

Forward-Looking Statements



This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements other than those of current or historical fact, and all statements accompanied by terms such as “will,” “believe,” “project,” “expect,” “estimate,” “assume,” “intend,” “anticipate,” “target,” “plan,” and similar terms, are intended to be forward-looking statements. Forward-looking statements are made subject to the safe harbor provisions 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.

From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Such statements may relate to our intent, belief, forecasts of, or current expectations about our strategic direction, prospects, future results, or 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 forward-looking statements because such statements speak only as of the date when made and the future, by its very nature, cannot be predicted with certainty.

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: continued uncertainties related to the impact of the COVID-19 pandemic on our business and operations, financial performance and liquidity, our customers and suppliers, and on the global economy; 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 regulatory environment in the U.S. or internationally; increased or more complex physical or data security requirements; legal, regulatory or market responses to global climate change; results of negotiations and ratifications of labor contracts; strikes, work stoppages or 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 benchmark; our ability to maintain our brand image; our ability to attract and retain qualified employees; breaches in data security; disruptions to the Internet or our technology infrastructure; interruptions in or impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; 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 impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; potential additional U.S. or international tax liabilities; potential claims or 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, dispositions, joint ventures or strategic alliances; our ability to realize the anticipated benefits from our transformation initiatives; cyclical and seasonal fluctuations in our operating results; 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, 2020 and subsequently filed reports. 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.



2021 Investor &
Analyst Day

Better, Not Bigger Strategic Framework

Carol B. Tomé
Chief Executive Officer

Five Principles

— Values

— Dividend

— Strong balance sheet and credit rating

— Brand relevance

— Employee ownership

...everything else is under review

Better, Not Bigger Framework

- Launched revenue-quality efforts
- Completed our Fastest Ground Ever initiative
- Greatly expanding weekend operations and Digital Access Program
- Training UPSers on diversity and inclusion
- Aligned performance-based compensation metrics with shareowner interests
- Allocating capital to highest returning parts of our portfolio
- Adjusted network to support changing global market
- Sold UPS Freight
- Delivered >300M COVID-19 vaccine doses worldwide; 99.9% on-time delivery
- Moved to a more agile decision-making environment
- Repaid \$2.55 billion of long-term debt in 2021
- Reduced our pension liabilities by \$6.4 billion

Better, Not Bigger Framework

Going From Good to Great

What is UPS passionate about?

Our purpose: Moving our world forward by delivering what matters.

