2018 Accounting Changes

Impact to UPS financial statements

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 (including tax laws and regulations), 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 write-downs, 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; severe weather of other natural or manmade disasters; 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, 2017, 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 Adoption of New 2018 Accounting Standards

Summary Comments

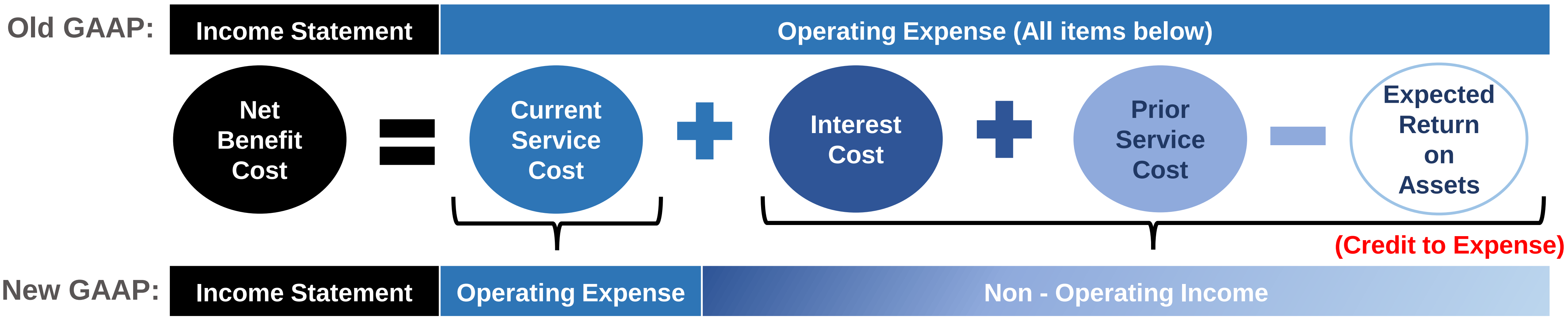
- Key messages regarding 2018 new and updated Accounting Standards Codification (ASC)
  - The new and updated ASCs change the location of items on the income statement
  - Minimal impact to Adjusted Net Income and Earnings Per Share, which will shift slightly between time periods
  - Adoption of the new ASCs does not impact the underlying performance or operations of the business units
- All calendar year U.S. public companies were required to adopt the standards on January 1, 2018.
- Comparisons among periods will be more complex because:
  - Revenue recognized for shipments in-transit shifts among time periods
  - Pension discount rates are different year-to-year
  - Actual Return on Assets (ROA) varies between periods
  - Changes have been made to Pension Plan design
  - Discretionary funding events vary among time periods

2018 Accounting Changes

Accounting Standard	Description	Description
ASC 715	Pension Expense Reclassification	Reclassify select pension components from operating expense to “Other Income (Expense)”. No change to Net Income or Earnings per Share (EPS).
ASC 606	Change #1: Gross Revenue Recognition	Additional transactions where SC&F is acting as principal, which requires separating revenue and purchased transportation expense. No change to Net Income or EPS.
ASC 606	Change #2: Deferred Revenue	Changes the timing of revenue and expense recognition for shipments in transit at period-end. Net Income and EPS will shift slightly between periods.

Pension Expense (Geography Shift) – ASC 715

Net income and earnings per share do not change



Income Statement Lines Impacted	Direction
Operating Expense: Compensation and Benefits	Increase ↑
Operating Profit and Operating Margin	Decrease ↓
Other Income: Investment income and other	Increase ↑
Net Income	No Change
Diluted Earnings per Share	No Change

2017 Results Recast for ASC 715 Pension Changes

1. There is no change in underlying business segment performance, adjusted Net Income or adjusted diluted EPS.
2. Expected Return on Assets (EROA) is a reduction to expense and drives a net expense reduction for the combined items relocating to "Other Income (Expense)".
3. As a result, segment operating expense will increase and adjusted operating profit will be lower.

