

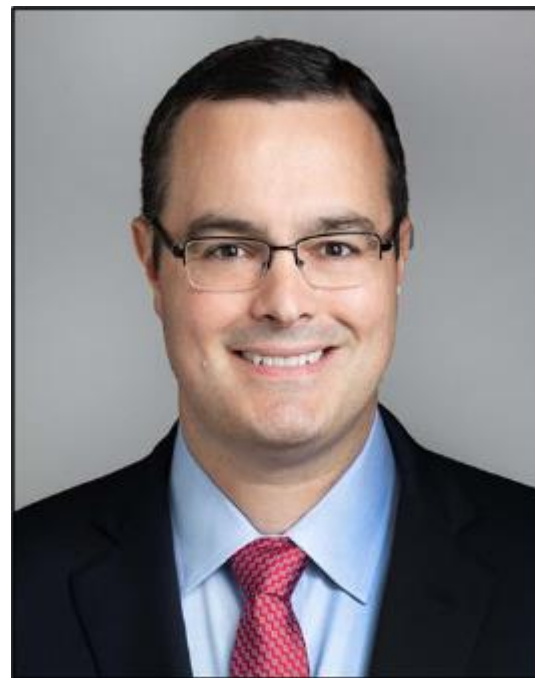


4Q22

Earnings Call

January 31, 2023





Ken Cook
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.

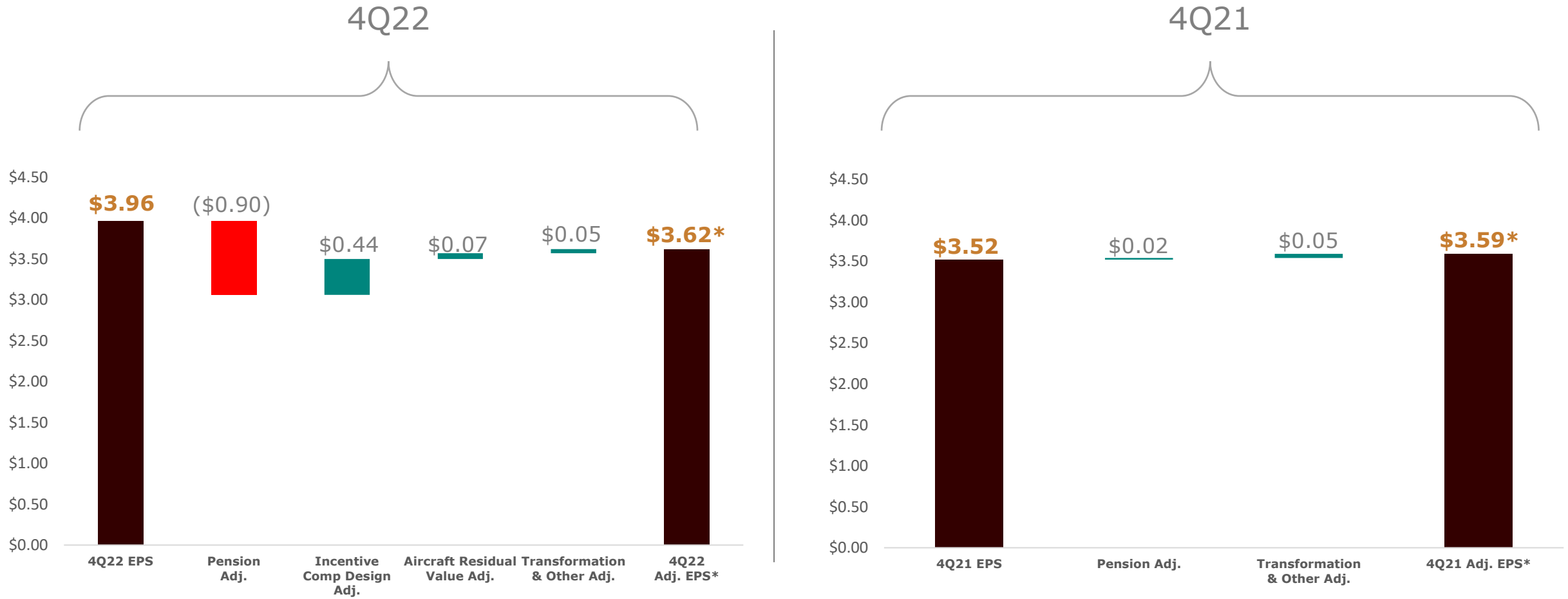
From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Forward-looking statements may relate to our intent, belief, forecasts of, or current expectations about our strategic direction, prospects, future results, or future events; they do not 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 the impact of: continued uncertainties related to 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; industry evolution and significant competition; changes in our relationships with our significant customers; our ability to attract and retain qualified employees; increased or more complex physical or data security requirements, or any data security breach; strikes,

work stoppages or slowdowns by our employees; results of negotiations and ratifications of labor contracts; our ability to maintain our brand image and corporate reputation; disruptions to our information technology infrastructure; global climate change; interruptions in or impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; exposure to changing economic, political and social developments in international markets; our ability to realize the anticipated benefits from acquisitions, dispositions, joint ventures or strategic alliances; changing prices of energy, including gasoline, diesel and jet fuel, or interruptions in supplies of these commodities; changes in exchange rates or interest rates; our ability to accurately forecast our future capital investment needs; significant expenses and funding obligations relating to employee health, retiree health and/or pension benefits; our ability to manage insurance and claims expenses; changes in business strategy, government regulations, or economic or market conditions that may result in impairments of our assets; potential additional U.S. or international tax liabilities; increasingly stringent laws and regulations, including relating to climate change; potential claims or litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters; 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, 2021, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, 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.





Carol B. Tomé
Chief Executive Officer



Five years of industry-leading service during peak

Thank You

Reached Full-year Consolidated Adjusted Operating Margin* and ROIC* Targets Early

4Q

GAAP

<i>In \$ Millions (except per share)</i>	4Q22	4Q21	Change
Total Revenue	\$27,033	\$27,771	-2.7%
Operating Profit	\$3,195	\$3,891	-17.9%
Operating Margin	11.8%	14.0%	-220 bps
Diluted EPS	\$3.96	\$3.52	12.5%

Adjusted

<i>In \$ Millions (except per share)</i>	4Q22	4Q21	Change
Total Revenue	\$27,033	\$27,771	-2.7%
Operating Profit*	\$3,822	\$3,952	-3.3%
Operating Margin*	14.1%	14.2%	-10 bps
Diluted EPS*	\$3.62	\$3.59	0.8%

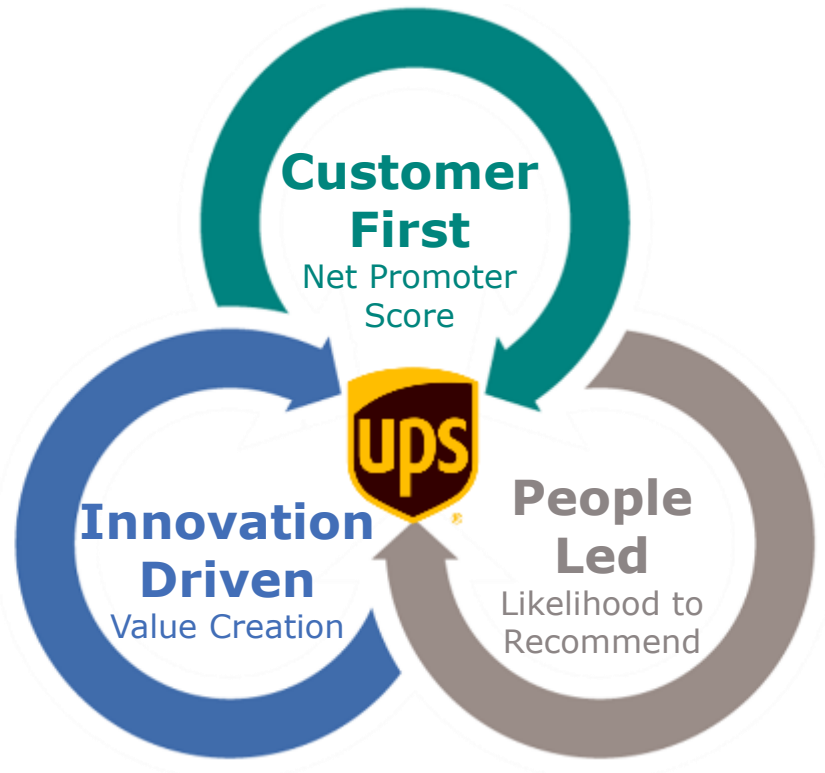
Full Year

<i>In \$ Millions (except per share)</i>	2022	2021	Change
Total Revenue	\$100,338	\$97,287	3.1%
Operating Profit	\$13,094	\$12,810	2.2%
Operating Margin	13.0%	13.2%	-20 bps
Diluted EPS	\$13.20	\$14.68	-10.1%
Net Income to Avg Invested Capital	26.1%	30.2%	-410 bps

