1Q25

Earnings Call

April 29, 2025

PJ GUIDO

Investor Relations Officer

UPS Speakers

CAROL B. TOMÉ
Chief Executive Officer

BRIAN DYKES
Chief Financial Officer

Forward-Looking Statements and Non-GAAP Reconciliations

Forward-Looking Statements

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

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

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties include, but are not limited to: changes in general economic conditions in the U.S. or internationally, including as a result of changes in the global trade policy and new or increased tariffs; 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.

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.

CAROL B. TOMÉ

Chief Executive Officer

Thank You UPSers

1Q25 Consolidated Results

In $ Millions (except per share)	**1Q25**	**1Q24**	**Change Y/Y**
Revenue	$21,546	$21,706	-0.7%
Non-GAAP Adj. Operating Profit*	$1,763	$1,747	0.9%
Non-GAAP Adj. Operating Margin*	8.2%	8.0%	20 bps
Non-GAAP Adj. Diluted EPS*	$1.49	$1.43	4.2%

"Consolidated operating profit, operating margin* and diluted EPS* were slightly ahead of our expectations… our U.S. Domestic segment increased operating profit* by $164M year over year and expanded operating margin* by 110 basis points."*

Carol B. Tomé, CEO

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

Executing to Become More Profitable, Agile and Differentiated

Accelerating glide down of Amazon volume

ADV decline expected to be on plan in 1H25

Network reconfiguration underway. 164 operational closures expected in 2025; closing 73 buildings by the end of June and reviewing opportunities for more

Insourced 100% of UPS SurePost final mile delivery

Replaced with UPS Ground Saver, providing customers with speed and reliability, and UPS with operational flexibility

Efficiency Reimagined expected to deliver ~$1B in savings

Improving the ways we do business

Expect benefits to accelerate beginning in 2Q25

Customer First, People Led, Innovation Driven

1Q25 Highlights

- Expanding healthcare capabilities with pending acquisition of **Andlauer Healthcare Group**
- SMBs made up 31.2% of total U.S. volume
- Global DAP revenue grew by 24.0% Y/Y
- Reintroduced **Ground with Freight Pricing** for shipments >150 lbs., offering parcel-like pricing for less-than-truckload shipments
- Launched **Global Checkout**, enabling our customers to display a guaranteed landed cost, including all duties, taxes and fees, to their customers during online checkout; powered by Artificial Intelligence and available in 43 origin countries

2025 Outlook

- Market uncertainty leading to wide range of possible outcomes
- Given today’s level of uncertainty, UPS is not providing any updates to our previously issued consolidated full-year outlook
- Guiding for 2Q25 based on April results and our expectations for the balance of the quarter

BRIAN DYKES

Chief Financial Officer

1Q25 Consolidated Results

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Non-GAAP Adj. Operating Margin*	8.2%	8.0%	20 bps
Non-GAAP Adj. Diluted EPS*	$1.49	$1.43	4.2%

"We are focusing on controlling what we can control and executing our strategy to improve the long-term profitability of our U.S. business, drive cash generation and deliver shareowner value."

