

**United States
Securities and Exchange Commission
Washington, D.C. 20549**

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2025 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-15451



United Parcel Service, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

55 Glenlake Parkway N.E., Atlanta, Georgia
(Address of Principal Executive Offices)

58-2480149

*(IRS Employer
Identification No.)*

30328

(Zip Code)

(404) 828-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Class B common stock, par value \$0.01 per share	UPS	New York Stock Exchange
1.625% Senior Notes due 2025	UPS25	New York Stock Exchange
1% Senior Notes due 2028	UPS28	New York Stock Exchange
1.500% Senior Notes due 2032	UPS32	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

<input checked="" type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Accelerated filer	<input type="checkbox"/> Emerging growth company
<input type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 109,395,545 Class A shares, and 738,990,054 Class B shares, with a par value of \$0.01 per share, outstanding at October 16, 2025.

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PART I. FINANCIAL INFORMATION

Cautionary Statement About Forward-Looking Statements

This report, our Annual Report on Form 10-K for the year ended December 31, 2024 and our other 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 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: changes in general economic conditions in the U.S. or internationally, including as a result of changes in global trade policy, new or increased tariffs or government shutdowns; 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 and 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, 2024 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.

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.

Item 1. Financial Statements

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2025 (unaudited) and December 31, 2024 (in millions)

	September 30, 2025	December 31, 2024
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,764	\$ 6,112
Accounts receivable, net	9,967	10,871
Other current assets	2,254	2,327
Total Current Assets	18,985	19,310
Property, Plant and Equipment, Net	37,743	37,179
Operating Lease Right-Of-Use Assets	4,217	4,149
Goodwill	4,810	4,300
Intangible Assets, Net	3,455	3,064
Deferred Income Tax Assets	158	112
Other Non-Current Assets	2,024	1,956
Total Assets	\$ 71,392	\$ 70,070
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt, commercial paper and finance leases	\$ 932	\$ 1,838
Current maturities of operating leases	742	733
Accounts payable	5,784	6,302
Accrued wages and withholdings	3,476	3,655
Self-insurance reserves	1,024	1,086
Accrued group welfare and retirement plan contributions	1,221	1,390
Other current liabilities	1,373	1,437
Total Current Liabilities	14,552	16,441
Long-Term Debt and Finance Leases	23,850	19,446
Non-Current Operating Leases	3,687	3,635
Pension and Postretirement Benefit Obligations	6,187	6,859
Deferred Income Tax Liabilities	3,581	3,595
Other Non-Current Liabilities	3,687	3,351
Shareowners' Equity:		
Class A common stock (110 and 121 shares issued in 2025 and 2024, respectively)	2	2
Class B common stock (738 and 733 shares issued in 2025 and 2024, respectively)	7	7
Additional paid-in capital	178	136
Retained earnings	19,753	20,882
Accumulated other comprehensive loss	(4,117)	(4,309)
Deferred compensation obligations	5	7
Less: Treasury stock (0.1 shares in 2025 and 2024)	(5)	(7)
Total Equity for Controlling Interests	15,823	16,718
Noncontrolling interests	25	25
Total Shareowners' Equity	15,848	16,743
Total Liabilities and Shareowners' Equity	\$ 71,392	\$ 70,070

See notes to unaudited, consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
(In millions, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Revenue	\$ 21,415	\$ 22,245	\$ 64,182	\$ 65,769
Operating Expenses:				
Compensation and benefits	12,118	11,955	35,571	35,097
Repairs and maintenance	803	713	2,290	2,165
Depreciation and amortization	926	905	2,774	2,690
Purchased transportation	2,463	3,375	7,715	9,894
Fuel	1,071	1,068	3,187	3,254
Other occupancy	548	517	1,699	1,573
Other expenses	1,682	1,727	5,654	5,554
Total Operating Expenses	<u>19,611</u>	<u>20,260</u>	<u>58,890</u>	<u>60,227</u>
Operating Profit	<u>1,804</u>	<u>1,985</u>	<u>5,292</u>	<u>5,542</u>
Other Income (Expense):				
Investment income and other	94	155	251	410
Interest expense	(291)	(230)	(751)	(637)
Total Other Income (Expense)	<u>(197)</u>	<u>(75)</u>	<u>(500)</u>	<u>(227)</u>
Income Before Income Taxes	<u>1,607</u>	<u>1,910</u>	<u>4,792</u>	<u>5,315</u>
Income Tax Expense	<u>296</u>	<u>371</u>	<u>1,011</u>	<u>1,254</u>
Net Income	<u>\$ 1,311</u>	<u>\$ 1,539</u>	<u>\$ 3,781</u>	<u>\$ 4,061</u>
Basic Earnings Per Share	<u>\$ 1.55</u>	<u>\$ 1.80</u>	<u>\$ 4.46</u>	<u>\$ 4.74</u>
Diluted Earnings Per Share	<u>\$ 1.55</u>	<u>\$ 1.80</u>	<u>\$ 4.46</u>	<u>\$ 4.74</u>

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(In millions)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Net Income	\$ 1,311	\$ 1,539	\$ 3,781	\$ 4,061
Change in foreign currency translation adjustment, net of tax	(46)	211	455	28
Change in unrealized gain (loss) on marketable securities, net of tax	(1)	2	—	1
Change in unrealized gain (loss) on cash flow hedges, net of tax	75	(139)	(353)	(63)
Change in unrecognized pension and postretirement benefit costs, net of tax	30	29	90	88
Comprehensive Income	<u>\$ 1,369</u>	<u>\$ 1,642</u>	<u>\$ 3,973</u>	<u>\$ 4,115</u>

See notes to unaudited, consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In millions, unaudited)

	Nine Months Ended September 30,	
	2025	2024
Cash Flows From Operating Activities:		
Net income	\$ 3,781	\$ 4,061
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	2,774	2,690
Pension and postretirement benefit expense	763	774
Pension and postretirement benefit contributions	(1,338)	(1,434)
Self-insurance reserves	76	14
Deferred tax (benefit) expense	(34)	24
Stock compensation expense (benefit)	41	(21)
Other (gains) losses	(155)	61
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	854	1,395
Other assets	(80)	116
Accounts payable	(801)	(829)
Accrued wages and withholdings	(202)	348
Other liabilities	(528)	(335)
Other operating activities	(3)	(57)
Net cash from operating activities	5,148	6,807
Cash Flows From Investing Activities:		
Capital expenditures	(2,969)	(2,811)
Proceeds from disposal of businesses, property, plant and equipment	585	1,070
Purchases of marketable securities	(90)	(52)
Sales and maturities of marketable securities	229	2,725
Acquisitions, net of cash acquired	(479)	(66)
Other investing activities	(10)	(26)
Net cash (used in) from investing activities	(2,734)	840
Cash Flows From Financing Activities:		
Net change in short-term debt	—	(1,272)
Proceeds from long-term borrowings	4,153	2,785
Repayments of long-term borrowings	(1,145)	(1,944)
Purchases of common stock	(1,000)	(500)
Issuances of common stock	133	184
Dividends	(4,045)	(4,049)
Other financing activities	(43)	(207)
Net cash used in financing activities	(1,947)	(5,003)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	185	5
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	652	2,649
Cash, Cash Equivalents and Restricted Cash:		
Beginning of period	6,112	3,206
End of period	\$ 6,764	\$ 5,855

See notes to unaudited, consolidated financial statements.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Principles of Consolidation

The accompanying unaudited, consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited, consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly our financial position as of September 30, 2025, and our results of operations and cash flows for the three and nine months ended September 30, 2025 and 2024. The results reported in these unaudited, consolidated financial statements should not be regarded as indicative of results that may be expected for any other period or the entire year. The unaudited, consolidated financial statements should be read in conjunction with the audited, consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2024.

Throughout the document, the terms "nine months ended" and "year-to-date period" refer to the nine months ended September 30.

Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, accounts receivable, finance receivables and accounts payable approximated fair value as of September 30, 2025 and December 31, 2024. The fair values of our marketable securities are disclosed in note 5, our recognized multiemployer pension withdrawal liabilities in note 7, our short- and long-term debt in note 9 and our derivative instruments in note 15. We apply a fair value hierarchy (Levels 1, 2 and 3) when measuring and reporting items at fair value. Fair values are based on listed market prices (Level 1), when such prices are available. To the extent that listed market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations (Level 2). If listed market prices or other relevant factors are not available, inputs are developed from unobservable data reflecting our own assumptions and include situations where there is little or no market activity for the asset or liability (Level 3).

Certain investments that do not have a readily determinable fair value are measured at net asset value ("NAV") using NAV as a practical expedient, or an equivalent developed consistent with the measurement principles in Accounting Standards Codification ("ASC") Topic 820. Assets that are measured using NAV as a practical expedient are excluded from the fair value hierarchy. For further discussion on these investments, see note 1 to the audited, consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2024.

Use of Estimates

The preparation of the accompanying unaudited, consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of these financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Although our estimates contemplate current and expected future conditions, as applicable, it is reasonably possible that actual conditions could differ from our expectations, which could materially affect our results of operations and financial position. As a result, our accounting estimates and assumptions may change significantly over time.

Supplier Finance Programs

As part of our working capital management, certain financial institutions offer a Supply Chain Finance ("SCF") program to certain of our suppliers. During the nine months ended September 30, 2025, there were no material changes to the SCF program described in note 1 to the audited, consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2024.

Amounts due to our suppliers that participate in the SCF program are included in *Accounts payable* in our consolidated balance sheets. We have been informed by the participating financial institutions that as of September 30, 2025 and December 31, 2024, suppliers had sold them \$374 and \$515 million, respectively, of our outstanding payment obligations during the relevant period.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

Accounting pronouncements adopted during the periods covered by the unaudited, consolidated financial statements did not have a material impact in our consolidated financial position, results of operations, cash flows or internal controls.

In December 2023, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") to enhance tax-related disclosures. The ASU became effective for us beginning in the first quarter of 2025 and, beginning with our annual reporting, it will require more standardized categories for tax rate reconciliation and additional detail for significant tax items. It will also require a breakdown of income taxes paid by jurisdiction exceeding 5% of total taxes and removes certain disclosure requirements for unremitted foreign earnings and uncertain tax positions. The adoption of this ASU did not have a significant impact on our consolidated financial position, results of operations, cash flows or internal controls.

Accounting Standards Issued But Not Yet Effective

In November 2024, the FASB issued an ASU on expense disaggregation disclosures, which will require tabular disclosure in the notes to financial statements for specific expense categories. The standard becomes effective for us beginning with our 2027 annual report and for interim and annual periods thereafter. This ASU provides for additional expense disclosures. We are evaluating the impact of adoption, but do not expect this ASU to have a significant impact on our consolidated financial position, results of operations, cash flows or internal controls.

In July 2025, the FASB issued an ASU on measurement of credit losses for accounts receivable and contract assets, which introduces a practical expedient for estimating expected credit losses on eligible current assets. The practical expedient permits entities to assume credit loss conditions existing at the balance sheet date will continue. Adoption of the practical expedient is optional and, if adopted, would become effective for us beginning in the first quarter of 2026. We are evaluating the impact of adoption, but do not expect this ASU to have a significant impact on our consolidated financial position, results of operations, cash flows or internal controls.

In September 2025, the FASB issued an ASU on targeted improvements to the accounting for internal-use software, which modernizes accounting guidance for costs incurred in developing internal-use software. This ASU removes references to development stages, and instead requires capitalization to begin based on a "probable-to-complete" threshold. This ASU becomes effective for us beginning with our 2028 annual report and for interim and annual periods thereafter. We are evaluating the impact of adoption, but do not expect this ASU to have a significant impact on our consolidated financial position, results of operations, cash flows or internal controls.

Other accounting pronouncements issued before, but not effective until after, September 30, 2025, are not expected to have a material impact on our consolidated financial position, results of operations, cash flows or internal controls.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. REVENUErecognition*Revenue Recognition*

Substantially all of our revenues are from contracts associated with the pickup, transportation and delivery of packages and freight ("transportation services"). These services may be carried out by or arranged by us and generally occur over a short period of time. Additionally, we provide value-added logistics services to customers through our global network of distribution centers and field stocking locations.

The vast majority of our contracts with customers are for transportation services that include only one performance obligation: the transportation services themselves. We generally recognize revenue over time, based on the extent of progress towards completion of the services in the contract. All of our major businesses act as a principal in their revenue arrangements and as such, we report revenue and the associated purchased transportation costs on a gross basis within our statements of consolidated income.

Disaggregation of Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue:				
Next Day Air	\$ 2,381	\$ 2,396	\$ 7,035	\$ 7,021
Deferred	1,020	1,109	3,093	3,372
Ground	10,525	10,945	31,718	32,410
Cargo and Other	294	147	917	261
U.S. Domestic Package	<u>14,220</u>	<u>14,597</u>	<u>42,763</u>	<u>43,064</u>
Domestic	847	771	2,448	2,299
Export	3,646	3,482	10,574	10,269
Cargo and Other	180	158	509	469
International Package	<u>4,673</u>	<u>4,411</u>	<u>13,531</u>	<u>13,037</u>
Forwarding	730	1,307	2,188	3,902
Logistics	1,363	1,550	4,411	4,638
Other	429	380	1,289	1,128
Supply Chain Solutions	<u>2,522</u>	<u>3,237</u>	<u>7,888</u>	<u>9,668</u>
Consolidated revenue	<u><u>\$ 21,415</u></u>	<u><u>\$ 22,245</u></u>	<u><u>\$ 64,182</u></u>	<u><u>\$ 65,769</u></u>

Accounts Receivable, Net

During the third quarter of 2025, we entered into an accounts receivable factoring program with a third party, in which we may sell certain customer receivables to the third party on a revolving periodic basis. Any such transactions are accounted for as sales and accordingly, receivables sold are removed from *Accounts receivable, net* in the consolidated balance sheets and the proceeds are reflected in *Cash Flows from Operating Activities* in the statements of consolidated cash flows. Our continuing involvement in these receivables is primarily limited to servicing and under limited circumstances, recourse.

Total accounts which may be outstanding under the program are \$395 million. During the three and nine months ended September 30, 2025, we sold \$248 million of accounts receivable for net cash proceeds of \$246 million. In connection with this program, we recognized a liability, measured at fair value, related to our estimated recourse obligations recorded within *Other current liabilities* in the consolidated balance sheet. During the three and nine months ended September 30, 2025, we recorded an immaterial loss associated with the transactions within *Other Income (Expense)* in the statements of consolidated income. As of September 30, 2025, \$147 million was available to be factored under this program.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

During the nine months ended September 30, 2025, there were no material changes to our accounting policy for accounts receivable or how we estimate expected credit losses, as described in note 2 to the audited, consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2024.

Our allowance for credit losses as of September 30, 2025 and December 31, 2024 was \$176 and \$136 million, respectively. Amounts for credit losses charged to expense, before recoveries, during the three months ended September 30, 2025 and 2024 were \$95 and \$75 million, respectively, and during the nine months ended September 30, 2025 and 2024 were \$267 and \$211 million, respectively.

Contract Assets and Liabilities

During the nine months ended September 30, 2025, there were no material changes to our accounting policy for contract assets and liabilities described in note 2 to the audited, consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2024.

Contract assets and liabilities as of September 30, 2025 and December 31, 2024 were as follows (in millions):

	Balance Sheet Location	September 30, 2025		December 31, 2024	
Contract Assets:					
Revenue related to in-transit packages	Other current assets	\$ 281	\$ 307		
Contract Liabilities:					
Short-term advance payments from customers	Other current liabilities	\$ 15	\$ 13		
Long-term advance payments from customers	Other non-current liabilities	\$ 52	\$ 27		

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 4. STOCK-BASED COMPENSATION

Pre-tax compensation expense (benefit) for equity-classified stock compensation awards recognized in *Compensation and benefits* in our statements of consolidated income for the three months ended September 30, 2025 and 2024 was \$25 and \$(24) million, respectively, and for the nine months ended September 30, 2025 and 2024 was \$41 and \$(21) million, respectively.

As of September 30, 2025 and December 31, 2024, UPS Management Incentive Award Program ("MIP") awards were classified as a compensation obligation within *Accrued wages and withholdings* in our consolidated balance sheets. Substantially all MIP awards are settled in cash, subject to participant elections. Cash payments related to the 2024 MIP and 2023 MIP are reflected as activity in *Accrued wages and withholdings* in our statements of consolidated cash flows for the nine months ended September 30, 2025 and 2024, respectively.

During the nine months ended September 30, 2025, there were no material changes to our stock-based compensation plans described in note 13 to the audited, consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2024, except as described below.

Long-Term Incentive Performance Program ("LTIP")

On May 7, 2025, the Compensation and Human Capital Committee of the Board (the "Compensation Committee") approved the 2025 LTIP award performance targets and determined May 9, 2025 to be the award measurement date. Each target restricted performance unit ("RPU") awarded under the LTIP was valued at \$94.07. The performance targets for the 2025 LTIP award are equally weighted between adjusted revenue growth and adjusted operating return on invested capital. The actual number of RPUs earned is subject to adjustment based on total shareholder return relative to the Standard & Poor's 500 Index. RPUs to be issued under the 2025 LTIP will vest at the end of a three-year performance period, assuming continued employment with the Company (except in the case of death, disability or retirement, in which case immediate vesting occurs on a prorated basis). We determined the grant date fair value of the RPUs using a Monte Carlo model and recognize compensation expense (less estimated forfeitures) ratably over the vesting period, based on the number of awards expected to be earned.

The weighted-average assumptions used and the weighted-average fair values of the LTIP awards granted in the nine months ended September 30, 2025 and 2024 are as follows:

	2025	2024
Risk-free interest rate	3.86 %	4.45 %
Expected volatility	28.39 %	27.00 %
Weighted-average fair value of units granted	\$ 94.54	\$ 157.37
Share payout	98.13 %	102.18 %

There is no expected dividend yield as units earn dividend equivalents.

Restricted Units

On May 7, 2025, the Compensation Committee approved 0.4 million of special restricted stock unit awards ("RSUs") for certain of the Company's employees, excluding the Chief Executive Officer. We determined the May 9, 2025 grant date fair value using the closing New York Stock Exchange ("NYSE") price of \$95.89. The RSUs will generally vest as follows: 25% on May 9, 2026; 25% on May 9, 2027; and 50% on May 9, 2028. The awards issued under these programs are considered to be equity classified. The weighted-average grant date fair value using the closing NYSE price for the RSUs granted in the nine months ended September 30, 2025 was \$95.91.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Non-Qualified Stock Options

On May 9, 2025, we granted 0.3 million stock options at an exercise price of \$95.89, the NYSE closing price on that date.

The fair value of each option granted is estimated using a Black-Scholes option pricing model. The weighted-average assumptions used and the weighted-average fair values of options granted in the nine months ended September 30, 2025 and 2024 are as follows:

	2025	2024
Expected dividend yield	5.21 %	3.96 %
Risk-free interest rate	4.08 %	4.25 %
Expected life (in years)	6.11	6.13
Expected volatility	30.35 %	28.94 %
Weighted-average fair value of options granted	\$ 18.72	\$ 34.76

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. MARKETABLE SECURITIES AND NON-CURRENT INVESTMENTS

Our marketable securities are recorded in *Other current assets* within our consolidated balance sheets. The following is a summary of marketable securities classified as trading and available for sale as of September 30, 2025 and December 31, 2024 (in millions):

	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
September 30, 2025:				
Current trading marketable securities:				
Equity securities	\$ 3	—	\$ (1)	\$ 2
Current available-for-sale securities:				
U.S. government and agency debt securities	66	—	—	66
Corporate debt securities	—	—	—	—
Total available-for-sale marketable securities	66	—	—	66
Total current marketable securities	<u>\$ 69</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ 68</u>
 December 31, 2024:				
Current trading marketable securities:				
Equity securities	\$ 3	—	\$ —	\$ 3
Current available-for-sale securities:				
U.S. government and agency debt securities	165	—	(1)	164
Corporate debt securities	39	—	—	39
Total available-for-sale marketable securities	204	—	(1)	203
Total current marketable securities	<u>\$ 207</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ 206</u>

Investment Impairments

We have concluded that no material impairment losses existed within marketable securities as of September 30, 2025. In making this determination, we considered the financial condition and prospects of each issuer, the magnitude of the losses compared with the cost, the probability that we will be unable to collect all amounts due according to the contractual terms of the security, the credit rating of the security and our ability and intent to hold these investments until the anticipated recovery in market value occurs.

Maturity Information

The amortized cost and estimated fair value of marketable securities as of September 30, 2025 by contractual maturity are shown below (in millions). Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations with or without prepayment penalties.

	Cost	Estimated Fair Value
Due in one year or less	\$ 66	\$ 66
Due after one year through three years	—	—
Due after three years through five years	—	—
Due after five years	—	—
	66	66
Equity securities	3	2
	<u>\$ 69</u>	<u>\$ 68</u>

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Non-Current Investments

We hold non-current investments that are reported within *Other Non-Current Assets* in our consolidated balance sheets. Cash paid for these investments is included in *Other investing activities* in our statements of consolidated cash flows.

- *Equity method investments:* Equity securities accounted for under the equity method had a carrying value of \$249 and \$304 million as of September 30, 2025 and December 31, 2024, respectively.
- *Other equity securities:* Certain equity securities that do not have readily determinable fair values are reported in accordance with the measurement alternative in ASC Topic 321. Equity securities accounted for under this measurement alternative had a carrying value of \$47 and \$42 million as of September 30, 2025 and December 31, 2024, respectively.

Fair Value Measurements

Marketable securities valued utilizing Level 1 inputs include most U.S. government debt securities, as these securities have quoted prices in active markets. Marketable securities valued utilizing Level 2 inputs include equity securities and corporate bonds. These securities are valued using market corroborated pricing, matrix pricing or other models that utilize observable inputs such as yield curves.

The following table presents information about our investments measured at fair value on a recurring basis as of September 30, 2025 and December 31, 2024, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2025:				
Marketable Securities:				
U.S. government and agency debt securities	\$ 66	\$ —	\$ —	\$ 66
Corporate debt securities	—	—	—	—
Equity securities	—	2	—	2
Total marketable securities	66	2	—	68
Other non-current investments ⁽¹⁾	—	20	—	20
Total	<u>\$ 66</u>	<u>\$ 22</u>	<u>\$ —</u>	<u>\$ 88</u>

⁽¹⁾ Represents a variable life insurance policy funding benefits for the UPS Excess Coordinating Benefit Plan.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2024:				
Marketable Securities:				
U.S. government and agency debt securities	\$ 164	\$ —	\$ —	\$ 164
Corporate debt securities	25	14	—	39
Equity securities	—	3	—	3
Total marketable securities	189	17	—	206
Other non-current investments ⁽¹⁾	—	19	—	19
Total	<u>\$ 189</u>	<u>\$ 36</u>	<u>\$ —</u>	<u>\$ 225</u>

⁽¹⁾ Represents a variable life insurance policy funding benefits for the UPS Excess Coordinating Benefit Plan.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of September 30, 2025 and December 31, 2024 consisted of the following (in millions):

	2025	2024
Vehicles	\$ 11,855	\$ 11,912
Aircraft	24,017	23,768
Land	2,054	2,104
Buildings	6,865	6,714
Building and leasehold improvements	5,749	5,601
Plant equipment	19,219	18,495
Technology equipment	2,908	2,735
Construction-in-progress	2,451	1,967
	75,118	73,296
Less: Accumulated depreciation and amortization	(37,375)	(36,117)
Property, Plant and Equipment, Net	\$ 37,743	\$ 37,179

Property, plant and equipment purchased on account was \$378 and \$227 million as of September 30, 2025 and December 31, 2024, respectively.

During the nine months ended September 30, 2025, we entered into a build-to-suit financing obligation and recognized \$64 million in non-cash additions to construction-in-progress, with a corresponding increase within *Other Non-Current Liabilities* of the unaudited consolidated balance sheet.

