



4Q21

Earnings Call

February 1, 2022





Scott Childress
Investor Relations Officer

UPS Speakers

Carol B. Tomé

Chief Executive Officer

Brian Newman

Chief Financial Officer





Forward-Looking Statements and Non-GAAP Reconciliations

Forward-Looking Statements

This presentation and our filings with the Securities and Exchange Commission contain and in the future may contain “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.

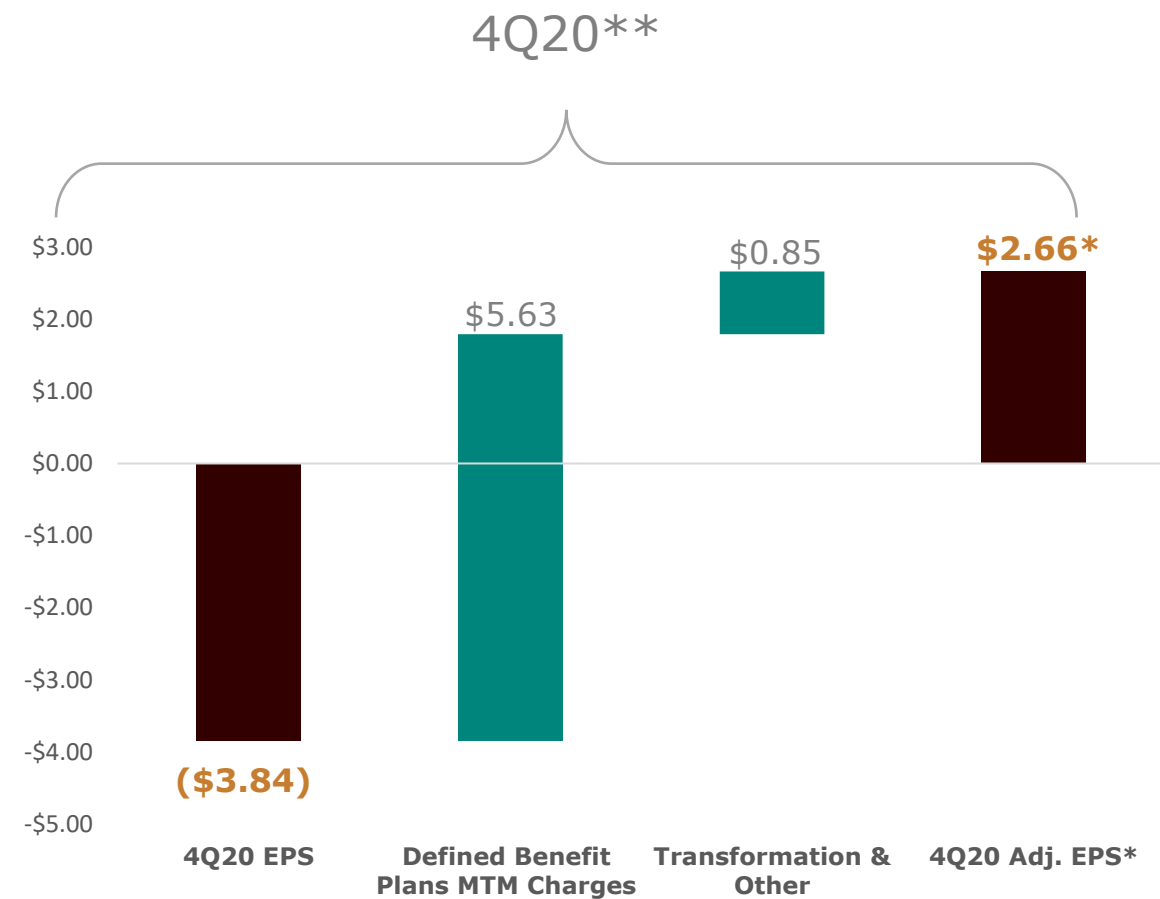
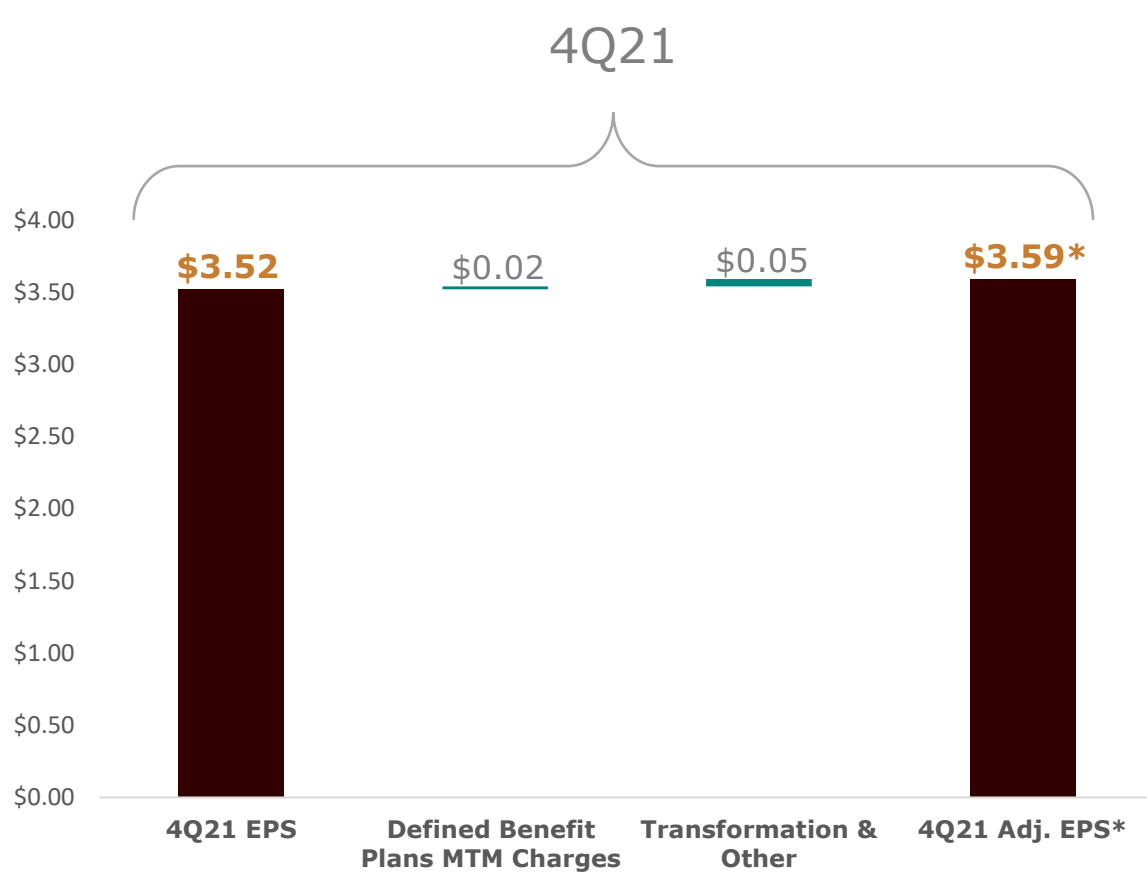
From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Forward-looking statements may relate to our intent, belief, forecasts of, or current expectations about our strategic direction, prospects, future results, or future events; they do not 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.

Information, including comparisons to prior periods, may reflect adjusted results. See the appendix for reconciliations of adjusted results and other non-GAAP financial measures.

Diluted EPS



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

** May not total due to difference in weighted-average shares outstanding used to calculate diluted earnings per share.





Carol B. Tomé
Chief Executive Officer



MOVING OUR WORLD
FORWARD
BY DELIVERING
WHAT MATTERS



**THANK
YOU**
UPSers



Consolidated Results

Q4

GAAP

<i>In \$ Millions (except per share)</i>	4Q21	4Q20	Change
Total Revenue	\$27,771	\$24,896	11.5%
Operating Profit	\$3,891	\$2,037	91.0%
Operating Margin	14.0%	8.2%	580 bps
Diluted EPS	\$3.52	(\$3.84)	N/M

Adjusted

<i>In \$ Millions (except per share)</i>	4Q21	4Q20	Change
Total Revenue	\$27,771	\$24,896	11.5%
Operating Profit*	\$3,952	\$2,870	37.7%
Operating Margin*	14.2%	11.5%	270 bps
Diluted EPS*	\$3.59	\$2.66	35.0%

Full Year

<i>In \$ Millions (except per share)</i>	2021	2020	Change
Total Revenue	\$97,287	\$84,628	15.0%
Operating Profit	\$12,810	\$7,684	66.7%
Operating Margin	13.2%	9.1%	410 bps
Diluted EPS	\$14.68	\$1.54	N/M

<i>In \$ Millions (except per share)</i>	2021	2020	Change
Total Revenue	\$97,287	\$84,628	15.0%
Operating Profit*	\$13,144	\$8,718	50.8%
Operating Margin*	13.5%	10.3%	320 bps
Diluted EPS*	\$12.13	\$8.23	47.4%

