4Q25

Earnings Call

January 27, 2026

PJ GUIDO

Investor Relations Officer

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UPS Speakers

CAROL B. TOMÉ
Chief Executive Officer

BRIAN DYKES
Chief Financial Officer

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Forward-Looking Statements and Non-GAAP Reconciliations

Forward-Looking Statements

This presentation and our filings with the Securities and Exchange Commission contain and in the future may contain "forward-looking statements". Statements other than those of current or historical fact, and all statements accompanied by terms such as "will," "believe," "project," "expect," "estimate," "assume," "intend," "anticipate," "target," "plan," and similar terms, are intended to be forward-looking statements.

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

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

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

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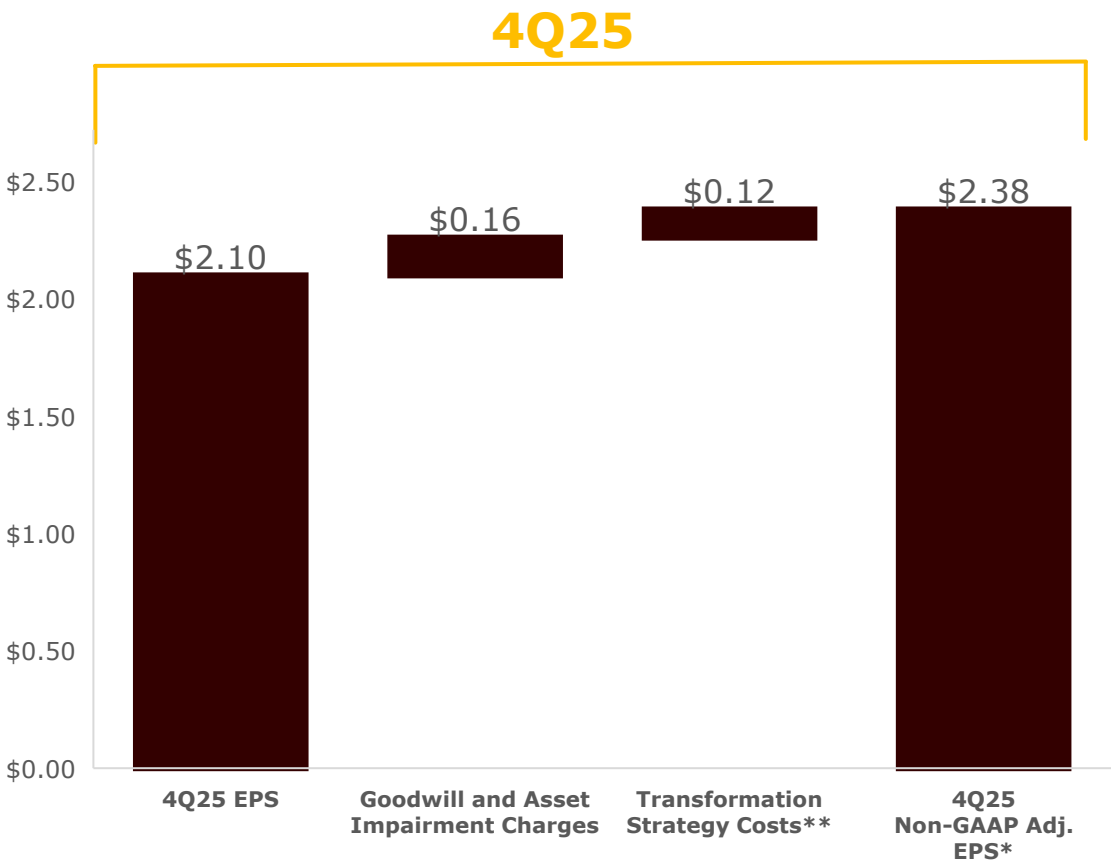
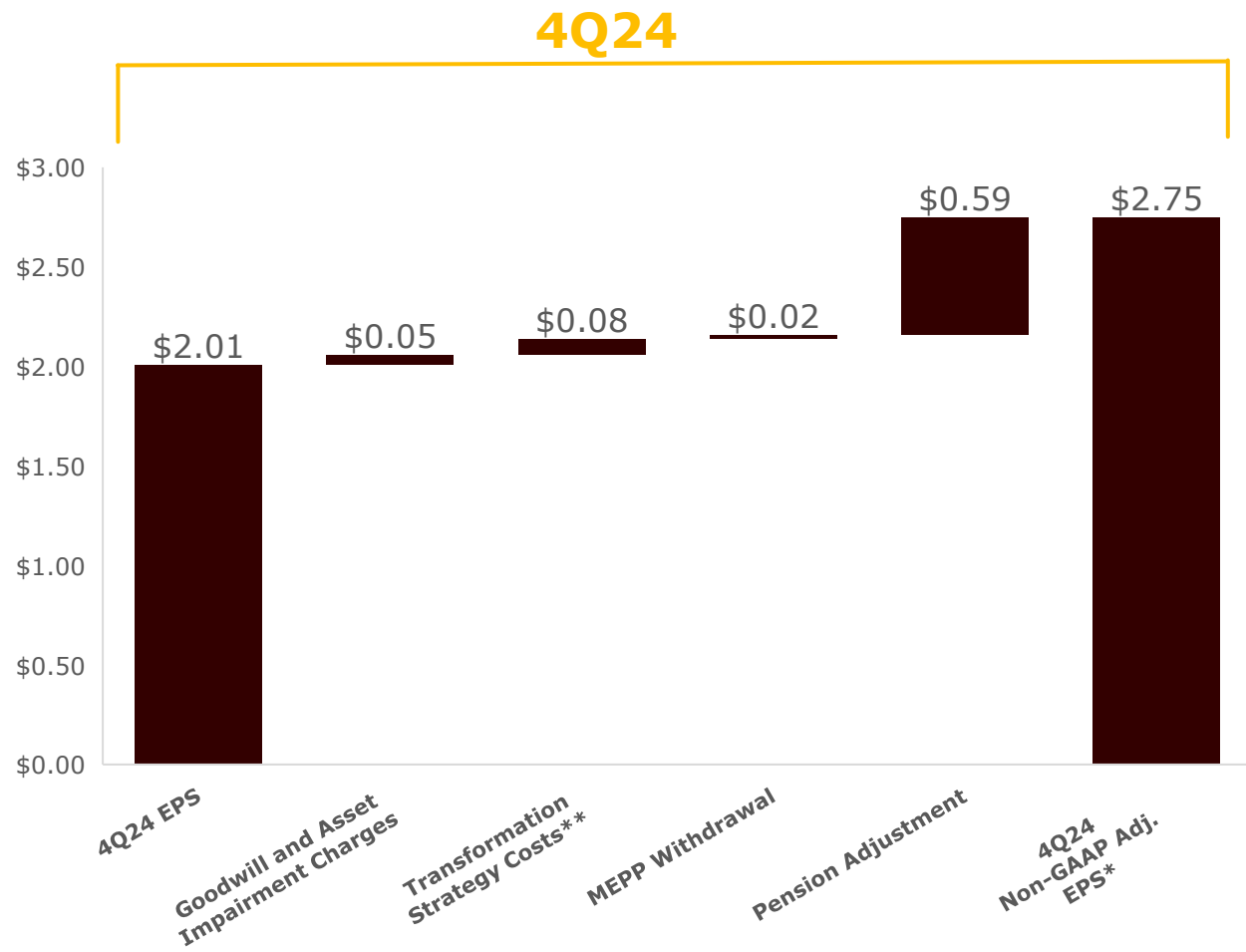
Diluted EPS