As part of our *Network Reconfiguration* and *Efficiency Reimagined* initiatives, we incurred \$45 million in accelerated depreciation and asset retirement obligations related to closed facilities and abandoned equipment, and recorded \$54 million in gains on sale of properties during the nine months ended September 30, 2025. We have also determined that \$47 million of certain long-lived assets meet the criteria to be classified as held for sale and have presented the carrying value of these assets within *Other current assets* of the unaudited, consolidated balance sheet as of September 30, 2025.

We continue to review expected changes in volume in our integrated air and ground network to identify additional buildings for closure, and it is reasonably possible that our plans will also result in further revisions to our estimates of the useful lives and salvage values of certain of our long-lived assets. Any further revisions to these plans could further accelerate depreciation expense and lead to the recognition of additional charges related to early retirements in future periods. For additional information, see note 17 to the unaudited, consolidated financial statements.

There were no material impairment charges for the nine months ended September 30, 2025 or 2024. We will continue to monitor our long-lived asset groups for impairment.

In the nine months ended September 30, 2025, we entered into sale-leaseback transactions, involving a data center and real estate properties. We concluded that each qualified as a sale; accordingly, we derecognized the carrying amounts of the properties and recognized the related operating lease right-of-use assets and lease liabilities at lease commencement. During the three months ended September 30, 2025, we received cash proceeds of approximately \$415 million and recognized gains of \$330 million. During the nine months ended September 30, 2025, we received cash proceeds of approximately \$465 million and recognized gains of \$362 million. These gains were recognized within *Other (gains) losses* in the unaudited, statement of consolidated cash flows and within *Other expenses* in the unaudited, statement of consolidated income during the nine months ended September 30, 2025.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. EMPLOYEE BENEFIT PLANS*Company-Sponsored Benefit Plans*

Information about the net periodic benefit cost for our company-sponsored pension and postretirement benefit plans for the three and nine months ended September 30, 2025 and 2024 is as follows (in millions):

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2025	2024	2025	2024	2025	2024
Three Months Ended September 30:						
Service cost	\$ 281	\$ 309	\$ 5	\$ 5	\$ 10	\$ 10
Interest cost	679	644	28	27	17	16
Expected return on assets	(787)	(770)	(2)	(1)	(21)	(22)
Amortization of prior service cost	39	37	—	—	—	1
Net periodic benefit cost	<u>\$ 212</u>	<u>\$ 220</u>	<u>\$ 31</u>	<u>\$ 31</u>	<u>\$ 6</u>	<u>\$ 5</u>
Nine Months Ended September 30:						
Service cost	\$ 844	\$ 929	\$ 13	\$ 15	\$ 28	\$ 32
Interest cost	2,038	1,932	82	81	49	50
Expected return on assets	(2,342)	(2,313)	(5)	(3)	(62)	(64)
Amortization of prior service cost	117	114	—	—	1	1
Net periodic benefit cost	<u>\$ 657</u>	<u>\$ 662</u>	<u>\$ 90</u>	<u>\$ 93</u>	<u>\$ 16</u>	<u>\$ 19</u>

Service cost and the remaining components of net periodic benefit cost are presented within *Compensation and benefits* and *Investment income and other*, respectively, in our statements of consolidated income.

In connection with our *Network Reconfiguration* and *Efficiency Reimagined* initiatives, we continue to review expected changes in volume in our integrated air and ground network to identify additional buildings for closure, which we expect would result in further reductions in our operational workforce. In addition, in the third quarter of 2025, we offered a voluntary separation program to all full-time drivers in the United States and expect to continue to incur costs associated with contractual termination benefits. For additional information, see note 17 to the unaudited, consolidated financial statements.

During the nine months ended September 30, 2025, we contributed \$1.2 billion and \$172 million to our company-sponsored pension and U.S. postretirement medical benefit plans, respectively. We expect to contribute approximately \$9 million over the remainder of the year to both our company-sponsored pension and U.S. postretirement medical benefit plans, respectively.

Multiemployer Benefit Plans

We contribute to a number of multiemployer defined benefit and health and welfare plans under the terms of collective bargaining agreements that cover our union-represented employees. Our current collective bargaining agreements set forth the contribution rates to the plans that we participate in, and we are in compliance with these contribution rates.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

As of September 30, 2025 and December 31, 2024, we had \$797 and \$804 million, respectively, recorded in *Other Non-Current Liabilities* in our consolidated balance sheets and \$9 million as of both September 30, 2025 and December 31, 2024 recorded in *Other current liabilities* in our consolidated balance sheets associated with our previous withdrawal from the New England Teamsters and Trucking Industry Pension Fund. This liability is payable in equal monthly installments over a remaining term of approximately 37 years. Based on the borrowing rates currently available to us for long-term financing of a similar maturity, the fair value of this withdrawal liability as of September 30, 2025 and December 31, 2024 was \$671 and \$651 million, respectively. We utilized Level 2 inputs in the fair value hierarchy of valuation techniques to determine the fair value of this liability.

As of December 31, 2024, we had \$19 million recorded in *Other current liabilities* in our consolidated balance sheets associated with our 2024 withdrawal from the District 9 International Association of Machinists and Aerospace Workers Pension Trust. The withdrawal liability was settled on April 1, 2025.

UPS was a contributing employer to the Central States Pension Fund ("CSPF") until 2007, at which time UPS withdrew from the CSPF. Under a collective bargaining agreement with the International Brotherhood of Teamsters ("Teamsters"), UPS agreed to provide coordinating benefits in the UPS/IBT Full Time Employee Pension Plan ("UPS/IBT Plan") for UPS participants whose last employer was UPS and who had not retired as of January 1, 2008 ("the UPS Transfer Group") in the event that benefits are reduced by the CSPF consistent with the terms of our withdrawal agreement with the CSPF. Under this agreement, benefits to the UPS Transfer Group cannot be reduced without our consent and can only be reduced in accordance with law.

In the event CSPF were to become insolvent, CSPF benefits would be reduced to the legally permitted Pension Benefit Guaranty Corporation limits, triggering the coordinating benefits provision in the collective bargaining agreement.

We account for the potential obligation to pay coordinating benefits under ASC Topic 715, which requires us to provide a best estimate of various actuarial assumptions in measuring our pension benefit obligation at the December 31 measurement date. As of December 31, 2024, our best estimate of coordinating benefits that may be required to be paid by the UPS/IBT Plan was immaterial.

The value of our estimate for future coordinating benefits will continue to be influenced by a number of factors, including interpretations of law, future legislative actions, actuarial assumptions and the ability of the CSPF to sustain its long-term commitments. Actual events may result in a change in our best estimate of the projected benefit obligation. We will continue to assess the impact of these uncertainties in accordance with ASC Topic 715.

Collective Bargaining Agreements

We have approximately 300,000 employees in the U.S. employed under a national master agreement and various supplemental agreements with local unions affiliated with the Teamsters which runs through July 31, 2028.

We have approximately 11,000 employees in Canada employed under a collective bargaining agreement with the Teamsters ("Teamsters Canada"). On August 29, 2025, UPS employees represented by Teamsters Canada ratified a new collective bargaining agreement. Terms of the agreement became effective August 1, 2025 and run through July 31, 2030. The economic provisions in the agreement included wage, healthcare and pension enhancements.

We have approximately 3,300 pilots who are employed under a collective bargaining agreement with the Independent Pilots Association ("IPA"). This collective bargaining agreement became amendable September 1, 2025. We are currently in negotiations with the IPA.

We have approximately 1,900 airline mechanics who are covered by a collective bargaining agreement with Teamsters Local 2727 which becomes amendable November 1, 2026. In addition, approximately 3,000 of our auto and maintenance mechanics who are not employed under agreements with the Teamsters are employed under a collective bargaining agreement with the International Association of Machinists and Aerospace Workers. This collective bargaining agreement becomes amendable July 31, 2029.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. GOODWILL AND INTANGIBLE ASSETS

The following table indicates the allocation of goodwill as of September 30, 2025 and December 31, 2024 (in millions):

	U.S. Domestic Package	International Package	Supply Chain Solutions	Consolidated
December 31, 2024:	\$ 847	\$ 487	\$ 2,966	\$ 4,300
Acquired	—	—	345	345
Currency / Other	—	27	138	165
September 30, 2025:	<u><u>\$ 847</u></u>	<u><u>\$ 514</u></u>	<u><u>\$ 3,449</u></u>	<u><u>\$ 4,810</u></u>

During the nine months ended September 30, 2025:

- We recorded an increase in goodwill of \$345 million as a part of the purchase accounting allocation for our January 2025 acquisition of Frigo-Trans and Biotech & Pharma Logistics ("Frigo-Trans").
- The remaining changes were due to the impact of changes in the value of the U.S. Dollar on the translation of non-U.S. Dollar goodwill balances.

Frigo-Trans is reported in Supply Chain Solutions as part of our Healthcare Logistics and Distribution ("HLD") reporting unit.

We conducted our most recent annual goodwill impairment testing as of July 1, 2025 using both qualitative and quantitative methods. Our quantitative tests utilize a combination of the income and market approaches. We concluded that the fair values of our reporting units were in excess of their respective carrying values.

Approximately \$877 and \$726 million of our \$4.8 billion consolidated goodwill balance is represented by our Global Freight Forwarding ("GFF") and HLD reporting units, respectively, which, based on our annual impairment evaluation, are exhibiting a limited excess of fair value above carrying value and reflect a greater risk of an impairment occurring in future periods. Both GFF and HLD are showing limited excess of fair value over their carrying values, primarily driven by current market conditions, volatility in global markets, early stages of our healthcare growth strategy and ongoing integration of recent acquisitions. Both GFF and HLD reporting units are included in Supply Chain Solutions.

Additionally, beginning in the first quarter of 2025, our Mail Innovations reporting unit experienced cost increases in excess of our expectations due to increases in purchased transportation rates, resulting from the expiration of a contract with our primary vendor. These cost increases began to dissipate in the second quarter of 2025 as we started utilizing alternative vendors. In the second quarter of 2025, we also took action to address the revenue quality in this business, and began to experience improvements therein. Depending on the outcome of these actions, our expectations for the future performance of this reporting unit could be materially affected. Approximately \$295 million in goodwill is represented by our Mail Innovations reporting unit included in Supply Chain Solutions.

For each of our reporting units, we continue to monitor the impact of macroeconomic conditions and business performance on our estimates of fair value. Subsequent to our annual testing date and as of September 30, 2025, none of our reporting units had indications that an impairment was more likely than not. Actual reporting unit performance, revisions to our forecasts of future performance, market factors, changes in global trade policy, changes in estimates or assumptions in future impairment testing, or a combination thereof could result in a non-cash impairment charge in one or more of our reporting units during a future period.

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The following is a summary of intangible assets as of September 30, 2025 and December 31, 2024 (in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
September 30, 2025:			
Capitalized software	\$ 6,673	\$ (4,499)	\$ 2,174
Licenses	87	(34)	53
Franchise rights	371	(53)	318
Customer relationships	871	(269)	602
Trade name	110	(34)	76
Trademarks, patents and other	372	(145)	227
Amortizable intangible assets	\$ 8,484	\$ (5,034)	\$ 3,450
Indefinite-lived intangible assets	5	—	5
Total Intangible Assets	<u>\$ 8,489</u>	<u>\$ (5,034)</u>	<u>\$ 3,455</u>
December 31, 2024:			
Capitalized software	\$ 6,088	\$ (4,159)	\$ 1,929
Licenses	30	(12)	18
Franchise rights	348	(55)	293
Customer relationships	677	(206)	471
Trade name	109	(26)	83
Trademarks, patents and other	369	(103)	266
Amortizable intangible assets	\$ 7,621	\$ (4,561)	\$ 3,060
Indefinite-lived intangible assets	4	—	4
Total Intangible Assets	<u>\$ 7,625</u>	<u>\$ (4,561)</u>	<u>\$ 3,064</u>

Impairment tests for finite-lived intangible assets are performed when a triggering event occurs that may indicate that the carrying value of the intangible asset may not be recoverable. For the three months ended September 30, 2025, there were no impairment charges for finite-lived intangible assets. For the nine months ended September 30, 2025, we recorded impairment charges of \$33 million within *Other Expenses* in our statement of consolidated income. These charges primarily consisted of software impairment charges related to a business within UPS Digital.

For the three months ended September 30, 2024, there were no material impairment charges for finite-lived intangible assets. For the nine months ended September 30, 2024, we recorded impairment charges of \$48 million within *Other Expenses* in our statement of consolidated income. These charges represented trade name and capitalized software license impairments.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. DEBT AND FINANCING ARRANGEMENTS

The carrying value of our outstanding debt obligations as of September 30, 2025 and December 31, 2024 consisted of the following (in millions):

	Principal Amount	Maturity	Carrying Value	
			2025	2024
Fixed-rate senior notes:				
3.900% senior notes	\$ —	2025	\$ —	\$ 1,000
2.400% senior notes	500	2026	500	499
3.050% senior notes	1,000	2027	998	997
3.400% senior notes	750	2029	748	748
2.500% senior notes	400	2029	398	398
4.450% senior notes	750	2030	747	746
4.650% senior notes	500	2030	498	—
4.875% senior notes	900	2033	895	895
5.150% senior notes	900	2034	894	894
5.250% senior notes	1,250	2035	1,240	—
6.200% senior notes	1,500	2038	1,486	1,486
5.200% senior notes	500	2040	495	495
4.875% senior notes	500	2040	492	492
3.625% senior notes	375	2042	369	369
3.400% senior notes	500	2046	493	492
3.750% senior notes	1,150	2047	1,138	1,138
4.250% senior notes	750	2049	744	743
3.400% senior notes	700	2049	689	689
5.300% senior notes	1,250	2050	1,232	1,232
5.050% senior notes	1,100	2053	1,083	1,083
5.500% senior notes	1,100	2054	1,087	1,087
5.950% senior notes	1,250	2055	1,232	—
5.600% senior notes	600	2064	590	590
6.050% senior notes	1,000	2065	985	—
Floating-rate senior notes:				
Floating-rate senior notes	1,888	2049-2075	1,867	1,755
Debentures:				
7.620% debentures	276	2030	279	279
Pound Sterling notes:				
5.500% notes	89	2031	89	83
5.125% notes	611	2050	581	544
Euro senior notes:				
1.625% senior notes	822	2025	822	731
1.000% senior notes	587	2028	586	521
1.500% senior notes	587	2032	585	521
Finance lease obligations (see note 10)				
Facility notes and bonds	618	2025-2118	618	455
Other debt	320	2029-2045	320	320
Total debt	2	2025-2026	2	2
Less: current maturities	<u><u>\$ 25,025</u></u>		<u><u>\$ 24,782</u></u>	<u><u>\$ 21,284</u></u>
Long-term debt			<u><u>(932)</u></u>	<u><u>(1,838)</u></u>
			<u><u>\$ 23,850</u></u>	<u><u>\$ 19,446</u></u>

Commercial Paper

We are authorized to borrow up to \$10.0 billion under a U.S. commercial paper program and €5.0 billion (in a variety of currencies) under a European commercial paper program. There was no commercial paper outstanding as of September 30, 2025 or December 31, 2024. The amount of commercial paper outstanding under these programs in the remainder of 2025 is expected to fluctuate.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Debt Classification

We have classified certain floating-rate senior notes that are redeemable at the option of the note holder as long-term debt in our consolidated balance sheets, due to our intent and ability to refinance the debt if the put option is exercised.

Debt Repayments

On April 1, 2025, our 3.900% Senior Notes with a principal balance of \$1.0 billion matured and were repaid in full.

Debt Issuances

In the second quarter of 2025, we issued four series of notes in the principal amounts of \$500 million, \$1.3 billion, \$1.3 billion and \$1.0 billion. These notes bear interest at 4.650%, 5.250%, 5.950% and 6.050%, respectively, and mature on October 15, 2030, May 14, 2035, May 14, 2055 and May 14, 2065, respectively. Interest on the notes is payable semi-annually, beginning October 15, 2025 with respect to the 4.650% notes due October 15, 2030 and November 14, 2025 with respect to each other series of notes. Each series of notes is callable at our option at a redemption price equal to the greater of 100% of the principal amount, or the sum of the present values of scheduled payments of principal and interest, plus accrued and unpaid interest.

Also in the second quarter of 2025, we issued floating rate senior notes with a principal balance of \$171 million. These notes bear interest at a rate equal to the compounded Secured Overnight Financing Rate ("SOFR") less 0.350% per year and mature on June 1, 2075. Interest on the notes is payable quarterly, beginning September 1, 2025. These notes are callable at various times after 30 years at a stated percentage of par value and are redeemable at the option of the note holders at various times after one year at a stated percentage of par value.

Other Arrangements

During the nine months ended September 30, 2025, we entered into new aircraft leases. The structure of this arrangement required a parent company guarantee of approximately \$1.3 billion. For additional information, see note 10 to the unaudited, consolidated financial statements.

During the nine months ended September 30, 2025, we entered into a real estate transaction for the development of a facility and recognized a financing obligation included in *Other Non-Current Liabilities* in our unaudited, consolidated balance sheet of \$89 million. The financing obligation will increase as construction progresses.

Sources of Credit

We maintain two credit agreements with a consortium of banks. The first of these agreements provides revolving credit facilities of \$1.0 billion, and expires on November 24, 2025. Amounts outstanding under this agreement bear interest at a periodic fixed rate equal to the term SOFR rate, plus 0.10% per annum and an applicable margin based on our then-current credit rating. The applicable margin from the credit pricing grid as of September 30, 2025 was 0.70%. Alternatively, a fluctuating rate of interest equal to the highest of (1) the rate of interest last quoted by The Wall Street Journal as the prime rate in the United States; (2) the Federal Funds effective rate plus 0.50%; or (3) the Adjusted Term SOFR Rate for a one-month interest period plus 1.00%, may be used at our discretion. We expect to amend this agreement to extend its expiration date prior to its expiration, although no assurances of our ability to do so can be provided.

The second agreement provides revolving credit facilities of \$2.0 billion, and expires on November 25, 2029. Amounts outstanding under this facility bear interest at a periodic fixed rate equal to the term SOFR rate plus 0.10% per annum and an applicable margin based on our then-current credit rating. The applicable margin from the credit pricing grid as of September 30, 2025 was 0.70%. Alternatively, a fluctuating rate of interest equal to the highest of (1) the rate of interest last quoted by The Wall Street Journal as the prime rate in the United States; (2) the Federal Funds effective rate plus 0.50%; or (3) the Adjusted Term SOFR Rate for a one-month interest period plus 1.00%, plus an applicable margin, may be used at our discretion.

If the credit ratings established by Standard & Poor's and Moody's differ, the higher rating will be used, except in cases where the lower rating is two or more levels lower. In these circumstances, the rating one step below the higher rating will be used. We are also able to request advances under these facilities based on competitive bids for the applicable interest rate.

There were no amounts outstanding under these facilities as of September 30, 2025.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Debt Covenants

Our existing debt instruments and credit facilities subject us to certain financial covenants. These covenants limit the amount of secured indebtedness that we may incur, and limit the amount of attributable debt in sale-leaseback transactions. As of September 30, 2025, and for all prior periods presented, we have satisfied these financial covenants.

Fair Value of Debt

Based on the borrowing rates currently available to us for long-term debt with similar terms and maturities, the fair value of long-term debt, including current maturities and excluding leases, was approximately \$23.7 and \$19.8 billion as of September 30, 2025 and December 31, 2024, respectively. As of December 31, 2024, the fair value of long-term and short-term debt, inclusive of finance leases, was \$20.3 billion. We utilized Level 2 inputs in the fair value hierarchy of valuation techniques to determine the fair value of all of our debt instruments.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10. LEASES

We have finance and operating leases for real estate (primarily package centers, airport facilities and warehouses), aircraft and engines, information technology equipment, vehicles and various other equipment used in operating our business. Certain leases for real estate and aircraft contain options to purchase, extend or terminate the lease.

We recognize a right-of-use asset and lease obligation for all leases greater than twelve months, inclusive of renewal or purchase options that are reasonably certain to be exercised. In 2025, we defined a new lease asset class, data centers, and elected to account for the lease and non-lease components separately. For all other lease arrangements, we account for lease and non-lease components as a single lease component.

Aircraft

In addition to the aircraft that we own, we charter aircraft to handle package and cargo volume on certain international trade lanes and domestic routes. Due to the nature of these agreements, primarily being that either party can cancel the agreement with short notice, we have classified these as short-term leases. A majority of our long-term aircraft operating leases are operated by a third party to handle package and cargo volume in geographic regions where, due to government regulations, we are restricted from operating an airline.

We also have long-term finance leases for aircraft that we operate. In the nine months ended September 30, 2025, we entered into new aircraft leases. The leases that have commenced were accounted for as finance leases and represent \$312 million of noncash investing and financing activities during the nine months ended September 30, 2025. Subsequent to September 30, 2025, we entered into six additional aircraft leases which we expect will be treated as finance leases.

Transportation equipment and other equipment

We enter into both long-term and short-term leases for transportation equipment to supplement our capacity or meet contractual demands. Some of these assets are leased on a month-to-month basis and the leases can be terminated without penalty. We also enter into equipment leases to increase capacity during periods of high demand. These leases are treated as short-term as the cumulative right of use is less than 12 months over the term of the contract.

Some of our transportation and technology equipment leases require us to make additional lease payments based on the underlying usage of the assets. Due to the variable nature of these costs, these are expensed as incurred and are not included in the right-of-use lease asset and associated lease obligation.

Sale-leaseback transactions

In the nine months ended September 30, 2025, we entered into sale-leaseback transactions involving a data center and real estate properties.

The real estate transactions were entered into under triple-net operating lease agreements with initial terms ranging from 15 to 20 years, which may be renewed. The leases include increases to base rent at rates ranging from 2.5% to 3.0% over the remaining terms of the leases.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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The components of lease expense for the three and nine months ended September 30, 2025 and 2024 were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Operating lease costs	\$ 246	\$ 220	\$ 709	\$ 682
Finance lease costs:				
Amortization of assets	42	38	104	104
Interest on lease obligations	6	6	18	16
Total finance lease costs	<u>48</u>	<u>44</u>	<u>122</u>	<u>120</u>
Variable lease costs	97	81	287	235
Short-term lease costs	220	221	639	612
Total lease costs ⁽¹⁾	<u>\$ 611</u>	<u>\$ 566</u>	<u>\$ 1,757</u>	<u>\$ 1,649</u>

⁽¹⁾ This table excludes sublease income as it was not material for the three and nine months ended September 30, 2025 and 2024.

In addition to the lease costs in the table above, we monitor all lease categories for any indicators that the carrying value of the assets may not be recoverable. We recognized certain immaterial impairments, primarily within our Supply Chain Solutions businesses, during the three and nine months ended September 30, 2025 and September 30, 2024.

Supplemental information related to leases and location within our consolidated balance sheets is as follows (in millions):

	September 30, 2025	December 31, 2024
	2025	2024
Operating Leases:		
Operating lease right-of-use assets	\$ 4,217	\$ 4,149
Current maturities of operating leases	\$ 742	\$ 733
Non-current operating leases	3,687	3,635
Total operating lease obligations	<u>\$ 4,429</u>	<u>\$ 4,368</u>
Finance Leases:		
Property, plant and equipment, net	\$ 973	\$ 657
Current maturities of long-term debt, commercial paper and finance leases	\$ 108	\$ 104
Long-term debt and finance leases	510	351
Total finance lease obligations	<u>\$ 618</u>	<u>\$ 455</u>

Supplemental cash flow information related to leases is as follows (in millions):

	Nine Months Ended September 30,	
	2025	2024
Cash paid for amounts included in measurement of obligations:		
Operating cash flows from operating leases	\$ 716	\$ 657
Operating cash flows from finance leases	12	13
Financing cash flows from finance leases	93	93
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 561	\$ 403
Finance leases	472	58

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Maturities of lease obligations as of September 30, 2025 were as follows (in millions):

	Finance Leases	Operating Leases
2025	\$ 38	\$ 201
2026	119	893
2027	79	775
2028	72	602
2029	62	467
Thereafter	448	2,449
Total lease payments	818	5,387
Less: Imputed interest	(200)	(958)
Total lease obligations	618	4,429
Less: Current obligations	(108)	(742)
Long-term lease obligations	<u>\$ 510</u>	<u>\$ 3,687</u>

As of September 30, 2025, we had \$2.2 billion of additional leases which had not commenced and are expected to commence later in 2025 through 2027. These leases are primarily related to aircraft and will commence when the related aircraft is delivered. Other leases will commence when we are granted access to the property, such as when leasehold improvements are completed or a certificate of occupancy is obtained.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 11. LEGAL PROCEEDINGS AND CONTINGENCIES

We are involved in a number of judicial proceedings and other matters arising from the conduct of our business.