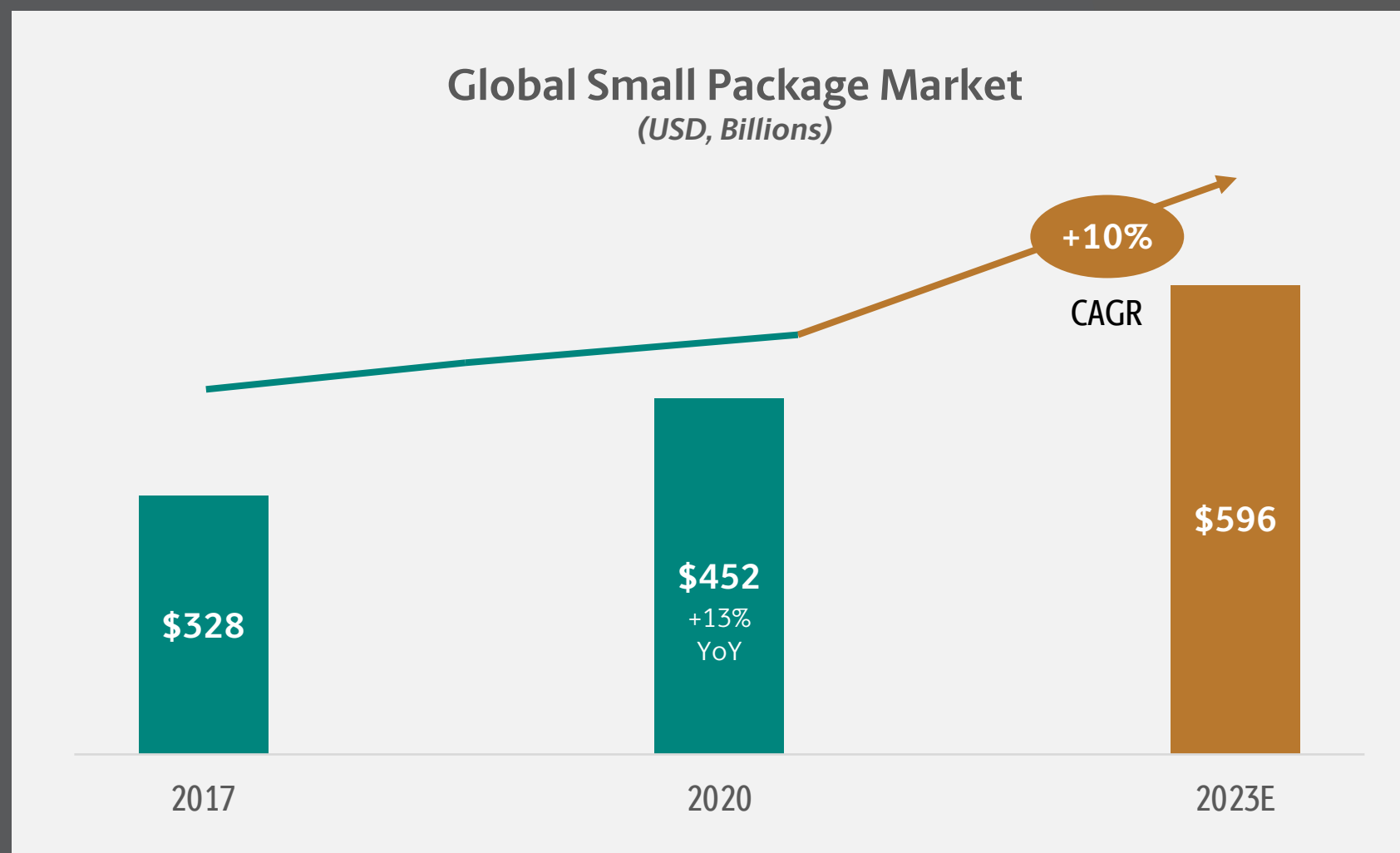
What are we the best in the world at?

Our global smart logistics network is the most extensive ground and air network in the industry.

What are the drivers of the UPS economic engine?

Productivity and efficiency driven by effective capital allocation.

