4Q24 Earnings Call

January 30, 2025

PJ GUIDO

Investor Relations Officer

UPS Speakers

CAROL B. TOMÉ
Chief Executive Officer

BRIAN DYKES
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". 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.

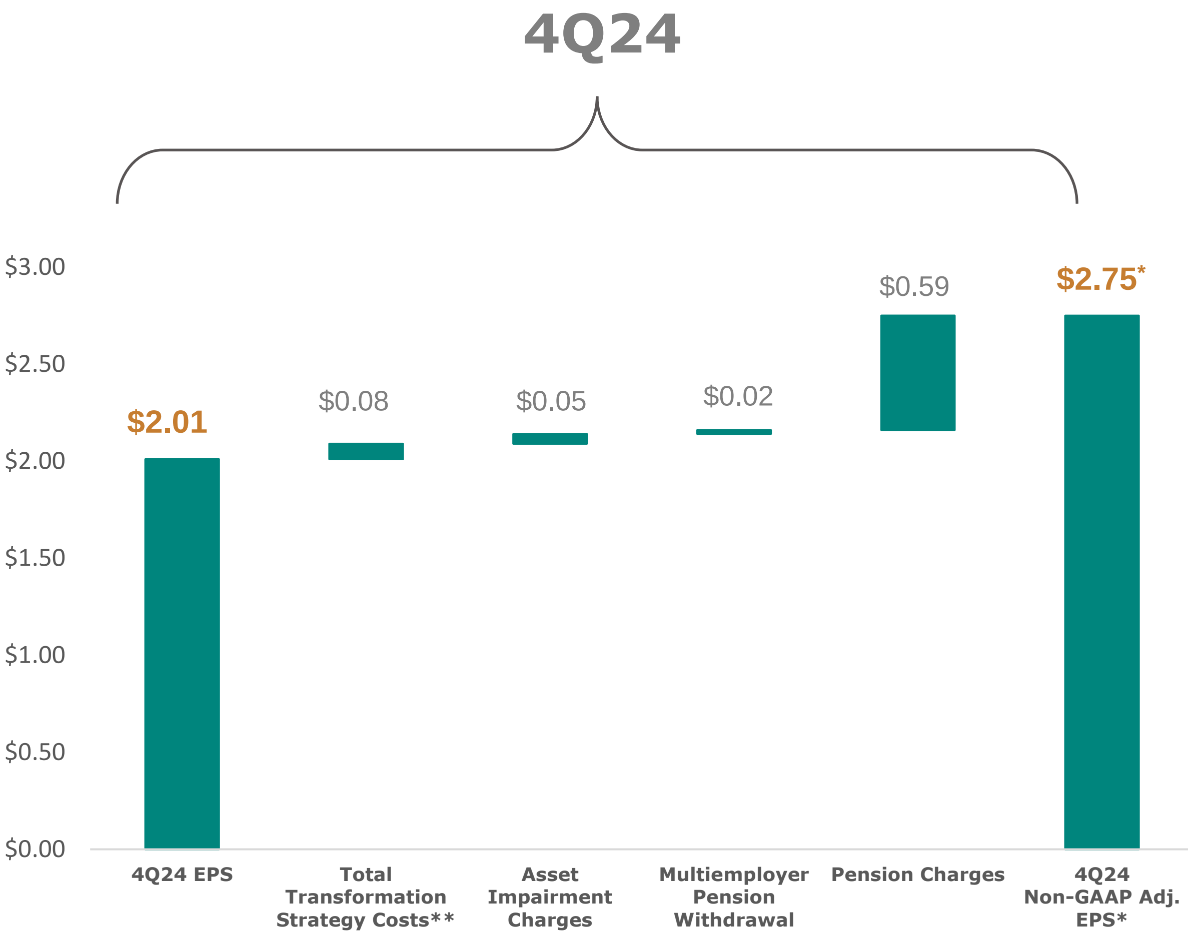
From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Such statements may relate to our intent, belief, forecasts of, or current expectations about our strategic direction, prospects, future results, or future events; they do not relate strictly to historical or current facts. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any forward-looking statements because such statements speak only as of the date when made.

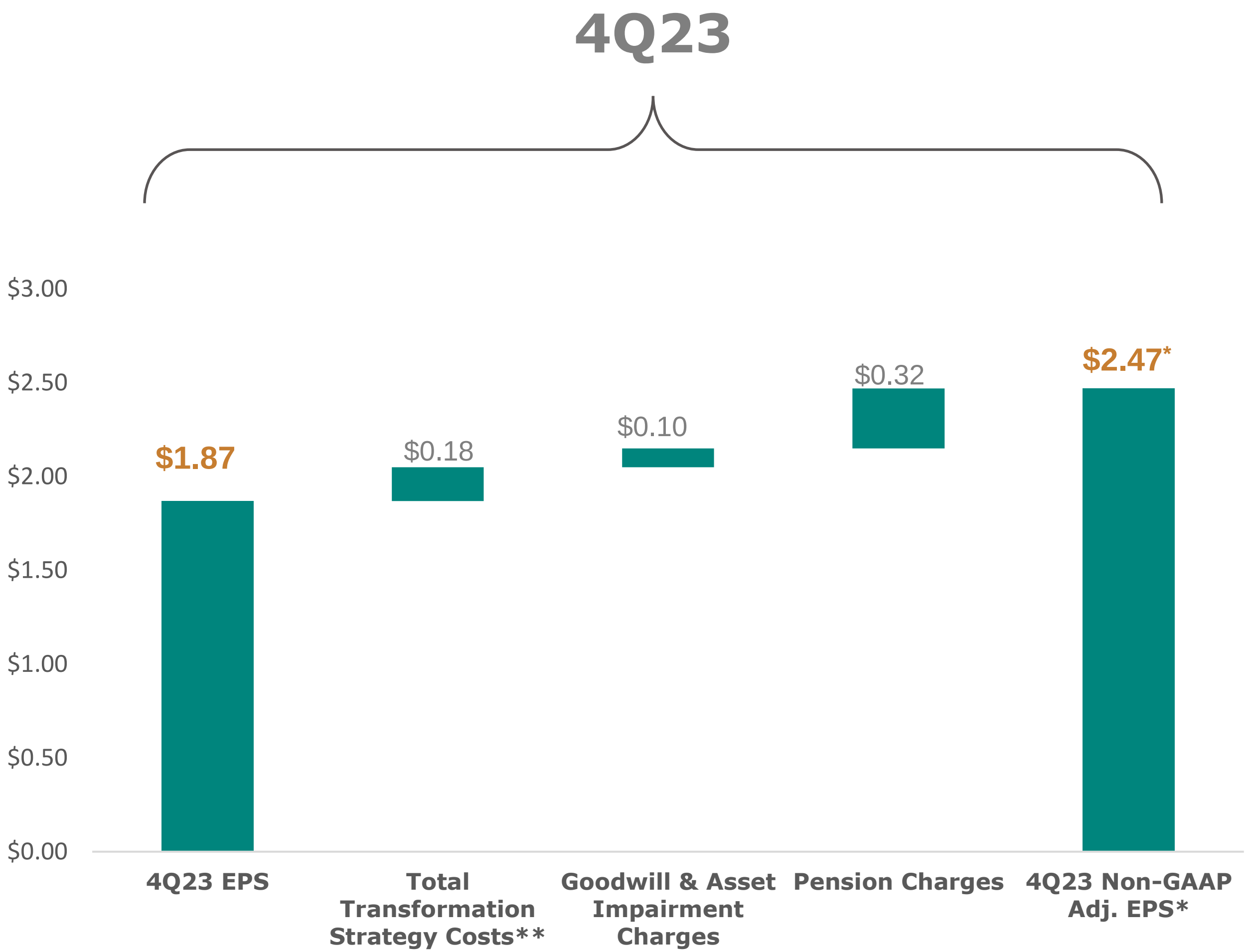
Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties include, but are not limited to: changes in general economic conditions in the U.S. or internationally; significant competition on a local, regional, national and international basis; changes in our relationships with our significant customers; our ability to attract and retain qualified employees; strikes, work stoppages or slowdowns by our employees; increased or more complex physical or operational security requirements; a significant cybersecurity incident, or increased data protection regulations; our ability to maintain our brand image and corporate reputation; impacts from 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, regulatory and social developments in international and emerging markets; our ability to realize the anticipated benefits from acquisitions, dispositions, joint ventures or strategic alliances; the effects of changing prices of energy, including gasoline, diesel, jet fuel, other fuels and interruptions in supplies of these commodities; changes in exchange rates or interest rates; our ability to accurately forecast our future capital investment needs; increases in our expenses or 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 regulations related 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, 2023, 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, except as required by law.