Although there can be no assurances as to the ultimate outcome, we have generally denied, or believe we have meritorious defenses and will deny, liability in pending matters, including (except as may be otherwise noted herein) the matters described below, and we intend to vigorously defend each matter. We accrue amounts associated with judicial proceedings and other contingencies when and to the extent a loss becomes probable and can be reasonably estimated. The actual costs of resolving legal proceedings may be substantially higher or lower than the amounts accrued on those claims.

For matters as to which we are not able to estimate a possible loss or range of losses, we are not able to determine whether any such loss will have a material impact on our operations or financial condition. For these matters, we have described the reasons that we are unable to estimate a possible loss or range of losses.

Judicial Proceedings

We are a defendant in a number of lawsuits filed in state and federal courts containing various class action allegations under state wage-and-hour laws. We do not believe that any loss associated with any such matter will have a material impact on our financial condition, results of operations or liquidity.

In July 2023, Baker v. United Parcel Service, Inc. (DE) and United Parcel Service, Inc. (OH) was certified as a class action in federal court in the Eastern District of Washington. The plaintiff in this matter alleges that UPS violated the Uniformed Services Employment and Reemployment Rights Act. We are vigorously defending ourselves in this matter and believe that we have a number of meritorious defenses, and there are unresolved questions of law and fact that could be important to the ultimate resolution of this matter. Accordingly, we are not able to estimate a possible loss or range of loss that may result from this matter or to determine whether such loss, if any, would have a material adverse effect on our financial condition, results of operations or liquidity.

Other Matters

In August 2016, Spain's National Markets and Competition Commission ("CNMC") announced an investigation into 10 companies in the commercial delivery and parcel industry, including UPS, related to alleged nonaggression agreements to allocate customers. In May 2017, we received a Statement of Objections issued by the CNMC. In July 2017, we received a Proposed Decision from the CNMC. In March 2018, the CNMC adopted a final decision, finding an infringement and imposing an immaterial fine on UPS. We appealed the decision. In December 2022, a trial court ruled against us. We have filed an appeal before the Spanish Supreme Court. We are vigorously defending ourselves and believe that we have a number of meritorious defenses. There are also unresolved questions of law that could be important to the ultimate resolution of this matter. We do not believe that any loss from this matter would have a material impact on our financial condition, results of operations or liquidity.

We are a party to various other matters that arose in the normal course of business. These include disputes with government authorities in various jurisdictions over the imposition of duties, fines, taxes and assessments from time to time. We are vigorously defending ourselves and believe that we have a number of meritorious defenses in these disputes. There are also unresolved questions of law that could be important to the ultimate resolution of these disputes. Accordingly, we are not able to estimate a possible loss or range of losses that may result from these disputes or to determine whether such losses, if any, would have a material impact on our financial condition, results of operations or liquidity.

We do not believe that the eventual resolution of any other matters (either individually or in the aggregate), including any reasonably possible losses in excess of current accruals, will have a material impact on our operations or financial condition.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 12. SHAREOWNERS' EQUITY

Capital Stock, Additional Paid-In Capital, Retained Earnings and Noncontrolling Interests

We are authorized to issue two classes of common stock, which are distinguished from each other primarily by their respective voting rights. Class A shares of UPS are entitled to 10 votes per share, whereas class B shares are entitled to one vote per share. Class A shares are primarily held by UPS employees and retirees, as well as trusts and descendants of the Company's founders, and these shares are fully convertible into class B shares at any time. Class B shares are publicly traded on the NYSE under the symbol "UPS". Class A and B shares both have a \$0.01 par value and, as of September 30, 2025, there were 4.6 billion class A shares and 5.6 billion class B shares authorized to be issued. Additionally, there are 200 million preferred shares authorized to be issued, with a par value of \$0.01 per share. As of September 30, 2025, no preferred shares had been issued.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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The following is a rollforward of our common stock, additional paid-in capital, retained earnings and non-controlling interests accounts for the three and nine months ended September 30, 2025 and 2024 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Class A Common Stock:				
Balance at beginning of period	\$ 2	\$ 2	\$ 2	\$ 2
Stock award plans	—	—	—	—
Common stock issuances	—	—	—	—
Conversions of class A to class B common stock	—	—	—	—
Class A shares issued at end of period	\$ 2	\$ 2	\$ 2	\$ 2
Class B Common Stock:				
Balance at beginning of period	\$ 7	\$ 7	\$ 7	\$ 7
Common stock purchases	—	—	—	—
Conversions of class A to class B common stock	—	—	—	—
Class B shares issued at end of period	\$ 7	\$ 7	\$ 7	\$ 7
Additional Paid-In Capital:				
Balance at beginning of period	\$ 84	\$ 136	\$ 136	\$ —
Stock award plans	22	(20)	57	(123)
Common stock purchases	—	(212)	(262)	(212)
Common stock issuances	71	96	254	335
Other	1	—	(7)	—
Balance at end of period	\$ 178	\$ —	\$ 178	\$ —
Retained Earnings:				
Balance at beginning of period	\$ 19,832	\$ 20,692	\$ 20,882	\$ 21,055
Net income	1,311	1,539	3,781	4,061
Dividends (\$1.64 and \$1.63 per share for the three months ended September 30, 2025 and 2024, respectively, and \$4.92 and \$4.89 per share for the nine months ended September 30, 2025 and 2024, respectively) ⁽¹⁾	(1,390)	(1,391)	(4,172)	(4,203)
Common stock purchases	—	(288)	(738)	(288)
Other ⁽²⁾	—	—	—	(73)
Balance at end of period	\$ 19,753	\$ 20,552	\$ 19,753	\$ 20,552
Noncontrolling Interests:				
Balance at beginning of period	\$ 27	\$ 23	\$ 25	\$ 8
Change in non-controlling interest	(2)	4	—	19
Balance at end of period	\$ 25	\$ 27	\$ 25	\$ 27

⁽¹⁾ The dividend per share amount is the same for both class A and class B common stock. Dividends include \$42 and \$88 million for the three months ended September 30, 2025 and 2024, respectively, and \$127 and \$154 million for the nine months ended September 30, 2025 and 2024, respectively that were settled in shares of class A common stock.

⁽²⁾ Includes adjustments related to certain stock-based awards.

In January 2023, the Board of Directors approved a share repurchase authorization for \$5.0 billion of class A and class B common stock. This share repurchase authorization has no expiration date. We repurchased 8.6 million shares of class B common stock for \$1.0 billion under the share repurchase program during the nine months ended September 30, 2025. We repurchased 3.9 million shares of class B common stock for \$500 million under our share repurchase program during the nine months ended September 30, 2024.

As of September 30, 2025, we had \$1.3 billion available under the share repurchase authorization. We do not anticipate further share repurchases in 2025.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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We recognize activity in other comprehensive income (loss) for foreign currency translation adjustments, unrealized holding gains and losses on available-for-sale securities, unrealized gains and losses from derivatives that qualify as cash flow hedges and unrecognized pension and postretirement benefit costs. The activity in accumulated other comprehensive income (loss) was as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Foreign Currency Translation Gain (Loss), Net of Tax:				
Balance at beginning of period	\$ (1,085)	\$ (1,431)	\$ (1,586)	\$ (1,248)
Translation adjustment (net of tax effect of \$(3) and \$(5) for the three months ended September 30, 2025 and 2024, respectively, and \$0 and \$(2) for the nine months ended September 30, 2025 and 2024, respectively)	(46)	211	455	28
Balance at end of period	<u>(1,131)</u>	<u>(1,220)</u>	<u>(1,131)</u>	<u>(1,220)</u>
Unrealized Gain (Loss) on Marketable Securities, Net of Tax:				
Balance at beginning of period	—	(3)	(1)	(2)
Current period changes in fair value (net of tax effect of \$0 and \$0 for the three and nine months ended September 30, 2025 and 2024, respectively)	(1)	2	—	1
Balance at end of period	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Unrealized Gain (Loss) on Cash Flow Hedges, Net of Tax:				
Balance at beginning of period	(337)	—	91	(76)
Current period changes in fair value (net of tax effect of \$19 and \$(37) for the three months ended September 30, 2025 and 2024, respectively, and \$(102) and \$7 for the nine months ended September 30, 2025 and 2024, respectively)	61	(117)	(323)	24
Reclassification to earnings (net of tax effect of \$5 and \$(7) for the three months ended September 30, 2025 and 2024, respectively, and \$(9) and \$(27) for the nine months ended September 30, 2025 and 2024, respectively)	14	(22)	(30)	(87)
Balance at end of period	<u>(262)</u>	<u>(139)</u>	<u>(262)</u>	<u>(139)</u>
Unrecognized Pension and Postretirement Benefit Costs, Net of Tax:				
Balance at beginning of period	(2,753)	(2,373)	(2,813)	(2,432)
Reclassification to earnings (net of tax effect of \$9 and \$9 for the three months ended September 30, 2025 and 2024, respectively, and \$28 and \$27 for the nine months ended September 30, 2025 and 2024, respectively)	30	29	90	88
Balance at end of period	<u>(2,723)</u>	<u>(2,344)</u>	<u>(2,723)</u>	<u>(2,344)</u>
Accumulated other comprehensive income (loss) at end of period	<u>\$ (4,117)</u>	<u>\$ (3,704)</u>	<u>\$ (4,117)</u>	<u>\$ (3,704)</u>

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Detail of the gains (losses) reclassified from accumulated other comprehensive income (loss) to the statements of consolidated income is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line Item in the Income Statement
	2025	2024	2025	2024	
Unrealized Gain (Loss) on Cash Flow Hedges:					
Interest rate contracts	\$ (1)	\$ (1)	\$ (4)	\$ (4)	Interest expense
Foreign currency exchange contracts	(17)	30	44	118	Revenue
Foreign currency exchange contracts	(1)	—	(1)	—	Investment income and other
Income tax (expense) benefit	5	(7)	(9)	(27)	Income tax expense
Impact on net income	(14)	22	30	87	Net income
Unrecognized Pension and Postretirement Benefit Costs:					
Prior service costs	(39)	(38)	(118)	(115)	Investment income and other
Income tax (expense) benefit	9	9	28	27	Income tax expense
Impact on net income	(30)	(29)	(90)	(88)	Net income
Total amount reclassified for the period	\$ (44)	\$ (7)	\$ (60)	\$ (1)	Net income

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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NOTE 13. SEGMENT INFORMATION

We have two reportable segments: U.S. Domestic Package and International Package, which are together referred to as our global small package operations. Our remaining businesses are reported as Supply Chain Solutions. Global small package operations represent our most significant business and are broken down into regional operations around the world. Regional operations managers are responsible for both domestic and export products within their geographic area. Supply Chain Solutions comprises the results of non-reportable operating segments that do not meet the quantitative and qualitative criteria of a reportable segment as defined under ASC Topic 280.

U.S. Domestic Package

U.S. Domestic Package operations include the time-definite delivery of letters, documents and packages throughout the United States.

During the quarter ended December 31, 2024, based on a change in our management reporting structure, we began presenting our U.S. air cargo results within our U.S. Domestic Package segment. This activity was previously reported within Supply Chain Solutions. This change aligns with how our chief operating decision maker ("CODM") reviews operating results to assess performance and allocate resources. Prior periods have been recast to conform to current presentation with no changes to consolidated results.

International Package

International Package operations include delivery to more than 200 countries and territories worldwide, including shipments wholly outside the United States, as well as shipments with either origin or destination outside the United States. International Package includes our operations in Europe, Middle East and Africa ("EMEA"), Canada and Latin America (together "Americas") and Asia.

Supply Chain Solutions

Supply Chain Solutions includes our Forwarding, Logistics, digital and other businesses. Our Forwarding and Logistics businesses provide services in more than 200 countries and territories worldwide, including international air and ocean freight forwarding, customs brokerage, mail services, healthcare logistics and transportation, distribution and post-sales services. Our digital businesses leverage technology to enable a range of on-demand services such as same-day delivery, end-to-end return services and integrated supply chain and high-value shipment insurance solutions.

Segment information

We consider our Chief Executive Officer to be our CODM. The CODM is responsible for setting the Company's strategic direction, managing overall operations, and is the main point of communication between the Board of Directors and key operational personnel within the organization.

The CODM utilizes operating profit as a primary measure of segment performance because it reflects the underlying business performance and provides the CODM with a basis for making resource allocation decisions. Operating profit is defined as income before investment income and other, interest expense and income tax expense.

The CODM regularly reviews segment-level expense details which include compensation, benefits and purchased transportation when assessing operating segment performance. These expense categories represent the primary metrics used by the CODM to assess segment performance. For the Domestic Package segment, compensation and benefits are evaluated separately, whereas for the International Package segment, these categories are assessed in aggregate. Beginning with the second quarter of 2025, purchased transportation expense for the U.S. Domestic Package segment was no longer provided to the CODM when assessing the operating segment's performance.

Certain expenses are allocated between the segments using activity-based costing methods. These activity-based costing methods require us to make estimates that impact the amount of each expense category that is attributed to each segment. Changes in these estimates directly impact the amount of expense allocated to each segment, and therefore the operating profit of each reporting segment. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses. There were no significant changes to our allocation methodologies in the third quarter of 2025.

As we operate an integrated, global multimodal network, we evaluate many of our capital expenditure decisions at a network level. Accordingly, expenditures on property, plant and equipment by segment are not presented.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Results of operations for the three and nine months ended September 30, 2025 and 2024 were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
U.S. Domestic Package:				
Revenue	\$ 14,220	\$ 14,597	\$ 42,763	\$ 43,064
Less:				
Compensation	5,000	5,057	15,001	14,725
Benefits	4,462	4,261	12,811	12,612
Other segment items ⁽¹⁾	4,155	4,436	12,453	13,063
U.S. Domestic Operating profit/(loss)	\$ 603	\$ 843	\$ 2,498	\$ 2,664
International Package:				
Revenue	\$ 4,673	\$ 4,411	\$ 13,531	\$ 13,037
Less:				
Compensation and benefits	1,017	926	2,969	2,790
Purchased transportation	1,018	866	2,867	2,475
Other segment items ⁽¹⁾	1,962	1,821	5,706	5,600
International Operating profit/(loss)	\$ 676	\$ 798	\$ 1,989	\$ 2,172
<i>Reconciliation of revenue:</i>				
Total U.S. Domestic Package and International Package Revenue	\$ 18,893	\$ 19,008	\$ 56,294	\$ 56,101
Other revenues ⁽²⁾	2,522	3,237	7,888	9,668
Total Consolidated Revenue	\$ 21,415	\$ 22,245	\$ 64,182	\$ 65,769
<i>Reconciliation of segment operating profit to income before income taxes:</i>				
Total U.S. Domestic Package and International Package Operating profit/(loss)	\$ 1,279	\$ 1,641	\$ 4,487	\$ 4,836
Other profit/(loss) ⁽²⁾	525	344	805	706
Investment income and other	94	155	251	410
Interest expense	(291)	(230)	(751)	(637)
Total Consolidated Income Before Income Taxes	\$ 1,607	\$ 1,910	\$ 4,792	\$ 5,315

⁽¹⁾ Other segment items include purchased transportation (applicable only to our U.S Domestic segment), repairs and maintenance, depreciation and amortization, fuel, other occupancy, and allocated costs for our air network, information services, and general and administrative service expenses.

⁽²⁾ Revenue and Operating profit/(loss) from segments below the quantitative thresholds are attributable to operating segments which provide supply chain solutions.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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The amounts of depreciation and amortization by reportable segment disclosed for the three and nine months ended September 30, 2025 and 2024 are included within the other segment items captions in the table above. These totals are presented after applying activity-based costing methods to allocate expenses between segments as noted above.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Depreciation and amortization				
U.S. Domestic Package	\$ 619	\$ 629	\$ 1,878	\$ 1,825
International Package	215	189	626	584
Other depreciation and amortization ⁽¹⁾	92	87	270	281
Consolidated Depreciation and Amortization	\$ 926	\$ 905	\$ 2,774	\$ 2,690

⁽¹⁾ Depreciation and amortization from segments below the quantitative thresholds are attributable to operating segments which provide supply chain solutions.

Assets by reportable segment as of September 30, 2025 and December 31, 2024 consisted of the following (in millions):

	2025		2024	
	2025	2024	2025	2024
Segment Assets				
U.S. Domestic Package	\$ 37,625	\$ 38,657		
International Package	20,008	18,300		
Other assets ⁽¹⁾	11,004	9,850		
Unallocated assets ⁽²⁾	2,755	3,263		
Consolidated Assets	\$ 71,392	\$ 70,070		

⁽¹⁾ Assets from segments below the quantitative thresholds are attributable to operating segments which provide supply chain solutions.

⁽²⁾ Unallocated assets are comprised primarily of cash held by our centralized investment entity.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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NOTE 14. EARNINGS PER SHARE

The earnings per share amounts are the same for class A and class B common shares as the holders of each class are legally entitled to equal per-share distributions whether through dividends or in liquidation.

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2025 and 2024 (in millions, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Numerator:				
Net income	\$ 1,311	\$ 1,539	\$ 3,781	\$ 4,061
Denominator:				
Weighted-average shares	848	854	848	854
Vested portion of restricted shares	—	1	1	2
Denominator for basic earnings per share	848	855	849	856
Effect of dilutive securities:				
Stock options	—	—	—	—
Denominator for diluted earnings per share	848	855	849	856
Basic earnings per share⁽¹⁾	\$ 1.55	\$ 1.80	\$ 4.46	\$ 4.74
Diluted earnings per share⁽¹⁾	\$ 1.55	\$ 1.80	\$ 4.46	\$ 4.74

⁽¹⁾ Earnings per share is computed using unrounded amounts.

Diluted earnings per share for the three months ended September 30, 2025 and 2024 excluded the effect of 1.7 and 0.5 million shares of common stock, respectively, that may be issued upon the exercise of employee stock options because such effect would be antidilutive. Antidilutive shares of common stock for the nine months ended September 30, 2025 and 2024 were 1.3 and 0.5 million, respectively.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 15. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

Risk Management Policies

Changes in fuel prices, interest rates and foreign currency exchange rates impact our results of operations and we actively monitor these exposures. Where deemed appropriate, to manage the impact of these exposures on earnings and/or cash flows, we may enter into a variety of derivative financial instruments. We do not hold or issue derivative financial instruments for trading or speculative purposes.

Credit Risk Management

The forward contracts, swaps and options discussed below contain an element of risk that the counterparties may be unable to meet the terms of the agreements. We seek to minimize such risk exposures for these instruments by limiting the counterparties to banks and financial institutions that meet established credit guidelines. We may further manage credit risk through the use of bilateral collateral provisions and/or early termination rights utilizing master netting arrangements, whereby cash is exchanged based on the net fair value of derivatives associated with each counterparty when positions exceed \$250 million.

As of September 30, 2025 and December 31, 2024, we did not hold any cash collateral and no collateral was required to be posted with our counterparties.

Types of Hedges

Commodity Risk Management

The fuel surcharges that we apply in our domestic and international package businesses are the primary means we employ to reduce the risk of adverse fuel price changes on our business. In order to mitigate the impact of fuel surcharges imposed on us by outside carriers, we regularly adjust the rates we charge for our freight brokerage services.

Foreign Currency Risk Management

To protect against the reduction in value of forecasted foreign currency cash flows from our international package business, we maintain a foreign currency cash flow hedging program. Our most significant foreign currency exposures relate to the Euro, British Pound Sterling, Canadian Dollar, Chinese Renminbi and Hong Kong Dollar. We generally designate and account for these contracts as cash flow hedges of anticipated foreign currency denominated revenue.

We may also hedge portions of our anticipated cash settlements of principal and interest on certain foreign currency denominated debt. We generally designate and account for these contracts as cash flow hedges of forecasted foreign currency denominated transactions.

We hedge our net investment in certain foreign operations with foreign currency denominated debt instruments.

Interest Rate Risk Management

We may use a combination of derivative instruments to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing.

We generally designate and account for interest rate swaps that convert fixed-rate interest payments into floating-rate interest payments as fair value hedges of the associated debt instruments. We designate and account for interest rate swaps that convert floating-rate interest payments into fixed-rate interest payments as cash flow hedges of the forecasted payment obligations.

We may periodically hedge the forecasted fixed-coupon interest payments associated with anticipated debt offerings by using forward starting interest rate swaps, interest rate locks or similar derivatives.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Outstanding Positions

As of September 30, 2025 and December 31, 2024, the notional amounts of our outstanding derivative positions were as follows (in millions):

	September 30, 2025	December 31, 2024
Currency hedges:		
Euro	EUR	3,222
British Pound Sterling	GBP	536
Canadian Dollar	CAD	1,623
Hong Kong Dollar	HKD	4,160
Chinese Renminbi	CNH	6,065

As of September 30, 2025 and December 31, 2024, we had no outstanding commodity hedge positions.

Balance Sheet Recognition

The following table indicates the location in our consolidated balance sheets where our derivative assets and liabilities have been recognized, the fair value hierarchy level applicable to each derivative type and the related fair values of those derivatives.