<i>In \$ Millions (except per share)</i>	2022	2021	Change
Total Revenue	\$100,338	\$97,287	3.1%
Operating Profit*	\$13,853	\$13,144	5.4%
Operating Margin*	13.8%	13.5%	+30 bps
Diluted EPS*	\$12.94	\$12.13	6.7%
Return on Invested Capital*	31.3%	30.8%	+50 bps



Customer First, People Led, Innovation Driven



- Generated >\$2.3B in DAP revenue in 2022; expect to generate ~\$3B in 2023
- Healthcare portfolio generated \$9.2B in revenue in 2022; expect >\$10B in 2023
- Made strong gains on all 16 customer journeys and the improvement in our Net Promoter Score outpaced the competition
- Making UPS a great place to work by improving work-life balance and stepping up spending to update breakrooms, improve lighting and add cooling stations
- In 2023, we changed the pay mix for our ~40K management employees by increasing the cash component of pay while not changing total compensation
- Likelihood to Recommend has improved from 51% in 2020 to 60% in 2022
- Delivered industry-leading service for the fifth consecutive peak season
- Accelerating deployment of Smart Package Smart Facility to U.S. network, adding more than 900 buildings in 2023
- Improved ROIC* by 50 bps to 31.3% for full-year 2022



UPS Board of Directors Approves Dividend Increase and New Share Repurchase Authorization

- UPS Board of Directors approved a quarterly dividend of \$1.62 per share
 - 14th consecutive year UPS has increased the dividend
- New \$5B share repurchase authorization, replacing existing authorization





Brian Newman
Chief Financial Officer

Consolidated Results

GAAP

4Q

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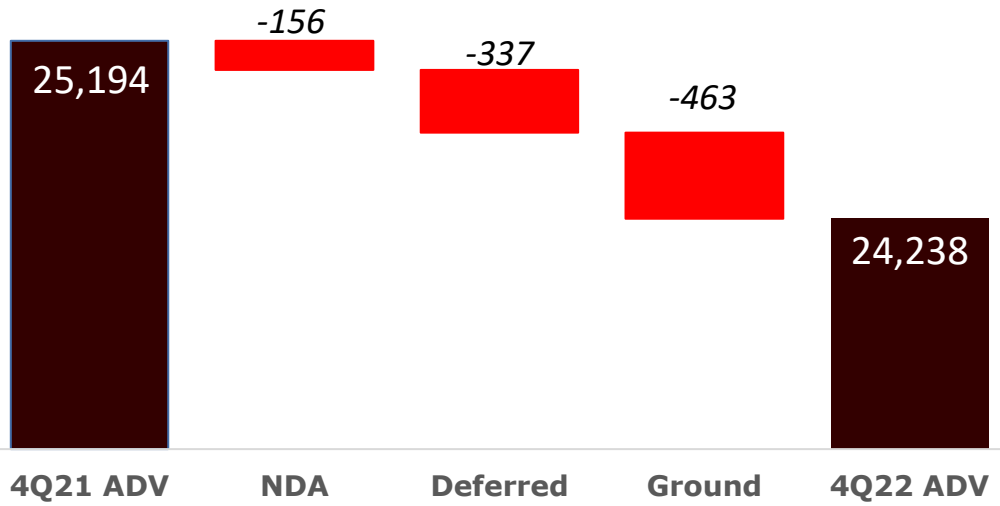
<i>In \$ Millions (except per share)</i>	2022	2021	Change
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Operating Profit*	\$13,853	\$13,144	5.4%
Operating Margin*	13.8%	13.5%	+30 bps
Diluted EPS*	\$12.94	\$12.13	6.7%
Return on Invested Capital*	31.3%	30.8%	+50 bps



4Q Average Daily Volume Declined 3.8%

Tenth consecutive quarter of increased SMB penetration

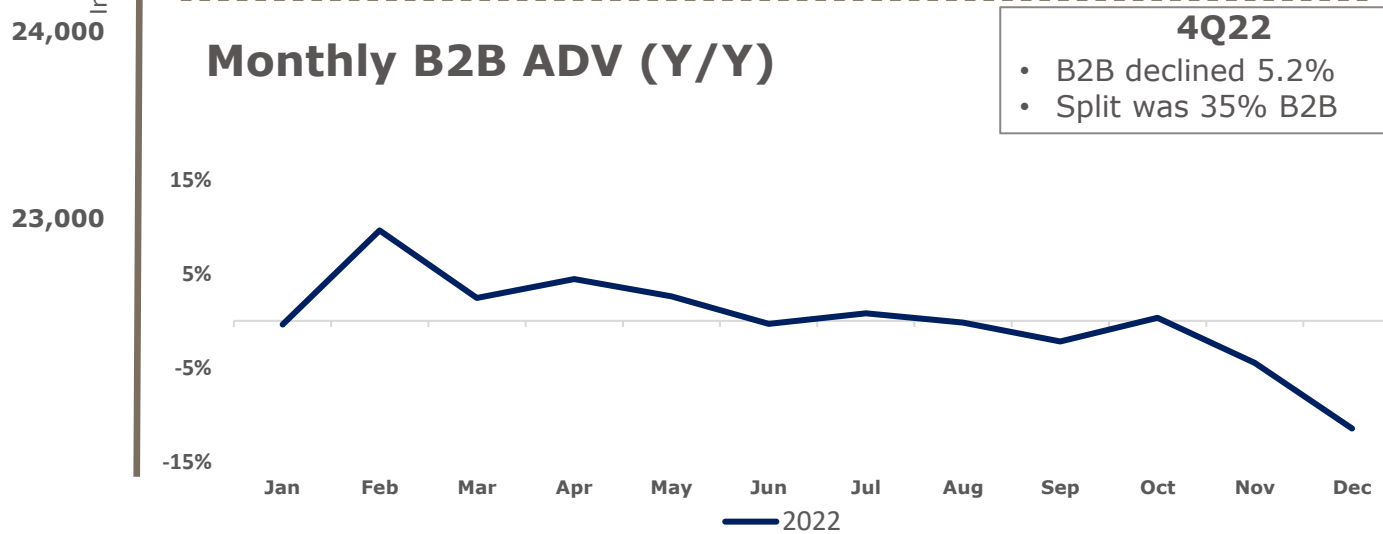
ADV Change (Y/Y)



Monthly B2C ADV (Y/Y)



Monthly B2B ADV (Y/Y)