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

The Company routinely posts important information, including news releases, announcements, materials provided or displayed at analyst or investor conferences, and other statements about its business and results of operations, that may be deemed material to investors on the Company's Investors Relations website at www.investors.ups.com. The Company uses its website as a means of disclosing material, nonpublic information and for complying with the Company's disclosure obligations under Regulation FD. Investors should monitor the Company's Investor Relations website in addition to following the Company's press releases, filings with the SEC, public conference calls and webcasts. We do not incorporate the contents of any website into this or any other report we file with the SEC.

Diluted EPS





*Non-GAAP adjusted financial measure. See Appendix for reconciliation to GAAP financial measure.
** For additional information on our Transformation activities, see the Appendix to this presentation.

CAROL B. TOMÉ

Chief Executive Officer

Thank You

Seven years in a row as industry-leader in on-time service during peak season

4Q24 Consolidated Results

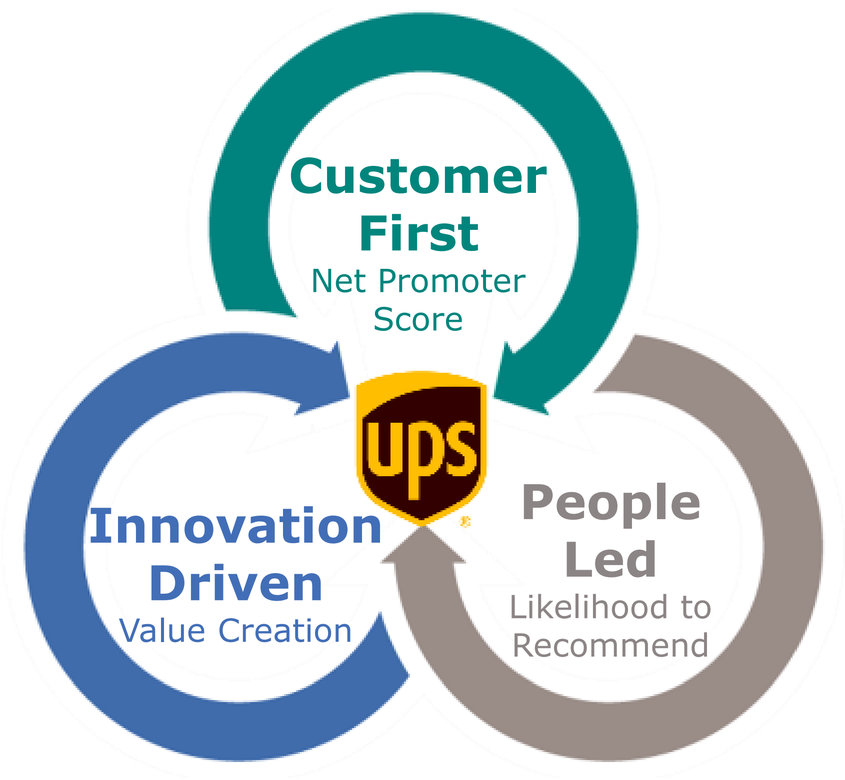
In $ Millions (except per share)	4Q24	4Q23	Change Y/Y
Revenue	$25,301	$24,917	1.5%
Non-GAAP Adj. Operating Profit*	$3,100	$2,787	11.2%
Non-GAAP Adj. Operating Margin*	12.3%	11.2%	110 bps
Non-GAAP Adj. Diluted EPS*	$2.75	$2.47	11.3%

Full-Year 2024 Consolidated Results

In $ Millions (except per share)	2024	2023	Change Y/Y
Revenue	$91,070	$90,958	0.1%
Non-GAAP Adj. Operating Profit*	$8,894	$9,873	-9.9%
Non-GAAP Adj. Operating Margin*	9.8%	10.9%	-110 bps
Non-GAAP Adj. Diluted EPS*	$7.72	$8.78	-12.1%

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

Customer First, People Led, Innovation Driven



2024 Highlights

- SMBs were 28.9% of total U.S. volume, an increase of 30 basis points Y/Y
- Generated $3.3B in global DAP revenue, an increase of 17% Y/Y
- Equipped ~60,000 U.S. package cars with RFID sensors, eliminating 12M manual scans per day while enhancing package visibility for our customers
- Through Network of the Future, completed 49 operational closures, including permanently closing 11 buildings
- ~63% of our U.S. volume flows through automated facilities in 4Q24, compared to 60% in 2023
- In 1Q25, acquired Frigo-Trans, a European healthcare logistics company specializing in cold chain
- Opened two state-of-the-art healthcare cross-dock facilities in Italy and Germany in 4Q24

Taking Action in 2025 to Drive Our Performance

Significantly reducing volume from our largest customer

Lowering volume with UPS by more than 50% by the second half of 2026

Effective Jan 1, 2025, we have insourced all UPS SurePost volume

Allows us to deliver great service with no material impact to our financial performance

Efficiency Reimagined expected to deliver ~$1B in savings

Multi-year initiatives tackle processes from end to end, including peak hiring practices to processing payments and more

BRIAN DYKES

Chief Financial Officer

4Q24 Consolidated Results

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Non-GAAP Adj. Diluted EPS*	$2.75	$2.47	11.3%

"Our financial performance in the fourth quarter was better than we expected due to our focus on revenue quality and excellent cost management. The positive momentum that began in the third quarter continued through our busiest time of the year."

