UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 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	**58-2480149**
(State or Other Jurisdiction of Incorporation or Organization)	***(I.R.S. Employer Identification No.)***
55 Glenlake Parkway, N.E Atlanta, Georgia	**30328**
(Address of Principal Executive Offices)	***(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% Senior Notes due 2028	UPS28	New York Stock Exchange
1.500% Senior Notes due 2032	UPS32	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Class A common stock, par value $0.01 per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 x 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 (Section 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 x 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 definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company	☐	Emerging growth company	☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. x

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the class B common stock held by non-affiliates of the registrant was $74,239,665,022 as of June 30, 2025. The registrant's class A common stock is not listed on a national securities exchange or traded in an organized over-the-counter market, but each share of the registrant's class A common stock is convertible into one share of the registrant's class B common stock.

As of February 2, 2026, there were 105,245,883 outstanding shares of class A common stock and 743,855,831 outstanding shares of class B common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its annual meeting of shareowners scheduled for May 7, 2026 are incorporated by reference into Part III of this report.

UNITED PARCEL SERVICE, INC.
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

PART I

Introductory Note

In this Annual Report on Form 10-K ("Annual Report" and "this report"), the "Company," "we," "us" and "our" refer to United Parcel Service, Inc. ("UPS"). With regard to the Company's segments, "we," "us" and "our" may also refer to the segment being discussed.

Unless the context indicates otherwise, whenever we refer in this Annual Report to a particular year, we mean our calendar year ended or ending December 31.

Cautionary Statement About Forward-Looking Statements

This report and our other filings with the Securities and Exchange Commission ("SEC") 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, those described in Part I, "Item 1A. Risk Factors" and elsewhere in this report and may also be described from time to time in our future reports filed with the SEC. 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. *Business*

Overview

UPS, founded in 1907, is a global package delivery and logistics provider. We offer a broad range of industry-leading products and services through our extensive global presence, serving over 200 countries and territories. Our services include transportation and delivery through our integrated air and ground network, distribution, contract logistics, ocean freight, airfreight, customs brokerage and insurance. In 2025, we delivered an average of 20.8 million packages per day, totaling 5.2 billion packages during the year. Total revenue in 2025 was $88.7 billion.

Strategy

We are continuing to execute our *Customer First, People Led, Innovation Driven* strategy, which focuses on growing in the parts of our market that value our end-to-end solutions, including healthcare, business-to-business ("B2B"), small- and medium-sized businesses ("SMBs"), and international.

Customer First is about reducing friction in the customer experience by anticipating and solving for customers' needs. We are focused on providing differentiated value through our capabilities and service. We strive to enable our customers to better compete and succeed by taking complexity out of their business and delivering what they tell us matters to them the most: speed, ease and service reliability.

People Led focuses on our employee experience and how likely an employee is to recommend UPS employment to a friend or family member. We know successful outcomes are built from a strong culture and sense of partnership. We believe that when we take care of our people, they will take care of our customers.

Innovation Driven is our focus on leveraging technology to optimize the volume that flows through our network. We continually seek to improve the productivity and efficiency of our global integrated network by using technology to move from a scanning to a sensing network, including using RFID technology in our *Smart Package Smart Facilities initiative*.

In 2025, we took several steps in furtherance of this strategy, including continuing to deliberately shift our business to increase our focus on higher yielding volume, which allowed us to increase SMB penetration to over 30% of total U.S. volume from 2024. We also completed the acquisitions of Frigo-Trans and Biotech & Pharma Logistics ("Frigo-Trans") and Andlauer Healthcare Group ("AHG"), further expanding our healthcare cold chain capabilities. In 2025, our global healthcare portfolio generated more than $11 billion in revenue, furthering our progress towards our goal to become the number one complex healthcare logistics provider in the world. Additionally, we extended our RFID labeling solution to 5,500 UPS store locations and completed the installation of RFID readers across U.S. package cars. This label technology allows customers to generate shipping labels with embedded RFID, streamlining processes and improving tracking capabilities. Furthermore, in December 2025, we entered into an agreement with the United States Postal Service ("USPS") to support final-mile delivery for a portion of our Ground Saver and Mail Innovations volumes starting in 2026. This agreement is expected to allow us to more cost efficiently serve our customers across these offerings while maintaining our industry-leading service levels.

Competitive Strengths

Our competitive strengths include:

Global Smart Logistics Network. We believe that our integrated global air and ground network is the broadest in the industry. We provide all types of package services (air, ground, domestic, international, commercial and residential) through a single pickup and delivery network that is configured to meet customers' needs. Our sophisticated systems, including our RFID-enabled *Smart Package Smart Facility* technology, enable us to optimize network efficiency asset utilization, and to enhance end-to-end visibility.

Global Presence. We serve more than 200 countries and territories. We have a significant presence in all major economies, allowing us to effectively and efficiently operate globally.

Cutting-Edge Technologies. We develop technologies that help customers enhance their shipping and logistics business processes, lowering costs, improving service and increasing efficiency. We leverage advanced and emerging technologies, including artificial intelligence ("AI"), and offer a variety of digital tools and capabilities that enable customers to integrate UPS functionality into their distribution channels. Our digital and automated tools support shipment creation, tracking and data management, and enable data-analysis automation, automated agents, personalization and customized pricing.

Service. We consistently deliver industry-leading service, through engineering and operational excellence, particularly during peak times when our customers need reliability the most.

Broad Service Portfolio. Our service portfolio offers customers of all sizes services to meet their logistics needs. Increasingly, our customers benefit from UPS services beyond package delivery. We continue to invest in specialized services like cold chain and thermal monitoring technologies, which we believe allow us to better serve our healthcare customers.

Customer Relationships. We seek to build and maintain long-term customer relationships. As customer needs evolve, UPS continues to develop value-added services beyond package delivery. Connecting our small package, supply chain, digital and on-demand services across our customer base is important to customer retention and growth.

Brand Equity. Our leading and trusted brand stands for service quality, reliability and innovation. Our vehicles and the professional courtesy of our drivers are major contributors to our brand equity.

Distinctive Culture. Our strong, purpose-driven culture fosters trust, partnership and empowerment among our dedicated employees. We encourage our people to bring their unique perspectives, background, talents and skills to work every day.

Financial Strength. Our financial strength enables us to pursue strategic growth opportunities. This includes investing in digital technology, acquisitions, equipment, facilities and employee development to generate value for shareholders. Our strong credit rating provides additional flexibility in running the business.

Products and Services; Reporting Segments

We have two reporting segments: U.S. Domestic Package and International Package. Our remaining businesses are reported as Supply Chain Solutions ("SCS"). U.S. Domestic Package and International Package are together referred to as our global small package operations.

Global Small Package

Our global small package operations provide time-definite delivery services for express letters, documents, packages and palletized freight via air and ground services. These services are supported by numerous shipping, visibility and billing technologies including our Digital Access Program ("DAP"), which embeds our shipping solutions directly into leading e-commerce platforms, enabling us to reach SMBs and e-commerce markets more broadly.

All packages flow through our single, global network, unless dictated by specific service commitments. This enables efficiently scheduled pick ups for any service level. Our network provides unique operational and capital efficiencies and has a smaller environmental impact than single service network designs.

We offer same-day pickup of air and ground packages seven days a week through a broad variety of network access points including, UPS Access Points, The UPS Stores and UPS drop boxes. UPS drivers can also directly accept packages.

We offer returns services in approximately 150 countries, addressing customers' needs for efficient and reliable returns. These services have been driven by e-commerce growth and are designed to promote efficiency and a friction-free consumer experience.

Our global air operations hub is located in Louisville, Kentucky, and is supported by air hubs across the United States ("U.S.") and internationally. We operate international air hubs in Germany, China, Hong Kong, Canada and Florida (for Latin America and the Caribbean). This design enables cost-effective package processing using fewer, larger and more fuel-efficient aircraft.

U.S. Domestic Package

We are a leader in time-definite, guaranteed small package delivery services in the U.S. We offer a full spectrum of air and ground package transportation services. Our ground fleet serves substantially all business and residential zip codes in the contiguous U.S.

- Our air portfolio offers time-definite, same-day, next-day, two-day and three-day delivery alternatives as well as air cargo services.
- Our ground network enables customers to ship using our day-definite ground service. We deliver approximately 15 million ground packages per day, most within one to three business days.
- Ground Saver (formerly UPS SurePost) provides residential ground service for customers with non-urgent, lightweight residential shipments. In December 2025, we entered into an agreement with the USPS to support final-mile delivery for a portion of Ground Saver volume beginning in 2026.

International Package

International Package consists of our small package operations in Europe, Middle East and Africa (together "EMEA"), Canada and Latin America (together "Americas") and Asia. We offer a wide selection of guaranteed day and time-definite international transportation services supported by our brokerage capabilities that facilitate cross-border clearance for international shipments.

For international package shipments that do not require express services, UPS Worldwide Expedited offers a reliable, deferred, day-definite service option. For cross-border ground package delivery, we offer UPS Standard delivery services within Europe, between the U.S. and Canada, and between the U.S. and Mexico. Worldwide Economy offers a contract-only, e-commerce solution for non-urgent, cross-border shipments. UPS Worldwide Express Freight is a premium international service for urgent, palletized shipments over 150 pounds.

SCS

SCS consists of our Forwarding, Logistics, digital and other businesses. As a global service provider, we strategically seek to provide integration across increasingly complex, specialized and fragmented supply chains.

Forwarding

We are one of the largest U.S. domestic airfreight carriers and airfreight forwarders globally. We offer a portfolio of guaranteed and non-guaranteed global airfreight services. Additionally, as one of the world's leading non-vessel operating common carriers, we provide ocean freight full container load, less-than-container load and multimodal transportation services between most major ports around the world. We also provide customs brokerage as well as various related services.

In 2024, we completed the divestiture of our truckload brokerage business ("Coyote"). For additional information on this divestiture, see note 8 to the audited, consolidated financial statements.

Logistics

Our global logistics and distribution business provides value-added fulfillment and transportation management services. We operate both multi-client and dedicated facilities across our network, many of which are strategically located near UPS air and ground transportation hubs to support rapid delivery to business and consumer markets. We continue to invest in facility automation to enhance operational efficiency.

We offer world-class technology, deep expertise and highly sophisticated healthcare logistics services. With a strategic focus on serving the unique, priority-handling needs of healthcare and life sciences customers, we continue to increase our complex cold-chain logistics capabilities both in the U.S. and internationally. In furtherance of this strategy, we have continued to grow organically, making investments in facilities to expand our network, and inorganically, including through the acquisitions of Frigo-Trans in January 2025 and AHG in November 2025.

Digital and Other SCS Businesses

Our digital and other SCS businesses leverage technology to enable a range of on-demand services. Roadie, our crowdsourced delivery platform, offers the convenience of same-day delivery and efficient service for packages that are not compatible with our small package network. Happy Returns offers innovative end-to-end return services that leverage The UPS Store network. We also offer integrated supply chain and high-value shipment insurance solutions through UPS Capital, as well as a range of services through our other SCS businesses. We believe these services better enable us to meet customers' needs and deepen customer relationships.

Human Capital

Our success comes from our people working together with a shared purpose. As we seek to capture new opportunities and pursue growth, we are focused on maintaining the strengths we have cultivated over our nearly 119-year history while incorporating the new perspectives we need to take the business into the future.

To assist with employee recruitment and retention, we continue to review the competitiveness of our employee value proposition, including benefits and pay, training, talent development and advancement opportunities. For additional information on the importance of our human capital efforts, see "Risk Factors - Business and Operating Risks - Failure to attract or retain qualified employees could materially adversely affect us" and "- Strikes, work stoppages or slowdowns by our employees could materially adversely affect us".

We have approximately 460,000 employees (excluding temporary seasonal employees), of which 370,000 are in the U.S. and 90,000 are located internationally. Our global workforce includes approximately 75,000 management employees (nearly 35% of whom are part-time) and approximately 385,000 hourly employees (nearly 50% of whom are part-time). Nearly 80% of our U.S. employees are represented by unions, primarily those employees handling or transporting packages. Many of these employees are employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters ("Teamsters"). Our national master agreement with the Teamsters expires on July 31, 2028. In addition, approximately 3,400 of our pilots are represented by the Independent Pilots Association ("IPA"). Our agreement with the IPA became amendable September 1, 2025. We have approximately 2,000 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 represented by the IBT are employed under a collective bargaining agreement with the International Association of Machinists and Aerospace Workers ("IAM"), which expires on July 31, 2029.

Oversight and management

Our Board of Directors (the "Board"), directly and through the Compensation and Human Capital Committee, is responsible for oversight of human capital matters. Effective oversight is accomplished through a variety of methods and processes including regular updates and discussions around risks and benefits of strategic and technology initiatives impacting the workforce, health and safety matters, employee survey results related to culture and other matters, hiring and retention, labor relations and contract negotiations, compensation and benefits, succession planning and employee training initiatives.

In addition, the Compensation and Human Capital Committee charter includes oversight responsibility for performance and talent management, workforce representation, work culture and employee development and retention. We believe the Board’s oversight of these matters, directly and through its committees, helps identify and mitigate exposure to labor and human capital management risks and is part of the broader framework that guides how we attract, retain and develop a workforce that aligns with our values and strategies.

Additional information on our human capital efforts is contained in our annual sustainability report, which describes our activities that support our commitment to acting responsibly and contributing to society. This report is available under the heading "Our Impact" at *www.about.ups.com*.

Collective bargaining

We bargain in good faith with the unions that represent our employees. We frequently engage union leaders at the national level and at local chapters throughout the U.S. and Canada. We participate in works councils and associations outside the U.S., allowing us to respond to emerging issues abroad. These engagements help build and maintain productive relationships with our employees. For additional information regarding employees employed under collective bargaining agreements, see note 6 to the audited, consolidated financial statements.

Employee health and safety

Our Comprehensive Health and Safety Process ("CHSP") is the foundation of our proactive risk management approach. This approach includes physical safety and mental-health considerations, spans job functions from package handling to management roles, and is applied worldwide, from package sorting facilities to our executive offices.

Through the CHSP, we seek to systematically identify, evaluate, and mitigate health and safety risks in a number of ways. We use internal safety committees to identify and mitigate hazards in the workplace, and we routinely audit critical risk areas such as equipment integrity, environmental conditions and emergency preparedness. We support employee health and well-being through various programs, which focus on physical conditioning, nutrition and fatigue management, in addition to providing extensive programming and training designed to reduce stress-related risks, strengthen resilience and support employees’ mental-health. Other programs include affinity-based business resource groups, opportunities to provide feedback through confidential employee surveys, and access to confidential counselling. We provide extensive training in safe work methods, risk identification and resource availability, all designed to mitigate risk.

We monitor our health and safety performance against established metrics, including recordable injury frequency, lost-time injury frequency, and the number of reported vehicular incidents alongside a range of predictive indicators. These measures provide visibility into emerging trends and facilitate continuous improvement across the enterprise.

Customers

Building and maintaining long-term customer relationships through superior service is a competitive strength of UPS. In 2025, we served 1.6 million shipping customers and more than 10.7 million delivery recipients daily. In 2025, one customer, Amazon.com, Inc. and its affiliates, represented approximately 10.6% of our consolidated revenues, substantially all of which was within our U.S. Domestic Package segment. As previously disclosed, our strategy involves reducing volumes from this customer by more than 50% by June 2026 from 2024 levels. For additional information on the operational and financial impacts arising from these actions, see "Management’s Discussion and Analysis of Financial Condition and Results of Operations". For additional information on this and other customers, see "Risk Factors - Business and Operating Risks - Changes in our relationships with any of our significant customers, including as a result of our strategy to reduce volume from our largest customer or the loss or reduction in business from one or more other customers, could have a material adverse effect on us" and note 14 to the audited, consolidated financial statements.

Competition

We offer a broad array of transportation and logistics services and compete with many local, regional, national and international logistics providers as well as national postal services. We believe our strategy, network and competitive strengths position us well to compete in the marketplace. For additional information on our competitive environment, see "Risk Factors - Business and Operating Risks - Our industry continues to rapidly evolve. We expect to continue to face significant competition, which could materially adversely affect us".

Government Regulation

We are subject to numerous laws and regulations in the countries in which we operate. Continued compliance with increasingly stringent laws, regulations and policies in the U.S. and in the other countries in which we operate may result in materially increased costs, or we could be subject to substantial fines or possible revocation of our authority to conduct our operations.

Air Operations

The U.S. Department of Transportation ("DOT"), the Federal Aviation Administration ("FAA") and the U.S. Department of Homeland Security, through the Transportation Security Administration ("TSA"), have primary regulatory authority over our air transportation services.

The DOT's authority primarily relates to economic aspects of air transportation, such as operating authority, insurance requirements, pricing, non-competitive practices, interlocking relations and cooperative agreements. The DOT also regulates international routes, fares, rates and practices and is authorized to investigate and take action against discriminatory treatment of U.S. air carriers abroad. International operating rights for U.S. airlines are usually subject to bilateral agreements between the U.S. and foreign governments or, in the absence of such agreements, by principles of reciprocity. We are also subject to current and potential aviation, health, customs and immigration regulations imposed by governments in other countries in which we operate, including registration and license requirements and security regulations. We have international route operating rights granted by the DOT and we may apply for additional authorities when those operating rights are available and are required for the efficient operation of our international network. The efficiency and flexibility of our international air transportation network is subject to DOT and foreign government regulations and operating restrictions.

The FAA's authority primarily relates to operational, technical and safety aspects of air transportation, including certification, aircraft operating procedures, transportation of hazardous materials, record keeping standards and maintenance activities and personnel. In addition, we are subject to non-U.S. government regulation of aviation rights involving non-U.S. jurisdictions and non-U.S. customs regulation.

UPS's aircrew, dispatch and aircraft maintenance certification, training, programs and procedures, including aircraft inspection and repair at periodic intervals, are approved for all aircraft and carrier operations under FAA regulations. The future cost of changes and repairs pursuant to these programs and procedures may fluctuate according to aircraft condition, the aircraft parts and services supply chain and the enactment of additional FAA regulatory requirements.

The TSA regulates various security aspects of air cargo transportation. Our airport and off-airport locations, as well as our personnel, facilities and procedures involved in air cargo transportation must comply with TSA regulations.

We participate in the Civil Reserve Air Fleet ("CRAF") program. Our participation in this program allows the U.S. Department of Defense ("DOD") to requisition specified UPS aircraft for military use during a national defense emergency. The DOD is required to compensate us for any use of aircraft under the CRAF program. In addition, participation in the CRAF program entitles us to bid for other U.S. government opportunities including small package and airfreight.

Ground Operations

Our ground transportation of packages in the U.S. is subject to regulation by the DOT and its agency, the Federal Motor Carrier Safety Administration (the "FMCSA"). Ground transportation also falls under state jurisdiction with respect to the regulation of operations, safety and insurance. Our ground transportation of hazardous materials in the U.S. is subject to regulation by the DOT's Pipeline and Hazardous Materials Safety Administration. We also must comply with safety and fitness regulations promulgated by the FMCSA, including those relating to drug and alcohol testing and hours of service for drivers. Ground transportation of packages outside of the U.S. is subject to similar regulatory schemes in the countries in which we transport those packages.

The Postal Reorganization Act of 1970 created the USPS as an independent establishment of the executive branch of the federal government, and created the Postal Rate Commission, an independent agency, to recommend postal rates. The Postal Accountability and Enhancement Act of 2006 amended the 1970 Act to give the re-named Postal Regulatory Commission revised oversight authority over many aspects of the USPS, including postal rates, product offerings and service standards. We sometimes participate in proceedings before the Postal Regulatory Commission in an attempt to facilitate compliance with fair competition requirements for competitive services.

Our ground operations are also subject to compliance with various cargo-security and transportation regulations issued by the U.S. Department of Homeland Security, including regulation by the TSA in the U.S., and similar regulations issued by foreign governments in other countries.

Customs

We are subject to the customs laws regarding the import and export of shipments in the countries in which we operate, including those related to the filing of documents on behalf of client importers and exporters. Our activities in the U.S., including customs brokerage and freight forwarding, are subject to regulation by the Bureau of Customs and Border Protection, the TSA, the U.S. Federal Maritime Commission and the DOT. Our international operations are subject to similar regulatory structures in their respective jurisdictions.

For additional information, see "Risk Factors – Business and Operating Risks – We maintain significant physical operations. Increases in operational security requirements impose substantial costs on us and we could be the target of an attack or have a security breach, which could materially adversely affect us".

Environmental

We are subject to U.S. and international federal, state and local environmental laws and regulations across all of our operations. These laws and regulations cover a variety of matters such as disclosures, operations and processes, including, but not limited to: properly storing, handling and disposing of waste materials; appropriately managing waste water and storm water; monitoring and maintaining the integrity of underground storage tanks; complying with laws regarding clean air, including those governing emissions; protecting against and appropriately responding to spills and releases and communicating the presence of reportable quantities of hazardous materials to local responders. We maintain site-and activity-specific environmental compliance and pollution prevention programs to address our environmental responsibilities and remain compliant. In addition, we maintain numerous programs which seek to minimize waste and pollution within our operations.

Pursuant to the Federal Aviation Act, the FAA with the assistance of the Environmental Protection Agency is authorized to establish standards governing aircraft noise. Our aircraft fleet complies with current noise standards of the federal aviation regulations. Our international operations are also subject to noise regulations in certain other countries in which we operate.

We are also subject to increasing environmental compliance and reporting obligations in the European Union and elsewhere. For additional information, see "Risk Factors – Regulatory and Legal Risks –Regulations related to climate change, including reporting obligations, could materially increase our operating costs".

Communications and Data Protection

As we use radio and other communication facilities in our operations, we are subject to the Federal Communications Act of 1934, as amended. In addition, the Federal Communications Commission regulates and licenses our activities pertaining to satellite communications.

We are subject to a variety of evolving laws and regulations in the U.S. and abroad regarding privacy, cybersecurity, data protection and data security, including the European Union General Data Protection Regulation and China's Personal Information Protection Law. There has recently been increased regulatory and enforcement focus on data protection in the U.S. (at both the state and federal level) and in other countries.

For additional information, see "Risk Factors – Business and Operating Risks – A significant cybersecurity incident, increased data protection regulations, or other information technology related risks, could materially adversely affect us".

Health and Safety

We are subject to numerous federal, state and local laws and regulations governing employee health and safety, both in the U.S. and in other countries. Compliance with changing laws and regulations from time to time, including those promulgated by the U.S. Occupational Safety and Health Administration and state agencies, could result in materially increased operating costs and capital expenditures, and negatively impact our ability to attract and retain employees.

For additional information on governmental regulations and their potential impact on us generally, see "Risk Factors – Regulatory and Legal Risks".

Where You Can Find More Information

We maintain websites for business and customer matters at *www.ups.com*, and for investor relations matters at *www.investors.ups.com*. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934 are made available free of charge on our investor relations website under the heading "Investors - SEC Filings" as soon as reasonably practical after we electronically file or furnish the reports to the SEC.

Our Code of Business Conduct, which applies to all of our directors, officers and employees, including our principal executive and financial officers, our Corporate Governance Guidelines and the charters for our Audit, Compensation and Human Capital, Risk, and Nominating and Corporate Governance Committees are also available on our investor relations website under the heading "Investors – Corporate Governance". In the event that we make changes in, or provide waivers from, the provisions of the Code of Business Conduct that the SEC requires us to disclose, we intend to disclose these events within four business days following the date of the amendment or waiver under that heading on our investor relations website.

Our sustainability reporting, which describes our activities that support our commitment to acting responsibly and contributing to society, is available under the heading "Our Impact" at *www.about.ups.com*.

We provide the addresses to our websites solely for information. We do not intend for any addresses to be active links or to otherwise incorporate the contents of any website into this or any other report we file with the SEC.

Item 1A. *Risk Factors*

Our business, financial condition and results of operations are and will remain subject to numerous risks and uncertainties. You should carefully consider the following risk factors, which may have materially affected or could materially affect us, including impacting our business, financial condition, results of operations, stock price, credit rating or reputation. You should read these risk factors in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and our "Financial Statements and Supplementary Data" in Item 8. These are not the only risks we face. We could also be affected by other unknown events, factors, uncertainties, or risks that we do not currently consider to be material. Additionally, the disclosures in this section reflect our beliefs and opinions as to factors that could materially and adversely affect us in the future. References to historical events are provided by way of example only, and are not intended to be a complete listing or a representation as to whether such events have occurred in the past or their likelihood of occurring in the future.

Business and Operating Risks

Changes or continued uncertainty in general economic conditions, in the U.S. and internationally, may adversely affect us.

We conduct operations in over 200 countries and territories. Our operations are subject to national and international economic factors, as well as the local economic environments in which we operate. Changes or continued uncertainty in general economic conditions are beyond our control, and it may be difficult for us to adjust our business model. For example, we are affected by industrial production, inflation, unemployment, consumer spending, retail activity levels and international trade policies. We have been, and may in the future be, materially affected by adverse developments or uncertainty in these and other aspects of the economy. We have also been, and may in the future be, adversely impacted by changes in general economic conditions resulting from geopolitical uncertainty, tensions and/or conflicts in or arising from various countries and regions, including the European Union, Ukraine, the Russian Federation, the Middle East and the Trans-Pacific region. Changes or uncertainty in general economic conditions, or our inability to accurately forecast these changes or mitigate the impact of these conditions on our business, could materially adversely affect us.

Our industry continues to rapidly evolve. We expect to continue to face significant competition, which could materially adversely affect us.

Our industry continues to rapidly evolve, including demands for faster deliveries, increased visibility into shipments and development of other services. We expect to continue to face significant local, regional, national and international competition. Competitors include the U.S. and international postal services, various motor carriers, express companies, freight forwarders, air couriers, large transportation companies, e-commerce companies and other retailers that continue to make significant investments in their own technology and logistics capabilities, some of whom are currently our customers. We also face competition from start-ups and other smaller companies that combine technologies with flexible labor solutions such as crowdsourcing. New and emerging technologies continue to create additional sources of competition, and if we fail to incorporate new and emerging technologies as effectively as our competitors, our competitive position may be harmed. Competitors have cost, operational and organizational structures that differ from ours and may offer services or pricing terms that we are not willing to offer. Additionally, from time to time we have raised, and may in the future raise, prices and our customers may not be willing to accept these higher prices. If we do not appropriately respond to competitive pressures, including retaining or replacing volume lost to competitors or maintaining our profitability, we could be materially adversely affected.

Industry growth, or lack thereof, may further increase competition. As a result, opportunities for growth could be limited or competitors may improve their financial capacity and strengthen their competitive positions. Business combinations could also result in competitors providing a wider variety of services and products at competitive prices, which could also materially adversely affect us.

Changes in our relationships with any of our significant customers, including as a result of our strategy to reduce volume from our largest customer or the loss or reduction in business from one or more other customers, could have a material adverse effect on us.

Our strategy includes planned volume declines from our largest customer, Amazon.com, Inc. For 2025, this customer and its affiliates accounted for 10.6% of our consolidated revenues. In connection with the execution of this strategy, we have made and continue to make reductions in the number of our facilities, vehicles and aircraft, and our workforce, intended to better align our assets and workforce to our planned operations, and to eliminate stranded costs. In the event we are not able to successfully make appropriate adjustments or control related costs, our profitability could be materially impacted. For additional information on the operational and financial impacts arising from this strategy, see "Management’s Discussion and Analysis of Financial Condition and Results of Operations".

Some of our other larger customers can account for a relatively significant portion of our volume and revenues in a particular quarter or year. Customer impact on our revenue and profitability can vary based on a number of factors including: contractual volume amounts; pricing terms; product launches; e-commerce or other industry trends, including those related to the holiday season; business combinations and the overall growth of a customer's underlying business; as well as any disruptions to their business. Customers could choose, and have in the past chosen, to divert all or a portion of their business with us to one of our competitors, demand pricing concessions, request enhanced services that increase our costs, or develop their own logistics capabilities. In addition, certain of our significant customer contracts include termination rights of either party upon the occurrence of certain events or without cause upon advance notice to the other party. If all or a portion of our business relationships with one or more significant customers were to terminate or significantly change in an unplanned manner, this could materially adversely affect us.

Failure to attract or retain qualified employees could materially adversely affect us.

We depend on the skills and continued service of our large, global workforce. Annually, we also hire many part-time and seasonal workers. We must be able to attract, develop and retain a large global workforce. If we are unable to hire, properly train or retain qualified employees, we could experience increased labor costs, reduced revenues, increased workers' compensation and automobile liability claims costs, regulatory noncompliance, customer losses and diminution of our brand value or company culture, which could materially adversely affect us. Our ability to control labor costs has in the past been, and is expected to continue to be, subject to numerous factors, including labor-related contractual obligations, turnover, training costs, regulatory changes, market pressures, inflation, unemployment levels and healthcare and other benefit costs.

In addition, our *Network Reconfiguration* and *Efficiency Reimagined* initiatives have led to, and are expected to continue to lead to, consolidations of our facilities and workforce, as well as an end-to-end process redesign. Our inability to continue to retain experienced and motivated employees through the execution of these and other initiatives may also materially adversely affect us.

Strikes, work stoppages or slowdowns by our employees could materially adversely affect us.

Many of our U.S. employees are employed under a national master agreement with the Teamsters and various supplemental agreements with affiliated local unions. Our national master agreement with the Teamsters expires on July 31, 2028. Our airline pilots, airline mechanics, ground mechanics and certain other employees are employed under other collective bargaining agreements that expire at various times. In addition, some of our international employees are employed under collective bargaining or similar agreements. Employees who are not employed under a collective bargaining agreement may choose to organize in the future. Actual or threatened strikes, work stoppages or slowdowns could adversely affect our ability to meet our customers' needs. As a result, customers have in the past reduced, and in the future may reduce, their business or stop doing business with us if they believe that such actions may adversely affect our ability to provide services. We may permanently lose customers if we are unable to provide uninterrupted service, and this could materially adversely affect us. The terms of collective bargaining agreements also may affect our competitive position and results of operations. Furthermore, our actions or responses to any such negotiations, labor disputes, strikes or work stoppages could negatively impact how our brand is perceived and our reputation and could materially adversely affect us.

We maintain significant physical operations. Increases in operational security requirements impose substantial costs on us and we could be the target of an attack or have a security breach, which could materially adversely affect us.

As a result of concerns about global terrorism and physical security, various governments have adopted and may adopt additional heightened security requirements, significantly increasing our operating costs. Regulatory and legislative requirements may change in response to evolving threats. We cannot determine the effect that any new requirements will have on our operations, cost structure or operating results, and new rules or other future security requirements may significantly increase our operating costs and reduce operating efficiencies. Compliance with security requirements or our own security measures may not prevent attacks or security breaches, which could materially adversely affect us.

A significant cybersecurity incident, increased data protection regulations, or other information technology related risks, could materially adversely affect us.

We rely on information technology networks and systems and other operational technologies to operate our business, including the internet and internally developed systems and applications, as well as certain technology systems from third-party vendors (collectively referred to as "IT"). For example, we rely on IT to receive package level information in advance of the physical receipt of packages, move and track packages through our operations, efficiently plan deliveries, execute billing processes, provide information to package recipients, manage employee data and track and report financial and operational data. Our franchise locations and subsidiaries also rely on IT to manage their business processes and activities.

IT (ours, as well as those of our franchisees, acquired businesses, and third-party service providers) have been and will continue to be susceptible to damage, disruptions and shutdowns due to programming errors, defects or other vulnerabilities, power outages, hardware failures, misconfigurations, computer viruses, cyber-attacks, encryption caused by ransomware or malware attacks, exfiltration of data, attacks by foreign governments, state-sponsored actors, or criminal groups, theft, misconduct by employees or other insiders, telecommunications failures, misuse, human errors or other catastrophic events. In recent periods, the frequency and sophistication of cyber-attacks have increased and are expected to continue to increase, including as a result of state-sponsored cybersecurity attacks during periods of geopolitical conflict.

In addition, we are increasing our utilization of artificial intelligence ("AI") to optimize our operations, improve the customer experience and support decision-making. The rapid evolution and increased adoption of AI technologies has and may continue to intensify our cybersecurity risks. AI technologies often require access to large volumes of sensitive data. If our AI systems are compromised through cyberattacks or unauthorized access, it could result in data breaches, a loss of proprietary information, or violations of data protection laws. Additionally, leveraging AI capabilities for our internal functions may introduce additional operational vulnerabilities by producing inaccurate outcomes, recommendations or other suggestions based on flaws in the underlying data, or other unintended results.

