Raymond James & Associates' 40th Annual Institutional Investors Conference

March 5, 2019

Forward-Looking Statements and Non-GAAP Reconciliations

This presentation includes “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 presentation, in our Annual Report on Form 10-K for the year ended December 31, 2018 and in our other filings with the Securities and Exchange Commission 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 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; the existing 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 both in the U.S. and 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 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.

Transformation Initiatives Producing Benefits

- Results positively impacted by Small and Medium-Sized Business and yield management initiatives.
- Increasing our range of offerings to solidify UPS as the provider of choice for both B2C and B2B ecommerce.
- Generated solid operating margins, excellent free cash flow, and strong returns to shareowners.

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

Executed a Comprehensive Peak Plan

- Delivered industry-leading, on-time service.
- Automated facilities, refined hiring & training, adapted to market conditions.
- Aligned pricing, volume, and mix to ensure we are rewarded for the value we deliver.

Bridge to 2019 Adjusted EPS Guidance

2018 Adjusted Earnings per Share (EPS)*	**$7.24**		
2019 Underlying Segment Performance	$0.72 - $1.02		
		$7.96 - $8.26	*10 to 14%*
Other Pension Income/(Expense)**	$ (0.29)		
Change in Tax Rate	$ (0.22)		
		$ (0.51)	
2019 Adjusted EPS* Guidance		**$7.45 - $7.75**	

* Non-GAAP financial measure.
** Because it is not possible to predict, potential impacts of a future pension mark-to-market adjustment are not included.

Looking at 2019…

- Expect operating profits to grow in the low teens with all three segments up double-digits.
- Expect 1Q19 adjusted EPS* at about ***19%*** of the full year guidance mid-point… or around ***$1.41.***
  - One less op day, Easter moves and 1Q18 tax benefit that does not repeat.
- Expect 2Q-4Q19 adjusted EPS* between ***26 to 28%*** of the full year guidance mid-point.
- Adjusted free cash flow anticipated between ***$3.5*** and ***$4*** billion, with potential upside from working capital initiatives.*

*Non-GAAP financial measure. Because it is not possible to predict, potential impacts of a future pension mark-to-market adjustments are not included and FCF is adjusted for capital lease obligations.

Rewarding Shareowners with Generous Dividends

$0.96 quarterly dividend/share in 2019 or 5.5% growth

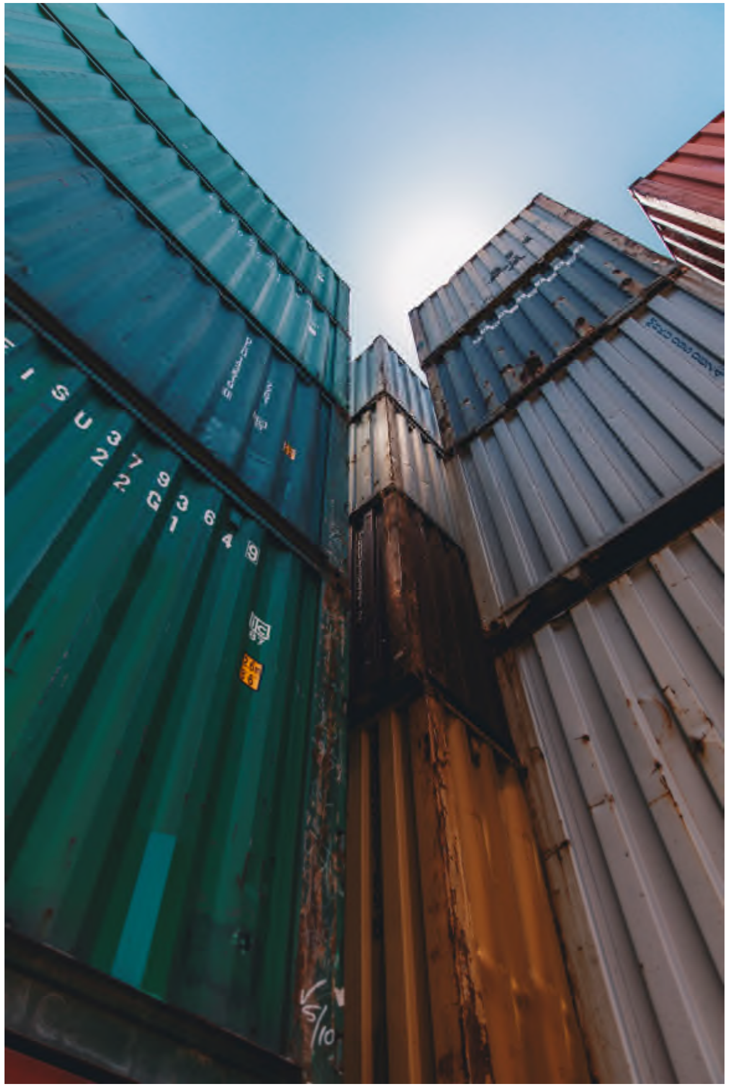
- Stable or growing dividend for almost 50 years.
- Since IPO, average dividend growth of 10%.
- Almost 70% dividend growth in the last 7 years.
- Strongest dividend yield amongst transports*