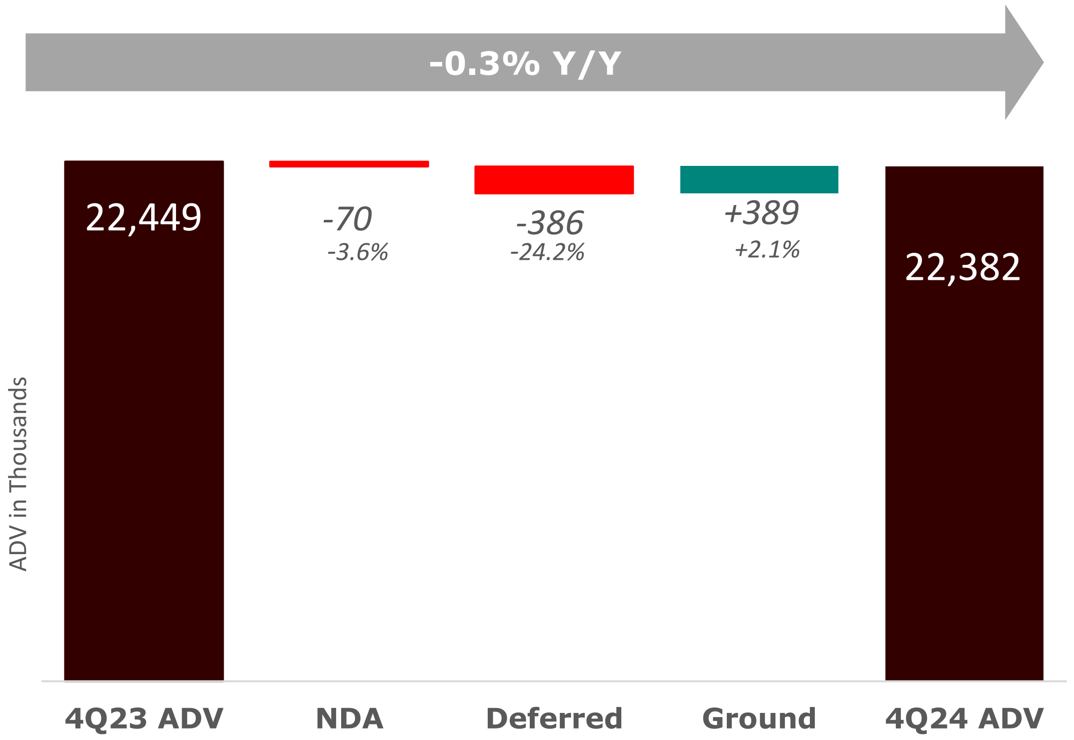
Brian Dykes, CFO

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

4Q Average Daily Volume Was Flat Y/Y

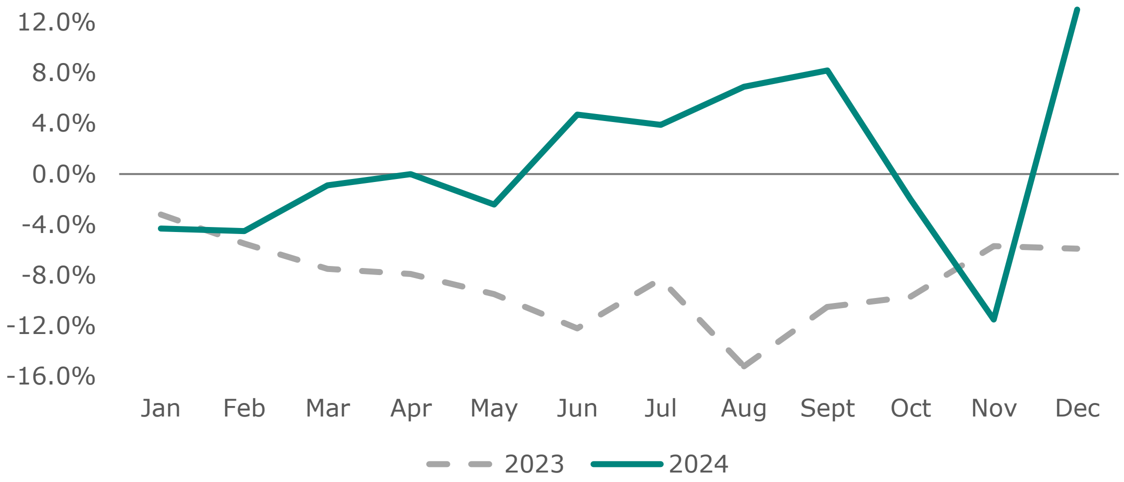
SMBs made up 27.8% of total U.S. volume, the highest 4Q concentration in 10 years

ADV Change (Y/Y)



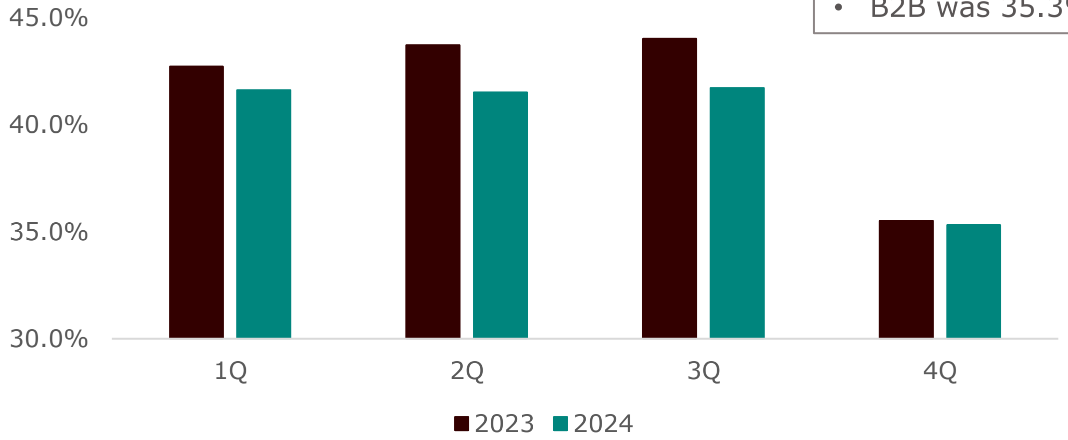
During the compressed 2024 peak season, our average on-time service led the industry by 470 basis points over our closest competitor.

Monthly ADV Growth (Y/Y)



Quarterly B2B% of U.S. ADV Mix

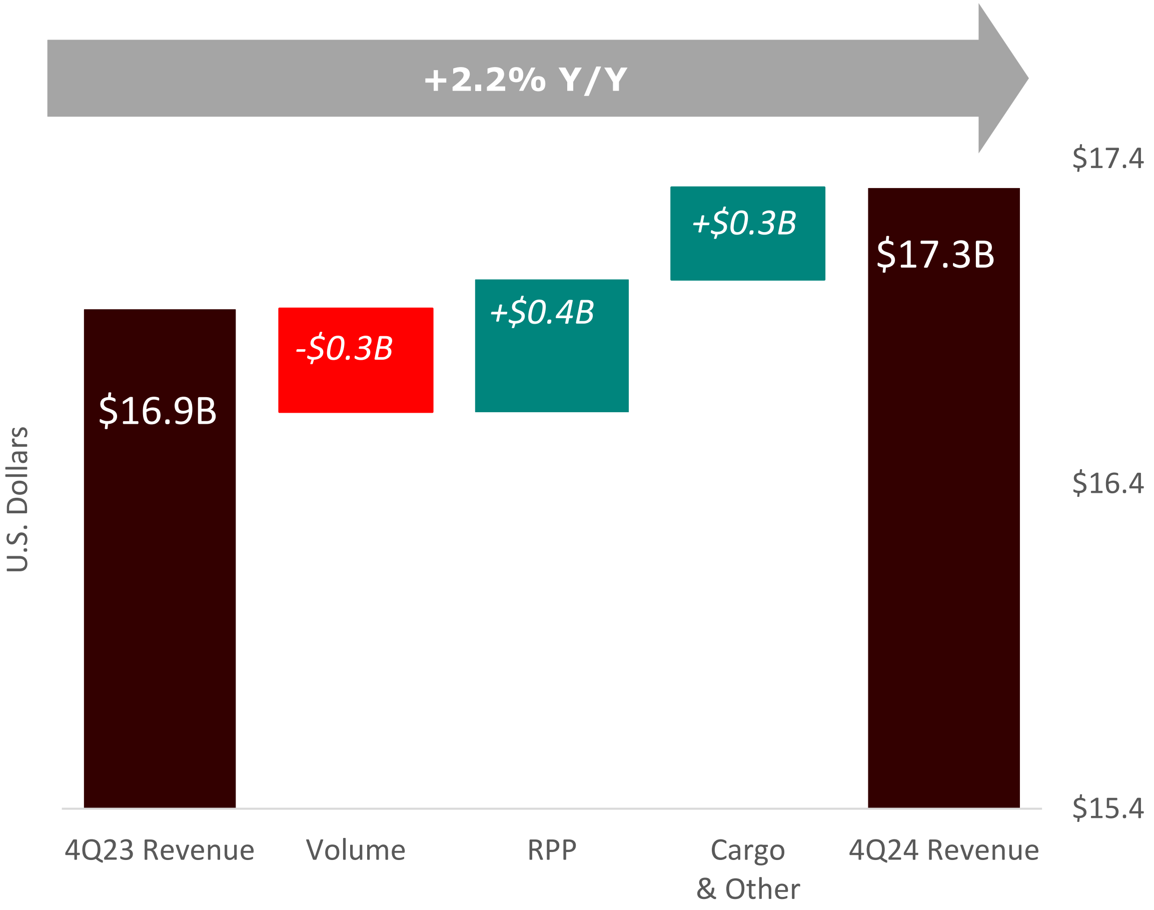
4Q24
- B2B decreased -1.0%
- B2B was 35.3% of ADV



4Q Revenue of $17.3B, Up 2.2% Y/Y

Revenue per piece Y/Y growth rate up 460 basis points compared to 3Q

Revenue Change (Y/Y)



- 4Q revenue per piece (RPP) flipped positive for the first time in 2024, and increased 2.4%
  - Base rates increased the RPP growth rate by ~250 basis points
  - Strong keep-rates on holiday demand surcharges increased RPP growth rate by 110 basis points
  - Net impact of customer mix combined with product mix and lighter weights decreased the RPP growth rate by 80 basis points
  - Fuel drove a 40 basis point decline in the RPP growth rate

Delivered $1.8B in Non-GAAP Adj. Operating Profit* in 4Q

Leveraged technology and proven practices to hold non-GAAP adj. cost per piece* increase to 0.9% Y/Y

U.S. Domestic Results

	4Q24	4Q23	Change Y/Y
Revenue	$17.3B	$16.9B	2.2%
Non-GAAP Adj. Operating Profit*	$1.8B	$1.6B	11.0%
Non-GAAP Adj. Operating Margin*	10.1%	9.3%	80 bps