Accordingly, we may be unable to anticipate these risks or implement adequate measures to recognize, detect or prevent the occurrence of any of the events described above. In addition, our security processes, protocols and standards may not be sufficient, effective or may not be complied with, either intentionally or inadvertently. Cybersecurity incidents have in the past and may in the future expose us, our customers, employees, franchisees, service providers or others, to loss, disclosure or misuse of proprietary information and sensitive or confidential data or result in disruptions to our operations or those of our customers, franchisees, service providers or others. For example, cyber criminals have in the past gained access to customer accounts and are expected to continue to try to gain access to customer accounts. Criminal activity includes fraudulently inserting, diverting and misappropriating items being transported in our network, fraudulently charging shipment fees to customer or franchisee accounts, and fraudulently sending text messages to recipients purporting to be from UPS. The occurrence of any of the events described above could result in material disruptions in our business, the loss of existing or potential customers, damage to our brand and reputation, additional regulatory scrutiny, litigation and other potential material liability. We also may not discover the occurrence of any of the events described above for a significant period after the event occurs. Additionally, it may take considerable time for us to investigate and evaluate the full impact of incidents, particularly for sophisticated attacks. These factors may inhibit our ability to provide prompt, full, and reliable information about the incident to our customers, regulators and the public.

We utilize and interact with the IT of third parties for many aspects of our business, including related to our customers, franchisees and service providers such as cloud service providers and third-party delivery service providers. These third parties have access to information we maintain about our company, operations, customers, employees and vendors, or operating systems that are critical to or can significantly impact our business operations. These third parties are subject to risks described above, and other risks, that could damage, disrupt or close down their networks or systems. The security processes, protocols and standards that we implement, and the contractual provisions requiring security measures that we impose on such third parties, may not be sufficient or effective at preventing such events or may not be adhered to. These events have in the past and could in the future result in unauthorized access to, or disruptions or denials of access to, misuse or disclosure of, information or systems that are important to us, including proprietary information, sensitive or confidential data, and other information about our operations, customers, employees and suppliers, including personal information.

We have invested and expect to continue to invest in IT security initiatives, IT risk management and disaster recovery capabilities. The costs and operational consequences of implementing, maintaining and enhancing data or system protection measures could increase significantly to mitigate increasingly frequent, complex and sophisticated cyber threats and regulatory requirements.

In addition, our customers' confidence in our ability to protect data and systems and to provide services consistent with their expectations could be impacted, further disrupting our operations. While we maintain cyber insurance, we cannot be certain that our coverage will be adequate for any liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any claim.

To date we are unaware of any material data breach or cybersecurity incident, including an information system disruption, although we cannot provide any assurances that a material event or impact will not occur in the future. Our efforts to deter, identify, mitigate and/or eliminate future breaches or cybersecurity incidents may require significant additional effort and expense and may not be successful.

In addition, there has recently been heightened regulatory and enforcement focus relating to the collection, use, retention, transfer, and processing of personal data in the U.S. (at both the state and federal level) and internationally. This includes the EU's General Data Protection Regulation, the California Privacy Rights Act, the Virginia Consumer Data Protection Act, and other similar laws that have been or are expected to be enacted by other jurisdictions. In addition, China and certain other jurisdictions have enacted more stringent data localization requirements. An actual or alleged failure to comply with applicable data protection laws, regulations, or other data protection standards has in the past and may in the future expose us to litigation, fines, sanctions, or other penalties, which could harm our reputation and materially adversely affect us. The regulatory environment is increasingly challenging, based on discretionary factors, and difficult to predict. Consequently, compliance with applicable regulations may present material obligations and risks to our business, including significantly expanded compliance burdens, costs, and enforcement risks which are expected to increase over time; require us to make extensive system or operational changes; or adversely affect the cost or attractiveness of the services we offer.

Failure to maintain our brand image and corporate reputation could materially adversely affect us.

Our success depends in part on our reputation and our ability to maintain a positive image of the UPS brand. Service quality issues, actual or perceived, could tarnish the image of our brand and may cause customers not to use our services. Also, adverse publicity or public sentiment surrounding labor relations, safety matters, environmental, sustainability and governance concerns, physical or cyber security matters, political activities and similar matters, or attempts to connect our company to such issues, either in the U.S. or elsewhere, could materially adversely affect us. For example, damage to our reputation or loss of brand equity could require the allocation of resources to rebuild our reputation and restore the value of our brand. The proliferation of social media may increase the likelihood, speed, and magnitude of negative brand events.

The effects of global climate change could materially adversely affect us.

The effects of climate change have presented and will continue to present financial and operational risks to our business, both directly and indirectly. We have disclosed an intention to reduce our carbon emissions, including our goal to achieve carbon neutrality in our global operations by 2050 and our other short- and mid-term environmental sustainability goals.

Our ability to meet our goals will depend in part on significant technological advancements, many of which are beyond our control. This includes the development and availability of reliable, affordable and low emission energy solutions, including sustainable aviation fuel and alternative fuel and battery electric vehicles. There can be no assurances that our goals and strategic plans to achieve those goals will be successful, that the related costs will not be higher than expected, that the necessary technological advancements will occur in the timeframe we expect, or at all, that the severity of and or the pace of negative climate-related effects will not accelerate faster than expected, or that proposed regulation or deregulation related to climate change will not have a negative competitive impact, any one of which could have a material adverse effect on us.

Furthermore, methodologies for reporting climate-related information may change and previously reported information may need to be adjusted to reflect new reporting protocols or regulations. These could include changes in the availability and quality of third-party data, changing assumptions, changes in the nature and scope of our operations and other changes in circumstances. Our processes and controls for reporting climate-related information across our operations are evolving along with multiple disparate standards for identifying, measuring and reporting sustainability metrics, including disclosures that may be required by U.S. federal or state, or international, regulators. Such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or our ability to achieve such goals. Changes in regulation or technology impacting our business could require us to write down the carrying value of assets, which could result in material impairment charges.

Moreover, we may determine that it is in our best interests to prioritize other investments over the achievement of our goals based on economic, regulatory, business strategy or other factors. If we do not meet our goals or there is perception that we failed to meet these goals, then, in addition to regulatory and legal risks related to compliance, we could incur adverse publicity and reaction, which could materially adversely impact us.

Severe weather or other natural or man-made disasters could materially adversely affect us.

The increased severity or frequency of certain weather conditions (including as a result of climate change) or other natural or man-made disasters, including storms, floods, fires, wind gusts, earthquakes, rising temperatures, epidemics, pandemics, conflicts, civil or political unrest, safety failures or terrorist attacks, have in the past and may in the future disrupt our business. Customers may reduce shipments, supply chains may be disrupted, demand may be negatively impacted, property may be damaged, employees may be injured, or our costs to operate our business may increase, any of which could have a material adverse effect on us. Any such event affecting one of our major facilities could result in a significant interruption in or disruption of our business. To the extent that weather conditions or other disasters become more frequent or severe, disruptions to our business and those of our customers and costs to repair damaged facilities or maintain or resume operations could increase. Furthermore, as a result of the impact of climate change on the frequency or severity of weather conditions and other disasters, insurance providers may reduce the availability or increase the cost of insurance.

Economic, political, or social developments and other risks associated with international operations could materially adversely affect us.

We have significant international operations and, as a result, we are exposed to changing economic, political and social developments in several countries which are beyond our control. Emerging markets are often more volatile than those in developed countries, and any broad-based downturn in these markets could reduce our revenues and materially adversely affect us. We are subject to many laws governing our international operations, including those that prohibit improper payments to government officials and commercial customers, govern our environmental impact or labor matters, restrict where we can do business, regulate our services to certain countries and limit information that we can provide to non-U.S. governments. Our failure to manage and anticipate these and other risks associated with our international operations could materially adversely affect us.

Inability to effectively integrate acquired businesses and realize the anticipated benefits of any acquisitions, joint ventures or strategic alliances could materially adversely affect us.

As part of our strategy, from time to time we acquire businesses, form joint ventures and enter strategic alliances. Whether we realize the anticipated benefits from these transactions depends, in part, upon successful integration between the businesses involved, the performance of the underlying operations, capabilities or technologies and the management of the acquired operations. Accordingly, our financial results could be materially adversely affected by our delay or failure to effectively integrate acquired operations, unanticipated performance or other issues or transaction or other integration-related charges.

Financial Risks

Changing fuel and energy prices, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities could materially adversely affect us.

Fuel and energy costs have a significant impact on our operations. We require significant quantities of fuel for our aircraft and delivery vehicles and are exposed to the risks associated with variations in the market price for petroleum products, including gasoline, diesel and jet fuel. We seek to mitigate our exposure to changing fuel prices through pricing strategies and have in the past and may in the future utilize hedging transactions. There can be no assurance that these strategies will be effective. If we are unable to maintain or increase our fuel surcharges, higher fuel costs could materially adversely impact our operating results. Even if we can offset changes in fuel costs with surcharges, high fuel surcharges have in the past, and may in the future, result in customers shifting from our higher-yielding products to lower-yielding products or an overall reduction in volume, revenue and profitability. Moreover, we could experience a disruption in energy supplies as a result of new or increased regulations, war or other conflicts, weather-related events or natural disasters, actions by producers (including as part of their own sustainability efforts) or other factors beyond our control, which could have a material adverse effect on us.

Changes in foreign currency exchange rates or interest rates may have a material adverse effect on us.

We conduct business in many countries, with a significant portion of our revenue derived from operations outside the United States. Our international operations are affected by changes in the exchange rates for local currencies, particularly the Euro, British Pound Sterling, Canadian Dollar, Chinese Renminbi and Hong Kong Dollar.

We are affected by changes in interest rates, primarily on our short-term debt and that portion of our long-term debt that carries floating interest rates. Additionally, changes in interest rates impact the valuation of our pension and postretirement benefit obligations and the related costs recognized in the statements of consolidated income. The impact of changes in interest rates on our pension and postretirement benefit obligations and costs, and on our debt, is discussed further in Part I, "Item 7 - Critical Accounting Estimates," and Part II, "Item 7A - Quantitative and Qualitative Disclosures about Market Risk", respectively, of this report.

We monitor and manage foreign currency exchange rate and interest rate exposures, and use derivative instruments to mitigate the impact of changes in these rates on our financial condition and results of operations; however, changes in foreign currency exchange rates and interest rates cannot always be predicted or effectively hedged, and may have a material adverse effect on us.

Our business requires significant capital and other investments; if we do not accurately forecast our future investment needs, we could be materially adversely affected.

Our business requires significant capital investments, including in aircraft, vehicles, technology, facilities and sortation and other equipment. In addition to forecasting our capital investment requirements, we adjust other elements of our operations and cost structure in response to strategic initiatives, and economic and regulatory conditions. These investments support both our existing business and our strategic initiatives. Forecasting amounts, types and timing of investments involves many factors which are subject to uncertainty and may be beyond our control, such as technological changes, general economic trends, revenues, profitability, changes in governmental regulation and competition. If we do not accurately forecast our future capital investment needs, we could under- or over-invest, or have excess capacity or insufficient capacity, which could materially adversely affect us.

Employee health and retiree health and pension benefit costs represent a significant expense to us; further cost increases could materially adversely affect us.

Our employee health, retiree health and pension benefit expenses are significant. In recent years, we have experienced increases in some of these costs, including increased healthcare costs exceeding the rate of inflation and discount rates that we use to value our company-sponsored defined benefit plan obligations. Increasing healthcare costs, volatility in investment returns and discount rates, as well as changes in laws, regulations and assumptions used to calculate retiree health and pension benefit expenses, may materially adversely affect our business, financial condition, or results of operations, and have required, and may in the future require, significant contributions to our benefit plans. Our national master agreement with the Teamsters includes provisions that are designed to mitigate certain healthcare expenses, but there can be no assurance that our efforts will be successful or that these expense increases will not materially adversely affect us.

We participate in various trustee-managed multiemployer pension and health and welfare plans for employees covered under collective bargaining agreements. As part of the collective bargaining process, we have agreed to contribute certain amounts to the multiemployer benefit plans during the contract period. The multiemployer benefit plans set benefit levels and are responsible for benefit delivery to participants. Future contribution amounts to multiemployer benefit plans will be determined through collective bargaining. In future collective bargaining negotiations we could agree to make significantly higher contributions to one or more of these plans. At this time, we are unable to determine the amount of additional future contributions, if any, or whether any material adverse effect on us could result from our participation in these plans.

Insurance and claims expense could materially adversely affect us.

We have a combination of both self-insurance and high-deductible insurance programs for the risks arising out of our business and operations, including claims exposure resulting from cargo loss, cyber-attacks, personal injury, property damage, aircraft and related liabilities, business interruption and workers' compensation. Self-insured workers' compensation, automobile and general liabilities are determined using actuarial estimates of the aggregate liability for claims incurred and an estimate of incurred but not reported claims, on an undiscounted basis. Our accruals for insurance reserves reflect certain actuarial assumptions and management judgments, which are subject to a high degree of variability. If the number, severity or cost of claims for which we retain risk increases, our financial condition and results of operations could be materially adversely affected. If we lose our ability to, or decide not to, self-insure these risks, our insurance costs could materially increase and it could be difficult to obtain adequate levels of insurance coverage.

Changes in markets and our business plans have resulted, and may in the future result, in substantial impairments of the carrying value of our assets, thereby reducing our net income.

We regularly assess the carrying values of our assets relative to their estimated fair values. If the carrying value of an asset exceeds its estimated fair value, we may be required to incur charges to reduce its carrying value. Fair value determinations are dependent on a significant number of estimates and assumptions that could be impacted by a variety of factors, including changes in business strategy, revenues, expenses, acquisition integration activities, government regulations, costs of capital and economic or market conditions. The use of different estimates or assumptions could also result in different fair value estimates. Our fair value estimates have resulted from time to time, and may in the future result, in substantial impairments of our assets. While we did not incur any impairments of goodwill during 2025 or 2024, certain of our reporting units experienced a decrease in the excess of their estimated fair values over their respective carrying values during each year. We have been and may be required in the future to recognize additional impairments of long-lived assets, including definite-lived intangible assets, property, plant and equipment and leases, which could be material. For example, as previously disclosed, we have recorded

$182 million in asset impairment charges during the fourth quarter of 2025. Furthermore, we have been and may be required in the future to recognize accelerated depreciation and amortization charges if we determine the useful lives or salvage values of our assets are less than we originally estimated. Changes in our business plans, including network changes that began in 2025, have led to and may in the future lead to revisions in our estimates of useful lives or salvage values of our assets. Such charges have in the past, and may in the future, reduce our net income, potentially materially.

We may have significant additional tax liabilities that could materially adversely affect us.

We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. There are many transactions and calculations where our ultimate tax liability is uncertain.

We are regularly under audit by tax authorities in many jurisdictions. Economic and political pressures to increase tax revenue may make resolving tax disputes more difficult. The final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. In addition, changes in U.S. federal and state or international tax laws, other fundamental law changes currently being considered by many countries, and changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions may materially adversely impact our tax expense and cash flows.

Regulatory and Legal Risks

Increasingly complex and stringent laws, regulations and policies could materially increase our operating costs.

We are subject to complex and stringent aviation, transportation, environmental, security, labor, employment, safety, privacy, disclosure and data protection and other governmental laws, regulations and policies, both in the U.S. and internationally. In addition, we are and expect to continue to be impacted by laws, regulations and policies that affect global trade, including tariff and trade policies, export requirements, embargoes, sanctions, taxes, monetary policies and other restrictions and charges. Trade discussions and arrangements between the U.S. and various of its trading partners are unpredictable, and existing and future trade agreements are, and are expected to continue to be, subject to a number of uncertainties, including the imposition of new tariffs or adjustments and changes to existing tariff policies. The impact of new laws, regulations and policies or decisions or interpretations by authorities applying those laws and regulations, cannot be predicted. Compliance with any new laws, regulations or policies may increase our operating costs or require significant capital expenditures. Any failure to comply with applicable laws, regulations or policies in the U.S. or other countries could result in substantial fines or possible revocation of our authority to conduct our operations, which could materially adversely affect us.

Regulations related to climate change, including reporting obligations, could materially increase our operating costs.

Regulation and required disclosures of greenhouse gas ("GHG") emissions and related matters exposes us to potentially significant new taxes, fees, disclosure and compliance obligations and other costs. Compliance with such regulations, and any increased or additional regulations, or the associated costs is further complicated by the fact that various countries and regions may adopt different approaches to climate change regulation and disclosures.

In the U.S., Congress has considered but, to date, not passed various bills that would regulate GHG emissions. Nevertheless, we believe some form of federal climate change legislation is possible in the future. Even in the absence of such legislation, the Environmental Protection Agency could determine to regulate GHG emissions, especially aircraft or diesel engine emissions, and this could impose substantial costs on us.

International regulations also continue to increase and could materially increase our operating and other costs. For example, the ReFuelEU Aviation initiative, a European regulation, mandates jet fuel suppliers in Europe supply a target percentage of sustainable aviation fuel ("SAF") at airports inside the European Union. The SAF target percentage started at 2% in 2025 and increases to 70% by 2050. The cost of SAF can be higher than conventional jet fuel, and SAF suppliers can pass this cost along to purchasers, which can increase our operating costs, potentially significantly. This initiative has also mandated increased reporting requirements. Also beginning in 2025, we have been required to monitor and report the non-carbon dioxide aviation effects for certain routes in the European Union. These requirements are expected to increase in the future, and may expand beyond reporting, either of which would increase our compliance costs. In addition, the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), a global, market-based emissions offset program to encourage carbon-neutral growth began a voluntary pilot phase in 2021, with mandatory participation scheduled to begin in 2027. Details regarding implementation of CORSIA continue to develop, and compliance may increase our operating costs, potentially significantly.

In addition, in January 2026, the U.S. withdrew from the Paris Climate Accords. The effect that the withdrawal may have on future U.S. policy regarding GHG emissions, on CORSIA and on other GHG regulation remains uncertain. The extent to which other countries implement those accords could also have a material adverse effect on us.

Increased regulation relating to GHG emissions in the U.S. or abroad, especially aircraft, gasoline or diesel engine emissions, could, among other things, increase the cost of fuel and other energy we purchase and the costs associated with updating or replacing our aircraft or vehicles prematurely. We cannot predict the impact any future regulation will have on our cost structure or our operating results. It is likely that such regulation could significantly increase our operating costs and that we may not be willing or able to offset such costs. Moreover, even without such regulation, increased awareness and any adverse publicity about the GHGs emitted by airline and transportation companies could harm our reputation and reduce customer demand for our services, especially our air services.

Furthermore, many countries and U.S. states have adopted, or are expected to adopt, additional requirements relating to GHG emissions disclosures and related matters. These requirements may differ or conflict from jurisdiction to jurisdiction. Compliance with these requirements may increase our operating costs or require significant management time and attention. Any failure to comply with applicable regulations could result in substantial fines or other penalties, which could materially adversely affect us.

We may be subject to various other claims and lawsuits that could result in significant expenditures which may materially adversely affect us.

The nature of our business exposes us to the potential for various claims and litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters. Any material litigation or a catastrophic accident or series of accidents could result in significant expenditures and have a material adverse effect on us.

Item 1B. *Unresolved Staff Comments*

None.

Information About Our Executive Officers

For information about our executive officers, see Part III, "Item 10. Directors, Executive Officers and Corporate Governance".

Item 1C. ***Cybersecurity***

The Board regularly discusses our most significant risks and how these risks are being managed. The Board has appointed a Risk Committee, consisting entirely of independent directors, whose responsibilities include assisting the Board in overseeing management's identification and evaluation of strategic enterprise risks, including risks associated with privacy, technology, information security, AI, cybersecurity and cyber incident response and business continuity. The Risk Committee regularly updates the Board on these activities.

The Risk Committee oversees the Company's approach to cybersecurity risk assessment and mitigation by, among other things, (i) reviewing the Company's cybersecurity insurance program, (ii) reviewing the Company's cybersecurity budget, (iii) discussing the results of various internal cybersecurity audits and periodic independent third-party assessments of the Company's cybersecurity programs, (iv) being briefed on cybersecurity matters by outside experts, and (v) receiving regular updates from the Company's Chief Information Security Officer ("CISO") and others on cybersecurity risks, operational metrics, compliance and regulatory developments, training programs, risk mitigation activities, key projects and industry developments. The Company's Chief Legal and Compliance Officer ("CLCO"), Chief Digital and Technology Officer ("CDTO"), CISO and Vice President of Compliance and Internal Audit participate in Risk Committee meetings and meet individually with the Risk Committee on a periodic basis to discuss and address relevant matters, including the Company's approach to cybersecurity risk assessment and mitigation. The CISO reports to the CDTO, who in turn reports to the Chief Executive Officer ("CEO"). The CISO has more than thirty years of IT experience, has served many years in various information security management roles and has multiple cybersecurity certifications.

The Company maintains an enterprise risk management process designed to identify potential events that may affect the achievement of the Company's objectives or have a material adverse effect on the Company. Cybersecurity is among the risks considered as a part of this process. The Company's management, including the CISO, also participates on the Company's Information Security & Privacy Governance Council ("ISPGC"). The ISPGC meets periodically to consider information security and privacy matters.

The Company utilizes various technical and qualitative processes to assist in identifying, assessing and managing cybersecurity risks. The Company's processes include periodic discussions and risk reviews with management. These processes also include, depending on facts and circumstances, internal audits, third-party assessments, post-remediation reviews, engagements with independent third-party service providers and key governmental agencies, regular employee training, an incident response plan and backup and recovery plans. Our periodic engagements with independent third-party service providers are designed to provide qualitative and technical cybersecurity assessments. The Company has a corporate-level cybersecurity team, led by the CISO, that, among other responsibilities, receives and reviews reports regarding potential threats, trends and remediation strategies. The cybersecurity team evaluates threat intelligence and information obtained from various sources, including internal, public or private sources, government agencies and external consultants. Certain of the Company's subsidiaries have separate cybersecurity teams that, along with the corporate-level cybersecurity team, play a role in the Company's efforts to monitor, identify, assess and manage cybersecurity risks.

The Company interacts with the information technology networks and systems of third parties for many aspects of our business. We consider and evaluate cybersecurity risks associated with the use of independent third-party service providers. To help UPS understand and mitigate potential cybersecurity risks related to third parties, we generally utilize measures such as vendor risk assessments, periodic technical assessments of third-party vendors' controls and contracts governing the use of and access to our data and compliance with our security requirements.

We maintain an Incident Response Plan that includes processes and procedures for reviewing and responding to cybersecurity incidents. We periodically test our readiness to respond to a cybersecurity incident through various scenario-based drills. The Incident Response Plan includes processes for escalation to the CISO, the Executive Leadership Team, including the CEO, the Risk Committee and the Board, and a process for consideration of whether a cybersecurity incident is material and may require disclosure in SEC filings.

For additional information on cybersecurity risks and the impact they may have on our business strategy, results of operations or financial condition see "Risk Factors – Business and Operating Risks – A significant cybersecurity incident, increased data protection regulations, or other information technology related risks, could materially adversely affect us".

Item 2. *Properties*

Operating Facilities

We own our corporate headquarters in Atlanta, Georgia and our information technology headquarters, located in Parsippany, New Jersey. Our primary information technology operations are consolidated in an owned facility in New Jersey.

We own or lease approximately 1,000 package facilities in the U.S., with approximately 90 million square feet of floor space. These facilities have vehicles and drivers stationed for the pickup and delivery of packages, and capacity to sort and transfer packages. Our larger facilities also service our vehicles and equipment, and employ specialized mechanical equipment for the sorting and handling of packages. We own or lease approximately 800 facilities in our international package operations, with approximately 23 million square feet of floor space.

Our aircraft are operated in a hub and spoke pattern in the U.S., with our principal air hub, Worldport, located in Louisville, Kentucky. Our major air hub in Europe is located in Germany, and in Asia we operate multiple major air hubs in China and Hong Kong.

We own or lease approximately 600 facilities, with approximately 50 million square feet of floor space, which support our freight forwarding and logistics operations. This includes approximately 22 million square feet of healthcare-compliant warehousing. We own and operate a logistics campus consisting of approximately 4 million square feet in Louisville, Kentucky.

We also own a number of ancillary properties that support our global operations.

Fleet

Aircraft

The following table shows information about our aircraft fleet as of December 31, 2025:

Description	UPS Owned and/or Operated	Charters & Leases Operated by Others	On Order	Under Option
Boeing 757-200	75	—	—	—
Boeing 767-300	89	—	18	—
Boeing 767-300BCF	6	—	—	—
Boeing 767-300BDSF	4	—	—	—
Airbus A300-600	52	—	—	—
Boeing MD-11[1]	26	—	—	—
Boeing 747-400F	11	—	—	—
Boeing 747-400BCF	2	—	—	—
Boeing 747-8F	30	—	—	—
Other	—	221	—	—
Total	295	221	18	—

[1] During the fourth quarter of 2025, we permanently grounded and subsequently retired our MD-11 fleet. For additional information, see note 4 to the audited, consolidated financial statements. We do not expect this action to have a material impact on our business, financial condition or results of operations.

Vehicles

As of December 31, 2025, we operated a global ground fleet of approximately 125,000 package cars, vans, tractors and motorcycles, including approximately 19,000 alternative fuel and advanced technology vehicles.

Item 3. *Legal Proceedings*

See note 10 to the audited, consolidated financial statements for a discussion of judicial proceedings and other matters arising from the conduct of our business activities.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Our class A common stock is not listed on a national securities exchange or traded in an organized over-the-counter market, but each share of our class A common stock is convertible into one share of our class B common stock. Our class B common stock is listed on the New York Stock Exchange under the symbol "UPS".

As of February 2, 2026, there were 152,776 and 19,392 shareowners of record of our class A and class B common stock, respectively.

Historically we have declared and paid dividends on a quarterly basis. The declaration of dividends is subject to the discretion of the Board of Directors (the "Board") and depends on various factors, including our net income, financial condition, cash requirements, future prospects and other relevant factors.

On January 27, 2026, the Board approved a $1.64 per share dividend, which is payable on March 5, 2026 to shareowners of record on February 17, 2026.

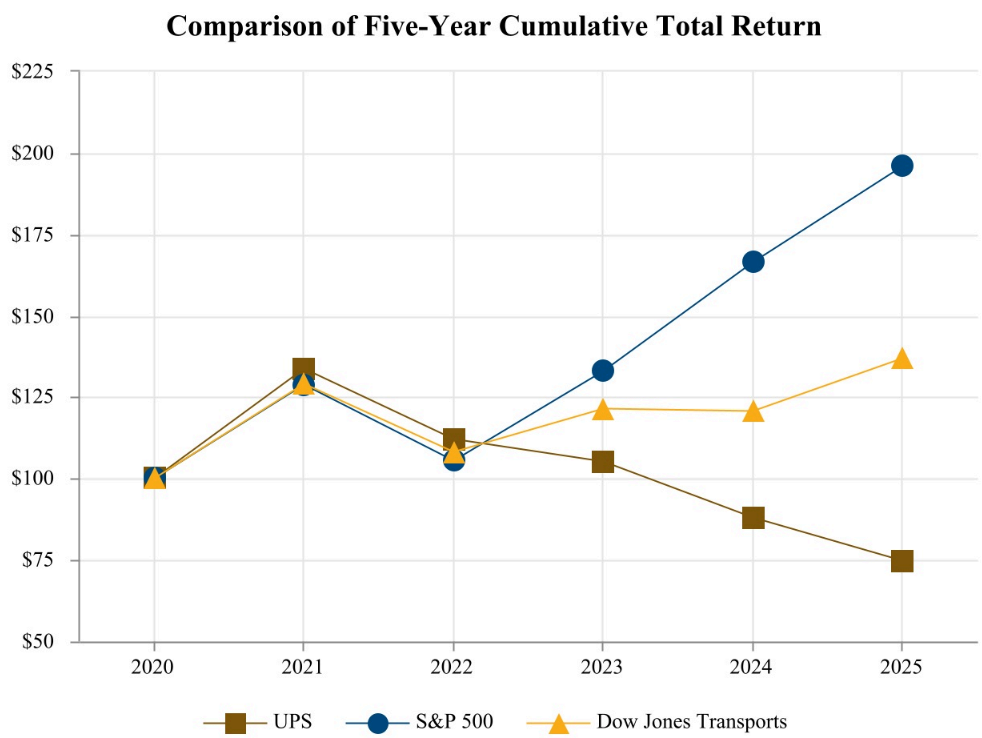
In January 2023, the Board approved a share repurchase authorization for up to $5.0 billion of class A and class B common stock. During 2025, we repurchased 8.6 million shares of class B common stock for $1.0 billion under this authorization. As of December 31, 2025, we had $1.3 billion available under our share repurchase authorization. We do not anticipate further share repurchases in 2026.

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

Shareowner Return Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates such information by reference into such filing.

The following graph shows a five-year comparison of cumulative total shareowners' returns for our class B common stock, the Standard & Poor's 500 Index and the Dow Jones Transportation Average. The comparison of the total cumulative return on investment, which is the change in the stock price plus reinvested dividends for each of the quarterly periods, assumes that $100 was invested on December 31, 2020 in the Standard & Poor's 500 Index, the Dow Jones Transportation Average and our class B common stock.



	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025
United Parcel Service, Inc.	$ 100.00	$ 133.61	$ 111.96	$ 105.29	$ 87.89	$ 74.69
Standard & Poor's 500 Index	$ 100.00	$ 128.68	$ 105.35	$ 133.02	$ 166.27	$ 195.97
Dow Jones Transportation Average	$ 100.00	$ 129.04	$ 108.02	$ 121.34	$ 120.71	$ 136.89

For information regarding our equity compensation plans, see Item 13 of this Annual Report.

Item 6. [Reserved]

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the consolidated financial statements and related notes included in Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K (this "Annual Report" or "this report"). This section of this Annual Report includes a discussion of 2025 and 2024 items and year-over-year comparisons between those years. For a discussion of year-over-year comparisons between 2024 and 2023 that are not included in this Annual Report see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the Securities and Exchange Commission on February 18, 2025.

Overview

In 2025, we continued to execute our *Customer First, People Led and Innovation Driven* strategy, which focuses on growing in the parts of the market that value our end-to-end solutions, including healthcare, small-and medium-sized businesses ("SMBs") and International.

As part of this strategy, we drove a reduction in volume from our largest customer, with a targeted reduction of 50% by June 2026 from 2024 levels. Partly as a result, we increased consolidated revenue per piece by 6.6%, and expanded SMB penetration to over 30% of total U.S. volume.

In connection with this strategic execution of volume declines, we began our *Network Reconfiguration* and *Efficiency Reimagined* initiatives. These initiatives are intended to enhance the efficiency of our network through automation and operational sort consolidation in our U.S. Domestic network. From these initiatives, we delivered on our planned year-over-year cost savings of approximately $3.5 billion in 2025. See *Supplemental Information - Items Affecting Comparability* for additional discussion.

Also in 2025, we completed the acquisitions of Frigo-Trans and Biotech & Pharma Logistics ("Frigo-Trans"), and Andlauer Healthcare Group ("AHG"). In 2025, our global healthcare portfolio generated more than $11 billion in revenue, furthering our progress towards our goal to become the number one complex healthcare logistics provider in the world. In September 2024, we completed the divestiture of our truckload brokerage services ("Coyote"), which contributed $1.6 billion of revenue in 2024 prior to its divestiture.

Effective January 1, 2025, we insourced our former SurePost product, and replaced it with Ground Saver, a domestic economy service meant to complement our array of products used by our customers. This change provided us greater operational control and service quality with respect to this product. However, this insourcing pressured our operating results, as pickup and delivery costs were higher than in 2024. In December 2025, we entered into a new agreement with the United States Postal Service ("USPS") to assist with final-mile delivery for a portion of our Ground Saver and Mail Innovations volumes starting in 2026, which is expected to allow us to more cost efficiently serve our customers while maintaining our service levels.

In the International market, during 2025 we implemented weekend delivery within Europe. Additionally, our new air hub in the Philippines is slated to open towards the end of 2026 and our expansion in Hong Kong is planned to open in 2028. Both gateways are expected to give us broader access and faster time in transit on the trade lanes that are growing in Asia.

During 2025, we returned $6.4 billion in cash to shareholders by completing $1.0 billion of share repurchases and paying $5.4 billion in dividends.

Our 2025 financial results also reflect the impact of a complex macro environment, driven by evolving trade policies, and the significant strategic actions we are taking including revenue quality initiatives. Global trade policy changes during 2025, including pending and enacted tariffs and de minimis exclusions, resulted in shifting trade lane volumes, particularly reducing volumes on our China to U.S. lane, pressuring our International Package segment margins during the year.