Annual cash dividends paid since 1969
*Compared to Dow Jones Transportation Index, as of Feb 2019

UPS Strategy

Committed to Transformation

- Growth in targeted markets with higher quality revenue.
- Reduce costs and increase operating efficiency to improve operating leverage.
- Develop and enhance management team, reinforce a culture of continuous transformation.



Questions & Answers

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. The equivalent measures determined n accordance with GAAP are also referred to as "reported" or "unadjusted." Additionally, we periodically disclose free cash flow, free cash flow excluding discretionary pension contributions, and adjusted free cash flow as well as currency-neutral revenue, revenue per piece and operating profit.

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 impact from 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.

Mark-To-Market Pension and Postretirement Adjustments

We recognize changes in the 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. 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 the portion of net periodic benefit cost represented by the gains and losses recognized in excess of the 10% corridor and the related income tax effects. We believe this adjusted net periodic benefit cost provides important supplemental information that reflects the anticipated long-term cost of our defined benefit plans, and provides a benchmark for historical defined benefit cost trends that may provide useful comparison of year-to-year financial performance without considering the short-term impact of changes in market interest rates, equity prices, and similar factors.

This adjusted net periodic benefit cost ($615 million in 2018 and $843 million in 2017) 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 2018 and 8.65% in 2017) and the discount rate used to determine net periodic benefit cost (3.81% in 2018 and 4.34% in 2017). The non-adjusted net periodic benefit cost reflects the actual return on plan assets (-2.38% in 2018 and 14.25% in 2017) and the discount rate used to measure the projected benefit obligation at the December 31 measurement date (4.45% in 2018 and 3.81% in 2017).

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 2018 and 2017 was 24.0% and 24.1%, respectively.

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 whenconsidering the short-term impact of restructuring costs. We evaluate the performance of our businesses on an 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 similar 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 businesses 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 current period local currency revenue, revenue per piece and operating profit 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 revenue 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 shareowners. 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):

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

Note: Certain amounts may not compute due to rounding.

Reconciliations

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

Twelve Months Ended December 31

Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash

	2018
Cash flows from operating activities	$ 12,711
Cash flows used in investing activities	(6,330)
Cash flows used in financing activities	(5,692)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(91)
Net increase in cash, cash equivalents and restricted cash	$ 598

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

	2018
Cash flows from operating activities (GAAP)	$ 12,711
Capital expenditures	(6,283)
Principal repayments of capital lease obligations	(340)
Adjusted Capital Expenditures (non-GAAP measure)	$ (6,623)
Proceeds from disposals of PP&E	37
Net change in finance receivables	4
Other investing activities	1
Adjusted Free cash flow (non-GAAP measure)	$ 6,130