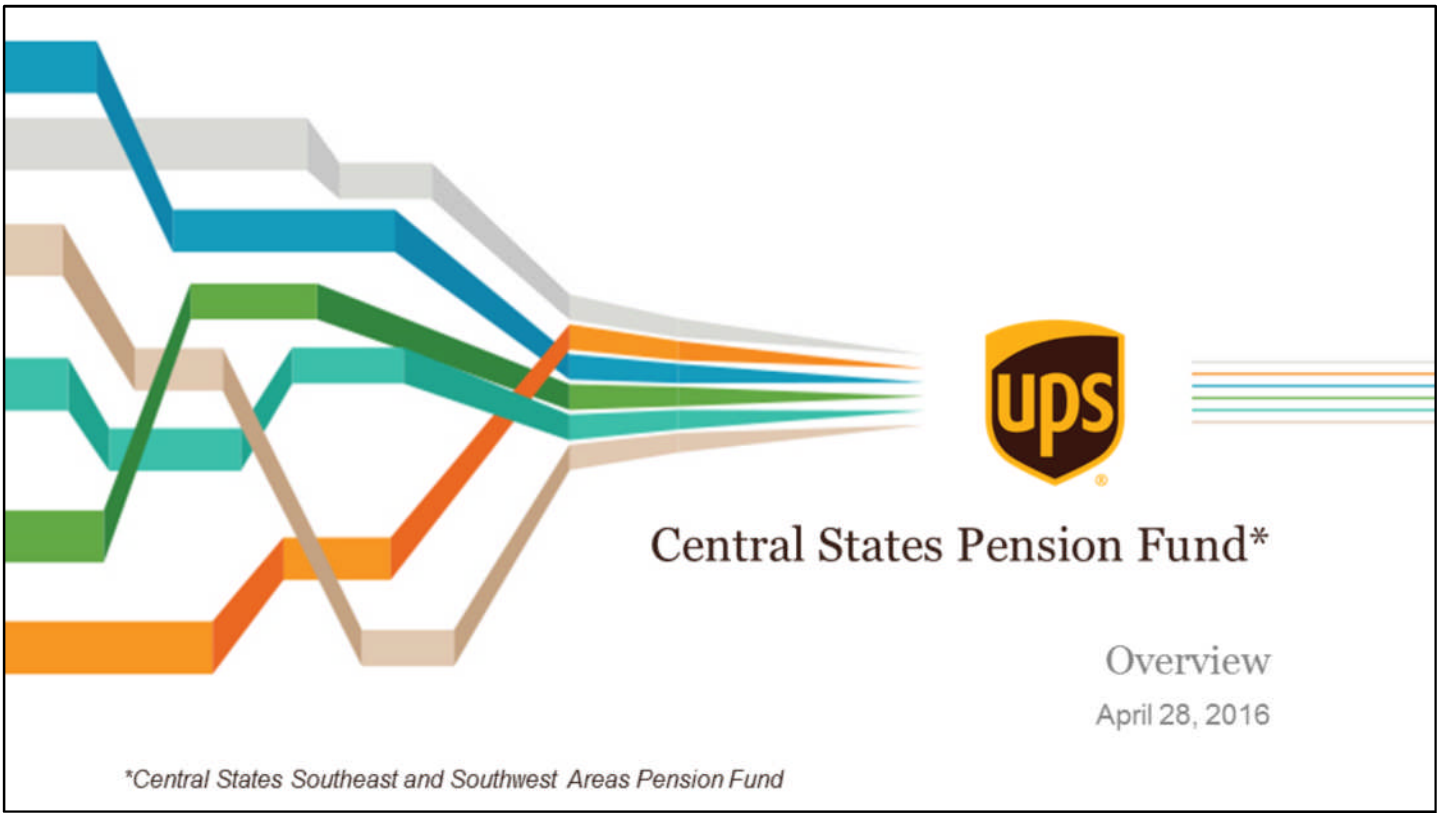

This is Joe Wilkins, Investor Relations Officer for UPS,

Today, I am going to update you on some recent developments related to the Central States Pension Fund.

