3Q19 Earnings Announcement

October 22, 2019

Scott Childress

Investor Relations Officer

UPS Speakers

David Abney
Chairman and CEO

Brian Newman
Chief Financial Officer

Jim Barber
Chief Operating Officer

Richard Peretz
Former Chief Financial Officer

Additional Q&A Participants:

Kate Gutmann
Chief Sales and Solutions Officer

Juan Perez
Chief Information
and Engineering Officer

Scott Price
Chief Strategy
and Transformation Officer

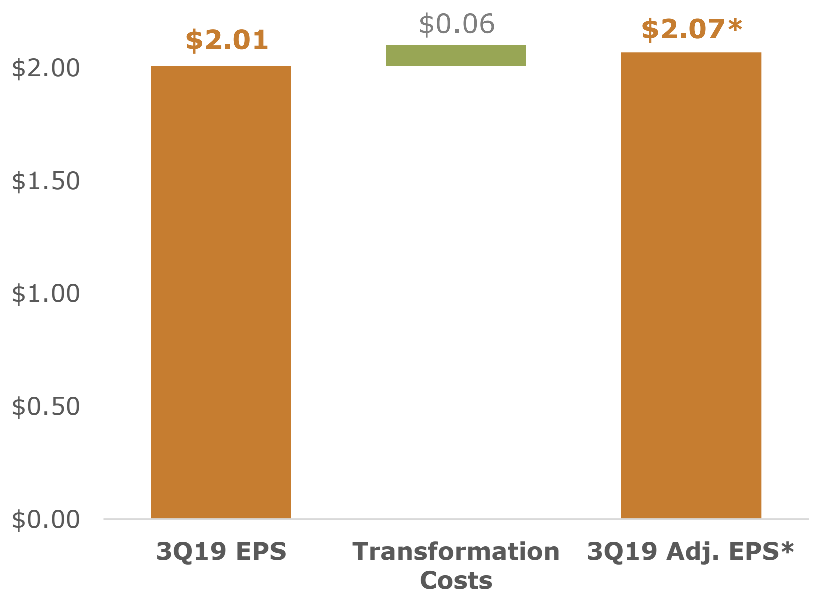
Forward-Looking Statements and Non-GAAP Reconciliations

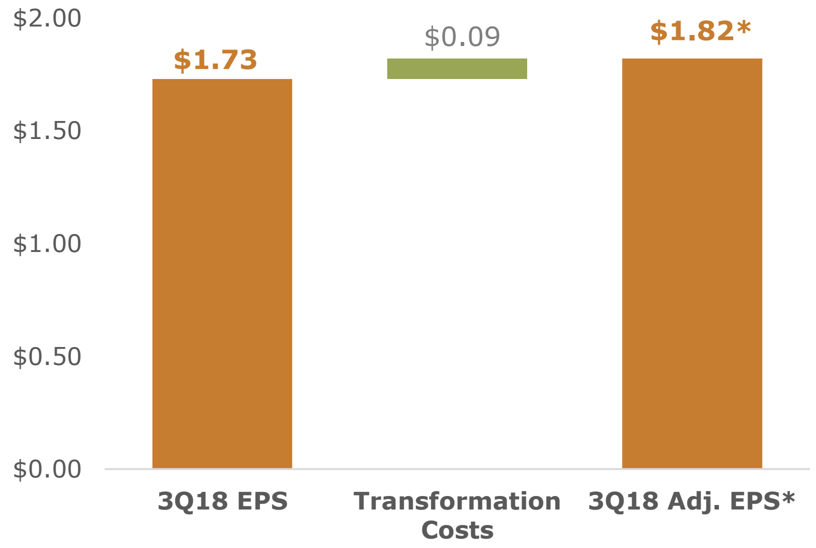
This presentation, our Annual Report on Form 10-K for the year ended December 31, 2018 and our other filings from time to time with the Securities and Exchange Commission contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. From time to time, 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. 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 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; 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, 2018 and our quarterly report on Form 10-Q for the quarter ended June 30, 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.