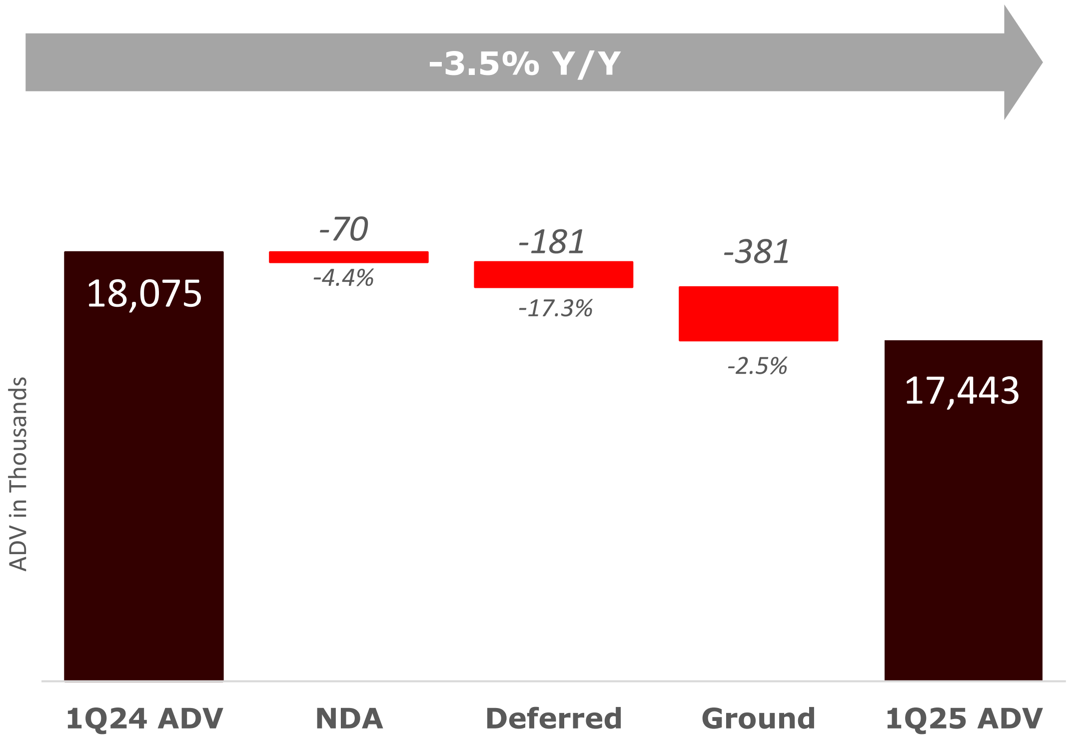
Brian Dykes, CFO

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

1Q Average Daily Volume Declined 3.5% Y/Y

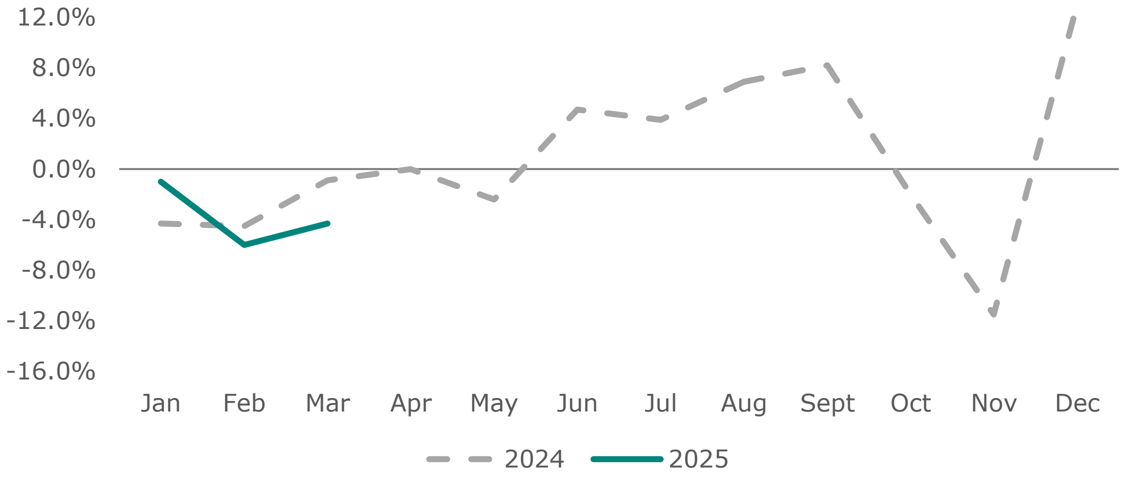
SMBs made up 31.2% of total U.S. volume, the highest concentration in 10 years

ADV Change (Y/Y)

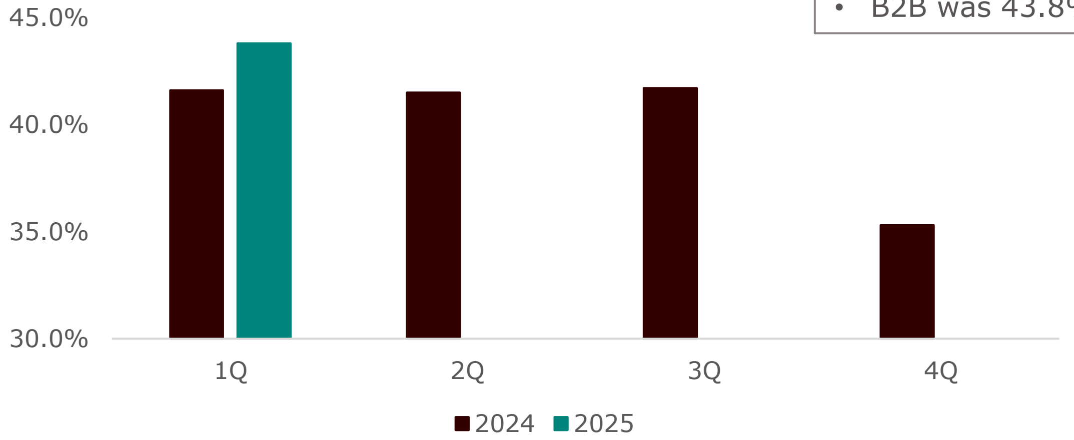


- Within Ground, Ground Saver (replaced SurePost) ADV declined 8.4%, primarily due to pricing actions taken to grow yield on e-commerce volume
- First ADV decline in this product in five quarters

Monthly ADV Growth (Y/Y)



