



# UPS Shareowner Meeting 2017 Invest. Grow. Deliver.

May 4, 2017

# Forward-Looking Statements

Presentations may contain forward-looking statements within the meaning of 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: general economic conditions, both in the U.S. and internationally; significant competition on a local, regional, national, and international basis; changes in our relationships with our significant customers; existing complex and stringent regulations 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 substantial impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or 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, 2016, 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. Management believes that these forward-looking statements are reasonable as and when made. 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.

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 all presentations, including comparisons to prior periods, may reflect adjusted results. See appendix for reconciliations of adjusted results and other non-GAAP financial measures.

# UPS 2016 Consolidated Results

<b>(In millions, except EPS)</b>	<b>2016</b>	<b>% Change</b>
Revenue	\$60,906	4.4%
Adj. Operating Expenses*	\$52,788	4.4%
Adj. Operating Profit*	\$8,118	4.3%
Adj. Net Income*	\$5,104	3.7%
Adj. Diluted EPS*	\$5.75	5.9%

*\* Presented on an adjusted basis, see Appendix an Operating Expense Reconciliation, an Operating Profit Reconciliation and an Adjusted Net Income and EPS Reconciliation*

# Capital Efficiency – 2016

## *A UPS Hallmark*

- Strong Cash from Operations of \$6.5B
- Capital Expenditures of \$3B
- Return on Invested Capital\*\* of 27.0%
- Distributions to Shareowners
  - Dividends increased 7.0% per share
  - Repurchased \$2.7B in Shares Outstanding