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



UPS Strategic Framework

Better Not Bigger



Purpose

Moving our world forward by delivering what matters



Strategy

Customer first

People led

Innovation driven



Goals

Net promoter score > 50

Likelihood to recommend ≥ 80

Return on invested capital increases



2021 Progress

- U.S. SMB ADV grew 18%
- NPS at 30, with a path to achieve 50

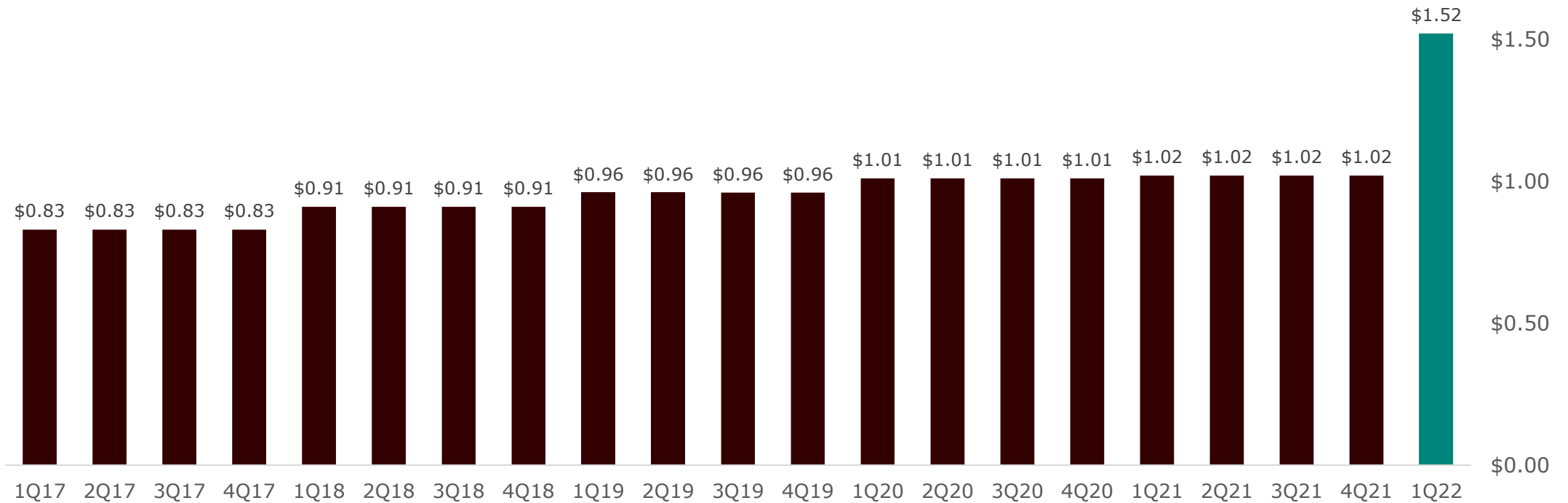
- Likelihood to recommend improved 10 percentage points to finish at 61%

- ROIC* up 910 bps to 30.8%

Achieved 2023 target two years ahead of schedule

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

UPS Increases Quarterly Dividend by 49% to \$1.52 per Share; Largest in History



Achieved Targeted Dividend Payout Ratio of 50%



2022 Financial Goals

- Consolidated revenues ~\$102 billion
- Consolidated adjusted operating margin* ~13.7%
- Return on invested capital* above 30%

We expect to deliver our 2023 consolidated revenue and operating margin targets one year early.

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





Brian Newman
Chief Financial Officer

Fourth-Quarter 2021 Consolidated Results

GAAP

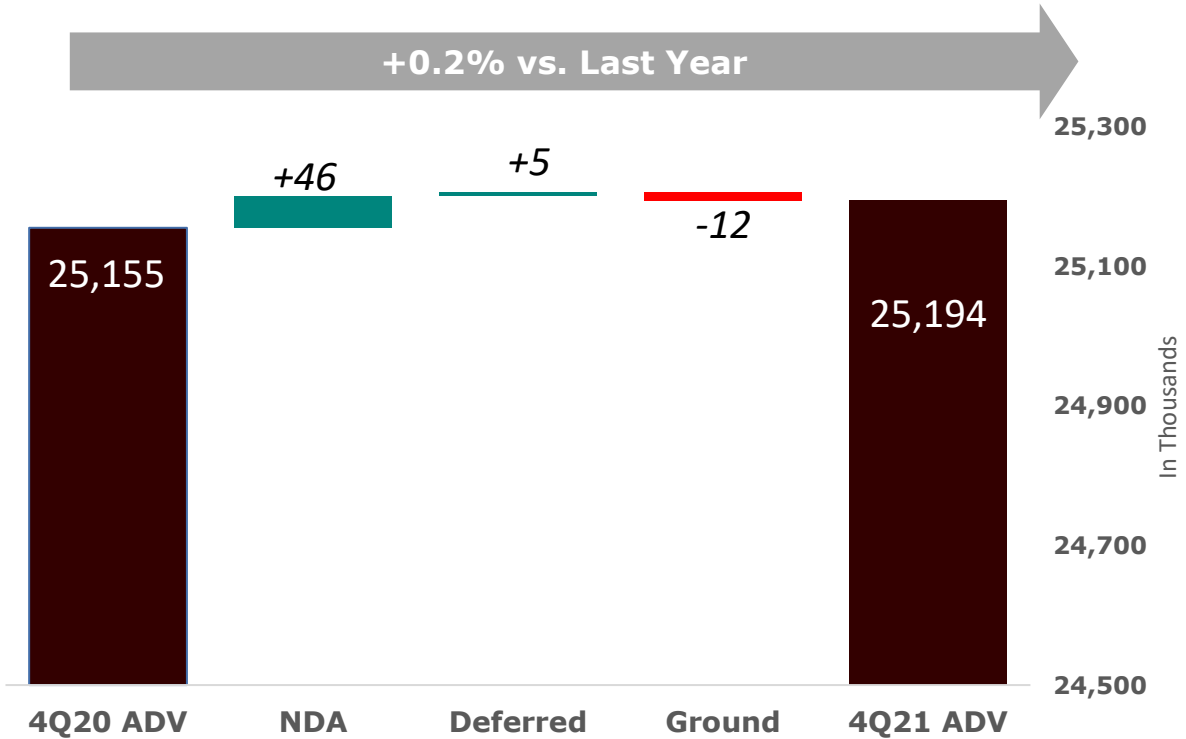
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Adjusted

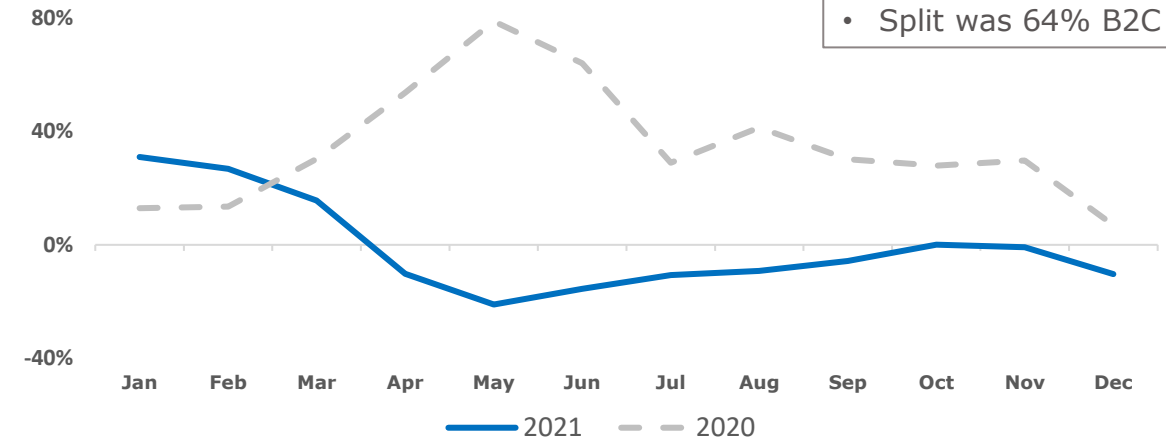
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Operating Margin*	14.2%	11.5%	270 bps
Diluted EPS*	\$3.59	\$2.66	35.0%



4Q Average Daily Volume Growth Led By B2B



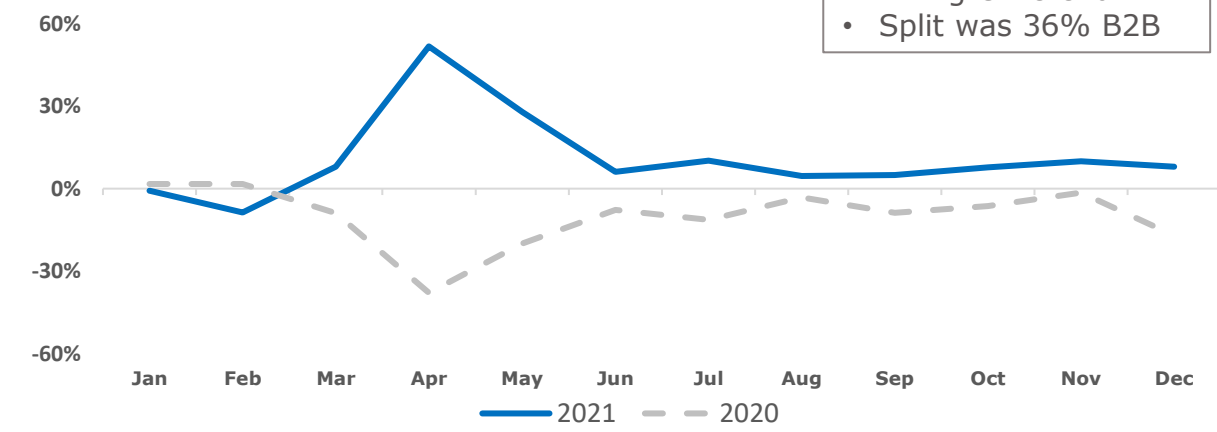
Monthly B2C ADV (Y/Y)



4Q21

- B2C down 4.1%
- Split was 64% B2C

Monthly B2B ADV (Y/Y)