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

	2025	2024	Change $	Change %
Revenue (in millions)	$ 88,661	$ 91,070	$ (2,409)	(2.6)%
Operating Expenses (in millions)	80,794	82,602	(1,808)	(2.2)%
Operating Profit (in millions)	$ 7,867	$ 8,468	$ (601)	(7.1)%
Operating Margin	8.9 %	9.3 %		
Net Income (in millions)	$ 5,572	$ 5,782	$ (210)	(3.6)%
Basic Earnings Per Share	$ 6.56	$ 6.76	$ (0.20)	(3.0)%
Diluted Earnings Per Share	$ 6.56	$ 6.75	$ (0.19)	(2.8)%
Operating Days	252	253		
Average Daily Package Volume (in thousands)	20,847	22,418		(7.0)%
Average Revenue Per Piece	$ 14.50	$ 13.60	$ 0.90	6.6 %

- Average daily package volume in our global small package operations decreased in 2025, primarily due to the execution of planned volume declines from our largest customer and revenue quality actions we took related to certain e-commerce customers.
- Revenue declined in 2025, primarily driven by the impact of the Coyote divestiture, the volume declines described above, and decreases in our Mail Innovations volume. These decreases were partially offset by growth in our International Package segment, driven by higher average daily volume and ongoing revenue-quality initiatives, as well as increased air cargo revenue from the full onboarding in the fourth quarter of 2024 of volume under our USPS contract and continued contributions from our healthcare logistics businesses.
- Revenue per piece increased due to favorable trends in customer and product mix as well as revenue quality actions that we took.
- Operating expenses decreased in 2025, driven by decreases in purchased transportation expense, primarily attributable to the impact of the Coyote divestiture, the insourcing of our Ground Saver product and a gain from sale-leaseback transactions involving real estate properties within Supply Chain Solutions ("SCS"). These decreases were partially offset by increases in compensation and benefits and higher pick up and delivery costs associated with the insourcing of our Ground Saver product, incremental costs related to the grounding of our MD-11 fleet and costs related to implementing weekend delivery within Europe.
- Operating profit and operating margin decreased due to increased pickup and delivery expenses in the U.S. Domestic Package segment and shifting international volume to less profitable trade lanes due to trade policy challenges, partially offset by the impact of our revenue quality efforts.
- We reported net income of $5.6 billion and diluted earnings per share of $6.56, which included $0.30 per diluted share attributable to the gain from sale-leaseback transactions involving real estate properties within SCS. Non-GAAP adjusted diluted earnings per share in 2025 were $7.16 after adjusting for the after-tax impacts of:
    - Transformation Strategy Costs of $452 million, or $0.53 per diluted share;
    - Goodwill and Asset Impairment Charges of $156 million, or $0.18 per diluted share, which includes a charge of $137 million related to the retirement of our MD-11 aircraft fleet;
    - a Net Loss on Divestiture of $15 million, or $0.02 per diluted share; and
    - the Reversal of an Income Tax Valuation Allowance of ($109) million, or ($0.13) per diluted share.

For additional operational results specific to U.S. Domestic Package, International Package and SCS refer to the respective discussions below.

Supplemental Information - Items Affecting Comparability

Our operating expenses are allocated between our operating 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, as necessary, to reflect changes in our businesses. There were no significant changes to our allocation methodologies for 2025 relative to 2024.

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.

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

Non-GAAP Adjustments	**2025**	**2024**
Operating Expenses:		
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 Reconfiguration and *Efficiency Reimagined*	509	35
Total Transformation Strategy Costs	593	322
Goodwill and Asset Impairment Charges	182	108
Net Loss (Gain) on Divestiture	19	(156)
One-Time Payment for International Regulatory Matter	—	88
Expense for Regulatory Matter	—	45
Multiemployer Pension Plan Withdrawal Expense	—	19
Total Non-GAAP Adjustments to Operating Expenses	$ 794	$ 426

Non-GAAP Adjustments	**2025**	**2024**
Other Income and (Expense):		
Defined Benefit Pension and Postretirement Medical Plan Loss	$ —	$ 665
Goodwill and Asset Impairment Charges	19	—
Interest Expense Associated with One-Time Payment for International Regulatory Matter	—	6
Total Adjustments to Non-GAAP Other Income and (Expense)	$ 19	$ 671
Total Adjustments to Non-GAAP Income Before Income Taxes	$ 813	$ 1,097

Non-GAAP Adjustments	**2025**	**2024**
Income Tax (Benefit) Expense:		
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 Reconfiguration and *Efficiency Reimagined*	122	8
Total Transformation Strategy Costs	141	77
Reversal of Income Tax Valuation Allowance	109	—
Goodwill and Asset Impairment Charges	45	27
Net Loss (Gain) on Divestiture	4	(4)
Defined Benefit Pension and Postretirement Medical Plan Loss	—	159
Multiemployer Pension Plan Withdrawal Expense	—	5
Total Non-GAAP Adjustments to Income Tax (Benefit) Expense	$ 299	$ 264
Total Non-GAAP Adjustments to Net Income	$ 514	$ 833

The income tax effects of adjustments to income before income taxes are calculated by multiplying the statutory tax rates applicable in each tax jurisdiction, including the U.S. federal jurisdiction and various U.S. state and non-U.S. jurisdictions, by the tax-deductible adjustments. The blended average effective income tax rates for 2025 and 2024 were 23.4% and 24.1%, respectively.

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

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 programs and initiatives within Transformation 2.0, Fit to Serve and *Network Reconfiguration* and *Efficiency Reimagined*.

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 the efficiencies previously achieved, 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. 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. Transformation 2.0 was completed in 2025, and total related costs were $835 million.

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 SCS 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. Fit to Serve was completed in 2025, and total related costs were $463 million. We achieved savings of approximately $1.0 billion through this program.

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, 85 of which have been permanently closed in 2025. We have identified 24 buildings for closure in the first half of 2026 and 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 delivered year-over-year cost savings of approximately $3.5 billion in 2025, 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 had incurred total program costs of $544 million, including $509 million in 2025.

In connection with the *Network Reconfiguration* and *Efficiency Reimagined* initiatives described above, we expect savings of approximately $3 billion in 2026. We also expect to exclude from our non-GAAP adjusted expenses certain costs related to certain strategic initiatives, including separation programs, 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 our business performance.

In addition, we have incurred and expect to continue to incur other costs and benefits associated with our *Network Reconfiguration* initiative 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 2025, we incurred $58 million in accelerated depreciation and asset retirement obligations related to these closed facilities and abandoned equipment and $72 million in gains on sale of these properties. We expect the costs associated with these actions may increase should we determine to close additional buildings.

For more information regarding transformation strategy activities, see note 18 to the audited, consolidated financial statements.

Goodwill and Asset Impairment Charges

We exclude the impact of goodwill and certain asset impairment charges. 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 4 and note 7 to the audited, consolidated financial statements.

Net Loss (Gain) on Divestiture

We exclude the impact of gains and 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. For additional information, see note 8 to the audited, consolidated financial statements.

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.

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.

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.

Defined Benefit Pension and Postretirement Medical Plan Gains and Losses

We incur certain employment-related expenses associated with pension and postretirement medical benefits. These pension and postretirement medical benefits costs for company-sponsored defined benefit plans are calculated using various actuarial assumptions and methodologies, including discount rates, expected returns on plan assets, healthcare cost trend rates, inflation, compensation increase rates, mortality rates and coordination of benefits with plans not sponsored by UPS. Actuarial assumptions are reviewed on an annual basis, unless circumstances require an interim remeasurement of any of our plans.

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 our statements of consolidated income. We supplement the presentation 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.

The remeasurement of our defined benefit pension and postretirement medical plans' assets and liabilities did not result in any mark-to-market adjustment in 2025, compared to a $665 million loss in 2024. The table below shows the amounts associated with each component of the loss, as well as the weighted-average actuarial assumptions used to determine our net periodic benefit cost, for each year:

	2025	2024
Components of defined benefit pension and postretirement medical plan loss (gain)		
Discount rates	$ —	$ (127)
Return on assets	—	672
Demographic and other assumption changes	—	120
Total mark-to-market loss	—	665
Total defined benefit pension and postretirement medical plan loss	$ —	$ 665

	2025	2024
Weighted-average actuarial assumptions		
Expected rate of return on plan assets used in determining net periodic benefit cost	7.52 %	7.06 %
Actual rate of return on plan assets	8.79 %	(1.29)%
Discount rate used in determining net periodic benefit cost	5.85 %	5.40 %
Discount rate at measurement date	5.79 %	5.85 %

Pre-tax defined benefit plan gains and losses for 2024 consisted of the following:

- *Discount Rates* ($127 million pre-tax gain): The weighted-average discount rate for our pension and postretirement medical plans increased from 5.40% as of December 31, 2023 to 5.85% as of December 31, 2024, primarily due to an increase in treasury yields on AA-rated corporate bonds.
- *Return on Assets* ($672 million pre-tax loss): The actual rate of return on plan assets in our U.S. pension plans was lower than our expected rate of return, primarily due to weaker than expected bond market performance.
- *Demographic and Other Assumption Changes* ($120 million pre-tax loss): This loss was due to differences between actual and estimated participant data and demographic factors, including healthcare cost trends, compensation rate increases and rates of termination, retirement and mortality.

Multiemployer Pension Plan Withdrawal Expense

We have excluded the impact of a charge related to the withdrawal from a multiemployer pension plan within the United States. We do not consider this expense to be related to our ongoing operations.

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.

U.S. Domestic Package Operations

	2025	2024	$ Change	% Change
Average Daily Package Volume (in thousands):				
Next Day Air	1,499	1,651		(9.2)%
Deferred	892	1,058		(15.7)%
Ground	15,119	16,452		(8.1)%
Total Average Daily Package Volume	17,510	19,161		(8.6)%
Average Revenue Per Piece:				
Next Day Air	$ 25.55	$ 23.23	$ 2.32	10.0 %
Deferred	19.78	17.77	2.01	11.3 %
Ground	11.60	10.89	0.71	6.5 %
Total Average Revenue Per Piece	$ 13.21	$ 12.34	$ 0.87	7.1 %
Operating Days in Period	252	253		
Revenue (in millions):				
Next Day Air	$ 9,652	$ 9,703	$ (51)	(0.5)%
Deferred	4,446	4,757	(311)	(6.5)%
Ground	44,183	45,347	(1,164)	(2.6)%
Cargo and Other	1,238	569	669	117.6 %
Total Revenue	$ 59,519	$ 60,376	$ (857)	(1.4)%
Operating Expenses (in millions):				
Operating Expenses	$ 55,593	$ 56,031	$ (438)	(0.8)%
Non-GAAP Adjustments to Operating Expenses				
Transformation Strategy Costs	(505)	(147)	(358)	243.5 %
Goodwill and Asset Impairment Charges	(173)	(5)	(168)	N/M
Multiemployer Pension Plan Withdrawal Expense	—	(19)	19	(100.0)%
Non-GAAP Adjusted Operating Expenses	$ 54,915	$ 55,860	$ (945)	(1.7)%
Operating Profit (in millions) and Operating Margin:				
Operating Profit	$ 3,926	$ 4,345	$ (419)	(9.6)%
Non-GAAP Adjusted Operating Profit	$ 4,604	$ 4,516	$ 88	1.9 %
Operating Margin	6.6 %	7.2 %		
Non-GAAP Adjusted Operating Margin	7.7 %	7.5 %		

Revenue

The change in revenue was due to the following factors:

Revenue Change Drivers:	Volume	Rates / Product Mix	Fuel Surcharge	Total Revenue Change
2025 vs. 2024	(9.0)%	7.1 %	0.5 %	(1.4)%

Comparative results were impacted by one less operating day in 2025 compared to 2024. Rates and product mix include our air cargo product, which volume was fully onboarded under a contract with the USPS 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.

Volume

Average daily volume decreased in 2025, driven by planned volume declines from our largest customer, decreases in volume as a result of revenue quality actions we took with respect to certain e-commerce volume and challenging market conditions. By the end of 2026, we expect that our planned volume declines from our largest customer will reduce volume by approximately one million additional pieces per day. Our continued strategic actions are expected to result in lower total average daily volume in 2026 as compared to 2025 as we transition to a more efficient network designed to support higher-quality revenue and margin expansion.

Residential ("business-to-consumer") and commercial ("business-to-business") volume decreased in 2025. Business-to-consumer volume decreased 12.5%, as a result of the planned volume declines and revenue quality actions discussed above. Business-to-business volume decreased 2.8%, primarily driven by demand softness within the retail and manufacturing sectors. These overall declines were partially offset by continued growth from SMBs, including through the increased use of our Digital Access Program ("DAP").

Within our Air products, average daily volume decreased 11.7% in 2025, driven by the volume declines from our largest customer, partially offset by increased demand from customers in the healthcare and technology sectors.

Ground average daily volume decreased 8.1% in 2025 driven by business-to-consumer volume decreases of 11.9% which were primarily as a result of the revenue quality actions discussed above and the continued volume declines from our largest customer.

Revenue Per Piece

Revenue per piece increased 7.1% in 2025, with growth in both Air and Ground products. This increase reflects the full-year impact of an average 5.9% net increase in base and accessorial rates implemented in December 2024, as well as favorable trends in customer and product mix. Changes in package characteristics and fuel surcharges also contributed to the increase.

In December 2025, we implemented a separate average 5.9% net increase in base and accessorial rates for both Air and Ground products, which we expect will contribute to revenue per piece growth in 2026.

Fuel Surcharges

We apply a fuel surcharge on our domestic air and ground products that is adjusted 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 $282 million in 2025, as a result of revenue quality actions discussed above which more than offset the impact of lower volume.

Operating Expenses

Operating expenses decreased in 2025 primarily due to a decline in volume described above. The decreases were primarily related to the impact of lower headcount and a reduction of approximately 27 million labor hours resulting from the strategic execution of our *Network Reconfiguration* and *Efficiency Reimagined* initiatives.

Operating expenses were driven by:

- Compensation and benefits expense increased $539 million, primarily driven by costs associated from additional stops as a result of insourcing our Ground Saver product. Increased seniority levels and contractual wage rate increases within our U.S. unionized workforce, along with higher workers' compensation and auto liability costs, also contributed to the increase. These increases were offset by the reduction of transportation expense related to the expiration of our USPS contract at the end of 2024.
- Air cargo expense increased $430 million as we fully onboarded volume under our USPS air cargo contract during the fourth quarter of 2024.

- Other expense increased by $163 million primarily due to a $173 million charge related to the retirement of our MD-11 fleet and increases in commissions paid to our DAP platform partners. These increases were partially offset by the impacts of our *Network Reconfiguration* and *Efficiency Reimagined* initiatives. See *Supplemental Information - Items Affecting Comparability* for further detail on related cost savings and program costs.

Non-GAAP adjusted operating expenses exclude the impact of Transformation Strategy Costs of $505 million and $147 million in 2025 and 2024, respectively, as well as Goodwill and Asset Impairment Charges of $173 million and $5 million in 2025 and 2024, respectively. The 2025 Goodwill and Asset Impairment Charges of $173 million represent the portion of the MD-11 fleet charge attributable to the U.S. Domestic Package segment. 2024 non-GAAP adjusted operating expenses also excluded Multiemployer Pension Plan Withdrawal Expense of $19 million.

Transformation Strategy Costs during both 2025 and 2024 related to our Transformation 2.0, Fit to Serve and *Network Reconfiguration* and *Efficiency Reimagined* initiatives. Within these initiatives, we incurred primarily severance costs and 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 and non-GAAP adjusted cost per piece increased 8.1% and 7.2% during 2025, respectively. The increase in cost per piece was primarily driven by increased compensation and benefits costs from insourcing our Ground Saver product in addition to the impact of lower average daily volume.

Operating Profit and Margin

As a result of the factors described above, operating profit decreased $419 million, with operating margin decreasing 60 basis points to 6.6%. Non-GAAP adjusted operating profit increased $88 million, with non-GAAP adjusted operating margin increasing 20 basis points to 7.7%.

International Package Operations

	2025	2024	$ Change	% Change
Average Daily Package Volume (in thousands):				
Domestic	1,575	1,554		1.4 %
Export	1,762	1,703		3.5 %
Total Average Daily Package Volume	3,337	3,257		2.5 %
Average Revenue Per Piece:				
Domestic	$ 8.57	$ 8.10	$ 0.47	5.8 %
Export	32.61	32.82	(0.21)	(0.6)%
Total Average Revenue Per Piece	$ 21.26	$ 21.03	$ 0.23	1.1 %
Operating Days in Period	252	253		
Revenue (in millions):				
Domestic	$ 3,401	$ 3,186	$ 215	6.7 %
Export	14,479	14,142	337	2.4 %
Cargo & Other	696	632	64	10.1 %
Total Revenue	$ 18,576	$ 17,960	$ 616	3.4 %
Operating Expenses (in millions):				
Operating Expenses	$ 15,703	$ 14,769	$ 934	6.3 %
Non-GAAP Adjustments to Operating Expenses				
Transformation Strategy Costs	(53)	(79)	26	(32.9)%
Goodwill and Asset Impairment Charges	(9)	(2)	(7)	350.0 %
One-Time Payment for International Regulatory Matter	—	(88)	88	(100.0)%
Non-GAAP Adjusted Operating Expenses	$ 15,641	$ 14,600	$ 1,041	7.1 %
Operating Profit (in millions) and Operating Margin:				
Operating Profit	$ 2,873	$ 3,191	$ (318)	(10.0)%
Non-GAAP Adjusted Operating Profit	$ 2,935	$ 3,360	$ (425)	(12.6)%
Operating Margin	15.5 %	17.8 %		
Non-GAAP Adjusted Operating Margin	15.8 %	18.7 %		
Currency Translation Benefit / (Cost)—(in millions)[1]:				
Revenue			$ 140	
Operating Expenses			(191)	
Operating Profit			$ (51)	

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

Revenue

The change in revenue was due to the following:

Revenue Change Drivers:	Volume	Rates / Product Mix	Fuel Surcharges	Currency	Total Revenue Change
2025 vs. 2024	2.1 %	0.4 %	0.2 %	0.7 %	3.4 %

Comparative results were impacted by having one less operating day in 2025 compared to 2024.

Global trade policy changes in 2025, including de minimis exclusions, resulted in shifting trade lane volumes and reduced segment margin. Results reflect complex macro environment pressures, which weakened small package U.S. export and import performance. Despite these challenges, we achieved revenue growth of 3.4%, driven, in part, by brokerage results.

Volume

Average daily volume increased in 2025, with increases in both domestic and export products, primarily in Europe, the Middle East, and Africa ("EMEA"). These increases were partially offset by China-to-U.S. trade lane volume declines due to U.S. trade policy changes that took effect in the second quarter of 2025.

Domestic average daily volume increased 1.4% in 2025 primarily driven by both business-to-consumer retail customers and business-to-business professional services customers in Canada.

Export average daily volume increased 3.5% in 2025 due to our agility to adjust to changing trade lanes, and led by strength in SMBs volumes between European countries.

Revenue per Piece

Revenue per piece increased 1.1% in 2025. The increase was primarily driven by favorable currency movements, partially offset by lower demand-related surcharges and shifts in lane and product mix. Segment revenues were negatively impacted by declines on the China-to-U.S. trade lane as a result of the trade policy changes that took effect in the second quarter of 2025.

Domestic revenue per piece increased 5.8% in 2025 primarily driven by the impact of revenue quality efforts in EMEA.

Export revenue per piece declined 0.6% in 2025, primarily as a result of reduced demand-related surcharges in Asia, changes in geographic distribution and an unfavorable shift in product mix in EMEA, as customers increasingly selected economy products.

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 in 2025. Pickup and delivery expenses increased by $460 million mainly due to increased volumes, merit compensation increases and the impact of implementing weekend delivery within Europe. Integrated air and ground network costs increased $327 million as we continued to align our global network with shifting volume patterns. These cost increases were primarily due to unfavorable currency movements, increased aircraft maintenance expenses, and higher charter utilization associated with network disruptions and capacity constraints.

Non-GAAP adjusted operating expenses exclude $53 and $79 million in Transformation Strategy Costs in 2025 and 2024, respectively. Goodwill and Asset Impairment Charges of $9 and $2 million were also excluded in 2025 and 2024, respectively. The 2025 Goodwill and Asset Impairment Charges of $9 million consisted of the MD-11 fleet charge attributable to the International Package segment. 2024 results also exclude $88 million in costs associated with a One-Time Payment for an International Regulatory Matter.

Transformation Strategy Costs during both 2025 and 2024 periods relate to our Transformation 2.0, Fit to Serve and *Network Reconfiguration* and *Efficiency Reimagined* initiatives. Within these initiatives, we incurred primarily severance costs and 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.

Operating Profit and Margin

As a result of the factors described above, operating profit decreased $318 million, with operating margin decreasing 230 basis points to 15.5%. Non-GAAP adjusted operating profit decreased $425 million and non-GAAP adjusted operating margin decreased 290 basis points to 15.8%. Amid these challenges, our brokerage services contributed to our operating profit.

Supply Chain Solutions Operations

	2025	2024	$ Change	% Change
Revenue (in millions):				
Forwarding	$ 2,916	$ 4,728	$ (1,812)	(38.3)%
Logistics	5,855	6,437	(582)	(9.0)%
Other SCS	1,795	1,569	226	14.4 %
Total Revenue	$ 10,566	$ 12,734	$ (2,168)	(17.0)%
Operating Expenses (in millions):				
Operating Expenses	$ 9,498	$ 11,802	$ (2,304)	(19.5)%
Non-GAAP Adjustments to Operating Expenses				
Transformation Strategy Costs	(35)	(96)	61	(63.5)%
Net (Loss) Gain on Divestiture	(19)	156	(175)	N/A
Goodwill and Asset Impairment Charges	—	(101)	101	(100.0)%
Expense for Regulatory Matter	—	(45)	45	(100.0)%
Non-GAAP Adjusted Operating Expenses	$ 9,444	$ 11,716	$ (2,272)	(19.4)%
Operating Profit (in millions) and Operating Margin:				
Operating Profit	$ 1,068	$ 932	$ 136	14.6 %
Non-GAAP Adjusted Operating Profit	1,122	1,018	104	10.2 %
Operating Margin	10.1 %	7.3 %		
Non-GAAP Adjusted Operating Margin	10.6 %	8.0 %		
Currency Benefit / (Cost)—(in millions)[1]:				
Revenue			55	
Operating Expenses			(49)	
Operating Profit			6	

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

	2025	2024	$ Change
Non-GAAP Adjustments to Operating Expenses (in millions):			
Transformation Strategy Costs			
Forwarding	$ 31	$ 39	$ (8)
Logistics	4	57	(53)
Total Transformation Strategy Costs	35	96	(61)
Net Loss (Gain) on Divestiture			
Forwarding	—	(156)	156
Other SCS	19	—	19
Total Loss (Gain) on Divestiture	19	(156)	175
Goodwill and Asset Impairment Charges			
Logistics	—	101	(101)
Total Goodwill and Asset Impairment Charges	—	101	(101)
Expense for Regulatory Matter			
Other SCS	—	45	(45)
Total Expense for Regulatory Matter	—	45	(45)
Total Non-GAAP Adjustments to Operating Expenses	$ 54	$ 86	$ (32)

Revenue

Total revenue within SCS decreased in 2025 primarily due to a decline in our Forwarding and Logistics businesses, partially offset by revenue growth within certain of our other businesses.

Revenue in our Forwarding businesses decreased $1.8 billion. The decline was primarily driven by the impact of the 2024 Coyote divestiture, which contributed $1.6 billion of revenue in 2024. Revenue within our remaining Forwarding businesses declined $245 million, primarily from demand softness in air and ocean markets and from the effects of 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 $582 million. Revenue in our Mail Innovations business decreased $904 million, driven by volume declines resulting from our initiatives to improve revenue quality. These declines were partially offset by $303 million of revenue growth in our healthcare logistics businesses, due to our 2025 acquisitions of Frigo-Trans and AHG in addition to year-over-year growth in our other healthcare businesses.

Revenue from our other businesses within SCS increased $226 million in 2025, primarily driven by volume growth in both Roadie and UPS Capital within our digital businesses.

Operating Expenses

Total operating expenses within SCS decreased in 2025 driven primarily by the impacts of the Coyote divestiture of $1.6 billion, gain on sale-leaseback transactions involving real estate properties of $330 million and volume declines and lower purchased transportation costs in our Mail Innovations business as a result of lower volumes.

Non-GAAP adjusted operating expenses exclude the impact of $35 and $96 million in Transformation Strategy Costs in 2025 and 2024, respectively. 2025 results also exclude a $19 million Net Loss on Divestiture of an SCS business. 2024 results exclude a $156 million Gain on Divestiture related to Coyote, $101 million in Goodwill and Asset Impairment Charges and a $45 million Expense for a Regulatory Matter.

Transformation Strategy Costs during both 2025 and 2024 related to our Transformation 2.0, Fit to Serve and *Network Reconfiguration* and *Efficiency Reimagined* initiatives. Within these initiatives, we incurred primarily severance costs and 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.

Operating Profit and Margin

As a result of the factors described above, operating profit increased $136 million, with operating margin increasing 280 basis points to 10.1%. On a non-GAAP adjusted basis, operating profit increased $104 million, with non-GAAP adjusted operating margin increasing 260 basis points to 10.6%.

Consolidated Operating Expenses

	2025	2024	$ Change	% Change
Operating Expenses (in millions):				
Compensation and benefits	$ 48,605	$ 48,093	$ 512	1.1 %
Transformation Strategy Costs	(420)	(213)	(207)	97.2 %
Multiemployer Pension Plan Withdrawal Expense	—	(19)	19	(100.0)%
Non-GAAP Adjusted Compensation and Benefits	48,185	47,861	324	0.7 %
Repairs and maintenance	3,107	2,940	167	5.7 %
Depreciation and amortization	3,746	3,609	137	3.8 %
Purchased transportation	10,588	13,589	(3,001)	(22.1)%
Fuel	4,316	4,366	(50)	(1.1)%
Other occupancy	2,269	2,117	152	7.2 %
Other expenses	8,163	7,888	275	3.5 %
Total Other expenses	32,189	34,509	(2,320)	(6.7)%
Transformation Strategy Costs	(173)	(109)	(64)	58.7 %
Net (Loss) Gain on Divestiture	(19)	156	(175)	N/A
One-Time Payment for International Regulatory Matter	—	(88)	88	(100.0)%
Goodwill and Asset Impairment Charges	(182)	(108)	(74)	68.5 %
Expense for Regulatory Matter	—	(45)	45	(100.0)%
Non-GAAP Adjusted Total Other Expenses	31,815	34,315	(2,500)	(7.3)%
Total Operating Expenses	$ 80,794	$ 82,602	$ (1,808)	(2.2)%
Non-GAAP Adjusted Total Operating Expenses	$ 80,000	$ 82,176	$ (2,176)	(2.6)%
Currency (Benefit) / Cost - (in millions) [1]			240	

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

	2025	2024	$ Change	% Change
Non-GAAP Adjustments to Operating Expenses (in millions):				
Transformation Strategy Costs:				
Compensation	$ 13	$ 21	$ (8)	(38.1)%
Benefits	407	192	215	112.0 %
Other expenses	173	109	64	58.7 %
Total Transformation Strategy Costs	593	322	271	84.2 %
Other expenses:				
Net Loss (Gain) on Divestiture	19	(156)	175	N/A
One-Time Payment for International Regulatory Matter	—	88	(88)	(100.0)%
Goodwill and Asset Impairment Charges	182	108	74	68.5 %
Expense for Regulatory Matter	—	45	(45)	(100.0)%
Benefits:				
Multiemployer Pension Plan Withdrawal Expense	—	19	(19)	(100.0)%
Total Non-GAAP Adjustments to Operating Expenses	$ 794	$ 426	$ 368	86.4 %

Compensation and Benefits

Total compensation expense increased $182 million. The principal factors contributing to the overall changes were:

- Direct labor cost increased $410 million. Increased seniority and contractual wage rate growth for our U.S. unionized workforce resulted in increased costs of $567 million. Higher international labor costs due to merit increases and weekend operations within Europe as well as an increase in flight operations from air cargo volume contributed $224 million of the increase. Additional stops due to the insourcing of Ground Saver were more than offset by the impact of volume declines, resulting in decreased cost of $349 million.
- Management compensation cost decreased $242 million, primarily due to lower overall headcount and a decrease in incentive compensation.

Benefits costs increased $330 million. The principal factors contributing to the overall changes were:

- Separation cost increased $212 million from the continued execution of our transformation strategy.
- Health and welfare cost increased $143 million, driven by increased contributions to multiemployer plans as a result of contractual rate increases.
- Workers' compensation expense increased $127 million due to higher current year claims, an increase in the average cost per claim, and less favorable development in prior year claims, partially offset by a reduction in hours worked.
- Accruals for paid time off, payroll and other cost increased $72 million, due to contractual wage rate growth, partially offset by the impact of headcount reductions.
- Pension and other postretirement benefits cost decreased $242 million, driven by lower service cost resulting from higher discount rates and reduced multiemployer plan expense from lower participating headcount, partially offset by the impact of contractual rate increases.

On a non-GAAP adjusted basis Compensation and Benefits increased $324 million, primarily due to Transformation Strategy Costs. Transformation Strategy Costs during both 2025 and 2024 relate to our Transformation 2.0, Fit to Serve and *Network Reconfiguration* and *Efficiency Reimagined* initiatives. Within these initiatives, we incurred primarily other employee benefits expense and related payroll tax expense. Compensation and benefits expenses under these initiatives were $420 million in 2025, an increase of $188 million. 2024 results exclude a $19 million Multiemployer Pension Plan Withdrawal Expense. 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 primarily due to the timing of required aircraft engine maintenance. Ground equipment maintenance also increased as a result of higher network usage, partially offset by lower facility repair costs due to timing of maintenance.

Depreciation and Amortization

Depreciation expense increased $85 million due to capital asset additions and building closures during 2025, the latter of which shortened useful life and accelerated depreciation. Amortization expense increased $52 million primarily from capitalized software investments and additional intangible assets acquired as part of the acquisitions of Frigo-Trans and AHG in 2025, slightly offset by the impact of the Coyote divestiture in 2024.

Purchased Transportation

Third-party transportation expense charged to us by air, ocean and ground carriers decreased by $3.0 billion. The decrease was primarily driven by a decline in ground cost of $1.3 billion due to the Coyote divestiture in 2024 and an additional $1.3 billion due to the combined impacts of insourcing Ground Saver and lower overall volume. Third-party fuel surcharges decreased $285 million primarily due to the impact of the Coyote divestiture.

Fuel

Fuel expense decreased $50 million 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 $152 million due to higher property rental expense from rising occupancy rates, additional leased operating facilities coming into service and an increase in electrical and power utilities. Other occupancy related expenses, including weather-related costs, also contributed to the overall increase.

Other Expenses

Other expenses increased $275 million, driven primarily by a $182 million charge related to the retirement of our MD-11 fleet, $160 million of higher professional fees related to our transformation strategy initiatives, acquisitions, and litigation, $138 million of increased commissions associated with growth in DAP, and $117 million of higher auto liability insurance costs due to unfavorable prior-year claim development and adverse claim trends. Other increases reflected higher customer claims volume and increased credit losses related to changes in accounts receivable composition and specific customer matters. These increases were partially offset by $333 million of higher gains, primarily from $434 million of gains on sale-leaseback transactions and real estate sales in 2025, compared to net gains of $77 million in 2024, which included the Coyote divestiture and other asset disposals. In addition, 2024 included a $94 million charge related to the One-Time Payment for an International Regulatory Matter.

In 2025, non-GAAP adjusted other expenses exclude the impact of a $182 million charge related to the retirement of our MD-11 fleet, $173 million in Transformation Strategy Costs associated with outside professional service provider fees, and $19 million from the divestiture of a business within SCS. In 2024, non-GAAP adjusted expenses exclude the impact of a $156 million gain from the Coyote divestiture, $108 million related to the impairment of trade names and software, $109 million in Transformation Strategy Costs associated with outside professional service provider fees, $133 million related to an Expense for Regulatory Matter and a One-Time Payment for an International Regulatory Matter.

We expect to incur additional other expenses under our *Network Reconfiguration* and *Efficiency Reimagined* initiatives during 2026. See *Supplemental Information - Items Affecting Comparability* for additional discussion on the types, amounts and timing thereof.