We have master netting arrangements with substantially all of our counterparties giving us the right of offset for our derivative positions. However, we have not elected to offset the fair value positions of our derivative contracts recorded in our consolidated balance sheets. The columns labeled *Net Amounts if Right of Offset had been Applied* indicate the potential net fair value positions by type of contract and location in our consolidated balance sheets had we elected to apply the right of offset as of September 30, 2025 and December 31, 2024 (in millions):

Asset Derivatives	Balance Sheet Location	Fair Value Hierarchy Level	Gross Amounts Presented in Consolidated Balance Sheets		Net Amounts if Right of Offset had been Applied	
			September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current assets	Level 2	\$ 17	\$ 157	\$ 1	\$ 152
Foreign currency exchange contracts	Other non-current assets	Level 2	\$ 10	\$ 134	\$ 2	\$ 131
Total Asset Derivatives			<u>\$ 27</u>	<u>\$ 291</u>	<u>\$ 3</u>	<u>\$ 283</u>
Liability Derivatives	Balance Sheet Location	Fair Value Hierarchy Level	Gross Amounts Presented in Consolidated Balance Sheets		Net Amounts if Right of Offset had been Applied	
			September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current liabilities	Level 2	\$ 96	\$ 5	\$ 80	\$ —
Foreign currency exchange contracts	Other non-current liabilities	Level 2	\$ 107	\$ 3	\$ 99	\$ —
Total Liability Derivatives			<u>\$ 203</u>	<u>\$ 8</u>	<u>\$ 179</u>	<u>\$ —</u>

Our foreign currency exchange rate derivatives are largely comprised of over-the-counter derivatives, which are primarily valued using pricing models that rely on market observable inputs such as yield curves, foreign currency exchange rates and investment forward prices; therefore, these derivatives are classified as Level 2.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Balance Sheet Location of Hedged Item in Fair Value Hedges

The following table indicates the amounts that were recorded in our consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of September 30, 2025 and December 31, 2024 (in millions):

Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Carrying Amount of Hedged Liabilities		Cumulative Amount of Fair Value Hedge Adjustments		Carrying Amount of Hedged Liabilities		Cumulative Amount of Fair Value Hedge Adjustments	
	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
Long-term debt and finance leases	\$ 279	\$ 279	\$ 3	\$ 3	\$ 279	\$ 279	\$ 4	\$ 4

Income Statement and AOCI Recognition of Designated Hedges

The following table indicates the amount of gains (losses) that have been recognized in our statements of consolidated income for fair value and cash flow hedges, as well as the associated gain (loss) for the underlying hedged item for fair value hedges for the three and nine months ended September 30, 2025 and 2024 (in millions):

Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	Three Months Ended September 30,					
	2025			2024		
	Revenue	Interest Expense	Investment Income and Other	Revenue	Interest Expense	Investment Income and Other
Gain or (loss) on cash flow hedging relationships:						
Interest Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	\$ —	\$ (1)	\$ —	\$ —	\$ (1)	\$ —
Foreign currency exchange Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	(17)	—	(1)	30	—	—
Total amounts of income and expense line items presented in the statement of income in which the effects of fair value or cash flow hedges are recorded	\$ (17)	\$ (1)	\$ (1)	\$ 30	\$ (1)	\$ —

Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	Nine Months Ended September 30:					
	2025			2024		
	Revenue	Interest Expense	Investment Income and Other	Revenue	Interest Expense	Investment Income and Other
Gain or (loss) on cash flow hedging relationships:						
Interest Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	\$ —	\$ (4)	\$ —	\$ —	\$ (4)	\$ —
Foreign currency exchange Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	44	—	(1)	118	—	—
Total amounts of income and expense line items presented in the statement of income in which the effects of fair value or cash flow hedges are recorded	\$ 44	\$ (4)	\$ (1)	\$ 118	\$ (4)	\$ —

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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The following table indicates the amount of gains (losses) that have been recognized in AOCI for the three and nine months ended September 30, 2025 and 2024 for those derivatives designated as cash flow hedges (in millions):

	Amount of Gain (Loss) Recognized in AOCI on Derivatives	
	2025	2024
Derivative Instruments in Cash Flow Hedging Relationships		
Three Months Ended September 30:		
Foreign currency exchange contracts	\$ 80	\$ (154)
Total	<hr/> <hr/> \$ 80	<hr/> <hr/> \$ (154)
Nine Months Ended September 30:		
Foreign currency exchange contracts	\$ (425)	\$ 31
Total	<hr/> <hr/> \$ (425)	<hr/> <hr/> \$ 31

As of September 30, 2025, there were \$85 million of pre-tax losses related to cash flow hedges deferred in AOCI that are expected to be reclassified to income over the 12-month period ending September 30, 2026. The actual amounts that will be reclassified to income over the next 12 months will vary from this amount as a result of changes in market conditions. The maximum term over which we are hedging exposures to the variability of cash flows is approximately 3 years.

The following table indicates the amount of gains (losses) that have been recognized in AOCI within foreign currency translation adjustment for the three and nine months ended September 30, 2025 and 2024 for those instruments designated as net investment hedges (in millions):

	Amount of Gain (Loss) Recognized in AOCI on Debt	
	2025	2024
Non-derivative Instruments in Net Investment Hedging Relationships		
Three Months Ended September 30:		
Foreign currency denominated debt	\$ 10	\$ (120)
Total	<hr/> <hr/> \$ 10	<hr/> <hr/> \$ (120)
Nine Months Ended September 30:		
Foreign currency denominated debt	\$ (260)	\$ (36)
Total	<hr/> <hr/> \$ (260)	<hr/> <hr/> \$ (36)

Income Statement Recognition of Non-Designated Derivative Instruments

Derivative instruments that are not designated as hedges are recorded at fair value with unrealized gains and losses reported in earnings each period. Cash flows from the settlement of derivative instruments appear in our statements of consolidated cash flows within the same categories as the cash flows of the hedged item.

We may periodically terminate interest rate swaps and foreign currency exchange forward contracts or enter into offsetting swap and foreign currency positions with different counterparties. As part of this process, we de-designate our original hedge relationship.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Amounts recorded in our statements of consolidated income related to fair value changes and settlements of foreign currency forward contracts not designated as hedges for the three and nine months ended September 30, 2025 and 2024 (in millions) were as follows:

Derivative Instruments Not Designated in Hedging Relationships	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income	
		2025	2024
Three Months Ended September 30:			
Foreign currency exchange contracts	Investment income and other	\$ 1	\$ (4)
Total		\$ 1	\$ (4)
Nine Months Ended September 30:			
Foreign currency exchange contracts	Investment income and other	\$ (8)	\$ (8)
Total		\$ (8)	\$ (8)

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 16. INCOME TAXES

Our effective tax rate for the three months ended September 30, 2025 decreased to 18.4% compared to 19.4% in the same period of 2024 (21.1% year to date compared to 23.6% in 2024). The year-over-year decrease in our effective tax rate was driven by the valuation allowance release discussed below, prior year share-based compensation shortfalls, prior year unfavorable changes in uncertain tax positions and non-deductible expenses related to regulatory matters that did not recur in the current period.

As discussed in note 18, in the third quarter of 2024 we completed the divestiture of Coyote and recorded a pre-tax gain of \$156 million. As a result, we recorded related income tax expense of \$4 million in the period. This income tax expense was generated at a lower average tax rate than the U.S. federal statutory tax rate due to the disposition's generation of capital losses for tax purposes that were not expected to be realized.

As of December 31, 2024, we maintained a full valuation allowance of \$105 million against our U.S. capital loss deferred tax asset. Each quarter, we assess the available positive and negative evidence to determine whether it is more likely than not that the capital losses will be realized. As of September 30, 2025, we have released all of this valuation allowance (\$86 million during the three months ended September 30, 2025) as a result of net capital gains from the property sales transactions discussed in note 6 of the unaudited, consolidated financial statements.

In July 2025, the One Big Beautiful Bill Act ("OBBA") was signed into law. The estimated impact of the OBBBA is not material to our overall effective tax rate for the current year and has been reflected in our unaudited, consolidated financial statements during the three and nine months ended September 30, 2025.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. TRANSFORMATION STRATEGY COSTS

As previously disclosed, we are undertaking an enterprise-wide transformation of our organization that includes various projects and initiatives, including workforce reductions and changes in processes and technology, that impact our global direct and indirect operating costs.

The table below presents transformation strategy costs for the three and nine months ended September 30, 2025 and 2024 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Transformation Strategy Costs:				
Compensation and benefits	\$ 284	\$ 110	\$ 358	\$ 161
Total Other expenses	44	44	102	66
Total Transformation Strategy Costs	<u>\$ 328</u>	<u>\$ 154</u>	<u>\$ 460</u>	<u>\$ 227</u>
Income Tax Benefit from Transformation Strategy Costs ⁽¹⁾	(78)	(38)	(109)	(55)
After-Tax Transformation Strategy Costs	<u>\$ 250</u>	<u>\$ 116</u>	<u>\$ 351</u>	<u>\$ 172</u>

⁽¹⁾ The income tax effects of transformation strategy costs are calculated by multiplying the amount of the adjustments by the statutory tax rates applicable in each tax jurisdiction.

Compensation and benefit costs under these programs are primarily related to severance costs incurred in conjunction with reductions in our workforce. We are primarily accounting for these reductions in workforce under ASC Topic 712 as they have been, or will be, carried out under a plan which provides a contractual termination benefit to impacted employees. The nature of our separation initiatives has resulted in a relatively short period of time, typically less than one year, between the point at which the separation meets the criteria for recognition as an accrual and the point at which the separation is completed.

Accruals for separation costs of \$152 and \$45 million were included in our consolidated balance sheets as of September 30, 2025 and December 31, 2024, respectively. During the nine months ended September 30, 2025, we made payments of \$223 million and recognized additional separation costs of \$330 million. An additional \$81 million of separation costs is expected to be incurred for the remaining participants in our voluntary separation programs over the employees' remaining term of service through the second quarter of 2026.

Other costs incurred in furtherance of our transformation strategy are primarily related to fees paid to third-party service providers and are not incurred as a result of restructuring, exit or disposal activities and, as period costs, do not give rise to restructuring, exit or disposal liabilities.

Transformation strategy costs during the periods presented related to our Transformation 2.0, Fit to Serve, and *Network Reconfiguration and Efficiency Reimagined* programs. Total costs by program are shown in the table below for the three and nine months ended September 30, 2025 and 2024 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Transformation Strategy Costs:				
<i>Transformation 2.0</i>				
Business portfolio review	\$ —	\$ 34	\$ (18)	\$ 29
Financial systems	13	12	44	41
<i>Transformation 2.0 total</i>	<u>13</u>	<u>46</u>	<u>26</u>	<u>70</u>
<i>Fit to Serve</i>	19	108	47	157
<i>Network Reconfiguration and Efficiency Reimagined</i>	<u>296</u>	<u>—</u>	<u>387</u>	<u>—</u>
Total Transformation Strategy Costs	<u>\$ 328</u>	<u>\$ 154</u>	<u>\$ 460</u>	<u>\$ 227</u>

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Transformation 2.0: Based on a number of factors including evaluating efficiencies previously gained, and in connection with changes in 2020, we identified and reprioritized certain then-current and future investments, including additional investments in our workforce, portfolio of businesses and technology (such projects, collectively, "Transformation 2.0"). Specifically, we identified opportunities to reduce spans and layers of management, began a review of our business portfolio and identified opportunities to invest in certain technologies, including financial reporting and certain schedule, time and pay systems, to reduce global indirect operating costs, provide better visibility, and reduce reliance on legacy systems and coding languages. As of September 30, 2025, our remaining efforts under Transformation 2.0 include initiatives related to our financial systems. Previously completed initiatives within Transformation 2.0 are described in note 18 to the audited, consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2024. As of September 30, 2025, we have incurred \$824 million of costs as part of Transformation 2.0. Transformation 2.0 initiatives are expected to conclude during 2025 with anticipated remaining costs of approximately \$15 million primarily related to completion of our technology initiatives. Costs associated with Transformation 2.0 have primarily consisted of compensation and benefit costs related to reductions in our workforce and fees paid to third-party consultants. These technology initiatives are expected to provide enhanced reporting quality for both internal and external purposes in part through simplification and standardization of data to better enable migration into cloud-based tools and automation, including transitioning general ledger, consolidation, and planning tools along with U.S. payroll from older programs and software supporting our freight forwarding business. These efforts are expected to reduce the need for future investments; and we began realizing benefits during the nine months ended September 30, 2025.

Fit to Serve: During 2023, we began our "Fit to Serve" initiative, which is intended to right-size our business for the future through a workforce reduction of approximately 14,000 positions and create a more efficient operating model to enhance responsiveness to changing market dynamics. As of September 30, 2025, we have incurred total costs of \$463 million and anticipate that we will incur additional costs of approximately \$10 million under Fit to Serve. Fit to Serve is expected to conclude in 2025.

Network Reconfiguration and Efficiency Reimagined: Our Network of the Future initiative is intended to enhance the efficiency of our network through automation and operational sort consolidation in our U.S. Domestic network. In connection with our strategic execution of planned volume declines from our largest customer, we began our *Network Reconfiguration* initiative, which is an expansion of Network of the Future and has led and could lead to a reduction in the number of our facilities, vehicles and aircraft and workforce as well as an end-to-end process redesign. We launched our *Efficiency Reimagined* initiatives to undertake the end-to-end process redesign effort which will align our organizational processes to the network reconfiguration. In connection therewith, we have reduced our U.S. operational workforce by approximately 34,000 positions and closed daily operations at 93 leased and owned buildings, 85 of which have been permanently closed during the first nine months of 2025. We continue to review expected changes in volume in our integrated air and ground network to identify additional buildings for closure.

In connection with the *Network Reconfiguration* and *Efficiency Reimagined* programs, we expect to exclude between \$400 and \$650 million in non-GAAP adjusted expense during 2025, related primarily to third-party consulting fees, employee separation benefits and certain programmatic expenses. We expect the costs associated with these actions may increase should we determine to close additional buildings. As of September 30, 2025, we have incurred program costs to date of \$422 million, including \$387 million year to date. These initiatives are expected to conclude in 2027.

In addition, we have incurred and expect to continue to incur other costs and benefits associated with our *Network Reconfiguration* programs and anticipated lower volumes, including early asset retirement, lease related costs and gains from the sale of properties. It is our intention to exit or abandon leases, sell property and transfer or dispose of equipment associated with closed facilities. During the first nine months of 2025, we incurred \$45 million in accelerated depreciation and asset retirement obligations related to closed facilities and abandoned equipment and \$54 million in gains on sale of properties. We expect the costs associated with these actions may increase should we determine to close additional buildings.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18. ACQUISITIONS AND DISPOSITIONS

In the first quarter of 2025, we acquired Frigo-Trans, an industry-leading, complex healthcare logistics provider based in Germany. The acquisition is expected to increase our complex cold-chain logistics capabilities internationally. During 2025, we also acquired franchise development areas for The UPS Store.

The aggregate purchase price for all acquisitions during the nine months ended September 30, 2025 was approximately \$479 million, net of cash acquired, which are recorded within Supply Chain Solutions. Acquisitions were funded using cash from operations.

The estimated fair values of assets acquired and liabilities assumed are subject to change based on completion of our purchase accounting. Certain items, including our estimates of tax positions, are preliminary as of September 30, 2025. The preliminary purchase price allocation for acquired companies can be modified for up to one year from the date of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date (in millions):

	2025
Cash and cash equivalents	\$ 5
Accounts receivable	20
Other current assets	1
Property, plant and equipment	84
Operating lease right-of-use assets	18
Goodwill	345
Intangible assets ⁽¹⁾	180
Other non-current assets	1
Current maturities of operating leases	(4)
Accounts payable and other current liabilities	(18)
Non-current operating lease	(14)
Deferred income tax liabilities	(46)
Other non-current liabilities	(88)
Total purchase price	<u>\$ 484</u>

⁽¹⁾ Includes \$40 million for acquisitions of development areas for The UPS Store.

Goodwill recognized upon acquisition of approximately \$345 million is attributable to expected synergies from future growth, and has been assigned to Supply Chain Solutions. This goodwill is not expected to be deductible for income tax purposes.

Intangible assets acquired of approximately \$180 million are primarily comprised of \$137 million of customer relationships (amortized over a weighted average of 15 years). Other intangible assets acquired include franchise rights, licenses and trade names. The carrying value of accounts receivable approximates fair value.

In the second quarter of 2025, we completed the divestiture of a business within UPS Digital. In connection with this divestiture, we recorded a pre-tax gain of approximately \$20 million (\$14 million after tax) during the nine months ended September 30, 2025. The gain was recognized within *Other expenses* in our statement of consolidated income.

In the nine months ended September 30, 2024, we completed the divestiture of Coyote, for cash proceeds, net of cash divested and direct transaction expenses, of \$1.0 billion. These proceeds were recognized within *Proceeds from disposal of businesses, property, plant and equipment* in the statements of consolidated cash flows. In connection with the completion of that divestiture, we recorded a pre-tax gain of \$156 million (\$152 million after tax). The gain was recognized within *Other expenses* in the statements of consolidated income.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 19. SUBSEQUENT EVENTS

On November 1, 2025, we completed the acquisition of Andlauer Healthcare Group Inc., a leading North American supply chain management company headquartered in Canada offering customized third-party logistics and specialized cold chain transportation solutions for a total purchase price of approximately C\$2.2 billion (\$1.6 billion).

On November 4, 2025, one of our MD-11 cargo aircraft was involved in an accident at Louisville Muhammad Ali International Airport. The National Transportation Safety Board is actively investigating. At this time, we do not believe the financial impact will be material to our business, financial position, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We continue to execute our *Customer First, People Led and Innovation Driven* strategy to grow in the most attractive parts of the market including healthcare, small and medium-sized businesses ("SMBs") and International.

During the third quarter and first nine months (the "year-to-date") periods of 2025, we took several steps in furtherance of this strategy, including continuing our deliberate shift in our business to increase our focus on higher yielding volume. As previously disclosed, we intend to reduce volume from our largest customer by more than 50% by June 2026 from 2024 levels.

In the first half of 2025, we insourced our former SurePost product, using the UPS network for final mile delivery, and have since replaced it with Ground Saver, a new domestic economy service meant to complement our array of products used by our customers. The insourcing of this product pressured our operating results in both the third quarter and year-to-date periods as pickup and delivery costs were higher than last year. During the nine month period of 2025, we took pricing actions to manage Ground Saver volume and we are working to continue to reduce our costs related to this product.

In the first quarter of 2025, we completed the acquisition of Frigo-Trans and Biotech & Pharma Logistics ("Frigo-Trans"), an industry-leading, complex healthcare logistics provider based in Germany. The acquisition has increased our complex cold-chain logistics capabilities. In November 2025, we completed the previously announced acquisition of Andlauer Healthcare Group ("AHG"), a leading North American supply chain management company that offers customized third-party logistics and specialized cold chain transportation solutions for the healthcare sector. This acquisition will further extend our global portfolio of end-to-end cold chain capabilities with temperature-controlled and pharmaceutical logistics solutions.

Our Network of the Future initiative is intended to enhance the efficiency of our network through automation and operational sort consolidation in our U.S. Domestic network. In connection with our strategic execution of planned volume declines from our largest customer, we began our *Network Reconfiguration* initiative, which is an expansion of Network of the Future and has led and could lead to a reduction in the number of our facilities, vehicles and aircraft and workforce as well as an end-to-end process redesign. We launched our *Efficiency Reimagined* initiatives to undertake the end-to-end process redesign effort which will align our organizational processes to the network reconfiguration. See *Supplemental Information - Items Affecting Comparability* for additional discussion of this initiative.

We have two reportable segments: U.S. Domestic Package and International Package, which are together referred to as our global small package operations. Our remaining businesses are reported as Supply Chain Solutions. Our financial results for both the third quarter and year-to-date periods of 2025 reflect the impact of a complex macro environment, driven by evolving trade policies, as well as the significant strategic actions we are taking.

Global trade policy changes including pending and enacted tariffs and the de minimis exclusions continued during the third quarter of 2025 and resulted in shifting trade lane volumes, particularly reducing volumes on our China to U.S. lane, pressuring our International segment margins during the third quarter and year-to-date periods.

Supply Chain Solutions revenue decreased in both the third quarter and year-to-date periods, driven by the impact of the third quarter 2024 divestiture of Coyote, decreases in Air and Ocean Forwarding revenue primarily related to volatility in global trade and declines within Mail Innovations. These decreases were partially offset by growth in certain of our healthcare and digital businesses.

During the nine months ended September 30, 2025, we returned cash to shareholders by completing our previously announced \$1.0 billion of share repurchase program and paying dividends of \$4.0 billion.

The macro environment remains uncertain. As a global carrier, the eventual outcomes of trade policy and tariff uncertainty could result in pressure in some parts of our business, while creating opportunities in others, such as our global brokerage capabilities.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

Highlights of our consolidated results, which are discussed in more detail below, include:

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2025	2024		\$	%	
Revenue (in millions)	\$ 21,415	\$ 22,245	\$ (830)	(3.7)%	\$ 64,182	\$ 65,769
Operating Expenses (in millions)	19,611	20,260	(649)	(3.2)%	58,890	60,227
Operating Profit (in millions)	\$ 1,804	\$ 1,985	\$ (181)	(9.1)%	\$ 5,292	\$ 5,542
Operating Margin	8.4 %	8.9 %			8.2 %	8.4 %
Net Income (in millions)	\$ 1,311	\$ 1,539	\$ (228)	(14.8)%	\$ 3,781	\$ 4,061
Basic Earnings Per Share	\$ 1.55	\$ 1.80	\$ (0.25)	(13.9)%	\$ 4.46	\$ 4.74
Diluted Earnings Per Share	\$ 1.55	\$ 1.80	\$ (0.25)	(13.9)%	\$ 4.46	\$ 4.74
Operating Days	64	64			190	191
Average Daily Package Volume (in thousands)	19,419	21,527		(9.8)%	19,974	21,220
Average Revenue Per Piece	\$ 14.82	\$ 13.58	\$ 1.24	9.1 %	\$ 14.46	\$ 13.66
					\$ 0.80	5.9 %

- Average daily package volume in our global small package operations decreased in both the quarter and year-to-date periods driven primarily by our strategic execution of planned volume declines from our largest customer and pricing actions taken on certain e-commerce customers, offset in part by growth in the International Package segment.
- Revenue declined in both the quarter and year-to-date periods, driven by the impact of the third quarter 2024 divestiture of Coyote, which contributed \$465 million of revenue in the third quarter of 2024 (\$1.6 billion year to date in 2024), average daily volume declines described above and decreases in our Mail Innovations business.
- The revenue impact of the overall declines in package volume in both periods was offset in part by growth in revenue per piece. Revenue in our global small package operations during the third quarter and year-to-date periods of 2025 also benefited from growth in air cargo revenue as we fully onboarded volume under our contract with USPS during the fourth quarter of 2024.
- Operating expenses decreased in both the third quarter and year-to-date periods, driven by decreases in purchased transportation, primarily attributable to the impact of the 2024 divestiture of Coyote, the insourcing of our Ground Saver product, a gain from sale-leaseback transactions involving real estate properties within Supply Chain Solution businesses and reduced costs in our Mail Innovations business. These decreases were partially offset by increases in compensation and benefits and other costs associated with pick up and delivery expenses driven by the insourcing of our Ground Saver product and the implementation of weekend delivery within Europe.
- Operating profit and operating margin decreased in both periods primarily due to the lower volumes in the U.S. Domestic Package segment, the increased pickup and delivery expenses and shifting international trade lanes related to trade policy challenges, partially offset by the impact of revenue quality efforts.
- We reported third quarter 2025 net income of \$1.3 billion and diluted earnings per share of \$1.55 (\$3.8 billion and \$4.46 per diluted share, year to date), including \$0.30 per diluted share attributable to sale-leaseback transactions described in Supply Chain Solutions within *Results of Operations - Segment Review*. Non-GAAP adjusted diluted earnings per share for the third quarter of 2025 were \$1.74 (\$4.78 per diluted share, year to date) after adjusting for the after-tax impacts of:
 - transformation strategy costs of \$250 million, or \$0.29 per diluted share, in the third quarter (\$351 million, or \$0.41 per diluted share, year to date);
 - the reversal of an income tax valuation allowance of \$86 million, or (\$0.10) per diluted share, in the third quarter (\$109 million, or (\$0.13) per diluted share, year to date);
 - a gain on divestiture of \$15 million, or (\$0.02) per diluted share, in the year to date period; and
 - goodwill and asset impairment charges of \$49 million, or \$0.06 per diluted share, in the year-to-date period.

For additional operational results for the quarter specific to our segments, refer to *Results of Operations - Segment Review* below.

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Supplemental Information - Items Affecting Comparability

We supplement the reporting of our financial information determined under generally accepted accounting principles ("GAAP") with certain non-GAAP adjusted financial measures.

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.

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Non-GAAP adjusted amounts reflect the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Non-GAAP Adjustments				
Operating Expenses:				
Transformation Strategy Costs:				
<i>Transformation 2.0</i>				
<i>Business Portfolio Review</i>	\$ —	\$ 34	\$ (18)	\$ 29
<i>Financial Systems</i>	13	12	44	41
<i>Transformation 2.0 Total</i>	13	46	26	70
<i>Fit to Serve</i>	19	108	47	157
<i>Network Reconfiguration and Efficiency Reimagined</i>	296	—	387	—
Total Transformation Strategy Costs	328	154	460	227
Gain on Divestiture	—	(156)	(20)	(156)
One-Time Payment for International Regulatory Matter	—	—	—	88
Goodwill and Asset Impairment Charges	—	—	39	48
Expense for Regulatory Matter	—	—	—	45
Total Non-GAAP Adjustments to Operating Expenses	\$ 328	\$ (2)	\$ 479	\$ 252
Non-GAAP Adjustments				
Other Income and (Expense):				
Goodwill and Asset Impairment Charges	\$ —	\$ —	\$ 19	\$ —
One-Time Payment for Int'l Regulatory Matter	—	—	—	6
Total Non-GAAP Adjustments to Other Income and (Expense)	\$ —	\$ —	\$ 19	\$ 6
Total Non-GAAP Adjustments to Income Before Income Taxes	\$ 328	\$ (2)	\$ 498	\$ 258
Income Tax (Benefit) Expense:				
Transformation Strategy Costs:				
<i>Transformation 2.0</i>				
<i>Business Portfolio Review</i>	\$ —	\$ 8	\$ (5)	\$ 7
<i>Financial Systems</i>	3	3	11	10
<i>Transformation 2.0 Total</i>	3	11	6	17
<i>Fit to Serve</i>	4	27	10	38
<i>Network Reconfiguration and Efficiency Reimagined</i>	71	—	93	—
Total Transformation Strategy Costs	78	38	109	55
Gain on Divestiture	—	(4)	(5)	(4)
Goodwill and Asset Impairment Charges	—	—	9	13
Reversal of Income Tax Valuation Allowance	86	—	109	—
Total Non-GAAP Adjustments to Income Tax (Benefit) Expense	\$ 164	\$ 34	\$ 222	\$ 64
Total Non-GAAP Adjustments to Net Income	\$ 164	\$ (36)	\$ 276	\$ 194

The income tax impacts of these items are calculated at the statutory tax rates applicable in each tax jurisdiction.

