, we could experience a disruption in energy supplies, including our supply of gasoline, diesel and jet fuel, as a result of war, actions by producers, or other factors beyond our control, which could have an adverse effect on our business.

Changes in exchange rates or interest rates may have an adverse effect on our results.

We conduct business across the globe with a significant portion of our revenue derived from operations outside the United States. Our operations in international markets are affected by changes in the exchange rates for local currencies, and in particular the Euro, British Pound Sterling, Canadian Dollar, Chinese Renminbi and Hong Kong Dollar.

15

We are exposed to changes in interest rates, primarily on our short-term debt and that portion of our long-term debt that carries floating interest rates. The impact of a 100-basis-point change in interest rates affecting our debt is discussed in the “Quantitative and Qualitative Disclosures about Market Risk” section of this report. Additionally, changes in interest rates impact the valuation of our pension and postretirement benefit obligations and the related benefit cost recognized in the income statement. The impact of changes in interest rates on our pension and postretirement benefit obligations and costs is discussed further in the "Critical Accounting Policies and Estimates" section of this report.

We monitor and manage our exposures to changes in currency exchange rates and interest rates, and make use of derivative instruments to mitigate the impact of changes in these rates on our financial position and results of operations; however, changes in exchange rates and interest rates cannot always be predicted or hedged.

If we are unable to maintain our brand image and corporate reputation, our business may suffer.

Our success depends in part on our ability to maintain the image of the UPS brand and our reputation for providing excellent service to our customers. Service quality issues, actual or perceived, even when false or unfounded, could tarnish the image of our brand and may cause customers to use other companies. Also, adverse publicity surrounding labor relations, environmental concerns, security matters, political activities and the like, or attempts to connect our company to these sorts of issues, either in the United States or other countries in which we operate, could negatively affect our overall reputation and acceptance of our services by customers. Damage to our reputation and loss of brand equity could reduce demand for our services and thus have an adverse effect on our business, financial position and results of operations, and could require additional resources to rebuild our reputation and restore the value of our brand.

A significant privacy breach or IT system disruption could adversely affect our business and we may be required to increase our spending on data and system security.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. In addition, the provision of service to our customers and the operation of our networks and systems involve the storage and transmission of proprietary information and sensitive or confidential data, including personal information of customers, employees and others. Our franchised center locations also are reliant on the use of information technology systems to manage their business processes and activities. Our and our franchisees' information technology systems, some of which are managed by third-parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers, malicious insiders, telecommunication failures, user errors or catastrophic events. Hackers, acting individually or in coordinated groups, may also launch distributed denial of service attacks or other coordinated attacks that may cause service outages or other interruptions in our business. In addition, breaches in security could expose us, our customers and franchisees, or the individuals affected, to a risk of loss or misuse of proprietary information and sensitive or confidential data. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, may be difficult to detect for a long time and often are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Any of these occurrences could result in disruptions in our operations, the loss of existing or potential customers, damage to our brand and reputation, and litigation and potential liability for the company. In addition, the cost and operational consequences of implementing further data or system protection measures could be significant. In August 2014, a broad-based malware intrusion targeting retailers throughout the U.S. was discovered and subsequently eradicated at approximately 1% of our franchisees' locations. While the impact of this cyber-attack, including the costs associated with investigation and remediation activities, was not material to our business and our financial results, our efforts to deter, identify, mitigate and/or eliminate any future breaches may not be successful.

Severe weather or other natural or manmade disasters could adversely affect our business.

Severe weather conditions and other natural or manmade disasters, including storms, floods, fires or earthquakes, epidemics or pandemics, or terrorist attacks, conflicts or unrest, may result in decreased revenues, as our customers reduce their shipments, or increased costs to operate our business, which could have an adverse effect on our results of

operations for a quarter or year. Any such event affecting one of our major facilities could result in a significant interruption in or disruption of our business.

We make significant capital investments in our business of which a significant portion is tied to projected volume levels.

We require significant capital investments in our business consisting of aircraft, vehicles, technology, facilities and sorting and other types of equipment to support both our existing business and anticipated growth. Forecasting projected volume involves many factors which are subject to uncertainty, such as general economic trends, changes in governmental regulation and competition. If we do not accurately forecast our future capital investment needs, we could have excess capacity or insufficient capacity, either of which would negatively affect our revenues and profitability. In addition to forecasting our capital investment requirements, we adjust other elements of our operations and cost structure in response to adverse economic conditions; however, these adjustments may not be sufficient to allow us to maintain our operating margins in a weak economy.

We derive a significant portion of our revenues from our international operations and are subject to the risks of doing business in international markets.