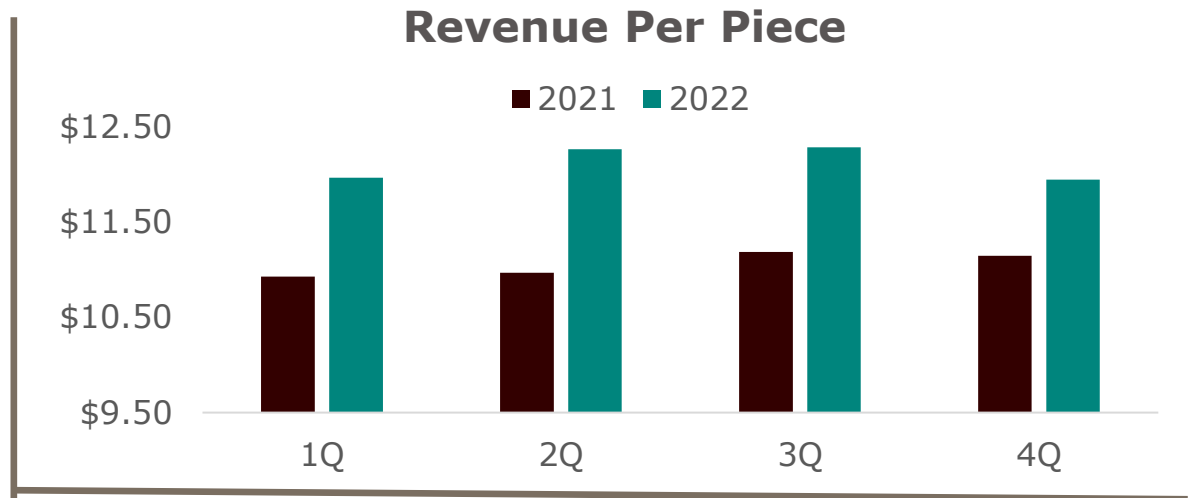
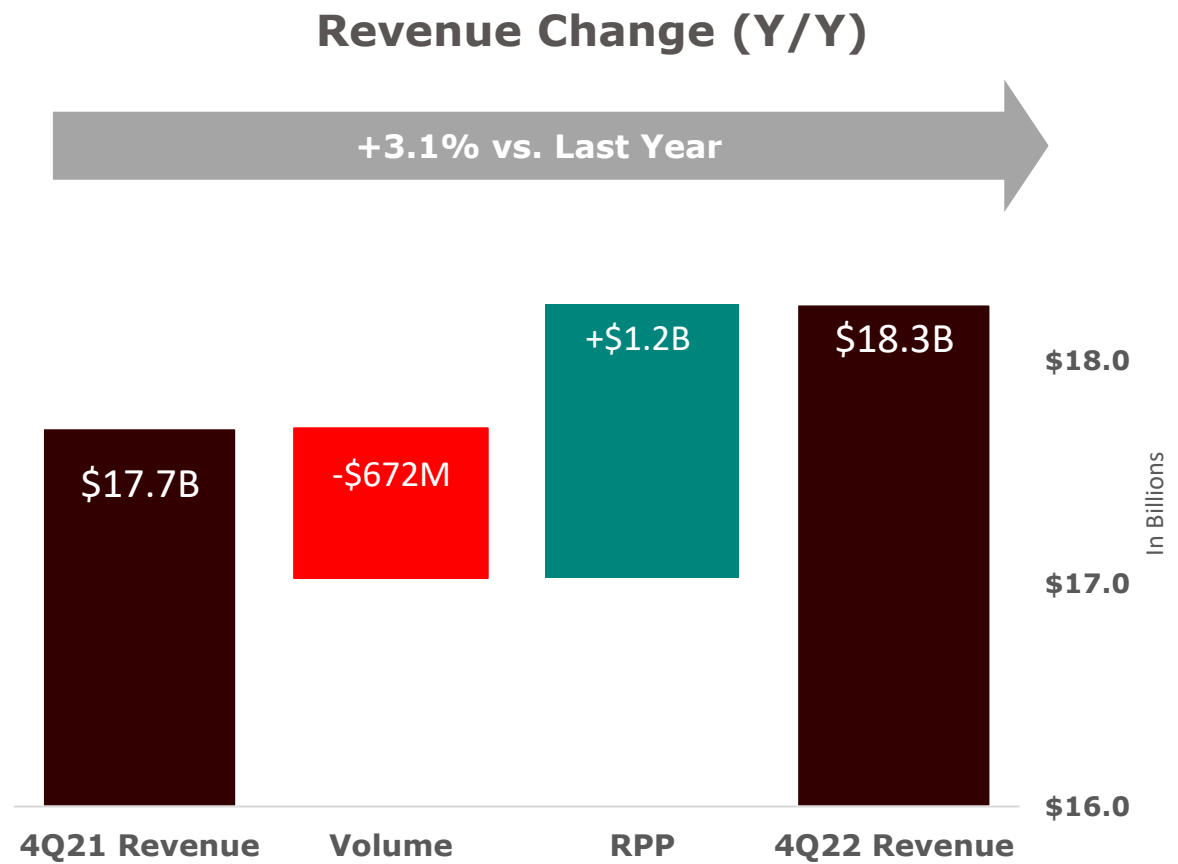


- SMBs made up 26.5% of total U.S. Domestic volume in 4Q22, an increase of 70 basis points from last year



4Q Revenue of \$18.3B, Up 3.1% YOY

Improvements in revenue quality more than offset the decline in volume

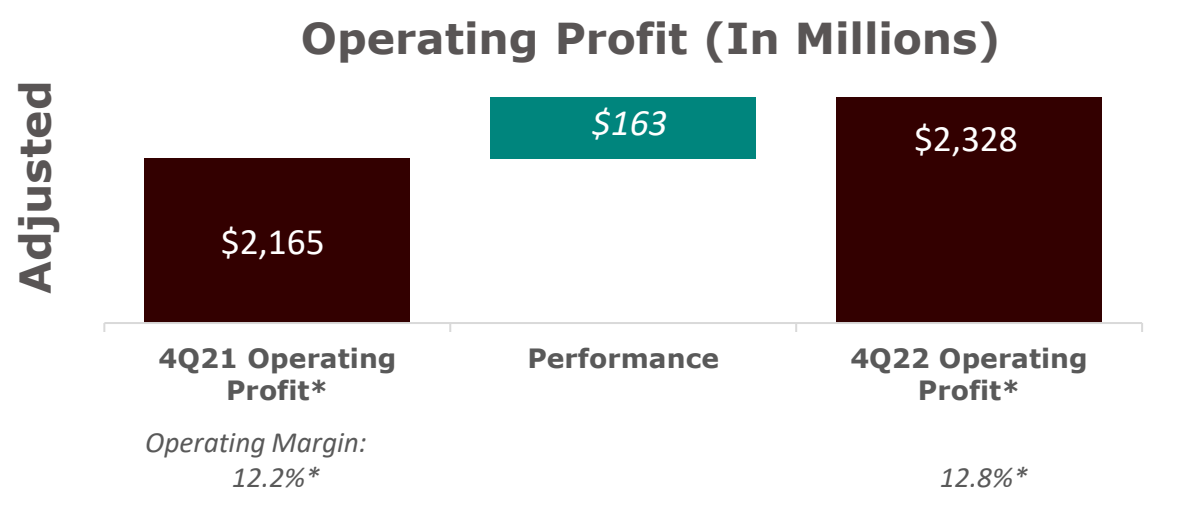
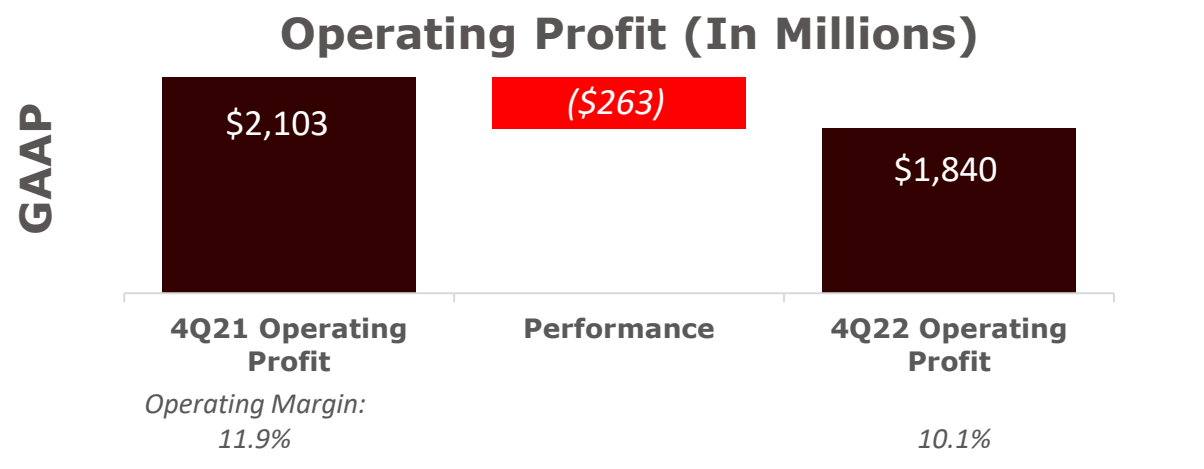


- 4Q revenue per piece growth of 7.2%
 - Improvements in base pricing more than offset a small decline due to product mix and together drove about half of the revenue-per-piece growth rate increase
 - About half was from the combination of changes in fuel price per gallon and fuel pricing actions



4Q Adj. Operating Profit* and Adj. Operating Margin* Increased YOY

Delivered industry-leading service for the fifth consecutive peak season



- GAAP operating expense increased 5.2%
- Adjusted operating expense* increased 2.5%
 - Higher fuel costs contributed ~150 basis points of the expense growth rate increase
 - Wages and benefit expense contributed 150 basis points
 - Productivity initiatives and lower Purchased Transportation expense helped partially offset the increase in expense
- Adjusted operating margin* expanded to 12.8%, up 60 basis points compared to 4Q21

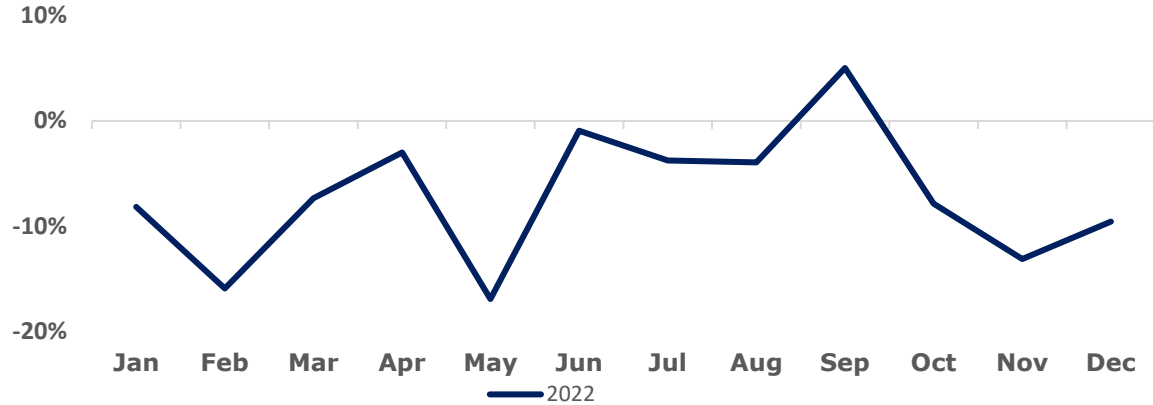
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.