EPS vs. Adjusted EPS*





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

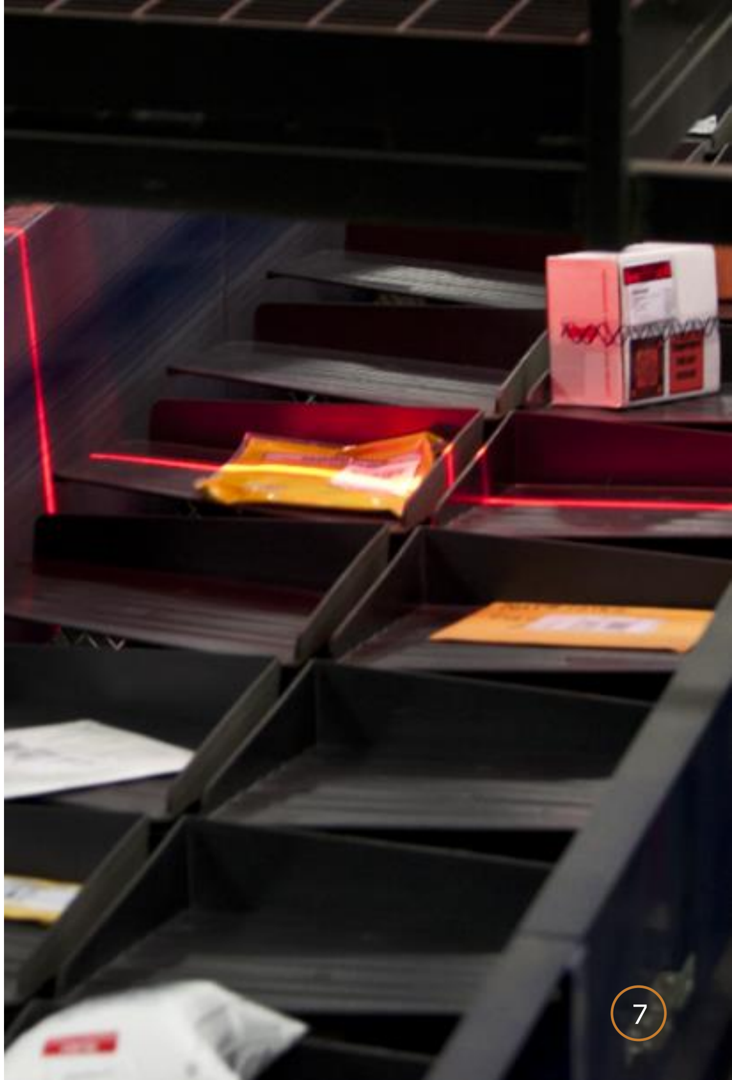
David Abney

Chairman and CEO

Transformation Continues to Deliver

- 5% consolidated revenue growth.
- More than 20% operating profit growth.
- Margins expanded in all 3 business segments.

Widespread adoption of next-day delivery is an excellent fit with our expanded air and ground capabilities.



Growth Opportunities Continue

- We continue to adjust our network to make efficient use of our assets.
- In the U.S., the consumer is driving the economy.

We are benefitting from improved SMB mix and expect it will continue as we prepare for another record peak season.

Next-generation Tracking for Critical Healthcare Packages

- UPS Premier provides priority-handling services for critical shipments.
    - Next-generation, on-package sensors and in-facility technology, pinpoint location information.
    - Includes special handling and contingency actions.

UPS continually innovates new solutions to improve patient care across the healthcare and life sciences ecosystem.

Continued Support for SMBs

- New Digital Access Program will make it easier for SMBs to use UPS services.

- UPS shipping solutions are embedded directly into leading e-commerce platforms.
    - New preferred relationship with stamps.com

Our new Digital Access Program will enable UPS to increase market share of high-quality B2C and B2B e-commerce packages.

Expanding Drone Delivery

- UPS Flight Forward is the first company to receive full approval from the FAA to operate a commercial drone network.