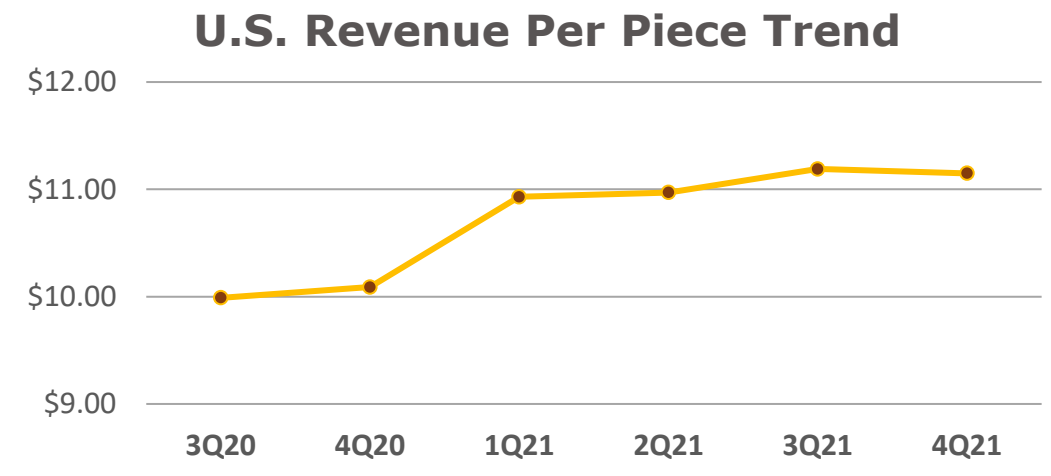
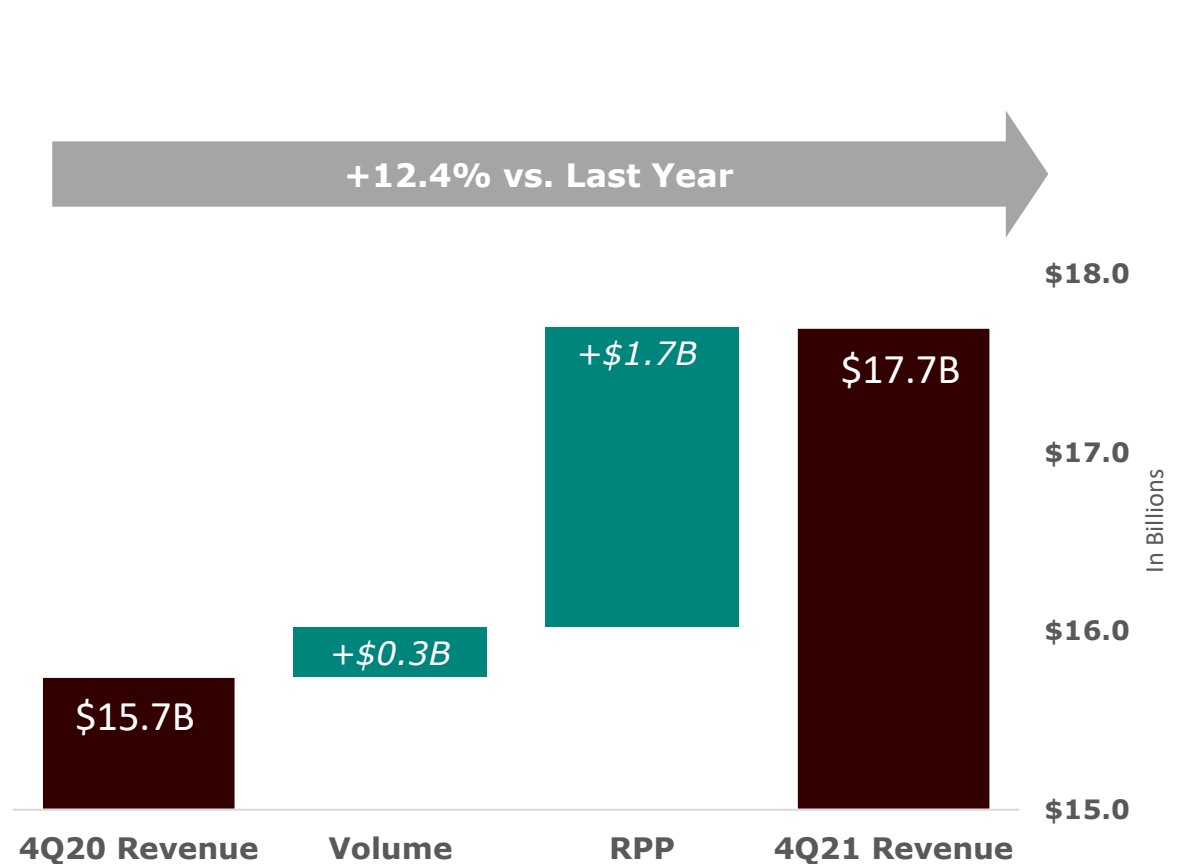
4Q21

- B2B grew 8.8%
- Split was 36% B2B



4Q Revenue Increased 12.4% to \$17.7B

Driven by 10.5% increase in revenue per piece



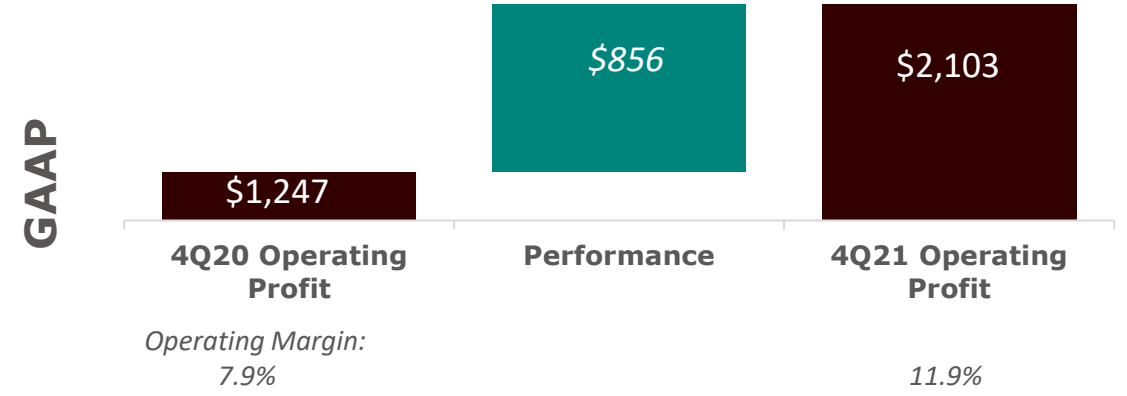
- Revenue quality initiatives resulted in 10.5% RPP increase in 4Q21
 - Includes 380 basis point benefit from fuel and 110 basis point benefit from demand-related surcharges
- RPP grew across all products and customer segments



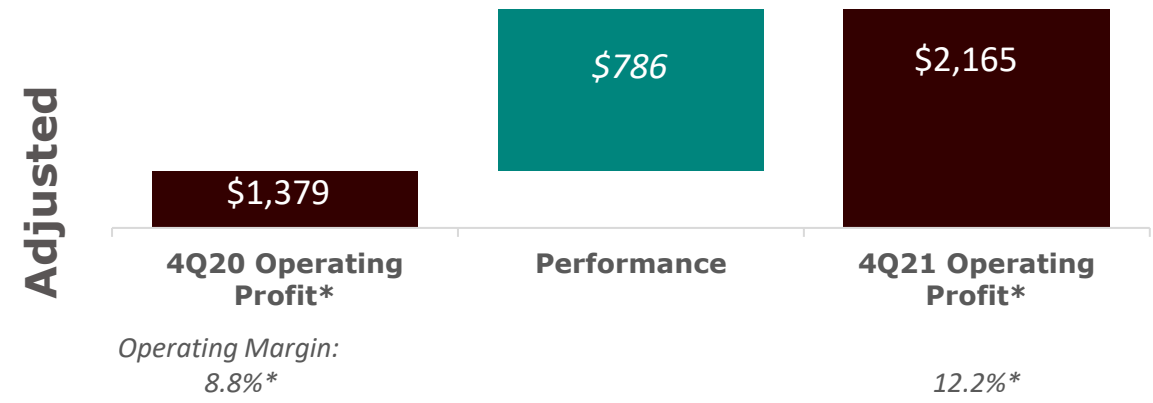
4Q Operating Profit and Margin Increased YoY

Adjusted our network to match the needs of our customers

Operating Profit (In Millions)



Operating Profit (In Millions)



- Productivity improvements helped partially offset expense increases
- We leveraged our weekend operations, package flow technology, and automated facilities to meet stronger than expected demand early in the quarter
- Adjusted operating profit* grew by 57% to \$2.2B, and adjusted operating margin* expanded by 340 bps to 12.2%

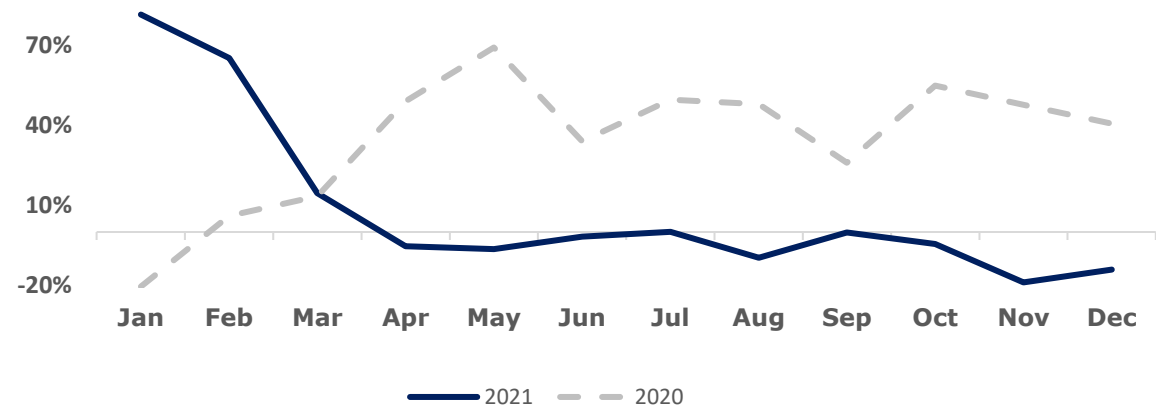
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.