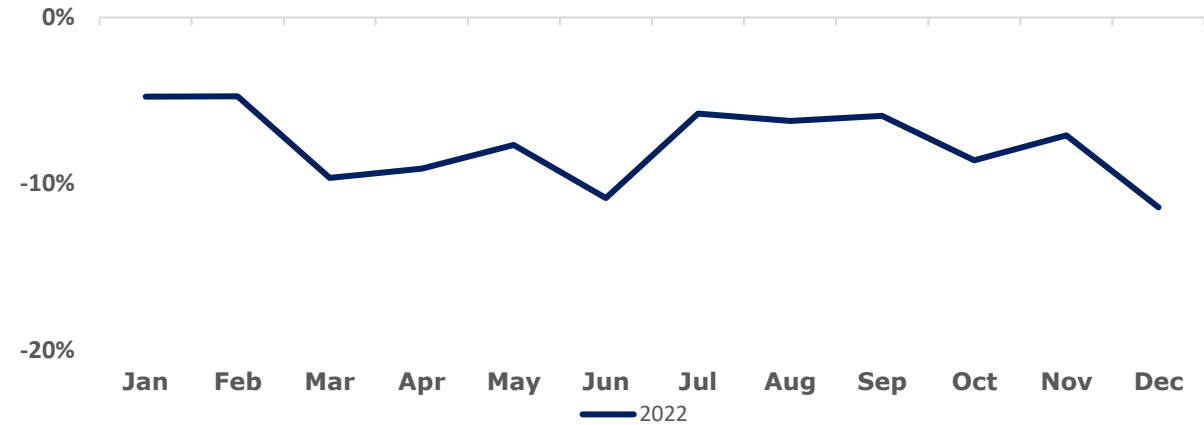
4Q Total Average Daily Volume Down 8.6%

Domestic ADV down 12.9%; Export ADV down 4.0%

Asia Monthly ADV (Y/Y)



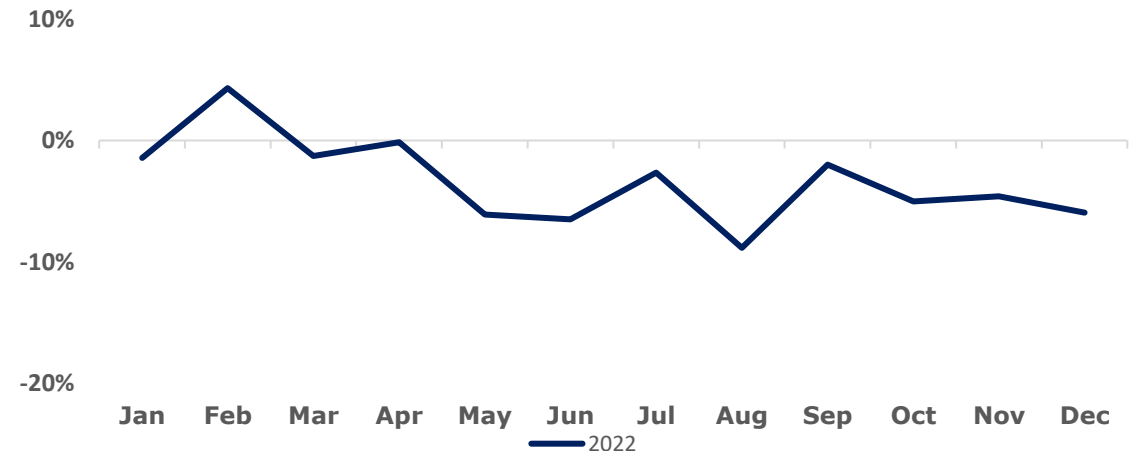
Europe Monthly ADV (Y/Y)



Americas Monthly ADV (Y/Y)



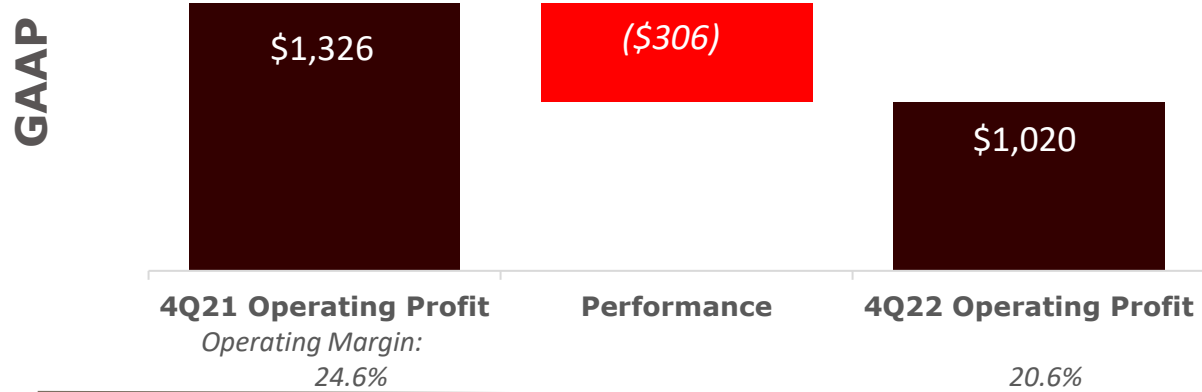
U.S. Export Monthly ADV (Y/Y)



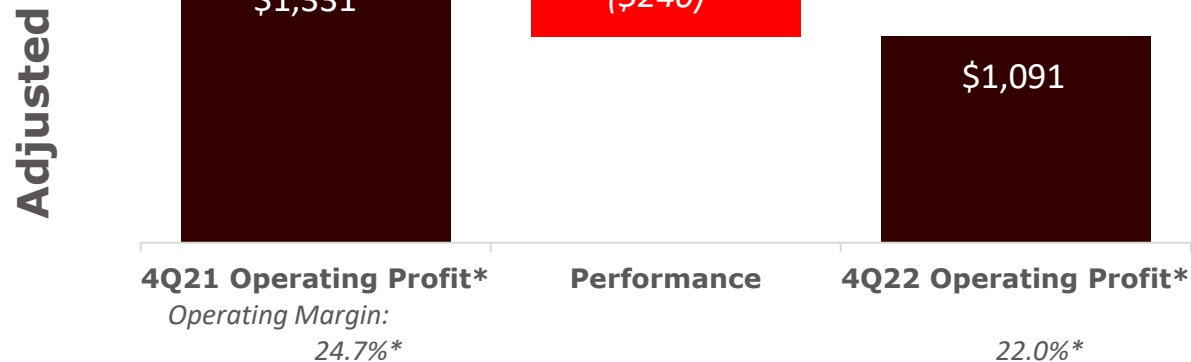
Generated Operating Profit Over \$1.0B

Remained agile and flexed our network in response to changing market conditions

Operating Profit (In Millions)



Operating Profit (In Millions)



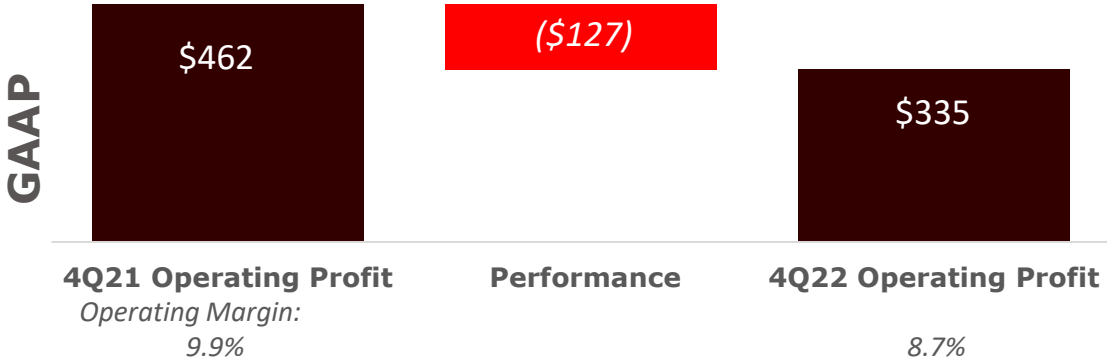
- Quickly adjusted our network in response to volume levels, maintained high service levels, and achieved a payload utilization of over 98% on our Asia-outbound intercontinental flights
- Generated revenue of \$5B
- Adjusted operating profit* decline of \$240M, includes a \$139M reduction in demand related surcharge revenue and \$98M negative impact from currency
- Adjusted operating margin* of 22.0%