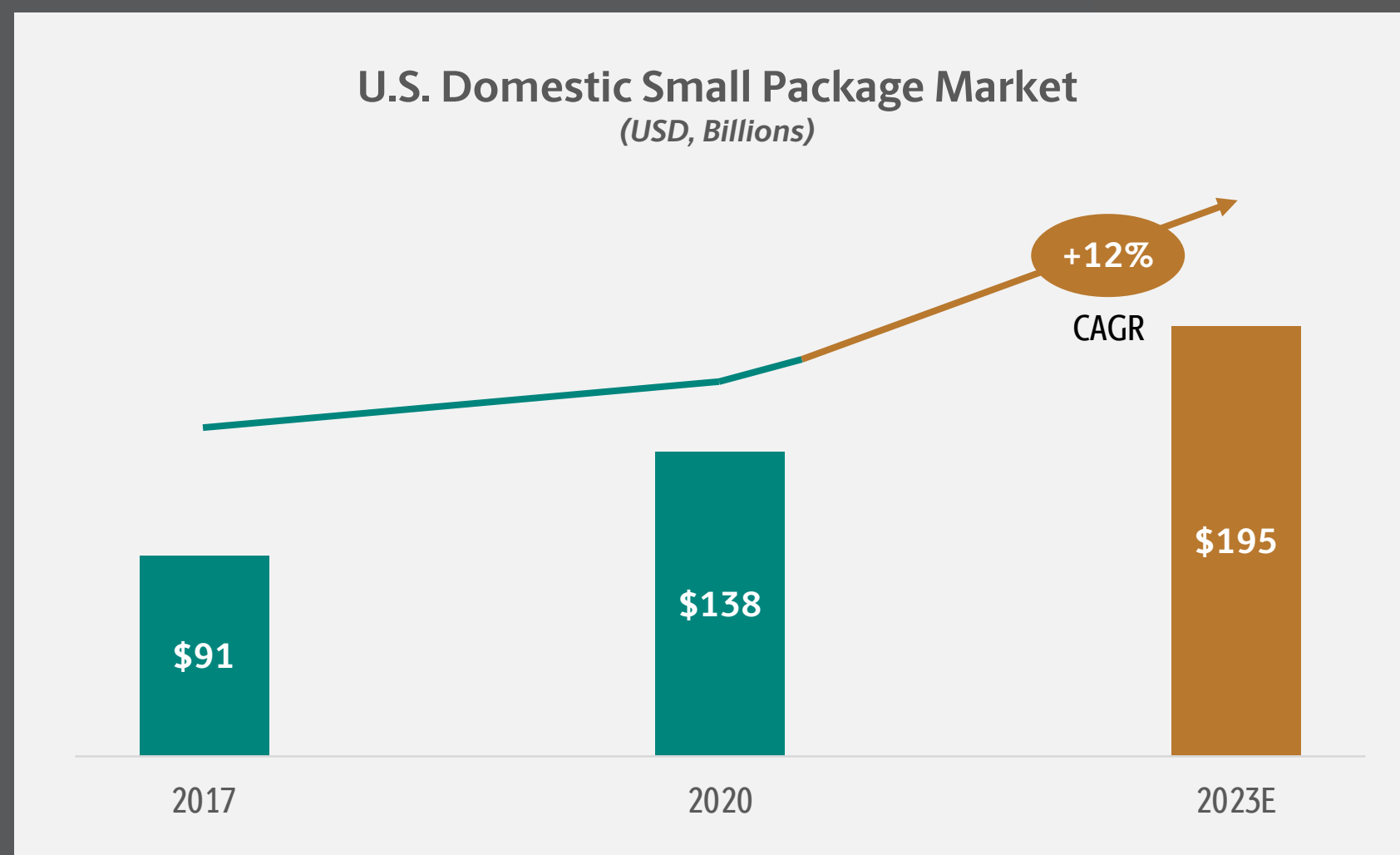
Total Global Market



Source: UPS estimates, Transport Intelligence, Effigy Consulting and competitor filings. Includes: DHL eCommerce, DHL Parcel Germany, China Domestic, and <1lb. Excludes: cross-border mail packages.