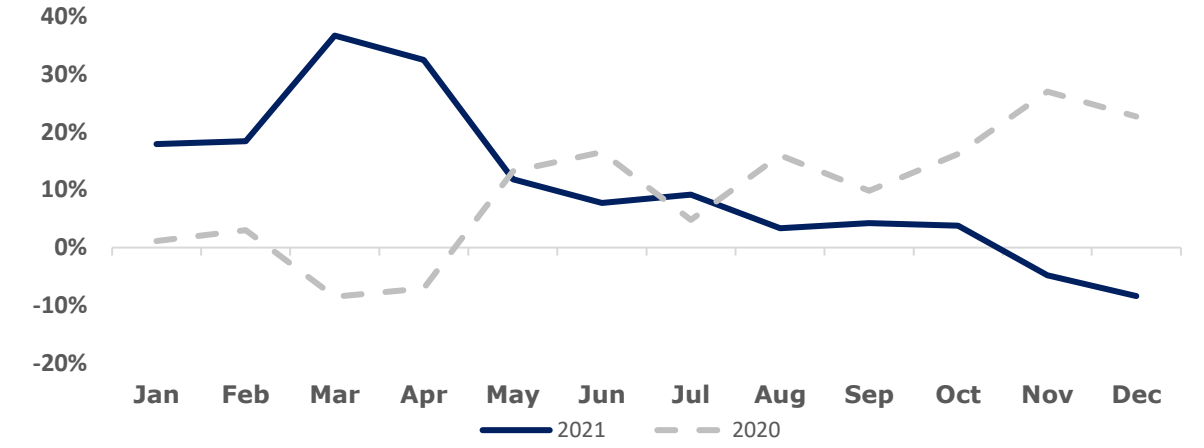
4Q Average Daily Volume Down 4.8%; Up 17.1% on a 2-year Stack

B2B ADV grew 4.7%

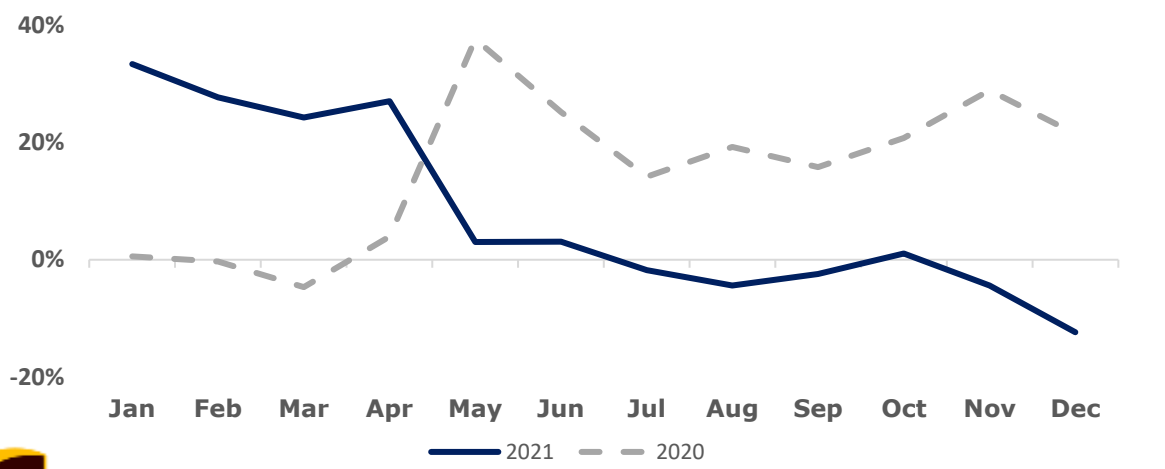
Asia Monthly ADV (Y/Y)



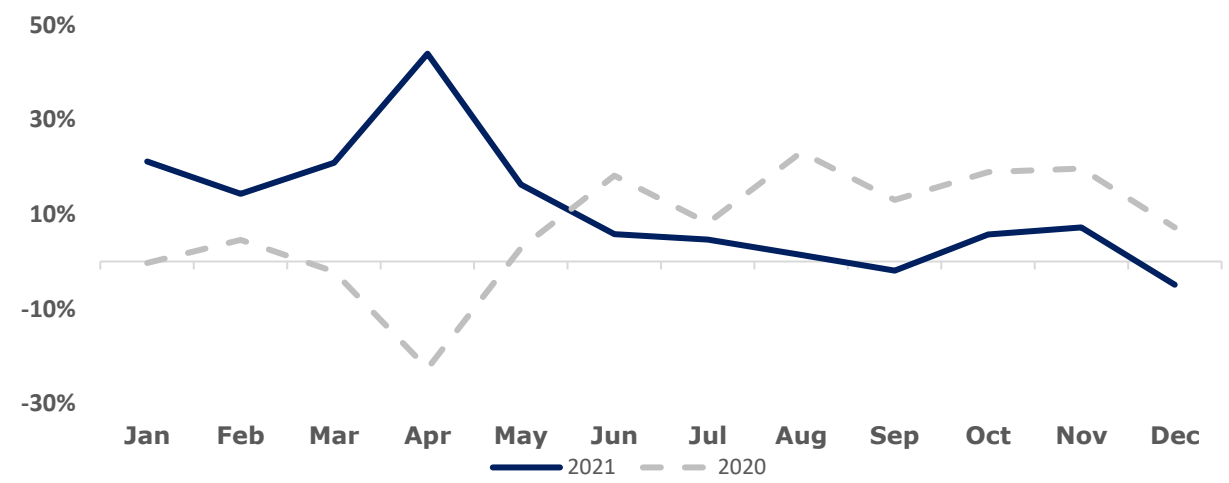
Europe Monthly ADV (Y/Y)



Americas Monthly ADV (Y/Y)



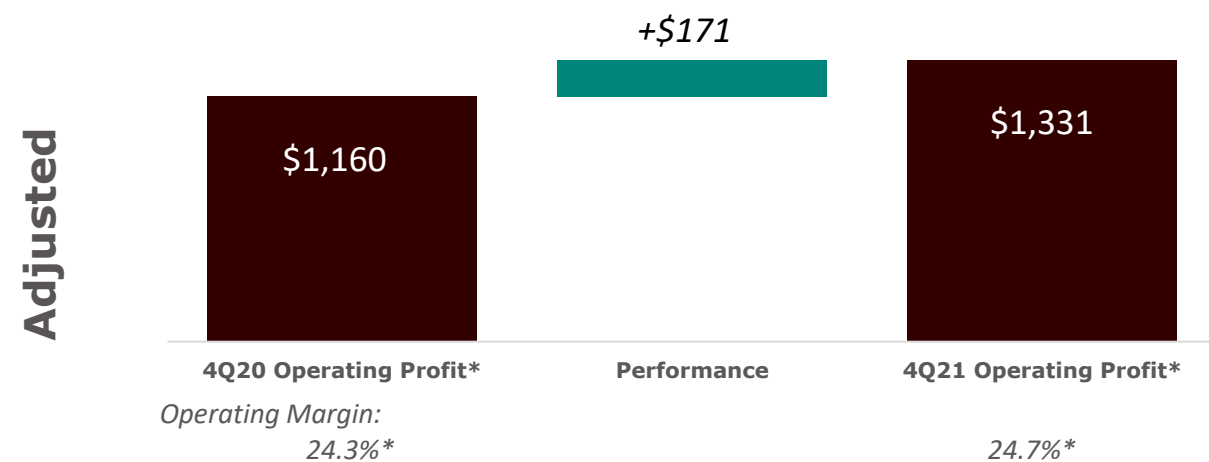
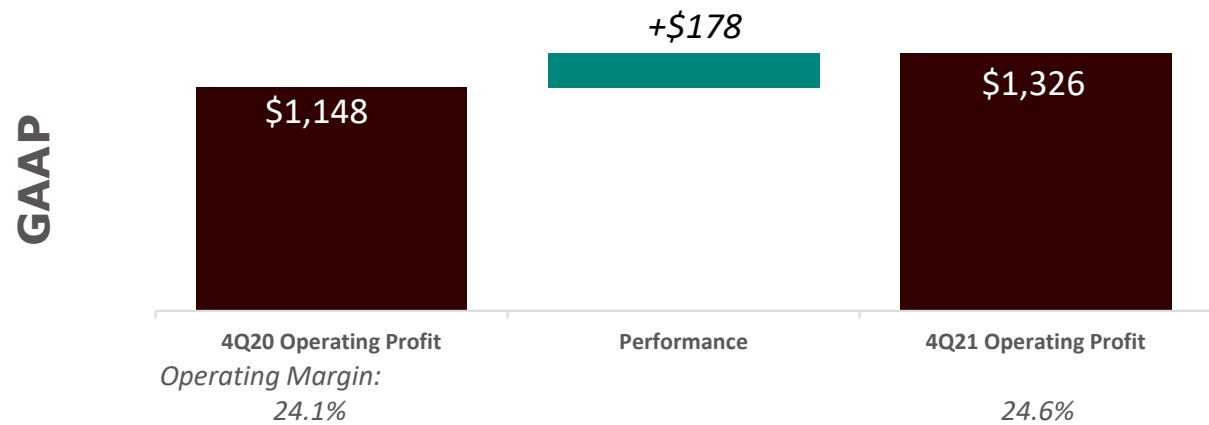
U.S. Export Monthly ADV (Y/Y)



Generated 4Q Record Operating Profit of \$1.3B

Fifth consecutive quarter of operating profit over \$1B

Operating Profit (In Millions)