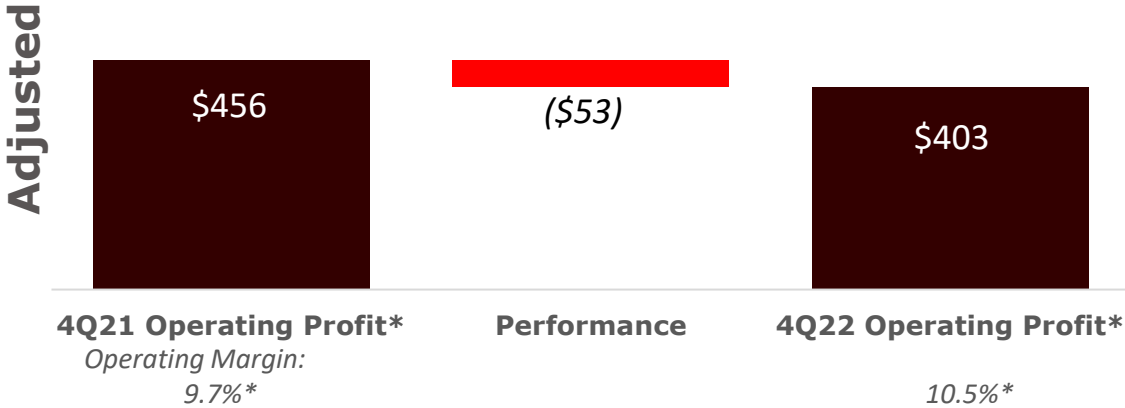
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.

Growth in Logistics Partially Offset Declines in Forwarding Revenue

Operating Profit (In Millions)



Operating Profit (In Millions)



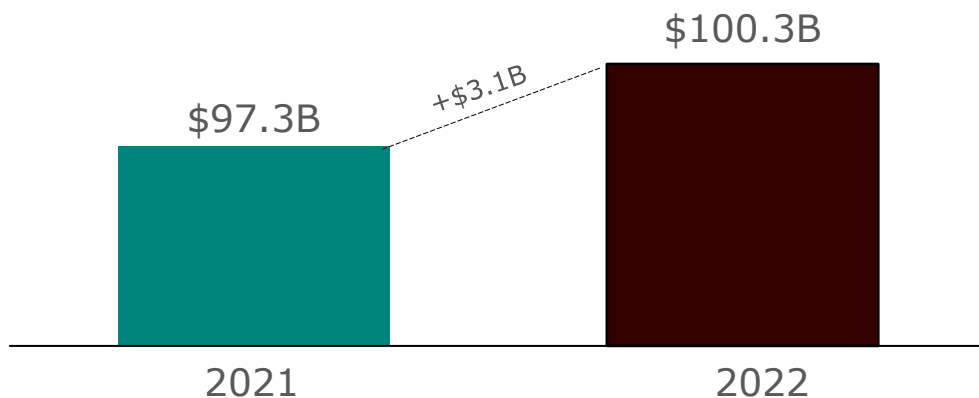
- Generated revenue of \$3.8B, a decline of \$846M year over year
 - Softer global demand drove down Forwarding volume and market rates
 - Logistics delivered double-digit revenue and adjusted operating profit* growth, driven by gains in our complex healthcare business
- Adjusted operating margin* was 10.5%



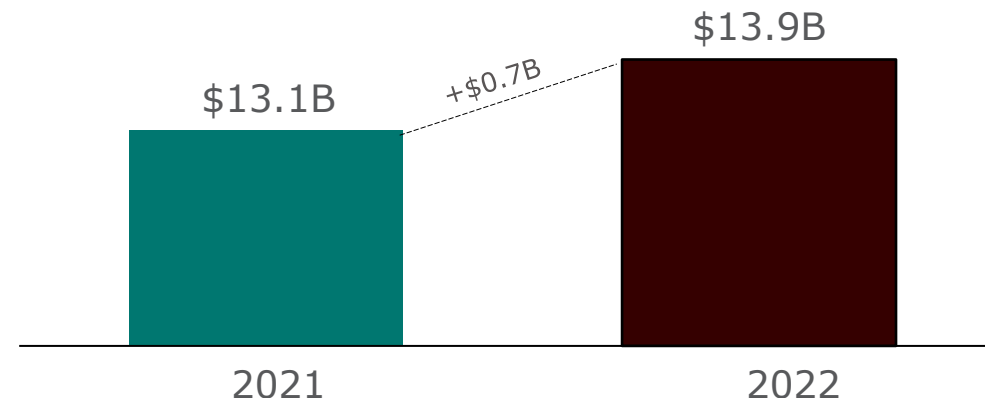
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.
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Full-year 2022 Adjusted Results

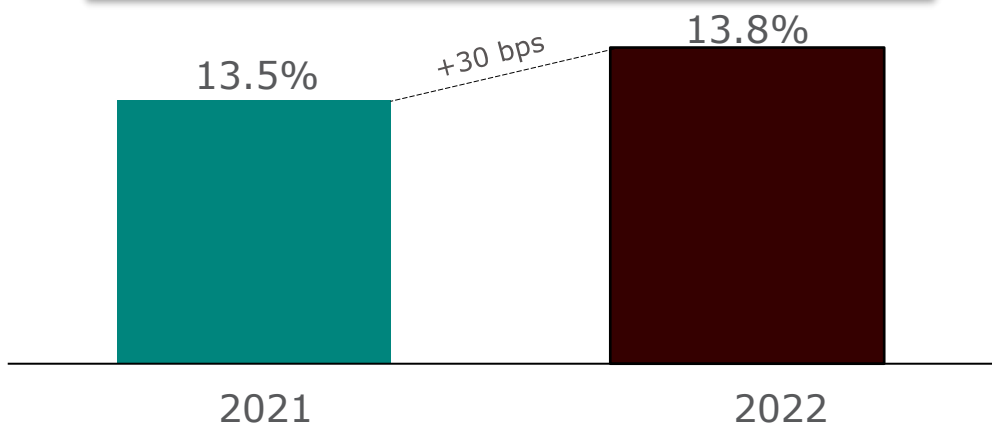
Revenue



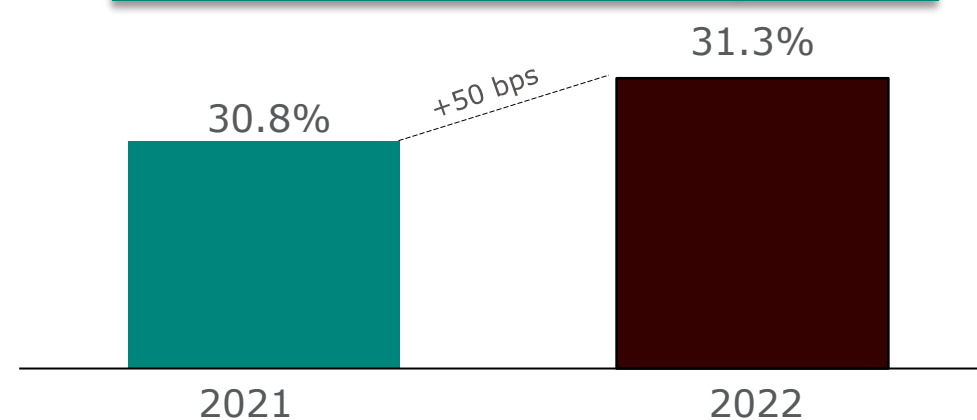
Adjusted Op Profit*



Adjusted Op Margin*



Return on Invested Capital*

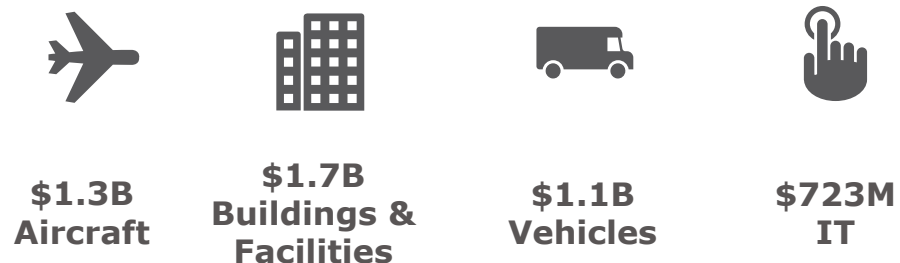


Exceeded 2021 Investor Day Targets For Consolidated Adjusted Operating Margin* and ROIC* Ahead of Schedule