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

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CAROL B. TOMÉ

Chief Executive Officer

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Thank You
UPSers

Industry Leader in On-time Service for the 8th Year in a Row

Our Fourth-quarter 2025 Results Exceeded Our Expectations

4Q25 Consolidated Results

	4Q25	4Q24	Change Y/Y
Revenue	$24,479	$25,301	-3.2%
Non-GAAP Adj. Operating Profit*	$2,890	$3,100	-6.8%
Non-GAAP Adj. Operating Margin*	11.8%	12.3%	-50 bps
Non-GAAP Adj. Diluted EPS*	$2.38	$2.75	-13.5%

Full-Year 2025 Consolidated Results

	2025	2024	Change Y/Y
Revenue	$88,661	$91,070	-2.6%
Non-GAAP Adj. Operating Profit*	$8,661	$8,894	-2.6%
Non-GAAP Adj. Operating Margin*	9.8%	9.8%	0 bps
Non-GAAP Adj. Diluted EPS*	$7.16	$7.72	-7.3%

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2025 Was a Year of Considerable Progress

Took action to strengthen revenue quality…

Strategic Execution

- Reached our Amazon volume reduction target of ~1M pieces per day
- Delivered $3.5B in savings from network reconfiguration efforts
- Closed 93 buildings and deployed automation in 57 buildings

Revenue Quality

- Grew U.S. revenue per piece 7.1% Y/Y
- SMB penetration of 31.8% of total U.S. volume; DAP $4.1B in global revenue
- Grew B2B to 42.3% of total U.S. volume, up 250 basis points Y/Y

U.S. Domestic Operating Margin

- Expanded U.S. operating margin on an ADV decline of 8.6%

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2025 Was a Year of Considerable Progress

… and build a network that will deliver differentiated logistics

Complex Logistics

- Leveraged AI and our Next Gen Brokerage capabilities to process ~90% of all cross-border transactions digitally
- Acquired FrigoTrans and Andlauer Healthcare Group; global healthcare portfolio generated $11.2B in revenue in 2025

Growth and Innovation

- UPS Digital, including Roadie and Happy Returns, grew revenue 24% Y/Y
- Deployed Smart Package Smart Facility, RFID labeling, to 5,500 UPS Store locations and completed installation of RFID readers in all U.S. package cars

Committed to Capital Allocation

- Generated $8.5B in cash from operations
- Returned $6.4B to shareowners

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Confident We Will Complete Our Network Reconfiguration While Growing in Targeted Markets

- Executing the final six months of an 18-month accelerated glidedown of Amazon volume
- Expect to process 68% of U.S. volume through automated facilities by the end of 2026, up from 66.5% at the end of 2025
- Accelerated plans to retire our fleet of MD-11 aircraft
  - Bringing on more efficient Boeing 767 aircraft
- Reached new agreement with the USPS for last mile delivery of UPS Ground Saver
- Opening new air hub in the Philippines in late 2026

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2026 Will Be the Inflection Point of the Execution of Our Strategy

We will exit 2026 with a leaner, more agile U.S. network built for growth and margin expansion

2026 Consolidated Outlook

- Revenue of ~$89.7 billion
- Non-GAAP adj. operating margin* of ~9.6%

2026 U.S. Domestic

- Amazon ADV down 1M, with the rest of business up low-single digits in 1H and mid-single digits in 2H
- Total revenue flattish YOY
  - Revenue decline in 1H, sequentially increasing in 2H
- Expense growth rate higher in 1H, lower in 2H
- Return to non-GAAP adj. operating profit* growth in 2H
- Non-GAAP adj. operating margin* flat to 2025

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

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BRIAN DYKES

Chief Financial Officer

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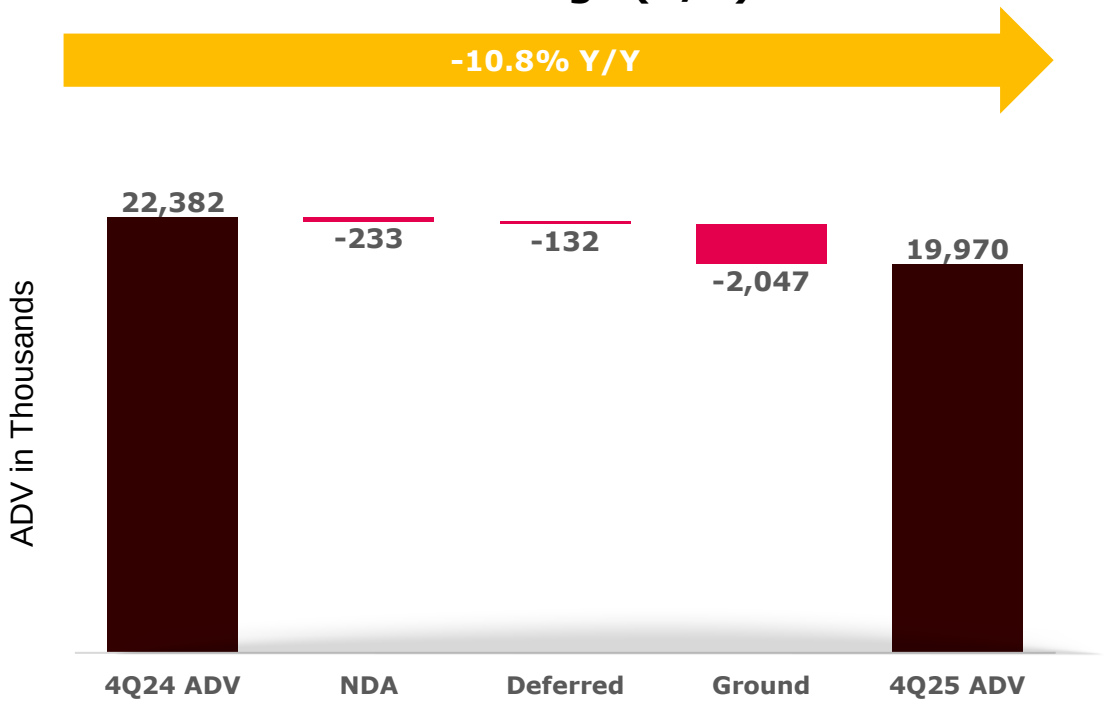
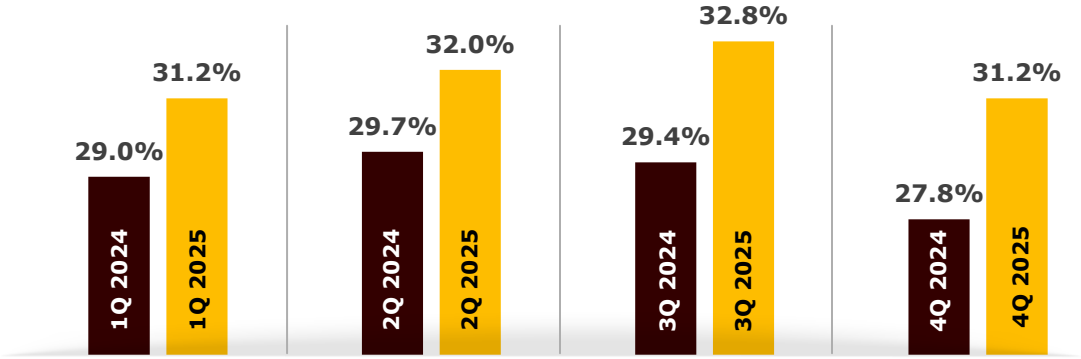
U.S. Volume Declines in Line with Our Expectations