2017 (in millions)	Adjusted Actual[1]	ASC Impact	Adjusted Recast Actual
Revenue	**$65,872**	**-**	**$65,872**
Operating Expense	$57,543	$789	$58,332
Adjusted Operating Profit	**$8,329**	**($789)**	**$7,540**
Other Income (Expense)	($381)	$789	$408
Adjusted Net Income	**$5,259**	-	**$5,259**
Adjusted Diluted EPS	**$6.01**	-	**$6.01**

+ Interest Cost
+ Prior Service Cost
- EROA
= Net Expense Credit

1. *See reconciliation of non-GAAP financial measures*

ASC 606 #1: Gross Revenue Recognition

Net income and earnings per share do not change

Net to gross revenue change

- Under the new guidance, in certain SC&F products UPS acts as the principal rather than the agent, requiring UPS to report revenue gross of purchased transportation costs rather than net.

(in millions)

Income Statement Lines Impacted	Direction		2017 Change
Supply Chain & Freight Revenue	Increase	↑	$709
Operating Expenses: Purchased Transportation	Increase	↑	$709
Operating Profit	No Change		-
Operating Margin	Slightly	↓	-10 bps

ASC 606 #2: Deferred Revenue Recognition

**Minimal impact to net income and earnings per share*

Revenue recognized as services are performed

- Revenue will be recognized as services are rendered over time rather than upon delivery (e.g. percent complete).

(in millions)

Income Statement Lines Impacted	Direction	2017 Change
Revenue – All Segments	Increase ↑	$3
Operating Expense	Increase ↑	$13
Operating Profit	Slight Change	($10)
Operating Margin	Immaterial ↓	~(2) bps

**Net Income and earnings per share will shift slightly between periods.*

2017 Results Recast for Accounting Changes

Combined ASC 715 and ASC 606 impact

2017 (in millions)	**Adjusted Actual[1]**	**ASC Impact**	**Adjusted Recast Actual**
Revenue	**$65,872**	**$712**	**$66,584**
Operating Expense	$57,543	$1,511	$59,054
ASC 715 - Pension		***$789***	
ASC 606 - Revenue		***$722***	
Adjusted Operating Profit	**$8,329**	**($799)**	**$7,530**
Other Income (Expense)	($381)	$789	$408
Adjusted Net Income	**$5,259**	**($6)**	**$5,253**
Adjusted Diluted EPS	**$6.01**	**($0.01)[2]**	**$6.00**

1. *See reconciliation of non-GAAP financial measures*
2. *ASC 606, Change #2…Net Income and Earnings Per Share will shift slightly between periods*

2017 Segment Results Recast for Accounting Changes

Combined ASC 715 and ASC 606 impact

2017 (in millions)	**Adjusted Actual**[(1)]	**Estimated ASC Impact**	**Adjusted Recast Actual**
U.S. Domestic Package	$4,917	**($613)**	$4,304
International Package	$2,499	($69)	$2,430
Supply Chain & Freight	$913	($117)	$796
Adjusted Operating Profit	**$8,329**	**($799)**	**$7,530**

1. *See reconciliation of non-GAAP financial measures*

2018 Segment Outlook for Accounting Changes

Combined ASC 715 and ASC 606 Impact

(in millions)	2017 ASC Impact[1]	Forecast 2018 ASC Impact
U.S. Domestic Package	($613)	($930)
International Package	($69)	($64)
Supply Chain & Freight	($117)	($149)
Adjusted Operating Profit	**($799)**	**($1,143)**
Other Income (Expense)	$789	$1,137