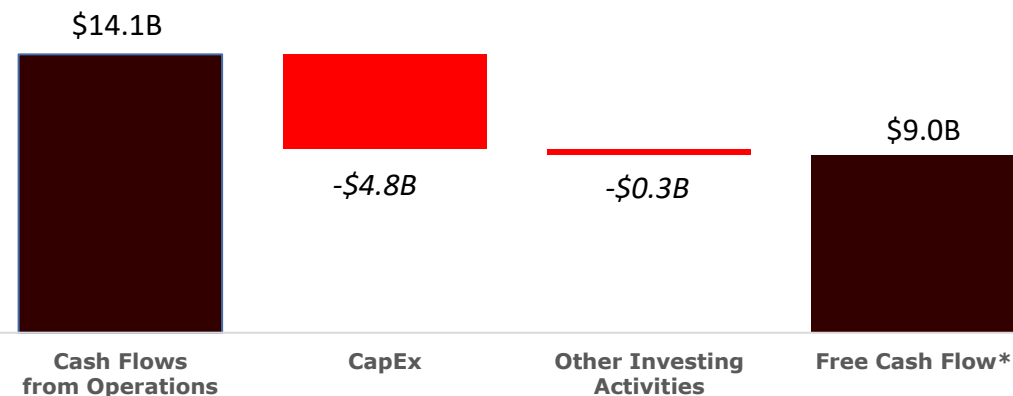


2022 Cash Flow and Adjusted Debt to EBITDA*

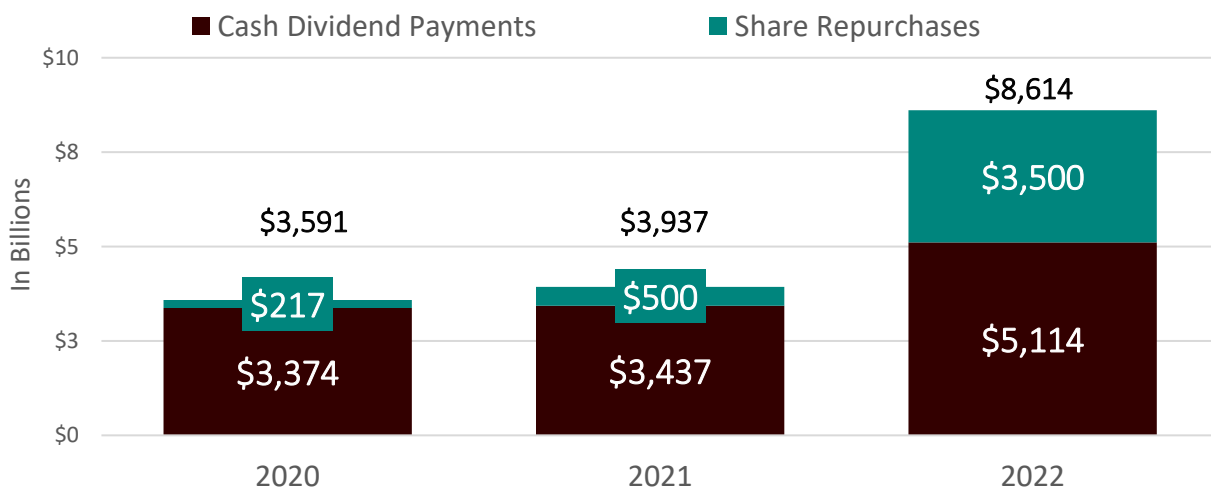
CapEx of Around \$4.8B



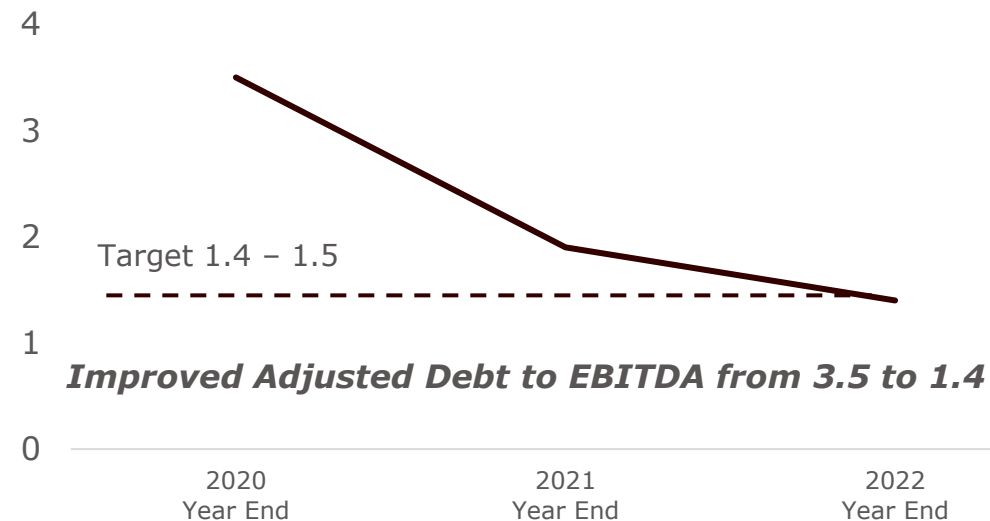
Free Cash Flow* of \$9.0B



Total Return to Shareholders of \$8.6B



Adjusted Debt to EBITDA* Trend



GAAP Full-year 2022 Segment Highlights

GAAP Full-year 2022	U.S. Domestic	International	SCS
Operating Profit	\$7.0B	\$4.3B	\$1.8B
Operating Profit Growth Y/Y	8.7%	-6.9%	2.5%
Operating Margin	10.9%	22.0%	10.8%
Operating Margin BP Change Y/Y	+20 bps	-180 bps	+90 bps

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



Adjusted Full-year 2022 Segment Highlights

Adjusted Full-year 2022	U.S. Domestic	International	SCS
Adjusted Operating Profit*	\$7.6B	\$4.4B	\$1.9B
Adjusted Operating Profit Growth Y/Y*	12.8%	-6.4%	9.0%
Adjusted Operating Margin*	11.8%	22.4%	11.3%
Adjusted Operating Margin BP Change Y/Y*	+70 bps	-180 bps	+150 bps

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



2023 Full-year Outlook

Multiple plan scenarios enable us to quickly pivot in an uncertain environment

- Uncertain macro environment
 - Rising interest rates
 - High inflation
 - Recession forecasts
 - Geopolitical environment
 - COVID-19
- + Accelerated investments in projects that drive efficiency and growth, including smart package smart facility, international DAP, healthcare and customer experience
- + Developed multiple plan scenarios, including Base Case and Downside plans

Full-year 2023 Outlook

- Consolidated:
 - Revenue between \$97.0B - \$99.4B
 - Adjusted operating margin* between 12.8% - 13.6%
 - Capital expenditures of ~\$5.3B
 - Free cash flow* ~\$8B in Base Case
 - Dividend payout of ~\$5.4B and share repurchases ~\$3B
- U.S. Domestic:
 - Base Case: average daily volume down slightly, with 2H better than 1H; revenue up low-single digits; adjusted operating margin* 12%
 - Downside Plan: full-year average daily volume down ~3%
- International:
 - Base Case: average daily volume down low-single digits, with 2H better than 1H; revenue down low-single digits; adjusted operating margin* ~21%
 - Downside Plan: average daily volume down mid-single digits
- Supply Chain Solutions:
 - Base Case: revenue of ~\$14.6B; adjusted operating margin* nearly 11%
 - Downside Plan: revenue lower by ~\$200M





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.

Adjusted 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 measures do not represent a comprehensive basis of accounting and therefore may not be comparable to similarly titled measures reported by other companies.

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.

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.

Incentive Compensation Program Design Changes

During 2022, we undertook certain structural changes to the design of our incentive compensation programs that resulted in a one-time, non-cash charge in connection with the accelerated vesting of certain equity incentive awards that we do not expect to repeat. We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of these changes. We believe excluding the impacts of such changes allows users of our financial statements to more appropriately identify underlying growth trends in compensation and benefits expense.

Long-lived Asset Estimated Residual Value Changes

During the fourth quarter of 2022, we determined to retire six of our existing MD-11 aircraft from operational use in 2023. In connection therewith, we incurred a one-time, non-cash charge resulting from a reduction in the estimated residual value of our MD-11 fleet. We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of this charge. We believe excluding the impact of this charge better enables users of our financial statements to understand the ongoing cost associated with our long-lived assets.

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. We believe excluding the impact of these charges better enables users of our financial statements to view underlying business performance from the same perspective as management. We do not consider these costs when evaluating the

operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards.

Defined Benefit Pension and Postretirement Medical Plan Gains and Losses

We recognize changes in the fair value of plan assets and net actuarial gains and losses in excess of a 10% corridor (defined as 10% of the greater of the fair value of plan assets or the plan's projected benefit obligation), as well as gains and losses resulting from plan curtailments and settlements, for our pension and postretirement defined benefit plans immediately as part of Investment income (expense) and other in the statements of consolidated income. We supplement the presentation of our income before income taxes, net income and earnings per share with adjusted measures that exclude the impact of these gains and losses and the related income tax effects. We believe excluding these defined benefit plan gains and losses provides important supplemental information by removing the volatility associated with plan amendments and short-term changes in market interest rates, equity values and similar factors.

The deferred income tax effects of 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.

Adjusted Return on Invested Capital

Adjusted 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 adjusted 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 adjusted 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 the impacts of incentive compensation program redesign, transformation and other costs, defined benefit plan gains and losses and other income. 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.