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We supplement the presentation of operating profit, operating margin, other income and (expense), income before income taxes, net income and earnings per share with non-GAAP financial measures that exclude the impact of the following:

Transformation Strategy Costs

We exclude the impact of charges related to activities within our transformation strategy. Our transformation strategy activities have spanned several years and are designed to fundamentally change the spans and layers of our organization structure, processes, technologies and the composition of our business portfolio. Our transformation strategy includes initiatives within our Transformation 2.0, Fit to Serve, and *Network Reconfiguration and Efficiency Reimagined* programs.

Various circumstances precipitated these initiatives, including identification and prioritization of certain investments, 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.

Our transformation strategy includes the following programs and initiatives:

Transformation 2.0: Based on a number of factors including evaluating efficiencies previously gained, and in connection with changes in 2020, we identified and reprioritized certain then-current and future investments, including additional investments in our workforce, portfolio of businesses and technology (such projects, collectively, "Transformation 2.0"). Specifically, we identified opportunities to reduce spans and layers of management, began a review of our business portfolio and identified opportunities to invest in certain technologies, including financial reporting and certain schedule, time and pay systems, to reduce global indirect operating costs, provide better visibility, and reduce reliance on legacy systems and coding languages. As of September 30, 2025, our remaining efforts under Transformation 2.0 include technology initiatives related to our financial systems. Previously completed initiatives within Transformation 2.0 are described in *Supplemental Information - Items Affecting Comparability* in our Annual Report on Form 10-K for the year ended December 31, 2024. Costs associated with Transformation 2.0 have primarily consisted of compensation and benefit costs related to reductions in our workforce and fees paid to third-party consultants. As of September 30, 2025, we have incurred \$824 million of costs as part of Transformation 2.0, with anticipated remaining costs of approximately \$15 million primarily related to completion of our technology initiatives. We expect any remaining costs to be incurred during the remainder of 2025. These technology initiatives are expected to provide enhanced reporting quality for both internal and external purposes in part through simplification and standardization of data to better enable migration into cloud-based tools and automation, including transitioning general ledger, consolidation, and planning tools along with U.S. payroll from older programs and software supporting our freight forwarding business. These efforts are expected to reduce the need for future investments and we began realizing benefits therefrom during the second quarter of 2025.

Fit to Serve: In 2023, a number of factors, including macroeconomic headwinds and volume diversion resulting from our labor negotiations with the International Brotherhood of Teamsters, contributed to volume declines in our U.S. Domestic Package business. In addition, our International Package and Supply Chain Solutions businesses were also negatively impacted by a number of challenging macroeconomic conditions during 2023. In response to these factors, we undertook our Fit to Serve initiative with the intent to right-size our business to create a more efficient operating model that was more responsive to market dynamics through a workforce reduction of approximately 14,000 positions, primarily within management. As of September 30, 2025, we have incurred total costs of \$463 million under Fit to Serve, which primarily consist of benefit costs related to reductions in our workforce. We expect to incur remaining costs of approximately \$10 million in 2025 as a part of this initiative, which should be complete in 2025. We have achieved savings of approximately \$1.0 billion through this program via reductions in our compensation and benefit expense.

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Network Reconfiguration and Efficiency Reimagined: Our Network of the Future initiative is intended to enhance the efficiency of our network through automation and operational sort consolidation in our U.S. Domestic network. In connection with our strategic execution of planned volume declines from our largest customer, we began our *Network Reconfiguration* initiative, which is an expansion of Network of the Future and has led and could lead to a reduction in the number of our facilities, vehicles and aircraft and workforce as well as an end-to-end process redesign. We launched our *Efficiency Reimagined* initiatives to undertake the end-to-end process redesign effort which will align our organizational processes to the network reconfiguration. In connection therewith, we have reduced our U.S. operational workforce by approximately 34,000 positions and closed daily operations at 93 leased and owned buildings, 85 of which have been permanently closed in the first nine months of 2025. We continue to review expected changes in volume in our integrated air and ground network to identify additional buildings for closure. As of September 30, 2025, we have realized cost savings of approximately \$2.2 billion and expect to achieve \$3.5 billion total cost savings in 2025, from this initiative.

In connection with the *Network Reconfiguration* and *Efficiency Reimagined* programs, we expect to exclude between \$400 and \$650 million in non-GAAP adjusted expense during 2025, related primarily to third-party consulting fees, employee separation benefits and certain programmatic expenses. We expect the costs associated with these actions may increase should we determine to close additional buildings. As of September 30, 2025, we have incurred program costs to date of \$422 million, including \$387 million year to date. These initiatives are expected to conclude in 2027.

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 exceeds that of routine, ongoing efforts to enhance profitability. These initiatives are in addition to ordinary, ongoing efforts to enhance our business performance.

In addition, we have incurred and expect to continue to incur other costs and benefits associated with our *Network Reconfiguration* programs and anticipated lower volumes, including early asset retirement, lease related costs and gains from the sale of properties. It is our intention to exit or abandon leases, sell property and transfer or dispose of equipment associated with closed facilities. During the first nine months of 2025, we incurred \$45 million in accelerated depreciation and asset retirement obligations related to closed facilities and abandoned equipment and \$54 million in gains on sale of properties. We expect the costs associated with these actions may increase should we determine to close additional buildings.

For more information regarding transformation strategy costs, see note 17 to the unaudited, consolidated financial statements.

Goodwill and Asset Impairment Charges

We exclude the impact of goodwill and certain asset impairment charges, including impairments of long-lived assets and equity method investments. We do not consider these non-cash charges when evaluating the operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards. For more information regarding goodwill and asset impairment charges, see note 5 and note 8 to the unaudited, consolidated financial statements.

Expense for Regulatory Matter

We have excluded the impact of an expense to settle a previously disclosed regulatory matter. We do not believe this is a component of our ongoing operations and we do not expect this or similar expenses to recur.

One-Time Payment for International Regulatory Matter

We have excluded the impact of a payment to settle a previously-disclosed international tax regulatory matter. We do not believe this payment was a component of our ongoing operations and we do not expect this or similar payments to recur. For more information regarding this matter, see note 10 in our Annual Report on Form 10-K for the year ended December 31, 2024.

Gain and Losses Related to Divestitures

We exclude the impact of gains (or losses) related to the divestiture of businesses. We do not consider these transactions to be a component of our ongoing operations, nor do we consider the impact of these transactions when evaluating the operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards.

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Reversal of Income Tax Valuation Allowance

We previously recorded non-GAAP adjustments for transactions that resulted in capital loss deferred tax assets not expected to be realized. As a result of property sales during 2025, we now expect all of these capital losses to be realized. We supplement our presentation with non-GAAP adjusted financial measures that exclude the impact of the reversals of the valuation allowances against these deferred tax assets as we believe such treatment is consistent with how the valuation allowance was initially established.

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.

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Results of Operations - Segment Review

The results and discussions that follow are reflective of how management monitors and evaluates the performance of our segments as defined in note 13 to the unaudited, consolidated financial statements.

Certain operating expenses are allocated between our reporting segments using activity-based costing methods. These activity-based costing methods require us to make estimates that impact the amount of each expense category that is attributed to each segment. Our allocation methodologies are refined periodically, or as necessary to reflect changes in our businesses. There were no significant changes to our allocation methodologies in the third quarter of 2025.

As a normal part of managing our air network, we routinely idle aircraft and engines temporarily for maintenance or to adjust network capacity. As of September 30, 2025, we had five aircraft temporarily idled for an average period of approximately eight months in order to better match capacity with current demand. Temporarily idled assets are classified as held-and-used, and we continue to record depreciation expense for these assets. We expect these aircraft to return to operational service during the fourth quarter of 2025. During the nine months ended September 30, 2025, we retired two fully depreciated MD-11s from operational service. We continue to evaluate possible retirements within our fleet and expect to retire one fully depreciated MD-11 from operational service in the fourth quarter of 2025.

We test goodwill annually at July 1 and between annual tests if an event occurs or circumstances change that would indicate that it is more likely than not that the carrying value thereof may be impaired. Testing goodwill for impairment requires that we make a number of significant assumptions, including assumptions related to future revenues, costs, capital expenditures, working capital, our cost of capital, long-term growth rates and market comparables. We are also required to make assumptions relating to our overall business and operating strategy, and the regulatory and market environment.

We conducted our most recent annual goodwill impairment testing as of July 1, 2025 using both qualitative and quantitative methods. Our quantitative tests utilize a combination of the income and market approaches. We concluded that the fair values of our reporting units were in excess of their respective carrying values.

Approximately \$877 and \$726 million of our \$4.8 billion consolidated goodwill balance is represented by our Global Freight Forwarding ("GFF") and HLD reporting units, respectively, which, based on our annual impairment evaluation, are exhibiting a limited excess of fair value above carrying value and reflect a greater risk of an impairment occurring in future periods. Both GFF and HLD are showing limited excess of fair value over their carrying values, primarily driven by current market conditions, volatility in global markets, early stages of our healthcare growth strategy and ongoing integration of recent acquisitions. Both GFF and HLD reporting units are included in Supply Chain Solutions.

Additionally, beginning in the first quarter of 2025, our Mail Innovations reporting unit experienced cost increases in excess of our expectations due to increases in purchased transportation rates, resulting from the expiration of a contract with our primary vendor. These cost increases began to dissipate in the second quarter of 2025 as we started utilizing alternative vendors. In the second quarter of 2025, we also took action to address the revenue quality in this business, and began to experience improvements therein. Depending on the outcome of these actions, our expectations for the future performance of this reporting unit could be materially affected. Approximately \$295 million in goodwill is represented by our Mail Innovations reporting unit included in Supply Chain Solutions.

We continue to monitor our reporting units subsequent to the annual test and while we do not believe it is more likely than not that our reporting units' fair values are less than their carrying values as of September 30, 2025, challenging macroeconomic and uncertain geopolitical conditions, actual reporting unit performance, revisions to our forecasts of future performance or other factors, including market comparables, may negatively impact certain estimates and assumptions that we use in determining our reporting units' fair values. Such impacts may be more pronounced for reporting units whose fair values do not significantly exceed their carrying values. These factors or a combination thereof could result in a non-cash impairment charge in one or more of our reporting units during a future period.

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U.S. Domestic Package

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
Average Daily Package Volume (in thousands):								
Next Day Air	1,422	1,596		(10.9)%	1,456	1,582		(8.0)%
Deferred	804	988		(18.6)%	831	1,008		(17.6)%
Ground	13,924	15,823		(12.0)%	14,420	15,526		(7.1)%
Total Average Daily Package Volume	16,150	18,407		(12.3)%	16,707	18,116		(7.8)%
Average Revenue Per Piece:								
Next Day Air	\$ 26.16	\$ 23.46	\$ 2.70	11.5 %	\$ 25.43	\$ 23.24	\$ 2.19	9.4 %
Deferred	19.82	17.54	2.28	13.0 %	19.59	17.51	2.08	11.9 %
Ground	11.81	10.81	1.00	9.3 %	11.58	10.93	0.65	5.9 %
Total Average Revenue Per Piece	\$ 13.47	\$ 12.27	\$ 1.20	9.8 %	\$ 13.18	\$ 12.37	\$ 0.81	6.5 %
Operating Days in Period	64	64			190	191		
Revenue (in millions):								
Next Day Air	\$ 2,381	\$ 2,396	\$ (15)	(0.6)%	\$ 7,035	\$ 7,021	\$ 14	0.2 %
Deferred	1,020	1,109	(89)	(8.0)%	3,093	3,372	(279)	(8.3)%
Ground	10,525	10,945	(420)	(3.8)%	31,718	32,410	(692)	(2.1)%
Cargo and Other	294	147	147	100.0 %	917	261	656	251.3 %
Total Revenue	\$ 14,220	\$ 14,597	\$ (377)	(2.6)%	\$ 42,763	\$ 43,064	\$ (301)	(0.7)%
Operating Expenses (in millions):								
Operating Expenses	\$ 13,617	\$ 13,754	\$ (137)	(1.0)%	\$ 40,265	\$ 40,400	\$ (135)	(0.3)%
Non-GAAP Adjustments to Operating Expenses								
Transformation Strategy Costs	(302)	(76)	(226)	297.4 %	(400)	(93)	(307)	330.1 %
Goodwill and Asset Impairment Charges	—	—	—	N/A	—	(5)	5	(100.0)%
Non-GAAP Adjusted Operating Expenses	\$ 13,315	\$ 13,678	\$ (363)	(2.7)%	\$ 39,865	\$ 40,302	\$ (437)	(1.1)%
Operating Profit (in millions) and Operating Margin:								
Operating Profit	\$ 603	\$ 843	\$ (240)	(28.5)%	\$ 2,498	\$ 2,664	\$ (166)	(6.2)%
Non-GAAP Adjusted Operating Profit	\$ 905	\$ 919	\$ (14)	(1.5)%	\$ 2,898	\$ 2,762	\$ 136	4.9 %
Operating Margin	4.2 %	5.8 %			5.8 %	6.2 %		
Non-GAAP Adjusted Operating Margin	6.4 %	6.3 %			6.8 %	6.4 %		

Revenue

The change in revenue was due to the following:

	Volume	Rates / Product Mix	Fuel Surcharge	Total Revenue Change
Revenue Change Drivers:				
Third quarter 2025 vs. 2024	(12.3)%	8.8 %	0.9 %	(2.6)%
Year to date 2025 vs. 2024	(8.3)%	7.2 %	0.4 %	(0.7)%

Comparative results were impacted by one less operating day in the nine months ended September 30, 2025. The growth in rates and product mix shown above includes the growth in our air cargo product during both the third quarter and the year-to-date periods in 2025, as air cargo under our contract with the USPS was fully onboarded during the fourth quarter of 2024. Air cargo is measured by dimensional weight, not on a per piece basis, and therefore does not impact the volume and revenue per piece discussions below.

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Volume

Average daily volume decreased for both the quarter and year-to-date periods, driven by our strategic execution of planned volume declines from our largest customer, challenging market conditions and decreases in our Ground Saver product as a result of pricing actions we are taking with respect to certain e-commerce volume.

Residential ("business-to-consumer") and commercial ("business-to-business") volume decreased for both the quarter and year-to-date periods. Business-to-business volume decreased 4.8% for the quarter (down 1.9% year to date), primarily driven by demand softness within the retail and manufacturing sectors. Business-to-consumer volume decreased 17.6% for the quarter (down 11.9% year to date), as a result of the planned volume declines and pricing actions discussed above. These overall declines were partially offset by continued growth from SMBs who leveraged our Digital Access Program.

Within our Air products, average daily volume decreased 13.9% for the quarter (down 11.7% year to date), driven by the continued execution of planned volume declines from our largest customer, partially offset by increased demand from customers in the healthcare and technology sectors.

Ground average daily volume decreased 12.0% for the quarter (down 7.1% year to date) driven by residential volume decreases of 17.4% for the quarter (down 11.2% year to date) which were primarily as a result of the pricing actions discussed above.

Revenue Per Piece

Revenue per piece increased 9.8% for the quarter (up 6.5% year to date), with increases in both Air and Ground products due to favorable trends in customer and product mix as a result of pricing actions we are taking. Changes in package characteristics and fuel surcharges also contributed to the increase in revenue per piece.

In December 2024, we implemented an average 5.9% net increase in base and accessorial rates for both our Air and Ground products, which also contributed to the increase.

Fuel Surcharges

We apply a fuel surcharge on our domestic air and ground services that adjusts weekly. Our air fuel surcharge is based on the U.S. Department of Energy's ("DOE") Gulf Coast spot price for a gallon of kerosene-type fuel, and our ground fuel surcharge is based on the DOE's On-Highway Diesel Fuel price.

Fuel surcharge revenue increased \$141 million for the quarter (up \$166 million year to date), as pricing initiatives more than offset the impact of lower volume.

Operating Expenses

Operating expenses and non-GAAP adjusted operating expenses decreased for both the quarter and year-to-date periods primarily due to a decline of \$398 million for the quarter (down \$998 million year to date) in facility and transportation-related costs driven by the insourcing of our Ground Saver product.

These decreases were partially offset by:

- Compensation and benefits expense attributable to our Air and Ground products increased \$141 million for the quarter (up \$589 million year to date). The increases were primarily driven by increased hours resulting from additional stops as a result of the insourcing of our Ground Saver product. Increased seniority and contractual wage rate increases within our U.S. union workforce and workers' compensation expense also drove an increase to compensation and benefits expense. These increases were partially offset by reduced headcount resulting from the strategic execution of our *Network Reconfiguration* and *Efficiency Reimagined* initiatives.
- Air cargo expense increased \$64 million for the quarter (up \$490 million year to date) as we fully onboarded our contract with the USPS during the fourth quarter of 2024.
- Other expenses increased \$56 million for the quarter (down \$216 million year to date). For the year-to-date period, other expenses decreased driven by gains on real estate and aircraft engine sales and a reduction in costs resulting from the strategic execution of our *Network Reconfiguration* and *Efficiency Reimagined* initiatives.

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Our non-GAAP adjusted operating expenses exclude the impact of transformation strategy costs of \$302 and \$76 million in the third quarters of 2025 and 2024, respectively, and \$400 and \$93 million in the 2025 and 2024 year-to-date periods, respectively. The 2024 year-to-date period non-GAAP adjusted operating expenses also excluded asset impairment charges of \$5 million. Transformation strategy costs during both the 2025 and 2024 periods relate to our Fit to Serve and Transformation 2.0 programs. The costs in the 2025 periods also include costs related to our *Network Reconfiguration* and *Efficiency Reimagined* programs. Within these programs, we incurred compensation and benefits costs, as well as fees paid to outside professional service providers. See *Supplemental Information - Items Affecting Comparability* for additional discussion of transformation strategy costs excluded from our non-GAAP financial measures.

Cost per piece increased 12.3% during the third quarter of 2025 (up 7.2% year to date). Non-GAAP adjusted cost per piece increased 10.4% during the third quarter of 2025 (up 6.4% year to date). The increase in cost per piece was primarily driven by increased compensation and benefits costs from the insourcing of our Ground Saver product in addition to lower average daily volume. These impacts were not fully offset by the benefits of our cost-saving initiatives.

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International Package

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
Average Daily Package Volume (in thousands):								
Domestic	1,536	1,483		3.6 %	1,539	1,491		3.2 %
Export	1,733	1,637		5.9 %	1,728	1,613		7.1 %
Total Average Daily Package Volume	3,269	3,120		4.8 %	3,267	3,104		5.3 %
Average Revenue Per Piece:								
Domestic	\$ 8.62	\$ 8.12	\$ 0.50	6.2 %	\$ 8.37	\$ 8.07	\$ 0.30	3.7 %
Export	32.87	33.24	(0.37)	(1.1)%	32.21	33.33	(1.12)	(3.4)%
Total Average Revenue Per Piece	\$ 21.48	\$ 21.30	\$ 0.18	0.8 %	\$ 20.98	\$ 21.20	\$ (0.22)	(1.0)%
Operating Days in Period								
Revenue (in millions):	64	64			190	191		
Domestic	\$ 847	\$ 771	\$ 76	9.9 %	\$ 2,448	\$ 2,299	\$ 149	6.5 %
Export	3,646	3,482	164	4.7 %	10,574	10,269	305	3.0 %
Cargo and Other	180	158	22	13.9 %	509	469	40	8.5 %
Total Revenue	\$ 4,673	\$ 4,411	\$ 262	5.9 %	\$ 13,531	\$ 13,037	\$ 494	3.8 %
Operating Expenses (in millions):								
Operating Expenses	\$ 3,997	\$ 3,613	\$ 384	10.6 %	\$ 11,542	\$ 10,865	\$ 677	6.2 %
Non-GAAP Adjustments to Operating Expenses	(15)	6	(21)	N/A	(38)	(36)	(2)	5.6 %
Transformation Strategy Costs	—	—	—	N/A	—	(88)	88	(100.0)%
One-Time International Regulatory Matter	—	—	—	N/A	—	(2)	2	(100.0)%
Asset Impairment Charges	—	—	—	—	—	—	—	—
Non-GAAP Adjusted Operating Expenses	\$ 3,982	\$ 3,619	\$ 363	10.0 %	\$ 11,504	\$ 10,739	\$ 765	7.1 %
Operating Profit (in millions) and Operating Margin:								
Operating Profit	\$ 676	\$ 798	\$ (122)	(15.3)%	\$ 1,989	\$ 2,172	\$ (183)	(8.4)%
Non-GAAP Adjusted Operating Profit	\$ 691	\$ 792	\$ (101)	(12.8)%	\$ 2,027	\$ 2,298	\$ (271)	(11.8)%
Operating Margin	14.5 %	18.1 %			14.7 %	16.7 %		
Non-GAAP Adjusted Operating Margin	14.8 %	18.0 %			15.0 %	17.6 %		
Currency Benefit / (Cost) – (in millions)⁽¹⁾:								
Revenue			\$ 71				\$ 33	
Operating Expenses			(80)				(67)	
Operating Profit			\$ (9)				\$ (34)	

⁽¹⁾ Net of currency hedging; amount represents the change in currency translation compared to the prior year.

Revenue

The change in revenue was due to the following:

	Volume	Rates / Product Mix	Fuel Surcharge	Currency	Total Revenue Change
Revenue Change Drivers:					
Third quarter 2025 vs. 2024	4.8 %	(1.4)%	0.9 %	1.6 %	5.9 %
Year to date 2025 vs. 2024	4.6 %	(1.4)%	0.3 %	0.3 %	3.8 %

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Comparative results were impacted by one less operating day in the year-to-date period ended September 30, 2025. Global trade policy changes, including de minimis exclusions, resulted in shifting trade lane volumes and reduced segment margin in both 2025 periods.

Volume

Average daily volume increased for both the quarter and year-to-date periods, driven by increases in both domestic and export products, led by increases in Europe, Middle East and Africa ("EMEA") and the Americas region.

Domestic average daily volume increased 3.6% for the quarter (3.2% year to date), primarily driven by business-to-consumer retail customers in Canada.

Export average daily volume increased 5.9% for the quarter and 7.1% year to date due to our agility to adjust to changing trade lanes, and led by strength in SMBs between European countries. The Asia trade lanes continued to be negatively impacted by U.S. trade policy changes that took effect in the second quarter of 2025, which resulted in declines on our China-to-U.S. trade lane in both the quarter and year-to-date periods.

Revenue Per Piece

Revenue per piece increased 0.8% for the quarter (down 1.0% year to date). The increase in the quarter was primarily driven by favorable currency movements partially offset by lower demand-related surcharges and shifts in product mix to Transborder Standard from Worldwide products as customers traded down to economy products and those with slower time commitments. The decrease in the year to date period was due mostly to shifts in product mix. Rate changes for shipments originating outside the U.S. are made throughout the year and vary by geographic market.