Other Income and (Expense)

The following table sets forth investment income (expense) and other and interest expense for 2025 and 2024 (in millions):

	2025	2024	$ Change	% Change
Investment Income (Expense) and Other	$ 314	$ (160)	$ 474	N/A
Goodwill and Asset Impairment Charges	19	—	19	N/A
Defined Benefit Pension and Postretirement Medical Plan Loss	—	665	(665)	(100.0)%
Non-GAAP Adjusted Investment Income and Other	$ 333	$ 505	$ (172)	(34.1)%
Interest Expense	$ (1,017)	$ (866)	$ (151)	17.4 %
Interest Expense Associated with One-Time Payment for International Regulatory Matter	—	6	(6)	(100.0)%
Non-GAAP Adjusted Interest Expense	$ (1,017)	$ (860)	$ (157)	18.3 %
Total Other Income (Expense)	$ (703)	$ (1,026)	$ 323	(31.5)%
Total Non-GAAP Adjusted Other Income and (Expense)	$ (684)	$ (355)	$ (329)	92.7 %

Investment Income (Expense) and Other

Investment Income (Expense) and Other increased $474 million. Remeasurements of our defined benefit plans did not result in a mark-to-market gain or loss in 2025, compared to a $665 million loss in 2024. In 2025, *Investment Income (Expense) and Other* includes a $19 million impairment charge related to an equity method investment. Excluding the impact of these remeasurements and the investment impairment, non-GAAP adjusted investment income and other decreased $172 million, driven by lower average invested balances, year-over-year changes in certain non-current investments and lower pension income. The decline in pension income was driven by an increase in interest cost from overall plan growth and higher discount rates, slightly offset by higher expected returns on pension assets. These factors were partially offset by a reduction in foreign currency exchange losses.

Interest Expense

Interest Expense increased due to higher average outstanding debt balances and lower capitalized interest.

Income Tax Expense

The following table sets forth our income tax expense and effective tax rate for 2025 and 2024 (in millions):

	2025	2024	$ Change	% Change
Income Tax Expense:	$ 1,592	$ 1,660	$ (68)	(4.1)%
Income Tax Impact of:				
Transformation 2.0				
Business Portfolio Review	(5)	7	(12)	(171.4)%
Financial Systems	14	13	1	7.7 %
Transformation 2.0 Total	9	20	(11)	(55.0)%
Fit to Serve	10	49	(39)	(79.6)%
Network Reconfiguration and *Efficiency Reimagined*	122	8	114	N/M
Total Transformation Strategy Costs	141	77	64	83.1 %
Net Loss (Gain) on Divestiture	4	(4)	8	(200.0)%
Goodwill and Asset Impairment Charges	45	27	18	66.7 %
Reversal of Income Tax Valuation Allowance	109	—	109	N/A
Multiemployer Pension Plan Withdrawal Expense	—	5	(5)	(100.0)%
Defined Benefit Pension and Postretirement Medical Plan Loss	—	159	(159)	(100.0)%
Non-GAAP Adjusted Income Tax Expense	$ 1,891	$ 1,924	$ (33)	(1.7)%
Effective Tax Rate	22.2 %	22.3 %		
Non-GAAP Adjusted Effective Tax Rate	23.7 %	22.5 %		

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 impact of the OBBBA is not material to our 2025 overall effective tax rate and has been reflected in our audited, consolidated financial statements. We continue 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 income tax expense and our effective tax rate, see note 15 to the audited, consolidated financial statements.

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 December 31, 2025, we had $5.9 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, including voluntary separation programs, 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 significant sources (uses) of cash from operating activities (in millions):

	2025	2024
Net income	$ 5,572	$ 5,782
Non-cash operating activities[(1)]	5,169	5,622
Pension and postretirement medical benefit plan contributions (Company-sponsored plans)	(1,361)	(1,524)
Hedge margin receivables and payables	—	(90)
Income tax receivables and payables	(330)	313
Changes in working capital and other non-current assets and liabilities	(667)	33
Other operating activities	67	(14)
Net cash from operating activities	$ 8,450	$ 10,122

(1) Represents depreciation and amortization, gains and losses on derivative transactions and foreign currency exchange, disposals of assets and businesses, 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, driven by the following:

- Unfavorable changes in working capital resulting from:
  - A decrease in payables primarily due to lower U.S. Domestic Package volume.
  - Higher incentive compensation payments.
  - Higher income tax payments due to a 2024 deferred payment resulting from Hurricane Helene relief, partially offset by changes in non-U.S. income tax payables.
- A reduction in net income.

The decreases were partially offset by:

- Cash proceeds of $730 million from our factored accounts receivable program, of which $243 million was collected from customers and remitted to third-party purchasers as of December 31, 2025; this program was not in place in 2024. For additional information on our factoring program, see note 2 to the audited, consolidated financial statements.

As of December 31, 2025 approximately $2.0 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.

Cash Flows From Investing Activities

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

	2025	2024
Net cash used in investing activities	$ (4,735)	$ (217)
Capital Expenditures:		
Buildings, facilities and plant equipment	$ (2,206)	$ (1,563)
Aircraft and parts	(171)	(742)
Vehicles	(245)	(779)
Information technology	(1,063)	(825)
Total capital expenditures(1):	$ (3,685)	$ (3,909)
Capital expenditures as a % of revenue	4.2 %	4.3 %
Other Investing Activities:		
Proceeds from disposal of businesses, property, plant and equipment	$ 700	$ 1,115
Net (purchases) sales and maturities of marketable securities	$ 203	$ 2,672
Acquisitions, net of cash acquired	$ (1,968)	$ (71)
Other investing activities	$ 15	$ (24)

(1) In addition to capital expenditures of $3.7 and $3.9 billion for 2025 and 2024, respectively, there were principal repayments of finance lease obligations of $133 and $136 million in these years, respectively. These are included in cash flows from financing activities.

In 2025, capital expenditures were $3.7 billion, of which approximately $430 million was related to projects supporting our environmental sustainability goals. Total capital expenditures decreased in 2025 compared to 2024 as a result of:

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

These decreases were partially offset by increased spending on buildings, facilities and plant equipment and information technology, as we continued to execute on our Network of the Future and other operational efficiency initiatives.

Proceeds from the disposal of businesses, property, plant and equipment decreased. In 2025, proceeds of $465 million were primarily from sale-leaseback transactions involving real estate properties within SCS and a data center, with the remainder from other real estate sales. In 2024, net cash proceeds of $1.0 billion were in connection with the Coyote divestiture.

Changes in marketable securities were largely driven by the 2024 liquidation of our portfolio of $2.7 billion.

Cash paid for acquisitions in 2025 was primarily attributable to the acquisitions of Frigo-Trans, AHG and reacquired development area rights for The UPS Store. Cash paid for acquisitions in 2024 primarily related to reacquired development area rights for The UPS Store.

In 2025, non-cash investing activities included construction-in-progress of $107 million related to the capitalization of construction costs in connection with a build-to-suit financing obligation.

We have commitments for the purchase of equipment, real estate and vehicles to provide for the replacement and enhancement of existing capacity and targeted growth. It also provides for maintenance of buildings, facilities and equipment. Our 2026 investment program anticipates investments in technology initiatives and enhanced network capabilities. We currently expect our capital expenditures will be approximately $3.0 billion for all of 2026, of which approximately 80% 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.

Cash Flows From Financing Activities

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

	2025	2024
Net cash used in financing activities	$ (4,141)	$ (6,850)
Share Repurchases:		
Cash paid to repurchase shares	$ (1,000)	$ (500)
Number of shares repurchased	(8.6)	(3.9)
Shares outstanding at year end	849	854
Dividends:		
Dividends declared per share	$ 6.56	$ 6.52
Cash paid for dividends	$ (5,398)	$ (5,399)
Borrowings:		
Net borrowings (repayments) of debt principal	$ 2,084	$ (974)
Other Financing Activities:		
Cash received for common stock issuances	$ 159	$ 232
Other financing activities	$ 14	$ (209)
Capitalization:		
Total debt outstanding at year end	$ 24,127	$ 21,284
Total shareowners' equity at year end	16,255	16,743
Total capitalization	$ 40,382	$ 38,027

We repurchased 8.6 and 3.9 million shares of class B common stock for $1.0 billion and $500 million under our share repurchase authorization in 2025 and 2024, respectively. For additional information on our share repurchase activities, see note 12 to the audited, 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 paid quarterly cash dividend of $1.64 and $1.63 per share in 2025 and 2024, respectively. We previously announced a first quarter 2026 dividend of $1.64 per share, which is payable on March 5, 2026 to shareowners of record on February 17, 2026.

During 2025 and 2024, dividends reported within shareowners' equity include $167 and $195 million, respectively, of non-cash dividends that were settled in shares of class A common stock.

Issuances of debt during 2025 consisted of fixed-rate and floating-rate senior notes of varying maturities totaling $4.2 billion. Repayments of debt during 2025 consisted of $2.1 billion of senior notes and scheduled principal payments on our finance lease obligations.

Issuances of debt during 2024 consisted of fixed-rate and floating-rate senior notes of varying maturities totaling $2.8 billion. Repayments of debt in 2024 consisted of $2.2 billion of short- and long-term commercial paper, $1.5 billion in fixed-rate senior notes and scheduled principal payments on our finance lease obligations.

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 year end ($)	Average balance outstanding ($)	Average interest rate
USD			
2025	$ —	$ 80	3.97 %
2024	$ —	$ 208	5.26 %

We have $500 million of fixed-rate senior notes that mature in 2026. 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.

Cash flows from other financing activities decreased primarily due to 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 in 2025 and 2024, respectively. Cash flows from other financing activities during 2025 also include $59 million of obligations related to factored receivables that were not remitted to third-party purchasers as of December 31, 2025, as well as fees associated with finance leases. For additional information on our factoring program, see note 2 to the audited, consolidated financial statements.

During 2025, we entered into leases, which required parent company guarantees of approximately $1.8 billion. For additional information on guarantees, see note 9 to the audited, consolidated financial statements.

Except as disclosed in note 9 to the audited, consolidated financial statements, 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 audited, consolidated financial statements for a discussion of our available credit and our debt covenants.

Contractual Commitments

We have material cash requirements for known contractual obligations and commitments in the form of finance leases, operating leases, debt obligations, purchase commitments and certain other liabilities that are disclosed in the notes to the audited, consolidated financial statements and discussed below. We expect to fund these obligations and other discretionary payments, including expected returns to shareowners, primarily through cash from operations.

We anticipate making contributions to our company-sponsored U.S. defined benefit pension and postretirement medical benefit plans of approximately $1.3 billion in 2026, which are included within *Expected employer contributions to plan trusts* in note 5 to the audited, consolidated financial statements. Contributions are sufficient to cover Internal Revenue Service minimums and required funding in accordance with applicable law. The amount of any applicable minimum funding requirement for these plans could change significantly in future periods depending on many factors, including plan asset returns, discount rates, other actuarial assumptions, changes to pension plan funding regulations and any discretionary contributions we make. Actual contributions made in future years could materially differ and consequently required minimum contributions beyond 2026 cannot be reasonably estimated. We expect contributions to the UPS 401(k) Savings Plan to be approximately $574 million in 2026.

As discussed in note 6 to the audited, consolidated financial statements, we are not currently subject to any surcharges or minimum contributions outside of our agreed-upon contractual rates with respect to the multiemployer pension and health and welfare plans in which we participate. Contribution rates to these plans are established through the collective bargaining process.

We have outstanding letters of credit and surety bonds that are discussed in note 9 to the audited, consolidated financial statements. Additionally, we have senior notes that mature in 2026. We intend to repay or refinance these amounts when due. Estimated future interest payments on our outstanding debt total approximately $20.9 billion. This amount was calculated using the contractual interest payments due on our fixed- and variable-rate debt based on interest rates as of December 31, 2025. For debt denominated in a foreign currency, the U.S. Dollar equivalent principal amount of the debt at the end of the year was used as the basis to project future interest payments. Future annual principal payments on our long-term debt are also set out in note 9 to the audited, consolidated financial statements.

Purchase commitments that are legally binding represent contractual agreements for certain capital expenditures, including contracts for facility construction projects, aircraft and vehicles. Certain aircraft purchase commitments included in our Annual Report on Form 10-K for the year ended December 31, 2024 are now reflected as leases. See note 10 to the audited, consolidated financial statements for more information.

The following table summarizes the expected cash outflows to satisfy our total purchase commitments as of December 31, 2025 (in millions):

Commitment Type	2026	2027	2028	2029	2030	After 2030[1]	Total
Purchase Commitments	$ 1,056	$ 1,076	$ 367	$ 31	$ 22	$ 439	$ 2,991

(1) Includes a financing arrangement to be paid over 16 years.

In addition to purchase commitments, we have other contractual obligations related to equipment rental, software licensing, service and commodity contracts.

Our finance lease obligations, including purchase options that are reasonably certain to be exercised, relate primarily to leases on aircraft and real estate. These obligations, together with our obligations under operating leases are set out in note 11 to the audited, consolidated financial statements.

Contingencies

See note 5 and note 15 to the audited, consolidated financial statements for a discussion of pension-related matters and income-tax-related matters, respectively. See note 10 for a discussion of judicial proceedings and other matters arising from the conduct of our business activities.

Collective Bargaining Agreements

Status of Collective Bargaining Agreements

See note 6 to the audited, consolidated financial statements for a discussion of the status of collective bargaining agreements and "Risk Factors - Business and Operating Risks - Strikes, work stoppages or slowdowns by our employees could materially adversely affect us" in Part I, Item 1A of this report.

Multiemployer Benefit Plans

We contribute to a number of multiemployer pension and health and welfare plans under the terms of collective bargaining agreements that cover our union-represented employees. These agreements set forth the annual contribution rate increases for the plans that we participate in.

New Accounting Pronouncements

Recently Adopted Accounting Standards

See note 1 to the audited, consolidated financial statements for a discussion of recently adopted accounting standards.

Accounting Standards Issued But Not Yet Effective

See note 1 to the audited, consolidated financial statements for a discussion of accounting standards issued, but not yet effective.

Critical Accounting Estimates

The amounts of assets, liabilities, revenue and expenses reported in our financial statements are affected by estimates and judgments that are necessary to comply with GAAP, including fair value measurements. We develop our estimates and judgments based on prior experience, current trends, and various other assumptions. For estimates that involve fair value measurements, we consider the fair value hierarchy under ASC Topic 820. We also engage outside specialists as necessary to assist us in development our estimates. Actual results could differ materially from our estimates, which would affect the related amounts reported in our consolidated financial statements. While estimates and judgments are applied in arriving at many reported amounts, we believe that the following areas involve a higher degree of judgment and complexity and represent critical accounting estimates.

Contingencies

From time to time, we are involved in various judicial proceedings and other matters arising from the conduct of our business that result in exposure to various contingent liabilities. Events that may result in contingent liabilities are often unique and generally are not predictable, including general commercial matters, governmental actions, employment-related claims, and other contractual disputes. At the time a contingency is identified, we consider all relevant facts as part of our evaluation. We apply judgment when establishing a range of reasonably possible losses arising from contingencies. Our judgment is influenced by our understanding of currently available information and potential outcomes of these matters, including the advice from our internal counsel, external counsel and other senior management.

We accrue amounts associated with judicial proceedings and other contingencies when and to the extent a loss becomes probable and can be reasonably estimated. For such matters, we record the amount we consider to be the best estimate within a range of potential losses; however, when there appears to be a range of equally possible losses, our accrual is at the low end of this range. The likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a reasonable estimate of the loss or a range of potential losses may not be practicable based on the information available. Additionally, events may arise that were not anticipated and, as a result, the outcome of a contingency may result in a loss that differs materially from our previously estimated liability. Except as disclosed in note 10 to the audited, consolidated financial statements, contingent losses that were probable and estimable were not material to our financial position or results of operations as of, or for the year ended, December 31, 2025. In addition, we have certain contingent liabilities that have not been recognized as of, or for the year ended, December 31, 2025, because a loss was not reasonably estimable. Contingent obligations relating to income taxes and self-insurance are discussed separately below.

Goodwill and Intangible Asset Impairments

We test goodwill and indefinite-lived intangible assets for impairment annually as of July 1, or more frequently if circumstances require. We assess goodwill for impairment at the reporting unit level. To determine whether goodwill is impaired, we are required to assess the fair value of each reporting unit and compare it to its carrying value. The determination of reporting units requires judgment, and if we changed the definition of our reporting units, it is possible that we would have reached different conclusions when performing our impairment tests. Changes in our management structure or business acquisitions may result in changes to our reporting units.

We initially evaluate qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment is not conclusive, or at our election, we quantitatively assess the fair value of a reporting unit to test goodwill for impairment. This assessment uses a combination of income and market approaches to develop an estimate of reporting unit fair value. The income and market approaches consider both entity-specific and observable market information under the fair value hierarchy in ASC Topic 820 and changes in, or additions to, available information may affect the assumptions we use in estimating fair value.

- The income approach uses a discounted cash flow (“DCF”) model, which requires us to make a number of significant assumptions to produce an estimate of future cash flows. These assumptions include projections of future revenue, costs, capital expenditures, working capital, long-term growth rates and the discount rate. During periods in which macroeconomic conditions are uncertain or volatile, these assumptions are subject to a greater degree of uncertainty. We are also required to make assumptions relating to our overall business and operating strategy, and the regulatory and market environment. Changes in any of our assumptions could significantly impact the fair value of one or more of our reporting units. The projections that we use in our DCF model are updated annually, or more often if necessary, and change over time based on the historical performance and changing business conditions and strategy for each of our reporting units.

- The market approach uses observable market data of comparable public companies to estimate fair value utilizing financial metrics (such as enterprise value to net sales). We apply judgment to select appropriate comparison companies based on the business operations, size and operating results of our reporting units. Changes to our selection of comparable companies or market multiples may result in changes to the estimates of fair value of our reporting units.

In 2025, we performed our annual goodwill impairment testing using both qualitative and quantitative methods. As of our July 1 testing date, we concluded the fair value of each reporting unit exceeded its carrying value.

As of our July 1, 2025 testing date, approximately $877 million and $738 million of our $4.8 billion consolidated goodwill balance was represented by our Global Freight Forwarding ("GFF") and Healthcare Logistics and Distribution ("HLD") reporting units, respectively. Based on our annual impairment evaluation, both reporting units exhibited a limited excess of fair value above carrying value and reflect a greater risk of an impairment occurring in future periods. This limited excess was primarily driven by then-current market conditions, volatility in global markets, early stages of our current healthcare growth strategy and ongoing integration of recent acquisitions. Both our GFF and HLD reporting units are included in SCS.

In addition to forecasted and actual business performance, our valuation estimates are most sensitive to changes in discount rate. For the GFF and HLD reporting units, if the discount rates were increased by 100 basis points or our projected cash flows were reduced by 10 percent, it is reasonably possible that these reporting units would be impaired. We believe the fair values of these reporting units continue to exceed their respective carrying values.

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, the GFF reporting unit continued to face volatile market conditions and management updated its long-term projections for the mix and timing of revenue growth. We concluded that the change in projections triggered the need for an interim quantitative test for goodwill impairment in the fourth quarter of 2025. The interim impairment test methodology was consistent with our approach for annual impairment testing, using our current view of key inputs and assumptions. The interim impairment test indicated that the GFF reporting unit continues to have a limited excess of fair value over carrying value consistent with the last annual test, and no impairment was recorded.

No other 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.

In the course of our ongoing monitoring of reporting units, we also noted developments within our Mail Innovations reporting unit. Beginning in the first quarter of 2025, Mail Innovations 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. In December 2025, we entered into an agreement with the USPS to support final-mile delivery for Mail Innovations volumes starting in 2026. This agreement is expected to reduce exposure to purchased transportation cost volatility and enhance the predictability of future operating results, mitigating the cost-related risk identified earlier in the year. As of our July 1, 2025 testing date, approximately $295 million in goodwill was represented by our Mail Innovations reporting unit, which is included in SCS.

Our finite-lived intangible assets are amortized over their estimated useful lives. These assets are tested for impairment as part of asset groups that may include other long-lived assets. See "Critical Accounting Estimates – Depreciation, Residual Value and Impairment of Property, Plant and Equipment" for a discussion of estimates impacting asset groups. In addition, a reduction in expected useful life, or a decision to sell or abandon an intangible asset before the end of its useful life, may increase amortization expense, which could have a material impact on our results of operations.

Self-Insurance Accruals

We establish self-insurance reserves based on actuarial estimates developed with the assistance of an independent actuary. These estimates are derived through a complex process that applies various actuarial methods and assumptions, incorporating actual loss experience, and judgments regarding expected future developments based on historical experience. Key considerations include trends in claim frequency and severity, changes in risk retention levels, and modifications to claims handling practices, among other factors.

Workers' compensation, automobile liability, and general liability claims often take years to resolve. As a result, actuarial estimates are necessary to project the ultimate cost of claim resolution. Several factors may influence the actual cost, or severity, of a claim, including:

- Risk retention limits;
- Duration of the claim;
- Healthcare and litigation cost trends;
- Outcomes of related litigation; and
- Legislative changes.

Furthermore, claims may emerge in future years for events that occurred in a prior policy period at a rate that differs from actuarial projections. All these factors can result in revisions to actuarial projections and produce a material difference between estimated and actual operating results.

Due to the complexity and inherent uncertainty associated with the estimation of our workers' compensation, automobile and general claims liabilities, the third-party actuary develops a range of expected losses. We believe our estimated reserves for such claims are adequate; however, actual experience in claims frequency and/or severity of claims could materially differ from our estimates and affect our results of operations.

We also sponsor several health and welfare insurance plans for our employees. Liabilities and expenses related to these plans are based on estimates of the number of employees and eligible dependents covered under the plans, global health events, anticipated utilization by participants and overall trends in medical costs and inflation. We believe our estimates are reasonable and appropriate. Actual experience may differ materially from these estimates and, therefore, produce a material difference between estimated and actual operating results.

Self-insurance reserves as of December 31, 2025 and 2024 were as follows (in millions):

	2025	2024
Current self-insurance reserves	$ 1,137	$ 1,086
Non-current self-insurance reserves[1]	1,935	1,895
Total self-insurance reserves	$ 3,072	$ 2,981

[1] Included within *Other Non-Current Liabilities* in our consolidated balance sheets.

Total reserves related to prior year claims increased by $11 million in 2025 and decreased by $144 million in 2024 as a result of changes in estimated claim costs. A five percent deterioration or improvement in both the assumed claim severity and claim frequency rates used to estimate our self-insurance reserves would result in an increase or decrease, respectively, of approximately $300 million in our reserves and expenses as of, and for the year ended, December 31, 2025.

Income Taxes

We make certain estimates and judgments in determining income tax expense within our financial statements. These estimates and judgments occur in the calculation of income by legal entity and jurisdiction, tax credits, benefits and deductions, and in the calculation of deferred tax assets and liabilities arising from timing differences in the recognition of revenue and expense for tax and financial statement purposes, as well as tax, interest and penalties related to uncertain tax positions. Significant changes in these estimates may result in an increase or decrease to our tax expense in a subsequent period.

We assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover a substantial majority of the deferred tax assets recorded in our consolidated balance sheets. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determined that the recovery was not likely.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. Once it is determined that the position meets the recognition threshold, the second step requires us to estimate and measure the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement. The difference between the amount of recognizable tax benefit and the total amount of tax benefit from positions filed or to be filed with the tax authorities is recorded as a liability for uncertain tax benefits. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We reevaluate uncertain tax positions quarterly based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or additional tax expense.

Pension and Other Postretirement Medical Benefits

Our pension and postretirement medical benefit costs are calculated using various actuarial assumptions and methodologies. These assumptions include discount rates, healthcare cost trend rates, inflation, compensation increases, expected returns on plan assets, mortality rates, regulatory requirements and other factors. The assumptions utilized in recording the obligations under our plans represent our best estimates. We believe that they are reasonable based on historical experience and performance, as well as factors that might cause future expectations to differ from past trends.

Differences in actual experience or changes in assumptions may affect our pension and postretirement medical benefit obligations and future expenses. The primary factors contributing to actuarial gains and losses each year are:

- Changes in the discount rate used to value pension and postretirement medical benefit obligations as of the measurement date.
- Differences between expected and actual returns on plan assets.
- Changes in demographic assumptions, including mortality.
- Differences in participant experience from demographic assumptions.
- Changes in coordinating benefits with plans not sponsored by UPS.

We recognize changes in the fair value of plan assets and net actuarial gains or losses in excess of a corridor (defined as 10% of the greater of the fair value of plan assets or the plan's' projected benefit obligation) immediately within income upon remeasurement of a plan. Other components of pension expense (referred to as "net periodic benefit cost"), primarily service and interest costs and the expected return on plan assets, are reported on a quarterly basis.

The following sensitivity analysis shows the impact of a 25 basis point change in the assumed discount rate and return on assets for our pension and postretirement benefit plans, and the resulting increase (decrease) in our obligations and expense as of, and for the year ended, December 31, 2025 (in millions):

Pension Plans	**25 Basis Point Increase**	**25 Basis Point Decrease**
Discount Rate:		
Effect on ongoing net periodic benefit cost	$ (13)	$ 14
Effect on net periodic benefit cost for amounts recognized outside the 10% corridor	(16)	323
Effect on projected benefit obligation	(1,446)	1,523
Return on Assets:		
Effect on ongoing net periodic benefit cost[1]	(106)	106
Effect on net periodic benefit cost for amounts recognized outside the 10% corridor[2]	$ —	$ —
Postretirement Medical Benefit Plans		
Discount Rate:		
Effect on ongoing net periodic benefit cost	$ 2	$ (2)
Effect on net periodic benefit cost for amounts recognized outside the 10% corridor	—	—
Effect on accumulated postretirement benefit obligation	(31)	36
Healthcare Cost Trend Rate:		
Effect on ongoing net periodic benefit cost	1	(1)
Effect on net periodic benefit cost for amounts recognized outside the 10% corridor	—	—
Effect on accumulated postretirement benefit obligation	$ 8	$ (9)

(1) Amount calculated based on 25 basis point increase / decrease in the expected return on assets.
(2) Amount calculated based on 25 basis point increase / decrease in the actual return on assets.

Refer to note 5 to the audited, consolidated financial statements for information on our potential liability for coordinating benefits related to the Central States Pension Fund.

Depreciation, Residual Value and Impairment of Property, Plant and Equipment

As of December 31, 2025, we had $37.7 billion of net property, plant and equipment, the most significant category of which was aircraft. In accounting for property, plant and equipment, we make estimates of the expected useful lives and residual values to arrive at depreciation expense. We evaluate the useful lives of our property, plant and equipment based on our usage, maintenance and replacement policies, and taking into account physical and economic factors that may affect the useful lives of the assets. A reduction in expected useful life, or a decision to sell or abandon a long-lived asset before the end of its useful life, may increase depreciation expense. Our accounting policy for property, plant and equipment is set out in note 1 to the audited, consolidated financial statements.

We monitor our long-lived asset groups for indicators of impairment which may include, but are not limited to, a significant change in the extent to which an asset is utilized and operating or cash flow losses associated with the asset group. If circumstances are present that indicate the carrying value of our long-lived asset groups may not be recoverable, we perform impairment testing at the asset group level.

Asset groups represent the lowest level at which independent cash flows can be identified. Determining asset groups requires judgment and changes in the way asset groups are defined could have a material impact on the results of impairment testing. We evaluate long-lived assets within our global small package operations at a network level given the cash flows associated with individual assets therein are not independent. We perform recoverability testing by comparing the undiscounted cash flows of the asset group to its carrying value. If the carrying amount of the asset group is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flows or external appraisals, as appropriate. Details of long-lived asset impairments are included in note 4 to the audited, consolidated financial statements.

In estimating the useful lives and expected residual values of aircraft, which we evaluate at the network level, we consider actual experience with the same or similar aircraft types, multi-year volume projections for our air products and the types of aircraft required to efficiently operate our network. We routinely monitor the utilization of our assets and volume levels. Temporary fluctuations in volume have in the past and are expected to continue to result in the temporary idling of aircraft to better match our capacity with demand. Temporarily idled assets are classified as held and used, and we continue to record depreciation expense for these assets. As a result of the reduction in air volumes experienced during 2025, we temporarily idled eight aircraft for an average of approximately seven months. As of December 31, 2025, all of these aircraft had re-entered operational service. Based on current volume projections, we anticipate that certain aircraft may be temporarily idled during part of 2026 as part of our normal operations and will return to service.

During the fourth quarter of 2025, we recognized a $182 million charge related to the retirement of our MD-11 fleet, primarily for aircraft and parts inventory. These charges are primarily within our U.S. Domestic Package segment and are recorded within *Other expenses* in our audited, statement of consolidated income. Impairment charges were immaterial during 2024. We will continue to monitor our long-lived asset groups for impairment.

We continued our *Network Reconfiguration* and *Efficiency Reimagined* initiatives during 2025, which have led and will continue to lead to a consolidation of our facilities and workforce as well as an end-to-end process redesign. These actions have resulted in, and may continue to result in reductions to the expected useful lives of certain assets, including early retirement, and related increases in depreciation expense during future periods. In addition, revisions to the salvage values of aircraft and other assets have in the past and may in the future result in impairment charges or increased depreciation expense. We have identified specific assets affected by our *Network Reconfiguration* and *Efficiency Reimagined* initiatives during the year, and we anticipate continued impacts in 2026. These future impacts may also relate to specific assets that have not yet been identified.

In addition to our *Network Reconfiguration* and *Efficiency Reimagined* initiatives, revisions to estimates of useful lives and residual values could also be caused by changes to our maintenance programs, governmental regulations, operational intentions, or market prices. We periodically evaluate our estimates and assumptions, and adjust them, as necessary, on a prospective basis through depreciation expense. Refer to note 4 to the audited, consolidated financial statements for further considerations.

Fair Value Measurements

In the normal course of business, we hold and issue financial instruments that contain elements of market risk, including derivatives, marketable securities and debt. Certain of these financial instruments are required to be recorded at fair value, principally derivatives, marketable securities and certain other investments. These financial instruments are measured and reported at fair value on a recurring basis based upon a fair value hierarchy (Levels 1, 2 and 3). 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 financial instruments, including over-the-counter derivative instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlations, time value, credit spreads and yield curve volatility factors. Changes in the fixed income, foreign currency exchange and commodity markets will impact our estimates of fair value in the future, potentially affecting our results of operations. Further information on our accounting policies relating to fair value measurements can be found in note 1 to the audited, consolidated financial statements.

As of December 31, 2025, the majority of our financial instruments were categorized as either Level 1 or Level 2. Refer to notes 3, 9 and 17 to the audited, consolidated financial statements for further information on these instruments. A quantitative sensitivity analysis of our exposure to changes in foreign currency exchange rates and interest rates is presented in the *Quantitative and Qualitative Disclosures* A*bout Market Risk* section of this report.

Our pension and postretirement plan assets include investments in hedge funds, as well as private debt, private equity and real estate funds, which are primarily measured using net asset value ("NAV") as a practical expedient for fair value, as appropriate. These investments were valued at $10.0 billion as of December 31, 2025. In order to estimate NAV, we evaluate audited and unaudited financial reports from fund managers and make adjustments for investment activity between the date of the financial reports and December 31. These investments are not actively traded, and their values can only be estimated using these assumptions. If our estimates of activity changed, this could have a material impact on the reported value of these investments and on the return on assets that we report. Refer to note 5 to the audited, consolidated financial statements for further information on our pension and postretirement plan assets.

Certain non-financial assets and liabilities are measured at fair value on a nonrecurring basis, such as property, plant and equipment, goodwill and intangible assets. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence of an impairment or when an asset or disposal group is classified as held for sale.

In accounting for business acquisitions, we allocate the fair value of purchase consideration to the assets acquired and liabilities assumed based on their estimated fair values. Estimating the fair value of assets acquired and liabilities assumed requires judgment, especially with respect to identified intangible assets as there may be limited or no observable transactions within the market, requiring us to develop internal models to estimate fair value. For example, estimating the fair value of identified intangible assets may require us to develop valuation assumptions, including but not limited to, future expected cash flows from these assets, synergies and the discount rate. Certain inputs require us to determine assumptions that are reflective of a market participant view of fair value. Changes in any of these assumptions may materially impact the amount we recognize for identifiable assets and liabilities, in addition to the residual amount allocated to goodwill.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to market risk from changes in certain commodity prices, foreign currency exchange rates, interest rates and equity prices. All of these market risks arise in the normal course of business, as we do not engage in speculative trading activities. In order to manage the risk arising from these exposures, we may utilize a variety of commodity, foreign currency exchange rate and interest rate forward contracts, options and swaps. A discussion of our accounting policy for derivative instruments is provided in note 1 to the audited, consolidated financial statements.