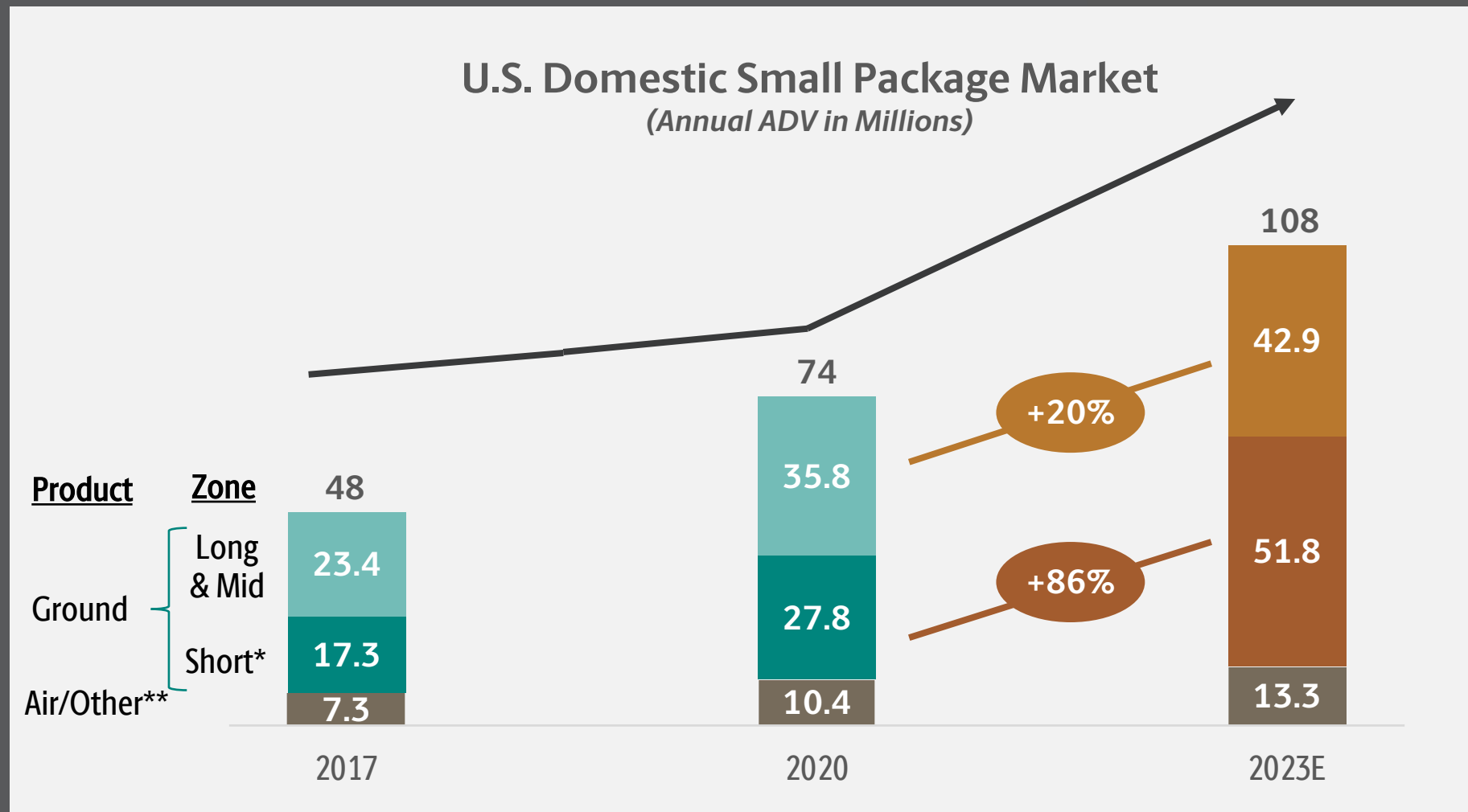
U.S. Domestic Small Package Market Size

Focused on value share not volume share



Source: UPS estimates. Includes <1lb.

Strong Growth Across All Delivery Zones



*Short zone is defined as packages that travel less than 300 miles from origin to destination.

**Air/Other volume not broken out by zone.

Source: UPS estimates

Our Strategy is Enabled by Our Wildly Important Initiatives

STRATEGY	TARGET	WILDLY IMPORTANT
Customer First	Net Promoter Score >50%	SMB Healthcare International Brand relevance
People Led	Likelihood to recommend >80%	Modernized people agenda
Innovation Driven	2023 ROIC* of 26% to 29%	Operational excellence Product and network management

**Best Digital Experience Powered by a
Global Smart Logistics Network**

* Non-GAAP financial measure. See Appendix for required reconciliations. Return on Invested Capital is defined as Adjusted Operating Profit / (Average (Total Debt, Equity, and Net Pension Liability))