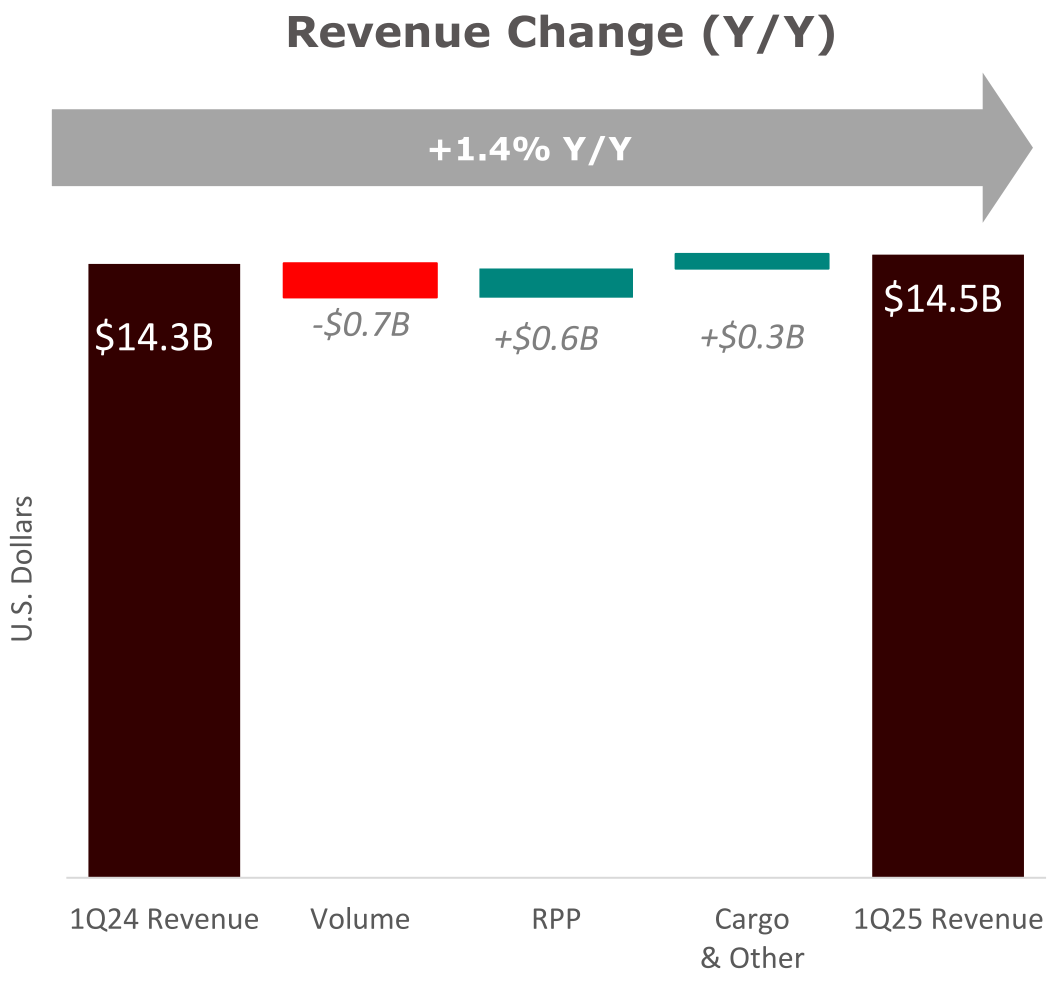
Quarterly B2B% of U.S. ADV Mix



1Q25
- B2B increased 1.5%
- B2B was 43.8% of ADV

1Q Revenue of $14.5B, Up 1.4% Y/Y

Revenue per piece Y/Y increase of 4.5%, strongest growth rate in eight quarters



- Revenue increased 1.4% Y/Y, driven by increases in air cargo
- Revenue per piece (RPP) improved 4.5% Y/Y, driven by:
  - Combination of base rates and package characteristics increased the RPP growth rate 240 basis points
  - Net impact of customer mix and product mix increased the RPP growth rate 170 basis points
  - Fuel drove a 40 basis point increase in the RPP growth rate

Delivered $1.0B in Non-GAAP Adj. Operating Profit* in 1Q

Non-GAAP adj. operating profit* increased 19.4%

U.S. Domestic Results

	1Q25	1Q24	Change Y/Y
Revenue	$14.5B	$14.3B	1.4%
Non-GAAP Adj. Operating Profit*	$1.0B	$0.8B	19.4%
Non-GAAP Adj. Operating Margin*	7.0%	5.9%	110 bps

