Scott Childress
Investor Relations Officer
UPS Speakers

David Abney
Chairman and CEO

Richard Peretz
CFO, SVP and Treasurer

Additional Q&A Participants:

Jim Barber
Chief Operating Officer

Kate Gutmann
Chief Sales and Solutions Officer

Juan Perez
Chief Information and Engineering Officer

Scott Price
Chief Strategy and Transformation Officer
Forward-Looking Statements and Non-GAAP Reconciliations

This presentation, our Annual Report on Form 10-K for the year ended December 31, 2018 and our other filings from time to time with the Securities and Exchange Commission contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release as well as oral forward-looking statements. Statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results, 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. 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 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.

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: changes in general economic conditions, in the U.S. or internationally; significant competition on a local, regional, national, and international basis; changes in our relationships with our significant customers; complex and stringent regulation in the U.S. and internationally (including tax laws and regulations), changes to which can impact our business; increased physical or data security requirements that may increase our costs of operations and reduce operating efficiencies; legal, regulatory or market responses to global climate change; 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; interruption of our business from severe weather or other natural or man-made disasters including terrorism; 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 substantial impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; potential additional tax liabilities in the U.S. or internationally; 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 or described from time to time in our future reports filed with the Securities and Exchange Commission. 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.

Information, including comparisons to prior periods, may reflect adjusted results. See the appendix for reconciliations of adjusted results and other non-GAAP financial measures.
1Q19 EPS vs. Adjusted EPS

* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
1Q Results Progressing with Transformation

• All business units generated improved revenue and successfully executed cost management strategies.

• Confident new automated facilities will achieve goal of 30-35% efficiency improvement compared to traditional facilities.

• Reaffirming full-year adjusted diluted EPS* will be in the range of $7.45 to $7.75.

* Non-GAAP financial measure.
1Q19 Performance

- Consolidated volume growth, higher quality revenue, and expanded network efficiencies.

- Supply Chain and Freight delivered outstanding operating profit.

- International grew volume, increased currency-neutral revenue per piece*, and expanded operating margins*.

- U.S. Domestic average daily volume grew across all products.

* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
Transformation Update

• Quality growth from Small and Medium Businesses
  • eFullfillment, providing insight and control to SMB shippers selling across marketplaces and websites.

• Strengthening global network
  • New, larger aircraft between Hong Kong and Europe.

• Focus on healthcare
  • First FAA-sanctioned use of a drone for daily revenue-producing flights with partner, Matternet.
Looking Ahead in 2019

• Global forecasts project continued economic growth.

• Growth in areas of the world less-affected by trade between the U.S. and China, and uncertainties around Brexit.

• U.S. economy remains in growth mode, with some mixed signals.
  • Consumer confidence remains strong.

*Our unmatched and diverse portfolio of services and increasingly agile network help our customers counterbalance the effects of macro trends.*
Richard Peretz
CFO, SVP and Treasurer
1Q19 Earnings Per Share Impacts

1Q19 adjusted EPS* $1.39 EPS

Expected year-over-year headwinds: $0.23 EPS
• One less operating day and Easter shift
• Change in tax rate versus 1Q18
• Lower other pension income (expense)

Within the period headwinds: $0.07 EPS
• Unexpected 1Q19 severe weather of about $80M

* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
1Q19 Highlights

• U.S. Domestic segment results just above expectations considering headwinds from severe weather.

• International expanded adjusted operating margins* by improving currency-neutral revenue yields* and flexing the network.

• Supply Chain and Freight outperformed our expectations with outstanding gains in operating profit.

* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
U.S. Domestic Progress

• Average daily volume growth for all products led by Air services, up nearly 8%.

• Revenue quality improved, driven by:
  • B2B volume growth
  • Gains from digitally-engaged smaller customers

• Previous investments in our network are starting to pay off.

• Weather impact to profit was about $80 million.

* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
International Strong Profit Results

- Highest 1Q operating profit* ever.
- Export growth led by Europe and the Americas.
- Asia delivered volume growth in virtually all lanes except Asia to U.S.
- Results were a great balance of:
  - Helping customers adapt to changing conditions.
  - Flexing our global network.
  - Controlling costs.

* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
^ One basis point equals one-hundredth of a percentage point.
Supply Chain and Freight Operating Profit Increase

- Segment delivered excellent financial performance.
  - Reported operating profit growth +17.6%.
  - Adjusted operating profit* growth of +24.1%.
- Forwarding cost management strategies enabled strong profits.
- Coyote truckload brokerage adjusted to market conditions while delivering high-quality service.
- UPS Freight improved revenue quality and growth in the middle market increasing revenue per hundredweight by 5.4%.

* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
Generating Excellent Cash Flow During Investment Cycle

• On target for full year Free Cash Flow* of \$3.5 to \$4 billion.
  • Potential upside from working capital initiatives.

• Returned \$1.1B to shareowners in 1Q19:
  • About \$250M share repurchases.
  • \$867M in dividends.

* Non-GAAP financial measure.
2019 Outlook

• Adjusted diluted EPS* will be in the range of $7.45 to $7.75.