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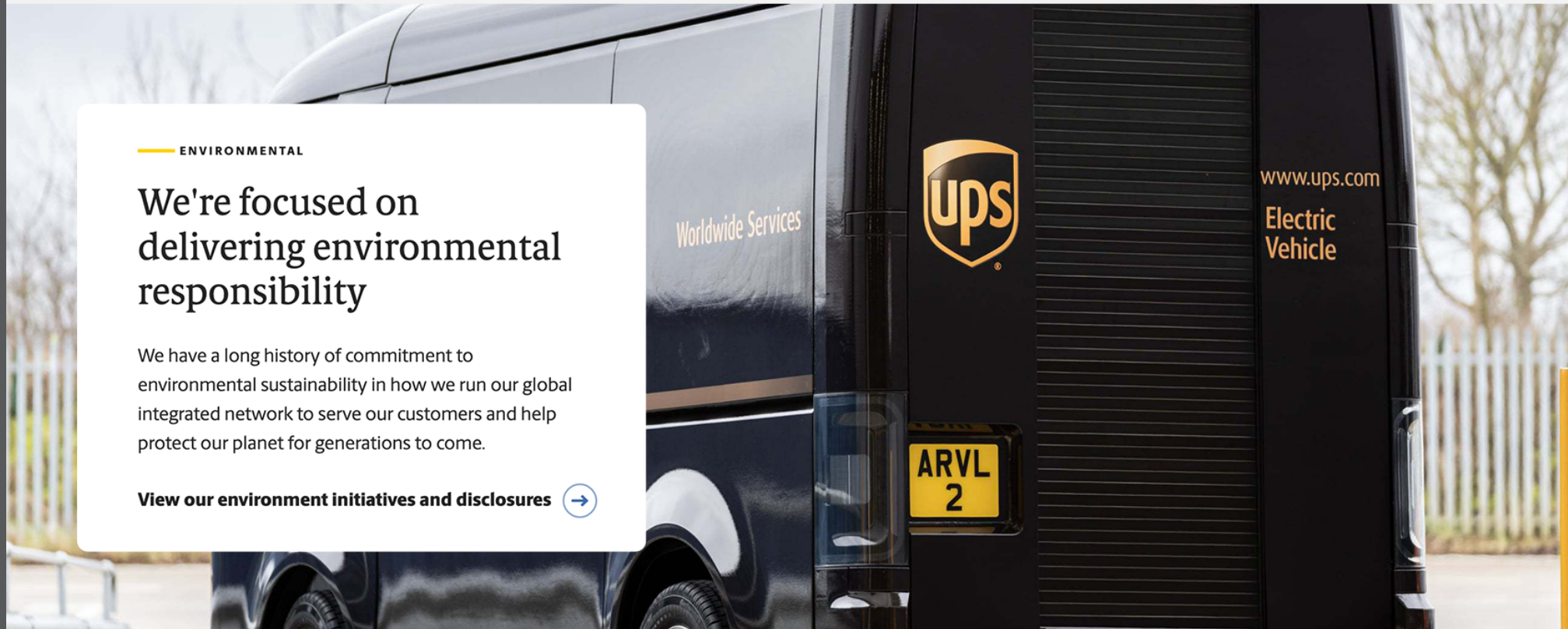
Environmental, Social and Governance

ENVIRONMENTAL

We're focused on delivering environmental responsibility

We have a long history of commitment to environmental sustainability in how we run our global integrated network to serve our customers and help protect our planet for generations to come.

[View our environment initiatives and disclosures](#)