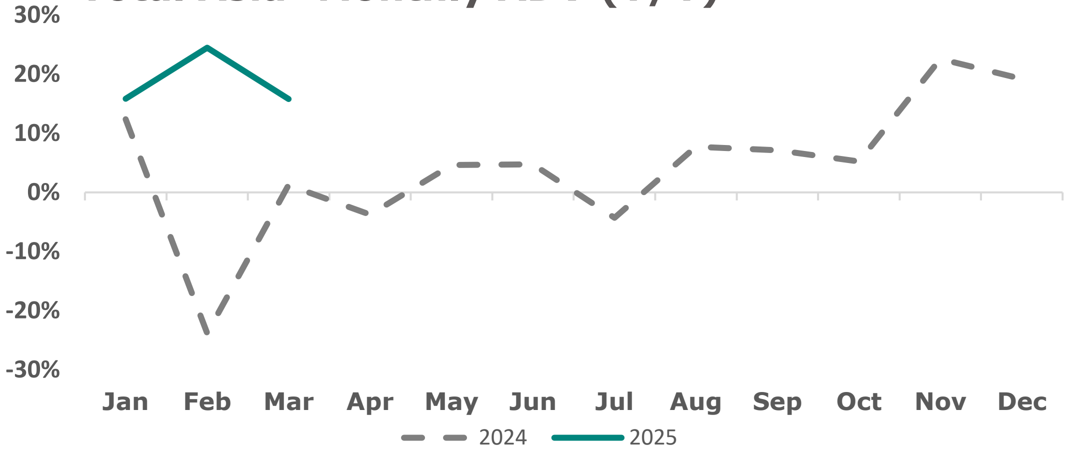
- Total non-GAAP adj. operating expense* up 0.2%
  - Reduced purchased transportation by insourcing 100% of Ground Saver volume for final mile delivery, partially offsetting the increase in delivery costs
  - Lowered small package block hours within our air network in response to changing volume levels
- Non-GAAP adj. cost-per-piece* increased 3.7%
- Non-GAAP adj. operating margin* of 7.0%, a Y/Y increase of 110 bps

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

1Q International Average Daily Volume Increased 7.1% Y/Y

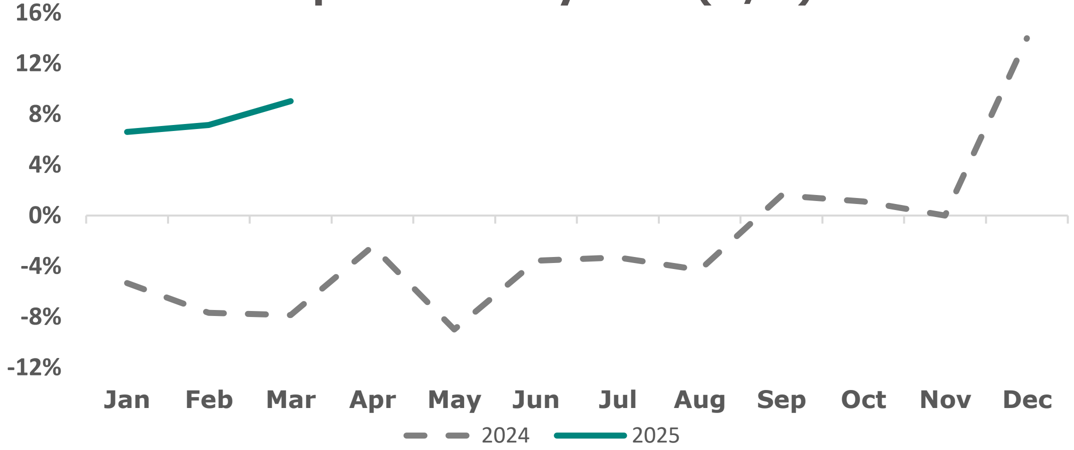
15 of our top 20 export countries demonstrated Y/Y export ADV growth

Total Asia* Monthly ADV (Y/Y)



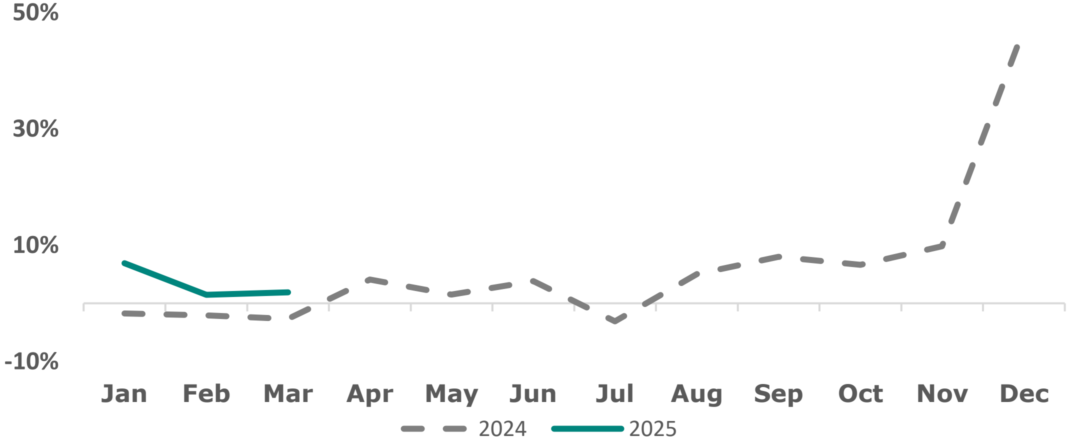
*Lunar New Year was in February of 2024 and in January of 2025