ADV Change (Y/Y)

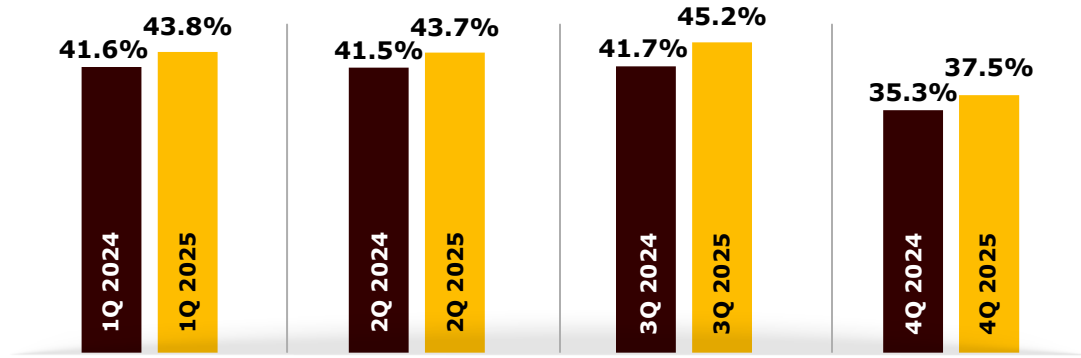


Product and customer mix improvements demonstrate the progress we are making as we shift our U.S. mix to more premium volume

SMB % of Total Volume (Y/Y)



Quarterly B2B% of ADV Mix



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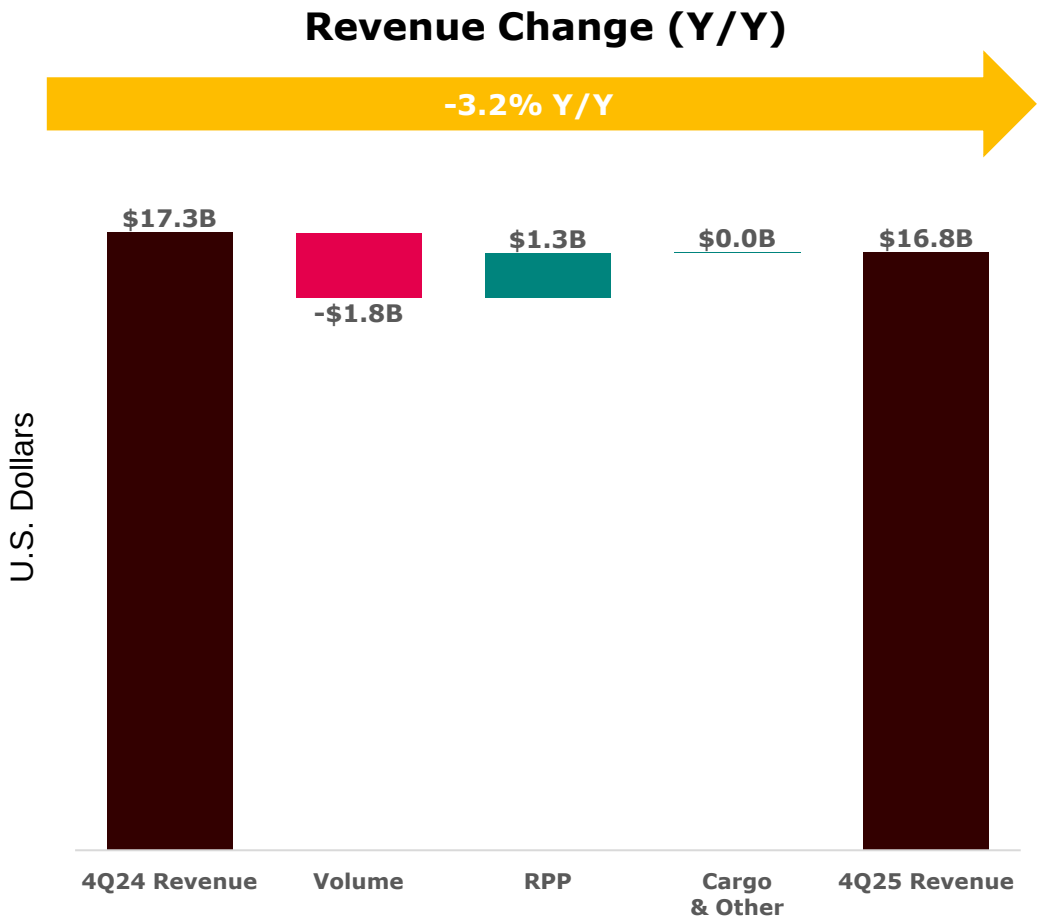
Strongest 4Q Revenue-per-piece Growth Rate in Four Years

U.S. Domestic generated revenue of $16.8B



Revenue per piece (RPP) increased 8.3% Y/Y:

- Base rates and package characteristics increased the RPP growth rate 340 basis points
- Customer and product mix improvements increased the RPP growth rate 320 basis points
- Fuel drove a 170 basis point increase in the RPP growth rate

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Expanded Non-GAAP Adj. Operating Margin* 10 Basis Points Y/Y

U.S. Domestic Results

	4Q25	4Q24	Change Y/Y
Revenue	$16.8B	$17.3B	-3.2%
Non-GAAP Adj. Operating Profit*	$1.7B	$1.8B	-2.7%
Non-GAAP Adj. Operating Margin*	10.2%	10.1%	+10 bps

- Non-GAAP adj. operating expense* declined 3.3% Y/Y, driven by actions to remove hours and align operational positions with volume
- Non-GAAP adj. cost per piece* up 8.9% Y/Y, primarily due to costs associated with insourcing Ground Saver and additional costs to secure air capacity after we grounded our MD-11 fleet
- Non-GAAP adj. operating margin* of 10.2%