Safe Harbor

Cautionary Statement About Forward-Looking Statements

Except for historical information contained herein, the statements made in this presentation constitute 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; the existing complex and stringent regulation in the U.S. and internationally, 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 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; 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, 2015 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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Before we get into the details, I will cover the safe harbor language. 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 2015 Form 10-K report. These reports are available on the UPS investor relations web site or from the Securities and Exchange Commission.

Now turning to slide 3 and our agenda,

Investor Relations Update

Agenda

- UPS Retirement Plan Overview
- Central States Pension Fund (CSPF) Timeline
- CSPF Proposed Benefit Reduction Plan
- Potential Outcome of Treasury Decision
- Summary

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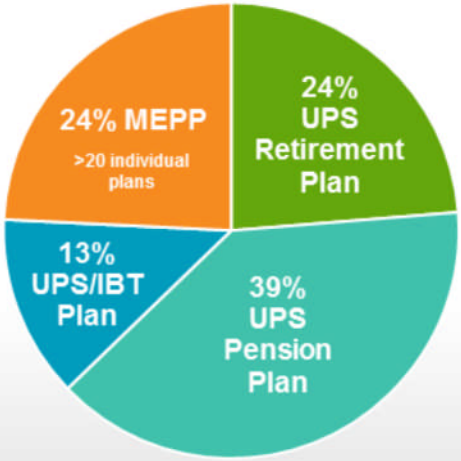
As we discussed on our April 28th, first quarter 2016 earnings call, this presentation will provide you additional details on the recent developments related to the Central States pension fund and its application under the Multiemployer Pension Reform Act of 2014.

This presentation will provide, first, a brief overview of retirement plans at UPS. Second, a timeline around Central States and their proposal that is currently in front of Treasury. And finally, the possible outcomes of Treasury's decision.

UPS Retirement Plans – U.S. Overview

380,000 U.S. Plan Participants – Union and Non-Union

- Majority of participants in well-funded plans
- 76% Union plans
  - 39% in UPS Pension Plan
    - Union Part-time & UPS Freight
  - 24% in Multiemployer Pension Plans (MEPP)
  - 13% UPS/IBT[1] Jointly Managed Plan
    - Certain employees formerly covered by the Central States Pension Fund



(1) International Brotherhood of Teamsters –IBT

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To start with, here is an overview of the U.S. employee group.

UPS has approximately 380,000 active and retired employees covered by UPS retirement plans in the U.S. consisting of union and non-union plans. The majority of participants are in well-funded plans.

About 76% of employees are union members. With the remaining 24% in our UPS retirement plan which consists of non-union employees and UPS pilots.

The union plans are broken down into three types of plans:

First, we cover about 39% of employees in the UPS Pension plan, which is a single employer plan that includes union part-time and UPS Freight employees, funded and actively managed by UPS.

Second, about 24% of the workforce are covered by more than 20 individual multiemployer plans throughout the U.S. The plans are called multi-employer plans because numerous employers contribute to these plans with the contributions of all the employers pooled into a single trust fund.

The majority of these plans are either in good or improving funded-levels. The plan trustees follow the applicable pension laws and take necessary actions to ensure financial viability. More details on these funds can be found on page 88 of the UPS 2015 10-K.

Finally, about 13% of our workforce, or about 48,000 employees are covered by the UPS-IBT jointly-trusteed plan which was created when we withdrew from Central States in 2007.

The remainder of today's discussion is focused on the UPS-IBT plan participants that were formerly covered by the Central States Pension Fund.

Central States Pension Fund Timeline

Dec 2007

- Withdrawal from CSPF negotiated in IBT Master Agreement
- New jointly trusteed plan created – UPS/IBT Plan
- $6.1B payment to Central States – to exit, limiting future liability
- $1.7B liability to restore lost benefits
- Agreement included Backstop provision
  - If legally permitted to reduce benefit payments
- CSPF was healthy after UPS exited from the plan
- NPV positive and cost impact as projected

Right thing for UPS employees, customers and shareowners

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As part of the 2007 UPS-IBT master agreement UPS negotiated our withdrawal from the Central States Pension fund. A $6.1 billion pre-tax payment was made to the Central States pension plan in December 2007, resulting in a $3.8 billion net of tax charge to UPS.