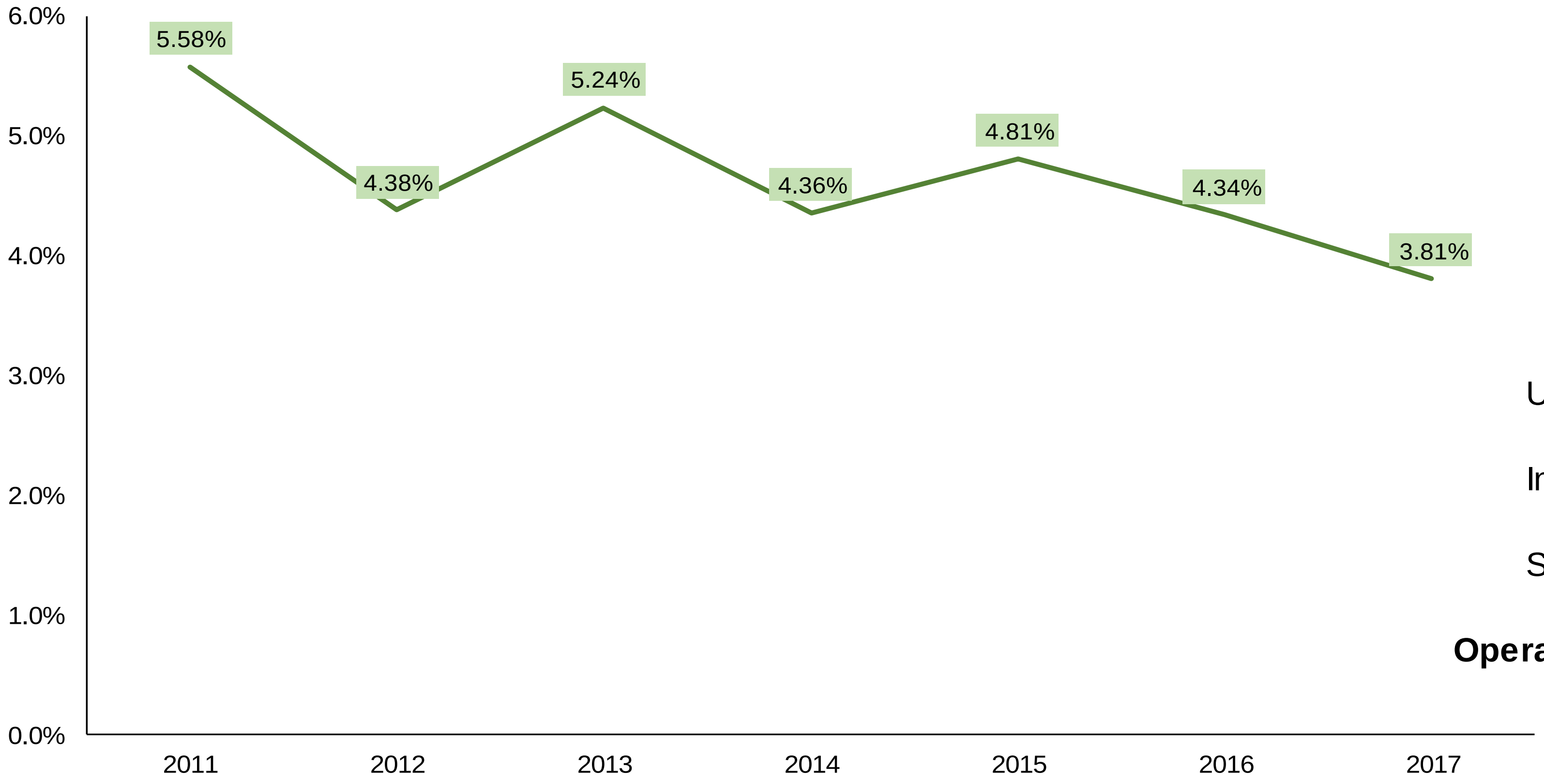
The net expense credit is larger in 2018 because of higher pension asset balance from:

- ***Strong 2017 actual return on pension assets of 14.25%***
- ***2017 discretionary funding events including the $5 billion contribution at year end***

Total year over year pension expense is relatively flat when combining all pension related items noted above, additional $235M expense from lower discount rates, as well as the interest expense associated with additional debt issuances for the funding.