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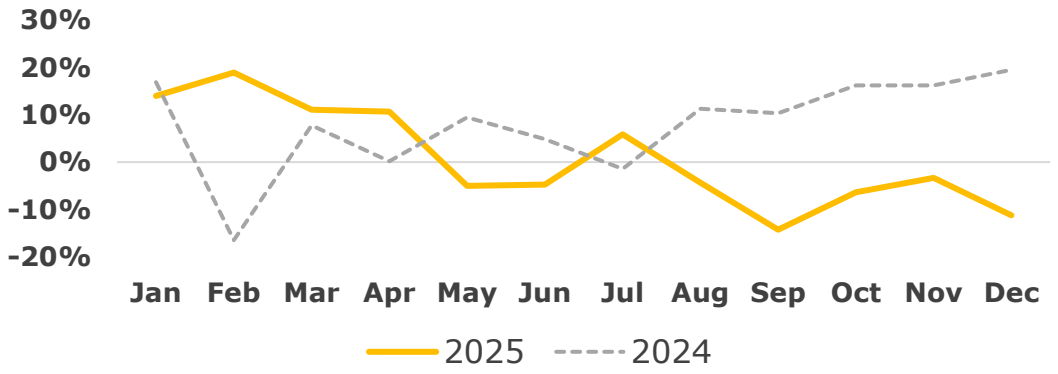
Delivered Strong Top-line Growth, Driven by Revenue Quality in All Regions

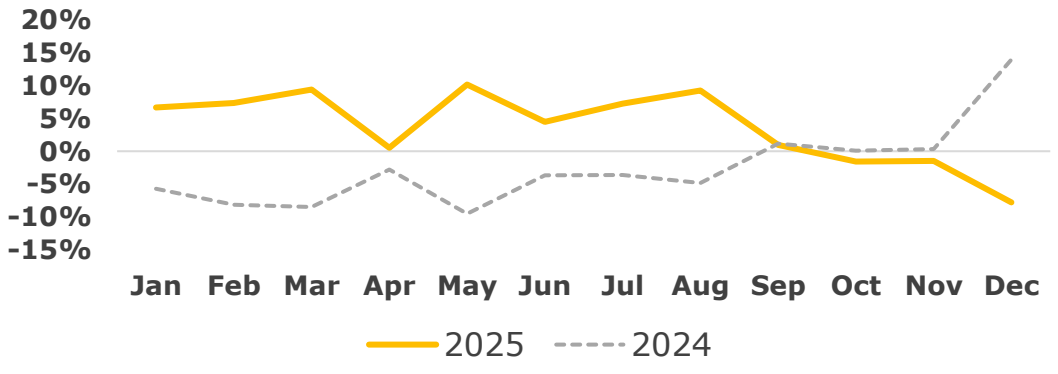
Total International ADV down 4.7% Y/Y

Total Asia* Monthly ADV (Y/Y)



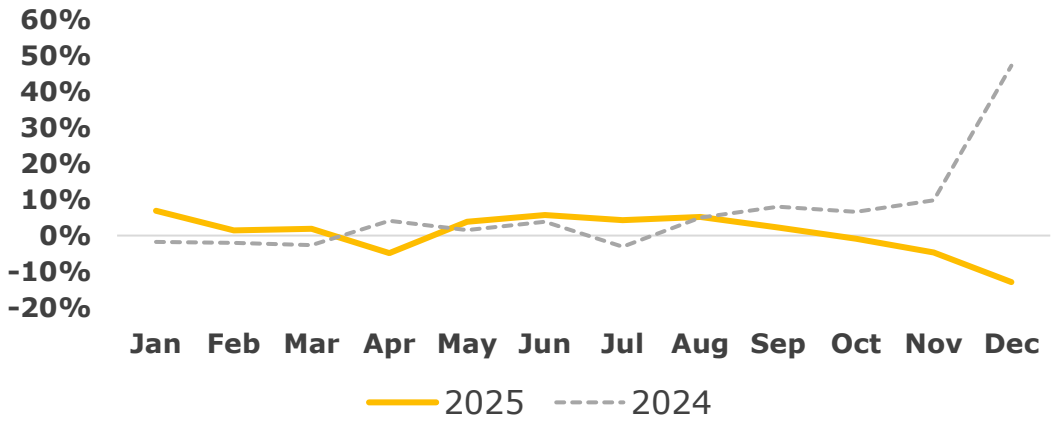
*Lunar New Year was in February of 2024 and in January of 2025; Asia recast to include India

Total Europe** Monthly ADV (Y/Y)

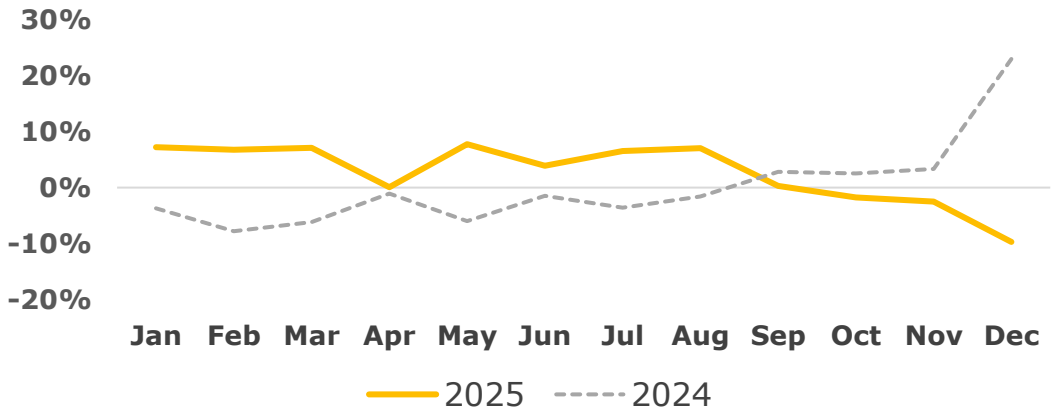


**Europe includes Middle East and Africa; Europe recast to exclude India

Total Americas Monthly ADV (Y/Y)



Total International Monthly ADV (Y/Y)



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Highest 4Q Revenue in Four Years

International Revenue of $5.0B, up 2.5% Y/Y

International Results

	4Q25	4Q24	Change Y/Y
Revenue	$5.0B	$4.9B	2.5%
Non-GAAP Adj. Operating Profit*	$908M	$1.1B	-14.5%
Non-GAAP Adj. Operating Margin*	18.0%	21.6%	-360 bps

- Non-GAAP adj. operating profit* down $154M Y/Y, with more than half of the decline related to trade policy changes resulting in a shift away from more profitable U.S. import lanes
- Non-GAAP adj. operating margin* of 18.0%

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

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Supply Chain Solutions Expanded Non-GAAP Adj. Operating Margin* 100 Basis Points Y/Y

Supply Chain Solutions Results

	4Q25	4Q24	Change Y/Y
Revenue	$2.7B	$3.1B	-12.7%
Non-GAAP Adj. Operating Profit*	$276M	$284M	-2.8%
Non-GAAP Adj. Operating Margin*	10.3%	9.3%	+100 bps

- Demand softness in Air and Ocean Forwarding resulted in lower market rates, which drove a decline in revenue Y/Y
- Logistics revenue was down Y/Y, driven by a decline in Mail Innovations, partially offset by revenue growth in Healthcare Logistics
- UPS Digital, including Roadie and Happy Returns, grew revenue 27% Y/Y
- Non-GAAP adj. operating margin* of 10.3%