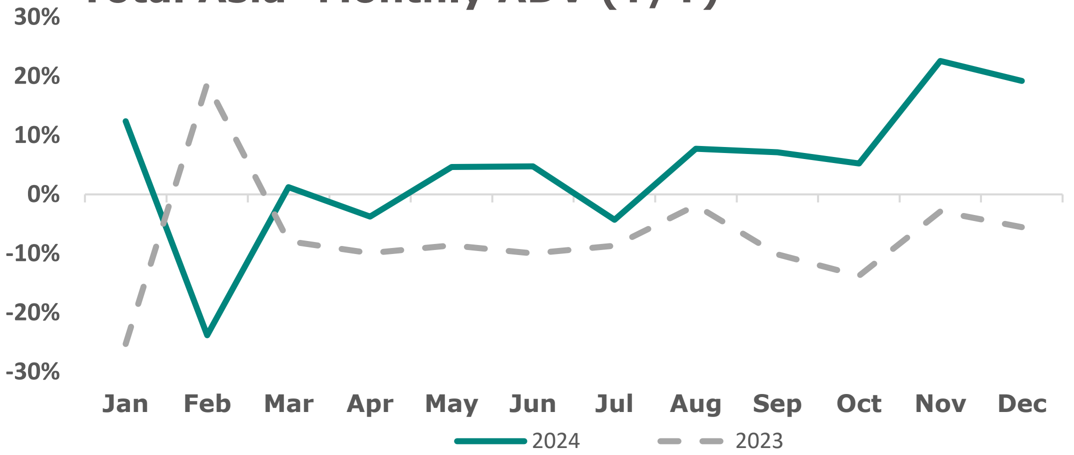
- Total Non-GAAP Adj. operating expense* up 1.3%
  - Through Network of the Future, completed 49 operational closures, including 11 buildings; delivered the same amount of volume Y/Y, but with 3M fewer hours and with excellent service
  - Lowered small package block hours in response to changing volume levels
  - Purchased transportation and other expenses declined as we insourced 50% of SurePost volume and tightly managed rental equipment through peak
  - Better safety performance than expected, driving a benefit in casualty expense
- Non-GAAP Adj. operating margin* of 10.1%, up 80 basis points Y/Y

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

4Q International Average Daily Volume Up 8.8% Y/Y

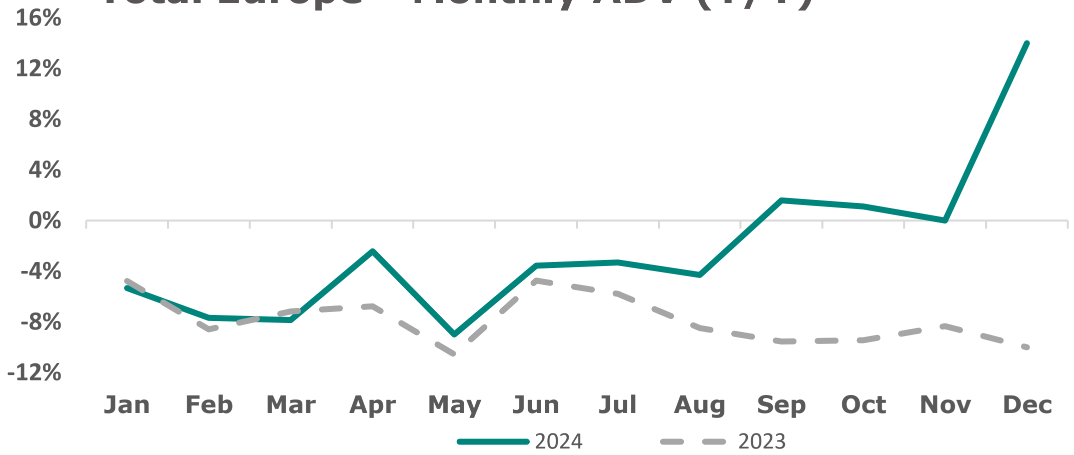
17 of our top 20 export countries demonstrated Y/Y average daily volume growth

Total Asia* Monthly ADV (Y/Y)



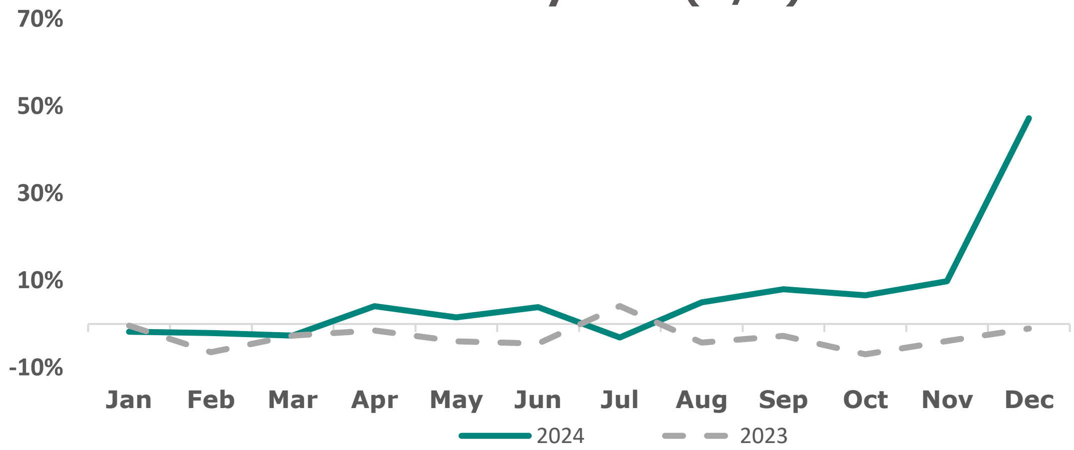
*Lunar New Year was in February of 2024 and in January of 2023

Total Europe** Monthly ADV (Y/Y)

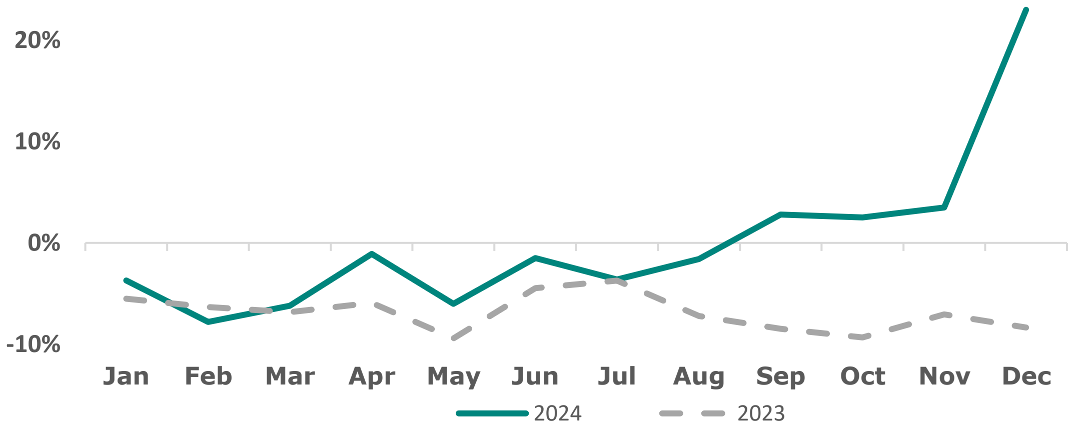


**Europe includes ISMEA (Indian Subcontinent, Middle East, and Africa)

Total Americas Monthly ADV (Y/Y)



Total International Monthly ADV (Y/Y)



Generated 4Q Non-GAAP Adj. Operating Profit* of $1.1B

All regions grew revenue Y/Y

International Results

	4Q24	4Q23	Change Y/Y
Revenue	$4.9B	$4.6B	6.9%
Non-GAAP Adj. Operating Profit*	$1.1B	$0.9B	18.1%
Non-GAAP Adj. Operating Margin*	21.6%	19.5%	210 bps

- Generated positive operating leverage, driven by ongoing network optimization and cost management efforts
- Non-GAAP Adj. operating margin* of 21.6%, up 210 basis points Y/Y

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

Revenue of $3.1B, Down $306M Y/Y

Revenue impacted by $588M reduction in revenue from Coyote Y/Y

Supply Chain Solutions Results

	4Q24	4Q23	Change Y/Y
Revenue	$3.1B	$3.4B	-9.1%
Non-GAAP Adj. Operating Profit*	$284M	$308M	-7.8%
Non-GAAP Adj. Operating Margin*	9.3%	9.1%	20 bps

- Revenue within Forwarding and Logistics increased $282M, driven by:
  - Air and Ocean Forwarding revenue up 10.3%, led by continued strong demand out of Asia
  - Logistics revenue grew by 16.2%
- Non-GAAP Adj. operating profit* of $284M, down $24M Y/Y, which included an impact of $13.5M from Coyote Y/Y
- Non-GAAP Adj. operating margin* of 9.3%, an increase of 20 basis points Y/Y

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

2024 Cash Flow and Capital Allocation

Cash From Operations	CapEx	Dividends Paid	Debt Repayment	Share Repurchases
$10.1B	$3.9B	$5.4B	$3.8B	$500M
			Non-GAAP Adj. Debt to Non-GAAP Adj. EBITDA* Ratio of 2.25 Turns	

