Raymond James & Associates’ 41st Annual Institutional Investors Conference

March 3, 2020
Forward-Looking Statements and Non-GAAP Reconciliations

This presentation, our Annual Report on Form 10-K for the year ended December 31, 2019 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. Forward-looking statements are made subject to safe harbor protections 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; changes in the complex and stringent regulation in the U.S. and internationally (including tax laws and regulations); 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; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate or benchmark; 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 epidemics, pandemics or terrorist attacks; 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; our ability to realize the anticipated benefits from our transformation initiatives; cyclical and seasonal fluctuations in our operating results; 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, 2019, 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.
Execution and Results in 2019

<table>
<thead>
<tr>
<th></th>
<th>Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GAAP 2019 vs. 2018</td>
</tr>
<tr>
<td>U.S. Domestic</td>
<td>+60 bps</td>
</tr>
<tr>
<td>International</td>
<td>+120 bps</td>
</tr>
<tr>
<td>SC&amp;F</td>
<td>+110 bps</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>+70 bps</strong></td>
</tr>
</tbody>
</table>

*Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
2019 Continuous Transformation & Accomplishments

• U.S. Domestic cost per piece declined -0.9%.
• Captured substantially all incremental air market growth in 2H19.
• Investments in aircraft, automation, and technology enabled UPS to increase flexibility and gain additional real time execution.
• Announced key UPS Access Point partnerships with Michaels and others.
• The FAA certified UPS with the first full Part 135 Standard to operate a drone airline at WakeMed, moving lab samples across its vast hospital campus.
Strategic Growth Initiatives

SMB…expanding unmatched capabilities in 2020.

1. SMB
   - Ware2Go
   - E-Fulfillment
   - Extended Hours
   - My Choice for Business
   - UPS WW Economy
   - Digital Access Program

2. International high-growth markets


4. Healthcare and life sciences

New

Speeding up ground network with 2020 SMB Initiatives

Next Day Integrated Air & Ground Network
Recent Developments

• 2020 results will include:

  • Lower pension discount rates will be a drag on operating results equivalent to $0.26 per share, but net pension expense will be a tailwind to EPS.

  • SMB network initiatives will create a headwind of $0.33 in EPS and be accretive in 2021.

• The coronavirus situation continues to evolve; 1Q20 results are expected to be impacted.

• U.S. Industrial Production forecasts continue to trend lower.

*UPS has a good track record for making the appropriate adjustments to minimize headwinds where possible.*
Rewarding Shareowners with Generous Dividends

- On February 13, 2020, UPS increased its quarterly dividend by 5% to $1.01 per share.

- Stable or growing dividend for nearly 50 years.

- Since IPO, UPS’s dividend has more than quadrupled.

- Strong dividend yield.

* Estimated based on 1Q20 dividend declared per share.
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), income (loss) before income taxes, income tax expense, net income and earnings per share. Additionally, we periodically disclose free cash flow, free cash flow excluding discretionary pension contributions, and capital expenditures including 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); recognition 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 post-retirement 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 and 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.

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.

Costs Related to Legal Contingencies and Expenses

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 certain of our legal contingencies and expenses. We believe this adjusted information provides a useful comparison of year-to-year financial performance without considering the impact of these contingencies and expenses. We evaluate our performance on this adjusted basis.

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 Pension Discount Rates

Effective January 1, 2020, we began evaluating our segment results and providing guidance using pension discount rate-neutral operating profit in addition to the GAAP segment operating profit measure. This measure excludes the period over period impact of discount rate changes on pension service cost. We believe pension discount rate-neutral operating profit guidance will allow users of our financial statements to better understand growth trends and expectations in our results by excluding the impact of changes in discount rates.

Pension discount rate-neutral operating profit is calculated by discounting the value of benefits attributable to employee service in a period utilizing the prior period’s discount rate applicable to each of our company-sponsored defined benefit plans. The difference between this derived amount and the reported service cost is the period over period impact of pension discount rate movements on segment operating profit.

Mark-To-Market Pension and Postretirement Adjustments

We recognize gains and losses in fair value of plan assets and net actuarial gains and losses in excess of a 10% corridor for company-sponsored pension and post-retirement obligations immediately as part of net periodic benefit cost other than service cost. We supplement the presentation of our pre-tax income, net income and earnings per share with similar non-GAAP measures that exclude the impact of the portion of net periodic benefit cost other than service cost represented by the gains and losses recognized in excess of the 10% corridor and the related income tax effects. We believe excluding these mark-to-market impacts from our adjusted results provides important supplemental information to remove the volatility caused by short term changes in market interest rates, equity prices, and similar factors.

This adjusted net periodic benefit cost ($754 million in 2019 and $615 million in 2018) is comparable to the accounting for our defined benefit plans in our quarterly reporting under U.S. GAAP. Utilizing the expected return on plan assets (7.68% in 2019 and 2018) and the discount rate used to determine net periodic benefit cost (4.45% in 2019 and 3.81% in 2018). The non-adjusted net periodic benefit cost reflects the actual return on plan assets (7.57% in 2019 and 3.38% in 2018) and the discount rate used to measure the projected benefit obligation at the December 31 measurement date (3.55% in 2019 and 4.40% in 2018).

The deferred income tax effects of these mark-to-market pension and postretirement adjustments are calculated by multiplying the statutory tax rates applicable in each tax jurisdiction, including the U.S. federal jurisdiction and various U.S. state and non-U.S. jurisdictions, by the adjustments. The blended average of the applicable statutory tax rates in 2019 and 2018 was 23.9% and 24.0%, respectively.