Domestic revenue per piece increased 6.2% for the quarter (up 3.7% year to date) primarily driven by revenue quality efforts in EMEA.

Export revenue per piece declined 1.1% for the quarter (down 3.4% year to date), primarily due to lower demand-related surcharges in Asia and unfavorable shift in product mix in EMEA in both periods.

Fuel Surcharges

The fuel surcharge we apply to international air services originating inside or outside the U.S. is largely indexed to the DOE's Gulf Coast spot price for a gallon of kerosene-type jet fuel. The fuel surcharges for ground services originating outside the U.S. are indexed to fuel prices in the region or country where the shipment originates.

Operating Expenses

Operating expenses increased for both the quarter and year-to-date periods. Pickup and delivery expenses increased \$156 million (up \$396 million year to date), driven by increased volumes and merit compensation increases as well as the impact of the implementation of weekend delivery within Europe. Costs of operating our integrated air and ground network increased \$123 million (up \$211 million year to date) primarily due to unfavorable currency movements, increased aircraft maintenance, air charters and block hours as we aligned our network to meet higher volume demands.

Non-GAAP adjusted operating expenses exclude the impact of transformation strategy costs, which were \$15 and (\$6) million in the third quarters of 2025 and 2024, respectively, and \$38 and \$36 million in the 2025 and 2024 year-to-date periods, respectively. The 2024 year-to-date period excluded costs associated with a one-time international regulatory matter of \$88 million and a \$2 million asset impairment charge. Transformation strategy costs during both periods were related to our Fit to Serve and our *Efficiency Reimagined* programs. Within these programs, we incurred compensation and benefits costs, as well as fees paid to outside professional service providers. See *Supplemental Information - Items Affecting Comparability* for additional discussion of transformation strategy costs excluded from our non-GAAP adjusted financial measures.

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Supply Chain Solutions ("SCS")

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
Revenue (in millions):								
Forwarding	\$ 730	\$ 1,307	\$ (577)	(44.1)%	\$ 2,188	\$ 3,902	\$ (1,714)	(43.9)%
Logistics	1,363	1,550	(187)	(12.1)%	4,411	4,638	(227)	(4.9)%
Other SCS	429	380	49	12.9 %	1,289	1,128	161	14.3 %
Total Revenue	\$ 2,522	\$ 3,237	\$ (715)	(22.1)%	\$ 7,888	\$ 9,668	\$ (1,780)	(18.4)%
Operating Expenses (in millions):								
Operating Expenses	\$ 1,997	\$ 2,893	\$ (896)	(31.0)%	\$ 7,083	\$ 8,962	\$ (1,879)	(21.0)%
Non-GAAP Adjustments to Operating Expenses								
Transformation Strategy Costs	(11)	(84)	73	(86.9)%	(22)	(98)	76	(77.6)%
Gain on Divestiture	—	156	(156)	(100.0)%	20	156	(136)	(87.2)%
Goodwill and Asset Impairment Charges	—	—	—	N/A	(39)	(41)	2	(4.9)%
Expense for Regulatory Matter	—	—	—	N/A	—	(45)	45	(100.0)%
Non-GAAP Adjusted Operating Expenses	\$ 1,986	\$ 2,965	\$ (979)	(33.0)%	\$ 7,042	\$ 8,934	\$ (1,892)	(21.2)%
Operating Profit (in millions) and Operating Margin:								
Operating Profit	\$ 525	\$ 344	\$ 181	52.6 %	\$ 805	\$ 706	\$ 99	14.0 %
Non-GAAP Adjusted Operating Profit	\$ 536	\$ 272	\$ 264	97.1 %	\$ 846	\$ 734	\$ 112	15.3 %
Operating Margin	20.8 %	10.6 %			10.2 %	7.3 %		
Non-GAAP Adjusted Operating Margin	21.3 %	8.4 %			10.7 %	7.6 %		
Currency Benefit / (Cost) – (in millions)⁽¹⁾:								
Revenue			\$ 30				\$ 6	
Operating Expenses			(31)				1	
Operating Profit			\$ (1)				\$ 7	

⁽¹⁾ Amount represents the change in currency translation compared to the prior year.

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	Three Months Ended September 30,		Change \$	Nine Months Ended September 30,		Change \$
	2025	2024		2025	2024	
Non-GAAP Adjustments to Operating Expenses (in millions):						
Transformation Strategy Costs						
Forwarding	\$ 8	\$ 28	\$ (20)	\$ 23	\$ 35	\$ (12)
Logistics	3	56	(53)	(1)	63	(64)
Total Transformation Strategy Costs	<u>\$ 11</u>	<u>\$ 84</u>	<u>\$ (73)</u>	<u>\$ 22</u>	<u>\$ 98</u>	<u>\$ (76)</u>
Gain on Divestiture						
Forwarding	\$ —	\$ (156)	\$ 156	\$ —	\$ (156)	\$ 156
Other SCS	—	—	—	(20)	—	(20)
Total Gain on Divestiture	<u>\$ —</u>	<u>\$ (156)</u>	<u>\$ 156</u>	<u>\$ (20)</u>	<u>\$ (156)</u>	<u>\$ 136</u>
Goodwill and Asset Impairment Charges						
Logistics	\$ —	\$ —	\$ —	\$ —	\$ 41	\$ (41)
Other SCS	—	—	—	39	—	39
Total Goodwill and Asset Impairment Charges	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39</u>	<u>\$ 41</u>	<u>\$ (2)</u>
Expense for Regulatory Matter						
Other SCS	\$ —	\$ —	\$ —	\$ —	\$ 45	\$ (45)
Total Expense for Regulatory Matter	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 45</u>	<u>\$ (45)</u>
Total non-GAAP Adjustments to Operating Expenses	<u><u>\$ 11</u></u>	<u><u>\$ (72)</u></u>	<u><u>\$ 83</u></u>	<u><u>\$ 41</u></u>	<u><u>\$ 28</u></u>	<u><u>\$ 13</u></u>

Revenue

Total revenue in Supply Chain Solutions decreased for both the quarter and year-to-date periods primarily due to a decline in Forwarding and Logistics revenue, partially offset by a revenue increase in our other businesses.

Within our Forwarding businesses, revenue decreased \$577 million (down \$1.7 billion year to date), primarily driven by the impact of the third quarter 2024 divestiture of Coyote, which contributed \$465 million of revenue in the 2024 third quarter (\$1.6 billion in the 2024 year-to-date period). Revenue within our other Forwarding businesses also declined by a total of \$110 million (down \$146 million year to date), primarily driven by demand softness from changing trade policies and tariff uncertainty, particularly on the China-to-U.S. trade lane, which also negatively impacted both volume and rates.

Within our Logistics businesses, revenue decreased \$187 million (down \$227 million year to date). Revenue in our Mail Innovations business decreased \$316 million (down \$370 million year to date), driven by volume declines resulting from our initiatives to improve revenue quality. The declines in Mail Innovations revenue were partially offset by \$118 million of revenue increases in our healthcare logistics business (up \$147 million year to date), due to our January 2025 acquisition of Frigo-Trans and year-over-year growth in other healthcare businesses.

Revenue from our other businesses within Supply Chain Solutions increased \$49 million for the quarter (up \$161 million year to date) primarily driven by volume growth in both Roadie as well as UPS Capital within our digital businesses, which increased \$50 million for the quarter (up \$159 million year to date).

Operating Expenses

Total operating expenses and non-GAAP adjusted operating expenses within Supply Chain Solutions decreased for both the quarter and year-to-date periods driven primarily by the divestiture of Coyote of \$468 million (down \$1.6 billion year to date), sale-leaseback transactions involving real estate properties within Supply Chain Solutions of \$330 million and volume declines and lower purchased transportation costs in our Mail Innovations business.

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Non-GAAP adjusted operating expenses exclude the impact of transformation strategy costs, which were \$11 and \$84 million in the third quarters of 2025 and 2024, respectively, and \$22 and \$98 million in the 2025 and 2024 year-to-date periods, respectively. The 2025 year-to-date period also excludes a \$20 million gain on divestiture and a \$39 million impairment charge. The 2024 quarter and year-to-date periods exclude a \$156 million gain related to the divestiture of Coyote. The 2024 year-to-date period also excludes a \$41 million write-down related to certain trade names and a \$45 million expense related to a regulatory matter.

Transformation strategy costs reflected within Supply Chain Solutions during the quarters and year-to-date periods are related to our Fit to Serve, Transformation 2.0 and *Network Reconfiguration* and *Efficiency Reimagined* programs. Within Transformation 2.0, we incurred costs related to financial system investments during both periods. Within Fit to Serve, we incurred severance costs in both the third quarter and year-to-date periods of 2025 and 2024. Within *Efficiency Reimagined*, we incurred costs related to end-to-end process redesign. See *Supplemental Information - Items Affecting Comparability* for additional discussion of items excluded from our non-GAAP adjusted financial measures.

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Consolidated Operating Expenses

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
Operating Expenses (in millions):								
Compensation and benefits	\$ 12,118	\$ 11,955	\$ 163	1.4 %	\$ 35,571	\$ 35,097	\$ 474	1.4 %
Transformation Strategy Costs	(284)	(110)	(174)	158.2 %	(358)	(161)	(197)	122.4 %
Non-GAAP Adjusted Compensation and Benefits	\$ 11,834	\$ 11,845	\$ (11)	(0.1)%	\$ 35,213	\$ 34,936	\$ 277	0.8 %
Repairs and maintenance	\$ 803	\$ 713	\$ 90	12.6 %	\$ 2,290	\$ 2,165	\$ 125	5.8 %
Depreciation and amortization	926	905	21	2.3 %	2,774	2,690	84	3.1 %
Purchased transportation	2,463	3,375	(912)	(27.0)%	7,715	9,894	(2,179)	(22.0)%
Fuel	1,071	1,068	3	0.3 %	3,187	3,254	(67)	(2.1)%
Other occupancy	548	517	31	6.0 %	1,699	1,573	126	8.0 %
Other expenses	1,682	1,727	(45)	(2.6)%	5,654	5,554	100	1.8 %
Total Other Expenses	7,493	8,305	(812)	(9.8)%	23,319	25,130	(1,811)	(7.2)%
Gain on Divestiture	—	156	(156)	(100.0)%	20	156	(136)	(87.2)%
Transformation Strategy Costs	(44)	(44)	—	— %	(102)	(66)	(36)	54.5 %
Goodwill and Asset Impairment Charges	—	—	—	N/A	(39)	(48)	9	(18.8)%
Expense for Regulatory Matter	—	—	—	N/A	—	(45)	45	(100.0)%
One-Time Payment for International Regulatory Matter	—	—	—	N/A	—	(88)	88	(100.0)%
Non-GAAP Adjusted Total Other Expenses	\$ 7,449	\$ 8,417	\$ (968)	(11.5)%	\$ 23,198	\$ 25,039	\$ (1,841)	(7.4)%
Total Operating Expenses	\$ 19,611	\$ 20,260	\$ (649)	(3.2)%	\$ 58,890	\$ 60,227	\$ (1,337)	(2.2)%
Non-GAAP Adjusted Total Operating Expenses	<u>\$ 19,283</u>	<u>\$ 20,262</u>	<u>\$ (979)</u>	(4.8)%	<u>\$ 58,411</u>	<u>\$ 59,975</u>	<u>\$ (1,564)</u>	(2.6)%
Currency (Benefit) / Cost - (in millions) ⁽¹⁾		\$ 111					\$ 66	

⁽¹⁾ Amount represents the change in currency translation compared to the prior year.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
Non-GAAP Adjustments to Operating Expenses (in millions):								
Transformation Strategy Costs:								
Compensation	\$ 4	\$ 5	\$ (1)	\$ (1)	\$ 11	\$ 18	\$ (7)	\$ (7)
Benefits	280	105	175	175	347	143	204	204
Other expenses	44	44	—	—	102	66	36	36
Total Transformation Strategy Costs	\$ 328	\$ 154	\$ 174	\$ 174	\$ 460	\$ 227	\$ 233	\$ 233
Other expenses:								
Gain on Divestiture	\$ —	\$ (156)	\$ 156	\$ 156	\$ (20)	\$ (156)	\$ 136	\$ 136
One-Time Payment for International Regulatory Matter	—	—	—	—	—	88	(88)	(88)
Expense for Regulatory Matter	—	—	—	—	—	45	(45)	(45)
Goodwill and Asset Impairment Charges	—	—	—	—	39	48	(9)	(9)
Total Non-GAAP Adjustments to Operating Expenses	<u>\$ 328</u>	<u>\$ (2)</u>	<u>\$ 330</u>	<u>\$ 330</u>	<u>\$ 479</u>	<u>\$ 252</u>	<u>\$ 227</u>	<u>\$ 227</u>

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Compensation and Benefits

Total compensation expense decreased \$20 million for the quarter (up \$265 million year to date), and on a non-GAAP adjusted basis decreased \$21 million for the quarter (up \$271 million year to date). The principal factors contributing to the overall changes were:

- Direct labor costs increased \$2 million for the quarter (up \$464 million year to date) due to:
 - Wage rate growth increased \$146 million for the quarter (up \$406 million year to date) driven by increased seniority, contractual wage rate increases and overtime.
 - Higher international labor costs due to merit increases and weekend operations within Europe as well as an increase in flight operations payroll of \$52 million for the quarter (up \$169 million year to date).
 - Volume declines partially offset the increase in additional stops resulting from insourcing our Ground Saver decreasing labor costs by \$179 million for the quarter (down \$79 million year to date).
- Management compensation costs decreased \$29 million for the quarter (down \$220 million year to date), primarily due to lower overall headcount resulting from our transformation programs, partially offset by an increase in incentive compensation. Year to date, incentive compensation expense decreased. For additional information on our transformation strategy, see note 17 to the unaudited, consolidated financial statements.

Benefits costs increased \$183 million for the quarter (up \$209 million year to date) and, on a non-GAAP adjusted basis increased \$10 million (up \$6 million year to date). The principal factors driving these changes were:

- Separation costs increased \$174 million for the quarter (up \$215 million year to date) as we execute our transformation strategy.
- Workers' compensation expense increased \$64 million for the quarter (up \$74 million year to date) due to prior year claim developments and higher average claim cost, partially offset by a reduction in hours worked.
- Health and welfare costs increased \$32 million for the quarter (up \$97 million year to date), driven by increased contributions to multiemployer plans as a result of contractually-mandated rate increases.
- Pension and other postretirement benefits costs decreased \$46 million for the quarter (down \$183 million year to date) driven by lower service cost resulting from higher discount rates and reduced multiemployer plan expense from lower participating headcount.

Non-GAAP adjusted operating expenses in the third quarter and year-to-date periods of 2025 and 2024 exclude the impact of costs incurred under our transformation strategy programs, Fit to Serve, Transformation 2.0 and *Network Reconfiguration and Efficiency Reimagined* initiatives, and primarily consisted of other employee benefits expense and related payroll tax expense. Compensation and benefits expenses under these programs during the third quarter of 2025 were \$284 million (\$358 million year to date), an increase of \$174 million for the quarter (up \$197 million year to date) as compared to the same period of 2024. See *Supplemental Information - Items Affecting Comparability* for additional discussion of items excluded from our non-GAAP financial measures.

Repairs and Maintenance

Repairs and maintenance cost increased in both the third quarter and year-to-date periods due to a number of factors including an increase in parts and labor for aircraft and rate increases for facility repairs.

Depreciation and Amortization

Depreciation and amortization expense increased in both the third quarter and year-to-date periods due to capital asset additions and building closures during the third quarter of 2025, which shortened useful lives and accelerated depreciation.

Purchased Transportation

Third-party transportation expense charged to us by air, ocean and ground carriers decreased \$912 million for the quarter (down \$2.2 billion year to date). The changes were primarily driven by:

- Ground transportation decreased \$782 million for the quarter (down \$1.9 billion year to date) primarily due to the divestiture of Coyote in 2024, the impact of insourcing our Ground Saver and Mail Services products and lower overall volume.

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- Third-party fuel surcharges decreased \$69 million for the quarter (down \$251 million year to date) primarily due to the divestiture of Coyote.

Fuel Expense

Fuel expense increased \$3 million in the quarter from increased usage, partially offset by lower prices. Fuel expense was down \$67 million year to date. This was mainly attributable to lower prices for jet fuel, diesel and gasoline, partially offset by the impact of increases in flight activity. Market prices and the manner in which we purchase fuel influence our costs. The majority of our fuel purchases utilize index-based pricing formulas plus or minus a fixed locational/supplier differential. While many of the indices are correlated, each index may respond differently to changes in underlying prices, which in turn can drive variability in our costs.

Other Occupancy

Other occupancy expense increased \$31 million for the quarter (up \$126 million year to date) due to an increase in property rent expense from rising occupancy rates and an increase in electrical and power utilities. Other occupancy related expenses such as taxes and weather-related costs also contributed to the overall increase in the 2025 year-to-date period.

Other Expenses

Other expenses decreased \$45 million for the quarter (up \$100 million year to date) and, on a non-GAAP adjusted basis, decreased \$201 million for the quarter (up \$70 million year to date). The principal factors contributing to the overall changes were driven by higher gains of \$164 million for the quarter (net gain of \$244 million year to date) primarily from the \$350 million gains from the third quarter of 2025 sale-leaseback transactions and sales of surplus real estate compared to the 2024 period gain of \$156 million from the divestiture of Coyote. Other expenses increased \$112 million for the quarter (up \$301 million year to date) driven by increased third-party consulting and legal costs, commissions, customer credit losses and airline operation expenses.

Non-GAAP adjusted operating expenses exclude the following:

- In the 2025 year-to-date period we recognized an expense of \$39 million related to the write down in the value of certain assets within our UPS Digital business. In the 2024 year-to-date period we recognized an expense of \$48 million related to the impairment of trade names and software.
- In the 2025 year-to-date period we recognized a gain of \$20 million from the divestiture of a business within UPS Digital. In the third quarter and year-to-date period of 2024 we recognized a gain of \$156 million from the divestiture of Coyote.
- Transformation strategy costs of \$44 million for the quarter (\$102 million year to date) as a result of third-party consulting costs associated with our transformation initiatives.
- In the 2024 year-to-date period, we incurred a total of \$133 million in expenses related to regulatory matters.

We expect to incur additional other expenses under our Fit to Serve, Transformation 2.0, *Network Reconfiguration* and *Efficiency Reimagined* programs during the remainder of 2025. See *Supplemental Information - Items Affecting Comparability* for additional discussion on the types, amounts and timing thereof.

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Other Income (Expense)

The following table sets forth investment income and other and interest expense for the three and nine months ended September 30, 2025 and 2024 (in millions):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
Investment Income and Other	\$ 94	\$ 155	\$ (61)	(39.4)%	\$ 251	\$ 410	\$ (159)	(38.8)%
Goodwill and Asset Impairment Charges	—	—	—	N/A	19	—	19	N/A
Non-GAAP Adjusted Investment Income and Other	94	155	(61)	(39.4)%	270	410	(140)	(34.1)%
Interest Expense	(291)	(230)	(61)	26.5 %	(751)	(637)	(114)	17.9 %
Interest Expense Associated with One-Time Payment for International Regulatory Matter	—	—	—	N/A	—	6	(6)	(100.0)%
Non-GAAP Adjusted Interest Expense	\$ (291)	\$ (230)	\$ (61)	26.5 %	\$ (751)	\$ (631)	\$ (120)	19.0 %
Total Other Income (Expense)	\$ (197)	\$ (75)	\$ (122)	162.7 %	\$ (500)	\$ (227)	\$ (273)	120.3 %
Non-GAAP Adjusted Total Other Income (Expense)	<u>\$ (197)</u>	<u>\$ (75)</u>	<u>\$ (122)</u>	<u>162.7 %</u>	<u>\$ (481)</u>	<u>\$ (221)</u>	<u>\$ (260)</u>	<u>117.6 %</u>

Investment Income and Other

Investment income and other decreased by \$61 million in the third quarter, primarily due to lower rates on lower average invested balances and a decline in pension income.

Year to date, investment income and other decreased by \$159 million, driven by lower rates on lower average invested balances, changes in the fair value of certain non-current investments, and a decline in pension income. The decline in pension income was driven by an increase in interest costs from overall plan growth and higher discount rates, slightly offset by higher expected returns on pension assets.

For the 2025 year-to-date period, investment income includes a \$19 million impairment charge related to an equity method investment. Excluding the impact of this impairment, non-GAAP adjusted investment income and other decreased by \$140 million year to date.

Interest Expense

Interest expense increased for both the third quarter and year-to-date periods, due to higher average outstanding debt balances and lower capitalized interest.

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Income Tax Expense

The following table sets forth our income tax expense and effective tax rate for the three and nine months ended September 30, 2025 and 2024 (in millions):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
Income Tax Expense	\$ 296	\$ 371	\$ (75)	(20.2)%	\$ 1,011	\$ 1,254	\$ (243)	(19.4)%
Income Tax Impact of:								
Transformation Strategy Costs:								
Transformation 2.0								
Business Portfolio Review	—	8	(8)	(100.0)%	(5)	7	(12)	(171.4)%
Financial Systems	3	3	—	— %	11	10	1	10.0 %
Transformation 2.0 Total	3	11	(8)	(72.7)%	6	17	(11)	(64.7)%
Fit to Serve	4	27	(23)	(85.2)%	10	38	(28)	(73.7)%
Network Reconfiguration and Efficiency Reimagined	71	—	71	N/A	93	—	93	N/A
Total Transformation Strategy Costs	78	38	40	105.3 %	109	55	54	98.2 %
Gain on Divestiture	—	(4)	4	(100.0)%	(5)	(4)	(1)	25.0 %
Goodwill and Asset Impairment Charges	—	—	—	N/A	9	13	(4)	(30.8)%
Reversal of income tax valuation allowance	86	—	86	N/A	109	—	109	N/A
Non-GAAP Adjusted Income Tax Expense	<u>\$ 460</u>	<u>\$ 405</u>	<u>\$ 55</u>	13.6 %	<u>\$ 1,233</u>	<u>\$ 1,318</u>	<u>\$ (85)</u>	(6.4)%
Effective Tax Rate	18.4 %	19.4 %	—	—	21.1 %	23.6 %	—	—
Non-GAAP Adjusted Effective Tax Rate	23.8 %	21.2 %	—	—	23.3 %	23.6 %	—	—

In July 2025, the One Big Beautiful Bill Act ("OBBBA") was signed into law. The income tax-related provisions of the OBBBA include revisions to international tax regimes, the repeal of mandatory capitalization of research and development expenditures, and the extension of bonus depreciation. The OBBBA has multiple effective dates, with certain provisions effective in future years. The estimated impact of the OBBBA is not material to our overall effective tax rate for the current year and has been reflected in our unaudited, consolidated financial statements during the three and nine months ended September 30, 2025. We are continuing to evaluate the expected impact in future years and expect a favorable impact to our effective tax rate and cash flows.

For additional information on our income tax expense and effective tax rate, see note 16 to the unaudited, consolidated financial statements.

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Liquidity and Capital Resources

We deploy a disciplined and balanced approach to capital allocation, including returns to shareowners through dividends and share repurchases. As of September 30, 2025, we had \$6.8 billion in cash, cash equivalents and marketable securities. We believe that these positions, expected cash from operations, access to commercial paper programs and capital markets and other available liquidity options will be adequate to fund our material short- and long-term cash requirements, including our business operations, planned capital expenditures, pension contributions, planned acquisitions, transformation strategy costs, debt obligations and planned shareowner returns. We regularly evaluate opportunities to optimize our capital structure, including through issuances of debt to refinance existing debt and to fund operations.