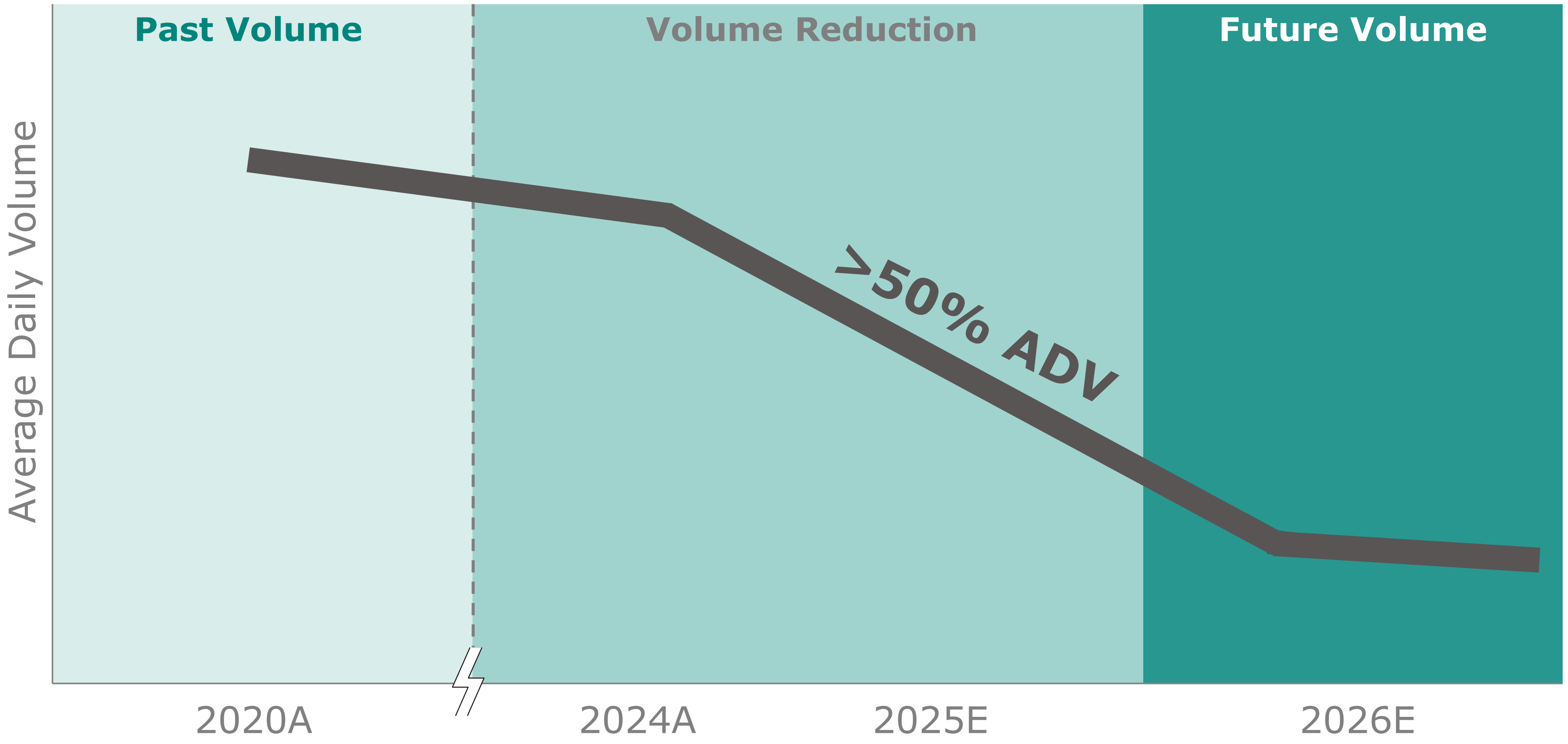
*Non-GAAP adjusted financial measure. See Appendix for reconciliation to GAAP financial measure.

Full-year 2024 Segment Highlights

	U.S. Domestic	International	Supply Chain Solutions
Non-GAAP Adj. Operating Profit*	$4.5B	$3.4B	$1.0B
Non-GAAP Adj. Operating Margin*	7.5%	18.7%	8.0%

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

Reached an Agreement in Principle With Our Largest Customer to Accelerate ADV Glide-down



FOR ILLUSTRATIVE PURPOSES ONLY

Our Set of Actions Will Put Us Further Down the Path to Becoming a More Profitable, Agile and Differentiated UPS

−

Lower Overall Volume

>50% volume reduction from our largest customer

+

Increase in Revenue Per Piece

Improved customer mix

Architecture of Tomorrow pricing technology

+

Lower Costs

Take out fixed and semi-variable costs

Insourced UPS SurePost

Reconfiguring U.S. network

Efficiency Reimagined

+

Lower Capex

Fewer buildings, vehicles and aircraft

+ Free Cash Flow

+ Operating Margin

+ ROIC

FOR ILLUSTRATIVE PURPOSES ONLY

2025 Full-year Consolidated Outlook

Expect to expand U.S. Domestic Non-GAAP Adj. operating margin every quarter

Assumptions

- *S&P Global forecasts GDP growth of 2.5% vs. 2024*
- *Real exports and global industrial production expected to increase ~2% Y/Y*
- *U.S. manufacturing expected to turn positive in 1Q25, after seven quarters of negative Y/Y growth*
- *U.S. consumer expected to remain resilient*
- *Guidance does not reflect any significant potential trade implications due to changes in tariffs*

Full-year 2025 Outlook

- Consolidated:
  - Revenue of ~$89.0B
  - Non-GAAP Adj. operating margin* ~10.8%
  - Free cash flow* of ~$5.7B
  - Capital expenditures of ~$3.5B
  - Dividend payout of ~$5.5B and share repurchases of ~$1.0B
- U.S. Domestic
  - Revenue decline of 2.3% Y/Y, driven by ADV reduction of ~8.5%, partially offset by strong RPP growth of ~6.0%
  - We expect the announced volume and revenue declines to accelerate as we progress throughout the year
  - Non-GAAP Adj. operating margin* of ~8.8%, an increase of 130 basis points Y/Y
  - 1Q revenue up ~1% Y/Y, ADV down ~4%; expand Non-GAAP Adj. operating margin* ~140 basis points
- International
  - ADV up mid-single digits with lower demand-related surcharges (DRS) Y/Y, revenue up ~2.5% Y/Y and Non-GAAP Adj. operating margin* of ~18.6%
  - 1Q revenue flat Y/Y; Non-GAAP Adj. operating margin* moderately down Y/Y due to lower DRS
- Supply Chain Solutions
  - Revenue of ~$11.0B and Non-GAAP Adj. operating margin* of ~8.5%
  - 1Q revenue down ~$500M Y/Y, due to the reduction in 2024 revenue from Coyote; Non-GAAP Adj. operating margin of low- to mid-single digits

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

Questions & Answers

Appendix

2024 Mark-to-Market (MTM) Impact to Shareowners' Equity

(in millions)

Unrecognized Loss Within Shareowners' Equity as of 12/31/2023	**$1,869**
Net loss due to changes in demographic data and assumptions *Including turnover, salaries, medical claims costs, other*	323
Gain due to discount rate change *Discount rate increased from 5.42% to 5.88%*	(2,826)
Loss due to asset performance *Asset returns in 2024 were ~8.6% lower than expected*	3,746
Subtotal as of 12/31/2024	$3,112
Reclassification of MTM loss to earnings in 4Q 2024[1] *10% corridor exceeded for certain US and international plans*	$665
Unrecognized Loss Within Shareowners' Equity as of 12/31/2024	**$2,447**

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

Q4 2024 MTM Pension Loss	
Q4 MTM and settlement	$ 665
Income tax benefit	(159)
After-tax Q4 MTM loss	$ 506

Reconciliation of GAAP and Non-GAAP Financial Measures

Reconciliation of GAAP and Non-GAAP Adjusted Financial Measures

We supplement the reporting of our financial information determined under generally accepted accounting principles ("GAAP") with certain non-GAAP adjusted financial measures. Management views and evaluates business performance on both a GAAP basis and by excluding costs and benefits associated with these non-GAAP adjusted financial measures. As a result, we believe the presentation of these non-GAAP adjusted financial measures better enables users of our financial information to view and evaluate underlying business performance from the same perspective as management.

Non-GAAP adjusted financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP. Our non-GAAP 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 Adjusted Financial 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.

One-Time Payment for International Regulatory Matter

We supplement the presentation of operating profit, operating margin, interest expense, total other income (expense), income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of a second quarter of 2024 one-time payment of $94 million of previously restricted cash to settle a previously-disclosed challenge by Italian tax authorities to the deductibility of Value Added Tax payments by UPS to certain third-party service providers, a review of which was launched in the fourth quarter of 2023. We do not believe this is a component of our ongoing operations and we do not expect this or similar payments to recur.