- We are quickly expanding drone delivery solutions with:
  - University of Utah Health
  - CVS Health
  - AmerisourceBergen
  - Kaiser Permanente

Jim Barber

COO

Delivering a Successful Peak Season

- Our global strategy is focused on three key areas:
  - Implementation of proven tools and best practices.
  - Full utilization of our expanded network capacity.
  - Deeper collaboration with customers for joint development of daily volume expectations.

Retail sales are forecast to grow more than 5% and online holiday retail sales are likely to reach a new high.

Since Last Peak…

- Nine new aircraft, with 2 more on the way.
- 5M square feet of highly automated facilities and 400K pieces per hour of automated sort capacity.
- Widened the reach of our next-day ground capabilities.
- Expanded the use of technology for planning and execution.

UPS plans to add 100,000 seasonal employees to help support the expected increase in package volume.

What’s Expected in Another Record Peak

- Daily global deliveries are expected to increase more than 5%.
- UPS estimates we will deliver more than 32 million packages per day.
  - More than 50% above regular daily volume.

Deeper collaboration with customers includes joint forecasting to identify planned and unplanned daily ground and air volume.

Richard Peretz

Former CFO

3Q19 Highlights

- Total operating profit grew more than 20%.
- Total revenue grew 5%.
- Operating margin increased 170 bps, adjusted operating margin* expanded 150 basis points.

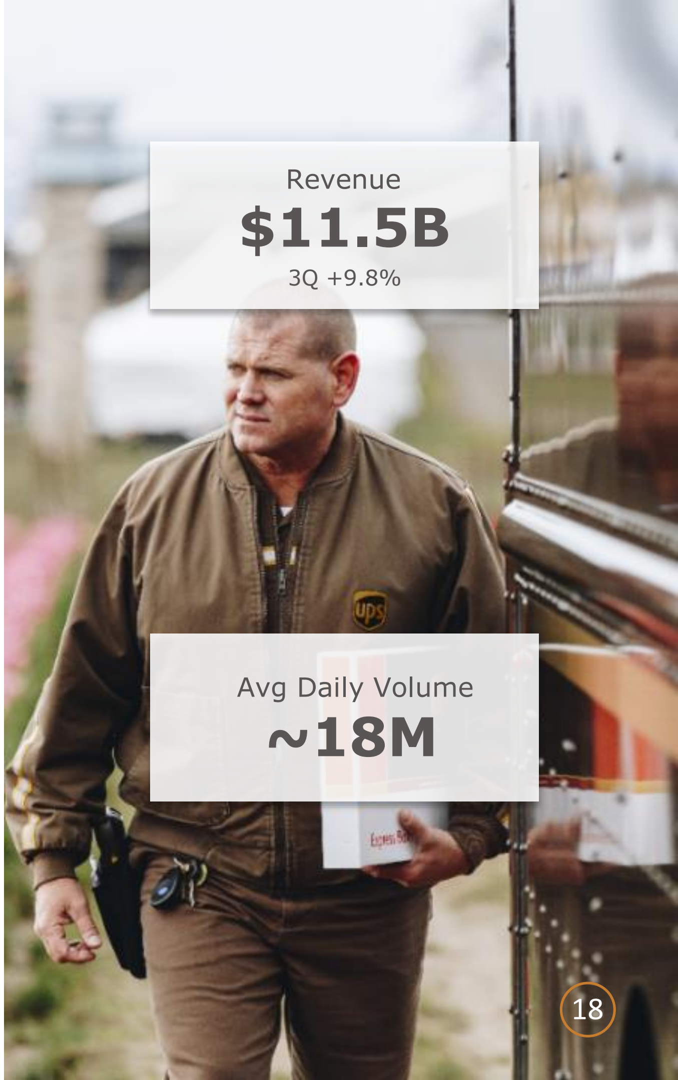
* Non-GAAP financial measure.
See Appendix for reconciliation to GAAP financial measure.

U.S. Domestic Progress

- Revenue increased nearly 10%.
- Total volume grew more than 9%.
    - Next Day volume jumped nearly 24%.
    - Deferred was up 17%.
    - Ground grew nearly 7%.
- Operating profit grew 28%, adjusted operating profit* up nearly 26%.
- Operating margin was 10.6%, and adjusted margin* expanded 130 basis points.