We have significant international operations and while the geographical diversity of our international operations helps ensure that we are not overly reliant on a single region or country, we are continually exposed to changing economic, political and social developments beyond our control. Emerging markets are typically more volatile than those in the developed world, and any broad-based downturn in these markets could reduce our revenues and adversely affect our business, financial position and results of operations. We are subject to many laws governing our international operations, including those that prohibit improper payments to government officials and commercial customers, and restrict where we can do business, our shipments to certain countries and the information that we can provide to non-U.S. governments.

We are subject to changes in markets and our business plans that have resulted, and may in the future result, in substantial write-downs of the carrying value of our assets, thereby reducing our net income.

Our regular review of the carrying value of our assets has resulted, from time to time, in significant impairments, and we may in the future be required to recognize additional impairment charges. Changes in business strategy, government regulations, or economic or market conditions have resulted and may result in further substantial impairments of our intangible, fixed or other assets at any time in the future. In addition, we have been and may be required in the future to recognize increased depreciation and amortization charges if we determine that the useful lives of our fixed assets or intangible assets are shorter than we originally estimated. Such changes could reduce our net income.

Employee health and retiree health and pension benefit costs represent a significant expense to us.

With approximately 444,000 employees, including approximately 362,000 in the U.S., our expenses relating to employee health and retiree health and pension benefits are significant. In recent years, we have experienced significant increases in some of these costs, largely as a result of economic factors beyond our control, including, in particular, ongoing increases in health care costs well in excess of the rate of inflation and historically low discount rates that we use to value our benefit plan obligations. Continued increasing health care costs, volatility in investment returns and discount rates, as well as changes in laws, regulations and assumptions used to calculate retiree health and pension benefit expenses, may adversely affect our business, financial position, results of operations or require significant contributions to our benefit plans. The new national master agreement with the IBT includes changes that are designed to mitigate certain of these health care expenses, but there can be no assurance that our efforts will be successful or that the failure or success of these efforts will not adversely affect our business, financial position, results of operations or liquidity.

We participate in a number of trustee-managed multiemployer pension and health and welfare plans for employees covered under collective bargaining agreements. As part of the overall collective bargaining process for wage and benefit levels, we have agreed to contribute certain amounts to the multiemployer benefit plans during the contract period. The multiemployer benefit plans set benefit levels and are responsible for benefit delivery to participants. Future contribution amounts to multiemployer benefit plans will be determined only through collective bargaining, and we have no additional legal or constructive obligation to increase contributions beyond the agreed-upon amounts (except potential surcharges under the Pension Protection Act of 2006 in the event that a plan enters critical status, and our contributions are not sufficient to satisfy any rehabilitation plan funding schedule). In future collective bargaining

negotiations, we could agree to make significantly higher future contributions to improve the funded status of one or more of these plans. The funded status of these multiemployer plans are impacted by various factors, including investment performance, health care inflation, changes in demographics and changes in participant benefit levels. At this time, we are unable to determine the amount of additional future contributions, if any, or whether any material adverse effect on our financial condition, results of operations or liquidity could result from our participation in these plans.

17

In addition to our ongoing multi-employer pension plan obligations, we may have additional exposure with respect to benefits earned in the Central States Pension Fund (the "CSPF"), from which UPS withdrew in 2007 in return for fully funding its allocable share of unfunded vested benefits thereunder. In 2015, CSPF submitted a proposed pension suspension plan to the U.S. Department of Treasury under the Multiemployer Pension Reform Act of 2014 ("MPRA") which proposes to make retirement benefit reductions to CSPF participants, including to the benefits of certain UPS employee participants. Separately, UPS agreed to provide supplemental benefits under the UPS/IBT Full-Time Employee Pension Plan to offset certain benefit reductions under the CSPF. We have no other multi-employer pension plans subject to such a funding obligation. UPS has reviewed the CSPF's proposed plan to evaluate the validity of the actions taken by the CSPF, the plan's compliance with the MPRA (and proposed regulations thereunder) and its potential impact on UPS's funding obligations under the UPS/IBT Full-Time Employee Pension Plan. We are vigorously challenging the proposed suspension plan because it does not fully comply with the law and we do not believe certain actions by CSPF are valid. Accordingly, we have not assumed or recognized a liability for supplemental benefits within the UPS/IBT Full-Time Employee Pension Plan due to the submission of CSPF's proposed plan to the U.S. Department of Treasury. Further, we are not able to estimate a range of additional obligations, if any, or determine whether any such amounts are material due to a number of uncertainties relating to the MPRA (and proposed regulations thereunder) and assumptions made by the CSPF in its proposed plan.

We may be subject to various claims and lawsuits that could result in significant expenditures.

The nature of our business exposes us to the potential for various claims and litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters. Any material litigation or a catastrophic accident or series of accidents could have a material adverse effect on our business, financial position and results of operations.

We may not realize the anticipated benefits of acquisitions, joint ventures or strategic alliances.