Expense for Regulatory Matter

We supplement the presentation of operating profit, operating margin, interest expense, total other income (expense), income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of an expense to settle a regulatory matter that we consider to be unrelated to our ongoing operations and that we do not expect to recur.

Transformation Strategy Costs

We supplement the presentation of operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of charges related to activities within our transformation strategy. Our transformation activities have spanned several years to fundamentally change the spans and layers of our organization structure, processes, technologies and the composition of our business portfolio. While earlier stages of these transformation activities were complete in 2023 (Transformation 1.0), certain systems implementations and portfolio review activities (Transformation 2.0) are ongoing and expected to continue through 2025. We previously announced initiatives under Fit to Serve to right-size our business through a workforce reduction of approximately 12,000 positions throughout 2024 and create a more efficient operating model to enhance responsiveness to changing market dynamics. Various circumstances have precipitated these initiatives, including identification and prioritization of investments as a result of executive leadership changes, developments and changes in competitive landscapes, inflationary pressures, consumer behaviors, and other factors including post-COVID normalization and volume diversions attributed to our 2023 labor negotiations.

As disclosed on January 30, 2025, we are beginning a network reconfiguration which is expected to lead to consolidations of our facilities and workforce as well as end-to-end process redesign from 2025 – 2027. Our network reconfiguration is expected to result in exit activities that could result in the closure of up to 10% of our buildings, a reduction in the size of our vehicle and aircraft fleets, and a decrease in the size of our workforce. These costs are in addition to operational costs that we may incur. We are not yet able to determine the specific assets or extent of our workforce that will be impacted by our network redesign, the timing of those future changes or the associated charges we will incur and therefore are not currently able to provide an estimate of the total cost or the cost by period. We expect that impacted assets will remain in use during some or all of the periods of our network reconfiguration.

We expect to partially offset incurred costs through end-to-end process redesign carried out during our network reconfiguration through our Efficiency Reimagined initiatives. These initiatives are being undertaken to align our organizational processes to the operational changes expected to occur in our network reconfiguration and drive organizational efficiency. These initiatives are expected to yield approximately $1.0 billion in annualized savings. We incurred related costs of $35 million for the three months ended December 31, 2024. We expect to incur related costs of approximately $300 to $400 million during 2025 primarily associated with outside professional services and severance.

Upon the completion of our network reconfiguration and Efficiency Reimagined initiatives, we expect to realize further benefits in subsequent periods from lower expense, including depreciation, compensation, benefit and other, as well as lower capital requirements.

We do not consider the related costs to be ordinary because each program involves separate and distinct activities that may span multiple periods and are not expected to drive incremental revenue, and because the scope of the programs exceeded that of routine, ongoing efforts to enhance profitability. These initiatives are in addition to ordinary, ongoing efforts to enhance business performance.

Goodwill and Asset Impairments

We supplement the presentation of operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of goodwill and asset impairment charges. We do not consider these charges when evaluating the operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards.

Gains and Losses Related to Divestitures

We supplement the presentation of operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of gains (or losses) related to the divestiture of businesses. We do not consider these transactions when evaluating the operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards.

One-Time Compensation Payment

We supplement the presentation of operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of a one-time payment made to certain U.S.-based, non-union part-time supervisors following the ratification of our labor agreement with the Teamsters in 2023. We do not expect this or similar payments to recur.

Multiemployer Pension Plan Withdrawal

We supplement the presentation of operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of a charge related to the withdrawal from a multiemployer pension plan within the United States. We do not consider these costs to be related to our ongoing operations nor do we expect them to recur.

Non-GAAP Adjusted Cost per Piece

We evaluate the efficiency of our operations using various metrics, including non-GAAP adjusted cost per piece. Non-GAAP adjusted cost per piece is calculated as non-GAAP adjusted operating expenses in a period divided by total volume for that period. Because non-GAAP adjusted operating expenses exclude costs or charges that we do not consider a part of underlying business performance when monitoring and evaluating the operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards, we believe this is the appropriate metric on which to base reviews and evaluations of the efficiency of our operational performance.

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 pension and postretirement 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.

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 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.

Non-GAAP adjusted Total Debt / Non-GAAP adjusted EBITDA

Non-GAAP adjusted total debt is defined as our long-term debt and finance leases, including current maturities, plus non-current pension and postretirement benefit obligations. Non-GAAP adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted for the impacts of transformation strategy costs, a gain on divestiture of Coyote, a one-time payment for an international regulatory matter, goodwill and asset Impairment charges, a one-time compensation payment, expense related to a regulatory matter, defined benefit plan gains and losses, investment income and other pension income, and a charge to withdraw from a multiemployer benefit plan. 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.

Non-GAAP Adjusted Return on Invested Capital

Non-GAAP Adjusted ROIC is calculated as the trailing twelve months ("TTM") of non-GAAP 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 non-GAAP 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 non-GAAP adjusted ROIC to be a useful measure for evaluating the effectiveness and efficiency of our long-term capital investments.

Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures
(unaudited)

(amounts in millions):	Three Months Ended December 31 2024	2023
Operating Profit (GAAP)	$ 2,926	$ 2,477
Transformation Strategy Costs:		
Transformation 1.0	—	3
Transformation 2.0		
Business portfolio review	—	53
Financial systems	13	6
Other initiatives	—	1
Transformation 2.0 total	13	60
Fit to Serve	47	136
Network Redesign and Efficiency Reimagined	35	—
Total Transformation Strategy Costs	95	199
Goodwill and Asset Impairment Charges (1) (2)	60	111
Multiemployer Pension Plan Withdrawal (3)	19	—
Non-GAAP Adjusted Operating Profit	$ 3,100	$ 2,787

	2024	2023
Operating Margin (GAAP)	11.6 %	9.9 %
Transformation Strategy Costs:		
Transformation 1.0	— %	— %
Transformation 2.0		
Business portfolio review	— %	0.3 %
Financial systems	0.1 %	— %
Other initiatives	— %	— %
Transformation 2.0 total	0.1 %	0.3 %
Fit to Serve	0.2 %	0.5 %
Network Redesign and Efficiency Reimagined	0.1 %	0.0 %
Total Transformation Strategy Costs	0.4 %	0.8 %
Goodwill and Asset Impairment Charges (1) (2)	0.2 %	0.5 %
Multiemployer Pension Plan Withdrawal (3)	0.1 %	0.0 %
Non-GAAP Adjusted Operating Margin	12.3 %	11.2 %

(amounts in millions):	Three Months Ended December 31 2024	2023
Other Income (Expense) (GAAP)	$ (799)	$ (414)
Pension Adjustment (4)	665	359
Non-GAAP Adjusted Other Income (Expense)	$ (134)	$ (55)

(1) Reflects pre-tax impairment charges of $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
(2) Reflects a pre-tax indefinite-lived intangible asset impairment charge of $111 million within Supply Chain Solutions in 2023.
(3) Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.
(4) Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures
(unaudited)

Twelve Months Ended December 31

(amounts in millions):	2024	2023
Operating Profit (GAAP)	$ 8,468	$ 9,141
Transformation Strategy Costs:		
Transformation 1.0	—	13
Transformation 2.0		
Spans and layers	—	86
Business portfolio review	29	84
Financial systems	54	36
Other initiatives	—	4
Transformation 2.0 total	83	210
Fit to Serve	204	212
Network Redesign and Efficiency Reimagined	35	—
Total Transformation Strategy Costs	322	435
Gain on Divestiture of Coyote (1)	(156)	—
One-Time Payment for Int'l Regulatory Matter (2)	88	—
Goodwill and Asset Impairment Charges (3) (4)	108	236
One-Time Compensation (5)	—	61
Expense for Regulatory Matter (6)	45	—
Multiemployer Pension Plan Withdrawal (7)	19	—
Non-GAAP Adjusted Operating Profit	$ 8,894	$ 9,873

	2024	2023
Operating Margin (GAAP)	9.3 %	10.0 %
Transformation Strategy Costs:		
Transformation 1.0	— %	— %
Transformation 2.0		
Spans and layers	— %	0.2 %
Business portfolio review	— %	0.1 %
Financial systems	0.1 %	— %
Other initiatives	— %	— %
Transformation 2.0 total	0.1 %	0.3 %
Fit to Serve	0.3 %	0.2 %
Network Redesign and Efficiency Reimagined	— %	— %
Total Transformation Strategy Costs	0.4 %	0.5 %
Gain on Divestiture of Coyote (1)	(0.2)%	— %
One-Time Payment for Int'l Regulatory Matter (2)	0.1 %	— %
Goodwill and Asset Impairment Charges (3) (4)	0.2 %	0.3 %
One-Time Compensation (5)	— %	0.1 %
Expense for Regulatory Matter (6)	— %	— %
Multiemployer Pension Plan Withdrawal (7)	— %	— %
Non-GAAP Adjusted Operating Margin	9.8 %	10.9 %