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 data)

	2022					2021					% Change As Rep. (GAAP)	% Change As Adj. (Non-GAAP)
	As Reported (GAAP)	Pension Adj. ⁽¹⁾	Incentive Compensation Design Adj. ⁽²⁾	Aircraft Residual Value Adj. ⁽³⁾	Transformation & Other Adj. ⁽⁵⁾	As Adjusted (Non-GAAP)	As Reported (GAAP)	Pension Adj. ⁽¹⁾	Transformation & Other Adj. ⁽⁵⁾	As Adjusted (Non-GAAP)		
U.S. Domestic Package	\$ 16,412	\$ —	\$ 431	\$ 25	32	\$ 15,924	\$ 15,594	\$ —	\$ 62	\$ 15,532	5.2 %	2.5 %
International Package	3,930	—	30	51	(10)	3,859	4,071	—	5	4,066	(3.5)%	(5.1)%
Supply Chain Solutions	3,496	—	44	—	24	3,428	4,215	—	(6)	4,221	(17.1)%	(18.8)%
Operating expense	23,838	—	505	76	46	23,211	23,880	—	61	23,819	(0.2)%	(2.6)%
U.S. Domestic Package	\$ 1,840	\$ —	\$ 431	\$ 25	32	\$ 2,328	\$ 2,103	\$ —	\$ 62	\$ 2,165	(12.5)%	7.5 %
International Package	1,020	—	30	51	(10)	1,091	1,326	—	5	1,331	(23.1)%	(18.0)%
Supply Chain Solutions	335	—	44	—	24	403	462	—	(6)	456	(27.5)%	(11.6)%
Operating Profit	3,195	—	505	76	46	3,822	3,891	—	61	3,952	(17.9)%	(3.3)%
Other Income and (Expense):												
Other pension income (expense)	1,325	(1,028)	—	—	—	297	267	18	—	285	396.3 %	4.2 %
Investment income (expense) and other	129	—	—	—	—	129	(23)	—	—	(23)	N/M	N/M
Interest expense	(182)	—	—	—	—	(182)	(173)	—	—	(173)	5.2 %	5.2 %
Total Other Income (Expense)	\$ 1,272	\$ (1,028)	\$ —	\$ —	\$ —	\$ 244	\$ 71	\$ 18	\$ —	\$ 89	N/M	174.2 %
Income Before Income Taxes	4,467	(1,028)	505	76	46	4,066	3,962	18	61	4,041	12.7 %	0.6 %
Income Tax Expense	1,014	(246)	121	18	5	912	869	4	16	889	16.7 %	2.6 %
Net Income	\$ 3,453	\$ (782)	\$ 384	\$ 58	\$ 41	\$ 3,154	\$ 3,093	\$ 14	\$ 45	\$ 3,152	11.6 %	0.1 %
Basic Earnings Per Share	\$ 3.98	\$ (0.90)	\$ 0.44	\$ 0.07	\$ 0.05	\$ 3.64	\$ 3.53	\$ 0.02	\$ 0.05	\$ 3.60	12.7 %	1.1 %
Diluted Earnings Per Share	\$ 3.96	\$ (0.90)	\$ 0.44	\$ 0.07	\$ 0.05	\$ 3.62	\$ 3.52	\$ 0.02	\$ 0.05	\$ 3.59	12.5 %	0.8 %
Weighted-average shares outstanding:												
Basic	867						875					
Diluted	871						879					

- (1) Net mark-to-market gain recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.
- (2) One-time non-cash expense related to stock-based awards that were accelerated to fully vest at December 31, 2022 in connection with a change in incentive compensation program design.
- (3) One-time non-cash charge reflecting a reduction in the estimated residual value of fully-depreciated MD-11 aircraft.
- (4) Reflects a reduction to employee benefits costs of \$25 million offset by other costs of \$71 million.
- (5) Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.
- (6) Reflects other employee benefits costs of \$42 million and other costs of \$19 million.



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 data)

	2022					2021					% Change As Rep. (GAAP)	% Change As Adj. (Non-GAAP)
	As Reported (GAAP)	Pension Adj. ⁽¹⁾	Incentive Compensation Design Adj. ⁽²⁾	Aircraft Residual Value Adj. ⁽³⁾	Transformation & Other Adj. ⁽⁴⁾	As Adjusted (Non-GAAP)	As Reported (GAAP)	Pension Adj. ⁽⁵⁾	Transformation & Other Adj. ⁽⁶⁾	As Adjusted (Non-GAAP)		
U.S. Domestic Package	\$ 57,212	\$ —	\$ 431	\$ 25	121	\$ 56,635	\$ 53,881	\$ —	\$ 281	\$ 53,600	6.2 %	5.7 %
International Package	15,372	—	30	51	12	15,279	14,895	—	74	14,821	3.2 %	3.1 %
Supply Chain Solutions	14,660	—	44	—	45	14,571	15,701	—	(21)	15,722	(6.6)%	(7.3)%
Operating expense	87,244	—	505	76	178	86,485	84,477	—	334	84,143	3.3 %	2.8 %
U.S. Domestic Package	\$ 6,997	\$ —	\$ 431	\$ 25	121	\$ 7,574	\$ 6,436	\$ —	\$ 281	\$ 6,717	8.7 %	12.8 %
International Package	4,326	—	30	51	12	4,419	4,646	—	74	4,720	(6.9)%	(6.4)%
Supply Chain Solutions	1,771	—	44	—	45	1,860	1,728	—	(21)	1,707	2.5 %	9.0 %
Operating Profit	13,094	—	505	76	178	13,853	12,810	—	334	13,144	2.2 %	5.4 %
Other Income and (Expense):												
Other pension income (expense)	2,251	(1,061)	—	—	—	1,190	4,457	(3,272)	—	1,185	(49.5)%	0.4 %
Investment income (expense) and other	184	—	—	—	—	184	22	—	—	22	N/M	N/M
Interest expense	(704)	—	—	—	—	(704)	(694)	—	—	(694)	1.4 %	1.4 %
Total Other Income (Expense)	\$ 1,731	\$ (1,061)	\$ —	\$ —	\$ —	\$ 670	\$ 3,785	\$ (3,272)	\$ —	\$ 513	(54.3)%	30.6 %
Income Before Income Taxes	14,825	(1,061)	505	76	178	14,523	16,595	(3,272)	334	13,657	(10.7)%	6.3 %
Income Tax Expense	3,277	(255)	121	18	36	3,197	3,705	(784)	84	3,005	(11.6)%	6.4 %
Net Income	\$ 11,548	\$ (806)	\$ 384	\$ 58	\$ 142	\$ 11,326	\$ 12,890	\$ (2,488)	\$ 250	\$ 10,652	(10.4)%	6.3 %
Basic Earnings Per Share	\$ 13.26	\$ (0.93)	\$ 0.44	\$ 0.07	\$ 0.16	\$ 13.00	\$ 14.75	\$ (2.85)	\$ 0.29	\$ 12.19	(10.1)%	6.6 %
Diluted Earnings Per Share	\$ 13.20	\$ (0.92)	\$ 0.44	\$ 0.07	\$ 0.15	\$ 12.94	\$ 14.68	\$ (2.83)	\$ 0.28	\$ 12.13	(10.1)%	6.7 %
Weighted-average shares outstanding:												
Basic	871						874					
Diluted	875						878					

(1) Net mark-to-market gain of \$1.0 billion recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans and \$34 million gain representing the curtailment of benefits for certain Canadian pension plans.

(2) One-time non-cash expense related to stock-based awards that were accelerated to fully vest at December 31, 2022 in connection with a change in incentive compensation program design.

(3) One-time non-cash charge reflecting a reduction in the estimated residual value of fully-depreciated MD-11 aircraft.

(4) Reflects other employee benefits costs of \$46 million and other costs of \$132 million.

(5) Net mark-to-market gain recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

(6) 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.



Reconciliations

United Parcel Service, Inc.
Supplemental Analysis of Currency - Fourth Quarter
(unaudited)

Reconciliation of Currency Adjusted Revenue Per Piece, Revenue and As Adjusted Operating Profit

<i>(in millions, except per piece data)</i>	Three Months Ended December 31 (GAAP)			Currency Neutral (Non-GAAP)		
	2022	2021	% Change	Currency	2022 ⁽¹⁾	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 7.55	\$ 7.27	3.9 %	\$ 0.91	\$ 8.46	16.4 %
Export	32.39	34.03	(4.8)%	1.74	34.13	0.3 %
Total International Package	<u>\$ 20.06</u>	<u>\$ 20.11</u>	(0.2)%	<u>\$ 1.34</u>	<u>\$ 21.40</u>	6.4 %
Consolidated	<u>\$ 13.04</u>	<u>\$ 12.40</u>	5.2 %	<u>\$ 0.17</u>	<u>\$ 13.21</u>	6.5 %
Revenue (in millions):						
U.S. Domestic Package	\$ 18,252	\$ 17,697	3.1 %	\$ —	\$ 18,252	3.1 %
International Package	4,950	5,397	(8.3)%	321	5,271	(2.3)%
Supply Chain Solutions	3,831	4,677	(18.1)%	81	3,912	(16.4)%
Total revenue	<u>\$ 27,033</u>	<u>\$ 27,771</u>	(2.7)%	<u>\$ 402</u>	<u>\$ 27,435</u>	(1.2)%
As Adjusted Operating Profit (in millions)⁽²⁾:						
U.S. Domestic Package	\$ 2,328	\$ 2,165	7.5 %	\$ —	\$ 2,328	7.5 %
International Package	1,091	1,331	(18.0)%	98	1,189	(10.7)%
Supply Chain Solutions	403	456	(11.6)%	(10)	393	(13.8)%
Total operating profit	<u>\$ 3,822</u>	<u>\$ 3,952</u>	(3.3)%	<u>\$ 88</u>	<u>\$ 3,910</u>	(1.1)%

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

(2) See Non-GAAP schedules for reconciliation of adjustments.