Total Europe** Monthly ADV (Y/Y)

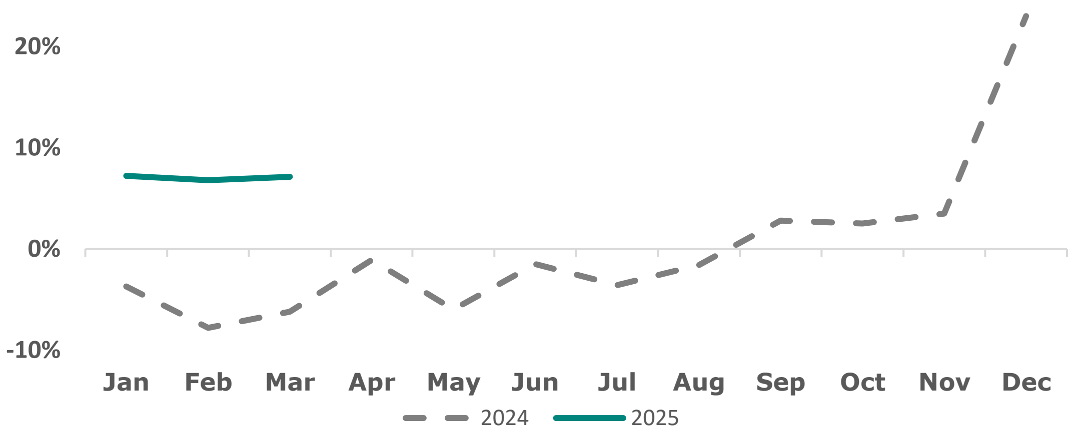


**Europe includes ISMEA (Indian Subcontinent, Middle East, and Africa)

Total Americas Monthly ADV (Y/Y)



Total International Monthly ADV (Y/Y)



Generated 1Q Non-GAAP Adj. Operating Profit* of $0.7B

Revenue of $4.4B, up 2.7% Y/Y

International Results

	1Q25	1Q24	Change Y/Y
Revenue	$4.4B	$4.3B	2.7%
Non-GAAP Adj. Operating Profit*	$0.7B	$0.7B	-4.1%
Non-GAAP Adj. Operating Margin*	15.0%	16.0%	-100 bps

- Non-GAAP adj. operating profit* down -4.1% Y/Y, driven by mix shift to more economy services in Europe, lower demand related surcharges and investments to expand weekend service in Europe
- Non-GAAP adj. operating margin* of 15.0%

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

Revenue of $2.7B, Down $471M Y/Y

Revenue impacted by $563M reduction in revenue from Coyote Y/Y

Supply Chain Solutions Results

	1Q25	1Q24	Change Y/Y
Revenue	$2.7B	$3.2B	-14.8%
Non-GAAP Adj. Operating Profit*	$98M	$218M	-55.0%
Non-GAAP Adj. Operating Margin*	3.6%	6.8%	-320 bps

- Within SCS:
  - Air and Ocean Forwarding revenue was flat Y/Y. Air Freight revenue was slightly lower Y/Y, and was more than offset by higher market rates in Ocean
  - Core Logistics revenue grew 5.1%
  - UPS Digital, including Roadie and Happy Returns, grew revenue 32.5% Y/Y

- Non-GAAP adj. operating margin* of 3.6%, a decline of 320 basis points Y/Y, primarily driven by cost pressure in Mail Innovations

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

1Q25 Cash Flow and Capital Allocation

Cash From Operations	Free Cash Flow*	Dividends Paid	Share Repurchases
$2.3B	$1.5B	$1.3B	$1.0B
			Completed 2025 share repurchase target

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

$3.5 Billion in Cost Reductions Planned in 2025

Undertaking largest network reconfiguration in our history to enable U.S. Domestic operating margin expansion and increase profitability