This enabled UPS to withdraw our employees from the plan and simultaneously transfer them to the new jointly-trusteed UPS-IBT plan. In addition, we agreed to restore lost benefits for our Employees, by recording a $1.7 billion liability for past service cost.

Another requirement of withdrawing was a backstop provision included in the UPS-IBT plan to cover any lawfully reduced benefits to UPS employees previously covered by the Central States Pension Fund.

Also, as part of the withdrawal agreement with Central States, no UPS participant benefits could be reduced without UPS consent. At the time, it was not legally possible to reduce earned pension benefits.

The backstop obligation was an important piece of our negotiated agreement with the Teamsters. The adoption of the backstop obligation was needed to ratify the new national master agreement and withdraw from the Central States Pension Fund.

Upon payment of our withdrawal liability the financial position of the fund was very strong and the funding position was healthy.

Importantly, the withdrawal from Central States was positive from a net-present-value perspective! The withdrawal was an action that we firmly believed ensured UPS contributions benefitted UPS employees. Had we not withdrawn, UPS would be facing a significantly larger liability than we assumed.

In fact, we estimate the liability would have been more than double what we paid, given the asset returns of the fund since we withdrew. Additionally, benefit payments are exceeding contributions from employers, creating negative cash flow.

Although a significant investment, we firmly believe the withdrawal from Central States and restoration of pension benefits was the right thing to do for our employees, customers and shareowners.

CSPF and New Law Timeline

Dec 2014

- New Multiemployer Pension Reform Act (MPRA) in December 2014
- MPRA allowed for earned benefit reductions for the first time
- CSPF projects insolvency by 2025
- CSPF files under MPRA in September 2015
- UPS opposed plan with comment letters and testimony
- Treasury reviewing benefit reduction application

May 2016

- Decision expected on or before May 7th 2016

UPS will pursue all available legal remedies if the plan is approved

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From 2007 to December 2014, there was no law in place that would allow Central States to reduce accrued benefits. During this time, the financial condition of the Central States Pension Fund declined due to the asset performance and its current negative cash flow position.

In fact, Central States reported a decline in net assets from 2007, when it had approximately $27 billion, inclusive of the UPS withdrawal payment and by 2015 it only had net assets of approximately $16 billion.

In December of 2014, Congress adopted the Multiemployer Pension Reform Act of 2014, the MPRA. The MPRA offers the boards of trustees of critical and declining status multi-employer pension plans the ability, within prescribed guidelines, to avoid insolvency by taking various steps, including suspending or reducing benefits.

Upon passage of the law, Central States did not submit its application to use the MPRA until September 25, 2015. In an effort to improve their declining financial condition, Central States submitted a proposed benefit reduction plan to Treasury under the MPRA.