Commodity Price Risk

We are exposed to changes in the prices of refined fuels, principally jet-A, diesel and unleaded gasoline, as well as changes in the price of natural gas and other alternative fuels. Currently, the fuel surcharges that we apply to our domestic and international package services are the primary means of reducing the risk of adverse fuel price changes. 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. 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. Because of this, our operating results may be affected should the market price of fuel suddenly change by a significant amount or change by amounts that do not result in an adjustment in our fuel surcharges, which can significantly affect our results either positively or negatively in the short-term. As of December 31, 2025 and 2024, we had no commodity contracts outstanding.

Foreign Currency Exchange Rate Risk

We have foreign currency exchange risks related to our revenue, operating expenses and financing transactions in currencies other than the local currencies in which we operate. We are exposed to currency risk from the potential changes in functional currency values of our foreign currency-denominated assets, liabilities and cash flows. Our most significant foreign currency exchange exposures relate to the Euro, British Pound Sterling, Canadian Dollar, Chinese Renminbi and Hong Kong Dollar. We may use forward contracts as well as a combination of purchased and written options to hedge forecasted cash flow currency exposures. These derivative instruments generally cover forecasted foreign currency exchange exposures for periods of 3 to 36 months. We may also utilize forward contracts to hedge portions of our anticipated cash settlements of intercompany transactions and interest payments on certain debt subject to foreign currency remeasurement.

Interest Rate Risk

We have issued debt instruments and have debt associated with finance leases that accrue expense at fixed and floating rates of interest. We may use interest rate swaps as part of our program to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing. We may also utilize forward starting swaps and similar instruments to lock in all or a portion of the borrowing cost of anticipated debt issuances. These instruments subject us to risk resulting from changes in short-term interest rates.

We are also subject to interest rate risk with respect to our defined benefit pension and postretirement medical benefit plans, as changes in interest rates will effectively increase or decrease the associated plan obligations and assets. This will result in changes to the amount of pension and postretirement benefit expense recognized in future periods and may also result in us being required to make contributions to the plans.

We may hold investments in debt securities, as well as cash-equivalent instruments, some of which accrue income at variable rates of interest.

Sensitivity Analysis

The following analysis provides quantitative information regarding our exposure to foreign currency exchange rate risk, and interest rate risk embedded in our existing financial instruments. We utilize valuation models to evaluate the sensitivity of the fair value of financial instruments with exposure to market risk that assume instantaneous, parallel shifts in exchange rates, interest rate yield curves and commodity prices. For options and instruments with non-linear returns, models appropriate to the instrument are utilized to determine the impact of market shifts.

There are certain limitations inherent in the sensitivity analyses presented, primarily due to the assumption that foreign currency exchange rates change in a parallel fashion and that interest rates change instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled. While this is our best estimate of the impact of the specified scenarios, these estimates should not be viewed as forecasts. We adjust the fixed and floating interest rate mix of our interest-rate-sensitive assets and liabilities in response to changes in market conditions. Additionally, changes in the fair value of foreign currency derivatives and commodity derivatives are offset by changes in the cash flows of the underlying hedged foreign currency and commodity transactions. The following table shows the shock-test results as of December 31, 2025 and 2024 (in millions):

	2025	2024
Change in Fair Value:		
Currency Derivatives[1]	$ (647)	$ (749)
Change in Annual Interest Expense:		
Variable-Rate Debt[2]	$ 22	$ 21

(1) The potential change in fair value from a hypothetical 10% weakening of the U.S. Dollar against foreign currency exchange rates across all maturities.
(2) The potential change in annual interest expense resulting from a hypothetical 100 basis point increase in short-term interest rates, applied to our variable-rate debt.

The sensitivity of our defined benefit pension and postretirement benefit plan obligations to changes in interest rates is discussed in "Critical Accounting Estimates - Pension and Other Postretirement Medical Benefits".

Item 8. ***Financial Statements and Supplementary Data***

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Shareowners and Board of Directors of
United Parcel Service, Inc.
Atlanta, Georgia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of United Parcel Service, Inc. and subsidiaries (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, and cash flows, for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2026, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill – Global Freight Forwarding and Healthcare Logistics Distribution Reporting Units — Refer to Notes 1 and 7 to the consolidated financial statements

Critical Audit Matter Description

The Company tests goodwill for impairment annually as of July 1, or more frequently if circumstances require, by determining if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. For certain reporting units, the Company uses a combination of income and market approaches to develop an estimate of reporting unit fair value. The income approach uses a discounted cash flow model, which requires the Company to make a number of significant assumptions to produce an estimate of future cash flows. These assumptions include projections of future revenue, costs, capital expenditures, working capital, long-term growth rates and the discount rate. The market approach uses observable market data of comparable public companies to estimate fair value utilizing financial metrics (such as enterprise value to net sales). As of the annual test date, the Company had recorded balances of goodwill of $877 million related to Global Freight Forwarding ("GFF") and $738 million related to Healthcare Logistics Distribution ("HLD") reporting units. The Company did not record any goodwill impairments during 2025.

We identified the valuation of the GFF and HLD reporting units as a critical audit matter because of the significant judgments required to estimate the fair value of the reporting units. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of future revenue and costs and the selection of the discount rate.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future revenue and costs, and the selection of the discount rate, used by management to estimate the fair value of the GFF and HLD reporting units included the following, among others:

- We tested the design and operating effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of the GFF and HLD reporting units, such as controls related to management's forecasts of revenue and costs and selection of the discount rate.
- We performed a sensitivity analysis of the forecasts of revenue and costs, including their impact on future cash flows, and the selected discount rate.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) forecasted information included in relevant industry reports.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the selected discount rate, by:
  - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
  - Developing a range of independent estimates and comparing those to the discount rate selected by management.
  - Evaluating the forecasts to understand and sensitize management's assumptions regarding the risk inherent in the forecasts.

Revenue — Refer to Notes 1 and 2 to the consolidated financial statements

Critical Audit Matter Description

Approximately 88 percent of the Company's revenues are from its global small package operations that provide time-definite delivery services for express letters, documents, small packages and palletized freight via air and ground services. The Company's global small package revenues are comprised of a significant volume of low-dollar transactions sourced from systems that were primarily developed by the Company. The processing of transactions, including the recording of them, is highly automated and based on contractual terms with the Company's customers.

Auditing global small package revenue required a significant extent of effort and the involvement of professionals with expertise in information technology ("IT") necessary for us to identify, test, and evaluate the Company's systems, software applications, and automated controls.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's systems to process global small package revenue transactions included the following, among others:

- With the assistance of our IT specialists, we:

- Identified the significant systems used to process global small package revenue transactions and tested the effectiveness of the general IT controls over each of these systems, including testing of user access controls, change management controls, and IT operations controls.
- Tested the effectiveness of system interface controls and automated controls within the global small package revenue stream, as well as the controls designed to ensure the accuracy and completeness of revenue.

- We tested the effectiveness of controls over the relevant global small package revenue business processes, including those in place to reconcile the various systems to the Company's general ledger.
- We performed analytical procedures to evaluate the Company's recorded revenue and evaluate trends.
- For a sample of customers, we read the Company's contract with the customer and evaluated the Company's pattern of revenue recognition for the customer. In addition, we evaluated the accuracy of the Company's recorded global small package revenue for a sample of customer invoices.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
February 17, 2026

We have served as the Company's auditor since 1969.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In millions)

	December 31, 2025	December 31, 2024
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,887	$ 6,112
Accounts receivable, net	11,209	10,871
Other current assets	1,949	2,327
Total Current Assets	19,045	19,310
Property, Plant and Equipment, Net	37,731	37,179
Operating Lease Right-Of-Use Assets	4,263	4,149
Goodwill	5,837	4,300
Intangible Assets, Net	4,021	3,064
Deferred Income Tax Assets	140	112
Other Non-Current Assets	2,053	1,956
Total Assets	$ 73,090	$ 70,070
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and finance leases	$ 608	$ 1,838
Current maturities of operating leases	763	733
Accounts payable	6,633	6,302
Accrued wages and withholdings	3,715	3,655
Self-insurance reserves	1,137	1,086
Accrued group welfare and retirement plan contributions	1,389	1,390
Other current liabilities	1,375	1,437
Total Current Liabilities	15,620	16,441
Long-Term Debt and Finance Leases	23,519	19,446
Non-Current Operating Leases	3,700	3,635
Pension and Postretirement Benefit Obligations	6,567	6,859
Deferred Income Tax Liabilities	3,690	3,595
Other Non-Current Liabilities	3,739	3,351
Shareowners' Equity:		
Class A common stock (106 and 121 shares issued in 2025 and 2024, respectively)	1	2
Class B common stock (743 and 733 shares issued in 2025 and 2024, respectively)	8	7
Additional paid-in capital	275	136
Retained earnings	20,151	20,882
Accumulated other comprehensive loss	(4,208)	(4,309)
Deferred compensation obligations	5	7
Less: Treasury stock (0.1 shares in 2025 and 2024)	(5)	(7)
Total Equity for Controlling Interests	16,227	16,718
Noncontrolling Interests	28	25
Total Shareowners' Equity	16,255	16,743
Total Liabilities and Shareowners' Equity	$ 73,090	$ 70,070

See notes to audited, consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME
(In millions, except per share amounts)

	2025	2024	2023
Revenue	$ 88,661	$ 91,070	$ 90,958
Operating Expenses:			
Compensation and benefits	48,605	48,093	47,092
Repairs and maintenance	3,107	2,940	2,828
Depreciation and amortization	3,746	3,609	3,366
Purchased transportation	10,588	13,589	13,640
Fuel	4,316	4,366	4,775
Other occupancy	2,269	2,117	2,019
Other expenses	8,163	7,888	8,097
Total Operating Expenses	80,794	82,602	81,817
Operating Profit	7,867	8,468	9,141
Other Income and (Expense):			
Investment income (expense) and other	314	(160)	219
Interest expense	(1,017)	(866)	(787)
Total Other Income and (Expense)	(703)	(1,026)	(568)
Income Before Income Taxes	7,164	7,442	8,573
Income Tax Expense	1,592	1,660	1,865
Net Income	$ 5,572	$ 5,782	$ 6,708
Basic Earnings Per Share	$ 6.56	$ 6.76	$ 7.81
Diluted Earnings Per Share	$ 6.56	$ 6.75	$ 7.80

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
(In millions)

	2025	2024	2023
Net Income	$ 5,572	$ 5,782	$ 6,708
Change in foreign currency translation adjustment, net of tax	528	(338)	198
Change in unrealized gain on marketable securities, net of tax	1	1	9
Change in unrealized (loss) gain on cash flow hedges, net of tax	(344)	167	(243)
Change in unrecognized pension and postretirement benefit costs, net of tax	(84)	(381)	(2,173)
Comprehensive Income	$ 5,673	$ 5,231	$ 4,499

See notes to audited, consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)

	2025	2024	2023
Cash Flows From Operating Activities:			
Net income	$ 5,572	$ 5,782	$ 6,708
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	3,746	3,609	3,366
Pension and postretirement benefit (income) expense	1,009	1,698	1,330
Pension and postretirement benefit contributions	(1,361)	(1,524)	(1,393)
Self-insurance reserves	236	44	57
Deferred tax (benefit) expense	(8)	(15)	199
Stock compensation expense	73	24	220
Other (gains) losses	113	262	265
Changes in assets and liabilities, net of effects of business acquisitions:			
Accounts receivable	(382)	(566)	1,256
Other assets	65	70	87
Accounts payable	(190)	262	(1,377)
Accrued wages and withholdings	27	501	(296)
Other liabilities	(517)	(11)	(42)
Other operating activities	67	(14)	(142)
Net cash from operating activities	8,450	10,122	10,238
Cash Flows From Investing Activities:			
Capital expenditures	(3,685)	(3,909)	(5,158)
Proceeds from disposal of businesses, property, plant and equipment	700	1,115	193
Purchases of marketable securities	(90)	(76)	(3,521)
Sales and maturities of marketable securities	293	2,748	2,701
Acquisitions, net of cash acquired	(1,968)	(71)	(1,329)
Other investing activities	15	(24)	(19)
Net cash used in investing activities	(4,735)	(217)	(7,133)
Cash Flows From Financing Activities:			
Net change in short-term debt	—	(1,272)	1,272
Proceeds from long-term borrowings	4,153	2,785	3,429
Repayments of long-term borrowings	(2,069)	(2,487)	(2,429)
Purchases of common stock	(1,000)	(500)	(2,250)
Issuances of common stock	159	232	248
Dividends	(5,398)	(5,399)	(5,372)
Other financing activities	14	(209)	(432)
Net cash used in financing activities	(4,141)	(6,850)	(5,534)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	201	(149)	33
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash	(225)	2,906	(2,396)
Cash, Cash Equivalents and Restricted Cash:			
Beginning of period	6,112	3,206	5,602
End of period	$ 5,887	$ 6,112	$ 3,206

See notes to audited, consolidated financial statements.

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

NOTE 1. SUMMARY OF ACCOUNTING POLICIES

Basis of Financial Statements and Business Activities

United Parcel Service, Inc., and all of its consolidated subsidiaries ("UPS"), is a global package delivery and logistics provider. We manage our business and report operations through 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 ("SCS"). We provide transportation services, primarily domestic and international letter, package and air cargo delivery. Through our SCS subsidiaries, we are also a global provider of transportation, logistics and related services.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). All intercompany balances and transactions have been eliminated.

The "Company," "we," "us" and "our" refer to UPS. Unless the context indicates otherwise, whenever we refer in this report to a particular year, we mean our calendar year ended or ending December 31.

Use of Estimates

The preparation of our consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingencies. Estimates have been prepared on the basis of the most current and best information, and actual results could differ materially from those estimates.

Revenue Recognition

We account for a contract when both parties have approved the contract and are committed to perform their obligations, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the basis of revenue recognition. The vast majority of our contracts with customers are for transportation services that include only one performance obligation; the transportation services themselves. If a contract contains more than one performance obligation, we allocate the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the services underlying each performance obligation.

In certain business units, such as Logistics, we sell customized, customer-specific solutions in which we integrate a complex set of tasks and components into a single capability that is accounted for as one performance obligation.

Satisfaction of Performance Obligations

We generally recognize revenue over time as we perform services in the contract because our customers receive the benefit of our services as goods are transported from one location to another. Further, if we were unable to complete delivery to the final location, those services would not need to be re-performed.

We recognize revenue based on the extent of progress towards completion of our services. We use the cost-to-cost measure of progress for our package delivery contracts because it best depicts the benefit received by the customer, which occurs as we incur costs on our contracts. Under this measure, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the service. Revenues, including ancillary or accessorial fees and reductions for estimated customer incentives, are recorded proportionally as costs are incurred. Costs to fulfill include labor and other direct costs and an allocation of indirect costs. Customs brokerage revenue is recognized upon completing documents necessary for customs entry purposes.

For our freight forwarding contracts, an output method of progress based on time-in-transit is utilized as the timing of costs incurred does not best depict the benefit to the customer. In our Logistics business we have a right to consideration from customers in an amount that corresponds directly with the value to the customers of our performance completed to date; therefore we recognize revenue in the amount to which we have a right to invoice the customer.

Variable Consideration

Our contracts commonly contain customer incentives, guaranteed service refunds or other provisions that can either increase or decrease the rates paid for services. These variable amounts are generally dependent upon achievement of certain incentive tiers or performance metrics. We record revenue, which may be reduced by incentives or other contract provisions, to the extent it is probable that a significant reversal of cumulative amounts recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of revenue are based on an assessment of anticipated customer spending and all information (historical, current and forecasted) that is reasonably available to us.

Contract Modifications

Contracts are often modified to account for changes in the rates we charge our customers or to add additional, distinct services. We consider contract modifications to exist when the modification either creates new, or changes the existing, enforceable rights and obligations. Contract modifications that add distinct goods or services are treated as separate contracts. Contract modifications that do not add distinct goods or services typically change the price of existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are distinct.

Payment Terms

Under the typical payment terms of our customer contracts, customers pay at periodic intervals, which are generally seven days within our U.S. Domestic Package business, for shipments included on invoices received. Invoices are generated each week on the week-ending day. It is not customary business practice to extend payment terms past 90 days and, as such, we do not have a practice of including a significant financing component within our contracts with customers.

Principal vs. Agent Considerations

In our transportation businesses, we may utilize independent contractors and third-party carriers to perform transportation services. We have determined that all our major businesses act as principal rather than agent within their revenue arrangements. Consequently, revenue and the associated purchased transportation costs are reported on a gross basis within our statements of consolidated income.

Accounts Receivable, Net

Accounts receivable, net, include amounts billed and currently due from customers. The amounts due are stated at their net estimated realizable value. Losses on accounts receivable are recognized when reasonable and supportable forecasts affect the expected collectability. This requires us to make our best estimate of the current expected losses inherent in our accounts receivable at each balance sheet date. These estimates require consideration of historical loss experience, adjusted for current conditions, forward-looking indicators, trends in customer payment frequency, and judgments about the probable effects of relevant observable data, including present and future economic conditions and the financial health of specific customers and market sectors. Our risk management process includes standards and policies for reviewing major account exposures and concentrations of risk.

Contract Assets and Liabilities

Contract assets include billed and unbilled amounts resulting from in-transit shipments, as we have an unconditional right to payment only when services have been completed (i.e., shipments have been delivered). Amounts do not exceed their net realizable value. Contract assets are generally classified as current and the full balance is converted each quarter based on the short-term nature of the transactions.

Contract liabilities consist of advance payments and billings in excess of revenue as well as deferred revenue. Advance payments and billings in excess of revenue represent payments received from our customers that will be earned over the contract term. Deferred revenue represents the amount due from customers related to in-transit shipments that has not yet been recognized as revenue based on our selected measure of progress. We classify advance payments and billings in excess of revenue as either current or long-term, depending on the period over which the amount will be earned. We classify deferred revenue as current based on the short-term nature of the transactions. Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. In order to determine revenue recognized in the period from contract liabilities, we first allocate revenue to the individual contract liability balance outstanding at the beginning of the period until the revenue exceeds that deferred revenue balance.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible into cash. We consider securities with maturities of three months or less and insignificant credit risk, when purchased, to be cash equivalents. The carrying amount of these securities approximates fair value because of the short-term maturity of these instruments.

As of December 31, 2025 and 2024, we did not have any restricted cash.

Supplemental Cash Flow Information

The following table presents supplemental cash flow information (in millions):

	2025	2024	2023
Cash paid during the year for:			
Interest (net of amount capitalized)[1]	$ 990	$ 854	$ 762
Income taxes (net of refunds)	1,912	1,347	1,976
Operating cash flows from operating leases	954	877	835
Financing cash flows from finance leases	133	136	126
Noncash transactions:			
Accrued capital expenditures	$ 524	$ 227	$ 309
Property, plant and equipment recognized during the construction period of build-to-suit financing arrangement	107	—	—
Right-of-use assets obtained in exchange for operating lease obligations	808	740	1,278
Right-of-use assets obtained in exchange for finance lease obligations[2]	731	120	209

(1) Includes $18, $20 and $17 million of cash paid for interest on finance leases in 2025, 2024 and 2023, respectively.

(2) Includes $551 million related to new aircraft leases that commenced in 2025, which were accounted for as finance leases.

Marketable Securities and Non-Current Investments

Debt securities are classified as either trading or available-for-sale securities and are carried at fair value. Unrealized gains and losses on trading securities are reported as *Investment income (expense) and other* in our statements of consolidated income. Unrealized gains and losses on available-for-sale securities are reported within other comprehensive income, a separate component of shareowners' equity. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion is included in *Investment income (expense) and other*, together with interest and dividends. The cost of securities sold is based on the specific identification method; realized gains and losses resulting from such sales are included in *Investment income (expense) and other*.

We periodically review our available-for-sale investments for indications of other-than-temporary impairment considering many factors, including the extent and duration to which a security's fair value has been less than its cost, overall economic and market conditions and the financial condition and specific prospects for the issuer. Impairment of available-for-sale securities results in a charge to income when a market decline below cost is other-than-temporary, which includes consideration of whether we have both the intent and ability to hold such securities for the time necessary to recover the cost basis. If a decline in fair value is determined to be the result of a credit loss, then the decrease is recognized in income through an allowance for credit losses.

Investments in equity securities through which we exercise significant influence but do not have control over the investee are accounted for under the equity method. We record the investment at cost and subsequently increase or decrease the carrying amount of the investment by our proportionate share of the net earnings or losses and other comprehensive income of the investee. Gains and losses from equity method investments are reported in *Investment income (expense) and other* in our statements of consolidated income. We record dividends or other equity distributions as reductions of the carrying value of the investment. Equity method investments are included within *Other Non-Current Assets* in our consolidated balance sheets.

Inventories

Fuel and other materials and supplies are recognized as inventory when purchased, and then charged to expense when used in our operations. Jet fuel, diesel and unleaded gasoline inventories are valued at the lower of average cost or net realizable value. Total inventories were $739 and $826 million as of December 31, 2025 and 2024, respectively, and are included in *Other current assets* in our consolidated balance sheets.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation. We evaluate the useful lives of our property, plant and equipment based on our usage, maintenance and replacement policies, and take into account physical and economic factors that may affect the useful lives of the assets.

Depreciation and amortization are provided by the straight-line method over the estimated useful lives of the assets, which are as follows:

- Aircraft: 7 to 40 years, based on aircraft type and original aircraft manufacture date
- Buildings: 10 to 40 years
- Leasehold Improvements: lesser of asset useful life or lease term
- Plant Equipment: 3 to 20 years
- Technology Equipment: 3 to 10 years
- Vehicles: 5 to 15 years

Routine maintenance and repairs are generally charged to expense as incurred. For substantially all of our aircraft, the costs of major airframe and engine overhauls, as well as routine maintenance and repairs, are charged to expense as incurred.

Interest incurred during the construction of property, plant and equipment is capitalized until the underlying assets are placed in service, at which time amortization of the capitalized interest begins, straight-line, over the estimated useful lives of the related assets. Capitalized interest was $116 and $121 million in 2025 and 2024, respectively.

We monitor our property, plant and equipment for any indicators that the carrying value of our asset groups may not be recoverable, at which time we review the asset group for impairment based on undiscounted future cash flows. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flows or external appraisals, as appropriate. We test long-lived assets for impairment at the asset group level, which is the lowest level at which independent cash flows can be identified. We evaluate long-lived assets within our global small package operations at a network level given the cash flows associated with individual assets therein are not independent. Refer to note 4 for a discussion of impairments of property, plant and equipment.

In 2025, we entered into an agreement with our largest customer that provides for a significant reduction in their volume. In connection therewith, we are reconfiguring our U.S. network which have and will continue to lead to a consolidation of our facilities and workforce as well as end-to-end process redesign. Revisions to our estimates of the useful life and salvage values of certain long-lived assets are likely to continue to result in accelerated depreciation expense and charges related to early retirements. Refer to note 4 for additional information.

Leases

We recognize a right-of-use ("ROU") asset and lease obligation for all leases greater than twelve months, including reasonably certain renewal or purchase options. Some of our leases contain both lease and non-lease components. 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. Lease costs for short-term leases are recognized on a straight-line basis over the lease term.

Certain of our leases contain future payments that are dependent on an index or rate, such as the consumer price index. We initially measure the lease obligation and ROU asset using the index or rate at the commencement date. In subsequent periods, lease payments dependent on an index or rate are not remeasured. Rather, changes to payments due to a change in an index or rate are recognized in our statements of consolidated income in the period of the change.

When available, we use the rate implicit in the lease to discount lease payments; however, the rate implicit in the lease is not readily determinable for substantially all of our leases. For these leases, we use an estimate of our incremental borrowing rate to discount lease payments based on information available at lease commencement. The incremental borrowing rate is derived using multiple inputs including our credit rating, the impact of full collateralization, lease term and denominated currency.

Goodwill and Intangible Assets

Costs of purchased businesses in excess of net identifiable assets acquired (goodwill) and indefinite-lived intangible assets are tested for impairment at least annually, or more frequently, if circumstances indicate a potential impairment is present. We complete our annual goodwill impairment evaluation as of July 1 on a reporting unit basis.

In assessing goodwill for impairment, we initially evaluate qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We consider several factors, including macroeconomic conditions, industry and market conditions, overall financial performance of the reporting unit, changes in management, strategy or customers and relevant reporting unit-specific events such as a change in the carrying amount of net assets, a more likely than not expectation of selling or disposing of all, or a portion of, a reporting unit, and the testing for recoverability of a significant asset group within a reporting unit. If this qualitative assessment results in a conclusion that it is more likely than not that the fair value of a reporting unit exceeds the carrying value, then no further testing is performed for that reporting unit.

If the qualitative assessment is not conclusive, or if we elect to bypass the qualitative test, we quantitatively assess the fair value of a reporting unit to test goodwill for impairment. We assess the fair value of a reporting unit using a combination of a market and income approach. Under the market approach, we use observable market data for comparable publicly-traded companies that correspond to the reporting unit to derive a market-based multiple. Under the income approach, the fair value of the reporting unit is estimated based on discounted cash flow modeling. Assumptions used in the discounted cash flow model include future revenue, costs, capital expenditures, working capital, long-term growth rates and the discount rate. Our estimates are developed using assumptions that we believe are consistent with how a market participant would value our reporting units. If the carrying amount of a reporting unit exceeds the reporting unit’s fair value, we record the excess amount as goodwill impairment, not to exceed the total amount of goodwill allocated to the reporting unit.

Finite-lived intangible assets, including trademarks, licenses, patents, customer lists, non-compete agreements and franchise rights are amortized on a straight-line basis over their estimated useful lives, which range from 2 to 21 years. Capitalized software is generally amortized over 7 years. Finite-lived intangible assets are assessed for impairment as part of asset groups whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Assets Held for Sale

We initially measure a long-lived asset or disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell and recognize any loss in the period in which the held for sale criteria are met. Gains are not recognized until the date of sale. We cease depreciation and amortization of a long-lived asset, or assets within a disposal group, upon their designation as held for sale and subsequently assess fair value less any costs to sell at each reporting date until the asset or disposal group is no longer classified as held for sale. See note 4 for additional information.

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. We agree to commercial terms with our suppliers, including prices, quantities and payment terms, regardless of whether the supplier elects to participate in the SCF program. Suppliers issue invoices to us based on the agreed-upon contractual terms. If they participate in the SCF program, our suppliers, at their sole discretion, determine which invoices, if any, to sell to the financial institutions. Our suppliers’ voluntary inclusion of invoices in the SCF program has no bearing on our payment terms. No guarantees are provided by us under the SCF program. We have no economic interest in a supplier’s decision to participate, and we have no direct financial relationship with the financial institutions, as it relates to the SCF program.

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 December 31, 2025 and 2024, suppliers sold $435 and $515 million, respectively, of our outstanding payment obligations to participating institutions.

A rollforward of obligations confirmed and paid during the year is presented below (dollars in millions):

	2025	2024
Confirmed obligations outstanding at the beginning of the year	$ 515	$ 504
Invoices confirmed during the year	1,460	1,722
Confirmed invoices paid during the year	(1,540)	(1,711)
Confirmed obligations outstanding at the end of the year	$ 435	$ 515

Self-Insurance Accruals

We self-insure costs associated with workers' compensation claims, automobile liability, health and welfare and general business liabilities, up to certain limits. Self-insurance reserves are established for estimates of the losses we will ultimately incur on reported claims, as well as estimates of claims that have been incurred but not yet reported. The expected ultimate cost for claims incurred is estimated based upon historical loss experience and judgments about the present and expected levels of cost per claim. Trends in actual experience are a significant factor in the determination of our reserves.

In 2025 and 2024, we transferred a portion of our workers' compensation liability related to policy years 1984 through 2000 and policy years 2018 and 2019 to a third-party insurer. We paid $152 and $114 million in 2025 and 2024, respectively, to transfer a portfolio of claims for which we carried reserves of $152 and $114 million in 2025 and 2024, respectively.

We also sponsor a number of health and welfare insurance plans for our employees. Liabilities and expenses related to these plans are based on estimates of the number of employees and eligible dependents covered under the plans, global health events, anticipated medical usage by participants and overall trends in medical costs and inflation.

Pension and Postretirement Benefits

We incur certain employment-related expenses associated with company-sponsored defined benefit pension and postretirement medical benefits. These expenses are calculated using various actuarial assumptions and methodologies, including discount rates, expected returns on plan assets, healthcare cost trend rates, inflation, compensation increase rates, mortality rates and coordination of benefits with plans not sponsored by UPS. Actuarial assumptions are reviewed on an annual basis, unless circumstances require an interim measurement of any of our plans.

We recognize changes in the fair value of plan assets and net actuarial gains or losses in excess of a corridor (defined as 10% of the greater of the fair value of plan assets or the plan's projected benefit obligation) in *Investment income (expense) and other,* in our statements of consolidated income, upon remeasurement of a plan. The remaining components of pension expense, primarily service and interest costs and the expected return on plan assets, are recorded ratably on a quarterly basis.

We recognize expense for required contributions to defined contribution plans quarterly, and we recognize a liability for any contributions due and unpaid within *Accrued group welfare and retirement plan contributions* within our consolidated balance sheets.

We participate in a number of trustee-managed multiemployer pension and health and welfare plans for employees covered under collective bargaining agreements. Our contributions to these plans are determined in accordance with the respective collective bargaining agreements. We recognize expense for the contractually required contribution for each period, and we recognize a liability for any contributions due and unpaid within *Accrued group welfare and retirement plan contributions*.

Income Taxes

Income taxes are accounted for on an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future events other than proposed changes in the tax law or rates. Valuation allowances are provided if it is more likely than not that a deferred tax asset will not be realized.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. Once it is determined that the position meets the recognition threshold, the second step requires us to estimate and measure the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement. The difference between the amount of recognizable tax benefit and the total amount of tax benefit from positions filed or to be filed with the tax authorities is recorded as a liability for uncertain tax benefits. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We reevaluate uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an additional charge to the tax provision.

Foreign Currency Translation and Remeasurement

We translate the results of operations of our foreign subsidiaries using average exchange rates for each period, whereas balance sheet accounts are translated using exchange rates at the end of each period. Balance sheet currency translation adjustments are recorded in other comprehensive income. Pre-tax foreign currency transaction gains (losses) from remeasurement, net of hedging, included in *Investment income (expense) and other* were $(22), $(38) and $(53) million in 2025, 2024 and 2023, respectively.

Stock-Based Compensation

Share-based awards are measured based on their fair values and expensed over the period during which an employee is required to provide service in exchange for the award (the vesting period), less estimated forfeitures. We have issued employee share-based awards under various incentive compensation plans that contain vesting conditions, including service conditions, where the awards cliff vest after one or three years or vest ratably over periods up to five years (the "nominal vesting period") or at the date the employee retires (as defined by the plan), if earlier. See note 13 for further discussion of our share-based awards. Compensation cost is generally recognized immediately for certain awards granted to retirement-eligible employees, or over the period from the grant date to the date retirement eligibility is achieved, if that is expected to occur during the nominal vesting period. For awards with a performance-based condition, expense is recognized based on probability of performance achievement and for awards with a market condition, expense includes the fair value at grant date. We estimate forfeiture rates based on historical rates of forfeitures for awards with similar characteristics, historical and projected rates of employee turnover and the nature and terms of the vesting conditions of the awards. We reevaluate our forfeiture rates on an annual basis.

Fair Value Measurements

Our financial assets and liabilities measured at fair value on a recurring basis have been categorized based upon a fair value hierarchy. Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. Level 2 inputs are based on other observable market data, such as quoted prices for similar assets and liabilities, and inputs other than quoted prices that are observable, such as interest rates and yield curves. Level 3 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. Certain investments described further in note 5, 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 Topic 820. Plan assets that are measured using NAV as a practical expedient are excluded from the fair value hierarchy.

Certain non-financial assets and liabilities are measured at fair value on a nonrecurring basis, including property, plant and equipment, goodwill and intangible assets. These assets are subject to fair value adjustments in certain circumstances, such as when there is an impairment.

For business acquisitions, we allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and identified intangible assets based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. During the measurement period, which is up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Following the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Derivative Instruments

We recognize all derivative instruments as assets or liabilities in our consolidated balance sheets at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we designate the derivative as a cash flow hedge, a fair value hedge or a hedge of a net investment in a foreign operation based upon the exposure being hedged.