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2025 Cash and Shareowner Returns

$8.5B

Cash from Operations

$3.7B

Capex

$5.4B

Dividends Paid

$1.0B

Share Repurchases

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Full Year 2025 Segment Results

	U.S. Domestic	International	Supply Chain Solutions
Non-GAAP Adj. Operating Profit*	$4.6B	$2.9B	$1.1B
Non-GAAP Adj. Operating Margin*	7.7%	15.8%	10.6%

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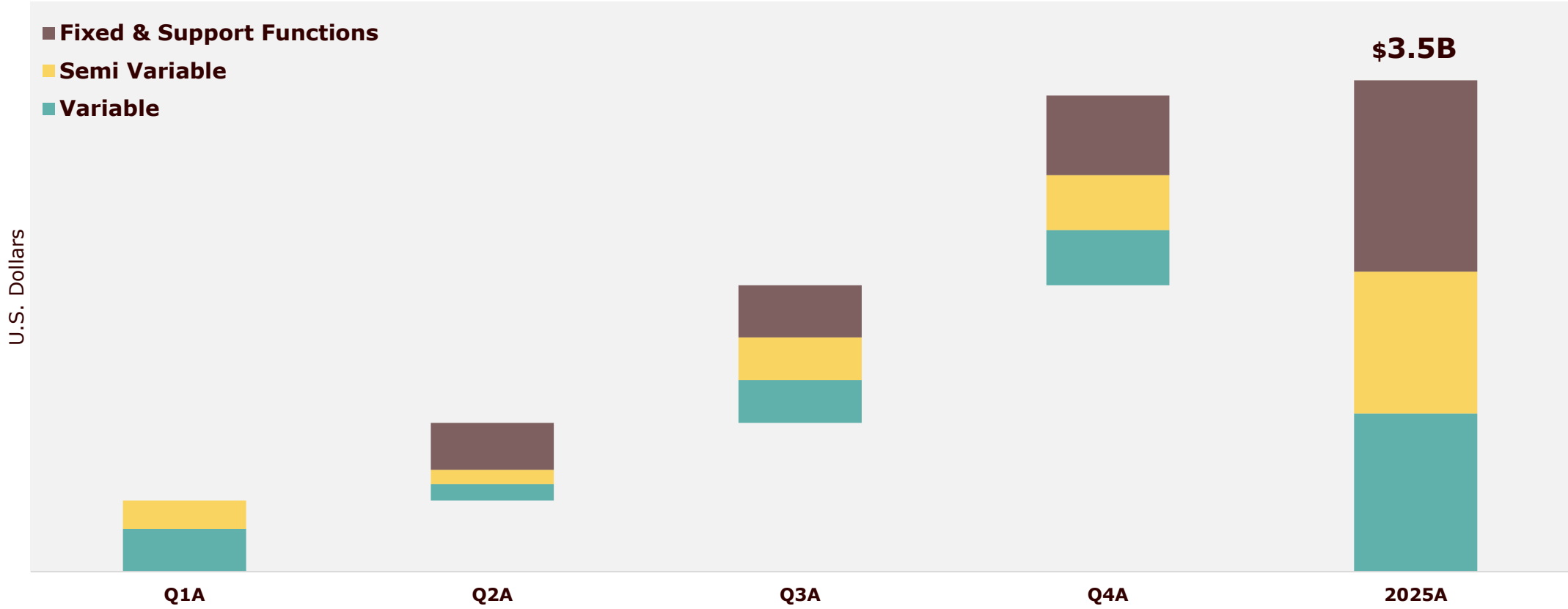
Delivered $3.5B in Savings From Our Network Reconfiguration and Efficiency Reimagined Initiatives



- Removed 26.9M labor hours
- Reduced 48K operational positions, including 15K seasonal positions
- Completed 195 operational closures, including 93 buildings

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Illustrative

Targeting $3.0B in Savings in 2026 Related to the Amazon Glidedown

Reduce operational hours by ~25 million

Variable Costs

Reduce operational positions by ~30,000

Semi-variable Costs

Close 24 buildings in 1H26; evaluating additional buildings to close in 2H26

Fixed Costs

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2026 Will Be the Inflection Point of the Execution of Our Strategy

2026 Consolidated Outlook

- Revenue of ~$89.7 billion
- Non-GAAP adj. operating margin* of ~9.6%
- Diluted earnings per share about flat to 2025
  - 2025 EPS included $0.30 benefit from certain sale-leaseback transactions

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

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U.S. Domestic Revenue and Cost Structure in 2H26 Will Be Meaningfully Different Than 1H26

1H26

Revenue
- Decline driven by Amazon

Non-GAAP adj. operating margin*
- Ground Saver transition
- Leased aircraft
- Cost-out timing
- Pending building closures
- Expect 1Q26 margin in the mid-single digits

2H26

Revenue
- Non-Amazon SMB and Enterprise growth

Non-GAAP adj. operating margin*
- Ground Saver transitioned
- Fewer leased aircraft
- -30K operational positions
- 24 buildings closed

FY 2026

- Expect approximately flat revenue and ADV down mid-single digits Y/Y
- RPP growth rate expected to be up mid-single digits Y/Y
- Non-GAAP adj. operating margin* expected to hold flat Y/Y

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Lapping Trade Policy Changes in 2H26

International

- Expect revenue growth in the low-single digits Y/Y, driven by a solid increase in revenue per piece
- Expect non-GAAP adj. operating margin* in the mid-teens
- 1Q26: expect revenue to be approximately flat Y/Y, due to changes in trade lanes and tough comps from the front running of tariff and de minimis changes in 2025

Supply Chain Solutions

- Expect revenue to be up high-single digits, which includes revenue from our Andlauer acquisition
- Expect non-GAAP adj. operating margin* in the low-double digits

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2026 Will Be the Inflection Point of the Execution of Our Strategy

2026 Consolidated Outlook

- Revenue of ~$89.7 billion
- Non-GAAP adj. operating margin* of ~9.6%
- Diluted earnings per share about flat to 2025
  - 2025 EPS included $0.30 benefit from certain sale lease back transactions
- Total below the line of ~$760M in expense
- Estimated tax rate ~23.0%
- Free cash flow* of ~$6.5B
- Capital expenditures of ~$3.0B
- Dividend payout of ~$5.4B

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Questions & Answers

Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

Reconciliation of GAAP and Non-GAAP Adjusted Financial Measures

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

Non-GAAP adjusted financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP. Our non-GAAP adjusted financial measures do not represent a comprehensive basis of accounting and therefore may not be comparable to similarly titled measures reported by other companies.

Forward-Looking Non-GAAP Adjusted Financial Metrics

From time to time when presenting forward-looking non-GAAP adjusted financial measures, we are unable to provide quantitative reconciliations to the most closely correlated GAAP measure due to the uncertainty in the timing, amount or nature of any adjustments, which could be material in any period.

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: 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. Costs associated with Transformation 2.0 consisted of compensation and benefit costs related to reductions in our workforce and fees paid to third-party consultants. The Transformation 2.0 initiative was completed in 2025.