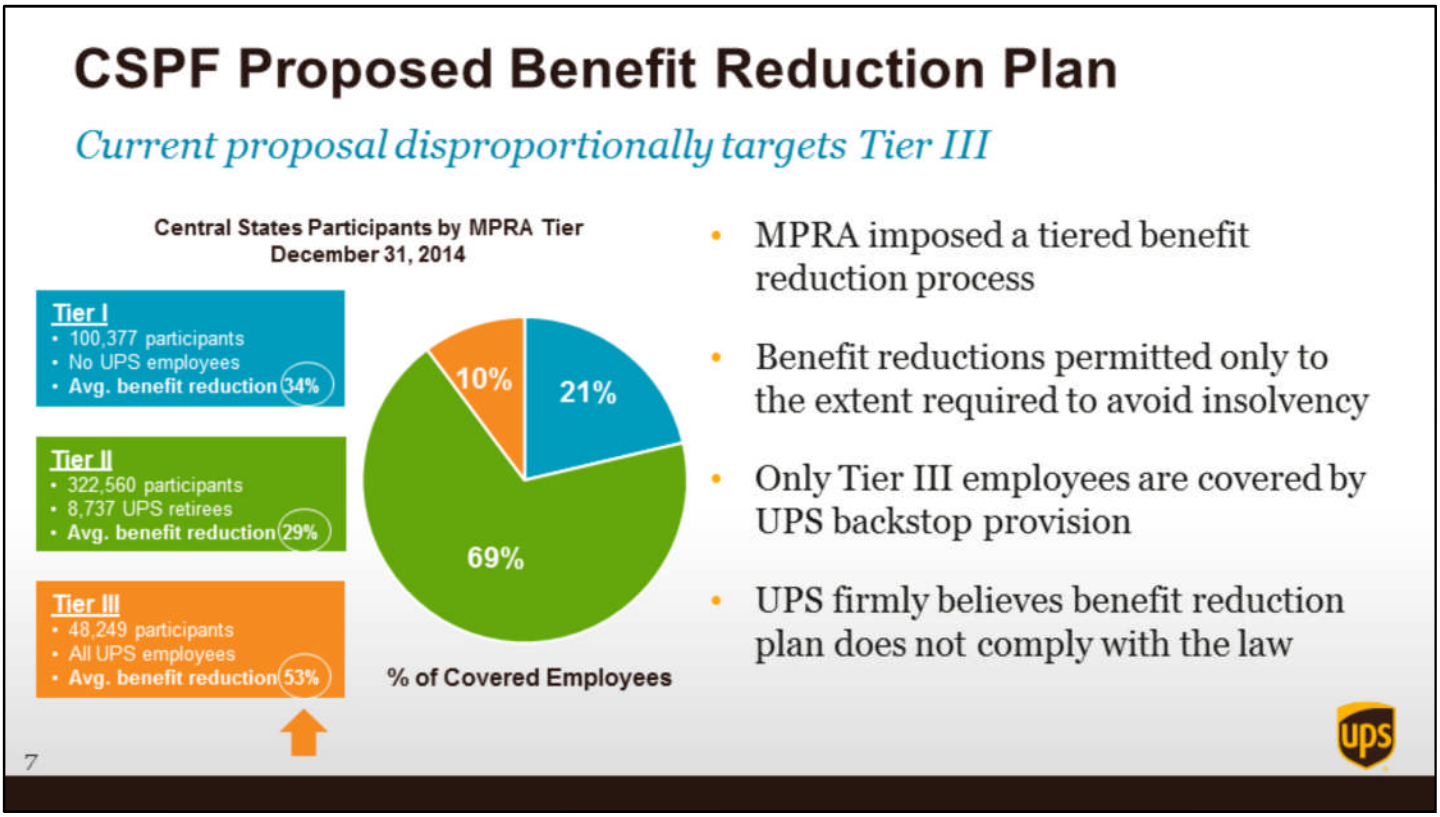
We firmly believe the Central States proposal does not comply with the MPRA ordering rule and disproportionately impacts UPS participants. Further, the Central States plan failed to obtain UPS consent before making any cuts to UPS participants, which was a contractual obligation as part of our withdrawal agreement.

We have expressed our disagreement to the Department of Treasury. In fact UPS along with many others, including contributing employers and the IBT submitted comment letters to the Treasury objecting to the benefit reduction plan.

It should be noted that, throughout this period, beginning in the fourth quarter 2015 UPS and our advisors engaged repeatedly with Treasury and Central States. This was an effort to develop alternative benefit reduction approaches for the Fund.

Treasury is required to approve or reject the application on or before May 7th.

If Treasury approves the plan, UPS will pursue all available legal remedies!



I would like to give a little bit more detail into what Central States has proposed.

The MPRA dictates a tiered employee benefit reduction process, where benefit reductions are only permitted to the extent required to avoid insolvency.

UPS's position is that benefit reductions are to be administered starting with Tier I to the maximum extent possible followed by all maximum permissible cuts to Tier II and, if necessary, permissible cuts to Tier III. There are currently more than 470,000 people as part of the Central States Plan.

Tier I – consists of current Central States Pension Fund participants whose employer is no longer contributing to the plan, and does not include any UPS employees.

Tier II - consists of more than 320,000 Central States Pension Fund participants including about 8,700 UPS employees who retired prior to UPS's withdrawal from the Central States Pension Fund. The benefits these employees earned remain entirely with the Fund and did not transfer over to the UPS-IBT Pension Plan.

