Safe Harbor

Cautionary Statement About Forward-Looking Statements
This presentation contains forward-looking statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results. 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. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts.

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 include, but are not limited to: general economic conditions, both in the U.S. and internationally; significant competition on a local, regional, national, and international basis; the existing complex and stringent regulation in the U.S. and internationally, changes to which can impact our business; increased security requirements that may increase our costs of operations and reduce operating efficiencies; legal, regulatory or market responses to global climate change; negotiation and ratification of labor contracts, strikes, work stoppages and slowdowns by our employees; the effects of changing prices of energy, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities; changes in exchange rates or interest rates; our ability to maintain the image of our brand; breaches in data security; disruptions to the Internet or our technology infrastructure; our ability to accurately forecast our future capital investment needs; exposure to changing economic, political and social developments in international and emerging markets; changes in business strategy, government regulations, or economic or market conditions that may result in further substantial impairment write-downs of our assets; increases in our expenses relating to employee health and retiree health and our contributions to pension benefits; the potential for various claims and litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters; our ability to realize the anticipated benefits from acquisitions, joint ventures or strategic alliances; our ability to manage insurance and claims expenses; and other risks discussed in our filings with the Securities and Exchange Commission from time to time, including our Annual Report on Form 10-K for the year ended December 31, 2018.

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. We undertake no obligation to publicly update or revise any forward-looking statements.

Information included in this presentation, including comparisons to prior periods, may reflect adjusted results. See appendix for reconciliations of adjusted results and other non-GAAP financial measures.
Agenda

• Review of Mark-to-Market (MTM) Methodology
• Key Drivers of 4Q18 MTM Charge
• Corridor Matrix
• Glossary
Review of MTM Methodology

• Benefits of MTM methodology
  o Simplifies pension accounting
  o Aligns with U.S. GAAP fair value accounting concepts
  o Reflects current market returns
  o Provides greater transparency
• No impact to funding requirements or cash flow
• No change to benefits paid to plan participants
Components of Pension Expense

Operating Expense

- Service Cost
- Cost of benefits earned and PBGC premiums

Other Income and Expense

- Interest Cost
- Growth in liability due to passage of time

- Return on Assets
- Expected earnings on plan assets
MTM Timeline – Example

**Expected 2018 ROA = 7.75%**
Discount Rate = 3.82%*

**Actual 2018 ROA = -2.38%**
Discount Rate = 4.51%*

*US Plans’ discount rate illustrated for informational purposes*

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2018 monthly ongoing pension expense based on:
- Discount rate at 12/31/2017
- Expected ROA for 2018

Pension MTM for cumulative actuarial losses (including assumption changes) in excess of the 10% corridor

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Monitor & Update

12/31/2017

12/31/2018
## 4Q18 MTM Charge

*Impact to Income Statement (in millions)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrecognized Loss as of 12/31/2017</strong></td>
<td>$4,597</td>
</tr>
<tr>
<td>Loss due to changes in demographic data and assumptions</td>
<td>$106</td>
</tr>
<tr>
<td>Gain due to discount rate change</td>
<td>(4,829)</td>
</tr>
<tr>
<td><em>Discount rate increased from 3.82% to 4.51%</em></td>
<td></td>
</tr>
<tr>
<td>Loss due to accrual of coordinating benefits</td>
<td>1,548</td>
</tr>
<tr>
<td>Loss due to asset performance</td>
<td>4,303</td>
</tr>
<tr>
<td>Asset returns in 2018 were 1,013 bps lower than expected</td>
<td></td>
</tr>
<tr>
<td><strong>Net Loss as of 12/31/2018</strong></td>
<td>$5,725</td>
</tr>
<tr>
<td>MTM charge recognized in Q4 2018</td>
<td>$1,627</td>
</tr>
<tr>
<td><em>10% corridor exceeded for certain US and international plans</em></td>
<td></td>
</tr>
<tr>
<td><strong>Unrecognized Loss as of 12/31/2018</strong></td>
<td>$4,098</td>
</tr>
</tbody>
</table>

* US Plans discount rate illustrated for informational purposes
UPS withdrawal from Central States