1. *See reconciliation of non-GAAP financial measures*

UPS Pension Discount Rate Trend & 2018 Impact



	2018 Discount Rate Impact ($ in millions)
US Domestic Package	(200)
International Package	(10)
SC&F	(25)
Operating Profit	**(235)**

Negative impact from lower discount rate stays in segment expense

UPS Adoption of New 2018 Accounting Standards

Closing Comments

Bottom Line

- ASC 715 – No change to Adjusted Net Income and Earning Per Share
- ASC 606 – 2017 Earnings Per Share affected by $0.01
- The new and updated ASCs change the location of items on the income statement
- Adopting the new ASCs does not impact the underlying performance or operations of the business units

Please contact UPS Investor Relations if you have any questions.

APPENDIX

- Modeling ASC 715 and 606 across the quarters
- Additional information for ASC 715
- GAAP / Non-GAAP Reconciliations

Quarterly Modeling of Operating Profit Impact

Combined ASC 715 and ASC 606 Impact

Distribution of impact to operating profit across quarters based on annual results from slide 10

(in millions)	1Q	2Q	3Q	4Q	FY
2017	($168)	($178)	($222)	($231)	($799)
2018	($261)	($285)	($288)	($309)	($1,143)

Comparisons among periods will be more complex because:

- Revenue recognized for shipments in-transit shifts among time periods
- Pension discount rates are different year-to-year
- Actual Return on Assets (ROA) varies between periods
- Changes have been made to Pension Plan design
- Discretionary funding events vary among time periods

ASC 715 – Service Cost Impact to Operating Results

- Current service cost will be the only pension related cost that continues to be reported in segment operating expense
    - Service cost is the present value of the projected retirement benefits earned by plan participants in the current period
    - Discount rates used to calculate present value of service costs are determined annually on December 31st of the prior year
    - UPS uses a hypothetical portfolio of AA bonds to calculate pension plan discount rates
    - All other things constant; lower pension discount rates increase operating expense, higher discount rates lower operating expense

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, pre-tax income, net income and earnings per share. The equivalent measures determined in accordance with GAAP are also referred to as "reported" or "unadjusted." Additionally, we periodically disclose free cash flow as well as currency-neutral revenue, revenue per piece and operating profit.

We believe that these non-GAAP measures provide additional meaningful information to assist users of our financial statements in understanding our financial results 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 award results.

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.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) was enacted that significantly revises U.S. corporate income tax law by, among other things, reducing the corporate income tax rate to 21% and implementing a modified territorial tax system, that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. Net Income and diluted earnings per share as adjusted, excluding the benefit from TCJA of $258 million, is a non-GAAP measure. The tax benefit was primarily due to the TCJA's reduction in the corporate tax rate that resulted in a remeasurement of our net deferred tax liability. We believe diluted earnings per share excluding the tax benefit is useful in evaluating our ongoing operating performance for the current period to that of other periods presented. The estimates are based on our initial analysis and current interpretation of the TCJA. Given the significant complexity of the Act, anticipated guidance from the U. S. Treasury about implementing the Act, and the potential for additional guidance from the Securities and Exchange Commission or the Financial Accounting Standards Board related to the Act, our estimates may be refined in the future.

Reconciliation of non-GAAP Financial Measures

	Net Income	Diluted Earnings Per Share
	2017	2017
Reported / GAAP	$ 4,910	$ 5.61
Defined Benefit Plans Mark-to-Market Charge	800	0.91
Income Tax Expense (Benefit) from the Items Above	(193)	(0.22)
Income Tax Benefit from the Tax Cuts and Jobs Act and other non-U.S. tax law change	(258)	(0.29)
Adjusted	$ 5,259	$ 6.01

	Operating Expenses	Operating Profit	Operating Margin
	2017	2017	2017
Reported / GAAP	$ 58,343	$ 7,529	11.4%
Defined Benefit Plans Mark-to-Market Charge	800	800	1.2%
Adjusted	$ 57,543	$ 8,329	12.6%

Reconciliation of non-GAAP Financial Measures

	Operating Profit		
	U.S. Domestic Package	International Package	Supply Chain & Freight
	2017	2017	2017
Reported / GAAP	$ 4,280	$ 2,464	$ 785
Defined Benefit Plans Mark-to-Market Charge	637	35	128
Adjusted	$ 4,917	$ 2,499	$ 913