Reduce total operational hours by ~25 million hours

~35% of savings from reductions in variable costs

Reduce operational positions by ~20,000

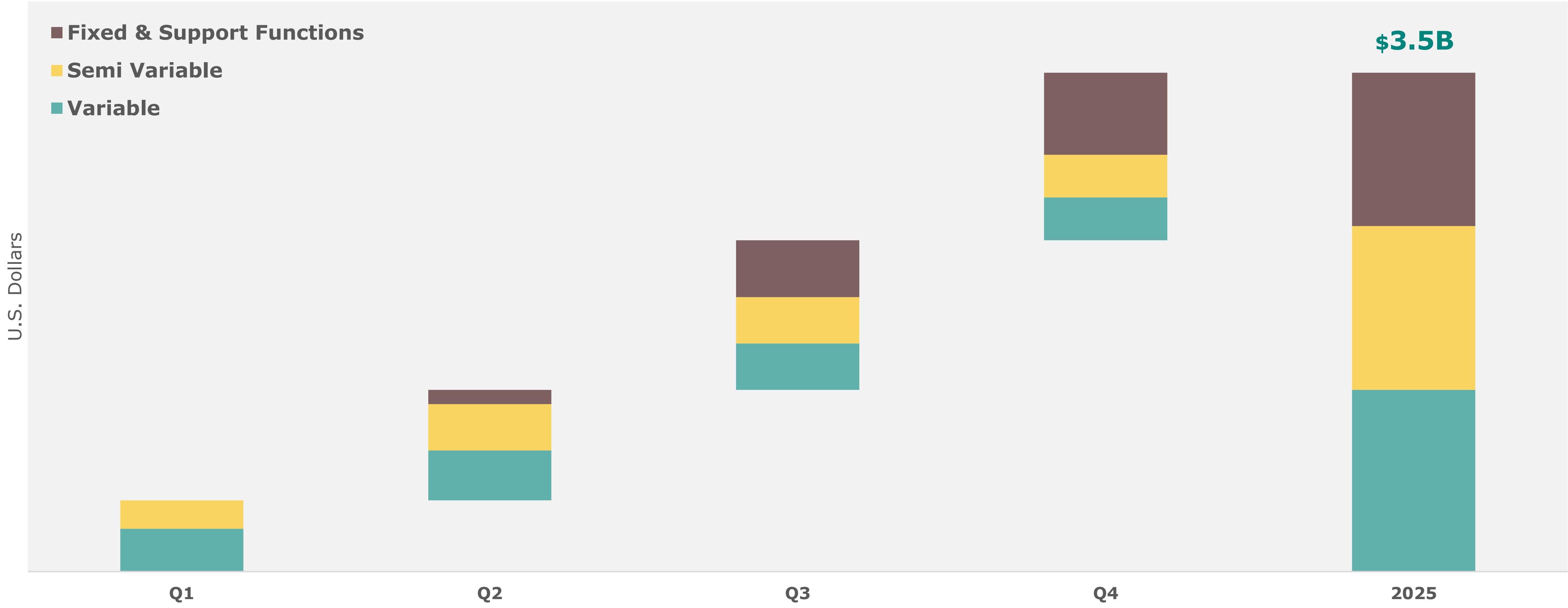
~35% of savings from reductions in semi-variable costs

Phase 1: 164 operational closures with 73 buildings closing by the end of June

~30% of savings from reductions in support functions and fixed costs

Savings Accelerate Through the Year to Deliver $3.5B Cost Reduction

Aligned with Amazon volume reductions



Expected Amazon ADV Decline	*~16%*	*~16%*	*~30%*	*~30%*	*~25%*

Illustrative

2025 Guidance

UPS is not providing any updates to previously issued full-year consolidated outlook until there is more certainty in the macro environment

2Q25 Assumptions

- *International: factored in announced tariffs and changes to de minimis exemptions*
- *Expect the weakening demand on the China-to-U.S. lane to be partially offset by two factors:*
  - *Growth on China to non-U.S. lanes*
  - *Growth from the rest of the world inbound to the U.S.*
- *U.S. Domestic: updated revenue (volume and mix) to reflect the current levels of consumer demand*
- *SCS: Implementing changes with how we process volume in our Mail Innovations business*

2Q25 Outlook

- Consolidated
  - Revenue of ~$21.0 billion
  - Non-GAAP adj. operating margin* of ~9.3%
  - Below the line ~$160 million in expense
  - Estimated tax rate 23% - 23.5%
- U.S. Domestic
  - ADV down ~9.0% Y/Y and revenue to be down low-single digits Y/Y
    Expand non-GAAP adj. operating margin* ~30 basis points Y/Y
- International
  - Revenue to be down ~2.0% Y/Y
  - Non-GAAP adj. operating margin* in the mid-teens, due to lower demand-related surcharges and trade uncertainty
- Supply Chain Solutions
  - Revenue to decline ~$500M, due to the reduction in revenue associated with Coyote Y/Y
  - Non-GAAP adj. operating margin* is anticipated to be high-single digits

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

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 metrics, we are unable to provide quantitative reconciliations to the most closely correlated GAAP measure due to the uncertainty in the timing, amount or nature of any adjustments, which could be material in any period.

Expense for Regulatory Matter

We supplement our presentation with non-GAAP measures that exclude the impact of an expense to settle a regulatory matter that we consider to be unrelated to our ongoing operations and that we do not expect to recur.

Transformation Strategy Costs

We supplement our presentation with non-GAAP measures that 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, *Network Reconfiguration and Efficiency Reimagined* programs.

Various circumstances from time to time have precipitated these initiatives, including identification and prioritization of investments as a result of executive leadership changes, developments and changes in competitive landscapes, inflationary pressures, consumer behaviors, and other factors including post-COVID normalization and volume diversions attributed to our 2023 labor negotiations.