Tier III - consists of more than 48,000 retired and currently active UPS employees who were employed by UPS both before and after UPS's withdrawal from the Central States Pension Fund. These are the only employees covered by the backstop provision.

Pension benefits these employees earned before January 1st, 2008 and payable after age 65 remain with the Central States Pension Fund. Benefits these employees earned after January 1st, 2008, are earned under the UPS-IBT Pension Plan.

Any lawful cuts made by the Central States Pension Fund to the Tier III group with UPS consent, triggers the backstop obligation. This would offset the effect of those benefit reductions under the Central States' plan.

As you can see from the slide, the largest reductions to benefits have been proposed for the Tier III UPS employees. We firmly believe this does not comply with the benefit reduction ordering rule outlined in the MPRA.

It also does not comply with the contractual agreement with Central States. It disproportionately targets Tier III participants, this is the basis for our opposition to the application from Central States Pension Fund.

Potential Outcome of Treasury Decision

Treasury decision expected on or before May 7th

- If rejected, CSPF benefit payments will not be reduced without further action
- If approved without delay, based on information currently available:
  - Membership vote required – Treasury could override a vote to reject
  - Approval could trigger backstop provision from 2007 Agreement
  - Results in non-cash, pretax charge of approx. $3.2B to $3.8B
  - Recognized as interim Mark-to-Market charge
  - Could increase ongoing cost and push UPS to lower-end of 2016 guidance
    - Expect to remain at $5.70 to $5.90 adjusted earnings per share

UPS will pursue all available legal remedies if the plan is approved

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As we await Treasury's decision, expected on or before May 7th, we felt it was important for Investors to know the potential impact to UPS.

Treasury could reject the plan, which would confirm our position. As a result, Central States Pension Fund participants would not have their benefits reduced without further action.

On the other hand, if Treasury approves the plan, I want to emphasize first, that UPS will pursue every reasonable avenue to have these unlawful actions set aside.

The Central States Pension Fund participants will vote on whether to accept or reject the plan. If they reject the plan, the Department of Treasury has the power to override their vote.

Treasury's approval of the plan and implementation of cuts by Central States Pension Fund could trigger the backstop provision from the 2007 agreement. If this occurs, we expect to record a pre-tax, non-cash charge of approximately $3.2 to $3.8 billion later in 2016.

This projection assumes that the benefit reduction is implemented as-is, and is based upon currently available information.

We would recognize this event as an interim Mark-to-market charge that could increase ongoing cost.

The ongoing cost, could push UPS to the lower-end of our 2016 guidance range.

Summary

- Decision is expected on or before May 7th 2016
- New MPRA law allows for benefit reduction proposals for first time
- UPS firmly believes CSPF proposal does not comply with MPRA
- CSPF proposal disproportionately impacts Tier III participants
- Backstop provision applies only to CSPF Tier III – no other MEPP
- UPS expects to remain within 2016 adjusted EPS guidance range

Withdrawal from CSPF was the right decision in 2007 and is today

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In summary,

We expect a decision from Treasury soon, and thought it was important to share this information with investors. If Treasury approves the plan as proposed we will pursue all legal remedies available to UPS.

Keep in mind, the reduction of accrued benefits was not legal until the December 2014 law change.

However, we are firm in our belief that this proposal does not comply with the Multiemployer Pension Reform Act.

The other Multi-employer plans that we contribute to are making improvements to their funded levels. None of these plans have the backstop provision that was provided to the Central States Pension Fund.

Regardless of Treasury's decision, UPS still expects to remain within our 2016 adjusted earnings per share guidance.

Looking back, the estimated Central States Pension Fund withdrawal liability today would be significantly more due to the asset return performance and the fact that benefit payments exceeded contributions.

When UPS withdrew from the Central States Pension fund, it was the right thing to do for our employees, our customers, and our shareowners and it's still the right thing.

I understand there are a lot of details to absorb. If you have questions about this presentation, please contact Investor Relations. We'd be happy to speak with you.

This webcast will remain on our investor relations web site for your reference.

Thank you for taking the time to view this presentation and have a great day.