- A cash flow hedge refers to hedging the exposure to variability in expected future cash flows that is attributable to a particular risk. For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative instrument is reported as a component of other comprehensive income, and reclassified into earnings in the period during which the hedged transaction affects earnings.
- A fair value hedge refers to hedging the exposure to changes in the fair value of an existing asset or liability that is attributable to a particular risk. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument is recognized in earnings during the current period, together with the gain or loss on the hedged item.
- A net investment hedge refers to the use of cross currency swaps, forward contracts or foreign-currency-denominated debt to hedge portions of net investments in foreign operations. For instruments that meet the hedge accounting requirements, the net gains or losses attributable to changes in spot exchange rates are recorded in the foreign currency translation adjustment within other comprehensive income, and are recorded in the income statement when the hedged item affects earnings.

Adoption of New Accounting Standards

In December 2023, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosure, to enhance tax-related disclosures. The ASU became effective for us in 2025 and, beginning with this annual reporting period, requires more standardized categories in the tax rate reconciliation and additional detail for significant tax items. It also requires 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. We adopted this ASU prospectively. The adoption did not have a material impact on our consolidated financial position, results of operations, cash flows, or internal controls. See note 15 for additional information.

Other accounting pronouncements adopted during the periods covered by the consolidated financial statements did not have a material 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 its impact on our financial statements, disclosures and internal controls 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, and early adoption is permitted. 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 December 2025, the FASB issued an ASU on accounting for government grants. The ASU defines the scope of government grants and permits recognition only when it is probable that the entity will comply with the grant's conditions and the grant will be received. It also provides guidance on presentation approaches for both asset-related and income-related grants and expands related disclosure requirements. This ASU becomes effective for us beginning in the first quarter of 2029 and for annual periods thereafter, and early adoption is permitted. 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, but not effective until after December 31, 2025, are not expected to have a material impact on our consolidated financial position, results of operations, cash flows or internal controls.

NOTE 2. REVENUE RECOGNITION

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 company-owned and leased distribution centers and field stocking locations.

Disaggregation of Revenue

	2025	2024	2023
Revenue:			
Next Day Air	$ 9,652	$ 9,703	$ 9,894
Deferred	4,446	4,757	5,093
Ground	44,183	45,347	44,971
Cargo & Other	1,238	569	247
U.S. Domestic Package	$ 59,519	$ 60,376	$ 60,205
Domestic	$ 3,401	$ 3,186	$ 3,144
Export	14,479	14,142	14,003
Cargo & Other	696	632	684
International Package	$ 18,576	$ 17,960	$ 17,831
Forwarding	$ 2,916	$ 4,728	$ 5,534
Logistics	5,855	6,437	5,927
Other	1,795	1,569	1,461
SCS	$ 10,566	$ 12,734	$ 12,922
Consolidated revenue	$ 88,661	$ 91,070	$ 90,958

As of the fourth quarter of 2024, based on a change in our management reporting structure, U.S. Air Cargo revenue is presented within our U.S. Domestic Package segment and prior periods have been recast. Refer to note 14 for further information.

Accounts Receivable, Net

In 2025, we entered into accounts receivable factoring programs with third parties, in which we may sell certain customer receivables to third parties on a revolving periodic basis. Any such transactions are accounted for as sales and accordingly, receivables sold are removed from *Accounts receivable, net* in our consolidated balance sheets and the proceeds are reflected in *Cash Flows from Operating Activities* in our 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 these programs are $860 million. In 2025, we sold $734 million of accounts receivable for net cash proceeds of $730 million. In connection with these programs, we recognized a liability, measured at fair value, related to our estimated recourse obligations recorded within *Other current liabilities* in our consolidated balance sheet. We also recorded an immaterial loss associated with the transactions within *Other Income (Expense)* in our statements of consolidated income. As of December 31, 2025, $491 million accounts receivable was outstanding under our factoring programs.

We continue to service the receivables and remit any collections to third-party purchasers. As of December 31, 2025, cash collections of $59 million were not yet remitted to third-party purchasers. These obligations are included within *Other current* *liabilities* in our consolidated balance sheet, with changes in such obligations reflected within *Cash Flows from Financing Activities* in our statement of consolidated cash flows.

Our allowance for expected credit losses increased by $44 million during 2025 as a result of changes in the composition of invoice aging and certain customers' behaviors. Our allowance for credit losses as of December 31, 2025 and 2024 was $180 and $136 million, respectively. Amounts for credit losses charged to expense before recoveries during 2025, 2024 and 2023 were $371, $311, and $205 million, respectively.

Contract Assets and Liabilities

Contract assets were $275 and $307 million as of December 31, 2025 and 2024, respectively, and were recorded within *Other current assets* in our consolidated balance sheets. Contract liabilities recorded within *Other Non-Current Liabilities* were $49 and $27 million as of December 31, 2025 and 2024, respectively. Short-term contract liabilities were immaterial as of December 31, 2025 and 2024.

NOTE 3. MARKETABLE SECURITIES AND NON-CURRENT INVESTMENTS

The following is a summary of marketable securities classified as trading and available-for-sale as of December 31, 2025 and 2024 (in millions):

	Cost	Unrealized Losses	Estimated Fair Value
2025			
Current trading marketable securities:			
Equity securities	$ 3	$ —	$ 3
Current available-for-sale marketable securities:			
U.S. government and agency debt securities	—	—	—
Corporate debt securities	—	—	—
Total available-for-sale marketable securities	—	—	—
Total current marketable securities	$ 3	$ —	$ 3

	Cost	Unrealized Losses	Estimated Fair Value
2024			
Current trading marketable securities:			
Equity securities	$ 3	$ —	$ 3
Current available-for-sale marketable 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	$ 207	$ (1)	$ 206

Total current marketable securities pledged as collateral for our self-insurance requirements had estimated fair values of $177 million as of December 31, 2024. No marketable securities were pledged as collateral for our self-insurance requirements as of December 31, 2025.

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, excluding investments obtained through business acquisitions, is included in *Other investing activities* in our statements of consolidated cash flows.

- *Equity method investments*: As of December 31, 2025 and 2024, equity securities accounted for under the equity method had carrying values of $254 and $304 million, respectively.

- *Other equity securities*: Certain securities that do not have readily determinable fair values are reported in accordance with the measurement alternative in Accounting Standards Codification Topic 321 *Investments – Equity Securities.* As of December 31, 2025 and 2024, we had equity securities of $46 and $42 million, respectively, accounted for under this measurement alternative.

- *Other investments*: We hold an investment in a variable life insurance policy to fund benefits for the UPS Excess Coordinating Benefit Plan with a fair market value of $21 and $19 million as of December 31, 2025 and 2024, respectively.

Fair Value Measurements

Marketable securities valued utilizing Level 1 inputs include certificates of deposits and most U.S. government debt securities, as these securities all 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. There were no Level 3 investments during 2025 or 2024.

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

	Level 1	Level 2	Level 3	Total
2025				
Marketable Securities:				
U.S. government and agency debt securities	$ —	$ —	$ —	$ —
Corporate debt securities	—	—	—	—
Equity securities	—	3	—	3
Total marketable securities	—	3	—	3
Other non-current investments	—	21	—	21
Total	$ —	$ 24	$ —	$ 24

	Level 1	Level 2	Level 3	Total
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	—	19	—	19
Total	$ 189	$ 36	$ —	$ 225

There were no transfers of investments into or out of Level 3 during 2025 or 2024.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including owned assets and assets subject to finance leases, consisted of the following as of December 31, 2025 and 2024 (in millions):

	2025	2024
Aircraft[1]	$ 24,149	$ 23,768
Plant equipment	19,817	18,495
Vehicles	11,787	11,912
Buildings	6,906	6,714
Building and leasehold improvements	5,686	5,601
Technology equipment	2,635	2,735
Land	2,046	2,104
Construction-in-progress	2,136	1,967
	75,162	73,296
Less: Accumulated depreciation and amortization[1]	(37,431)	(36,117)
Property, Plant and Equipment, Net	$ 37,731	$ 37,179

[1] Includes MD-11 airframe and engines that were fully depreciated as of December 31, 2025.

Depreciation and amortization expense for property, plant and equipment during 2025, 2024 and 2023 was $3.0, $3.0 and $2.8 billion, respectively.

Network Reconfiguration and *Efficiency Reimagined*

As part of our *Network Reconfiguration* and *Efficiency Reimagined* initiatives, we incurred $58 million of accelerated depreciation and asset retirement obligations related to the 93 closed facilities and abandoned equipment. In connection with these initiatives, we recorded $72 million in gains on sale of those properties during 2025, which were primarily within our U.S. Domestic Package segment and are included within *Other expenses* in our statement of consolidated income.

We have also determined that $54 million of certain long-lived assets within our U.S. Domestic Package segment meet the criteria to be classified as held for sale and have presented the carrying value of these assets within *Other Non-Current Liabilities* in our consolidated balance sheets as of December 31, 2025.

We have identified 24 buildings for closure in the first half of 2026 and 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 18.

Impairments

During the fourth quarter of 2025, we recognized $182 million charge related to the retirement of our MD-11 fleet, of which $119 million was impairment of property, plant and equipment. These charges are primarily within our U.S. Domestic Package segment and are recorded within *Other expenses* in our statement of consolidated income. There were no material impairment charges to property, plant and equipment during 2024 or 2023. We will continue to monitor our long-lived asset groups for impairment.

Sale-Leaseback Transactions

In 2025, we entered into sale-leaseback transactions, involving a data center and real estate properties that qualified as sales. 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. Cash proceeds of approximately $465 million were received and gains on sale of $362 million were recognized within *Other (gains) losses* in our statement of consolidated cash flows and within *Other expenses* in our statement of consolidated income.

NOTE 5. COMPANY-SPONSORED EMPLOYEE BENEFIT PLANS

We sponsor various retirement, postretirement and pension plans, including defined benefit and defined contribution plans, which cover our employees worldwide.

U.S. Pension Benefits

In the U.S. we maintain the following single-employer defined benefit pension plans:

- The UPS Retirement Plan is noncontributory and includes substantially all eligible employees of participating domestic subsidiaries hired prior to July 1, 2016 who are not members of a collective bargaining unit, as well as certain employees covered by a collective bargaining agreement. This plan generally provides for retirement benefits based on average compensation earned by employees prior to retirement. Benefits payable under this plan are subject to maximum compensation limits and the annual benefit limits for a tax-qualified defined benefit plan as prescribed by the Internal Revenue Service ("IRS"). The plan ceased accruals of additional benefits for future service and compensation for non-union participants effective January 1, 2023.
- The UPS Pension Plan is noncontributory and includes certain eligible employees of participating domestic subsidiaries and members of collective bargaining units that elect to participate in the plan. This plan generally provides for retirement benefits based on service credits earned by employees prior to retirement.
- The UPS/IBT Full-Time Employee Pension Plan is noncontributory and includes employees that were previously members of the Central States Pension Fund ("CSPF"), a multiemployer pension plan, in addition to other eligible employees who are covered under certain collective bargaining agreements. This plan generally provides for retirement benefits based on service credits earned by employees prior to retirement.
- The UPS Excess Coordinating Benefit Plan is a non-qualified plan that provides benefits to certain participants in the UPS Retirement Plan, hired prior to July 1, 2016, for amounts that exceed the benefit limits described above. The plan ceased accruals of additional benefits for future service and compensation for non-union participants effective January 1, 2023.

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 the third quarter of 2025, we offered a voluntary separation program to full-time drivers in the United States and expect to continue to incur costs associated with contractual termination benefits. See note 18 for additional information.

Refer to note 6 for the status of our collective bargaining agreements.

International Pension Benefits

We also sponsor various defined benefit plans covering certain of our international employees. The majority of our international obligations are for defined benefit plans in Canada and the United Kingdom. In addition, many of our international employees are covered by government-sponsored retirement and pension plans. We are not directly responsible for providing benefits to participants of government-sponsored plans.

U.S. Postretirement Medical Benefits

We also sponsor postretirement medical plans in the U.S. that provide healthcare benefits to certain non-union retirees, as well as select union retirees who meet certain eligibility requirements and who are not otherwise covered by multiemployer plans. Generally, this includes employees with at least 10 years of service who have reached age 55 and employees who are eligible for postretirement medical benefits from a company-sponsored plan pursuant to collective bargaining agreements. We have the right to modify or terminate certain of these plans. These benefits have been provided to certain retirees on a noncontributory basis; however, in many cases, retirees are required to contribute all or a portion of the total cost of the coverage.

Defined Contribution Plans

We sponsor a defined contribution plan for employees not covered under collective bargaining agreements, and several defined contribution plans for certain employees covered under collective bargaining agreements. We match, in cash, a portion of the participating employees' contributions. Matching contributions charged to expense were $137, $161 and $161 million for 2025, 2024 and 2023, respectively.

Beginning in 2023, non-union employees, including those previously accruing benefits in the UPS Retirement Plan, receive an annual retirement contribution of 5% to 8% (3% to 8% prior to 2023 for employees hired after July 1, 2016) of eligible compensation to the UPS 401(k) Savings Plan based on years of vesting service. Effective January 1, 2025, the UPS retirement contribution for certain non-union employees with an employment commencement date on or after January 1, 2025 is 3% of eligible compensation, regardless of years of service. Retirement contributions charged to expense were $342, $359 and $380 million for 2025, 2024 and 2023, respectively. In addition, the UPS 401(k) Savings Plan provides for transition contributions to certain participants hired prior to 2008. The amounts charged to expense for transition contributions were $99, $108 and $128 million for 2025, 2024 and 2023, respectively.

Contributions under this plan are subject to maximum compensation and contribution limits for a tax-qualified defined contribution plan as prescribed by the IRS. The UPS Restoration Savings Plan is a non-qualified plan that provides benefits to certain participants in the UPS 401(k) Savings Plan for amounts that exceed these benefit limits.

Contributions are also made to defined contribution money purchase plans under certain collective bargaining agreements. Amounts charged to expense were $143, $135 and $132 million for 2025, 2024 and 2023, respectively.

We also sponsor certain international defined contribution plans, which are not individually material.

Net Periodic Benefit Cost

Information about net periodic benefit cost for the company-sponsored pension and postretirement defined benefit plans is as follows (in millions):

	U.S. Pension Benefits			U.S. Postretirement Medical Benefits			International Pension Benefits		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Net Periodic Benefit Cost:									
Service cost	$ 1,124	$ 1,240	$ 1,172	$ 17	$ 20	$ 20	$ 37	$ 42	$ 43
Interest cost	2,718	2,574	2,508	109	109	116	65	66	66
Expected return on plan assets	(3,130)	(3,085)	(2,967)	(7)	(4)	(12)	(82)	(83)	(84)
Amortization of prior service cost	156	152	106	1	1	2	1	1	1
Actuarial (gain) loss	—	673	393	—	—	—	—	(8)	(42)
Curtailment and settlement (gain) loss	—	—	—	—	—	—	—	—	8
Net periodic benefit cost	$ 868	$ 1,554	$ 1,212	$ 120	$ 126	$ 126	$ 21	$ 18	$ (8)

Actuarial Assumptions

The table below provides the weighted-average actuarial assumptions used to determine the net periodic benefit cost:

	U.S. Pension Benefits			U.S. Postretirement Medical Benefits			International Pension Benefits		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Service cost discount rate	5.88 %	5.42 %	5.79 %	6.18 %	5.80 %	6.06 %	4.82 %	4.59 %	5.09 %
Interest cost discount rate	5.88 %	5.42 %	5.79 %	6.18 %	5.80 %	6.06 %	4.69 %	4.56 %	5.02 %
Rate of compensation increase	3.25 %	3.25 %	3.25 %	N/A	N/A	N/A	3.04 %	3.19 %	3.20 %
Expected return on plan assets	7.65 %	7.17 %	7.07 %	6.92 %	6.36 %	6.62 %	4.63 %	4.54 %	5.13 %
Cash balance interest credit rate	4.30 %	3.83 %	4.21 %	N/A	N/A	N/A	3.09 %	3.31 %	3.69 %

A discount rate is used to determine the present value of our future benefit obligations. To determine the discount rate for our U.S. pension and postretirement benefit plans, we use a bond matching approach to select specific bonds that would satisfy our projected benefit payments. We believe the bond matching approach reflects the process we would employ to settle our pension and postretirement benefit obligations. For our international plans, the discount rate is determined by matching the expected cash flows of the plan, where available, or of a sample plan of similar duration, to a yield curve based on long-term, high quality fixed income debt instruments available as of the measurement date. These assumptions are updated each measurement date, which is typically annually.

The table below provides the weighted-average actuarial assumptions used to determine the benefit obligations of our plans:

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2025	2024	2025	2024	2025	2024
Discount rate	5.84 %	5.88 %	5.69 %	6.18 %	4.64 %	4.45 %
Rate of compensation increase	3.25 %	3.25 %	N/A	N/A	2.76 %	3.04 %
Cash balance interest credit rate	4.84 %	4.30 %	N/A	N/A	3.13 %	3.09 %

As of December 31, 2025, the impact of each basis point change in the discount rate on the projected benefit obligation of our pension and postretirement medical benefit plans was as follows (in millions):

	Increase (Decrease) in the Projected Benefit Obligation	
	Pension Benefits	Postretirement Medical Benefits
One basis point increase in discount rate	$ (58)	$ (1)
One basis point decrease in discount rate	$ 61	$ 1

The Society of Actuaries ("SOA") published mortality tables and improvement scales are used in developing the estimate of mortality for our U.S. plans. In October 2025, the SOA elected to not release a new mortality improvement scale. Based on our perspective of future longevity, we elected to maintain the MP 2021 mortality scale assumption for purposes of measuring pension and other postretirement benefit obligations.

Assumptions for the expected return on plan assets are used to determine a component of net periodic benefit cost for the year. The assumption for our U.S. plans is developed using a long-term projection of returns for each asset class. Our asset allocation targets are reviewed annually and, if necessary, updated taking into consideration plan changes, funded status and actual performance. The expected return for each asset class is a function of passive, long-term capital market assumptions and excess returns generated from active management. The capital market assumptions used are provided by independent investment advisors, while excess return assumptions are supported by historical performance, fund mandates and investment expectations. As a result of our long-term U.S. capital market assumptions and investment objectives for pension assets, the weighted-average long-term expected rate of return on assets increased from 7.17% during 2024 to 7.65% in 2025.

For plans outside the U.S., consideration is given to local market expectations of long-term returns. Strategic asset allocations are determined by plan, based on the nature of liabilities and considering the demographic composition of the plan participants.

Actuarial Assumptions - Central States Pension Fund

UPS was a contributing employer to the CSPF until 2007, at which time UPS withdrew from the CSPF. Under a collective bargaining agreement with the International Brotherhood of Teamsters ("IBT"), 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 ("PBGC") 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, 2025, 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 the 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.

Other Actuarial Assumptions

Healthcare cost trends are used to project future postretirement medical benefits payable from our plans. For purposes of measuring our U.S. plan obligations as of December 31, 2025, a 8.00% annual rate of increase in postretirement medical benefit costs was assumed; the rate was assumed to decrease gradually to 4.50% by 2040 and to remain at that level thereafter.

Funded Status

The following table discloses the funded status of our plans and the amounts recognized in our consolidated balance sheets as of December 31 (in millions):

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2025	2024	2025	2024	2025	2024
Funded Status:						
Fair value of plan assets	$ 43,689	$ 41,499	$ 72	$ 119	$ 1,873	$ 1,778
Benefit obligation	(48,472)	(46,559)	(1,822)	(1,850)	(1,609)	(1,500)
Funded status recognized as of December 31	$ (4,783)	$ (5,060)	$ (1,750)	$ (1,731)	$ 264	$ 278
Funded Status Recognized in our Balance Sheets:						
Other non-current assets	$ —	$ —	$ —	$ —	$ 484	$ 480
Other current liabilities	(28)	(27)	(148)	(100)	(10)	(7)
Pension and postretirement benefit obligations	(4,755)	(5,033)	(1,602)	(1,631)	(210)	(195)
Net liability as of December 31	$ (4,783)	$ (5,060)	$ (1,750)	$ (1,731)	$ 264	$ 278
Amounts Recognized in AOCI [1]:						
Unrecognized net prior service cost	$ (1,211)	$ (1,251)	$ —	$ (1)	$ (4)	$ (5)
Unrecognized net actuarial gain (loss)	(2,740)	(2,686)	48	131	91	107
Gross unrecognized cost as of December 31	(3,951)	(3,937)	48	130	87	102
Deferred tax asset at December 31	958	956	(12)	(32)	(27)	(32)
Net unrecognized cost as of December 31	$ (2,993)	$ (2,981)	$ 36	$ 98	$ 60	$ 70

[1] Accumulated Other Comprehensive Income (Loss)

The accumulated benefit obligation for our pension plans as of December 31, 2025 and 2024 was $50.0 and $48.0 billion, respectively. The accumulated benefit obligation for our postretirement medical benefit plans as of December 31, 2025 and 2024 was $1.8 and $1.9 billion, respectively.

Benefit payments under the pension plans include $39 and $37 million paid from employer assets for 2025 and 2024, respectively. Benefit payments (net of participant contributions) under the postretirement medical benefit plans include $179 and $264 million paid from employer assets for 2025 and 2024, respectively. Such benefit payments from employer assets are also categorized as employer contributions.

As of December 31, 2025 and 2024, the projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets for pension plans with benefit obligations in excess of plan assets were as follows (in millions):

	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets		Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2025	2024	2025	2024
U.S. Pension Benefits:				
Projected benefit obligation	$ 48,472	$ 46,559	$ 48,472	$ 46,559
Accumulated benefit obligation	48,445	46,526	48,445	46,526
Fair value of plan assets	43,689	41,499	43,689	41,499
International Pension Benefits:				
Projected benefit obligation	$ 379	$ 337	$ 318	$ 281
Accumulated benefit obligation	345	301	296	255
Fair value of plan assets	159	135	105	88

The accumulated postretirement benefit obligation presented in the funded status table exceeds plan assets for all U.S. postretirement medical benefit plans.

Benefit Obligations and Fair Value of Plan Assets

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets as of the respective measurement dates in each year (in millions):

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2025	2024	2025	2024	2025	2024
Benefit Obligations:						
Projected benefit obligation at beginning of year	$ 46,559	$ 47,712	$ 1,850	$ 1,974	$ 1,500	$ 1,601
Service cost	1,124	1,240	17	20	37	42
Interest cost	2,718	2,574	109	109	65	66
Gross benefits paid	(2,678)	(2,604)	(241)	(284)	(64)	(55)
Plan participants' contributions	—	—	—	39	4	4
Plan amendments[1]	116	76	—	—	—	—
Actuarial (gain)/loss	633	(2,438)	87	(7)	(42)	(58)
Foreign currency exchange rate changes	—	—	—	—	108	(99)
Curtailments and settlements	—	—	—	—	(2)	(4)
Other	—	(1)	—	(1)	3	3
Projected benefit obligation at end of year	$ 48,472	$ 46,559	$ 1,822	$ 1,850	$ 1,609	$ 1,500

[1] Plan amendments in 2025 were related to the collective bargaining agreement with the Independent Pilots Association. Plan amendments in 2024 were related to collective bargaining agreements with the Teamsters.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets as of the respective measurement dates in each year (in millions):

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2025	2024	2025	2024	2025	2024
Fair Value of Plan Assets:						
Fair value of plan assets at beginning of year	$ 41,499	$ 43,491	$ 119	$ 98	$ 1,778	$ 1,893
Actual return (loss) on plan assets	3,708	(615)	10	(2)	25	41
Employer contributions	1,159	1,228	183	269	19	27
Plan participants' contributions	—	—	—	39	4	4
Gross benefits paid	(2,678)	(2,604)	(241)	(284)	(64)	(55)
Foreign currency exchange rate changes	—	—	—	—	114	(118)
Curtailments and settlements	—	—	—	—	(2)	(4)
Other	1	(1)	1	(1)	(1)	(10)
Fair value of plan assets at end of year	$ 43,689	$ 41,499	$ 72	$ 119	$ 1,873	$ 1,778

2025 - $0.7 billion pre-tax actuarial loss related to benefit obligations:

- *Discount Rates* ($0.3 billion pre-tax loss): The weighted-average discount rate for our pension and postretirement medical plans decreased from 5.85% as of December 31, 2024 to 5.79% as of December 31, 2025, primarily due to a decrease in treasury yields on AA-rated corporate bonds.
- *Demographic and Assumption Changes* ($0.4 billion pre-tax loss): This represents the difference between actual and estimated participant data and demographic factors, including healthcare cost trends, compensation changes, rates of termination, retirement, mortality, adjustments for separation programs and other changes.

2024 - $2.5 billion pre-tax actuarial gain related to benefit obligations:

- *Discount Rates* ($2.8 billion pre-tax gain): The weighted-average discount rate for our pension and postretirement medical plans increased from 5.40% as of December 31, 2023 to 5.85% as of December 31, 2024, primarily due to an increase in treasury yields on AA-rated corporate bonds.
- *Demographic and Assumption Changes* ($0.3 billion pre-tax loss): This represents the difference between actual and estimated participant data and demographic factors, including healthcare cost trends, compensation changes, rates of termination, retirement, mortality and other changes.

Pension and Postretirement Plan Assets

Pension assets are invested in accordance with applicable laws and regulations, as well as investment guidelines established by plan trustees. The strategic asset mixes are specifically tailored for each plan given distinct factors, including liability and liquidity needs. Equities, alternative investments, and other higher-yielding assets are utilized to generate returns and promote growth. Derivatives, repurchase/reverse repurchase agreements and fixed income securities are utilized as tools for duration management, mitigating interest rate risk, and minimizing funded status volatility.

The primary long-term investment objectives for pension assets are to provide for a reasonable amount of long-term capital growth to meet future obligations while minimizing risk exposures and reducing funded status volatility. To meet these objectives, investment managers are engaged to actively manage assets within the guidelines and strategies set forth by our investment committee. Active managers are monitored regularly and their performance is compared to applicable benchmarks.

Fair Value Measurements

Plan assets valued utilizing Level 1 inputs include equity investments, corporate debt instruments, U.S. government securities, derivatives and other instruments. Fair values were determined by closing prices for those securities traded on national stock exchanges, while securities traded in the over-the-counter market and listed securities for which no sale was reported on the valuation date are valued at the mean between the last reported bid and ask prices.

Level 2 assets include fixed income securities that are valued based on yields currently available on comparable securities of other issues with similar credit ratings; mortgage-backed securities that are valued based on cash flow and yield models using acceptable modeling and pricing conventions; hedge funds, equity securities and certain investments that are pooled with other investments in a commingled fund; and derivatives and other instruments primarily valued using pricing models that rely on market observable inputs such as yield curves, foreign currency exchange rates and investment forward price. We value our investments in commingled funds by taking the percentage ownership of the underlying assets, each of which has a readily determinable fair value.

Fair value estimates for certain investments are based on unobservable inputs that are not corroborated by observable market data and are thus classified as Level 3.

Investments that do not have a readily determinable fair value, and which provide a NAV or its equivalent developed consistent with ASC measurement principles, are valued using NAV as a practical expedient. These investments are not classified in Levels 1, 2, or 3 of the fair value hierarchy but instead included within the subtotals by asset category. Such investments include hedge funds, real estate investments, private debt and private equity funds. Investments in hedge funds are valued using the reported NAV as of December 31. Real estate investments, private debt and private equity funds are valued at NAV per the most recent partnership audited financial reports, and adjusted, as appropriate, for investment activity between the date of the financial reports and December 31. Due to the inherent limitations in obtaining a readily determinable fair value measurement for alternative investments, the fair values reported may differ from the values that would have been used had readily available market information for the alternative investments existed. These investments are described further below:

- Hedge Funds: Plan assets are invested in hedge funds that pursue multiple strategies to diversify risk and reduce volatility. Most of these hedge funds allow redemptions either quarterly or semi-annually after a two- to three-month notice period, while others allow for redemption after only a brief notification period with no restriction on redemption frequency. No unfunded commitments existed with respect to hedge funds as of December 31, 2025.
- Real Estate, Private Debt and Private Equity Funds: Plan assets are invested in limited partnership interests in various private equity, private debt and real estate funds. Limited provisions exist for the redemption of these interests by the limited partners that invest in these funds until the end of the term of the partnerships, typically ranging between 10 and 15 years from the date of inception. An active secondary market exists for similar partnership interests, although no particular value (discount or premium) can be guaranteed. As of December 31, 2025, unfunded commitments to such limited partnerships totaling approximately $2.5 billion are expected to be contributed over the remaining investment period.

The fair values of U.S. and international pension and postretirement benefit plan assets by asset category as of December 31, 2025 and 2024 are presented below (in millions), as well as the percentage that each category comprises of our total plan assets and the respective target allocations. The asset categories within equity securities, fixed income securities, and alternative and other investments in the table below have been collapsed from prior year presentation to align with the nature, characteristics, and type of underlying risk of those assets. There were no transfers between asset categories.

December 31, 2025	Total Assets[1]	Level 1	Level 2	Level 3	Percentage of Plan Assets	% Target Allocation
Asset Category (U.S. Plans):						
Cash and cash equivalents[3]	$ 3,649	$ 3,427	$ 222	$ —	8.3 %	1-7%
Equity securities	6,842	3,834	3,008	—	15.6 %	15-45%
Fixed income securities	21,080	13,218	7,805	57	48.2 %	30-73%
Alternative and other investments[1]:						
Hedge funds	3,728	—	2,097	—	8.5 %	3-13%
Real estate	2,067	—	—	—	4.7 %	3-15%
Private equity, private debt, and other investments	6,378	—	117	—	14.6 %	5-29%
Total Alternative and other investments	12,173	—	2,214	—		
Derivatives and other instruments, net:						
Equity risk	(43)	(17)	(26)	—	(0.1)%	
Interest rate risk	(9)	(169)	160	—	— %	
Other risk[2]	69	—	69	—	0.2 %	
Total Derivatives and other instruments	17	(186)	203	—		
Total U.S. plan assets	$ 43,761	$ 20,293	$ 13,452	$ 57	100.0 %	
Asset Category (International Plans):						
Cash and cash equivalents	$ 131	$ 131	$ —	$ —	7.0 %	1-10%
Equity securities	179	28	151	—	9.5 %	1-10%
Fixed income securities	1,259	254	1,005	—	67.2 %	50-75%
Alternative and other investments[1]:						
Real estate	67	—	19	24	3.6 %	1-10%
Private equity, private debt, and other investments	237	—	211	16	12.7 %	10-35%
Total International plan assets	$ 1,873	$ 413	$ 1,386	$ 40	100.0 %	
Total plan assets	$ 45,634	$ 20,706	$ 14,838	$ 97		

(1) Includes certain investments that are measured at NAV per share (or its equivalent).
(2) Includes credit risk, foreign currency exchange risk and commodity risk.
(3) Includes $1.6 billion of cash held as collateral for market exposures, which is not subject to the target allocations.

December 31, 2024	Total Assets[(1)]	Level 1	Level 2	Level 3	Percentage of Plan Assets	% Target Allocation
Asset Category (U.S. Plans):						
Cash and cash equivalents[(3)]	$ 5,716	$ 5,450	$ 266	$ —	13.7 %	1-7%
Equity securities	6,979	3,270	3,709	—	16.8 %	15-45%
Fixed income securities	19,643	13,375	6,247	21	47.2 %	30-73%
Alternative and other investments[(1)]:						
Hedge funds	2,034	—	538	—	4.9 %	3-13%
Real estate	2,674	301	77	—	6.4 %	3-15%
Private equity, private debt, and other investments	6,508	—	195	—	15.6 %	5-29%
Total Alternative and other investments	11,216	301	810	—		
Derivative and other instruments, net:						
Equity risk contracts	(392)	(99)	(294)	—	(0.9)%	
Interest rate risk contracts	(1,619)	(442)	(1,177)	—	(3.9)%	
Other risk[(2)]	75	2	73	—	0.2 %	
Total Derivative and other instruments	(1,936)	(539)	(1,398)	—		
Total U.S. plan assets	$ 41,618	$ 21,857	$ 9,634	$ 21	100.0 %	
Asset Category (International Plans):						
Cash and cash equivalents	$ 127	$ 127	$ —	$ —	7.1 %	1-10%
Equity securities	165	23	142	—	9.3 %	1-10%
Fixed income securities	1,202	243	959	—	67.6 %	50-75%
Alternative and other investments[(1)]:						
Real estate	62	—	17	23	3.5 %	1-10%
Private equity, private debt, and other investments	222	—	189	18	12.5 %	10-35%
Total International plan assets	$ 1,778	$ 393	$ 1,307	$ 41	100.0 %	
Total plan assets	$ 43,396	$ 22,250	$ 10,941	$ 62		

(1) Includes certain investments that are measured at NAV per share (or its equivalent).
(2) Includes credit risk, foreign currency exchange risk and commodity risk.
(3) $2.7 billion of cash held as collateral for market exposures, which is not subject to the target allocations.

