



UPS Labor Contract Update

Investor Relations

May 2019



This presentation will address the main features of the 2018 UPS small package National Master agreement as well as the UPS Freight contract and explain some of the business implications.

Forward-Looking Statements

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. 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.

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; 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 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; 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.



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Some of the comments we make in this presentation are "forward-looking statements" that address our expectations for the future performance or results of operations of the company.

These anticipated results are subject to risks and uncertainties which are described in detail in our 2018 Form 10-K. This report is available on the UPS investor relations web site or from the Securities and Exchange Commission.

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This presentation will provide an overview of the highlights and provisions of the small package contract and the impact to UPS wages and benefits.

It will also recap the UPS Freight agreement.

UPS Small Package National Master Agreement

- Contract provisions effective from 8/1/18 to 7/31/23
- Wage increases average 2.3%
- Effective wage and benefit increase per hour of about 2.5%
- New driver classification added to support growth
- Enhanced part time employee compensation to improve retention
- UPS to maintain competitive cost position

Good for Customers, Employees and Shareowners



The agreements met all the major objectives set at the beginning of negotiations. Our goals included addressing the challenges we face in healthcare and compensating our employees fairly while improving our flexibilities to allow UPS to remain competitive.

The small package contract allows for modest improvements in wages and benefits and provides additional flexibility for our company to adapt to a changing marketplace.

Wage rate increases will average 2.3%. Total wage and benefit cost per hour will increase on average approximately 2.5% over the life of the contract.

A major improvement to the contract will allow UPS to create a new classification of drivers to supplement our current driver workforce and provide a lower cost option for growth.

We made significant improvements to the wage and benefit package we offer to new part-time employees, to help the company attract and retain a high-quality workforce.

Overall, we are confident this agreement helps UPS to control wage and benefit costs while growing the business. It's a good deal for our customers, our employees and our shareowners.

UPS Small Package – Driver Wage Rates

- General Wage Increases (GWI): Average of 2.3%

Contract Start	Year 1	Year 2	Year 3	Year 4	Year 5
2013	\$0.70	\$0.70	\$0.70	\$0.80	\$1.00
Y/Y Change	2.2%	2.1%	2.1%	2.3%	2.8%
2018	\$0.70	\$0.75	\$0.80	\$0.90	\$1.00
Y/Y Change	1.9%	2.0%	2.1%	2.3%	2.5%



Hourly wages will grow at an average annual growth rate of 2.3% during the agreement which compares favorably to the last contract.

Also, it's worth highlighting that the increases for the first 4 years of the new contract are less than the last several years of the previous contract.

While rewarding our current employees through general wage increases we also took steps to mitigate cost inflation.

Small Package Contract- Summary

- Part-time starting rates moved from \$10.00/hour to \$13.00/hour
 - Continue to increase to \$15.50/hour by end of contract
- Full-time drivers will start at \$21.00/hour
- Implementation of combination drivers will happen over time with a starting rate of \$20.50/hour

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We strategically increased the starting wage rate for our part-time workforce. In some parts of the country, we were near minimum wage.

We believe increasing the starting wage rates will enhance our talent pool moving forward.

Small Package Contract Related Items - continued

- Progression Changes
 - Feeder Mileage and Air Drivers moved to a 48-month progression
- Protected ability to implement operations technology

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We extended the progression period for all Feeder Mileage (paid by the mile) and dedicated Air Drivers to 48 months. This will pay benefits for us as we continue to grow the business. More volume means more jobs and employees will now be at a lower rate for an additional 12 months compared to the last agreement.

Finally, we retained the flexibility to implement new operational technology.

Contributions to Multi-Employer Plans

- Increased contributions to MEP* Health and Pension plans
 - Annual contribution increase of \$1.00 per hour
 - Same hourly contribution increase as last contract
- UPS union pension plans
 - UPS Sponsored Plans – 61%
 - Green Zone Multi-employer Plan – 26%
 - Other MEP – 13%
- Part-time employees receive healthcare benefits after 9 months vs. 12 months

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*MEP = Multi-Employer Plans



UPS devoted substantial time and effort reviewing our cost structure with the Teamsters to identify the changes that were needed to provide attractive benefits in the future while remaining competitive in the industry.

We are increasing our total contributions into multi-employer pension and healthcare plans by \$1 per hour each year. This hourly contribution increase is the same as the last contract.

We continue to monitor all multi-employer pension plans and have provisions in the contract to address any circumstances requiring additional contributions. Traditionally, when this language is used, there is a reallocation of contributions from wages to pension.

Today, 61% of our union employees are in well-funded UPS pension plans while 26% are covered by multi-employer plans that are considered strong and in the green-zone. The remaining 13% are in plans that have implemented either a financial improvement or rehabilitation plan.

UPS Freight 2018 Contract - Summary

- Yearly general wage increases: 1.5% average
 - \$.40,\$.40,\$.45,\$.45, \$.50 per hour years 1-5
 - All five years are split over two installments
 - Top rate frozen for all classifications
 - Starting and progression rates increased to improve retention



- Key provisions include yearly wage rate growth of 1.5% over the life of the contract vs 2013 contract of 1.9%
- FT hourly pay rates increase \$.40, \$.40, \$.45, \$.45, \$.50 for each year of the respective years of the contract.
- PT hourly pay rates increase \$.35, \$.35, \$.40, \$.40, \$.45 for each year of the respective years of the contract.
- Wage increases for all years of the contract will be split versus only 2 of the 5 years in previous contract.
- The top rate for all progressions was frozen and does not move upward with GWI – This was done to balance highest industry top rates.
- All classifications had increases in starting wage rates to attract new employees in tough labor market
- All classifications had increases in progression wage rates to retain current employees with less than 4 years
- Step up increases in pension accrual from \$105 to \$110/\$115 prospectively. Applies to both full-time and part-time employees.
- Reduction in subcontracting (excluding rail) from 21.9% to 17.9% over the 5 year agreement impacts line haul flexibility but market conditions are forcing a shift already.

Contract Summary

- Agreements keep cost structures competitive
- Improved wages and benefits for our employees
- Flexibility to adapt to marketplace changes
- Ability to implement new technology as needed
- Consistent Health & Welfare costs over last 15 years

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Good for Customers, Employees and Shareowners



The contract addresses the issues we identified as significant when negotiations began. As a result, UPS can continue to provide the highest quality service with the flexibility to adapt to changing market needs and maintain a very competitive cost structure.

This is a good contract for our customers, employees and shareowners, a win/win all the way around.

Please Contact UPS Investor Relations with Questions

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If you have questions about this presentation, please contact Investor Relations.