• 23% to 24% expected tax rate.

• 2Q19 adjusted operating profit* growth in mid-single-digits; adjusted EPS* expected to be relatively flat to last year, largely due to planned pension financing costs

• 3Q19 adjusted EPS* to benefit from items such as one additional operating day and escalating efficiencies from new facilities.

* Non-GAAP financial measure.
Reconciliation of GAAP and Non-GAAP Financial Measures

We supplement the reporting of our financial information determined under generally accepted accounting principles ("GAAP") with certain non-GAAP financial measures, including, as applicable, "as adjusted" operating profit, operating margin, other income (expense), pre-tax income, net income and earnings per share. Additionally, we periodically disclose free cash flow, free cash flow excluding discretionary pension contributions, and capital expenditures excluding principal repayments of capital lease obligations. The equivalent measures determined in accordance with GAAP are also referred to as "reported" or "unadjusted."

We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Examples of items for which we may make adjustments include but are not limited to: amounts related to mark-to-market gains or losses (non-cash); settlement of contingencies; gains or losses associated with mergers, acquisitions, divestitures and other structural changes; charges related to restructuring programs such as the implementation of our Transformation strategy; asset impairments (non-cash); amounts related to changes in tax regulations or positions; amounts related to changes in foreign currency exchange rates and the impact of any hedging activities; other pension and postretirement related items; and debt modifications.

We believe that these non-GAAP measures provide additional meaningful information to assist users of our financial statements in understanding our financial results, cash flows and assessing our ongoing performance because they exclude items that may not be indicative of, or are unrelated to, our underlying operations and may provide a useful baseline for analyzing trends in our underlying businesses. Management uses these non-GAAP financial measures in making financial, operating and planning decisions. We also use certain of these measures for the determination of incentive compensation awards.

Non-GAAP financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP. Our non-GAAP financial information does not represent a comprehensive basis of accounting. Therefore, our non-GAAP financial information may not be comparable to similarly titled measures reported by other companies.

Costs Related to Restructuring Programs; Transformation Strategy Costs

We supplement the presentation of our operating profit, operating margin, pre-tax income, net income and earnings per share with similar non-GAAP measures that exclude the impact of costs related to restructuring programs, including Transformation strategy costs. We believe this adjusted information provides a useful comparison of year-to-year financial performance without considering the short-term impact of restructuring costs. We evaluate our performance on this adjusted basis.

Impact of Changes in Foreign Currency Exchange Rates and Hedging Activities

We supplement the reporting of our revenue, revenue per piece and operating profit with non-GAAP measures that exclude the period-over-period impact of foreign currency exchange rate changes and hedging activities. We believe currency-neutral revenue, revenue per piece and operating profit information allows users of our financial statements to understand growth trends in our products and results. We evaluate the performance of our International Package and Supply Chain and Freight segments on this currency-neutral basis.

Currency-neutral revenue, revenue per piece and operating profit are calculated by dividing current period reported U.S. dollar revenue, revenue per piece and operating profit by the current period average exchange rates to derive current period local currency revenue, revenue per piece and operating profit. The derived amounts are then multiplied by the average foreign exchange rates used to translate the comparable results for each month in the prior year period (including the period-over-period impact of foreign currency hedging activities). The difference between the current period reported U.S. dollar revenue, revenue per piece and operating profit and the derived current period U.S. dollar revenue, revenue per piece and operating profit is the period over period impact of currency fluctuations.

Free Cash Flow and Adjusted Capital Expenditures

We supplement the reporting of cash flows from operating activities with free cash flow, free cash flow excluding discretionary pension contributions and free cash flow plus principal repayments of capital lease obligations, non-GAAP liquidity measures. We believe these free cash flow measures are important indicators of how much cash is generated by regular business operations and we use it as a measure of incremental cash available to invest in our business, meet our debt obligations and return cash to shareholders. Additionally, we believe that adjusting capital expenditures for principal repayments of capital lease obligations more appropriately reflects the overall cash that we have invested in capital assets. We calculate free cash flow as cash flows from operating activities less capital expenditures, proceeds from disposals of property, plant and equipment, and plus or minus the net changes in finance receivables and other investing activities. Free cash flow excluding discretionary pension contributions adds back any discretionary pension contributions made during the period.
## Reconciliations

### Reconciliation of GAAP and non-GAAP Income Statement Data

(in millions, except per share amounts):

<table>
<thead>
<tr>
<th></th>
<th>As-Reported (GAAP)</th>
<th>Transformation Strategy Costs</th>
<th>As-Adjusted (non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Domestic Package</td>
<td>$ 666</td>
<td>$ 28</td>
<td>$ 694</td>
</tr>
<tr>
<td>International Package</td>
<td>$ 528</td>
<td>$ 84</td>
<td>$ 612</td>
</tr>
<tr>
<td>Supply Chain &amp; Freight</td>
<td>$ 200</td>
<td>$ 11</td>
<td>$ 211</td>
</tr>
<tr>
<td>Total operating profit</td>
<td>$ 1,394</td>
<td>$ 123</td>
<td>$ 1,517</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>$ 1,440</td>
<td>$ 123</td>
<td>$ 1,563</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>$ 329</td>
<td>$ 30</td>
<td>$ 359</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$ 1,111</td>
<td>$ 93</td>
<td>$ 1,204</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$ 1.28</td>
<td>$ 0.11</td>
<td>$ 1.39</td>
</tr>
</tbody>
</table>