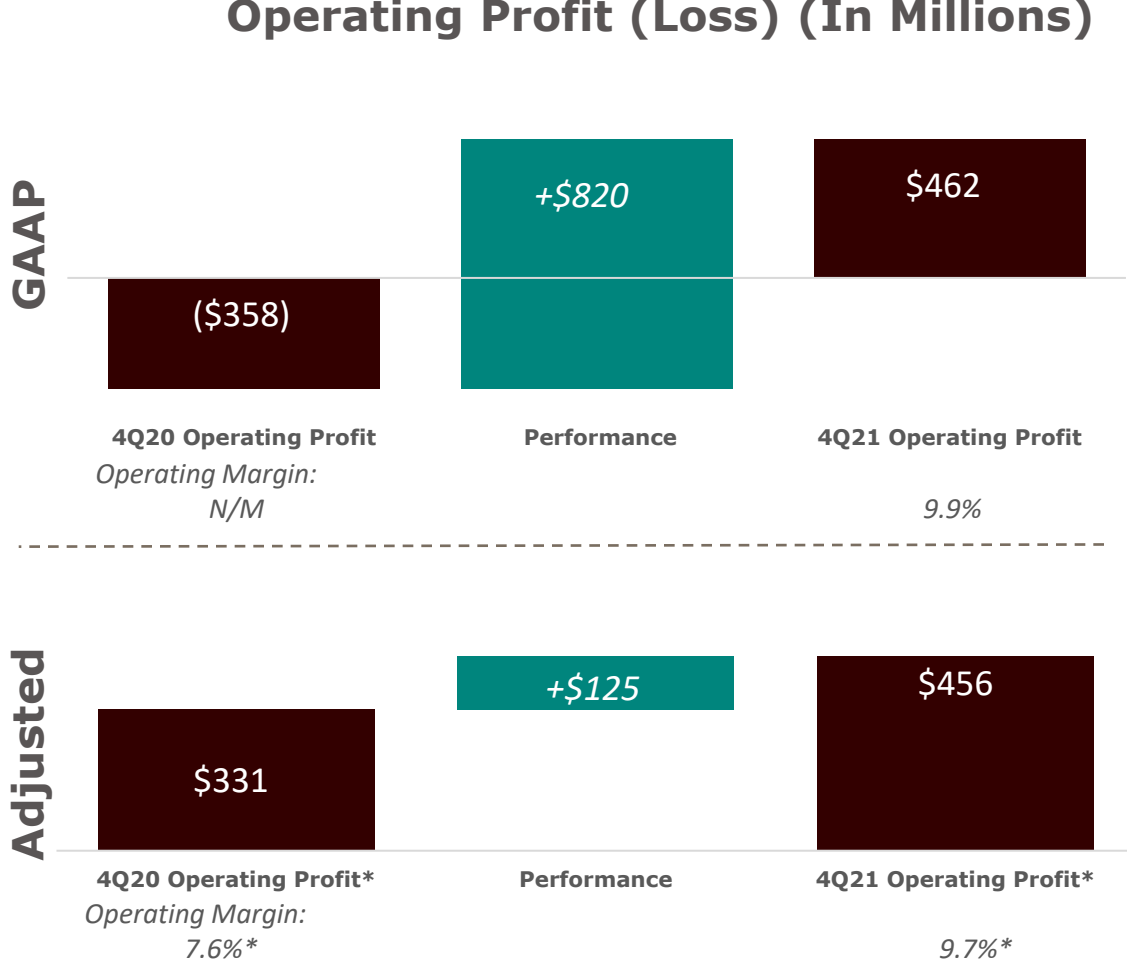
- Revenue up 13.1% to \$5.4B
- Revenue per piece increased 16.4%
 - Includes 730 basis point benefit from fuel and 340 basis point benefit from demand-related surcharges
- Adjusted operating margin* of 24.7%

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



Delivered Record 4Q Top- and Bottom-Line Results

Operating Profit (Loss) (In Millions)



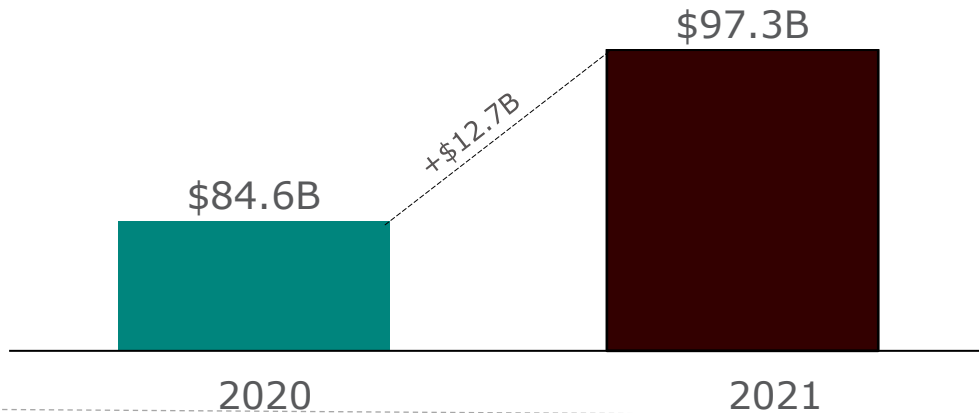
- Forwarding revenue increased 37.9% and operating profit more than doubled
- Healthcare portfolio delivered strong profits, led by pharma and medical device customers
- Adjusted operating margin* increased by 210 basis points to 9.7%