As part of our business strategy, we may acquire businesses and form joint ventures or strategic alliances. Whether we realize the anticipated benefits from these transactions depends, in part, upon the successful integration between the businesses involved, the performance of the underlying operations, capabilities or technologies and the management of the acquired operations. Accordingly, our financial results could be adversely affected by our failure to effectively integrate the acquired operations, unanticipated performance issues, transaction-related charges or charges for impairment of long-term assets that we acquire.

Insurance and claims expenses could have a material adverse effect on our business, financial condition and results of operations.

We have a combination of both self-insurance and high-deductible insurance programs for the risks arising out of the services we provide and the nature of our global operations, including claims exposure resulting from cargo loss, personal injury, property damage, aircraft and related liabilities, business interruption and workers' compensation. Workers' compensation, automobile and general liabilities are determined using actuarial estimates of the aggregate liability for claims incurred and an estimate of incurred but not reported claims, on an undiscounted basis. Our accruals for insurance reserves reflect certain actuarial assumptions and management judgments, which are subject to a high degree of variability. If the number or severity of claims for which we are retaining risk increases, our financial condition and results of operations could be adversely affected. If we lose our ability to self-insure these risks, our insurance costs could materially increase and we may find it difficult to obtain adequate levels of insurance coverage.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Operating Facilities

We own our headquarters, which is located in Atlanta, Georgia and consists of about 745,000 square feet of office space in an office campus, and our UPS Supply Chain Solutions group's headquarters, which is located in Alpharetta, Georgia, and consists of about 310,000 square feet of office space.

We also own 30 of our 31 principal U.S. package operating facilities, which have floor spaces that range from approximately 310,000 to 879,000 square feet. In addition, we have a 1.9 million square foot operating facility near Chicago, Illinois, which is designed to streamline shipments between East Coast and West Coast destinations, and we own or lease over 1,000 additional smaller package operating facilities in the U.S. The smaller of these facilities have vehicles and drivers

stationed for the pickup of packages, and capacity for the sorting, transfer and delivery of packages. The larger of these facilities also service our vehicles and equipment, and employ specialized mechanical installations for the sorting and handling of packages.

We own or lease more than 800 facilities that support our international package operations. In addition, we own or lease more than 500 facilities, with approximately 32.2 million square feet of floor space, that support our freight forwarding and logistics operations. We own and operate a logistics campus consisting of approximately 3.7 million square feet in Louisville, Kentucky.

Our aircraft are operated in a hub and spoke pattern in the U.S., with our principal air hub, known as Worldport, located in Louisville, Kentucky. The Worldport facility consists of over 5.2 million square feet and the site includes approximately 596 acres with a sorting capacity of approximately 416,000 packages per hour and includes high-speed conveyor and computer control systems.

We also have regional air hubs in Columbia, South Carolina; Dallas, Texas; Ontario, California; Philadelphia, Pennsylvania; and Rockford, Illinois. These hubs house facilities for the sorting, transfer and delivery of packages. Our European air hub is located in Cologne, Germany, and we maintain Asia-Pacific air hubs in Shanghai, China; Shenzhen, China; and Hong Kong. Our regional air hub in Canada is located in Hamilton, Ontario, and our regional air hub for Latin America and the Caribbean is in Miami, Florida.

UPS has made a successful transition to become the first wholly-owned foreign express carrier in China. The UPS International Air Hub at Pudong International Airport, was built on a parcel totaling 2.4 million square feet with a sorting capacity of 17,000 packages per hour. This hub links all of China via Shanghai to UPS's international network, with direct service to the Americas, Europe and Asia. It also connects points served in China by UPS through a dedicated service provided by Yangtze River Express, a Chinese all-cargo airline.

We also have a new intra-Asia air hub at Shenzhen Bao'an International Airport in China. The Shenzhen facility, which was built on a parcel of almost one million square feet and has a sorting capacity of 18,000 packages per hour, serves as our primary transit hub in Asia.

Our primary information technology operations are consolidated in a 443,600 square foot owned facility, the Ramapo Ridge facility, which is located on a 39-acre site in Mahwah, New Jersey. We also own a 175,000 square foot facility located on a 25-acre site in Alpharetta, Georgia, which serves as a backup to the main information technology operations facility in New Jersey. This facility provides production functions and backup capacity in the event that a power outage or other disaster incapacitates the main data center. It also helps to meet our internal communication needs.

We believe that our facilities are adequate to support our current operations.

Fleet

Aircraft

The following table shows information about our aircraft fleet as of December 31, 2015:

Description	Owned and Capital Leases	Short-term Leased or Chartered From Others	On Order	Under Option
Boeing 757-200F	75	—	—	—
Boeing 767-300ERF	59	—	—	—
Airbus A300-600F	52	—	—	—
Boeing MD-11F	38	—	—	—
Boeing 747-400F	11	—	—	—
Boeing 747-400BCF	2	—	—	—
Other	—	413	—	—