The following table presents the changes in the Level 3 instruments measured on a recurring basis for 2025 and 2024 (in millions):

	Fixed Income Securities	Alternative and Other Investments	Total
Balance as of January 1, 2024	$ —	$ 80	$ 80
Actual Return on Assets:			
Assets held at end of year	(1)	1	—
Assets sold during the year	4	(12)	(8)
Purchases	38	—	38
Sales	(10)	(28)	(38)
Transfers Into (Out of) Level 3	(10)	—	(10)
Balance as of December 31, 2024	$ 21	$ 41	$ 62
Actual Return on Assets:			
Assets held at end of year	—	2	2
Assets sold during the year	2	—	2
Purchases	55	5	60
Sales	(6)	(8)	(14)
Transfers Into (Out of) Level 3	(15)	—	(15)
Balance as of December 31, 2025	$ 57	$ 40	$ 97

There were no shares of UPS class A or class B common stock directly held in plan assets as of December 31, 2025 or 2024.

Expected Cash Flows

Information about expected cash flows for our pension and postretirement medical benefit plans is as follows (in millions):

	U.S. Pension Benefits	U.S. Postretirement Medical Benefits	International Pension Benefits
Expected Employer Contributions:			
2026 to plan trust	$ 1,080	$ 5	$ 8
2026 to plan participants	29	183	10
Expected Benefit Payments:			
2026	$ 2,636	$ 196	$ 63
2027	2,762	187	70
2028	2,871	177	77
2029	2,976	167	82
2030	3,081	158	89
2031-2035	16,847	693	524

Our funding policy guideline for U.S. plans is to contribute amounts annually that are at least equal to the amounts required by applicable laws and regulations. International plans will be funded in accordance with local regulations. Additional discretionary contributions may be made when deemed appropriate to meet the long-term obligations of the plans. Expected benefit payments for pensions will be paid primarily from plan trusts. Expected benefit payments for postretirement medical benefits will be paid from plan trusts and corporate assets.

NOTE 6. MULTIEMPLOYER EMPLOYEE BENEFIT PLANS

We contribute to a number of multiemployer pension plans under the terms of collective bargaining agreements that cover our union-represented employees. These plans generally provide for retirement, death and/or termination benefits for eligible employees within the applicable collective bargaining units, based on specific eligibility and participation requirements, vesting periods and benefit formulas. The risks of participating in multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If we negotiate to cease participating in a multiemployer pension plan, we may be required to pay that plan an amount based on our allocable share of its underfunded status, referred to as a "withdrawal liability". However, cessation of participation in a multiemployer plan and subsequent payment of any withdrawal liability is subject to the collective bargaining process.
- If any of the multiemployer pension plans in which we participate enter critical status, and our contributions are not sufficient to satisfy any rehabilitation plan funding schedule, we could be required under the Pension Protection Act of 2006 to make additional surcharge contributions to the multiemployer pension plan in the amount of five to ten percent of the existing contributions required by our labor agreement. Such surcharges would cease upon the ratification of a new collective bargaining agreement and could not reoccur unless a plan re-entered critical status at a later date.

The discussion that follows sets forth the impact on our results of operations and cash flows for 2025, 2024 and 2023 from our participation in multiemployer pension plans. As part of the overall collective bargaining process for wage and benefit levels, we have agreed to contribute certain amounts to these plans during the contract period. The plans set benefit levels and are responsible for benefit delivery to participants. Future contributions to the plans are determined only through collective bargaining, and we have no additional legal or constructive obligation to increase contributions beyond the agreed-upon amounts (except potential surcharges under the Pension Protection Act of 2006 described above).

The number of employees covered by multiemployer pension plans in 2025 was lower compared to 2024 and 2023. In each year, contribution rates increased in accordance with the terms of our collective bargaining agreements. There have been no other significant changes that affect the comparability of 2025, 2024 and 2023 contributions. We recognize expense for the contractually-required contributions for each period, and we recognize a liability for any contributions due and unpaid at the end of a reporting period.

Status of Collective Bargaining Agreements

We have approximately 295,000 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 10,000 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 3,400 pilots who are employed under a collective bargaining agreement with the Independent Pilots Association ("IPA"). This collective bargaining agreement became amendable on September 1, 2025. We are currently in negotiations with the IPA.

We have approximately 2,000 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 ("IAM"). This collective bargaining agreement will expire on July 31, 2029.

Multiemployer Pension Plans

The following table outlines our participation in multiemployer pension plans as of December 31, 2025, 2024 and 2023, and sets forth our calendar year contributions and accruals for each plan.

The *EIN/Pension Plan Number* column provides the Employer Identification Number ("EIN") and the three-digit plan number. The most recent Pension Protection Act zone status available in 2025 and 2024 relates to each plan's two most recent fiscal year ends. The zone status is based on information that we received from the plans' administrators and is certified by each plan's actuary. Plans certified in the red zone are generally less than 65% funded; plans certified in the orange zone are both less than 80% funded and have an accumulated funding deficiency, or are expected to have a deficiency in any of the next six plan years; plans certified in the yellow zone are less than 80% funded; and plans certified in the green zone are at least 80% funded.

The *FIP / RP Status Pending / Implemented column* indicates whether a financial improvement plan ("FIP") for yellow/orange zone plans, or a rehabilitation plan ("RP") for red zone plans, is either pending or has been implemented. As of December 31, 2025, all plans that have either a FIP or RP requirement have had the respective plan implemented. Our collectively-bargained contributions satisfy the requirements of all implemented FIPs and RPs and do not currently require the payment of any surcharges. In addition, minimum contributions outside of the agreed-upon contractual rates are not required.

For the plans detailed in the following table, the expiration date of the associated collective bargaining agreements is July 31, 2028, with the exception of the IAM National Pension Fund / National Pension Plan, which has a July 31, 2029 associated expiration date. For all plans detailed in the following table, we provided more than 5% of the total plan contributions from all employers for 2025, 2024 and 2023, as disclosed in the annual filing with the Department of Labor for each respective plan.

Certain plans have been aggregated in the *All Other Multiemployer Pension Plans* line in the following table, as contributions to each of these plans are not individually material.

Pension Fund	EIN / Pension Plan Number	Pension Protection Act Zone Status		FIP / RP Status Pending / Implemented		UPS Contributions and Accruals (in millions)			Surcharge Imposed
		2025	2024			2025	2024	2023	
Alaska Teamster-Employer Pension Plan	92-6003463-024	Red	Red	Yes	Implemented	$ 11	$ 11	$ 10	No
Central Pennsylvania Teamsters Defined Benefit Plan	23-6262789-001	Green	Green	No	NA	85	85	82	No
Eastern Shore Teamsters Pension Fund	52-0904953-001	Green	Green	No	NA	9	10	10	No
Employer-Teamsters Local Nos. 175 & 505 Pension Trust Fund	55-6021850-001	Red	Red	Yes	Implemented	21	21	21	No
Hagerstown Motor Carriers and Teamsters Pension Fund	52-6045424-001	Green	Green	No	NA	13	13	13	No
I.A.M. National Pension Fund / National Pension Plan	51-6031295-002	Red	Red	Yes	Implemented	53	53	50	No
International Brotherhood of Teamsters Union Local No. 710 Pension Fund	36-2377656-001	Green	Green	No	NA	184	194	196	No
Local 705, International Brotherhood of Teamsters Pension Plan	36-6492502-001	Green	Green	No	NA	135	142	138	No
Local 804 I.B.T. & Local 447 I.A.M.—UPS Multiemployer Retirement Plan	51-6117726-001	Green	Green	No	NA	135	139	143	No
Milwaukee Drivers Pension Trust Fund	39-6045229-001	Green	Green	No	NA	59	62	62	No
New England Teamsters & Trucking Industry Pension Fund	04-6372430-001	Red	Red	Yes	Implemented	218	224	234	No
New York State Teamsters Conference Pension and Retirement Fund	16-6063585-074	Red	Red	Yes	Implemented	129	136	139	No
Teamster Pension Fund of Philadelphia and Vicinity	23-1511735-001	Green	Green	No	NA	95	98	98	No
Teamsters Joint Council No. 83 of Virginia Pension Fund	54-6097996-001	Green	Green	No	NA	92	98	98	No
Teamsters Local 639—Employers Pension Trust	53-0237142-001	Green	Green	No	NA	80	83	84	No
Teamsters Negotiated Pension Plan	43-6196083-001	Green	Green	No	NA	44	47	49	No
Truck Drivers and Helpers Local Union No. 355 Retirement Pension Plan	52-6043608-001	Green	Green	No	NA	27	28	28	No
United Parcel Service, Inc.—Local 177, I.B.T. Multiemployer Retirement Plan	13-1426500-419	Green	Green	No	NA	110	111	122	No
Western Conference of Teamsters Pension Plan	91-6145047-001	Green	Green	No	NA	1,233	1,255	1,254	No
Western Pennsylvania Teamsters and Employers Pension Fund	25-6029946-001	Red	Red	Yes	Implemented	42	45	46	No
All Other Multiemployer Pension Plans						64	92	76	
					Total Contributions	$ 2,839	$ 2,947	$ 2,953	

Agreement with the New England Teamsters and Trucking Industry Pension Fund

In 2012, we reached an agreement with the New England Teamsters and Trucking Industry Pension Fund ("NETTI Fund"), a multiemployer pension plan in which UPS is a participant, to restructure the pension liabilities for approximately 10,200 UPS employees represented by the Teamsters. As of December 31, 2025 and 2024 we had $795 and $804 million, respectively, recognized in *Other Non-Current Liabilities* and $9 million as of December 31, 2025 and 2024 recorded in *Other current liabilities* in our consolidated balance sheets, representing the remaining balance of the NETTI Fund withdrawal liability. 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 the NETTI Fund withdrawal liability as of December 31, 2025 and 2024 was $662 and $651 million, respectively. We utilized Level 2 inputs in the fair value hierarchy to determine the fair value of this liability.

Multiemployer Health and Welfare Plans

We also contribute to a number of multiemployer health and welfare plans covering both active and retired employees. Healthcare benefits are provided to participants who meet certain eligibility requirements as covered under the applicable collective bargaining unit. The following table sets forth our calendar year plan contributions and accruals. Certain plans have been aggregated in the *All Other Multiemployer Health and Welfare Plans* line, as the contributions to each of these plans are not individually material.

	UPS Contributions and Accruals (in millions)		
Health and Welfare Fund	**2025**	**2024**	**2023**
Bay Area Delivery Drivers	$ 47	$ 41	$ 40
Central Pennsylvania Teamsters Health & Pension Fund	51	48	46
Central States, South East & South West Areas Health and Welfare Fund	3,883	3,849	3,712
Delta Health Systems—East Bay Drayage Drivers	41	37	39
Joint Council #83 Health & Welfare Fund	61	63	63
Local 401 Teamsters Health & Welfare Fund	24	24	23
Local 804 Welfare Trust Fund	135	131	131
Milwaukee Drivers Pension Trust Fund—Milwaukee Drivers Health and Welfare Trust Fund	62	64	64
New York State Teamsters Health & Hospital Fund	88	89	87
Northern California General Teamsters (DELTA)	209	202	206
Northern New England Benefit Trust	82	82	83
Oregon / Teamster Employers Trust	68	68	69
Teamsters 170 Health & Welfare Fund	22	22	21
Teamsters Benefit Trust	54	59	57
Teamsters Local 175 & 505 Health and Welfare Fund	20	20	20
Teamsters Local 191 Health Fund	31	30	29
Teamsters Local 251 Health & Insurance Plan	22	22	22
Teamsters Local 638 Health Fund	74	74	73
Teamsters Local 639—Employers Health & Pension Trust Funds	36	35	36
Teamsters Local 671 Health Services & Insurance Plan	24	24	24
Teamsters Union 25 Health Services & Insurance Plan	75	73	73
Teamsters Western Region & Local 177 Health Care Plan	1,127	1,109	1,076
Truck Drivers and Helpers Local 355 Baltimore Area Health & Welfare Fund	20	21	23
Utah-Idaho Teamsters Security Fund	54	53	54
Washington Teamsters Welfare Trust	82	83	88
All Other Multiemployer Health and Welfare Plans	111	108	109
Total Contributions	$ 6,503	$ 6,431	$ 6,268

NOTE 7. GOODWILL AND INTANGIBLE ASSETS

The following table indicates the allocation of goodwill (in millions):

	U.S. Domestic Package	International Package	Supply Chain Solutions	Consolidated
Balance as of January 1, 2024	$ 847	$ 503	$ 3,522	$ 4,872
Acquired	—	—	4	4
Divestiture	—	—	(495)	(495)
Currency / Other	—	(16)	(65)	(81)
Balance as of December 31, 2024	$ 847	$ 487	$ 2,966	$ 4,300
Acquired	—	79	1,265	1,344
Currency / Other	—	30	163	193
Balance as of December 31, 2025	$ 847	$ 596	$ 4,394	$ 5,837

2025 Goodwill Activity

Goodwill acquired during 2025 was associated with our acquisitions of Frigo-Trans and Biotech & Pharma Logistics ("Frigo-Trans") and Andlauer Healthcare Group, Inc ("AHG"), which are both reported within SCS. In 2025, the increase in goodwill balance is primarily due to the acquisitions of the above mentioned businesses as discussed in note 8. 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.

2024 Goodwill Activity

Goodwill acquired during 2024 was associated with our acquisition of certain locations of The UPS Store. It also reflects the 2024 completion of purchase accounting allocations from our 2023 acquisitions of MNX Global Logistics and Happy Returns, which are both reported within SCS. In 2024, the decrease in goodwill balance is primarily due to the divestiture of our truckload brokerage business ("Coyote") within SCS as discussed in note 8. 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.

Goodwill Impairment

We conducted our most recent annual goodwill impairment testing as of July 1, 2025 using both qualitative and quantitative methods. As of our July 1, 2025 testing date, approximately $877 million and $738 million of our $4.8 billion consolidated goodwill balance is represented by our Global Freight Forwarding ("GFF") and Healthcare Logistics and Distribution ("HLD") reporting units, respectively. Based on our annual impairment evaluation, both reporting units exhibited a limited excess of fair value above carrying value and reflect a greater risk of an impairment occurring in future periods. This limited excess was primarily driven by current market conditions, volatility in global markets, early stages of our current healthcare growth strategy and ongoing integration of recent acquisitions. Both GFF and HLD reporting units are included in SCS.

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, the GFF reporting unit continued to face volatile market conditions and management updated its long-term projections for the mix and timing of revenue growth. We concluded that the change in projections triggered the need for an interim quantitative test for goodwill impairment in the fourth quarter of 2025. The interim impairment test methodology was consistent with our approach for annual impairment testing, using our current view of key inputs and assumptions. The interim impairment test indicated that the GFF reporting unit continues to have a limited excess of fair value over carrying value consistent with the last annual test, and no impairment was recorded.

No other 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.

In the course of our ongoing monitoring of reporting units, we also noted developments within our Mail Innovations reporting unit. Beginning in the first quarter of 2025, Mail Innovations 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. In December 2025, we entered into an agreement with the United States Postal Service ("USPS") to support final-mile delivery for Mail Innovations volumes starting in 2026. This agreement is expected to reduce exposure to purchased transportation cost volatility and enhance the predictability of future operating results, mitigating the cost-related risk identified earlier in the year. As of our July 1, 2025 testing date, approximately $295 million in goodwill is represented by our Mail Innovations reporting unit included in SCS.

Intangible Assets

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted-Average Amortization Period (in years)
December 31, 2025				
Capitalized software	$ 6,810	$ (4,593)	$ 2,217	6.9
Customer relationships	1,438	(293)	1,145	14.3
Trademarks, patents and other	368	(154)	214	7.6
Franchise rights	382	(68)	314	20.0
Trade name	116	(39)	77	9.5
Licenses	88	(39)	49	3.4
Amortizable intangible assets	$ 9,202	$ (5,186)	$ 4,016	8.6
Indefinite-lived intangible assets	5	—	5	
Total Intangible Assets	$ 9,207	$ (5,186)	$ 4,021	
December 31, 2024				
Capitalized software	$ 6,088	$ (4,159)	$ 1,929	
Customer relationships	677	(206)	471	
Trademarks, patents and other	369	(103)	266	
Franchise rights	348	(55)	293	
Trade name	109	(26)	83	
Licenses	30	(12)	18	
Amortizable intangible assets	$ 7,621	$ (4,561)	$ 3,060	
Indefinite-lived intangible assets	4	—	4	
Total Intangible Assets	$ 7,625	$ (4,561)	$ 3,064	

As of December 31, 2025 and 2024, we do not have material indefinite-lived intangible assets and we did not record any impairments related to indefinite-lived intangibles during those periods.

All of our other recorded intangible assets are deemed to be finite-lived and are amortized over their estimated useful lives. Impairment tests for these assets are performed when a triggering event occurs that may indicate that the carrying value of the intangible asset may not be recoverable. Additionally, a decision to sell or abandon an intangible asset before the end of its useful life may result in an impairment charge. Impairments of finite-lived intangible assets were $39, $71 and $8 million in 2025, 2024, and 2023, respectively, and were recorded within *Other expenses* in our statements of consolidated income. In 2025, these charges primarily consisted of software impairment charges related to a business within SCS. In 2024, these charges represented trade name and capitalized software license impairments.

Amortization of intangible assets was $700, $648 and $597 million in each of 2025, 2024 and 2023, respectively. Expected amortization of finite-lived intangible assets recorded as of December 31, 2025 for the next five years is as follows (in millions): 2026—$783; 2027—$688; 2028—$577; 2029—$461; 2030—$355.

NOTE 8. ACQUISITIONS & DISPOSITIONS

In the first quarter of 2025, we acquired Frigo-Trans, an industry-leading, complex healthcare logistics provider based in Germany. In the fourth quarter of 2025, we acquired AHG, a leading North American supply chain management company offering customized third-party logistics and specialized cold chain transportation solutions for the healthcare sector. Both acquisitions are expected to increase our complex cold-chain logistics capabilities internationally. During 2025, we also reacquired development area rights for The UPS Store.

The aggregate purchase price for all acquisitions in 2025 was approximately $2.0 billion, net of cash acquired, which is recorded within SCS. Acquisitions were funded using cash from operations. The impact of these acquisitions to our consolidated revenue and net income in 2025 was not material.

The estimated fair values of assets acquired and liabilities assumed, for AHG, are subject to change based on completion of our purchase accounting. Certain areas, including the fair value of intangibles, property, plant and equipment, equity method investments included within *Other Non-Current Assets,* and our estimates of tax positions, are preliminary as of December 31, 2025.

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	$ 68
Accounts receivable, net	102
Other current assets	24
Property, plant and equipment, net	144
Operating lease right-of-use assets	109
Goodwill	1,344
Intangible assets, net [1]	763
Other non-current assets	14
Accounts payable and other current liabilities	(91)
Current maturities of long-term debt	(64)
Current maturities of operating leases	(27)
Non-current operating leases	(69)
Deferred income tax liabilities	(197)
Long-term finance lease obligations	(11)
Other non-current liabilities	(88)
Total purchase price	$ 2,021

(1)Includes $40 million for acquisitions of reacquired development area rights for The UPS Store.

Goodwill recognized during 2025 is attributable to expected synergies from future growth. We assigned approximately $1.3 billion of goodwill to SCS and approximately $80 million to our International Package segment, the Americas reporting unit. This goodwill acquired is not expected to be deductible for income tax purposes.

Intangible assets acquired during 2025 of approximately $763 million are primarily comprised of $690 million of customer relationships (amortized over a weighted average of 15 years). Other intangible assets acquired include franchise rights, licenses, capitalized software and trade names. The carrying value of accounts receivable approximates fair value.

Acquisition-related costs in 2025 were approximately $21 million. These were expensed and included in *Other expenses* in our statement of consolidated income.

In the second quarter of 2025, we completed the divestiture of a business within SCS. In connection with this divestiture, we recorded a pre-tax net loss of approximately $19 million ($15 million after tax). The loss is recognized within *Other expenses* in our statement of consolidated income.

During 2024, the aggregate purchase price for acquisitions was $71 million, net of cash acquired, which primarily related to the acquisition of franchise development areas for The UPS Store, which are recorded as intangible assets within SCS.

In 2024, we completed the divestiture of Coyote, for cash proceeds, net of cash divested and direct transaction expenses, of $1.0 billion. These proceeds are recognized within *Proceeds from disposal of businesses, property, plant and equipment* in our statement of consolidated cash flows. In connection with the completion of this divestiture, we recorded a pre-tax gain of $156 million ($152 million after tax) in 2024. The gain was recognized within *Other expenses* in our statement of consolidated income. We reported Coyote within our Forwarding businesses in SCS.

Net assets divested of $860 million were mostly comprised of cash of $20 million, accounts receivable of $405 million, other current assets of $34 million, operating lease right-of-use assets of $69 million, goodwill of $495 million, intangible assets of $195 million and other non-current assets of $18 million. These assets were offset by accounts payable of $216 million, other current liabilities of $54 million, non-current operating leases of $68 million, and other non-current liabilities of $38 million.

NOTE 9. DEBT AND FINANCING ARRANGEMENTS

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

	Principal Amount	Maturity	Carrying Value 2025	Carrying Value 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	399	398
4.450% senior notes	750	2030	747	746
4.650% senior notes	500	2030	498	—
4.875% senior notes	900	2033	896	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	1,487	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	1,884	2049-2075	1,863	1,755
Debentures:				
7.620% debentures	276	2030	279	279
Pound Sterling notes:				
5.500% notes	90	2031	89	83
5.125% notes	614	2050	585	544
Euro Senior Notes:				
1.625% notes	—	2025	—	731
1.000% notes	588	2028	587	521
1.500% notes	588	2032	586	521
Finance lease obligations (see note 11)	781	2026-2118	781	455
Facility notes, bonds & other	321	2026-2045	321	322
Total debt	$ 24,367		$ 24,127	$ 21,284
Less: current maturities of long-term debt and finance leases			(608)	(1,838)
Long-term debt and finance leases			$ 23,519	$ 19,446

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 December 31, 2025 or 2024. The amount of commercial paper outstanding under these programs in 2026 is expected to fluctuate.

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. On November 15, 2025, our 1.625% Euro senior notes with a principal balance of €700 million ($811 million) matured and were repaid in full.

Debt Issuances

In 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. Also in 2025, we issued floating rate senior notes with a principal balance of $171 million that matures on June 1, 2075.

Fixed-Rate Senior Notes

Our fixed-rate notes pay interest semi-annually and allow for redemption by us at any time by paying the greater of the principal amount or a "make-whole" amount, plus accrued interest.

Floating-Rate Senior Notes

Our outstanding floating-rate senior notes with principal amounts totaling $1.9 billion bear interest at either thirty-day, ninety-day or compounded Secured Overnight Financing Rate ("SOFR"), less a spread ranging from 4 to 35 basis points. These notes have maturities ranging from 2049 through 2075. Interest is payable monthly for notes maturing through 2053 and quarterly for notes maturing from 2064 through 2075.

The average interest rate on the outstanding floating-rate senior notes for 2025 and 2024 was 4.13% and 4.77%, respectively. These notes are callable at various times after 30 years at a stated percentage of par value, and redeemable at the option of the note holders at various times after one year at a stated percentage of par value. We have classified these floating-rate senior notes as long-term liabilities in our consolidated balance sheets, due to our intent and ability to refinance the debt if the put option is exercised.

7.620% Debentures

The $276 million debentures have a maturity of April 1, 2030. These debentures are redeemable in whole or in part at any time at our option. The redemption price is equal to the greater of the principal amount plus accrued interest, or the present value of remaining scheduled payments of principal and interest thereon discounted to the date of redemption at a benchmark treasury yield plus five basis points, plus accrued interest. Interest is payable semi-annually in April and October, and the debentures are not subject to sinking fund requirements.

Pound Sterling Notes

The Pound Sterling notes consist of two separate tranches, as follows:

- Notes with a principal amount of £66 million accrue interest at a fixed rate of 5.50% and are due in February 2031. Interest is payable semi-annually and these notes are not callable.
- Notes with a principal amount of £455 million accrue interest at a fixed rate of 5.125% and are due in February 2050. Interest is payable semi-annually. These notes are callable at our option at a redemption price equal to the greater of the principal amount plus accrued interest, or the present value of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption at a benchmark U.K. government bond yield plus 15 basis points, plus accrued interest.

Euro Senior Notes

The Euro notes consist of two separate issuances, as follows:

- Notes with a principal amount of €500 million accrue interest at a fixed rate of 1.00% and are due in November 2028. Interest is payable annually. These notes are callable at our option at a redemption price equal to the greater of the principal amount, or the present value of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption at a benchmark comparable German government bond yield plus 15 basis points, plus accrued interest.
- Notes with a principal amount of €500 million accrue interest at a fixed rate of 1.50% and are due in November 2032. Interest is payable annually. The notes are callable at our option at a redemption price equal to the greater of the principal amount, or the present value of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption at a benchmark comparable government bond yield plus 20 basis points, plus accrued interest.

Finance Lease Obligations

We have certain property, plant and equipment subject to finance leases. For additional information on finance lease obligations, see note 11.

Facility Notes and Bonds

We have entered into agreements with certain municipalities or related entities to finance the construction of, or improvements to, facilities that support our operations in the United States. These facilities are located around airport properties in Louisville, Kentucky; Dallas, Texas; and Philadelphia, Pennsylvania. Under these arrangements, we enter into a lease or loan agreement that covers the debt service obligations on the bonds issued by these entities, as follows:

- Bonds with a principal balance of $149 million issued by the Louisville Regional Airport Authority associated with our Worldport facility in Louisville, Kentucky. The bonds are due in January 2029 and bear interest at a variable rate that is payable monthly. The average interest rates for 2025 and 2024 were 2.70% and 3.28%, respectively.
- Bonds with a principal balance of $42 million issued by the Louisville Regional Airport Authority associated with our airfreight facility in Louisville, Kentucky. The bonds are due in November 2036 and bear interest at a variable rate that is payable monthly. The average interest rates for 2025 and 2024 were 2.70% and 3.21%, respectively.
- Bonds with a principal balance of $29 million issued by the Dallas/Fort Worth International Airport Facility Improvement Corporation associated with our Dallas, Texas airport facilities. The bonds are due in May 2032 and bear interest at a variable rate that is payable quarterly. The average interest rates for 2025 and 2024 were 2.65% and 3.26%, respectively.
- Bonds with a principal balance of $100 million issued by the Delaware County, Pennsylvania Industrial Development Authority associated with our Philadelphia, Pennsylvania airport facilities. These bonds are due in September 2045 and bear interest at a variable rate that is payable monthly. The average interest rates for 2025 and 2024 were 2.62% and 3.18%, respectively.

Contractual Commitments

The following table sets forth the aggregate annual principal payments on our long-term debt (in millions):

Year	Debt Principal[1]
2026	$ 500
2027	1,000
2028	588
2029	1,299
2030	1,526
After 2030	18,672
Total	$ 23,585

[1] The above table excludes finance leases of $781 million and other debt of $1 million.

Other Arrangements

During 2025, we entered into new aircraft leases. The structure of this arrangement required a parent company guarantee of approximately $1.8 billion. For additional information, see note 11.

During 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 consolidated balance sheets of $132 million. The financing obligation will increase as construction progresses.

Sources of Credit

Letters of Credit

As of December 31, 2025, we had outstanding letters of credit totaling approximately $1.8 billion issued in connection with our self-insurance reserves and other routine business requirements. We also issue surety bonds as an alternative to letters of credit in certain instances and, as of December 31, 2025, we had $1.8 billion of surety bonds written.

Revolving Credit Facilities

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 23, 2026. 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 December 31, 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.

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 December 31, 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%; and (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 our revolving credit facilities as of December 31, 2025.

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 December 31, 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 $22.8 and $19.8 billion as of December 31, 2025 and 2024. 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.

NOTE 10. 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.

In December 2025, Malone et al. v. United Parcel Service Inc. (OH) was certified as a class action in federal court in the Eastern District of Pennsylvania. The plaintiffs filed this action alleging entitlement to overtime under the Pennsylvania Minimum Wage Act, seeking allegedly unpaid wages. We are vigorously defending ourselves in this matter. We believe that we have 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.

On November 4, 2025, one of our MD-11 cargo aircraft was involved in an accident at Louisville Muhammad Ali International Airport. At this time, we do not believe the financial impact will be material to 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.

NOTE 11. 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.

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.

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 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.

The components of lease expense for 2025, 2024 and 2023 were as follows (in millions):

	2025	2024	2023
Operating lease costs	$ 950	$ 912	$ 860
Finance lease costs:			
Amortization of assets	$ 139	$ 145	$ 119
Interest on lease liabilities	27	23	18
Total finance lease costs	166	168	137
Variable lease costs	382	311	279
Short-term lease costs	1,091	1,079	1,166
Total lease costs[1]	$ 2,589	$ 2,470	$ 2,442

[1] This table excludes sublease income for all periods presented as it was not material.

We also monitor all lease categories for any indicators that the carrying value of the assets may not be recoverable. We recognized certain immaterial impairments during 2025, 2024 and 2023.

Supplemental information related to leases and location within our consolidated balance sheets as of December 31, 2025 and 2024 are as follows (in millions, except lease term and discount rate):

	2025	2024
Operating Leases:		
Operating lease right-of-use assets	$ 4,263	$ 4,149
Current maturities of operating leases	$ 763	$ 733
Non-current operating leases	3,700	3,635
Total operating lease obligations	$ 4,463	$ 4,368
Finance Leases:		
Property, plant and equipment, net	$ 1,146	$ 657
Current maturities of long-term debt, commercial paper and finance leases	$ 107	$ 104
Long-term debt and finance leases	674	351
Total finance lease obligations	$ 781	$ 455
Weighted average remaining lease term (in years):		
Operating leases	10.6	10.4
Finance leases	22.3	11.1
Weighted average discount rate:		
Operating leases	3.66 %	3.50 %
Finance leases	4.49 %	3.84 %

Future payments for lease obligations as of December 31, 2025 are as follows (in millions):

	Finance Leases	Operating Leases
2026	$ 137	$ 907
2027	94	822
2028	87	641
2029	79	496
2030	72	390
Thereafter	585	2,151
Total lease payments	1,054	5,407
Less: Imputed interest	(273)	(944)
Total lease obligations	781	4,463
Less: Current obligations	(107)	(763)
Long-term lease obligations	$ 674	$ 3,700

As of December 31, 2025, we had $2.6 billion of additional leases which had not commenced and are expected to commence between 2026 and 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 property, such as when leasehold improvements are completed or a certificate of occupancy is obtained.

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 New York Stock Exchange ("NYSE") under the symbol "UPS". Class A and B shares both have a $0.01 par value, and as of December 31, 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 December 31, 2025, no preferred shares had been issued.

The following is a rollforward of our shares of class A and class B common stock for 2025, 2024 and 2023 (in millions):

	2025	2024	2023
Class A Common Stock:			
Balance at beginning of year	121	127	134
Stock award plans	—	2	5
Common stock issuances	3	3	2
Conversions of class A to class B common stock	(18)	(11)	(14)
Class A shares issued at end of year	106	121	127
Class B Common Stock:			
Balance at beginning of year	733	726	725
Common stock purchases	(8)	(4)	(13)
Conversions of class A to class B common stock	18	11	14
Class B shares issued at end of year	743	733	726

We repurchased 8.6, 3.9 and 12.8 million shares of class B common stock for $1.0 billion, $500 million and $2.3 billion during 2025, 2024 and 2023, respectively. These repurchases were completed as follows:

- In August 2021, the Board of Directors authorized the Company to repurchase up to $5.0 billion of class A and class B common stock (the "2021 Authorization"). For 2023, we repurchased 0.5 million shares of class B common stock for $82 million under this authorization.
- In January 2023, the Board of Directors terminated the 2021 Authorization and approved a new share repurchase authorization for $5.0 billion of class A and class B common stock (the "2023 Authorization"). The share repurchases for 2025 and 2024 were completed under the 2023 Authorization. For 2023, we repurchased 12.3 million shares for $2.2 billion under the 2023 Authorization. As of December 31, 2025, we had $1.3 billion available under this repurchase authorization.