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 them 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 financial receivables and other investing activities. Free cash flow excluding discretionary pension contributions adds back any discretionary pension contributions made during the period.

Mark-to-Market Pension and Postretirement Adjustments

We recognize gains and losses in fair value of plan assets and net actuarial gains and losses in excess of a 10% corridor for company-sponsored pension and post-retirement obligations immediately as part of net periodic benefit cost other than service cost. We supplement the presentation of our pre-tax income, net income and earnings per share with similar non-GAAP measures that exclude the impact of the portion of net periodic benefit cost other than service cost represented by the gains and losses recognized in excess of the 10% corridor and the related income tax effects. We believe excluding these mark-to-market impacts from our adjusted results provides important supplemental information to remove the volatility caused by short term changes in market interest rates, equity prices, and similar factors.

This adjusted net periodic benefit cost ($754 million in 2019 and $615 million in 2018) is comparable to the accounting for our defined benefit plans in our quarterly reporting under U.S. GAAP. Utilizing the expected return on plan assets (7.68% in 2019 and 2018) and the discount rate used to determine net periodic benefit cost (4.45% in 2019 and 3.81% in 2018). The non-adjusted net periodic benefit cost reflects the actual return on plan assets (7.57% in 2019 and 3.38% in 2018) and the discount rate used to measure the projected benefit obligation at the December 31 measurement date (3.55% in 2019 and 4.40% in 2018).

The deferred income tax effects of these mark-to-market pension and postretirement adjustments are calculated by multiplying the statutory tax rates applicable in each tax jurisdiction, including the U.S. federal jurisdiction and various U.S. state and non-U.S. jurisdictions, by the adjustments. The blended average of the applicable statutory tax rates in 2019 and 2018 was 23.9% and 24.0%, respectively.

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 them 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 financial receivables and other investing activities. Free cash flow excluding discretionary pension contributions adds back any discretionary pension contributions made during the period.
Reconciliations

### Twelve Months Ended December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>As-Reported (GAAP)</th>
<th>Transformation Strategy Costs (1)</th>
<th>Defined Benefit Plans MTM Charges (2)</th>
<th>Legal Contingencies and Expenses</th>
<th>As-Adjusted (Non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Domestic Package</td>
<td>$ 4,164</td>
<td>$ 108</td>
<td>$ -</td>
<td>$ 97</td>
<td>$ 4,369</td>
</tr>
<tr>
<td>International Package</td>
<td>2,657</td>
<td>122</td>
<td>$ -</td>
<td>$ -</td>
<td>2,779</td>
</tr>
<tr>
<td>Supply Chain &amp; Freight</td>
<td>977</td>
<td>25</td>
<td>$ -</td>
<td>$ -</td>
<td>1,002</td>
</tr>
<tr>
<td><strong>Total operating profit</strong></td>
<td>$ 7,798</td>
<td>$ 255</td>
<td>$ -</td>
<td>$ 97</td>
<td>$ 8,150</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>$ 5,652</td>
<td>$ 255</td>
<td>$ 2,387</td>
<td>$ 97</td>
<td>$ 8,391</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>$ 1,212</td>
<td>59</td>
<td>571</td>
<td>6</td>
<td>1,848</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$ 4,440</td>
<td>$ 196</td>
<td>$ 1,816</td>
<td>$ 91</td>
<td>$ 6,543</td>
</tr>
<tr>
<td><strong>Diluted earnings per share</strong></td>
<td>$ 5.11</td>
<td>$ 0.23</td>
<td>$ 2.09</td>
<td>$ 0.10</td>
<td>$ 7.53</td>
</tr>
</tbody>
</table>

(1) Transformation strategy costs include other employee benefits costs of $166 million, and other costs of $89 million
(2) Pension expense due to a mark-to-market loss recognized outside of a 10% corridor
Reconciliations

<table>
<thead>
<tr>
<th>Twelve Months Ended December 31, 2018</th>
<th>As-Reported (GAAP)</th>
<th>Transformation Strategy Costs(^1)</th>
<th>Defined Benefit Plans MTM Charges(^2)</th>
<th>As-Adjusted (non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Domestic Package</td>
<td>$ 3,643</td>
<td>$ 235</td>
<td>$ -</td>
<td>$ 3,878</td>
</tr>
<tr>
<td>International Package</td>
<td>2,529</td>
<td>76</td>
<td>-</td>
<td>2,605</td>
</tr>
<tr>
<td>Supply Chain &amp; Freight</td>
<td>852</td>
<td>49</td>
<td>-</td>
<td>901</td>
</tr>
<tr>
<td>Total operating profit</td>
<td>$ 7,024</td>
<td>$ 360</td>
<td>$ -</td>
<td>$ 7,384</td>
</tr>
<tr>
<td>Total other income (expense)</td>
<td>$ (1,005)</td>
<td>$ -</td>
<td>$ 1,627</td>
<td>$ 622</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>$ 6,019</td>
<td>$ 360</td>
<td>$ 1,627</td>
<td>$ 8,006</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>$ 1,228</td>
<td>$ 87</td>
<td>$ 390</td>
<td>$ 1,705</td>
</tr>
<tr>
<td>Net income</td>
<td>$ 4,791</td>
<td>$ 273</td>
<td>$ 1,237</td>
<td>$ 6,301</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$ 5.51</td>
<td>$ 0.31</td>
<td>$ 1.42</td>
<td>$ 7.24</td>
</tr>
</tbody>
</table>

\(^1\) Transformation strategy costs include other employee benefits costs of $262 million, and other costs of $98 million

\(^2\) Pension expense due to a mark-to-market loss recognized outside of a 10% corridor