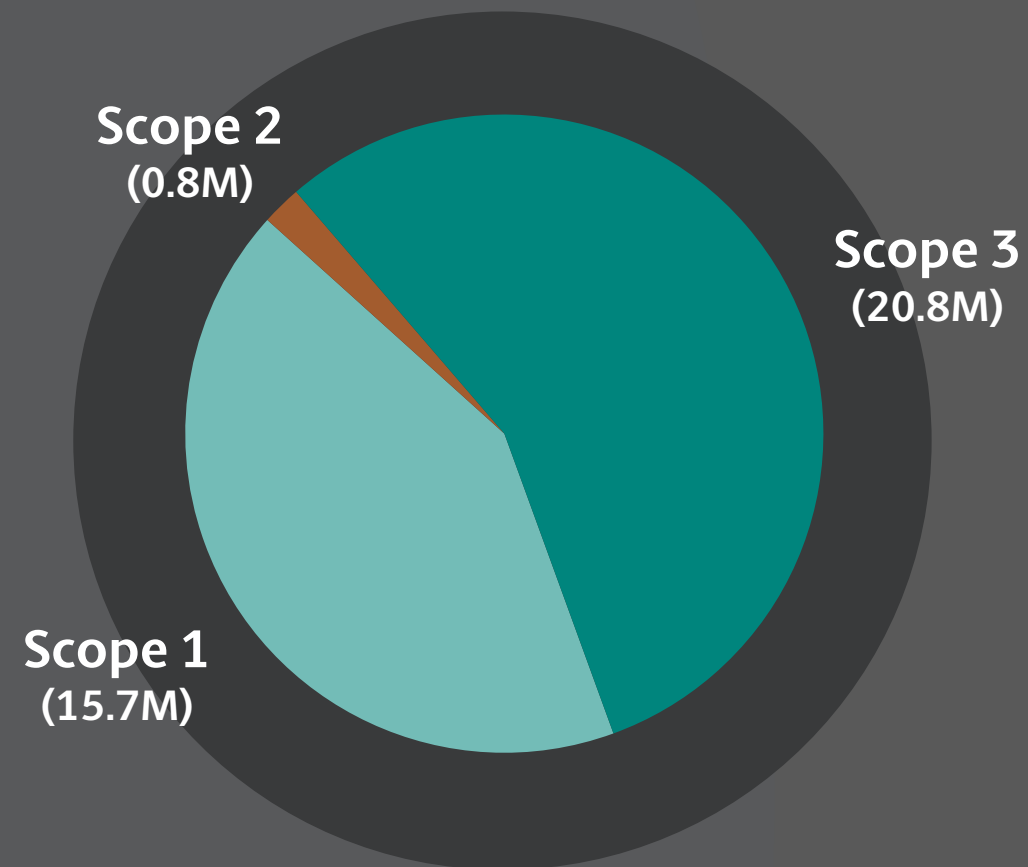


Environmental Goals

Comprehensive approach to Scope 1, 2 and 3

2020 GHG Emissions (37.3 Million Metric Tonnes)

Note: GHG = Greenhouse Gas



2050

Carbon neutrality for our global operations

Environmental Goals

Roadmap

2025

- 25% renewable electricity for facilities
- 40% alternative fuel for our ground vehicles

2035

- 50% reduction in CO2 per package delivered for global small package (2020 base year)
- 100% renewable electricity for facilities
- 30% sustainable aviation fuel

2050

- Carbon neutrality for our global operations

2023 Financial Targets

Revenue

\$98 - \$102 Billion

Adjusted Operating Margin*

12.7% - 13.7%

ROIC*

26% - 29%

Better, Not Bigger

Strategic Framework

PURPOSE

Moving our world forward by delivering what matters

Brand Relevance (Consideration + Momentum + ESG)

STRATEGY

Customer First

People Led

Innovation Driven

METRICS

Net Promoter Score >50

Likelihood to Recommend ≥ 80

Increase in Return on Invested Capital (ROIC)

STRATEGIC IMPERATIVES

Healthcare | International
Small & Medium Business

Modernized People Agenda

Better Revenue Quality | Effective Capital Allocation
Productivity

Diversity, Equity & Inclusion

GOAL

Best Digital Experience Powered by a Global Smart Logistics Network

Non-GAAP Reconciliations



Non-GAAP Financial Measures; Reconciliations

From time to time we supplement the reporting of our financial information determined under generally accepted accounting principles ("GAAP") with certain non-GAAP financial measures. These include: "adjusted" compensation and benefits; operating expenses; earnings before interest, taxes, depreciation and amortization ("EBITDA"); operating profit; operating margin; other income and (expense); income before income taxes; income tax expense; effective tax rate; net income; and earnings per share. We present revenue and revenue per piece on a constant currency basis. Additionally, we disclose free cash flow, return on invested capital ("ROIC") and the ratio of adjusted total debt to adjusted EBITDA.