Our transformation strategy has included 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 have primarily consisted of compensation and benefit costs related to reductions in our workforce and fees paid to third-party consultants. We expect any remaining costs to be incurred during 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. 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 anticipation of lower volumes from our largest customer, we began our *Network Reconfiguration*, which is an expansion of Network of the Future and will 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 expect to reduce our operational workforce by approximately 20,000 positions during 2025 and close 73 leased and owned buildings by the end of June 2025. We are continuing to review our network and may identify additional buildings for closure. As of March 31, 2025, we continue to evaluate the impact of expected changes in volume on our air network. We anticipate $3.5 billion of total cost savings will be delivered from *Network Reconfiguration and Efficiency Reimagined in 2025*.

In connection with the *Network Reconfiguration and Efficiency Reimagined* programs described above, we expect to record between $400 and $600 million in expense during 2025, related to early asset retirements, lease related costs, third-party consulting fees and employee separation benefits. We expect the costs associated with these actions may increase should we determine to close additional buildings. It is our intention to sell the property and equipment associated with closed facilities; however, as of the date hereof, we have not yet formalized plans of sale. In addition, we believe that workforce reductions may require a remeasurement of defined benefit plan benefit obligations and assets during 2025. We are not yet able to estimate the timing or potential impact of such an event. During the first quarter of 2025, we realized benefits of approximately $80 million and incurred related costs of $23 million from this program. These initiatives are expected to end 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 business performance.

Goodwill and Asset Impairments

We supplement our presentation with non-GAAP measures that exclude the impact of goodwill and asset impairment charges, including impairments of long-lived assets and equity method investments. 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.

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. We now expect a portion of these capital losses to be realized in future periods. We supplement our presentation with non-GAAP measures that exclude the impact of subsequent changes in 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.

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.

Reconciliations

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

Three Months Ended March 31,

(amounts in millions)	2025	2024
Operating Profit (GAAP)	$ 1,666	$ 1,613
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	—	5
Financial systems	16	16
Transformation 2.0 total	16	21
Fit to Serve	19	25
Network Reconfiguration and Efficiency Reimagined	23	—
Total Transformation Strategy Costs	58	46
Goodwill and Asset Impairment Charges (1) (2)	39	48
Expense for Regulatory Matter (3)	—	40
Non-GAAP Adjusted Operating Profit	$ 1,763	$ 1,747

	2025	2024
Operating Margin (GAAP)	7.7 %	7.4 %
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 %	0.1 %
Network Reconfiguration and Efficiency Reimagined	0.1 %	— %
Total Transformation Strategy Costs	0.3 %	0.2 %
Goodwill and Asset Impairment Charges (1) (2)	0.2 %	0.2 %
Expense for Regulatory Matter (3)	— %	0.2 %
Non-GAAP Adjusted Operating Margin	8.2 %	8.0 %

(1) Reflects impairment charges for long-lived assets for a business within Supply Chain Solutions in 2025.
(2) Reflects impairment charges of $41 million for acquired trade names within Supply Chain Solutions and $7 million for software licenses in 2024.
(3) Reflects expense related to the settlement of a regulatory matter.

Certain prior year amounts have been reclassified to conform to the current year presentation, including the recast of air cargo results to U.S. Domestic, with no change to consolidated results. Certain amounts are calculated based on unrounded numbers.

Reconciliations

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

	Three Months Ended March 31	
(amounts in millions)	**2025**	**2024**
Other Income (Expense) (GAAP)	$ (143)	$ (77)
Goodwill and Asset Impairment Charges [1]	19	—
Non-GAAP Adjusted Other Income (Expense)	$ (124)	$ (77)

(1) Reflects the write-down of an equity method investment in 2025.

Certain prior year amounts have been reclassified to conform to the current year presentation, including the recast of air cargo results to U.S. Domestic, with no change to consolidated results. Certain amounts are calculated based on unrounded numbers.

Reconciliations

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

(amounts in millions)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Income Tax Expense (GAAP)	$ 336	$ 423
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	—	1
Financial systems	4	4
Transformation 2.0 total	4	5
Fit to Serve	4	6
Network Reconfiguration and Efficiency Reimagined	6	—
Total Transformation Strategy Costs	14	11
Goodwill and Asset Impairment Charges (1) (2)	9	13
Reversal of Income Tax Valuation Allowance (3)	10	—
Non-GAAP Adjusted Income Tax Expense	$ 369	$ 447

(1) Reflects the related tax effect of impairment charges for long-lived assets within Supply Chain Solutions in 2025.

(2) Reflects the related tax effect of impairment charges of $41 million for acquired trade names within Supply Chain Solutions and $7 million for software licenses in 2024.

(3) Reflects the partial reversal of an income tax valuation allowance.

Certain prior year amounts have been reclassified to conform to the current year presentation, including the recast of air cargo results to U.S. Domestic, with no change to consolidated results. Certain amounts are calculated based on unrounded numbers.