Fit to Serve: 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. Costs associated with Fit to Serve consisted of benefit costs related to reductions in our workforce. The initiative was completed 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 will continue to lead to consolidations of our facilities 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. We reduced our operational workforce by approximately 48,000 positions, including 15,000 fewer seasonal positions, and closed daily operations at 93 leased and owned buildings during 2025 as a component of this initiative. We continue to review expected changes in volume in our integrated air and ground network to identify additional buildings for closure. From this initiative, we computed year over year cost savings of approximately $3.5 billion in 2025. These amounts are calculated on the year over year change in volume from our largest customer, taking into account the impact of certain additional volume we have elected to serve. As of December 31, 2025, we have incurred program costs to date of $544 million, including $509 million in 2025.

In connection with the *Network Reconfiguration and Efficiency Reimagined* programs described above, we expect savings of approximately $3 billion in 2026. We also expect to exclude expenses related to certain strategic initiatives, including separation programs, from non-GAAP adjusted expenses, although we cannot reasonably estimate those expenses at this time. These initiatives are expected to conclude by 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 business performance.

Goodwill and Asset Impairments

We exclude the impact of goodwill and certain asset impairment charges. We do not consider these charges when evaluating the operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards.

Gains and Losses Related to Divestitures

We 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.

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.

Expense for Regulatory Matter

We have excluded the impact in 2024 of an expense to settle a previously disclosed regulatory matter. We do not believe this was 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 in 2024 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.

Defined Benefit Pension and Postretirement Medical Plan Gains and Losses

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

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.

Free Cash Flow

We calculate free cash flow as cash flows from operating activities less capital expenditures, proceeds from disposals of property, plant and equipment, and plus or minus the net changes in other investing activities. We believe free cash flow is an important indicator of how much cash is generated by our ongoing business operations and we use this as a measure of incremental cash available to invest in our business, meet our debt obligations and return cash to shareowners.

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Reconciliations

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

(amounts in millions)	Three Months Ended December 31, 2025	2024		2025	2024
Operating Profit (GAAP)	$ 2,575	$ 2,926	**Operating Margin (GAAP)**	10.5 %	11.6 %
Transformation Strategy Costs:			Transformation Strategy Costs:		
Transformation 2.0			*Transformation 2.0*		
Financial systems	11	13	*Financial systems*	0.1 %	0.1 %
Transformation 2.0 total	11	13	*Transformation 2.0 total*	0.1 %	0.1 %
Fit to Serve	—	47	*Fit to Serve*	— %	0.2 %
Network Reconfiguration and Efficiency Reimagined	122	35	*Network Reconfiguration and Efficiency Reimagined*	0.5 %	0.1 %
Total Transformation Strategy Costs	133	95	Total Transformation Strategy Costs	0.6 %	0.4 %
Goodwill and Asset Impairment Charges [1,2]	182	60	Goodwill and Asset Impairment Charges [1,2]	0.7 %	0.2 %
Multiemployer Pension Plan Withdrawal [3]	—	19	Multiemployer Pension Plan Withdrawal [3]	— %	0.1 %
Non-GAAP Adjusted Operating Profit	$ 2,890	$ 3,100	Non-GAAP Adjusted Operating Margin	11.8 %	12.3 %

[1] Reflects a pre-tax impairment charge of $182 million related to the retirement of the MD-11 aircraft fleet.
[2] Reflects pre-tax impairment charges of $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
[3] Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.

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Reconciliations

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

(amounts in millions)	Year Ended December 31, 2025	2024
Operating Profit (GAAP)	$ 7,867	$ 8,468
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	(18)	29
Financial systems	55	54
Transformation 2.0 total	37	83
Fit to Serve	47	204
Network Redesign and Efficiency Reimagined	509	35
Total Transformation Strategy Costs	593	322
Goodwill and Asset Impairment Charges [1,2]	182	108
Net Loss (Gain) on Divestiture [7,3]	19	(156)
One-Time Payment for Int'l Regulatory Matter [4]	—	88
Expense for Regulatory Matter [5]	—	45
Multiemployer Pension Plan Withdrawal [6]	—	19
Non-GAAP Adjusted Operating Profit	$ 8,661	$ 8,894

	2025	2024
Operating Margin (GAAP)	8.9 %	9.3 %
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	— %	— %
Financial systems	0.1 %	0.1 %
Transformation 2.0 total	0.1 %	0.1 %
Fit to Serve	0.1 %	0.3 %
Network Redesign and Efficiency Reimagined	0.6 %	— %
Total Transformation Strategy Costs	0.8 %	0.4 %
Goodwill and Asset Impairment Charges [1,2]	0.1 %	0.2 %
Net Loss (Gain) on Divestiture [7,3]	— %	(0.2)%
One-Time Payment for Int'l Regulatory Matter [4]	— %	0.1 %
Expense for Regulatory Matter [5]	— %	— %
Multiemployer Pension Plan Withdrawal [6]	— %	— %
Non-GAAP Adjusted Operating Margin	9.8 %	9.8 %

[1] Reflects pre-tax impairment charges of $182 million related to the retirement of the MD-11 aircraft fleet.
[2] Reflects pre-tax impairment charges of $41 million for acquired trade names, $7 million for software licenses and $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
[3] Represents a pre-tax gain of $156 million on the divestiture of our Coyote Logistics business within Supply Chain Solutions during 2024.
[4] Reflects a pre-tax one-time payment for an international regulatory matter of $88 million and related interest of $6 million.
[5] Reflects expense related to the settlement of a regulatory matter.
[6] Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.
[7] Reflects a pre-tax net loss of $19 million on the divestiture of a business within Supply Chain Solutions.

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Reconciliations

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

Three Months Ended December 31

(amounts in millions)	2025	2024
Other Income (Expense) (GAAP)	$ (203)	$ (799)
Pension Adjustment [4]	—	665
Non-GAAP Adjusted Other Income (Expense)	$ (203)	$ (134)

	2025	2024
Income Before Income Taxes (GAAP)	$ 2,372	$ 2,127
Transformation Strategy Costs:		
Transformation 2.0		
Financial systems	11	13
Transformation 2.0 total	11	13
Fit to Serve	—	47
Network Reconfiguration and Efficiency Reimagined	122	35
Total Transformation Strategy Costs	133	95
Goodwill and Asset Impairment Charges [1,2]	182	60
Multiemployer Pension Plan Withdrawal [3]	—	19
Pension Adjustment [4]	—	665
Non-GAAP Adjusted Income Before Income Taxes	$ 2,687	$ 2,966

[1] Reflects a pre-tax impairment charge of $182 million related to the retirement of the MD-11 aircraft fleet.
[2] Reflects pre-tax impairment charges of $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
[3] Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.
[4] Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

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

(amounts in millions)	Year Ended December 31, 2025	2024
Other Income (Expense) (GAAP)	$ (703)	$ (1,026)
Goodwill and Asset Impairment Charges [1]	19	—
One-Time Payment for Int'l Regulatory Matter [4]	—	6
Pension Adjustment [8]	—	665
Non-GAAP Adjusted Other Income (Expense)	$ (684)	$ (355)