Reconciliations

United Parcel Service, Inc.
Supplemental Analysis of Currency - Year to Date
(unaudited)

Reconciliation of Currency Adjusted Revenue Per Piece, Revenue and As Adjusted Operating Profit

(in millions, except per piece data)

	Twelve Months Ended December 31 (GAAP)			Currency	Currency Neutral (Non-GAAP)	
	2022	2021	% Change		2022 ⁽¹⁾	% Change
	Average Revenue Per Piece:					
International Package:						
Domestic	\$ 7.46	\$ 7.31	2.1 %	\$ 0.82	\$ 8.28	13.3 %
Export	34.48	32.83	5.0 %	1.50	35.98	9.6 %
Total International Package	\$ 20.91	\$ 19.44	7.6 %	\$ 1.16	\$ 22.07	13.5 %
Consolidated	\$ 13.38	\$ 12.32	8.6 %	\$ 0.17	\$ 13.55	10.0 %

	Twelve Months Ended December 31 (GAAP)			Currency	Currency Neutral (Non-GAAP)	
	2022	2021	% Change		2022 ⁽¹⁾	% Change
	Revenue (in millions):					
U.S. Domestic Package	\$ 64,209	\$ 60,317	6.5 %	\$ —	\$ 64,209	6.5 %
International Package	19,698	19,541	0.8 %	1,060	20,758	6.2 %
Supply Chain Solutions	16,431	17,429	(5.7)%	272	16,703	(4.2)%
Total revenue	\$ 100,338	\$ 97,287	3.1 %	\$ 1,332	\$ 101,670	4.5 %

	Twelve Months Ended December 31 (Non-GAAP)			Currency	Currency Neutral (Non-GAAP)	
	2022	2021	% Change		2022 ⁽¹⁾	% Change
	As Adjusted Operating Profit (in millions)⁽²⁾:					
U.S. Domestic Package	\$ 7,574	\$ 6,717	12.8 %	\$ —	\$ 7,574	12.8 %
International Package	4,419	4,720	(6.4)%	268	4,687	(0.7)%
Supply Chain Solutions	1,860	1,707	9.0 %	(35)	1,825	6.9 %
Total operating profit	\$ 13,853	\$ 13,144	5.4 %	\$ 233	\$ 14,086	7.2 %

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

(2) See Non-GAAP schedules for reconciliation of adjustments.



Reconciliations

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

(amounts in millions)

	TTM ⁽¹⁾ Ended December 31, 2022	TTM ⁽¹⁾ Ended December 31, 2021
Net income	\$ 11,548	\$ 12,890
Add back:		
Income tax expense	3,277	3,705
Interest expense	704	694
Depreciation & amortization	3,188	2,953
EBITDA	\$ 18,717	\$ 20,242
Add back (deduct):		
Incentive compensation program redesign	505	—
Transformation and other	178	334
Defined benefit plan (gains) and losses	(1,061)	(3,272)
Investment income and other pension income	(1,374)	(1,207)
Adjusted EBITDA	\$ 16,965	\$ 16,097
Debt and finance leases, including current maturities	\$ 19,662	\$ 21,915
Add back:		
Non-current pension and postretirement benefit obligations	4,807	8,047
Adjusted total debt	\$ 24,469	\$ 29,962
Adjusted total debt/Net Income	<u>2.12</u>	<u>2.32</u>
Adjusted total debt/adjusted EBITDA (Non-GAAP)	<u>1.44</u>	<u>1.86</u>

(1) Trailing twelve months.



Reconciliations

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

<i>(amounts in millions)</i>	TTM ⁽¹⁾ Ended December 31, 2022	TTM ⁽¹⁾ Ended December 31, 2021
Net income	\$ 11,548	\$ 12,890
Add back (deduct):		
Income tax expense	3,277	3,705
Interest expense	704	694
Other pension (income) expense	(2,251)	(4,457)
Investment (income) expense and other	(184)	(22)
Operating profit	\$ 13,094	\$ 12,810
Incentive compensation program redesign	505	—
Long-lived asset estimated residual value changes	76	—
Transformation and other	178	334
Adjusted operating profit	<u>\$ 13,853</u>	<u>\$ 13,144</u>
Average debt and finance leases, including current maturities	\$ 20,789	\$ 23,285
Average pension and postretirement benefit obligations	6,427	11,932
Average shareowners' equity	17,036	7,469
Average invested capital	<u>\$ 44,252</u>	<u>\$ 42,686</u>
Net income to average invested capital	<u>26.1 %</u>	<u>30.2 %</u>
Adjusted Return on Invested Capital (Non-GAAP)	<u>31.3 %</u>	<u>30.8 %</u>

(1) Trailing twelve months.



Reconciliations

United Parcel Service, Inc.
Reconciliation of Free Cash Flow (Non-GAAP measure)
(unaudited)

(amounts in millions)

	Twelve Months Ended	
	December 31	
	2022	2021
Cash flows from operating activities	\$ 14,104	\$ 15,007
Capital expenditures	(4,769)	(4,194)
Proceeds from disposals of property, plant and equipment	12	24
Net change in finance receivables	24	34
Other investing activities	(333)	18
Free Cash Flow (Non-GAAP)	<u>\$ 9,038</u>	<u>\$ 10,889</u>



UPS Pension Overview

Framework

- UPS actively manages pensions to improve predictability, balance operating expense, cash and balance sheet objectives, and reduce risk
- UPS continues to look for opportunistic ways to lower long-term risk

Market Conditions

- Significant increase in discount rates in 2022 (up ~270bps)
 - 2022 asset returns reflected market challenges
-

UPS Actions

- UPS Retirement Plan (the “Plan”) was closed to new non-union participants in 2016. In 2017, the Plan was amended to freeze additional benefits for future service and compensation beginning January 1, 2023
 - Beginning in 2023, certain participants will receive an enhanced 401(k) contribution
- 2023 Pension Contributions expected to approximate service cost
- Additional information will be provided in our Annual Report on Form 10-K when filed with the Securities and Exchange Commission



2022 Mark-to-Market Impact to Shareowners' Equity

(in millions)

Unrecognized Loss Within Shareowners' Equity as of 12/31/2021	\$2,074
Net loss due to changes in demographic data and assumptions <i>Including turnover, salaries, medical claims costs, other</i>	244
Gain due to discount rate change <i>Discount rate increased from 3.13% to 5.79%</i>	(21,146)
Loss due to asset performance <i>Asset returns in 2022 were 30% lower than expected</i>	17,371
Subtotal as of 12/31/2022	\$(1,457)
Reclassifications of curtailment gains to earnings in 1Q and 4Q 2022 ⁽¹⁾ <i>Curtailment for certain Canada pension plans</i>	\$(34)
Reclassification of MTM gain to earnings in 4Q 2022 ⁽²⁾ <i>10% corridor exceeded for certain US and international plans</i>	\$(1,027)
Unrecognized Gain Within Shareowners' Equity as of 12/31/2022	\$(396)

(1) Gain representing the curtailment of benefits for certain Canada pension plans

(2) Net mark-to-market gain recognized outside of a 10% corridor on company-sponsored pension and postretirement plans



Pension and 401(k)

Income Statement

Above the line

We expect a net year-over-year benefit to operating profit of \$420M for full-year 2023 from a combination of:

- Lower service costs of \$890M from higher discount rates and the freezing of the UPS Retirement Plan*
- Higher 401(k) expense of \$470M for UPS Retirement Plan* participants

Below the line

We expect pension income to be \$260M for full-year 2023, which represents a non-cash ~\$930M decline in income from prior year:

- Increase in interest cost from higher discount rates
- 2022 return on assets was below expectations, partially offset by higher expected returns from our pension assets in 2023

Balance Sheet / Cash Flow

- In 2023, we expect annual pension contributions to approximate our expected service cost
- Net non-current pension liability improved to \$4.8B in 2022

Net Non-Current Pension Liability