We believe that these non-GAAP measures provide meaningful information to assist users of our financial statements in more fully 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. These non-GAAP measures are used internally by management for business unit operating performance analysis, business unit resource allocation and in connection with incentive compensation award determinations.

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 adjusted financial information does not represent a comprehensive basis of accounting. Therefore, our adjusted financial information may not be comparable to similarly titled information reported by other companies.

Restructuring and Other Charges

Adjusted EBITDA, operating profit, operating margin, income before income taxes, net income and earnings per share may exclude the impact of charges related to any restructuring programs, including transformation costs and asset impairments.

Costs Related to Legal Contingencies and Expenses

Adjusted EBITDA, operating profit, operating margin, pre-tax income, net income and earnings per share may exclude the impact of costs related to certain of our legal contingencies and expenses that are associated with non-routine legal matters. We believe this adjusted information provides a useful comparison of year-to-year financial performance without considering the impact of these non-routine contingencies and expenses. We evaluate our performance on this adjusted basis.

Changes in Foreign Currency Exchange Rates and Hedging Activities

Currency-neutral revenue, revenue per piece and operating profit exclude the period over period impact of foreign currency exchange rate changes and any foreign currency hedging activities. These measures 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 impact of any 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 foreign currency exchange rate and hedging activities.

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 our pension and postretirement defined benefit plans immediately as part of other pension income (expense). We supplement our presentation of certain financial data with non-GAAP measures that exclude the impact of gains and losses recognized in excess of the 10% corridor and the related income tax effects. We believe excluding these mark-to-market impacts provides important supplemental information by removing the volatility associated with short-term changes in market interest rates, equity values, and similar factors.

The deferred income tax effects of 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.

Free Cash Flow

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. We believe free cash flow is an important indicator of how much cash is generated by our ongoing business operations and we use this as a measure of incremental cash available to invest in our business, meet our debt obligations and return cash to shareowners.

Return on Invested Capital

ROIC is calculated as the trailing twelve months ("TTM") of adjusted operating income divided by the average of total debt, non-current pension and postretirement benefit obligations and shareowners' equity, at the current period end and the corresponding period end of the prior year. Because ROIC is not a measure defined by GAAP, we calculate it, in part, using non-GAAP financial measures that we believe are most indicative of our ongoing business performance. We consider ROIC to be a useful measure for evaluating the effectiveness and efficiency of our long-term capital investments.

Adjusted Total Debt / Adjusted EBITDA

Adjusted total debt is defined as our long-term debt and finance leases, including current maturities, plus non-current pension and postretirement benefit obligations. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted for restructuring and other costs and investment income and other. We believe the ratio of adjusted total debt to adjusted EBITDA is an important indicator of our financial strength, and is a ratio used by third parties when evaluating the level of our indebtedness.

Forward-Looking Non-GAAP Metrics

From time to time when presenting forward-looking non-GAAP metrics, we are unable to provide quantitative reconciliations to the most closely correlated GAAP measure due to the uncertainty in the timing, amount or nature of any adjustments, which could be material in any period.

Appendix

Operating Profit & Margin

	Operating Profit			
	Consolidated			
	2020	2019	2018	2017
Reported / GAAP	\$ 7,684	\$ 7,798	\$ 7,024	\$ 7,529
Restructuring & Other	1,034	255	360	-
Legal Contingencies and Expenses	-	97	-	-
Adjusted	\$ 8,718	\$ 8,150	\$ 7,384	\$ 7,529

	U.S. Domestic Package			
	2020	2019	2018	2017
Reported / GAAP	\$ 3,891	\$ 4,164	\$ 3,643	\$ 4,303
Restructuring & Other	237	108	235	-
Legal Contingencies and Expenses	-	97	-	-
Adjusted	\$ 4,128	\$ 4,369	\$ 3,878	\$ 4,303