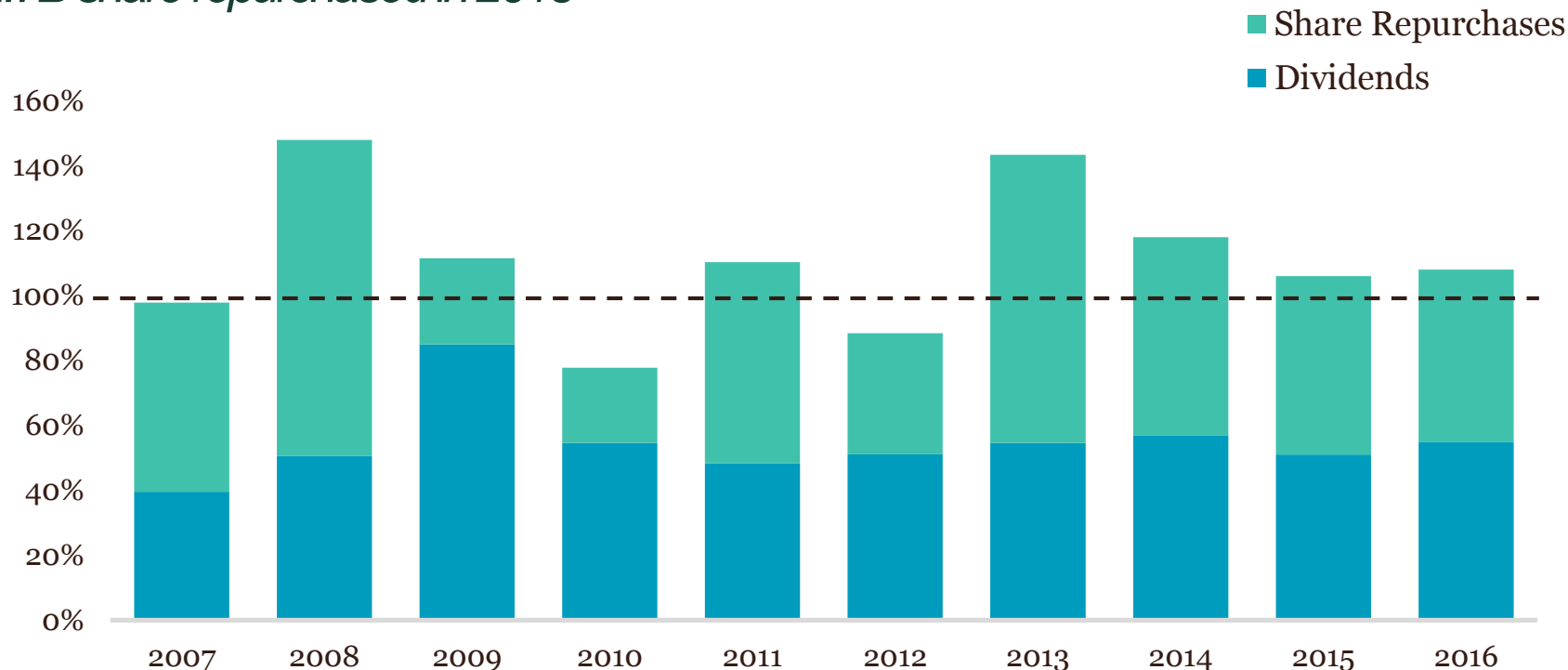


*\*Formula: Free Cash Flow ÷ Adjusted Net Income, see appendix for Free Cash Flow Reconciliation and Adjusted Net Income Reconciliation*