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

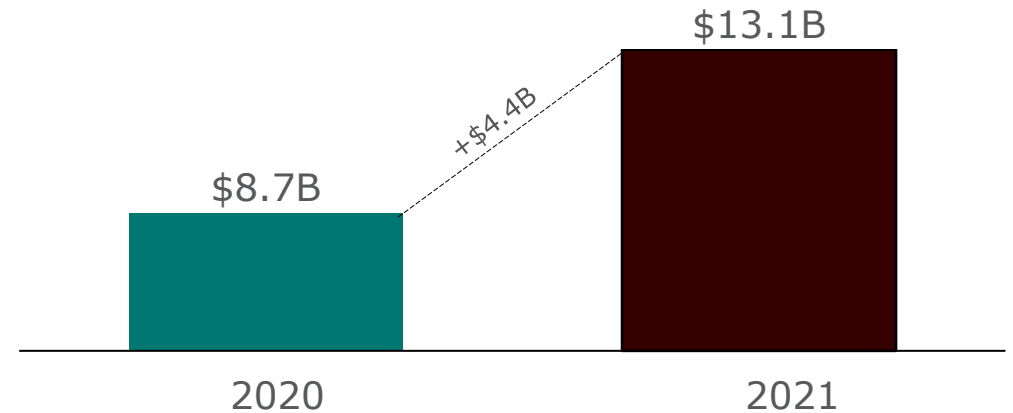


UPS Delivered Record Consolidated Financial Results in 2021

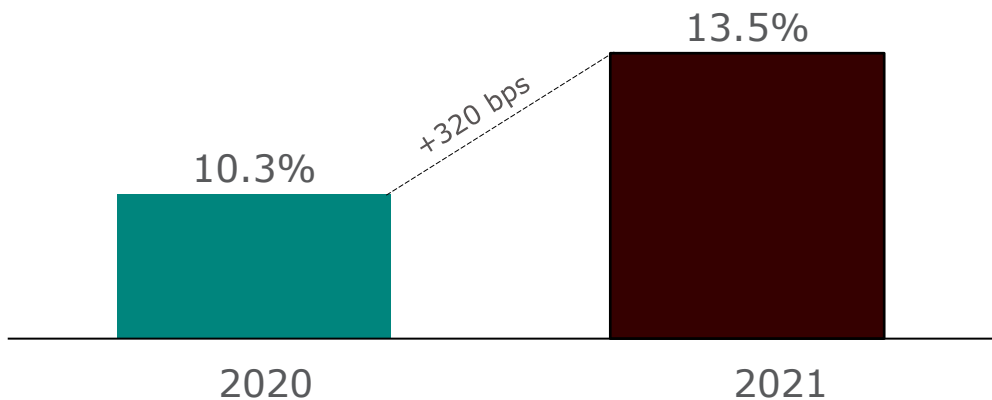
Revenue



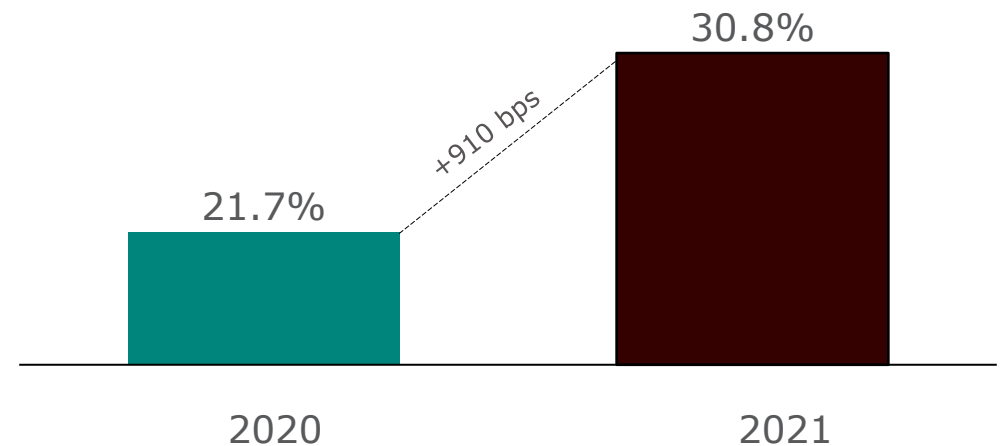
Adjusted Op Profit*



Adjusted Op Margin*

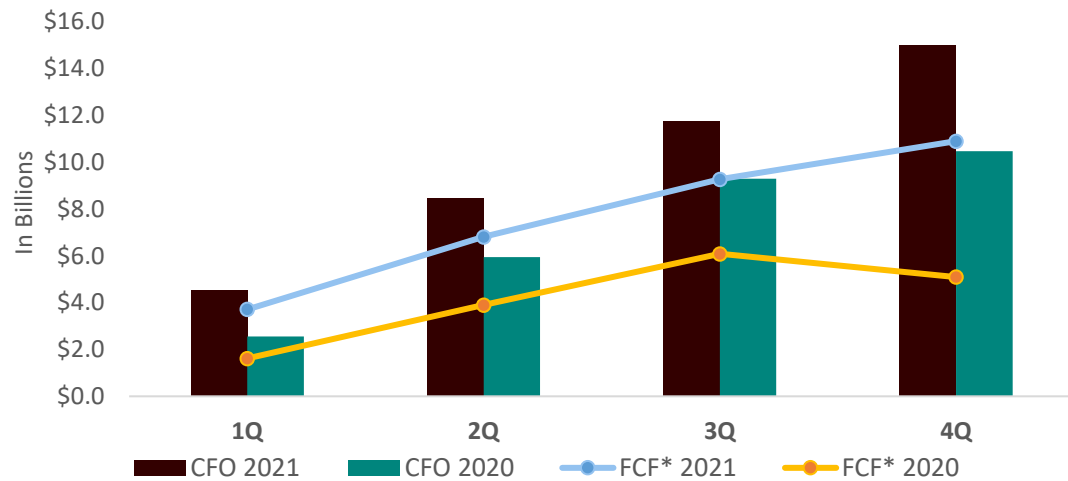


Return on Invested Capital*

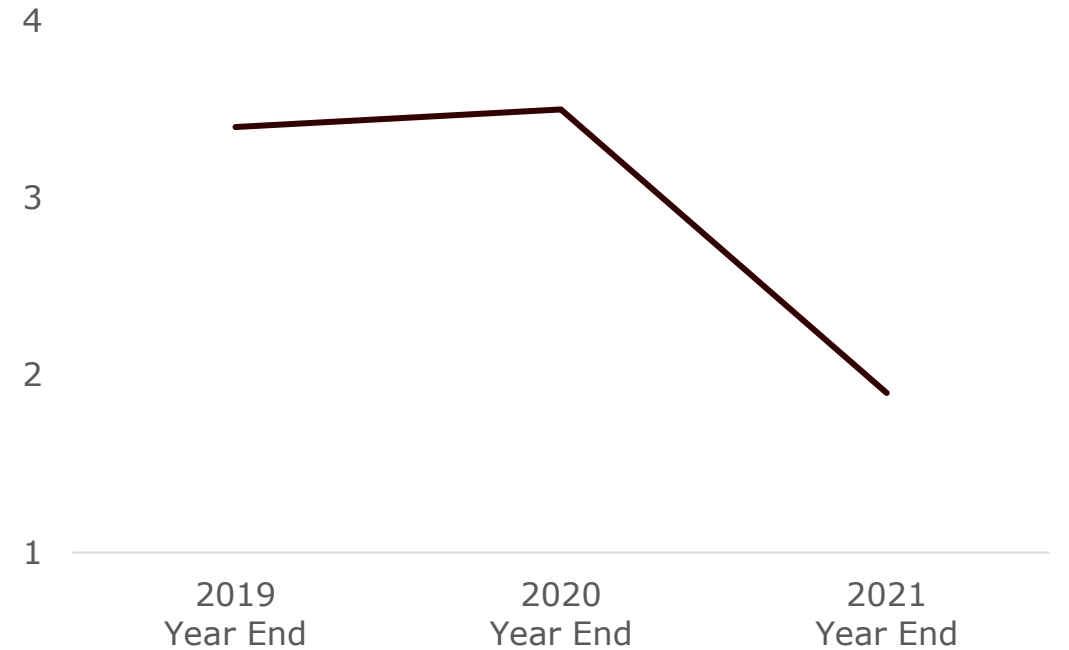


Cash Flow and Adjusted EBITDA*

**FY 2021 Cash from Operations of \$15.0B;
FY 2021 Free Cash Flow* of \$10.9B**



**Adjusted Debt to Adjusted EBITDA* Trend
(Trailing 12 Month Basis)**



*Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
Note: 2020 results include \$1.1B benefit from CARES Act payroll tax deferral and total pension contributions of \$3.1B. In 2021, results include total pension contributions of \$0.6B.



Full Year 2021 Segment Highlights

Full Year 2021	U.S. Domestic	International	SCS
Adjusted Operating Profit*	\$6.7B	\$4.7B	\$1.7B
Adjusted Operating Profit Growth Y/Y*	62.7%	33.6%	61.3%
Adjusted Operating Margin*	11.1%	24.2%	9.8%
Adjusted Operating Margin BP Change Y/Y*	+340 bps	+200 bps	+280 bps

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



2022 Outlook

- + Expect macro environment to remain dynamic in 2022 with global GDP growing 4.2%
- + Planning volume and revenue per piece growth and continued productivity
- = Paying close attention to:
 - COVID-19
 - Inflationary pressures
 - Upstream supply chain constraints and labor shortages
- + We expect to deliver 2023 consolidated revenue and operating margin targets one year early

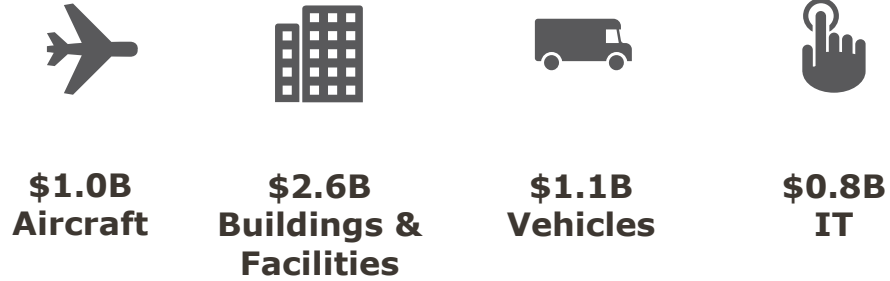
Full-year 2022 Outlook

- Consolidated:
 - Revenue around \$102B
 - Adjusted operating margin* about 13.7%
 - Adjusted Return on Invested Capital* >30%
 - Capital expenditures ~5.4% of revenue
 - Free cash flow* ~\$9.0B
- U.S. Domestic:
 - Revenue growth ~5.5%; adjusted operating margin* expansion ~50 basis points
- International:
 - Revenue growth ~7.7%; adjusted operating margin* ~23.6%
- Supply Chain Solutions:
 - Revenue of ~\$17B; adjusted operating margin* ~9.4%

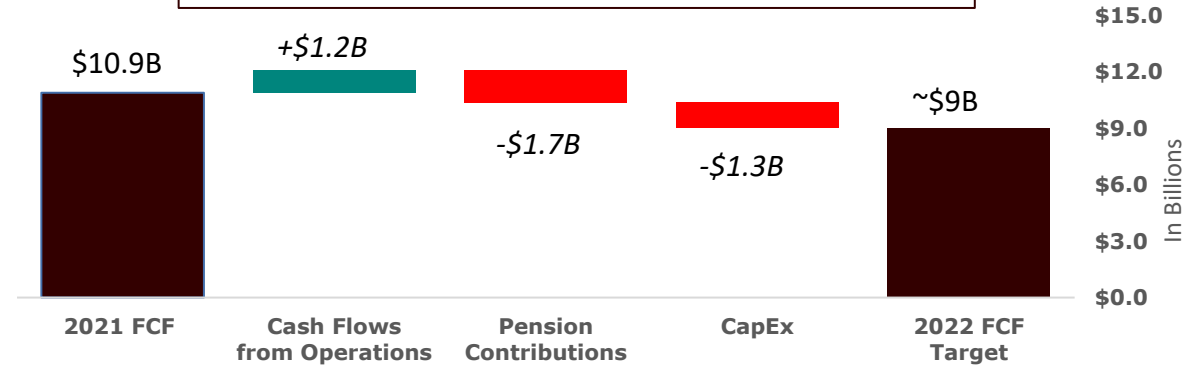


2022 Capital Allocation Plan

CapEx of Around \$5.5B

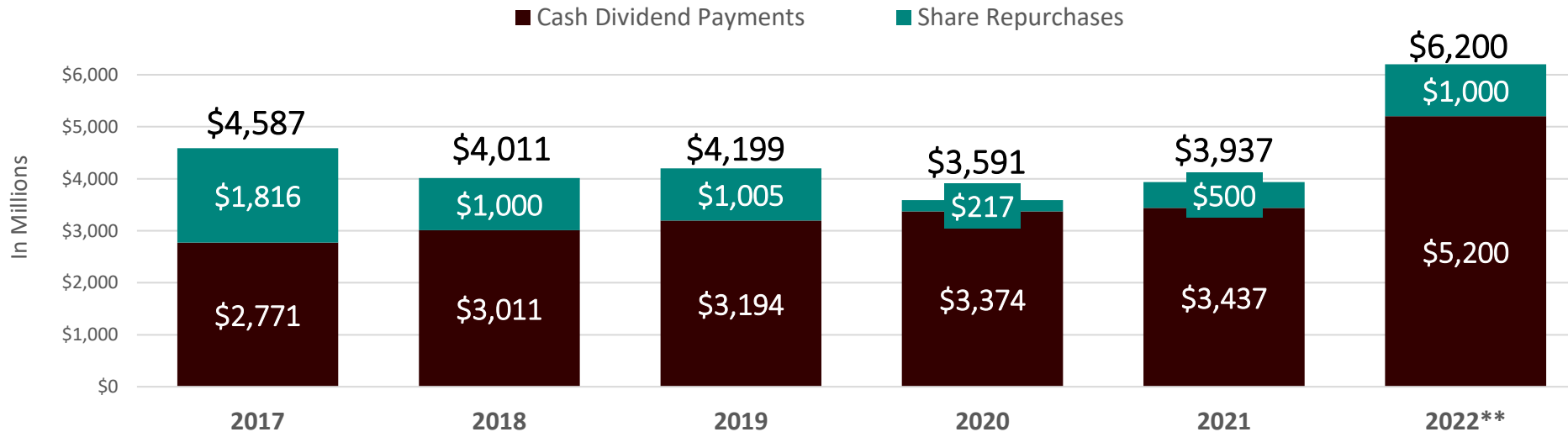


Free Cash Flow* of Around \$9B



2022 includes annual pension contributions, approximating our expected service costs.