	International Package			
	2020	2019	2018	2017
Reported / GAAP	\$ 3,436	\$ 2,657	\$ 2,529	\$ 2,429
Restructuring & Other	96	122	76	-
Legal Contingencies and Expenses	-	-	-	-
Adjusted	\$ 3,532	\$ 2,779	\$ 2,605	\$ 2,429

	Supply Chain & Freight			
	2020	2019	2018	2017
Reported / GAAP	\$ 357	\$ 977	\$ 852	\$ 797
Restructuring & Other	701	25	49	-
Legal Contingencies and Expenses	-	-	-	-
Adjusted	\$ 1,058	\$ 1,002	\$ 901	\$ 797

	YOY Change		
	Consolidated		
	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
	-1.5%	11.0%	-6.7%
	7.0%	10.4%	-1.9%

	U.S. Domestic Package		
	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
	-6.6%	14.3%	-15.3%
	-5.5%	12.7%	-9.9%

	International Package		
	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
	29.3%	5.1%	4.1%
	27.1%	6.7%	7.2%

	Supply Chain & Freight		
	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
	-63.5%	14.7%	6.9%
	5.6%	11.2%	13.0%

	Operating Margin			
	Consolidated			
	2020	2019	2018	2017
	9.1%	10.5%	9.8%	11.3%
	1.2%	0.4%	0.5%	0.0%
	0.0%	0.1%	0.0%	0.0%
	10.3%	11.0%	10.3%	11.3%

	U.S. Domestic Package			
	2020	2019	2018	2017
	7.3%	9.0%	8.4%	10.6%
	0.4%	0.2%	0.5%	0.0%
	0.0%	0.2%	0.0%	0.0%
	7.7%	9.4%	8.9%	10.6%

	International Package			
	2020	2019	2018	2017
	21.5%	18.7%	17.5%	18.2%
	0.7%	0.8%	0.5%	0.0%
	0.0%	0.0%	0.0%	0.0%
	22.2%	19.5%	18.0%	18.2%

	Supply Chain & Freight			
	2020	2019	2018	2017
	2.4%	7.3%	6.2%	6.4%
	4.6%	0.2%	0.4%	0.0%
	0.0%	0.0%	0.0%	0.0%
	7.0%	7.5%	6.5%	6.4%

Appendix

Free Cash Flow

	Free Cash Flow	Cumulative Free Cash Flow*
	2020	2021T - 2023T
Cash Flows from Operating Activities	\$ 10,459	\$ 39,292
Capital Expenditures	(5,412)	(13,998)
Proceeds from Disposals of PP&E	40	270
Net Change in Finance Receivables	44	16
Other Investing Activities	(41)	(70)
Free Cash Flow (Non-GAAP measure)	\$ 5,090	\$ 25,510

* Represents mid-point of forecasted range

Appendix

Return on Invested Capital (Non-GAAP) (in millions) Twelve Months Ended December 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net income	\$ 1,343	\$ 4,440	\$ 4,791	\$ 4,905
Add back (deduct):				
Income tax expense	501	1,212	1,228	2,232
Interest expense	701	653	605	453
Investment (income) expense and other	5,139	1,493	400	(61)
Operating profit	7,684	7,798	7,024	7,529
Restructuring and other	1,034	255	360	—
Legal Contingencies and Expenses	—	97	—	—
Adjusted operating profit	\$ 8,718	\$ 8,150	\$ 7,384	\$ 7,529
Average debt and finance leases, including current maturities	\$ 24,946	\$ 23,987	\$ 23,513	\$ 20,182
Average pension and postretirement benefit obligations	13,209	9,474	7,704	9,878
Average shareowners' equity	1,976	3,160	2,031	727
Average Invested Capital	\$ 40,131	\$ 36,621	\$ 33,248	\$ 30,787
Net income to average invested capital	3.3%	12.1%	14.4%	15.9%
Adjusted Return on Invested Capital	21.7%	22.3%	22.2%	24.5%