Twelve Months Ended December 31

(amounts in millions):	2024	2023
Other Income (Expense) (GAAP)	$ (1,026)	$ (568)
One-Time Payment for Int'l Regulatory Matter (2)	6	—
Pension Adjustment (8)	665	359
Non-GAAP Adjusted Other Income (Expense)	$ (355)	$ (209)

(1) Represents a pre-tax gain of $156 million on the divestiture of our Coyote Logistics business within Supply Chain Solutions during 2024.
(2) Reflects a pre-tax one-time payment for an international regulatory matter and related interest of $94 million.
(3) Reflects pre-tax impairment charges of $41 million for acquired trade names, $7 million for software licenses and $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
(4) Reflects pre-tax impairment charges of $125 and $111 million in respect of goodwill and an indefinite-lived intangible asset, respectively within Supply Chain Solutions in 2023.
(5) Represents a one-time payment of $61 million to certain U.S.-based non-union part-time supervisors.
(6) Reflects the settlement of a regulatory matter.
(7) Reflects a pre-tax charge of $19 million to withdraw from a multiemployer pension plan within the United States.
(8) Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures
(unaudited)

	Three Months Ended December 31	
(amounts in millions):	2024	2023
Income Tax Expense (GAAP)	$ 406	$ 458
Transformation Strategy Costs:		
Transformation 1.0	—	1
Transformation 2.0		
Business portfolio review	—	8
Financial systems	3	2
Other initiatives	—	1
Transformation 2.0 total	3	11
Fit to Serve	11	33
Network Redesign and Efficiency Reimagined	8	—
Total Transformation Strategy Costs	22	45
Goodwill and Asset Impairment Charges (1) (2)	14	27
Multiemployer Pension Plan Withdrawal (3)	5	—
Pension Adjustment (4)	159	85
Non-GAAP Adjusted Income Tax Expense	$ 606	$ 615

(1) Reflects the tax effect of pre-tax impairment charges of $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.

(2) Reflects the tax effect of a pre-tax indefinite-lived intangible asset impairment charge of $111 million within Supply Chain Solutions in 2023.

(3) Reflects the tax effect of a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.

(4) Reflects the tax effect of a net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures
(unaudited)

	Twelve Months Ended December 31	
(amounts in millions):	**2024**	**2023**
Income Tax Expense (GAAP)	$ 1,660	$ 1,865
Transformation Strategy Costs:		
Transformation 1.0	—	3
Transformation 2.0		
Spans and layers	—	21
Business portfolio review	7	15
Financial systems	13	10
Other initiatives	—	1
Transformation 2.0 total	20	47
Fit to Serve	49	52
Network Redesign and Efficiency Reimagined	8	—
Total Transformation Strategy Costs	77	102
Gain on Divestiture of Coyote (1)	(4)	—
One-Time Payment for Int'l Regulatory Matter (2)	—	—
Goodwill and Asset Impairment Charges (3) (4)	27	43
One-Time Compensation (5)	—	15
Expense for Regulatory Matter (6)	—	—
Multiemployer Pension Plan Withdrawal (7)	5	—
Pension Adjustment (8)	159	85
Non-GAAP Adjusted Income Tax Expense	$ 1,924	$ 2,110

(1) Represents the tax effect of a pre-tax gain of $156 million on the divestiture of our Coyote Logistics business within Supply Chain Solutions during 2024.
(2) Reflects the tax effect of a pre-tax one-time payment for an international regulatory matter and related interest of $94 million.
(3) Reflects the tax effect of pre-tax impairment charges of $41 million for acquired trade names, $7 million for software licenses and $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
(4) Reflects the tax effect of pre-tax impairment charges of $125 and $111 million in respect of goodwill and an indefinite-lived intangible asset, respectively within Supply Chain
(5) Represents the tax effect of a one-time payment of $61 million to certain U.S.-based non-union part-time supervisors.
(6) Reflects the tax effect of the settlement of a regulatory matter.
(7) Reflects the tax effect of a pre-tax charge of $19 million to withdraw from a multiemployer pension plan within the United States.
(8) Reflects the tax effect of a net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures
(unaudited)

Three Months Ended
December 31

(amounts in millions):	2024	2023
Net Income (GAAP)	$ 1,721	$ 1,605
Transformation Strategy Costs:		
Transformation 1.0	—	2
Transformation 2.0		
Business portfolio review	—	45
Financial systems	10	4
Other initiatives	—	—
Transformation 2.0 total	10	49
Fit to Serve	36	103
Network Redesign and Efficiency Reimagined	27	—
Total Transformation Strategy Costs	73	154
Goodwill and Asset Impairment Charges (1) (2)	46	84
Multiemployer Pension Plan Withdrawal (3)	14	—
Pension Adjustment (4)	506	274
Non-GAAP Adjusted Net Income	$ 2,360	$ 2,117

	2024	2023
Diluted Earnings Per Share (GAAP)	$ 2.01	$ 1.87
Transformation Strategy Costs:		
Transformation 1.0	—	—
Transformation 2.0		
Business portfolio review	—	0.05
Financial systems	0.01	—
Other initiatives	—	—
Transformation 2.0 total	0.01	0.05
Fit to Serve	0.04	0.13
Network Redesign and Efficiency Reimagined	0.03	—
Total Transformation Strategy Costs	0.08	0.18
Goodwill and Asset Impairment Charges (1) (2)	0.05	0.10
Multiemployer Pension Plan Withdrawal (3)	0.02	—
Pension Adjustment (4)	0.59	0.32
Non-GAAP Adjusted Diluted Earnings Per Share	$ 2.75	$ 2.47

(1) Reflects pre-tax impairment charges of $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
(2) Reflects a pre-tax indefinite-lived intangible asset impairment charge of $111 million within Supply Chain Solutions in 2023.
(3) Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.
(4) Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures
(unaudited)

Twelve Months Ended December 31

(amounts in millions):	2024	2023		2024	2023
Net Income (GAAP)	$ 5,782	$ 6,708	**Diluted Earnings Per Share (GAAP)**	$ 6.75	$ 7.80
Transformation Strategy Costs:			Transformation Strategy Costs:		
Transformation 1.0	—	10	*Transformation 1.0*	—	0.01
Transformation 2.0			*Transformation 2.0*		
Spans and layers	—	65	*Spans and layers*	—	0.08
Business portfolio review	22	69	*Business portfolio review*	0.03	0.08
Financial systems	41	26	*Financial systems*	0.05	0.03
Other initiatives	—	3	*Other initiatives*	—	—
Transformation 2.0 total	63	163	*Transformation 2.0 total*	0.08	0.19
Fit to Serve	155	160	*Fit to Serve*	0.18	0.19
Network Redesign and Efficiency Reimagined	27	—	*Network Redesign and Efficiency Reimagined*	0.03	—
Total Transformation Strategy Costs	245	333	Total Transformation Strategy Costs	0.29	0.39
Gain on Divestiture of Coyote [1]	(152)	—	Gain on Divestiture of Coyote [1]	(0.18)	—
One-Time Payment for Int'l Regulatory Matter [2]	94	—	One-Time Payment for Int'l Regulatory Matter [2]	0.11	—
Goodwill and Asset Impairment Charges [3] [4]	81	193	Goodwill and Asset Impairment Charges [3] [4]	0.09	0.22
One-Time Compensation [5]	—	46	One-Time Compensation [5]	—	0.05
Expense for Regulatory Matter [6]	45	—	Expense for Regulatory Matter [6]	0.05	—
Multiemployer Pension Plan Withdrawal [7]	14	—	Multiemployer Pension Plan Withdrawal [7]	0.02	—
Pension Adjustment [8]	506	274	Pension Adjustment [8]	0.59	0.32
Non-GAAP Adjusted Net Income	$ 6,615	$ 7,554	Non-GAAP Adjusted Diluted Earnings Per Share	$ 7.72	$ 8.78

(1) Represents a pre-tax gain of $156 million on the divestiture of our Coyote Logistics business within Supply Chain Solutions during 2024.
(2) Reflects a pre-tax one-time payment for an international regulatory matter and related interest of $94 million.
(3) Reflects pre-tax impairment charges of $41 million for acquired trade names, $7 million for software licenses and $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
(4) Reflects pre-tax impairment charges of $125 and $111 million in respect of goodwill and an indefinite-lived intangible asset, respectively within Supply Chain Solutions in 2023.
(5) Represents a one-time payment of $61 million to certain U.S.-based non-union part-time supervisors.
(6) Reflects the settlement of a regulatory matter.
(7) Reflects a pre-tax charge of $19 million to withdraw from a multiemployer pension plan within the United States.
(8) Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures by Segment
(unaudited)