*\*\*See Appendix for Adjusted ROIC calculation*

# Strong Returns to Shareholders

*\$2.7B share repurchased in 2016*

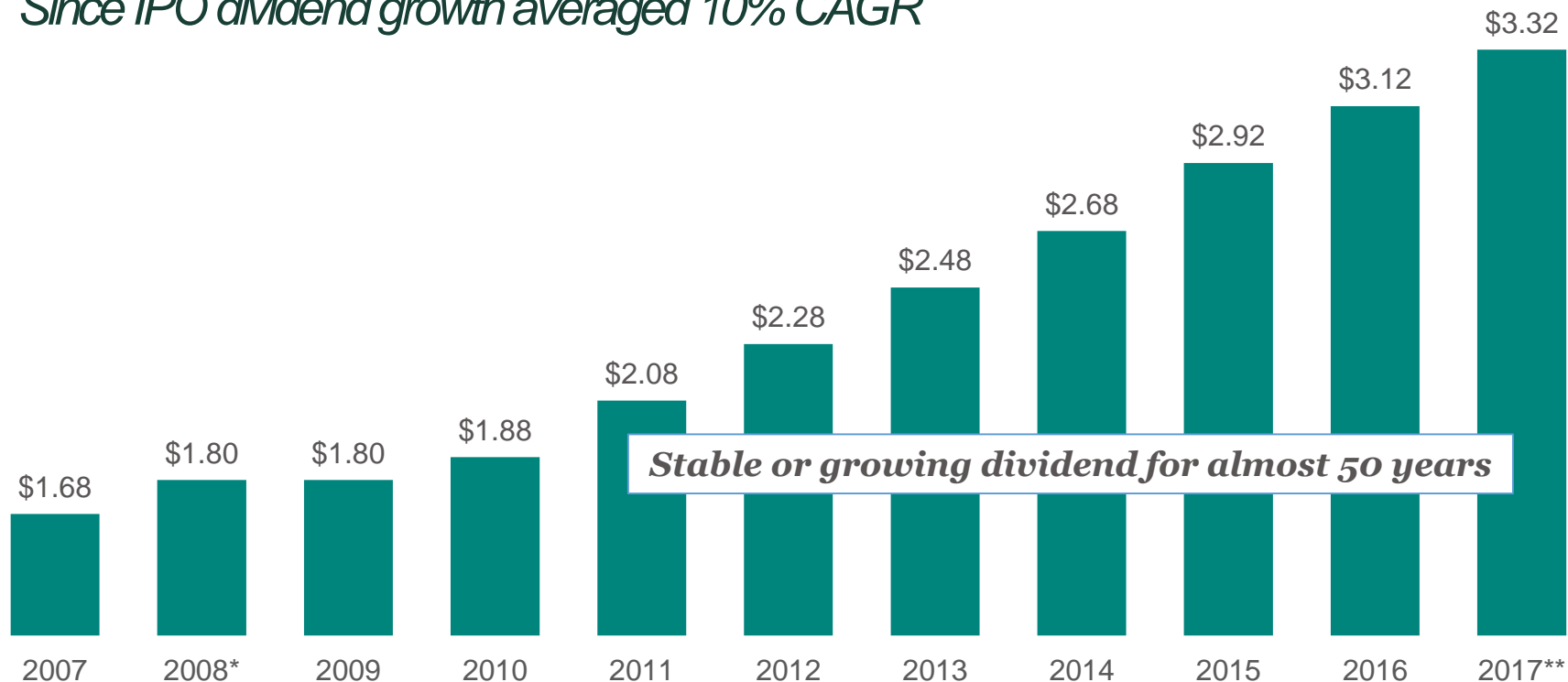


Returning more than 100% of Net Income\* to Shareowners

*\*See Appendix for a Reconciliation of Adjusted Net Income*

# A Growing Dividend for 47 years

- *Since IPO dividend growth averaged 10% CAGR*



Annual cash dividends paid since 1969 \*2008 included five dividend payments (totaling \$2.22/share) due to dividend payment schedule change

\*\*2017 is estimated based on \$.83 per share first quarter announcement

# UPS 2017 Financial Targets (Non-GAAP)

U.S. Domestic	Target	2017
	Revenue	5% to 7%
	Adj. Operating Profit	6% to 8%
	Adj. Operating Margin	Expand slightly

International	Target	2017
	Revenue	2% to 4%
	Adj. Operating Profit	-8% to -4%
	Adj. Operating Margin	Below LY

SC&F	Target	2017
	Revenue	8% to 10%
	Adj. Operating Profit	Down 1Q, Y/Y
	Adj. Operating Margin	Slightly below LY

Total Company	Target	2017
	Total Revenue	5% to 7%
	Adj. Operating Profit	~3%
	Adj. Earnings per Share	1% to 6%

**CapEx 6 to 7% of Revenue,  
Share Repurchases of \$1.8B, Dividend 50-55% of Adjusted Net Income**

# UPS Shareowner Meeting 2017

Appendix



# Adjusted Net Income and EPS Reconciliation

## Earnings per Share and Shareholder Distribution Trends

(amounts in millions, except per share amounts)

	2014	2015	2016	2015 & 2016	% Increase 2014 to 2016	% CAGR 2014 to 2016
<b>GAAP Net Income</b>	\$ 3,032	\$ 4,844	\$ 3,431	\$ 8,275	13.2%	6.4%
<b>GAAP Diluted Earnings Per Share</b>	\$ 3.28	\$ 5.35	\$ 3.87		18.0%	8.6%
<b>Operating Expenses:</b>						
Transfer healthcare coverage to MEP	\$ 1,102	\$ -	\$ -	\$ -		
Pension Mark to Market	1,062	118	2,651	2,769		
<b>Total Adjustments to Operating Expenses:</b>	\$ 2,164	\$ 118	\$ 2,651	\$ 2,769		
Tax-Effect of Above Items	(807)	(39)	(978)	(1,017)		
<b>Total Adjustments to Net Income</b>	\$ 1,357	\$ 79	\$ 1,673	\$ 1,752		
<b>Adjusted Net Income</b>	\$ 4,389	\$ 4,923	\$ 5,104	\$ 10,027	16.3%	7.8%
Divided By: Diluted WAVG Shares Outstanding	924	906	887			
<b>Adjusted Diluted Earnings Per Share</b>	\$ 4.75	\$ 5.43	\$ 5.75		21.1%	10.0%
<b>Shareholder Distributions</b>						
Dividends	\$ 2,487	\$ 2,649	\$ 2,771	\$ 5,420		
Share Repurchases	2,662	2,711	2,706	5,417		
<b>Total</b>	\$ 5,149	\$ 5,360	\$ 5,477	\$ 10,837		
% Adjusted Net Income - Dividends	57%	54%	54%	54%		
% Adjusted Net Income - Share Repurchases	61%	55%	53%	54%		
% Adjusted Net Income Returned to Shareholders	118%	109%	107%	108%		