Three Months Ended March 31, 2019
## Reconciliations

### Reconciliation of GAAP and non-GAAP Revenue, Revenue Per Piece and Operating Profit

(in millions, except per piece amounts):

<table>
<thead>
<tr>
<th>Three Months Ended March 31</th>
<th>2019 As-Reported (GAAP)</th>
<th>2018 As-Reported (GAAP)</th>
<th>% Change (GAAP)</th>
<th>Currency Impact (non-GAAP)</th>
<th>2019 Currency Neutral (non-GAAP)</th>
<th>% Change (non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Revenue Per Piece:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Package:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>$ 6.49</td>
<td>$ 6.70</td>
<td>-3.1%</td>
<td>$ 0.47</td>
<td>$ 6.96</td>
<td>3.9%</td>
</tr>
<tr>
<td>Export</td>
<td>28.78</td>
<td>28.87</td>
<td>-0.3%</td>
<td>0.73</td>
<td>29.51</td>
<td>2.2%</td>
</tr>
<tr>
<td>Total International Package</td>
<td>$ 16.79</td>
<td>$ 16.99</td>
<td>-1.2%</td>
<td>$ 0.59</td>
<td>$ 17.38</td>
<td>2.3%</td>
</tr>
<tr>
<td>Consolidated</td>
<td>$ 11.08</td>
<td>$ 10.97</td>
<td>1.0%</td>
<td>$ 0.09</td>
<td>$ 11.17</td>
<td>1.8%</td>
</tr>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Domestic Package</td>
<td>$ 10,480</td>
<td>$ 10,227</td>
<td>2.5%</td>
<td>$ -</td>
<td>$ 10,480</td>
<td>2.5%</td>
</tr>
<tr>
<td>International Package</td>
<td>3,459</td>
<td>3,533</td>
<td>-2.1%</td>
<td>117</td>
<td>3,576</td>
<td>1.2%</td>
</tr>
<tr>
<td>Supply Chain &amp; Freight</td>
<td>3,221</td>
<td>3,353</td>
<td>-3.9%</td>
<td>19</td>
<td>3,240</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$ 17,160</td>
<td>$ 17,113</td>
<td>0.3%</td>
<td>$ 136</td>
<td>$ 17,296</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

### Operating Profit:

<table>
<thead>
<tr>
<th></th>
<th>2019 As-Adjusted (non-GAAP)</th>
<th>2018 As-Adjusted (non-GAAP)</th>
<th>% Change (non-GAAP)</th>
<th>Currency Impact (non-GAAP)</th>
<th>2019 Currency Neutral (non-GAAP)</th>
<th>% Change (non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Domestic Package</td>
<td>$ 694</td>
<td>$ 756</td>
<td>-8.2%</td>
<td>$ -</td>
<td>$ 694</td>
<td>-8.2%</td>
</tr>
<tr>
<td>International Package</td>
<td>612</td>
<td>594</td>
<td>3.0%</td>
<td>(4)</td>
<td>608</td>
<td>2.4%</td>
</tr>
<tr>
<td>Supply Chain &amp; Freight</td>
<td>211</td>
<td>170</td>
<td>24.1%</td>
<td>1</td>
<td>212</td>
<td>24.7%</td>
</tr>
<tr>
<td>Total operating profit</td>
<td>$ 1,517</td>
<td>$ 1,520</td>
<td>-0.2%</td>
<td>$ (3)</td>
<td>$ 1,514</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>
Reconciliations

Reconciliation of non-GAAP Liquidity Measures (in millions):

<table>
<thead>
<tr>
<th>Three Months Ended March 31</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</strong></td>
</tr>
<tr>
<td>Preliminary 2019</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
</tr>
<tr>
<td>Cash flows used in investing activities</td>
</tr>
<tr>
<td>Cash flows used in financing activities</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash, cash equivalents and restricted cash</td>
</tr>
<tr>
<td><strong>Net increase in cash, cash equivalents and restricted cash</strong></td>
</tr>
</tbody>
</table>

Reconciliation of Adjusted Capital Expenditures and Free Cash Flow (non-GAAP measures)

<table>
<thead>
<tr>
<th>Preliminary 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities (GAAP)</td>
</tr>
<tr>
<td>Capital expenditures</td>
</tr>
<tr>
<td>Principal repayments of capital lease obligations</td>
</tr>
<tr>
<td>Adjusted capital expenditures (non-GAAP measure)</td>
</tr>
<tr>
<td>Proceeds from disposals of PP&amp;E</td>
</tr>
<tr>
<td>Net change in finance receivables</td>
</tr>
<tr>
<td>Other investing activities</td>
</tr>
<tr>
<td>Adjusted free cash flow (non-GAAP measure)</td>
</tr>
</tbody>
</table>