• Withdrawal from CSPF was the right financial decision in 2007 and is today.
• 2014 legislation created a potential for benefit reductions as we disclosed a few years ago.
• UPS continues to work with Congress, the Administration and stakeholders to find fair and equitable funding solutions for the multiemployer plan system through legislation.
  – 1 million participants & over 5k employers in 100 MEPs in critical & declining status.
  – Industries include Transport, Automotive, Hospitality, Aerospace & Retail
  – UPS <2% of participants
• U.S. GAAP requires UPS to evaluate our potential backstop liability only under enacted laws. No other UPS multiemployer plans have a backstop.
• A 2nd CSPF MPRA filing is possible and would require UPS participants benefit reductions. Based on this scenario, we recorded a $1.6B liability.
• If new legislation is passed, it will require us to update our estimate.
Drivers of UPS Average Discount Rate Change

- UPS uses a hypothetical portfolio of AA bonds to calculate pension plan discount rates.
- Yields on treasuries and credit spreads for UPS plan bond portfolios both increased during 2018.
## Mark-to-Market Corridor Matrix

*(Jan 2019)*

<table>
<thead>
<tr>
<th>Discount Rate as of 12/31/2019(1)</th>
<th>2019 Rate of Return</th>
<th>0.25%</th>
<th>2.75%</th>
<th>5.25%</th>
<th>7.75%</th>
<th>10.25%</th>
<th>12.75%</th>
<th>15.25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.48%</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(146)</td>
<td>(328)</td>
<td>(1,015)</td>
<td></td>
</tr>
<tr>
<td>5.23%</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(135)</td>
<td></td>
</tr>
<tr>
<td>4.98%</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.73%</td>
<td>633</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.48%</td>
<td>2,172</td>
<td>1,202</td>
<td>231</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.23%</td>
<td>3,917</td>
<td>2,947</td>
<td>1,976</td>
<td>1,005</td>
<td>167</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3.98%</td>
<td>5,737</td>
<td>4,766</td>
<td>3,796</td>
<td>2,825</td>
<td>1,854</td>
<td>883</td>
<td>229</td>
<td></td>
</tr>
<tr>
<td>3.73%</td>
<td>7,642</td>
<td>6,671</td>
<td>5,701</td>
<td>4,730</td>
<td>3,759</td>
<td>2,788</td>
<td>1,816</td>
<td></td>
</tr>
<tr>
<td>3.48%</td>
<td>9,635</td>
<td>8,664</td>
<td>7,694</td>
<td>6,723</td>
<td>5,752</td>
<td>4,780</td>
<td>3,809</td>
<td></td>
</tr>
</tbody>
</table>

*Volatility Driven by Discount Rate and Returns*

(1) UPS Retirement Plan discount rate illustrated for informational purposes
Pension De-Risking Continues...

- UPS actively manages pensions to assure sustainability for employees, improve predictability, balance operating expense, cash and balance sheet, and minimize risk.
- UPS continues to look for opportunistic ways to lower long-term risk.
- UPS monitors the pension environment by evaluating options to control cost & minimize volatility.
- UPS continues to work with Congress, the Administration and stakeholders to find fair and equitable funding solutions for the multiemployer plan system.
- UPS remains actively engaged and uses all options to protect our interests and advocate for our employees.
Glossary
Glossary

- **Accounting Funded status** – the difference between plan assets at fair value and the PBO.

- **Actuarial assumption** – an estimate of an uncertain variable made for the purposes of calculating the expected present value of pension benefits. Possible variables include discount rates, return on assets, life expectancy of participants, compensation and retirement age, among others.

- **Actuarial gains or losses** – result from (1) changes in the discount rate used to measure the PBO, (2) differences between the expected and the actual return on plan assets, (3) changes in demographic assumptions including mortality, (4) participant experience different from demographic assumptions, and (5) changes in coordinating benefits with plans not sponsored by UPS.

- **Corridor** – the greater of 10% of plan assets or PBO.

- **Fair value of assets** – the market value of plan assets as of the measurement date.
• **Mark-to-Market (MTM) accounting** – recognition in the fourth quarter each year of any gains or losses outside the corridor. Such gains and losses arise from experience (including asset returns different from what had been assumed), and changes in actuarial assumptions (including discount rates).

• **Pension Expense** – recorded quarterly and comprised of:
  
  **Service cost** – represents the increase in the PBO due to the value of benefits earned for employee service in the current year; pension expense also includes amortization of prior service costs due to past plan changes.

  **Expected return on plan assets (EROA)** – product of the expected rate of return and the value of the plan assets, adjusted for benefit payments, and contributions.

  **Interest cost** – represents the growth in PBO due to interest, and equals the product of the PBO and the discount rate, adjusted for benefit payments.

• **Projected Benefit Obligation** – PBO represents the present value of all benefits attributed by the pension benefit formula to employee service rendered prior to that date.
Thank you