Planning Total Return to Shareholders of \$6.2B

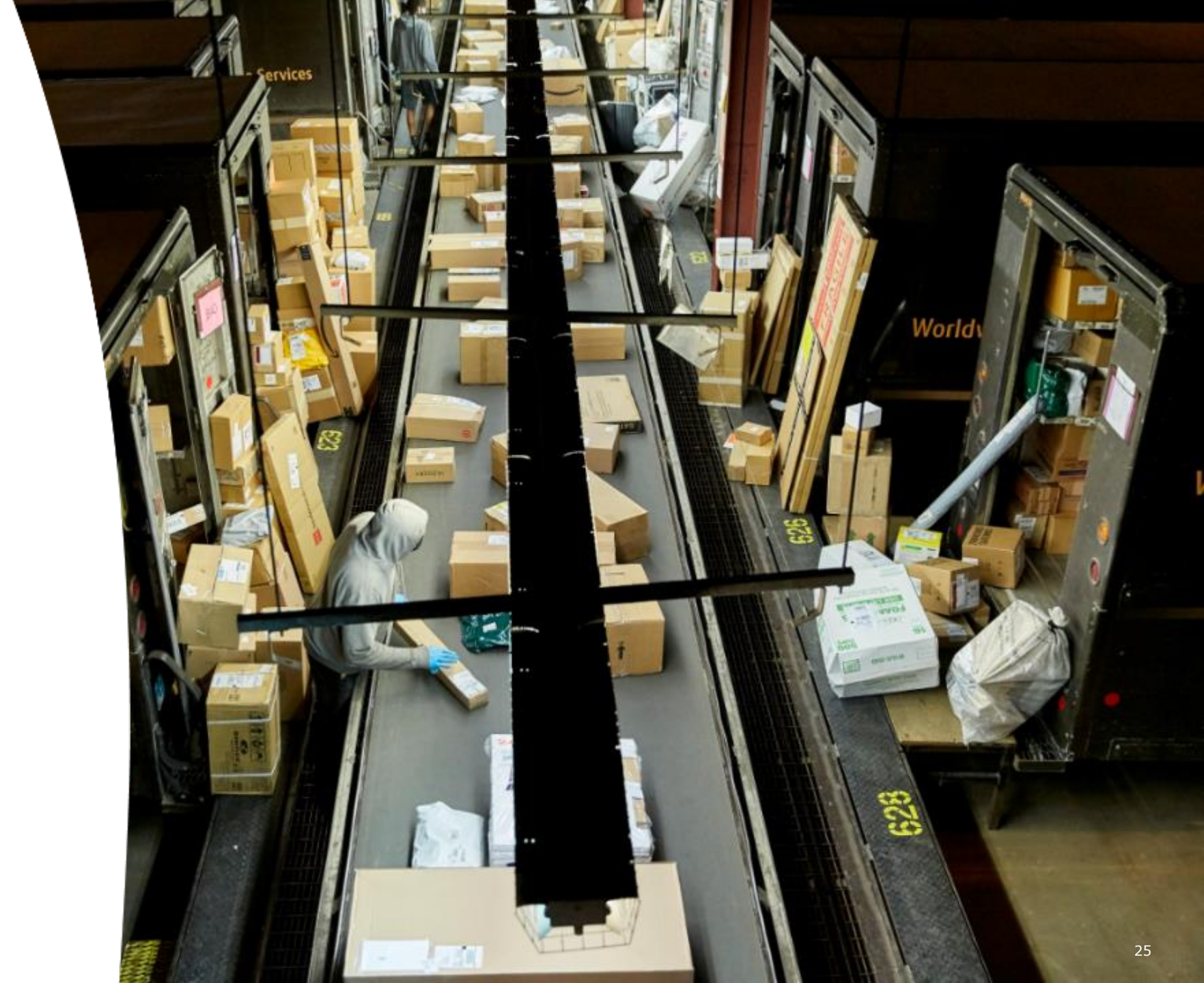


* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.

** Estimated based on Board approved dividend per share of \$1.52 in 1Q22.



Questions & Answers





Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

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.

Transformation 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 transformation activities, goodwill and asset impairments, and divestitures.

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 rates 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.



Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and As Adjusted Income Statement Data
(unaudited)

Three Months Ended December 31,

(in millions, except per share amounts)

	2021				2020				% Change As Reported (GAAP)	% Change As Adjusted (Non-GAAP)
	As Reported (GAAP)	Pension MTM Adj. ⁽¹⁾	Transformation & Other Adj. ⁽²⁾	As Adjusted (Non-GAAP)	As Reported (GAAP)	Pension MTM Adj. ⁽¹⁾	Transformation & Other Adj. ⁽³⁾	As Adjusted (Non-GAAP)		
U.S. Domestic Package	\$ 15,594	\$ —	\$ 62	\$ 15,532	\$ 14,497	\$ —	\$ 132	\$ 14,365	7.6%	8.1%
International Package	\$ 4,071	—	5	\$ 4,066	3,622	—	12	\$ 3,610	12.4%	12.6%
Supply Chain Solutions ⁽⁴⁾	\$ 4,215	—	(6)	\$ 4,221	4,740	—	689	\$ 4,051	(11.1%)	4.2%
Operating Expense	23,880	—	61	23,819	22,859	—	833	22,026	4.5%	8.1%
U.S. Domestic Package	\$ 2,103	\$ —	\$ 62	\$ 2,165	\$ 1,247	\$ —	\$ 132	\$ 1,379	68.6%	57.0%
International Package	1,326	—	5	1,331	1,148	—	12	1,160	15.5%	14.7%
Supply Chain Solutions ⁽⁴⁾	462	—	(6)	456	(358)	—	689	331	N/M	37.8%
Operating Profit	3,891	—	61	3,952	2,037	—	833	2,870	91.0%	37.7%
Other Income and (Expense):										
Other pension income (expense)	267	18	—	285	(6,157)	6,484	—	327	N/M	(12.8%)
Investment income (expense) and other	(23)	—	—	(23)	7	—	—	7	N/M	N/M
Interest expense	(173)	—	—	(173)	(175)	—	—	(175)	(1.1%)	(1.1%)
Total Other Income and (Expense)	71	18	—	89	(6,325)	6,484	—	159	N/M	(44.0%)
Income Before Income Taxes	3,962	18	61	4,041	(4,288)	6,484	833	3,029	N/M	33.4%
Income Tax Expense	869	4	16	889	(941)	1,555	90	704	N/M	26.3%
Net Income	\$ 3,093	\$ 14	\$ 45	\$ 3,152	\$ (3,347)	\$ 4,929	\$ 743	\$ 2,325	N/M	35.6%
Basic Earnings Per Share	\$ 3.53	\$ 0.02	\$ 0.05	\$ 3.60	\$ (3.84)	\$ 5.66	\$ 0.85	\$ 2.67	N/M	34.8%
Diluted Earnings Per Share ⁽⁵⁾	\$ 3.52	\$ 0.02	\$ 0.05	\$ 3.59	\$ (3.84)	\$ 5.63	\$ 0.85	\$ 2.66	N/M	35.0%
Weighted-average shares outstanding:										
Basic	875				871					
Diluted	879				871					

(1) Represents mark-to-market losses recognized outside of a 10% corridor on company-sponsored pension and postretirement plans

(2) Transformation & other of \$61 million reflects other employee benefits costs of \$42 million, other costs of \$30 million and an \$11 million gain related to the divestiture of UPS Freight.

(3) Transformation & other of \$833 million reflects goodwill and other assets impairment charges of \$686 million related to the divestiture of UPS Freight, other employee benefits costs of \$100 million and other costs of \$47 million.

(4) The divestiture of UPS Freight was completed on April 30, 2021.

(5) May not total due to difference in weighted-average shares outstanding used to calculate diluted earnings per share



Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and As Adjusted Income Statement Data
(unaudited)

Twelve Months Ended December 31,

(in millions, except per share amounts)

	2021				2020				% Change As Reported (GAAP)	% Change As Adjusted (Non-GAAP)
	As Reported (GAAP)	Pension MTM Adj. ⁽¹⁾	Transformation & Other Adj. ⁽²⁾	As Adjusted (Non-GAAP)	As Reported (GAAP)	Pension MTM Adj. ⁽¹⁾	Transformation & Other Adj. ⁽²⁾	As Adjusted (Non-GAAP)		
U.S. Domestic Package	\$ 53,881	\$ —	\$ 281	\$ 53,600	\$ 49,608	\$ —	\$ 237	\$ 49,371	8.6%	8.6%
International Package	14,895	—	74	14,821	12,509	—	96	12,413	19.1%	19.4%
Supply Chain Solutions ⁽⁴⁾	15,701	—	(21)	15,722	14,827	—	701	14,126	5.9%	11.3%
Operating Expense	84,477	—	334	84,143	76,944	—	1,034	75,910	9.8%	10.8%
U.S. Domestic Package	\$ 6,436	\$ —	\$ 281	\$ 6,717	\$ 3,891	\$ —	\$ 237	\$ 4,128	65.4%	62.7%
International Package	4,646	—	74	4,720	3,436	—	96	3,532	35.2%	33.6%
Supply Chain Solutions ⁽⁴⁾	1,728	—	(21)	1,707	357	—	701	1,058	384.0%	61.3%
Operating Profit	12,810	—	334	13,144	7,684	—	1,034	8,718	66.7%	50.8%
Other Income and (Expense):										
Other pension income (expense)	4,457	(3,272)	—	1,185	(5,176)	6,484	—	1,308	N/M	(9.4%)
Investment income (expense) and other	22	—	—	22	37	—	—	37	(40.5%)	(40.5%)
Interest expense	(694)	—	—	(694)	(701)	—	—	(701)	(1.0%)	(1.0%)
Total Other Income and (Expense)	3,785	(3,272)	—	513	(5,840)	6,484	—	644	N/M	(20.3%)
Income Before Income Taxes	16,595	(3,272)	334	13,657	1,844	6,484	1,034	9,362	N/M	45.9%
Income Tax Expense	3,705	(784)	84	3,005	501	1,555	140	2,196	N/M	36.8%
Net Income	\$ 12,890	\$ (2,488)	\$ 250	\$ 10,652	\$ 1,343	\$ 4,929	\$ 894	\$ 7,166	N/M	48.6%
Basic Earnings Per Share	\$ 14.75	\$ (2.85)	\$ 0.29	\$ 12.19	\$ 1.55	\$ 5.69	\$ 1.03	\$ 8.27	N/M	47.4%
Diluted Earnings Per Share	\$ 14.68	\$ (2.83)	\$ 0.28	\$ 12.13	\$ 1.54	\$ 5.66	\$ 1.03	\$ 8.23	N/M	47.4%
Weighted-average shares outstanding:										
Basic	874				867					
Diluted	878				871					

(1) Represents mark-to-market (gains) losses recognized outside of a 10% corridor on company-sponsored pension and postretirement plans

(2) Transformation & other of \$334 million reflects a gain on the divestiture of UPS Freight of \$112 million, net of a previously-recognized valuation allowance of \$66 million, other employee benefits costs of \$206 million and other costs of \$174 million.

(3) Transformation & other of \$1,034 million reflects goodwill and other asset impairment charges of \$686 million related to the divestiture of UPS Freight, other employee benefits costs of \$211 million and other costs of \$137 million.

(4) The divestiture of UPS Freight was completed on April 30, 2021.