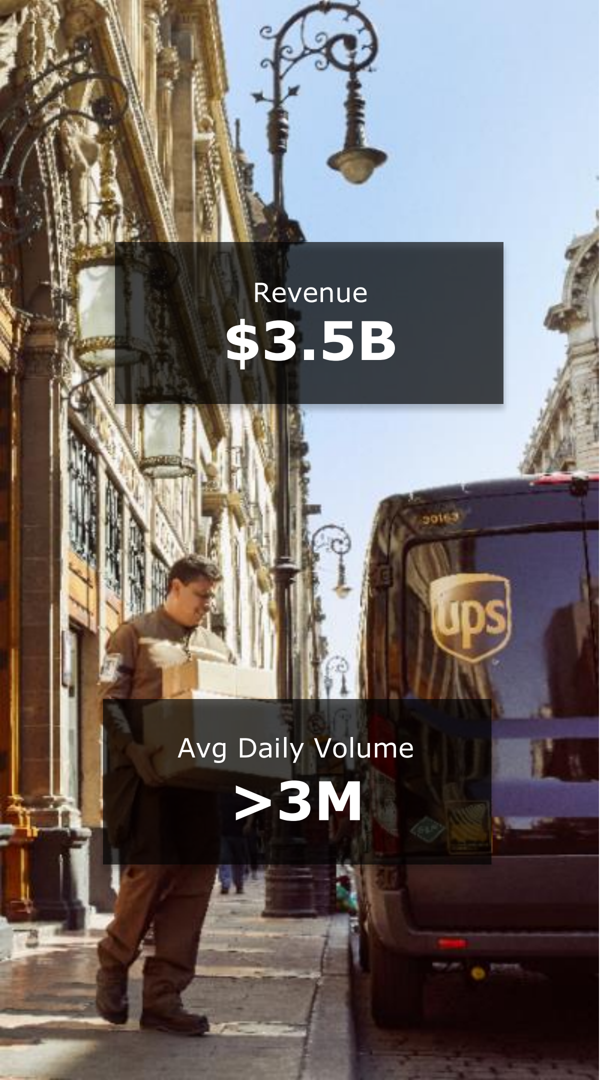
Unit cost was down more than 2% driven by productivity gains and increased efficiencies in our new automated buildings.

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



Revenue
$11.5B
3Q +9.8%

Avg Daily Volume
~18M



Revenue
$3.5B

Avg Daily Volume
>3M

International Results

- Operating profit of $667 million; $693 million on an adjusted basis*.
- Captured domestic and export growth.
    - Export growth on Intra-Europe and virtually all Asia trade lanes, except to the U.S.
    - Domestic grew in a number of countries.
- Industry-leading operating margin expanded again in the quarter.

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

Supply Chain and Freight Performance

- Continuing to adapt within a dynamic environment.
- Margins expanded on lower revenue.
- Logistics increased revenue 7%, led by healthcare, retail and manufacturing.
- Marken and UPS Freight grew operating profit by double-digits.

Brian Newman

CFO

Generated Excellent Cash Flow

- YTD **$5.7B** in cash from operations and **$3.2B** of adjusted free cash flow*.
- Lowering expected CapEx by **$500M** in **2019** and again in **2020**.
- Returned approximately **$3.3B** to shareowners to date:
  - About **$753M** in share repurchases.
  - Above **$2.5B** in dividends.

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

2019 Outlook

- In 4Q19, we expect operating profit improvements in all three segments.
- UPS is reaffirming adjusted diluted EPS* will be in the range of $7.45 to $7.75.
- Positive impacts from transformation investments are more visible in our performance.
- We remain cautious on changes within the macro-economic environment.

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

Questions & Answers

Reconciliation of GAAP and Non-GAAP Financial Measures

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 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 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.

Non-GAAP Guidance

The company provides guidance on an adjusted basis because it is not possible to predict or provide a reconciliation reflecting the impact of future pension mark-to-market adjustments or other unanticipated events, which would be included in reported (GAAP) results and could be material.