# ROIC Reconciliation

## ROIC

(amounts in millions)	2011 - Adjusted	2011 - GAAP	2012 - Adjusted	2012 - GAAP	2013 - Adjusted	2013 - GAAP	2014 - Adjusted	2014 - GAAP	2015 - Adjusted	2015 - GAAP	2016 - Adjusted	2016 - GAAP
Operating Profit	6,874	6,080	7,070	1,343	7,073	7,034	7,132	4,968	7,786	7,668	8,118	5,467
Less: Taxes	(2,365)	(2,073)	(2,439)	(230)	(2,504)	(2,427)	(2,532)	(1,719)	(2,647)	(2,607)	(2,801)	(1,815)
After-Tax Op Profit	4,509	4,007	4,631	1,113	4,569	4,607	4,600	3,249	5,139	5,061	5,317	3,652
Beginning LT Debt	10,491	10,491	11,095	11,095	11,089	11,089	10,824	10,824	9,856	9,856	11,316	11,316
Ending LT Debt	11,095	11,095	11,089	11,089	10,824	10,824	9,856	9,856	11,316	11,316	12,394	12,394
Beginning Shareowners' Equity	10,387	8,047	9,853	7,108	7,941	4,733	6,566	6,488	5,356	2,158	5,200	2,491
Ending Shareowners' Equity	9,853	7,108	7,941	4,733	6,566	6,488	5,356	2,158	5,200	2,491	3,850	429
Average Invested Capital	20,913	18,371	19,989	17,013	18,210	16,567	16,301	14,663	15,864	12,911	16,380	13,315
Return on Invested Capital	21.6%	21.8%	23.2%	6.5%	25.1%	27.8%	28.2%	22.2%	32.4%	39.2%	32.5%	27.4%
Beginning Total Debt	10,846	10,846	11,128	11,128	11,120	11,120	10,872	10,872	10,787	10,787	14,334	14,334
Ending Total Debt	11,128	11,128	11,120	11,120	10,872	10,872	10,787	10,787	14,334	14,334	16,075	16,075
Beginning Shareowners' Equity	10,387	8,047	9,853	7,108	7,941	4,733	6,566	6,488	5,356	2,158	5,200	2,491
Ending Shareowners' Equity	9,853	7,108	7,941	4,733	6,566	6,488	5,356	2,158	5,200	2,491	3,850	429
Average Invested Capital	21,107	18,565	20,021	17,045	18,250	16,607	16,791	15,153	17,839	14,885	19,730	16,665
Return on Invested Capital	21.4%	21.6%	23.1%	6.5%	25.0%	27.7%	27.4%	21.4%	28.8%	34.0%	27.0%	21.9%

### \*2012 total debt adjusted to reflect 1/15/13 debt repayment of \$1.75B

#### Shareowners Equity Adjustments:

2011 beginning balance adjusted \$2.340 billion for unrecognized pension and postretirement benefits costs, net of tax  
 2011 ending balance adjusted \$2.745 billion for unrecognized pension and postretirement benefits costs, net of tax  
 2012 ending balance adjusted \$3.208 billion for unrecognized pension and postretirement benefits costs, net of tax  
 2013 ending balance adjusted \$78 million for TNT and unrecognized pension and postretirement benefits costs, net of tax  
 2014 ending balance adjusted \$3.198 billion for unrecognized pension and postretirement benefits costs, net of tax  
 2015 ending balance adjusted \$2.709 billion for unrecognized pension and postretirement benefits costs, net of tax  
 2016 ending balance adjusted \$3.421 billion for unrecognized pension and postretirement benefits costs, net of tax