	2025	2024
Income Before Income Taxes (GAAP)	$ 7,164	$ 7,442
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	(18)	29
Financial systems	55	54
Transformation 2.0 total	37	83
Fit to Serve	47	204
Network Redesign and Efficiency Reimagined	509	35
Total Transformation Strategy Costs	593	322
Goodwill and Asset Impairment Charges [1,2]	201	108
Net Loss (Gain) on Divestiture [2,3]	19	(156)
One-Time Payment for Int'l Regulatory Matter [4]	—	94
Expense for Regulatory Matter [5]	—	45
Multiemployer Pension Plan Withdrawal [6]	—	19
Pension Adjustment [8]	—	665
Non-GAAP Adjusted Income Before Income Taxes	$ 7,977	$ 8,539

[1] Reflects pre-tax impairment charges of $182 million related to the retirement of the MD-11 aircraft fleet and $19 million for the write-down of an equity investment in 2025.
[2] Reflects pre-tax impairment charges of $41 million for acquired trade names, $7 million for software licenses and $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
[3] Represents a pre-tax gain of $156 million on the divestiture of our Coyote Logistics business within Supply Chain Solutions during 2024.
[4] Reflects a pre-tax one-time payment for an international regulatory matter of $88 million and related interest of $6 million.
[5] Reflects expense related to the settlement of a regulatory matter.
[6] Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.
[7] Reflects a pre-tax net loss of $19 million on the divestiture of a business within Supply Chain Solutions.
[8] Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

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

(amounts in millions)	Three Months Ended December 31, 2025	2024
Income Tax Expense (GAAP)	$ 581	$ 406
Transformation Strategy Costs:		
Transformation 2.0		
Financial systems	3	3
Transformation 2.0 total	3	3
Fit to Serve	—	11
Network Reconfiguration and Efficiency Reimagined	29	8
Total Transformation Strategy Costs	32	22
Goodwill and Asset Impairment Charges [1,2]	45	14
Multiemployer Pension Plan Withdrawal [3]	—	5
Pension Adjustment [4]	—	159
Non-GAAP Adjusted Income Tax Expense	$ 658	$ 606

[1] Reflects a pre-tax impairment charge of $182 million related to the retirement of the MD-11 aircraft fleet.
[2] Reflects pre-tax impairment charges of $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
[3] Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.
[4] Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

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

	Year Ended December 31,	
(amounts in millions)	**2025**	**2024**
Income Tax Expense (GAAP)	$ 1,592	$ 1,660
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	(5)	7
Financial systems	14	13
Transformation 2.0 total	9	20
Fit to Serve	10	49
Network Redesign and Efficiency Reimagined	122	8
Total Transformation Strategy Costs	141	77
Goodwill and Asset Impairment Charges [1,2]	45	27
Net Loss (Gain) on Divestiture [7,3]	4	(4)
Multiemployer Pension Plan Withdrawal [6]	—	5
Pension Adjustment [8]	—	159
Reversal of Income Tax Valuation Allowance [9]	109	—
Non-GAAP Adjusted Income Tax Expense	$ 1,891	$ 1,924

[1] Reflects pre-tax impairment charges of $182 million related to the retirement of the MD-11 aircraft fleet and $19 million for the write-down of an equity investment in 2025.
[2] Reflects pre-tax impairment charges of $41 million for acquired trade names, $7 million for software licenses and $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
[3] Represents a pre-tax gain of $156 million on the divestiture of our Coyote Logistics business within Supply Chain Solutions during 2024.
[6] Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.
[7] Reflects a pre-tax net loss of $19 million on the divestiture of a business within Supply Chain Solutions.
[8] Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.
[9] Reflects the reversal of an income tax valuation allowance.

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Reconciliations

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

(amounts in millions)	Three Months Ended December 31, 2025	2024
Net Income (GAAP)	$ 1,791	$ 1,721
Transformation Strategy Costs:		
Transformation 2.0		
Financial systems	8	10
Transformation 2.0 total	8	10
Fit to Serve	—	36
Network Reconfiguration and Efficiency Reimagined	93	27
Total Transformation Strategy Costs	101	73
Goodwill and Asset Impairment Charges [1,2]	137	46
Multiemployer Pension Plan Withdrawal [3]	—	14
Pension Adjustment [4]	—	506
Non-GAAP Adjusted Net Income	$ 2,029	$ 2,360

	2025	2024
Diluted Earnings Per Share (GAAP)	$ 2.10	$ 2.01
Transformation Strategy Costs:		
Transformation 2.0		
Financial systems	0.01	0.01
Transformation 2.0 total	0.01	0.01
Fit to Serve	—	0.04
Network Reconfiguration and Efficiency Reimagined	0.11	0.03
Total Transformation Strategy Costs	0.12	0.08
Goodwill and Asset Impairment Charges [1,2]	0.16	0.05
Multiemployer Pension Plan Withdrawal [3]	—	0.02
Pension Adjustment [4]	—	0.59
Non-GAAP Adjusted Diluted Earnings Per Share	$ 2.38	$ 2.75

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[3] Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.
[4] Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

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Reconciliations

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

(amounts in millions)	Year Ended December 31, 2025	2024
Net Income (GAAP)	$ 5,572	$ 5,782
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	(13)	22
Financial systems	41	41
Transformation 2.0 total	28	63
Fit to Serve	37	155
Network Redesign and Efficiency Reimagined	387	27
Total Transformation Strategy Costs	452	245
Goodwill and Asset Impairment Charges [1,2]	156	81
Net Loss (Gain) on Divestiture [7,3]	15	(152)
One-Time Payment for Int'l Regulatory Matter [4]	0.00	94
Expense for Regulatory Matter [5]	0.00	45
Multiemployer Pension Plan Withdrawal [6]	—	14
Pension Adjustment [8]	—	506
Reversal of Income Tax Valuation Allowance [9]	(109)	—
Non-GAAP Adjusted Net Income	$ 6,086	$ 6,615

	2025	2024
Diluted Earnings Per Share (GAAP)	$ 6.56	$ 6.75
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	(0.02)	0.03
Financial systems	0.05	0.05
Transformation 2.0 total	0.03	0.08
Fit to Serve	0.04	0.18
Network Redesign and Efficiency Reimagined	0.46	0.03
Total Transformation Strategy Costs	0.53	0.29
Goodwill and Asset Impairment Charges [1,2]	0.18	0.09
Net Loss (Gain) on Divestiture [7,3]	0.02	(0.18)
One-Time Payment for Int'l Regulatory Matter [4]	—	0.11
Expense for Regulatory Matter [5]	—	0.05
Multiemployer Pension Plan Withdrawal [6]	—	0.02
Pension Adjustment [8]	—	0.59
Reversal of Income Tax Valuation Allowance [9]	(0.13)	—
Non-GAAP Adjusted Diluted Earnings Per Share	$ 7.16	$ 7.72

[1] Reflects pre-tax impairment charges of $182 million related to the retirement of the MD-11 aircraft fleet and $19 million for the write-down of an equity investment in 2025.
[2] Reflects pre-tax impairment charges of $41 million for acquired trade names, $7 million for software licenses and $60 million for IT systems and other fixed assets within Supply Chain Solutions in 2024.
[3] Represents a pre-tax gain of $156 million on the divestiture of our Coyote Logistics business within Supply Chain Solutions during 2024.
[4] Reflects a pre-tax one-time payment for an international regulatory matter of $88 million and related interest of $6 million.
[5] Reflects expense related to the settlement of a regulatory matter.
[6] Reflects a pre-tax one-time charge of $19 million to withdraw from a multiemployer pension plan within the United States.
[7] Reflects a pre-tax net loss of $19 million on the divestiture of a business within Supply Chain Solutions.
[8] Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.
[9] Reflects the reversal of an income tax valuation allowance.