Reconciliations

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

Three Months Ended
March 31,

(amounts in millions)	2025	2024
Net Income (GAAP)	$ 1,187	$ 1,113
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	—	4
Financial systems	12	12
Transformation 2.0 total	12	16
Fit to Serve	15	19
Network Reconfiguration and Efficiency Reimagined	17	—
Total Transformation Strategy Costs	44	35
Goodwill and Asset Impairment Charges (1) (2)	49	35
Expense for Regulatory Matter (3)	—	40
Reversal of Income Tax Valuation Allowance (4)	(10)	—
Non-GAAP Adjusted Net Income	$ 1,270	$ 1,223

	2025	2024
Diluted Earnings Per Share (GAAP)	$ 1.40	$ 1.30
Transformation Strategy Costs:		
Transformation 2.0		
Business portfolio review	—	—
Financial systems	0.01	0.01
Transformation 2.0 total	0.01	0.01
Fit to Serve	0.02	0.03
Network Reconfiguration and Efficiency Reimagined	0.02	—
Total Transformation Strategy Costs	0.05	0.04
Goodwill and Asset Impairment Charges (1) (2)	0.05	0.04
Expense for Regulatory Matter (3)	—	0.05
Reversal of Income Tax Valuation Allowance (4)	(0.01)	—
Non-GAAP Adjusted Diluted Earnings Per Share	$ 1.49	$ 1.43

(1) Reflects impairment charges and related tax effect for long-lived assets within Supply Chain Solutions as well the write-down of an equity method investment in 2025.

(2) Reflects impairment charges and related tax effect for acquired trade names within Supply Chain Solutions and software licenses in 2024.

(3) Reflects expense related to the settlement of a regulatory matter.

(4) Reflects the partial reversal of an income tax valuation allowance.

Certain prior year amounts have been reclassified to conform to the current year presentation, including the recast of air cargo results to U.S. Domestic, with no change to consolidated results. Certain amounts are calculated based on unrounded numbers.

Reconciliations

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

Three Months Ended
March 31,

U.S. Domestic Package	2025 Operating Expenses	2024 Operating Expenses	% Change	2025 Operating Profit	2024 Operating Profit	% Change	2025 Operating Margin	2024 Operating Margin
GAAP	$ 13,481	$ 13,433	0.4 %	$ 979	$ 833	17.5 %	6.8 %	5.8 %
Adjusted for:								
Transformation Strategy Costs	(32)	(9)		32	9		0.2 %	0.1 %
Goodwill and Asset Impairment Charges	—	(5)		—	5		— %	— %
Non-GAAP Adjusted Measure	$ 13,449	$ 13,419	0.2 %	$ 1,011	$ 847	19.4 %	7.0 %	5.9 %

International Package	2025 Operating Expenses	2024 Operating Expenses	% Change	2025 Operating Profit	2024 Operating Profit	% Change	2025 Operating Margin	2024 Operating Margin
GAAP	$ 3,732	$ 3,600	3.7 %	$ 641	$ 656	(2.3)%	14.7 %	15.4 %
Adjusted for:								
Transformation Strategy Costs	(13)	(24)		13	24		0.3 %	0.6 %
Goodwill and Asset Impairment Charges	—	(2)		—	2		— %	— %
Non-GAAP Adjusted Measure	$ 3,719	$ 3,574	4.1 %	$ 654	$ 682	(4.1)%	15.0 %	16.0 %

Supply Chain Solutions	2025 Operating Expenses	2024 Operating Expenses	% Change	2025 Operating Profit	2024 Operating Profit	% Change	2025 Operating Margin	2024 Operating Margin
GAAP	$ 2,667	$ 3,060	(12.8)%	$ 46	$ 124	(62.9)%	1.7 %	3.9 %
Adjusted for:								
Transformation Strategy Costs	(13)	(13)		13	13		0.5 %	0.3 %
Goodwill and Asset Impairment Charges	(39)	(41)		39	41		1.4 %	1.3 %
Expense for Regulatory Matter	—	(40)		—	40		— %	1.3 %
Non-GAAP Adjusted Measure	$ 2,615	$ 2,966	(11.8)%	$ 98	$ 218	(55.0)%	3.6 %	6.8 %

Certain prior year amounts have been reclassified to conform to the current year presentation, including the recast of air cargo results to U.S. Domestic, with no change to consolidated results. Certain amounts are calculated based on unrounded numbers.

Reconciliations

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

(amounts in millions):	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Cash flows from operating activities	$ 2,318	$ 3,316
Capital expenditures	(876)	(1,035)
Proceeds from disposals of property, plant and equipment	65	13
Other investing activities	(20)	(14)
Free Cash Flow (Non-GAAP measure)	$ 1,487	$ 2,280

Prior year amounts may have been reclassified to conform to the current year presentation. Certain amounts are calculated based on unrounded numbers.