Cash Flows From Operating Activities

The following is a summary of the significant sources (uses) of cash from operating activities (in millions):

	Nine Months Ended September 30,	
	2025	2024
Net income	\$ 3,781	\$ 4,061
Non-cash operating activities ⁽¹⁾	3,465	3,542
Pension and postretirement medical benefit plan contributions (company-sponsored plans)	(1,338)	(1,434)
Hedge margin receivables and payables	—	(90)
Income tax receivables and payables	(521)	27
Changes in working capital and other non-current assets and liabilities	(236)	758
Other operating activities	(3)	(57)
Net cash from operating activities	\$ 5,148	\$ 6,807

⁽¹⁾ Represents depreciation and amortization, gains and losses on derivative transactions, disposal of assets and businesses and foreign currency exchange, deferred income taxes, allowances for expected credit losses, amortization of operating lease assets, pension and postretirement medical benefit plan (income) expense, stock compensation expense, changes in casualty self-insurance reserves, goodwill and other asset impairment charges and other non-cash items.

Net cash from operating activities decreased \$1.7 billion during the nine months ended September 30, 2025, driven by:

- An increase in accounts receivable primarily due to increased tariffs, duties and taxes to be paid by our customers.
- Higher incentive compensation payments.
- Higher income tax payments due to deferred payments resulting from Hurricane Helene relief.
- A decrease in net income.

These factors were partially offset by an increase in cash proceeds of \$246 million from factoring certain accounts receivable during the three months ended September 30, 2025. For additional information on our factoring program, see note 3 to the unaudited, consolidated financial statements.

As of September 30, 2025, approximately \$3.3 billion of our total worldwide holdings of cash, cash equivalents and marketable securities were held by foreign subsidiaries. The amount of cash, cash equivalents and marketable securities held by our U.S. and foreign subsidiaries fluctuates throughout the year due to a variety of factors, including the timing of cash receipts, strategic operating needs and disbursements in the normal course of business. Cash provided by operating activities in the U.S. continues to be our primary source of funds to finance our business operations, planned capital expenditures, pension contributions, planned acquisitions, transformation strategy costs, debt obligations and planned shareowner returns. All cash, cash equivalents and marketable securities held by foreign subsidiaries are generally available for distribution to the U.S. without any U.S. federal income taxes. Any such distributions may be subject to foreign withholding and U.S. state taxes. When amounts earned by foreign subsidiaries are expected to be indefinitely reinvested, no accrual for taxes is provided.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

Cash Flows From Investing Activities

Our primary (uses) sources of cash from investing activities were as follows (in millions):

	Nine Months Ended September 30,	
	2025	2024
Net cash (used in) from investing activities	\$ (2,734)	\$ 840
Capital Expenditures:		
Buildings, facilities and plant equipment	\$ (1,744)	\$ (1,098)
Aircraft and parts	(144)	(569)
Vehicles	(208)	(540)
Information technology	(873)	(604)
Total capital expenditures	<u><u>\$ (2,969)</u></u>	<u><u>\$ (2,811)</u></u>
Capital expenditures as a % of revenue	4.6 %	4.3 %
Other Investing Activities:		
Proceeds from disposal of businesses, property, plant and equipment	\$ 585	\$ 1,070
Net (purchases) sales and maturities of marketable securities	\$ 139	\$ 2,673
Acquisitions, net of cash acquired	\$ (479)	\$ (66)
Other investing activities	\$ (10)	\$ (26)

For the nine months ended September 30, 2025, total capital expenditures slightly increased compared to the 2024 period, primarily driven by increased spending on buildings, facilities and plant equipment and information technology, as we execute our Network of the Future initiative and other operational efficiency initiatives.

These increases were partially offset by:

- Reduced spending on vehicles due to a focus on replacements at the end of their useful lives.
- Decreased aircraft expenditures as a result of utilizing finance lease alternatives.

Proceeds from the disposal of businesses, property, plant and equipment decreased compared to the prior period. During the nine months ended September 30, 2025, proceeds primarily related to sale-leaseback transactions totaling \$465 million involving real estate properties within our Supply Chain Solutions businesses and a data center. During the nine months ended September 30, 2024, proceeds of \$1.0 billion primarily related to the divestiture of Coyote.

Changes in marketable securities were largely driven by the liquidation of our portfolio of \$2.7 billion during the nine months ended September 30, 2024 to provide additional resources for short-term and strategic operating needs.

Cash paid for acquisitions in the nine months ended September 30, 2025 was primarily attributable to the acquisition of Frigo-Trans, and reacquired development area rights for The UPS Store. In the nine months ended September 30, 2024, cash paid for acquisitions related to the purchase of development areas for The UPS Store.

Non-cash investing activities for the nine months ended September 30, 2025 included construction-in-progress of \$64 million related to the capitalization of construction costs in connection with our build-to-suit financing obligation.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
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We have commitments for pending acquisitions and for the purchase of aircraft, vehicles, equipment and real estate to provide for the replacement and enhancement of existing capacity and targeted growth. Our 2025 investment program anticipates investments in technology initiatives and enhanced network capabilities, including approximately \$450 million of projects to support our environmental sustainability goals. It also provides for maintenance of buildings, facilities and equipment and replacement of certain aircraft within our fleet. We currently expect our capital expenditures will be approximately \$3.5 billion for all of 2025, of which approximately 90 percent will be allocated to network enhancement projects and other technology initiatives. We regularly evaluate opportunities for cost effective financing of assets in order to reduce our capital spending. Future capital spending will depend on a variety of factors, including economic and industry conditions, and financing alternatives.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
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Cash Flows From Financing Activities

Our primary (uses) sources of cash from financing activities were as follows (in millions, except per share data):

	Nine Months Ended September 30,	
	2025	2024
Net cash used in financing activities	\$ (1,947)	\$ (5,003)
Share Repurchases:		
Cash paid to repurchase shares	\$ (1,000)	\$ (500)
Number of shares repurchased	(8.6)	(3.9)
Shares outstanding at period end	848	853
Dividends:		
Dividends declared per share	\$ 4.92	\$ 4.89
Cash paid for dividends	\$ (4,045)	\$ (4,049)
Borrowings:		
Net borrowings (repayments) of debt principal	\$ 3,008	\$ (431)
Other Financing Activities:		
Cash received for common stock issuances	\$ 133	\$ 184
Other financing activities	\$ (43)	\$ (207)
Capitalization:		
Total debt outstanding at period end	\$ 24,782	\$ 21,930
Total shareowners' equity at period end	15,848	16,884
Total capitalization	<u>\$ 40,630</u>	<u>\$ 38,814</u>

We repurchased 8.6 million shares of class B common stock for \$1.0 billion under our share repurchase program during the nine months ended September 30, 2025. We do not anticipate further repurchases in 2025. We repurchased 3.9 million shares of class B common stock for \$500 million under our share repurchase program during the nine months ended September 30, 2024. For additional information on our share repurchase activities, see note 12 to the unaudited, consolidated financial statements.

The declaration of dividends is subject to the discretion of the Board and depends on various factors, including our net income, financial condition, cash requirements, future prospects and other relevant factors. We increased our quarterly cash dividend to \$1.64 per share in 2025, compared to \$1.63 per quarter in 2024.

Issuances of debt during the nine months ended September 30, 2025 consisted of fixed-rate and floating-rate senior notes of varying maturities totaling \$4.2 billion. Repayments of debt during the nine months ended September 30, 2025 consisted of \$1.1 billion of senior notes and finance lease obligations.

Issuances of debt during the nine months ended September 30, 2024 consisted of fixed-rate and floating-rate senior notes of varying maturities totaling \$2.8 billion. Repayments of debt in the nine months ended September 30, 2024 consisted of \$2.2 billion of short- and long-term commercial paper, our C\$750 million and \$400 million fixed-rate senior notes as well as scheduled principal payments on our finance lease obligations.

As of September 30, 2025, we had €700 million of fixed-rate senior notes outstanding that mature in 2025. We intend to repay or refinance these amounts when due. We consider the overall fixed and floating interest rate mix of our portfolio and the related overall cost of borrowing when planning for future issuances and non-scheduled repayments of debt.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
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The amount of commercial paper outstanding fluctuates based on daily liquidity needs. The following is a summary of our commercial paper program (in millions):

	Outstanding balance at quarter end (\$)	Average balance outstanding (\$)	Average interest rate
			2025
USD	\$ —	\$ 63	4.01 %
Total	\$ —	\$ —	

As of September 30, 2025, we had no outstanding balances under our U.S. or European commercial paper programs.

Cash outflows from other financing activities decreased primarily driven by lower tax withholdings on employee stock compensation as a result of previously disclosed changes to the payout structure of our management incentive award program. Cash outflows for this purpose were approximately \$14 and \$200 million for the nine months ended September 30, 2025 and 2024, respectively. Cash outflows from other financing activities also included fees associated with finance leases for the nine months ended September 30, 2025.

During the nine months ended September 30, 2025, we entered into new leases, which required parent company guarantees of approximately \$1.3 billion. For additional information on guarantees, see note 9 to the unaudited, consolidated financial statements.

Except as disclosed above and in our Annual Report on Form 10-K for the year ended December 31, 2024, we do not have other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

Sources of Credit

See note 9 to the unaudited, consolidated financial statements for a discussion of our available credit and the financial covenants that we are subject to as part of our credit agreements.

Contractual Commitments

There have been no material changes to the contractual commitments described in Part II, Item 7 in our Annual Report on Form 10-K for the year ended December 31, 2024, except as described below.

Purchase commitments that are legally binding represent contractual agreements for certain capital expenditures and pending acquisitions, including contracts for aircraft, vehicles and facility construction projects. Certain aircraft purchase commitments included in our Annual Report on Form 10-K are now reflected as leases. See note 10 to the unaudited, consolidated financial statements for more information. We continue to evaluate available financing alternatives with respect to our aircraft purchase commitments.

The following table summarizes the expected cash outflows to satisfy our total purchase commitments as of September 30, 2025 (in millions):

Commitment Type	2025 ⁽¹⁾	2026	2027	2028	2029	After 2029 ⁽³⁾	Total
Purchase Commitments ⁽²⁾	\$ 2,121	\$ 897	\$ 1,655	\$ 1,259	\$ 430	\$ 860	\$ 7,222

⁽¹⁾ Purchase commitments for 2025 include amounts related to the pending acquisition of AHG. This acquisition was closed on November 1, 2025.

⁽²⁾ Subsequent to September 30, 2025, we entered into six new aircraft leases which we expect to be treated as finance leases. We expect the existing aircraft purchase commitments included above will decrease and be reflected as leases.

⁽³⁾ Includes a financing arrangement to be paid over 17 years.

For additional information on 2025 debt issuances and repayments, see note 9 to the unaudited, consolidated financial statements.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

Legal Proceedings and Contingencies

See note 11 to the unaudited, consolidated financial statements for a discussion of judicial proceedings and other matters arising from the conduct of our business activities.

**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
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Collective Bargaining Agreements

Status of Collective Bargaining Agreements

See note 7 to the unaudited, consolidated financial statements for a discussion of the status of our collective bargaining agreements.

Multiemployer Benefit Plans

See note 7 to the unaudited, consolidated financial statements for a discussion of our participation in multiemployer benefit plans.

Recent Accounting Pronouncements

Adoption of New Accounting Standards

See note 2 to the unaudited, consolidated financial statements for a discussion of recently adopted accounting standards.

Accounting Standards Issued But Not Yet Effective

See note 2 to the unaudited, consolidated financial statements for a discussion of accounting standards issued, but not yet effective.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

There have been no material changes in market risk from the information provided in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our Principal Executive Officer and Principal Financial and Accounting Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")). Based upon, and as of the date of, the evaluation, our Principal Executive Officer and Principal Financial and Accounting Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required and is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial and Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

For a discussion of material legal proceedings affecting the Company, see note 11 to the unaudited, consolidated financial statements included in this report.

Item 1A. *Risk Factors*

There have been no material changes to the risk factors described in Part 1, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2024. The occurrence of any of the risks described therein could materially affect us, including impacting our business, financial condition, results of operations, stock price or credit rating, as well as our reputation. These risks are not the only ones we face. We could also be materially adversely affected by other events, factors or uncertainties that are unknown to us, or that we do not currently consider to be material.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

In January 2023, the Board of Directors approved a share repurchase authorization of \$5.0 billion for class A and class B common stock. We repurchased 8.6 million shares of class B common stock for \$1.0 billion under an accelerated stock repurchase transaction during the quarter ended March 31, 2025. We did not repurchase any shares under our share repurchase program during the quarter ended September 30, 2025. As of September 30, 2025, we had \$1.3 billion of this share repurchase authorization available.

For additional information on our share repurchase activities, see note 12 to the unaudited, consolidated financial statements.

Item 5. Other Information

Insider Trading Arrangements and Policies

None.

Item 6. Exhibits

- 3.1 — [Restated Certificate of Incorporation of United Parcel Service, Inc. \(incorporated by reference to Exhibit 3.3 to Form 8-K filed on May 12, 2010\).](#)
- 3.2 — [Amended and Restated Bylaws of United Parcel Service, Inc. \(incorporated by reference to Exhibit 3.1 to Form 8-K, filed on May 9, 2023\).](#)
- 10.1 — [UPS Long-Term Incentive Performance Program Amended and Restated Terms and Conditions, effective as of November 5, 2025*](#)
- 31.1 — [Certification of the Principal Executive Officer Pursuant to Rule 13a-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 — [Certification of the Principal Financial and Accounting Officer Pursuant to Rule 13a-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 — [Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 — [Certification of the Principal Financial and Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 — The following unaudited financial information from this Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 is formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Statements of Consolidated Income, (iii) the Statements of Consolidated Comprehensive Income (Loss), (iv) the Statements of Consolidated Cash Flows, and (v) the Notes to the Consolidated Financial Statements.
- 104 — Cover Page Interactive Data File - The cover page from this Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 is formatted in Inline XBRL (included as Exhibit 101).

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED PARCEL SERVICE, INC.
(Registrant)

Date: November 5, 2025

By: /s/ BRIAN DYKES

Brian Dykes

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

UPS LONG-TERM INCENTIVE PERFORMANCE PROGRAM
Amended and Restated Terms and Conditions

November 5, 2025

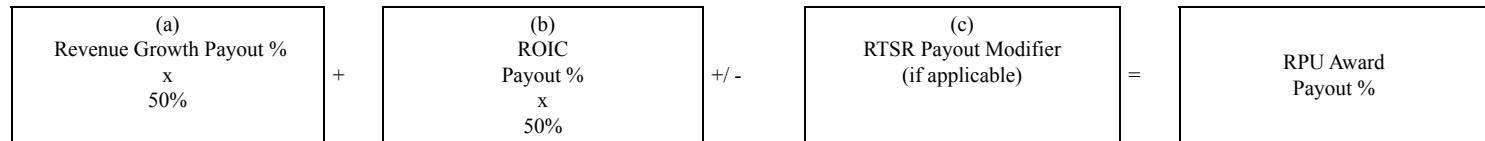
1. Establishment, Objectives and Duration.

- 1.1 Establishment of the Program and Effective Date.** The Compensation and Human Capital Committee of the Board of Directors of United Parcel Service, Inc. (“Committee”) hereby amends and restates the terms and conditions of the UPS Long-Term Incentive Performance Program (“LTIP”) which provides for Awards in the form of Restricted Performance Units (“RPUs”) and Restricted Stock Units (“RSUs”, together with the RPUs, “Units”) pursuant to the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan and any successor plan (as may be amended from time to time, the “ICP”). Unless otherwise defined in this document, capitalized terms shall have the meanings set forth in the ICP. These LTIP Terms and Conditions shall be effective for any LTIP Awards made on or after the date set forth above (“LTIP Effective Date”).
- 1.2 Objectives of the LTIP.** The objectives of the LTIP are to align incentive pay with long-term performance related to key business objectives, enhance retention of key talent, and align the interests of shareowners with the incentive compensation opportunity for executives.
- 1.3 Duration of the Program.** The LTIP shall commence on the LTIP Effective Date and shall remain in effect, subject to the right of the Committee to amend or terminate the LTIP at any time pursuant to Section 15.8 hereof.

2. Administration.

- 1.1 Authority of the Committee.** The LTIP shall be administered by the Committee, subject to its right to delegate certain responsibilities as set forth in Section 2.3, which shall have the same power and authority to administer the LTIP as it does to administer the ICP.
 - 1.2 Decisions Binding.** All decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, its shareowners, any employee, and their estates and beneficiaries.
 - 1.3 Delegation.** The Committee may (subject to applicable law, regulation, stock exchange requirements and the terms of the ICP), delegate its power, authority and duties as identified herein to administer the LTIP, other than the power, authority and duties to grant and approve LTIP Awards to Employees who are members of the Company’s Executive Leadership Team, to (i) any committee comprised of members of management of the Company responsible for determining or overseeing compensation for individuals other than Executive Leadership Team Eligible Employees or (ii) the Executive Leadership Team or (iii) any members of the Executive Leadership Team (the “Management Compensation Committee”). Subject to the limitations set forth above, the Management Compensation Committee shall have the powers, authority and duties of the Committee as contained herein, and references to the “Committee” shall be deemed to refer to the Committee or the Management Compensation Committee, as applicable.
- 3. Units Subject to Award.** The target number of Units subject to your Award is determined by (1) the product of (a) your Total Target LTIP Award Percentage (as allocated between RPUs and RSUs) on [Exhibit A](#) multiplied by (b) your annualized monthly salary in effect on the grant date specified in your Grant Notice (the “Grant Date”), then (2) divided by the Fair Market Value of a Share on the Grant Date, rounded up to the nearest whole number.
-

4. **Eligibility for Awards.** The Committee shall have broad discretion to determine the eligibility criteria for Awards for members of the Executive Leadership Team, including the Grant Date and any proration applicable to any Award for any reason, including as a result of an individual becoming an Employee or changing job classification in a manner that would result in a different Total Target LTIP Award Percentage for that individual, after the Grant Date.
5. **Award Document.** You will receive a Grant Notice that specifies the Grant Date, the total number of RSUs and the total target number of RPUs subject to the Award, each of which may be prorated for the number of months remaining in the RPU Performance Period or RSU Restricted Period, as applicable (each, as defined below), and such other provisions as the Committee shall determine. Such Grant Notice, together with this document, shall constitute the “Award Document” for the applicable Award for purposes of the ICP.
6. **Acceptance.** You must expressly accept the terms and conditions of your Award. To accept, log on to Merrill Lynch Benefits Online at www.benefits.ml.com, select Equity Plan > Grant Information > Pending Acceptance. If you do not accept your Award in the manner instructed by the Company, the Units subject to an Award may be subject to cancellation. If you do not wish to receive your Award, you must reject the Award by contacting Shareholder Services (shareholderservices@ups.com) no later than 90 days following the Grant Date specified in the applicable Grant Notice.
7. **RSUs.** RSUs shall vest ratably during the RSU Restricted Period as set forth in Section 11, without regard to Company performance.
8. **Earned RPUs; Performance Metrics.** The number of RPUs earned under an Award will be determined based upon the Company’s (a) Revenue Growth (as defined below) and (b) ROIC (as defined below), each during a three-year performance period identified in the applicable Grant Notice (the “RPU Performance Period”), subject to modification based on (c) total shareholder return performance during the RPU Performance Period. Performance and payout will be determined independently for each metric. The number of RPUs earned under an Award will be calculated as follows:



The RPU Award Payout % will then be multiplied by the target number of RPUs received under the Award, including any dividend equivalent units (described below), to determine the total number of RPUs earned for the Award.

- 8.1 **Revenue Growth.** “Revenue Growth” is determined by reference to year-over-year growth in the Company’s annual consolidated revenue over prior year consolidated revenue. For purposes hereof, “consolidated revenue” shall be considered revenue as determined in accordance with GAAP, subject to adjustment to exclude the effect of unusual or infrequently occurring items, charges for restructurings, extraordinary items and the cumulative effect of changes in accounting treatment. Consolidated revenue will be calculated on a constant currency basis. The Revenue Growth payout percentage will be determined based on the average Revenue Growth for the three fiscal years in the RPU Performance Period, in accordance with the Grant Notice. Following the completion of the RPU Performance Period, the Committee will certify (i) the three-year average Revenue Growth for the RPU Performance Period; (ii) the three-year average Revenue Growth for the RPU Performance Period as compared to the target; and (iii) the final payout percentage for this metric.

8.2 Adjusted Operating ROIC. “ROIC” (return on invested capital) is determined by dividing the Company’s annual adjusted operating profit by the Company’s average invested capital during the applicable year(s) of the RPU Performance Period. The Company’s “adjusted operating profit” is the Company’s operating income determined in accordance with GAAP, adjusted for unusual or infrequently occurring items, charges for restructurings, discontinued operations, extraordinary items, and changes in accounting treatment. The Company’s “average invested capital” is the 12-month average equity and pension and postretirement benefit maturities along with long-term and short-term debt and finance leases. The ROIC payout percentage will be based on the average ROIC for the three fiscal years in the RPU Performance Period, in accordance with the Grant Notice. Following the completion of the RPU Performance Period, the Committee will certify (i) the three-year average ROIC for the RPU Performance Period; (ii) the three-year average ROIC for the RPU Performance Period as compared to the target; and (iii) the final payout percentage for this metric.

8.3 Total Shareholder Return. Total shareholder return measures the total return on an investment in the Company’s class B common stock (the “Stock”) to an investor (stock price appreciation plus dividends). The total return on the Stock shall be compared with the total return on the stocks of the companies listed on the Standard & Poor’s 500 Composite Index (“Index”) at the beginning of the RPU Performance Period. The Committee shall then assign the Company a percentile rank relative to the companies listed on the Index (the “S&P 500 Companies”) based on total shareholder return performance (“relative total shareholder return” or “RTSR”). Following the completion of the RPU Performance Period, the Committee will certify (i) the Company’s actual total shareholder return for the RPU Performance Period; (ii) the total shareholder return of each of the S&P 500 Companies during the RPU Performance Period; (iii) the percentile ranking for the Company as compared to S&P 500 Companies for the RPU Performance Period; and (iv) the final payout modifier, if any, for the RPUs as described below.

8.3.1 Payout Modifier: The number of RPUs earned under an Award will be modified up or down, if applicable, based on RTSR as follows:

Total Shareholder Return Percentile Rank Relative to S&P 500 Companies	Payout Modifier
Above 75 th percentile	+20%
Between 25 th and 75 th percentile	None
Below 25 th percentile	-20%

8.3.2 TSR Calculation: TSR is determined as follows:

$$\text{TSR} = \frac{(\text{Ending Average} + \text{Dividends Paid}) - \text{Beginning Average}}{\text{Beginning Average}}$$

Beginning Average: the average closing price of a share of the respective S&P 500 company’s common stock for the 20 trading days prior to the start of the RPU Performance Period on which shares of such company’s common stock were traded.

Ending Average: the average closing price of a share of the respective S&P 500 Company's common stock over the last 20 trading days of the RPU Performance Period, accounting for compounding Dividends Paid, on which shares of such company's common stock were traded.

Dividends Paid: the total of all dividends paid on one share of the respective S&P 500 Company's common stock during the RPU Performance Period, provided that the record date occurs during the RPU Performance Period, and provided further that dividends shall be treated as though they are reinvested on the day of payment using the closing price of a share of the respective S&P 500 Company's common stock on that day.

8.4 Adjustments. In determining achievement of performance targets, the Committee will have discretion to exclude the effect of unusual or infrequently occurring items, charges for restructurings (including employee severance liabilities, asset impairment costs, and exit costs), discontinued operations, extraordinary items and the cumulative effect of changes in accounting treatment, and may determine to exclude the effect of other items, each determined in accordance with GAAP (to the extent applicable) and as identified in the financial statements, notes to the financial statements or elsewhere in the Company's public filings.

9. Transferability. You may not sell, gift, or otherwise transfer or dispose of any Units.

10. Dividend Equivalents. Dividends payable on the number of shares represented by your Units (including whole and fractional Units) will be allocated to your account in the form of dividend equivalent units ("DEUs") (whole and fractional). DEUs will be allocated to your account each time dividends are paid by (i) multiplying the cash (or stock) dividend paid per share of the Company's class B common stock by the number of outstanding Units (at target for RPUs) (and any previously credited DEUs) immediately prior to adjustment for the dividend, and (ii) dividing the product by the Fair Market Value of a Share on the day the dividend is declared, provided that the record date occurs after the Grant Date. DEUs will be subject to the same vesting conditions as the underlying Units to which they relate.