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Reconciliations

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

	Three Months Ended December 31,							
	2025	2024		2025	2024		2025	2024
U.S. Domestic Package	Operating Expenses		% Change	Operating Profit		% Change	Operating Margin	
GAAP	$ 15,328	$ 15,631	(1.9)%	$ 1,428	$ 1,681	(15.1)%	8.5 %	9.7 %
Adjusted for:								
Transformation Strategy Costs	(105)	(54)		105	54		0.7 %	0.3 %
Goodwill and Asset Impairment Charges	(173)	—		173	—		1.0 %	— %
Multiemployer Pension Plan Withdrawal	—	(19)		—	19		— %	0.1 %
Non-GAAP Adjusted Measure	$ 15,050	$ 15,558	(3.3)%	$ 1,706	$ 1,754	(2.7)%	10.2 %	10.1 %

	2025	2024		2025	2024		2025	2024
International Package	Operating Expenses		% Change	Operating Profit		% Change	Operating Margin	
GAAP	$ 4,161	$ 3,904	6.6 %	$ 884	$ 1,019	(13.2)%	17.5 %	20.7 %
Adjusted for:								
Transformation Strategy Costs	(15)	(43)		15	43		0.3 %	0.9 %
Goodwill and Asset Impairment Charges	(9)	—		9	—		0.2 %	— %
Non-GAAP Adjusted Measure	$ 4,137	$ 3,861	7.1 %	$ 908	$ 1,062	(14.5)%	18.0 %	21.6 %

	2025	2024		2025	2024		2025	2024
Supply Chain Solutions	Operating Expenses		% Change	Operating Profit		% Change	Operating Margin	
GAAP	$ 2,415	$ 2,840	(15.0)%	$ 263	$ 226	16.4 %	9.8 %	7.4 %
Adjusted for:								
Transformation Strategy Costs	(13)	2		13	(2)		0.5 %	(0.1)%
Goodwill and Asset Impairment Charges	—	(60)		—	60		— %	2.0 %
Non-GAAP Adjusted Measure	$ 2,402	$ 2,782	(13.7)%	$ 276	$ 284	(2.8)%	10.3 %	9.3 %

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Reconciliations

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

	Year Ended December 31,								
	2025	2024		2025	2024		2025	2024
U.S. Domestic Package	Operating Expenses		% Change	Operating Profit		% Change	Operating Margin	
GAAP	$ 55,593	$ 56,031	(0.8)%	$ 3,926	$ 4,345	(9.6)%	6.6 %	7.2 %
Adjusted for:								
Transformation Strategy Costs	(505)	(147)		505	147		0.8 %	0.3 %
Goodwill and Asset Impairment Charges	(173)	(5)		173	5		0.3 %	— %
Multiemployer Pension Plan Withdrawal	—	(19)		—	19		— %	— %
Non-GAAP Adjusted Measure	$ 54,915	$ 55,860	(1.7)%	$ 4,604	$ 4,516	1.9 %	7.7 %	7.5 %

	2025	2024		2025	2024		2025	2024
International Package	Operating Expenses		% Change	Operating Profit		% Change	Operating Margin	
GAAP	$ 15,703	$ 14,769	6.3 %	$ 2,873	$ 3,191	(10.0)%	15.5 %	17.8 %
Adjusted for:								
Transformation Strategy Costs	(53)	(79)		53	79		0.3 %	0.4 %
Goodwill and Asset Impairment Charges	(9)	(2)		9	2		— %	— %
One-Time International Regulatory Matter	—	(88)		—	88		— %	0.5 %
Non-GAAP Adjusted Measure	$ 15,641	$ 14,600	7.1 %	$ 2,935	$ 3,360	(12.6)%	15.8 %	18.7 %

	2025	2024		2025	2024		2025	2024
Supply Chain Solutions	Operating Expenses		% Change	Operating Profit		% Change	Operating Margin	
GAAP	$ 9,498	$ 11,802	(19.5)%	$ 1,068	$ 932	14.6 %	10.1 %	7.3 %
Adjusted for:								
Transformation Strategy Costs	(35)	(96)		35	96		0.3 %	0.8 %
Net (Loss) Gain on Divestiture	(19)	156		19	(156)		0.2 %	(1.2)%
Goodwill and Asset Impairment Charges	—	(101)		—	101		— %	0.7 %
Expense for Regulatory Matter	—	(45)		—	45		— %	0.4 %
Non-GAAP Adjusted Measure	$ 9,444	$ 11,716	(19.4)%	$ 1,122	$ 1,018	10.2 %	10.6 %	8.0 %

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Reconciliations

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

(amounts in millions):

	Year Ended December 31,	
	2025	**2024**
Cash flows from operating activities	$ 8,450	$ 10,122
Capital expenditures	(3,685)	(3,909)
Proceeds from disposals of property, plant and equipment	700	113
Other investing activities	5	(24)
Free Cash Flow (Non-GAAP measure)	$ 5,470	$ 6,302

Certain amounts are calculated based on unrounded numbers.

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Reconciliations

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

	Three Months Ended December 31,		
	2025	**2024**	**% Change**
Operating Days	62	62	
Average Daily U.S. Domestic Package Volume (in thousands)	19,970	22,382	
U.S. Domestic Package Cost Per Piece (GAAP)	$ 12.14	$ 11.00	10.4 %
Transformation Strategy Costs	(0.08)	(0.04)	
Goodwill and Asset Impairment Charges	(0.14)	—	
Multiemployer Pension Plan Withdrawal	—	(0.01)	
U.S. Domestic Package Non-GAAP Adjusted Cost Per Piece	$ 11.92	$ 10.95	8.9 %

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

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Reconciliations

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

	Year Ended December 31,		
	2025	**2024**	**% Change**
Operating Days	252	253	
Average Daily U.S. Domestic Package Volume (in thousands)	17,510	19,161	
U.S. Domestic Package Cost Per Piece (GAAP)	$ 12.35	$ 11.42	8.1 %
Transformation Strategy Costs	(0.11)	(0.04)	
Goodwill and Asset Impairment Charges	(0.04)	—	
Multiemployer Pension Plan Withdrawal	—	—	
U.S. Domestic Package Non-GAAP Adjusted Cost Per Piece	$ 12.20	$ 11.38	7.2 %

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

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