Reconciliations

Reconciliation of Currency Neutral Revenue Per Piece, Revenue and As Adjusted Operating Profit (in millions, except per piece amounts):

	Three Months Ended December 31			Currency Neutral		
	2021	2020	% Change	Currency	2021 ⁽¹⁾	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 7.27	\$ 7.08	2.7%	\$ 0.12	\$ 7.39	4.4%
Export	34.03	28.24	20.5%	0.26	34.29	21.4%
Total International Package	\$ 20.11	\$ 17.27	16.4%	\$ 0.18	\$ 20.29	17.5%
Consolidated	\$ 12.40	\$ 11.14	11.3%	\$ 0.03	\$ 12.43	11.6%
Revenue (in millions):						
U.S. Domestic Package	\$ 17,697	\$ 15,744	12.4%	\$ —	\$ 17,697	12.4%
International Package	5,397	4,770	13.1%	50	5,447	14.2%
Supply Chain Solutions ⁽³⁾	4,677	4,382	6.7%	25	4,702	7.3%
Total revenue	\$ 27,771	\$ 24,896	11.5%	\$ 75	\$ 27,846	11.8%
As-Adjusted Operating profit (in millions)⁽²⁾:						
U.S. Domestic Package	\$ 2,165	\$ 1,379	57.0%	\$ -	\$ 2,165	57.0%
International Package	1,331	1,160	14.7%	(1)	1,330	14.7%
Supply Chain Solutions ⁽³⁾	456	331	37.8%	11	467	41.1%
Total operating profit	\$ 3,952	\$ 2,870	37.7%	\$ 10	\$ 3,962	38.0%

(1) Amounts adjusted for period over period foreign currency exchange rate and hedging differences

(2) Amounts adjusted for transformation & other

(3) The divestiture of UPS Freight was completed on April 30, 2021.



Reconciliations

Reconciliation of Currency Neutral Revenue Per Piece, Revenue and As Adjusted Operating Profit (in millions, except per piece amounts):

	Twelve Months Ended December 31			Currency Neutral		
	2021	2020	% Change	Currency	2021 ⁽¹⁾	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 7.31	\$ 6.65	9.9%	\$ (0.29)	\$ 7.02	5.6%
Export	32.83	28.52	15.1%	(0.55)	32.28	13.2%
Total International Package	\$ 19.44	\$ 16.99	14.4%	\$ (0.41)	\$ 19.03	12.0%
Consolidated	\$ 12.32	\$ 10.94	12.6%	\$ (0.06)	\$ 12.26	12.1%
Revenue (in millions):						
U.S. Domestic Package	\$ 60,317	\$ 53,499	12.7%	\$ —	\$ 60,317	12.7%
International Package	19,541	15,945	22.6%	(402)	19,139	20.0%
Supply Chain Solutions ⁽³⁾	17,429	15,184	14.8%	(96)	17,333	14.2%
Total revenue	\$ 97,287	\$ 84,628	15.0%	\$ (498)	\$ 96,789	14.4%
As-Adjusted Operating profit (in millions)⁽²⁾:						
U.S. Domestic Package	\$ 6,717	\$ 4,128	62.7%	\$ —	\$ 6,717	62.7%
International Package	4,720	3,532	33.6%	(102)	4,618	30.7%
Supply Chain Solutions ⁽³⁾	1,707	1,058	61.3%	36	1,743	64.7%
Total operating profit	\$ 13,144	\$ 8,718	50.8%	\$ (66)	\$ 13,078	50.0%

(1) Amounts adjusted for period over period foreign currency exchange rate and hedging differences

(2) Amounts adjusted for transformation & other

(3) The divestiture of UPS Freight was completed on April 30, 2021.



Reconciliations

United Parcel Service, Inc.
Reconciliation of Adjusted Debt to Adjusted EBITDA (Non-GAAP measure)
(unaudited)

(amounts in millions):

	December 31 2021	December 31 2020	December 31 2019
Net income	\$ 12,890	\$ 1,343	\$ 4,440
Add back:			
Income tax expense	3,705	501	1,212
Interest expense	694	701	653
Depreciation & amortization	2,953	2,698	2,360
EBITDA	<u>20,242</u>	<u>5,243</u>	<u>8,665</u>
Add back (deduct):			
Transformation and other	334	1,034	255
Defined benefit plans mark-to-market (gain) loss	(3,272)	6,484	2,387
Investment income and other	(1,207)	(1,345)	(894)
Legal contingencies and expenses	—	—	97
Adjusted EBITDA	<u>\$ 16,097</u>	<u>\$ 11,416</u>	<u>\$ 10,510</u>
Debt and finance leases, including current maturities	\$ 21,915	\$ 24,654	\$ 25,238
Add back:			
Non-current pension and postretirement benefit obligations	8,047	15,817	10,601
Adjusted total debt	<u>\$ 29,962</u>	<u>\$ 40,471</u>	<u>\$ 35,839</u>
Adjusted total debt/adjusted EBITDA	<u>1.86</u>	<u>3.55</u>	<u>3.41</u>



Reconciliations

United Parcel Service, Inc.
Reconciliation of Return on Invested Capital (Non-GAAP measure)
(unaudited)

(amounts in millions):

	December 31	December 31
	2021	2020
Net income	\$ 12,890	\$ 1,343
Add back (deduct):		
Income tax expense	3,705	501
Interest expense	694	701
Other pension (income) expense	(4,457)	5,176
Investment (income) expense and other	(22)	(37)
Operating profit	12,810	7,684
Transformation and other	334	1,034
Adjusted operating profit	<u>\$ 13,144</u>	<u>\$ 8,718</u>
Average debt and finance leases, including current maturities	\$ 23,285	\$ 24,946
Average pension and postretirement benefit obligations	11,932	13,209
Average shareowners' equity	7,469	1,976
Average Invested Capital	<u>\$ 42,686</u>	<u>\$ 40,131</u>
Net income to average invested capital	<u>30.2 %</u>	<u>3.3 %</u>
Adjusted Return on Invested Capital	<u>30.8 %</u>	<u>21.7 %</u>



Reconciliations

Reconciliation of Free Cash Flow (Non-GAAP measure) (in millions):

	2020				2021			
	Q1 YTD	Q2 YTD	Q3 YTD	Q4 YTD	Q1 YTD	Q2 YTD	Q3 YTD	Q4 YTD
Cash flows from operating activities	\$ 2,550	\$ 5,947	\$ 9,283	\$ 10,459	\$ 4,531	\$ 8,454	\$ 11,761	\$ 15,007
Capital expenditures	(933)	(2,065)	(3,219)	(5,412)	(834)	(1,670)	(2,570)	(4,194)
Proceeds from disposals of Property, plant & equipment	1	2	10	40	10	15	22	24
Net change in finance receivables	3	16	24	44	11	16	28	34
Other investing activities	(5)	(6)	(15)	(41)	(6)	(11)	24	18
Free Cash Flow (Non-GAAP measure)	\$ 1,616	\$ 3,894	\$ 6,083	\$ 5,090	\$ 3,712	\$ 6,804	\$ 9,265	\$ 10,889



2021 Remeasurement

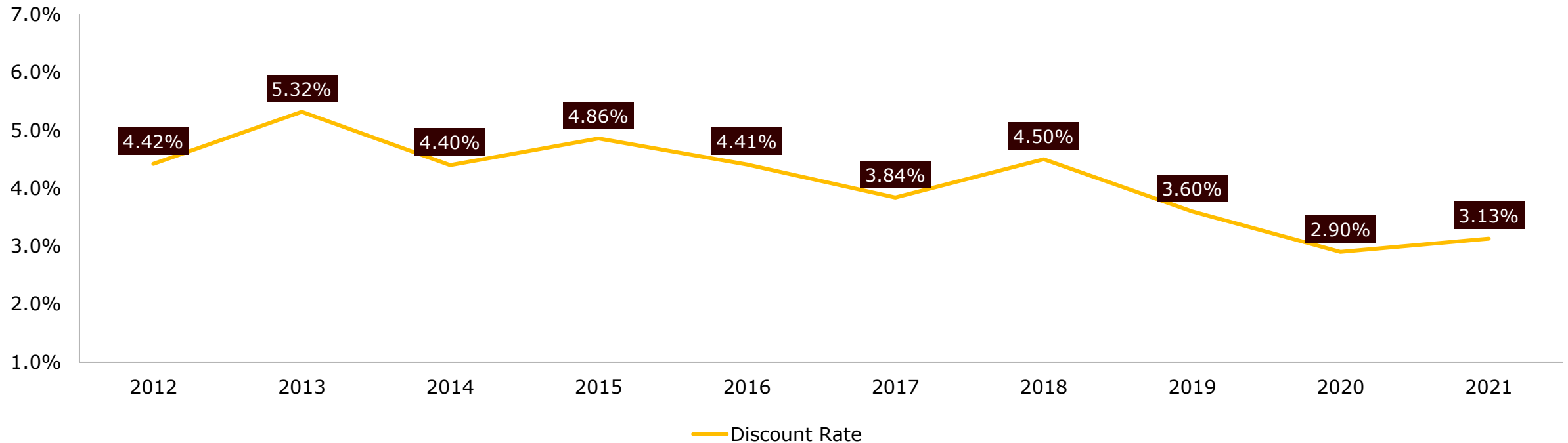
Unrecognized Loss Within Shareowners' Equity as of 12/31/2020	\$7,019
Gain due to reduction of Central States coordinating benefits ¹	(5,065)
Net gain due to UPS Freight Divestiture ²	(166)
Net loss due to changes in demographic data and assumptions <i>Including turnover, salaries, medical claims costs, other</i>	973
Gain due to discount rate change <i>Discount rate increased from 2.90% to 3.13%</i>	(2,435)
Gain due to asset performance <i>Asset returns in 2021 were ~215 bps higher than expected</i>	(1,524)
Subtotal as of 12/31/2021	\$(1,198)
Reclassification of MTM gain to earnings in 1Q 2021 ¹ <i>10% corridor exceeded for UPS/IBT Plan</i>	\$(3,290)
Reclassification of MTM charge to earnings in 4Q 2021 <i>10% corridor exceeded for certain small US and international plans</i>	\$18
Unrecognized Loss Within Shareowners' Equity as of 12/31/2021	\$2,074

¹ UPS/IBT Plan interim remeasurement as of 3/31/2021 due to passage of the American Rescue Plan Act. Discount rate increased from 2.98% to 3.70%

² UPS Pension and UPS Retirement interim remeasurement as of 4/30/2021 due to divestiture of UPS Freight. Discount rate increased from 2.87% to 3.36%



UPS U.S. Average Discount Rate Trend



- Rates above reflect the **weighted average** discount rate for the big three US Plans
- UPS uses a hypothetical portfolio of AA bonds to calculate pension plan discount rates