Reconciliations

Reconciliation of GAAP and Non-GAAP Income Statement Data

(in millions, except per share amounts):

Three Months Ended September 30, 2019								
		As-Reported (GAAP)	Margin (GAAP)		Transformation Strategy Costs[1]		As-Adjusted (Non-GAAP)	Margin (Non-GAAP)
Operating profit:								
U.S. Domestic Package	$	1,216	10.6%	$	26	$	1,242	10.8%
International Package		667	19.1%	$	26		693	19.8%
Supply Chain & Freight		245	7.3%	$	11		256	7.6%
Total operating profit	$	2,128	11.6%	$	63	$	2,191	12.0%
Income before income taxes	$	2,206		$	63	$	2,269	
Income tax expense	$	456		$	16	$	472	
Net income	$	1,750		$	47	$	1,797	
Diluted earnings per share	$	2.01		$	0.06	$	2.07	

[1] **Transformation strategy costs include other employee benefits costs of $41 million, and other costs of $22 million**

Reconciliations

Reconciliation of GAAP and Non-GAAP Revenue, Revenue Per Piece, and Adjusted Operating Profit

(in millions, except per piece amounts):

Three Months Ended September 30

	2019 As-Reported (GAAP)	2018 As-Reported (GAAP)	% Change (GAAP)	Currency Impact	2019 Currency Neutral (Non-GAAP)[1]	% Change (Non-GAAP)
Average Revenue Per Piece:						
International Package:						
Domestic	$ 6.45	$ 6.47	-0.3%	$ 0.17	$ 6.62	2.3%
Export	29.06	29.32	-0.9%	0.06	29.12	-0.7%
Total International Package	$ 16.92	$ 17.06	-0.8%	$ 0.11	$ 17.03	-0.2%
Consolidated	$ 11.02	$ 11.20	-1.6%	$ 0.01	$ 11.03	-1.5%
Revenue:						
U.S. Domestic Package	$ 11,455	$ 10,437	9.8%	$ -	$ 11,455	9.8%
International Package	3,494	3,478	0.5%	24	3,518	1.2%
Supply Chain & Freight	3,369	3,529	-4.5%	20	3,389	-4.0%
Total revenue	$ 18,318	$ 17,444	5.0%	$ 44	$ 18,362	5.3%

[1] **Amounts adjusted for period over period foreign currency exchange rate and hedging differences**

	2019 As-Adjusted (Non-GAAP)[1]	2018 As-Adjusted (Non-GAAP)[1]	% Change (Non-GAAP)	Currency Impact	2019 As-Adjusted Currency Neutral (Non-GAAP)[2]	% Change (Non-GAAP)
Operating Profit:						
U.S. Domestic Package	$ 1,242	$ 988	25.7%	$ -	$ 1,242	25.7%
International Package	693	576	20.3%	(32)	661	14.8%
Supply Chain & Freight	256	260	-1.5%	7	263	1.2%
Total operating profit	$ 2,191	$ 1,824	20.1%	$ (25)	$ 2,166	18.8%

[1] **Amounts adjusted for Transformation strategy costs**

[2] **Amounts adjusted for Transformation strategy costs and period over period foreign currency exchange rate and hedging differences**

Reconciliations

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

Nine Months Ended September 30

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

	Preliminary 2019
Cash flows from operating activities	$ 5,693
Cash flows used in investing activities	(4,027)
Cash flows used in financing activities	(1,854)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6
Net increase/(decrease) in cash, cash equivalents and restricted cash	$ (182)

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

	Preliminary 2019
Cash flows from operating activities (GAAP)	$ 5,693
Capital expenditures	(4,336)
Principal repayments of capital lease obligations	(120)
Adjusted capital expenditures (non-GAAP measure)	$ (4,456)
Proceeds from disposals of PP&E	61
Net change in finance receivables	8
Other investing activities	(84)
Adjusted free cash flow (non-GAAP measure)	$ 1,222
Discretionary pension contributions	2,000
Adjusted Free cash flow (Non-GAAP measure) excluding discretionary pension contributions	$ 3,222

Amounts are subject to reclassification.