11. Vesting Terms.

RPUs. If you remain an active employee through the last business day of the RPU Performance Period, then the number of RPUs and related DEUs that vest following the end of the RPU Performance Period, if any, will be based on the achievement of the performance goals related to each of the performance metrics set forth herein. Shares attributable to the number of vested RPUs and related DEUs, if any, will be transferred to you within 2.5 months following the end of the RPU Performance Period. Except as set forth below, if your employment with the Company is terminated after the Grant Date but prior to the last business day of the RPU Performance Period, then your unvested RPUs and related DEUs will be forfeited.

RSUs. RSUs and related DEUs shall vest over a three-year period (the "RSU Restricted Period"), with one-third vesting on the first anniversary of the Grant Date, one-third vesting on the second anniversary of the Grant Date, and the remaining one-third vesting on the third anniversary of the Grant Date (each, a "Vesting Date"), subject to your continued active employment through each such Vesting Date, unless otherwise provided in the applicable Grant Notice. Within 60 days following each Vesting Date, shares attributable to the number of vested RSUs and any related DEUs will be transferred to you. Except as set forth below, if your employment with the Company is terminated after the Grant Date but prior to the applicable Vesting Date, then any unvested RSUs and related DEUs will be forfeited.

11.1 Death.

11.1.1 RPUs. If you are an active employee for six continuous months from the beginning of the RPU Performance Period and your employment terminates prior to the last business day of the RPU Performance Period as a result of death, then Shares attributable to a prorated

number of RPUs (calculated at target based on the number of months worked during the RPU Performance Period) will be transferred to your estate no later than 90 days after the date of your death.

- 11.1.2** RSUs. If you are an active employee for six continuous months from the beginning of the RSU Restricted Period and your employment terminates after the Grant Date and prior to the last day of the RSU Restricted Period as a result of death, then the unvested portion of the RSUs and related DEUs will vest fully upon the date of death. Shares attributable to the number of vested RSUs and related DEUs will be transferred to your estate no later than 90 days after the date of your death.

11.2 Disability or Retirement.

- 11.2.1** RPUs. If you are an active employee for six continuous months from the beginning of the RPU Performance Period and your employment terminates prior to the last business day of the RPU Performance Period as a result of disability or Retirement (as defined below), then Shares attributable to a prorated number of vested RPUs (based on actual results for the full RPU Performance Period and the number of months worked during the RPU Performance Period) will be transferred to you within 2.5 months following the end of the RPU Performance Period. For purposes of the LTIP, Retirement is defined as (a) the attainment of age 55 with a minimum of 10 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, (b) the attainment of age 60 with a minimum of 5 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, or (c) “retirement” as otherwise determined by the Committee in its sole discretion.
- 11.2.2** RSUs. If you are an active employee for six continuous months from the beginning of the RSU Restricted Period and your employment terminates after the Grant Date and prior to the last day of the RSU Restricted Period as a result of disability or Retirement, then the unvested portion of the RSUs and related DEUs will continue to vest as if you remained an Eligible Employee through each applicable Vesting Date.

11.3 Demotion.

- 11.3.1** RPUs. If you are an active employee for six continuous months from the beginning of the RPU Performance Period and, prior to the last business day of the RPU Performance Period, you are demoted to a position that would have been ineligible to receive an LTIP award, then Shares attributable to a prorated number of vested RPUs and related DEUs (based on actual results for the full RPU Performance Period and the number of months worked during the RPU Performance Period prior to the demotion) will be transferred to you within 2.5 months following the end of the RPU Performance Period. All other RPUs and related DEUs will be forfeited for no consideration.
- 11.3.2** RSUs. If you are an active employee for six continuous months from the beginning of the RSU Restricted Period and, after the Grant Date and prior to the last day of the RSU Restricted Period, you are demoted to a position that would have been ineligible to receive an LTIP award, such demotion will have no effect on your outstanding RSUs. The unvested portion of the RSUs and related DEUs will continue to vest subject to your continued employment through each applicable Vesting Date (and Sections 11.1 and 11.2 hereof).

- 12. Repayment.** Notwithstanding anything in this document to the contrary, you acknowledge and agree that this document and the awards described herein (and any settlement thereof) are subject to the terms and

conditions of the Company's Incentive-Based Compensation Clawback Policy (and any such other applicable policy relating to the recovery of incentive compensation as may be in effect from time to time), and that relevant sections of this document shall be deemed superseded by and subject to the terms and conditions of such policy.

13. Withholding. Awards shall be reduced for applicable taxes or you will be required to remit taxes to the Company in accordance with the terms of the ICP.

14. Employee Covenants.

- 14.1 Acknowledgements.** You acknowledge and agree that, by reason of your highly specialized skillset and the Company's investment of time, training, money, trust, and exposure to Confidential Information, you are intimately involved in the planning and direction of the Company's global business operations. You further acknowledge and agree that your agreement to enter into, and your compliance with, your covenants in this Section 14 are material factors in the Company's decision to grant you the Units, which constitutes good and valuable consideration for the covenants set forth in this Section 14. You further acknowledge and agree that your breach or threatened breach of any of the covenants in this Section 14 would result in material and irreparable damage and injury to the Company and that it would be difficult or impossible to establish the full monetary value of such damage. You further acknowledge and agree that the covenants in this Section 14 are reasonable, necessary, and essential for the Company to protect its legitimate business interests in: (i) the Company's trade secrets (as defined under applicable law, including the Georgia Trade Secrets Act of 1990 (the "Act") and the Defend Trade Secrets Act of 2016 (the "DTSA")); (ii) the Company's valuable Confidential Information; (iii) substantial relationships with specific prospective or existing customers of the Company; (iv) customer good will associated with (A) the business of the Company, including, but not limited to, by way of trade name, trademark, service mark, or trade dress, (B) a specific geographic location; or (C) a specific marketing or trade area; and (v) extraordinary or specialized training you have received or will receive. You further acknowledge and agree (i) by reason of the Company's investment of time, training, money, trust, exposure to the public, or exposure to customers, vendors, or other business relationships during the course of your employment with the Company, you have attained or will attain a high level of influence or credibility with the Company's Protected Customers, vendors, or other business relationships; and (ii) by reason of working for the Company, you are or will be in possession of selective or specialized skills, learning, or abilities, or customer contacts or customer information, or Confidential Information. Finally, you acknowledge and agree that the scope of responsibilities of your position extends throughout the geographic area where the Company has conducted and will conduct business during your employment, and that your work for the Company has brought and will bring you into close contact with many of the Company's customers, trade secrets and confidential and proprietary information.
- 14.2 Unfair Competition.** You acknowledge and agree that, as a result of your receipt of Confidential Information, your role at the Company, and your relationships with Company customers and/or employees you would have an unfair competitive advantage if you were to violate this Section 14 and that, in the event that your employment with the Company terminates for any reason, you possess marketable skills and abilities that will enable you to find suitable employment without violating the covenants set forth in this Section 14. You further acknowledge and affirm that you are accepting this Agreement voluntarily, that you have read this Agreement carefully, that you have had a full and reasonable opportunity to consider this Agreement (including actual consultation with legal counsel), and that you have not been pressured or in any way coerced, threatened or intimidated into entering into this Agreement.
- 1.3 Non-Disclosure and Prohibition Against Use of Confidential Information and Trade Secrets.** You agree that you will not, directly or indirectly, reveal, divulge, or disclose any Confidential Information or Trade Secrets to any person not expressly authorized by the Company to receive

such information. You further agree that you will not, directly or indirectly, use or make use of any Confidential Information or Trade Secrets in connection with any business activity other than business activity that you are pursuing on behalf of the Company. You acknowledge and agree that this Section 14 is not intended to, and does not, alter either the Company's rights or your obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. The act of emailing Confidential Information or Trade Secrets or both to your personal email address or transferring Confidential Information or Trade Secrets to a personal device, account or data repository is considered to be a breach of this section. You also understand that nothing contained in this Section 14 limits your ability to communicate with any federal, state or local governmental agency or commission ("Government Agencies") or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by you, on your behalf, or by any other individual. You additionally understand and agree that as required by the Defend Trade Secrets Act of 2016 ("DTSA"), 18 U.S.C. § 1833(b), you have been notified that if you make a confidential disclosure of a Company Trade Secret (as defined in 18 U.S.C. § 1839) to a government official or an attorney for the sole purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a legal proceeding, so long as any document you file containing the trade secret is filed under seal and you do not disclose the trade secret except pursuant to court order, you shall not be held civilly or criminally liable under this Agreement or under any federal or state trade secret law for such a disclosure. The DTSA does not authorize, or limit liability for, an act that is otherwise prohibited by law, such as the unlawful access of material by unauthorized means. You promise that, no later than the end of your Company employment, you will return to the Company all files, memoranda, documents, records, credit cards, keys, computers, printers, telephones, and other property of the Company or its Affiliates in your possession, custody, or control, including without limitation all Confidential Information. To the extent that you have, or become aware after the date of your separation from service ("Separation Date") that you have, electronic files or information in your personal possession or under your control that belong to the Company or contain Confidential Information (specifically including without limitation electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), you promise that you will notify the Company in writing as to such possession or control prior to your Separation Date or immediately after you become aware of such possession, and, if requested to do so by the Company you will cooperate with the Company, and take direction from the Company, regarding the deletion or return of all such files and information, including all copies and derivatives thereof, from all non-Company-owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable. For the avoidance of doubt, you are not permitted to delete any Company files or information from any computers, mobile devices, electronic media, or in cloud storage (including those owned personally by you) unless directed to do so in writing by the Company. To the extent requested by the Company, whether prior to or after the Separation Date, you will voluntarily participate in a process involving a forensic computer specialist chosen by the Company to identify, quarantine, preserve and delete all electronic files or information, including all copies and derivatives thereof, in your possession or under your control that belong to the Company or contain Confidential Information.

- 1.4 **Non-Solicitation of Protected Employees.** During the Non-Solicit Restricted Period, you will not, without the prior written consent of the Company, directly or indirectly, solicit or induce or attempt to solicit or induce any Protected Employee to terminate or cease his/her employment relationship with the Company or to enter into employment with you or any other person or entity.
- 1.5 **Non-Solicitation of Protected Customers.** During the Non-Solicit Restricted Period, you will not, without the prior written consent of the Company, directly or indirectly, solicit, divert, take

away or attempt to solicit, divert or take away a Protected Customer for purposes of providing products and services that are competitive with those provided by the Company.

- 1.6** **Covenant Not to Compete.** During the Non-Compete Restricted Period, you will not, without the prior written consent of the Company, (a) work for a Restricted Competitor; (b) provide consulting services to a Restricted Competitor; or (c) otherwise provide services to a Restricted Competitor, in each of (a) through (c) that involves the provision of services that are similar to or relate to those services that you provided to the Company at any time during your employment and that relate, in any way, directly or indirectly, to the Restricted Competitor's competition with the transportation, delivery or logistics services provided by the Company during your employment. This non-compete provision is limited to the geographic area where the Company did business during your employment.
- 1.7** **Enforcement.** You acknowledge and agree that the covenants in Sections 14.3 through 14.6 ("Protective Covenants") are necessary to protect the Company's legitimate business interests. In the event that you breach, or threaten to breach, the Protective Covenants, you agree that the Company shall have the right and remedy to: (a) enjoin you, preliminarily and permanently (without the necessity of posting bond), from violating or threatening to violate the Protective Covenants because any breach or threatened breach of the Protective Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy; (b) require you to account for and pay over to the Company all compensation, profits, monies, or other benefits derived or received by you as the result of any breach of the Protective Covenants; and (c) require you to pay the reasonable attorneys' fees and costs incurred by the Company in enforcing the Protective Covenants. In addition, in the event of such a violation, you will automatically forfeit all Units.
- 1.8** **Severability/Reformation.** You acknowledge and agree that the Protective Covenants are reasonable in time, scope, geography and all other respects and that they will be considered and construed as separate and independent covenants. Should any part or provision of any of the Protective Covenants be held invalid, void or unenforceable in any court of competent jurisdiction, you understand and agree that such invalidity, voidness or unenforceability does not invalidate, void or otherwise render unenforceable any other part or provision of this Agreement. You further agree that, in the event any court of competent jurisdiction finds any of the Protective Covenants to be invalid or unenforceable (in whole or in part), such court shall modify the invalid or unenforceable term so that the Protective Covenants are enforceable to the fullest extent permitted by law.
- 1.9** **Applicable Law and Exclusive Jurisdiction.**
- 1.9.1** Section 14 of these LTIP Terms and Conditions are governed by the laws of the State of Georgia. Any and all claims arising out of or relating to this Section 14 will be brought in the state and federal courts located in Fulton County, Georgia, which will be the sole and exclusive jurisdiction and venue for all disputes between the parties under this Section 14. You hereby irrevocably consent to the jurisdiction and venue of the state and federal courts located in Fulton County, Georgia for adjudication of all disputes between the parties with respect to this Section 14. You hereby waive any objections or defenses to jurisdiction or venue in any such proceeding before such court.
- 1.9.2** Notwithstanding the foregoing, if you primarily resided and worked for the Company in California immediately prior to the end of your employment, or following the termination of your employment, you reside and work in California, you agree that (a) California law shall apply to this Section 14, and (b) the federal or state courts of California will be the sole and exclusive jurisdiction and venue over any dispute relating to this Section 14and you specifically and irrevocably consent to personal jurisdiction in such courts even if

you do not reside in California at the time of any dispute arising out of or involving this Section 14.

- 1.9.3** Notwithstanding the foregoing, if you primarily resided and worked for the Company in Minnesota immediately prior to the end of your company employment, you agree and acknowledge that your consent to jurisdiction and venue in Georgia is voluntary and that you are not being required to accept Georgia jurisdiction and venue as a condition of your employment.
- 1.10 Tolling During Violation.** In the event the enforceability of any of the terms of this Section 14 is challenged in a court of competent jurisdiction and you are not enjoined from breaching any of the restrictive covenants, then if a court of competent jurisdiction finds that the challenged restrictive covenant(s) is enforceable, the time periods set forth herein shall be deemed tolled upon the filing of the claim challenging the enforceability of this Section 14 until the dispute is finally resolved and all periods of appeal have expired.
- 1.11 Disclosure.** In the event that you leave the Company for any reason, you agree to disclose the existence and terms of this Section 14 to any prospective employer, partner, co-venturer, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, partner, co-venturer, investor or lender.
- 1.12 Definitions.** For purposes of this Section 14:
- 1.12.1** “Company” means, for purposes of this Section 14 only, United Parcel Service, Inc., a Delaware Corporation with its principal place of business in Atlanta, Georgia, and all of its Affiliates (as defined in O.C.G.A. § 13-8-51(1)).
- 1.12.2** “Confidential Information” means all information regarding the Company, its activities, businesses or customers which you learned as a result of your employment, that is valuable to the Company and that is not generally disclosed by practice or authority to persons not employed or otherwise engaged by the Company, whether or not it constitutes a Trade Secret. “Confidential Information” shall include, but is not limited to, financial plans and data; legal affairs; management planning information; business plans; acquisition plans; operational methods and technology; market studies; marketing plans or strategies; product development techniques or plans; customer lists; details of customer contracts; current and anticipated customer requirements and specifications; customer pricing and profitability data; past, current and planned research and development; employee-related information and new personnel acquisition plans. “Confidential Information” shall not include information that is or becomes generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. However, although certain information may be generally known in the relevant industry, the fact that the Company uses such information may not be so known and in such instance the information would compromise Confidential Information. This definition shall not limit any definition of “confidential information” or any equivalent term under applicable state or federal law.
- 1.12.3** “Material Contact” means the contact between you and each customer or actively sought potential customer of the Company: (A) with whom or with which you dealt on behalf of the Company in support of the initiation, maintenance or furtherance of a business relationship between the Company and each customer or actively sought potential customer; (B) whose dealings with the Company were coordinated or supervised by you; (C) about whom you obtained Confidential Information in the ordinary course of business as a result of your association with the Company; or (D) who receives products or services authorized by the Company, the sale or provision of which results or resulted in

compensation, commissions, or earnings for you in the two (2) years prior to your termination of employment.

- 1.12.4** “Non-Compete Restricted Period” means during your employment with the Company and for a period of one (1) year after your employment ends for any reason.
- 1.12.5** “Non-Solicit Restricted Period” means during your employment with the Company and for a period of two (2) years after your employment ends for any reason.
- 1.12.6** “Protected Customers” means customers or actively sought potential customers with whom you had Material Contact in the two (2) years prior to your termination of employment.
- 1.12.7** “Protected Employee” means an employee of the Company who is employed by the Company in a position of Band 20 or higher at the time of any solicitation or attempted solicitation by you and with whom (a) you had contact during the two (2) years prior to your termination of employment, or (b) about whom you learned Confidential Information during the two (2) years prior to your termination of employment.
- 1.12.8** “Restricted Competitor” means an entity or person engaged in any business activities competitive with the Company’s and its Subsidiaries’ businesses of package delivery and global supply chain management solutions. Restricted Competitor includes any affiliates of such entities or persons if the affiliate engages in any way in delivery, transportation, and/or logistics services and activities. In addition, Restricted Competitors include, without limitation, the entities listed on Exhibit B.
- 1.12.9** “Trade Secret” means any of the Company’s information that you learned about as a result of your employment, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers, that (i) derives economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. This definition shall not limit any definition of “trade secrets” or any equivalent term under applicable law.

1.13 Amendments for Certain Employees.

- 1.13.1** **Amendments for California Employees.** Sections 14.4 through 14.6 do not apply to you if you primarily resided or worked for the Company in California immediately prior to the end of your employment, or if following the termination of your employment, you reside and work in California. Notwithstanding the foregoing, you are and shall continue to be prohibited from any unauthorized use, transfer, or disclosure of the Company’s Confidential Information, including trade secrets, pursuant to the California Trade Secrets Act, the U.S. Defend Trade Secrets Act of 2016, any other confidentiality and non-disclosure agreements with the Company, and any other applicable federal, state and common law protections afforded proprietary business and trade secret information. You also agree that you will not, without the prior written consent of the Company, directly or indirectly, interfere with the Company’s business by soliciting or inducing or attempt to solicit or induce any Protected Employee to terminate or cease his/her employment

relationship with the Company for a period of twelve (12) months from and after your employment ends.

- 1.13.2 Amendments for Hawaii, North Dakota, Minnesota and Oklahoma Employees.** Section 14.6 does not apply to you if you primarily resided and worked for the Company in Hawaii, North Dakota, Minnesota or Oklahoma immediately prior to the end of your Company employment, and following the termination of your Company employment, you continue to reside and work in Hawaii, North Dakota, Minnesota or Oklahoma.
- 1.13.3 Amendment for Massachusetts Employees.** Section 14.6 does not apply to you if: (1) you primarily resided and worked for the Company in Massachusetts immediately prior to the end of your Company employment, and following the termination of your Company employment, you continue to reside and work in Massachusetts; and (2) Section 14.6 is unenforceable pursuant to Massachusetts General Laws c. 149 § 24L.
- 1.14 Other Restrictions.** For the avoidance of doubt, if you are based in the U.S. this Section 14 does not supersede any protective covenants applicable to you with respect to the Company, and those covenants shall continue in full force and effect in accordance with their terms. If you are based outside the U.S. any protective covenants set out in your contract of employment, or otherwise applicable to your employment with the Company, whether concluded prior to or after the date of this LTIP, supersede the equivalent provisions set out in this Section 14.

15. Miscellaneous.

- 15.1 Awards Subject to the Terms of the ICP.** LTIP Awards are subject to the terms of the ICP.
- 15.2 Section 409A.** Each Award is intended either to be exempt from Code § 409A and the 409A Guidance or to comply with Code § 409A and the 409A Guidance. The Award Document and the ICP shall be administered in a manner consistent with this intent, and any provision that would cause the Award Document or the ICP to fail to satisfy Code § 409A or the 409A Guidance shall have no force or effect until amended to comply with or be exempt from Code § 409A and the 409A Guidance (which amendment may be retroactive to the extent permitted by Code § 409A and the 409A Guidance and may be made by the Company without your consent). To the extent that benefits provided under an Award constitute deferred compensation for purposes of Code § 409A and the 409A Guidance and to the extent that deferred compensation is payable upon a “separation from service” as defined in Code § 409A and the 409A Guidance, no amount of deferred compensation shall be paid or transferred to you as a result of your separation from service until the date which is the earlier of (i) the first day of the seventh month after your separation from service or (ii) the date of your death (the “Delay Period”).
- 15.3 Severability.** The provisions of the LTIP are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- 15.4 Waiver.** You acknowledge that a waiver by the Company of breach of any provision of the LTIP shall not operate or be construed as a waiver of any other provision of the LTIP, or of any subsequent breach by you or any other participant.
- 15.5 Imposition of Other Requirements.** The Committee reserves the right to impose other requirements on your participation in the LTIP, on the Units and on any shares of Stock acquired under the ICP, to the extent the Committee determines it is necessary or advisable for legal or

administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

- 15.6 Amendment and Termination.** The Committee may amend, alter, suspend or terminate the LTIP and any Award at any time subject to the terms of the ICP. Any such amendment shall be in writing and approved by the Committee. The Management Compensation Committee may make administrative amendments to the LTIP from time to time; provided, however, that any such amendment shall be reviewed with the Committee and kept with the records of the LTIP.
- 15.7 Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the Units and your participation in the ICP, or future awards that may be granted under the ICP, by electronic means or request your consent to participate in the ICP by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the ICP through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- 15.8 No Right to Future Awards or Employment.** The grant of Units under an Award is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. Nothing contained in the Award Document shall confer upon you any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate your employment or adjust your compensation.
- 15.9 Acknowledgement.** You acknowledge that you (a) have received a copy of the ICP, (b) have had an opportunity to review the terms of the Award Document and the ICP, (c) understand the terms and conditions of the Award Document and the ICP and (d) agree to such terms and conditions.
- 15.10 Limitation of Rights/Contractual Statute of Limitations.** To the extent the law allows you to bring claims against the Company or the Company to bring claims against you, whether by arbitration or in a court of law, you and the Company agree to bring any such claim by the earlier of the time provided by law or the time allotted by the provision below that is applicable to the claim:
1. if the claim arises under California law and requires the filing of a charge with an administrative agency before an arbitration or court action may be instituted, six (6) months from issuance of the right to sue by the administrative agency;
 2. if the claim does not arise under California law but requires the filing of a charge with an administrative agency before an arbitration or court action may be instituted, twelve (12) months from the event forming the basis of the claim; and
 3. for all other claims, six (6) months from the event forming the basis of the claim.

You and the Company acknowledge that you and the Company are agreeing to bring any claim within a shorter time than may otherwise be provided by law.

Exhibit A

Long-Term Incentive Performance Program

CLASSIFICATION	TOTAL TARGET LTIP AWARD PERCENTAGE	TOTAL TARGET LTIP AWARD PERCENTAGE ALLOCATED TO RPUs	TOTAL LTIP AWARD PERCENTAGE ALLOCATED TO RSUs
Chief Executive Officer	1,185%	985%	200%
Executive Leadership Team Member (other than the CEO)	350% - 450%	250% - 325%	100% - 125%

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Carol B. Tomé, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Parcel Service, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CAROL B. TOMÉ

Carol B. Tomé
Chief Executive Officer
(Principal Executive Officer)

November 5, 2025

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Brian Dykes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Parcel Service, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ BRIAN DYKES

Brian Dykes

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

November 5, 2025

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the “Corporation”) for the period ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Chief Executive Officer of the Corporation, certifies that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ CAROL B. TOMÉ

Carol B. Tomé
Chief Executive Officer
(Principal Executive Officer)

November 5, 2025

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the “Corporation”) for the period ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Executive Vice President and Chief Financial Officer of the Corporation, certifies that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ BRIAN DYKES

Brian Dykes
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

November 5, 2025