Three Months Ended December 31

U.S. Domestic Package	2024 Operating Expenses	2023 Operating Expenses	% Change	2024 Operating Profit	2023 Operating Profit	% Change	2024 Operating Margin	2023 Operating Margin
GAAP	$ 15,631	$ 15,491	0.9 %	$ 1,681	$ 1,448	16.1 %	9.7 %	8.5 %
Adjusted for:								
Transformation Strategy Costs	(54)	(132)	(59.1)%	54	132	(59.1)%	0.3 %	0.8 %
Multiemployer Pension Plan Withdrawal	(19)	—	N/A	19	—	N/A	0.1 %	— %
Non-GAAP Adjusted Measure	$ 15,558	$ 15,359	1.3 %	$ 1,754	$ 1,580	11.0 %	10.1 %	9.3 %

International Package	2024 Operating Expenses	2023 Operating Expenses	% Change	2024 Operating Profit	2023 Operating Profit	% Change	2024 Operating Margin	2023 Operating Margin
GAAP	$ 3,904	$ 3,716	5.1 %	$ 1,019	$ 890	14.5 %	20.7 %	19.3 %
Adjusted for:								
Transformation Strategy Costs	(43)	(9)	377.8 %	43	9	377.8 %	0.9 %	0.2 %
Non-GAAP Adjusted Measure	$ 3,861	$ 3,707	4.2 %	$ 1,062	$ 899	18.1 %	21.6 %	19.5 %

Supply Chain Solutions	2024 Operating Expenses	2023 Operating Expenses	% Change	2024 Operating Profit	2023 Operating Profit	% Change	2024 Operating Margin	2023 Operating Margin
GAAP	$ 2,840	$ 3,233	(12.2)%	$ 226	$ 139	62.6 %	7.4 %	4.1 %
Adjusted for:								
Transformation Strategy Costs	2	(58)	N/A	(2)	58	N/A	(0.1)%	1.7 %
Goodwill and Asset Impairment Charges	(60)	(111)	(45.9)%	60	111	(45.9)%	2.0 %	3.3 %
Non-GAAP Adjusted Measure	$ 2,782	$ 3,064	(9.2)%	$ 284	$ 308	(7.8)%	9.3 %	9.1 %

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures - U.S. Domestic Cost Per Piece
(unaudited)

	Three Months Ended December 31 2024	2023	% Change
Operating Days	62	63	
Average Daily U.S. Domestic Package Volume (in thousands)	22,382	22,449	
U.S. Domestic Package Cost Per Piece (GAAP)	$ 11.00	$ 10.94	0.5 %
Transformation Strategy Costs	(0.04)	(0.09)	(55.6)%
Multiemployer Pension Plan Withdrawal	(0.01)	—	N/A
U.S. Domestic Package Non-GAAP Adjusted Cost Per Piece	$ 10.95	$ 10.85	0.9 %

Note: Cost per piece excludes expense associated with cargo and other activity.

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Reconciliations

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures by Segment
(unaudited)

Twelve Months Ended December 31

	2024	2023		2024	2023		2024	2023
U.S. Domestic Package	**Operating Expenses**		**% Change**	**Operating Profit**		**% Change**	**Operating Margin**	
GAAP	$ 56,031	$ 55,049	1.8 %	$ 4,345	$ 5,156	(15.7)%	7.2 %	8.6 %
Adjusted for:								
Transformation Strategy Costs	(147)	(266)	(44.7)%	147	266	(44.7)%	0.3 %	0.4 %
Goodwill and Asset Impairment Charges	(5)	—	N/A	5	—	N/A	— %	— %
One-Time Compensation	—	(61)	(100.0)%	—	61	(100.0)%	— %	0.1 %
Multiemployer Pension Plan Withdrawal	(19)	—	N/A	19	—	N/A	— %	— %
Non-GAAP Adjusted Measure	$ 55,860	$ 54,722	2.1 %	$ 4,516	$ 5,483	(17.6)%	7.5 %	9.1 %

	2024	2023		2024	2023		2024	2023
International Package	**Operating Expenses**		**% Change**	**Operating Profit**		**% Change**	**Operating Margin**	
GAAP	$ 14,769	$ 14,600	1.2 %	$ 3,191	$ 3,231	(1.2)%	17.8 %	18.1 %
Adjusted for:								
Transformation Strategy Costs	(79)	(51)	54.9 %	79	51	54.9 %	0.4 %	0.3 %
One-Time Payment for Int'l Regulatory Matter	(88)	—	N/A	88	—	N/A	0.5 %	— %
Asset Impairment Charges	(2)	—	N/A	2	—	N/A	— %	— %
Non-GAAP Adjusted Measure	$ 14,600	$ 14,549	0.4 %	$ 3,360	$ 3,282	2.4 %	18.7 %	18.4 %

	2024	2023		2024	2023		2024	2023
Supply Chain Solutions	**Operating Expenses**		**% Change**	**Operating Profit**		**% Change**	**Operating Margin**	
GAAP	$ 11,802	$ 12,168	(3.0)%	$ 932	$ 754	23.6 %	7.3 %	5.8 %
Adjusted for:								
Transformation Strategy Costs	(96)	(118)	(18.6)%	96	118	(18.6)%	0.8 %	0.9 %
Gain on Divestiture of Coyote	156	—	N/A	(156)	—	N/A	(1.2)%	— %
Goodwill and Asset Impairment Charges	(101)	(236)	(57.2)%	101	236	(57.2)%	0.7 %	1.9 %
Expense for Regulatory Matter	(45)	—	N/A	45	—	N/A	0.4 %	— %
Non-GAAP Adjusted Measure	$ 11,716	$ 11,814	(0.8)%	$ 1,018	$ 1,108	(8.1)%	8.0 %	8.6 %

United Parcel Service, Inc.
Reconciliation of GAAP and Non-GAAP Adjusted Measures - U.S. Domestic Cost Per Piece
(unaudited)

	Twelve Months Ended December 31		
	2024	**2023**	**% Change**
Operating Days	253	254	
Average Daily U.S. Domestic Package Volume (in thousands)	19,161	19,030	
U.S. Domestic Package Cost Per Piece (GAAP)	$ 11.42	$ 11.35	0.6 %
Transformation Strategy Costs	(0.04)	(0.05)	(20.0)%
One-Time Compensation	—	(0.01)	(100.0)%
Multiemployer Pension Plan Withdrawal	—	—	N/A
U.S. Domestic Package Non-GAAP Adjusted Cost Per Piece	$ 11.38	$ 11.29	0.8 %

Note: Cost per piece excludes expense associated with cargo and other activity.

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Reconciliations

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

(amounts in millions):	**Twelve Months Ended December 31, 2024**	**2023**
Cash flows from operating activities	10,122	10,238
Capital expenditures	(3,909)	(5,158)
Proceeds from disposals of property, plant and equipment	113	193
Other investing activities	(24)	(19)
Free Cash Flow (Non-GAAP measure)	6,302	5,254

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Reconciliations

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

(amounts in millions):	**TTM (1) Ended December 31, 2024**	**TTM (1) Ended December 31, 2023**
Net Income	$ 5,782	$ 6,708
Add Back:		
Income Tax Expense	1,660	1,865
Interest Expense	866	787
Depreciation and Amortization	3,609	3,366
Non-GAAP EBITDA	11,917	12,726
Add back (deduct):		
Transformation Strategy Costs	322	435
Gain on Divestiture of Coyote	(156)	—
One-Time Payment for International Regulatory Matter	88	—
Goodwill and Asset Impairment Charges	108	236
One-Time Compensation Payment	—	61
Expense for Regulatory Matter	45	—
Defined Benefit Plan (Gains) and Losses	665	359
Investment Income and Other Pension Income	(505)	(578)
Multiemployer Pension Plan Withdrawal	19	—
Non-GAAP Adjusted EBITDA	$ 12,503	$ 13,239
Debt and Finance Leases, Including Current Maturities	$ 21,284	$ 22,264
Add Back:		
Non-Current Pension and Postretirement Benefit Obligations	6,859	6,159
Non-GAAP Adjusted Total Debt	$ 28,143	$ 28,423
Non-GAAP Adjusted Total Debt/Net Income	4.87	4.24
Non-GAAP Adjusted Total Debt/Non-GAAP Adjusted EBITDA	2.25	2.15

(1) Trailing Twelve Months

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