Future share repurchases may be in the form of accelerated share repurchase programs, open market purchases or other methods we deem appropriate. The timing of share repurchases will depend upon market conditions. Unless terminated earlier by the Board of Directors, this program will expire when we have purchased all shares authorized for repurchase under the program.

Movements in additional paid-in capital in respect of stock award plans comprise accruals for unvested awards, offset by adjustments for awards that vest during the period.

The following is a rollforward of our common stock, additional paid-in capital, retained earnings and noncontrolling interests accounts for 2025, 2024 and 2023 (in millions, except per share amounts):

	2025	2024	2023
Class A Common Stock:			
Balance at beginning of year	$ 2	$ 2	$ 2
Stock award plans	—	—	—
Common stock issuances	—	—	—
Conversions of class A to class B common stock	(1)	—	—
Class A shares issued at end of year	$ 1	$ 2	$ 2
Class B Common Stock:			
Balance at beginning of year	$ 7	$ 7	$ 7
Common stock purchases	—	—	—
Conversions of class A to class B common stock	1	—	—
Class B shares issued at end of year	$ 8	$ 7	$ 7
Additional Paid-In Capital:			
Balance at beginning of year	$ 136	$ —	$ —
Stock award plans	89	(77)	425
Common stock purchases	(262)	(212)	(882)
Common stock issuances	321	425	467
Other	(9)	—	(10)
Balance at end of year	$ 275	$ 136	$ —
Retained Earnings:			
Balance at beginning of year	$ 20,882	$ 21,055	$ 21,326
Net income attributable to controlling interests	5,572	5,782	6,708
Dividends ($6.56, $6.52 and $6.48 per share) [1]	(5,565)	(5,594)	(5,611)
Common stock purchases	(738)	(288)	(1,368)
Other [2]	—	(73)	—
Balance at end of year	$ 20,151	$ 20,882	$ 21,055
Non-Controlling Interests:			
Balance at beginning of year	$ 25	$ 8	$ 17
Change in non-controlling interests	3	17	(9)
Balance at end of year	$ 28	$ 25	$ 8

[1] The dividend per share amount is the same for both class A and class B common stock. Dividends include $167, $195 and $239 million for 2025, 2024 and 2023, respectively, that were settled in shares of class A common stock.

[2] Includes adjustments related to certain stock-based awards.

Accumulated Other Comprehensive Loss

The activity in accumulated other comprehensive loss for 2025, 2024 and 2023 is as follows (in millions):

	2025	2024	2023
Foreign Currency Translation Loss, Net of Tax:			
Balance at beginning of year	$ (1,586)	$ (1,248)	$ (1,446)
Translation adjustment (net of tax effect of $9, $(7) and $(15))	528	(338)	190
Reclassification to earnings (net of tax effect of $0, $0 and $0)	—	—	8
Balance at end of year	$ (1,058)	$ (1,586)	$ (1,248)
Unrealized Loss on Marketable Securities, Net of Tax:			
Balance at beginning of year	$ (1)	$ (2)	$ (11)
Current period changes in fair value (net of tax effect of $0, $0 and $2)	1	1	7
Reclassification to earnings (net of tax effect of $0, $0 and $1)	—	—	2
Balance at end of year	$ —	$ (1)	$ (2)
Unrealized (Loss) Gain on Cash Flow Hedges, Net of Tax:			
Balance at beginning of year	$ 91	$ (76)	$ 167
Current period changes in fair value (net of tax effect of $(104), $93 and $(28))	(330)	296	(89)
Reclassification to earnings (net of tax effect of $(5), $(41) and $(48))	(14)	(129)	(154)
Balance at end of year	$ (253)	$ 91	$ (76)
Unrecognized Pension and Postretirement Benefit Costs, Net of Tax:			
Balance at beginning of year	$ (2,813)	$ (2,432)	$ (259)
Net actuarial gain (loss) and prior service cost resulting from remeasurements of plan assets and liabilities (net of tax effect of $(65), $(315) and $(793))	(204)	(1,005)	(2,530)
Reclassification to earnings (net of tax effect of $38, $195 and $111)	120	624	357
Balance at end of year	$ (2,897)	$ (2,813)	$ (2,432)
Accumulated other comprehensive loss at end of year	$ (4,208)	$ (4,309)	$ (3,758)

Detail of the gains (losses) reclassified from accumulated other comprehensive loss to the statements of consolidated income for 2025, 2024 and 2023 is as follows (in millions):

	Amount Reclassified from AOCI			Affected Line Item in the Income Statement
	2025	2024	2023	
Unrealized Loss on Foreign Currency Translation:				
Realized loss on business wind-down	$ —	$ —	$ (8)	Other expenses
Income tax expense	—	—	—	Income tax expense
Impact on net income	$ —	$ —	$ (8)	Net income
Unrealized Loss on Marketable Securities:				
Realized loss on sale of securities	$ —	$ —	$ (3)	Investment income (expense) and other
Income tax benefit	—	—	1	Income tax expense
Impact on net income	$ —	$ —	$ (2)	Net income
Unrealized Gain on Cash Flow Hedges:				
Interest rate contracts	$ (6)	$ (5)	$ (10)	Interest expense
Foreign currency exchange contracts	26	176	213	Revenue
Foreign currency exchange contracts	(1)	(1)	(1)	Investment income (expense) and other
Income tax expense	(5)	(41)	(48)	Income tax expense
Impact on net income	$ 14	$ 129	$ 154	Net income
Unrecognized Pension and Postretirement Benefit Costs:				
Prior service costs	$ (158)	$ (154)	$ (109)	Investment income (expense) and other
Remeasurement of benefit obligation	—	(665)	(351)	Investment income (expense) and other
Curtailments and settlements of benefit obligations	—	—	(8)	Investment income (expense) and other
Income tax benefit	38	195	111	Income tax expense
Impact on net income	$ (120)	$ (624)	$ (357)	Net income
Total amount reclassified for the year	$ (106)	$ (495)	$ (213)	Net income

NOTE 13. STOCK-BASED COMPENSATION

We are authorized, under our 2021 Omnibus Incentive Compensation Plan (the "Plan"), to issue non-qualified and incentive stock options, stock appreciation rights, restricted stock and stock units ("RSUs"), and restricted performance shares and performance units ("RPUs", collectively with RSUs, "Restricted Units") underlying 25 million shares. Each award issued in the form of Restricted Units, stock options and other permitted awards reduces the share reserve by one share. We had 6 million shares available to be issued under the Plan as of December 31, 2025.

Our primary equity compensation programs are the UPS Long-Term Incentive Performance Award program (the "LTIP") and the UPS Stock Option program. Restricted Units may be granted to certain senior management employees to support employee retention. We also grant Restricted Units to our Board of Directors (the "Board") as a component of their annual compensation. The awards issued under these programs are considered to be equity classified. The total expense recognized in our statements of consolidated income for these stock compensation programs during 2025, 2024 and 2023 was $73, $24 and $220 million, respectively. The associated income tax benefit (expense) recognized in our statements of consolidated income during 2025, 2024 and 2023 was $9, $(18) and $42 million, respectively. The cash income tax benefit received from the exercise of stock options and conversion of Restricted Units to class A shares during 2025, 2024 and 2023 was $2, $110 and $201 million, respectively.

Management Incentive Program

We maintain the UPS Management Incentive Program (the "MIP") for certain management employees. Non-executive management eligibility under the MIP is determined annually by the executive officers of UPS. Executive officer eligibility is determined annually by the Compensation and Human Capital Committee of the Board (the "Compensation Committee"). The MIP is an incentive-based compensation program, with awards based on annual Company performance. Beginning 2023, MIP awards are paid in cash, unless a participant elects to receive all or a portion of the award in unrestricted shares of class A common stock. As of December 31, 2025, the MIP was classified as a compensation obligation within *Accrued wages and withholdings* in our consolidated balance sheets. Substantially all MIP awards are settled in cash, based on participant elections.

We also maintain an employee stock purchase plan which allows eligible employees to purchase shares of UPS class A common stock at a discount.

Restricted Units

On May 7, 2025, the Compensation Committee approved 0.4 million of special RSUs for certain of the Company's employees, excluding the Chief Executive Officer. Dividends earned on Restricted Units are reinvested in additional Restricted Units at each dividend payable date until conversion to class A shares occurs. The RSUs generally vest over three years, 25% after year one, 25% after year two, and 50% after year three, assuming continued employment with the Company (except in the case of death in which immediate vesting occurs).

The fair value of Restricted Units is the NYSE closing price of class B common stock on the date of grant. The weighted-average grant date fair value of Restricted Units, other than awards granted under the LTIP, which are discussed below, granted during 2025, 2024 and 2023 was $95.34, $147.22 and $185.66, respectively. The total fair value of RSUs vested was $6 million, $11 million and $1.1 billion in 2025, 2024 and 2023, respectively. As of December 31, 2025, there was $35 million of total unrecognized compensation cost related to non-vested Restricted Units, other than awards granted under the LTIP, which are discussed below. That cost is expected to be recognized over a weighted-average period of two years and three months.

The following table shows the change in non-vested Restricted Units under our equity compensation programs other than the LTIP (defined below) in 2025:

	Restricted Units (in thousands)	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2025	25	$ 177.76
Vested	(58)	121.77
Granted	474	95.34
Reinvested dividends	36	N/A
Forfeited / Expired	(7)	96.39
Non-vested as of December 31, 2025	470	$ 97.09

Long-Term Incentive Performance Award Program ("LTIP")

LTIP RPUs 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). The number of RPUs earned is based on achievement of performance targets established on the grant date.

For LTIP awards granted in 2023 and 2024 with performance periods ending in 2025 and 2026, the performance targets are equally weighted between adjusted earnings per share and adjusted cumulative free cash flow. The performance targets for the LTIP awards granted in 2025 with a performance period ending in 2027 are equally weighted between adjusted revenue growth and adjusted operating return on invested capital. The final number of RPUs earned for all outstanding LTIP awards is subject to adjustment based on relative total shareholder return compared to the Standard & Poor's 500 Index. We determine the grant date fair value of these 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. There is no expected dividend yield as units earn dividend equivalents.

The weighted-average assumptions used in our Monte Carlo models for each award year were as follows:

	2025	2024	2023
Risk-free interest rate	3.86 %	4.43 %	3.89 %
Expected volatility	28.39 %	27.02 %	30.23 %
Weighted-average fair value of units granted	$ 94.38	$ 156.73	$ 198.78
Share payout	98.13 %	101.92 %	107.72 %

The following table shows LTIP RPU activity during 2025:

	RPUs (in thousands)	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2025	1,401	$ 174.12
Vested	(87)	175.93
Granted	1,436	94.38
Reinvested dividends	179	N/A
Performance adjustments [1]	(576)	197.99
Forfeited / Expired	(108)	135.12
Non-vested as of December 31, 2025	2,245	$ 116.17

[1] Represents the incremental performance adjustment to RPUs with a performance period ending in 2025, which vested during the year.

The fair value of each LTIP RPU is based on the NYSE closing price of class B common stock on the date of grant. The weighted-average grant date fair value of LTIP RPUs granted during 2025, 2024 and 2023 was $94.38, $156.73 and $198.78, respectively. The total fair value of LTIP RPUs vested during 2025, 2024 and 2023 was $8, $23 and $111 million, respectively. As of December 31, 2025, there was $127 million of total unrecognized compensation cost related to non-vested LTIP RPUs. That cost is expected to be recognized over a weighted-average period of one year and nine months.

Non-qualified Stock Options

Stock options may be granted under the Plan, and must have an exercise price at least equal to the NYSE closing price of UPS class B common stock on the date the option is granted. On February 4, 2026, we granted a total of 4.0 million stock options to approximately 460 employees. Options were granted at an exercise price of $116.74 per share, the closing New York Stock Exchange price of our class B common stock on that date.

We grant non-qualified stock options to a limited group of eligible senior management employees annually, in which the value granted is determined as a percentage of salary. Stock option grants vest over a five-year period with approximately 20% of the award vesting at each anniversary of the grant date (except in the case of death, disability or retirement, in which case immediate vesting occurs). Option grants expire 10 years after the date of the grant. Option holders may exercise their options via the payment of cash or class A common stock; new class A shares are issued upon exercise.

The following table provides an analysis of activity relating to options to purchase shares of class A common stock:

	Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of January 1, 2025	1,452	$ 130.08		
Exercised	(24)	101.93		
Granted	290	95.89		
Forfeited / Expired	(42)	N/A		
Outstanding as of December 31, 2025	1,676	$ 124.55	5.06	$ 1
Options Vested and Expected to Vest	1,676	$ 124.55	5.06	$ 1
Exercisable as of December 31, 2025	1,194	$ 123.78	3.65	$ —

The fair value of each option grant is estimated using the Black-Scholes option pricing model. The weighted-average assumptions used by year, and the calculated weighted-average fair values of options, are as follows:

	2025	2024	2023
Expected dividend yield	5.21 %	3.96 %	3.54 %
Risk-free interest rate	4.08 %	4.25 %	3.70 %
Expected life in years	6.11	6.13	5.93
Expected volatility	30.35 %	28.94 %	28.31 %
Weighted-average fair value of options granted	$ 18.72	$ 34.76	$ 41.08

The expected dividend yield is based on recent historical dividend yields for our stock, taking into account changes in dividend policy. The risk-free interest rate is based on the term structure of interest rates at the time of the option grant. The expected life represents an estimate of the period of time options are expected to remain outstanding. In determining this, we have relied upon a combination of the observed exercise behavior of our prior grants with similar characteristics and the contractual term of the grants. Expected volatilities are based on the historical returns on our stock and the implied volatility of our publicly-traded options.

Discounted Employee Stock Purchase Plan

We maintain an employee stock purchase plan for all eligible employees that allows quarterly purchases of UPS class A common stock at a discount. In 2025, shares were purchased at 95% of the NYSE closing price of UPS class B common stock on the last day of each quarterly period. Employees purchased 1.1, 0.8 and 0.7 million shares at average prices of $92.83, $130.14 and $162.34 per share, during 2025, 2024 and 2023, respectively. The plan was not considered to be compensatory as of 2025 and in the prior years, and therefore no compensation cost is incurred for the employees' purchase rights.

In November 2025, the Board of Directors approved an increase in the purchase discount from 5% to 10% starting January 2026. We expect the plan will be considered compensatory and therefore we expect to record compensation costs related to future employee purchases.

NOTE 14. SEGMENT AND GEOGRAPHIC 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 SCS. 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. SCS 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 SCS. 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. We offer a wide selection of guaranteed day- and time-definite international transportation services supported by our brokerage capabilities that facilitate cross-border clearance for international shipments. International Package includes our operations in Europe, the Middle East and Africa ("EMEA"), Canada and Latin America (together "Americas") and Asia.

SCS

SCS includes our Forwarding, Logistics, digital and other businesses. Our Forwarding and Logistics businesses operate globally, offering international air and ocean freight forwarding, customs brokerage, mail services, healthcare logistics, 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 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 (expense) 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 2025 relative to 2024.

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.

Segment results of operations for 2025, 2024 and 2023 were as follows (in millions):

	2025	2024	2023
U.S. Domestic Package:			
Revenue	$ 59,519	$ 60,376	$ 60,205
Less:			
Compensation	20,966	20,839	19,818
Benefits	17,116	16,862	16,859
Other segment items[1]	17,511	18,330	18,372
U.S. Domestic Operating profit/(loss)	$ 3,926	$ 4,345	$ 5,156
International Package:			
Revenue	$ 18,576	$ 17,960	$ 17,831
Less:			
Compensation and benefits	4,052	3,783	3,794
Purchased transportation	3,909	3,447	3,391
Other segment items[1]	7,742	7,539	7,415
International Operating profit/(loss)	$ 2,873	$ 3,191	$ 3,231
Reconciliation of revenue:			
Total U.S. Domestic Package and International Package Revenue	$ 78,095	$ 78,336	$ 78,036
Other revenues[2]	10,566	12,734	12,922
Total Consolidated Revenue	$ 88,661	$ 91,070	$ 90,958
Reconciliation of segment operating profit to income before income taxes:			
Total U.S. Domestic Package and International Package Operating profit/(loss)	$ 6,799	$ 7,536	$ 8,387
Other profit/(loss)[2]	1,068	932	754
Other pension income (expense)	169	(396)	(95)
Investment income (expense) and other	145	236	314
Interest expense	(1,017)	(866)	(787)
Total Consolidated Income Before Income Taxes	$ 7,164	$ 7,442	$ 8,573

(1) Other segment items include purchased transportation (applicable only to our U.S. Domestic Package 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.

Revenue by product type for 2025, 2024 and 2023 is provided in note 2.

The amounts of depreciation and amortization by reportable segment disclosed for 2025, 2024 and 2023 are included within the other segment items captions in the table below. These totals are presented after applying activity-based costing methods to allocate expenses between segments as noted above.

	2025	2024	2023
Depreciation and amortization			
U.S. Domestic Package	$ 2,538	$ 2,470	$ 2,290
International Package	834	777	742
Other depreciation and amortization[1]	374	362	334
Consolidated Depreciation and Amortization	$ 3,746	$ 3,609	$ 3,366

(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 December 31, 2025 and 2024 consisted of the following (in millions):

	2025	2024
Segment Assets		
U.S. Domestic Package	$ 38,359	$ 38,657
International Package	18,214	18,300
Other assets[1]	12,693	9,850
Unallocated assets[2]	3,824	3,263
Consolidated Assets	$ 73,090	$ 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.

Geographic information for 2025, 2024 and 2023 is as follows (in millions):

	2025	2024	2023
United States:			
Revenue	$ 67,432	$ 70,389	$ 71,749
Long-lived assets	$ 33,760	$ 33,173	$ 33,301
International:			
Revenue	$ 21,229	$ 20,681	$ 19,209
Long-lived assets	$ 15,861	$ 13,304	$ 13,687
Consolidated:			
Revenue	$ 88,661	$ 91,070	$ 90,958
Long-lived assets	$ 49,621	$ 46,477	$ 46,988

Long-lived assets include property, plant and equipment, pension and postretirement benefit assets, long-term investments, goodwill and intangible assets.

No countries outside of the United States provided 10% or more of consolidated revenue for 2025, 2024 and 2023. For 2025, 2024 and 2023, Amazon.com, Inc. and its affiliates ("Amazon") represented 10.6%, 11.8% and 11.8% of our consolidated revenues, respectively. Substantially all of this revenue was attributed to U.S. Domestic Package. Amazon accounted for approximately 13.6% and 12.8% of *Accounts receivable, net*, included within our consolidated balance sheets as of December 31, 2025 and 2024, respectively.

NOTE 15. INCOME TAXES

The income tax expense (benefit) for 2025, 2024 and 2023 consists of the following (in millions):

	2025	2024	2023
Current:			
U.S. Federal	$ 970	$ 1,093	$ 1,012
U.S. State and Local	113	172	195
Non-U.S.	517	410	459
Total Current	1,600	1,675	1,666
Deferred:			
U.S. Federal	(26)	38	150
U.S. State and Local	7	(30)	20
Non-U.S.	11	(23)	29
Total Deferred	(8)	(15)	199
Total Income Tax Expense	$ 1,592	$ 1,660	$ 1,865

Income before income taxes includes the following components (in millions):

	2025	2024	2023
United States	$ 5,240	$ 5,839	$ 6,246
Non-U.S.	1,924	1,603	2,327
Total Income Before Income Taxes	$ 7,164	$ 7,442	$ 8,573

The table below provides the updated effective tax rate reconciliation. A reconciliation of the statutory federal income tax rate to the effective income tax rate for 2025 consists of the following (in millions, except percentages):

	2025	
	$	%
U.S. Federal Statutory Tax Rate	$ 1,505	21.0
State and Local Income Taxes, Net of Federal Income Tax Effect[1]	101	1.4
Foreign Tax Effects	168	2.4
Effect of Cross-Border Tax Laws, Net of Related Credits	(68)	(0.9)
Tax Credits	(90)	(1.3)
Changes in Valuation Allowances	(91)	(1.3)
Nontaxable or Nondeductible Items	45	0.6
Other Adjustments	22	0.3
Effective Income Tax Rate	$ 1,592	22.2

[1] State taxes in California, Illinois, New York, Minnesota, Florida, and Pennsylvania made up the majority (greater than 50 percent) of the tax effect in this category.

As previously disclosed, during 2024 and 2023, a reconciliation of the statutory federal income tax rate to the effective income tax rate consists of the following:

	2024	2023
Statutory U.S. federal income tax rate	21.0 %	21.0 %
U.S. state and local income taxes (net of federal benefit)	1.8	1.9
Non-U.S. tax rate differential	—	(0.6)
FDII and GILTI, net[1]	(1.2)	(0.9)
U.S. federal tax credits	(0.8)	(0.7)
Goodwill and other asset impairments	—	0.1
Net uncertain tax positions	0.2	(0.5)
Other	1.3	1.5
Effective income tax rate	22.3 %	21.8 %

[1] Foreign-Derived Intangible Income ("FDII") and Global Intangible Low-Taxed Income ("GILTI").

Our effective tax rate is affected by recurring factors, such as statutory tax rates in the jurisdictions in which we operate and the relative amounts of taxable income we earn in those jurisdictions. It is also affected by discrete items that may occur in any given year, but may not be consistent from year to year.

Our effective tax rate was 22.2% in 2025, compared with 22.3% and 21.8% in 2024 and 2023, respectively, primarily due to the effects of the aforementioned recurring factors and the following discrete tax items.

2025 Discrete Items

We recorded pre-tax transformation strategy costs of $593 million during 2025. As a result, we recorded an additional income tax benefit of $141 million. This income tax benefit was generated at a higher average tax rate than the 2025 U.S. federal statutory tax rate because it included the effect of U.S. state and local and foreign taxes.

We recorded asset impairment charges of $201 million during 2025. As a result, we recorded an additional income tax benefit of $45 million. This income tax benefit was generated at a higher average tax rate than the 2025 U.S. federal statutory tax rate due to the effect of U.S. state and local and foreign taxes.

We recorded a pre-tax loss of $19 million related to the divestiture of a business within SCS during 2025. As a result, we recorded an additional income tax benefit of $4 million. This income tax benefit was generated at a higher average tax rate than the 2025 U.S. federal statutory tax rate due to the effect of U.S. state and local taxes.

We recognized an income tax benefit of $105 million related to the release of the valuation allowance on 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 December 31, 2024, the negative evidence of cumulative historical capital losses outweighed the limited subjective positive evidence of projections of future capital gains. Throughout 2025, we have released all of this valuation allowance as a result of net capital gains from the property sales transactions discussed in note 4.

2024 Discrete Items

We recognized an income tax benefit of $159 million related to pre-tax defined benefit pension and postretirement medical plan losses of $665 million. This income tax benefit was generated at a higher average tax rate than the 2024 U.S. federal statutory tax rate because it included the effect of U.S. state and local and foreign taxes.

We recorded pre-tax transformation strategy costs of $322 million. As a result, we recorded an additional income tax benefit of $77 million. This income tax benefit was generated at a higher average tax rate than the 2024 U.S. federal statutory tax rate due to the effect of U.S. state and local and foreign taxes.

We recorded asset impairment charges of $108 million. As a result, we recorded an additional income tax benefit of $27 million. This income tax benefit was generated at a higher average tax rate than the 2024 U.S. federal statutory tax rate due to the effect of U.S. state and local and foreign taxes.

We recorded a pre-tax expense of $19 million in connection with a multi-employer pension plan withdrawal. As a result, we recorded an income tax benefit of $5 million. This income tax benefit was generated at a higher average tax rate than the 2024 U.S. federal statutory tax rate due to the effect of U.S. state and local taxes.

We recorded a pre-tax gain of $156 million related to the divestiture of Coyote. As a result, we recorded additional income tax expense of $4 million. This income tax expense was generated at a lower average tax rate than the 2024 U.S. federal statutory tax rate due to the disposition generating capital losses for tax purposes that were not expected to be realized.

We paid $45 million in connection with the settlement of an Expense for a Regulatory Matter. We did not record any additional income tax benefit related to these expenses, which were not deductible for tax purposes.

We recorded pre-tax expense of $94 million in connection with a One-Time Payment for International Regulatory Matter. We did not record any additional income tax benefit related to these expenses which are not deductible for tax purposes.

The recognition of excess tax benefits and deficiencies related to share-based compensation in income tax expense resulted in a net tax expense of $22 million and increased our effective tax rate by 0.3%.

2023 Discrete Items

We recorded pre-tax transformation strategy costs of $435 million. As a result, we recorded an additional income tax benefit of $102 million. This income tax benefit was generated at a higher average tax rate than the 2023 U.S. federal statutory tax rate due to the effect of U.S. state and local and foreign taxes.

We recognized an income tax benefit of $85 million related to pre-tax defined benefit pension and postretirement medical benefit plan losses of $359 million. This income tax benefit was generated at a higher average tax rate than the 2023 U.S. federal statutory tax rate because it included the effect of U.S. state and local and foreign taxes.

We recorded goodwill and indefinite-lived intangible asset impairment charges of $236 million. As a result, we recorded an additional income tax benefit of $43 million. This income tax benefit was generated at a lower average tax rate than the 2023 U.S. federal statutory tax rate due to certain impairment charges not being deductible for tax purposes.

We recorded a pre-tax expense of $61 million in connection with a one-time compensation payment made during the year. As a result, we recorded an additional income tax benefit of $15 million. This income tax benefit was generated at a higher average tax rate than the 2023 U.S. federal statutory tax rate due to the effect of U.S. state and local and foreign taxes.

Other Items

Beginning in 2012, we were granted a tax incentive for certain of our non-U.S. operations. In 2022, the tax incentive was renegotiated and extended through December 31, 2026. The tax incentive was conditional upon our meeting specific employment and investment thresholds. We exited this tax incentive effective January 1, 2025. The impact of this tax incentive decreased non-U.S. tax expense by $24 and $15 million (increased diluted earnings per share by $0.03 and $0.02) for 2024 and 2023, respectively.

Deferred income tax assets and liabilities are comprised of the following as of December 31, 2025 and 2024 (in millions):

	2025	2024
Fixed assets and capitalized software	$ (5,938)	$ (5,914)
Operating lease right-of-use assets	(950)	(943)
Other	(764)	(612)
Deferred tax liabilities	(7,652)	(7,469)
Pension and postretirement benefits	1,433	1,474
Loss and credit carryforwards	241	308
Insurance reserves	683	646
Accrued employee compensation	356	352
Operating lease liabilities	1,018	1,021
Other	455	367
Deferred tax assets	4,186	4,168
Deferred tax assets valuation allowance	(84)	(182)
Deferred tax asset (net of valuation allowance)	4,102	3,986
Net deferred tax asset (liability)	$ (3,550)	$ (3,483)
Amounts recognized in our consolidated balance sheets:		
Deferred tax assets	$ 140	$ 112
Deferred tax liabilities	(3,690)	(3,595)
Net deferred tax asset (liability)	$ (3,550)	$ (3,483)

The valuation allowance decreased by $98 million, increased by $63 million, and decreased by $4 million during 2025, 2024 and 2023, respectively.

During 2025, we utilized $379 million of U.S. capital loss carryforwards to offset current year net realized capital gains. We have no remaining U.S. federal capital loss carryforwards as of December 31, 2025.

Further, we have U.S. state and local operating loss and credit carryforwards as follows (in millions):

	2025	2024
U.S. state and local operating loss carryforwards	$ 976	$ 1,043
U.S. state and local credit carryforwards	$ 66	$ 47

The U.S. state and local operating loss carryforwards and credits will begin to expire on various dates ranging from 2026 to indefinitely. We also have non-U.S. loss carryforwards of $580 million as of December 31, 2025, the majority of which may be carried forward indefinitely. As indicated in the table above, we have established a valuation allowance for certain U.S. state and non-U.S. carryforwards due to the uncertainty resulting from a lack of previous taxable income within the applicable tax jurisdictions.

The undistributed earnings and profits ("E&P") of certain foreign subsidiaries are considered to be indefinitely reinvested and, accordingly, no deferred income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, we would be subject to U.S. state and local taxes and withholding taxes payable in various jurisdictions. Determination of the amount of unrecognized deferred income tax liability is not practicable because of the complexities associated with its hypothetical calculation.

The following table summarizes the activity related to our uncertain tax positions (in millions):

	Tax	Interest	Penalties
Balance as of January 1, 2023	$ 533	$ 104	$ 4
Additions for tax positions of the current year	26	—	—
Additions for tax positions of prior years	147	37	1
Reductions for tax positions of prior years for:			
Changes based on facts and circumstances	(164)	(24)	(1)
Settlements during the period	(47)	(9)	—
Lapses of applicable statute of limitations	(3)	—	—
Balance as of December 31, 2023	492	108	4
Additions for tax positions of the current year	33	—	—
Additions for tax positions of prior years	52	33	—
Reductions for tax positions of prior years for:			
Changes based on facts and circumstances	(81)	(11)	(1)
Settlements during the period	(33)	(5)	—
Lapses of applicable statute of limitations	(16)	(3)	—
Balance as of December 31, 2024	447	122	3
Additions for tax positions of the current year	20	1	—
Additions for tax positions of prior years	43	41	—
Reductions for tax positions of prior years for:			
Changes based on facts and circumstances	(42)	(7)	—
Settlements during the period	(15)	(2)	—
Lapses of applicable statute of limitations	(1)	—	—
Balance as of December 31, 2025	$ 452	$ 155	$ 3

The total amount of gross uncertain tax positions as of December 31, 2025, 2024, and 2023 that, if recognized, would affect the effective tax rate was $439, $430, and $492 million, respectively. Our continuing policy is to recognize interest and penalties associated with income tax matters as a component of income tax expense.

We file income tax returns in the U.S. federal jurisdiction, most U.S. state and local jurisdictions, and many non-U.S. jurisdictions. We have substantially resolved all U.S. federal income tax matters for tax years prior to 2016.

The following table provides cash taxes paid for income taxes, net of refunds for the year 2025:

	2025
U.S. Federal	$ 1,329
U.S. State and Local	157
Non-U.S.	
Canada	106
Other	320
Total Non-U.S.	$ 426
Total cash paid for income taxes (net of refunds)	$ 1,912

NOTE 16. 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 (in millions, except per share amounts):

	2025	2024	2023
Numerator:			
Net income attributable to common shareowners	$ 5,572	$ 5,782	$ 6,708
Denominator:			
Weighted-average shares	848	854	855
Vested portion of restricted shares	1	1	4
Denominator for basic earnings per share	849	855	859
Effect of Dilutive Securities:			
Restricted performance units and contingent shares[1]	1	1	1
Denominator for diluted earnings per share	850	856	860
Basic Earnings Per Share	$ 6.56	$ 6.76	$ 7.81
Diluted Earnings Per Share	$ 6.56	$ 6.75	$ 7.80

[1] Contingent shares relate to MIP awards that may be settled in cash or class A common stock at the employees' election - see note 13.

Diluted earnings per share for 2025, 2024 and 2023 exclude the effect of 1.4, 0.5 and 0.3 million shares, respectively, of common stock that may be issued upon the exercise of employee stock options because such effect would be antidilutive.

NOTE 17. 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 December 31, 2025 and 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.

Outstanding Positions

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

		2025	2024
Currency hedges:			
Euro	EUR	2,764	3,222
British Pound Sterling	GBP	410	536
Canadian Dollar	CAD	1,574	1,623
Hong Kong Dollar	HKD	4,317	4,160
Chinese Renminbi	CNH	6,743	6,065

As of December 31, 2025 and 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 December 31, 2025 and 2024 (in millions):

			Gross Amounts Presented in Consolidated Balance Sheets		Net Amounts if Right of Offset had been Applied	
Asset Derivatives	**Balance Sheet Location**	**Fair Value Hierarchy Level**	**2025**	**2024**	**2025**	**2024**
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current assets	Level 2	$ 5	$ 157	$ —	$ 152
Foreign currency exchange contracts	Other non-current assets	Level 2	4	134	—	131
Total Asset Derivatives			$ 9	$ 291	$ —	$ 283

			Gross Amounts Presented in Consolidated Balance Sheets		Net Amounts if Right of Offset had been Applied	
Liability Derivatives	**Balance Sheet Location**	**Fair Value Hierarchy Level**	**2025**	**2024**	**2025**	**2024**
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current liabilities	Level 2	$ 83	$ 5	$ 78	$ —
Foreign currency exchange contracts	Other non-current liabilities	Level 2	91	3	87	—
Total Liability Derivatives			$ 174	$ 8	$ 165	$ —

Our foreign currency exchange rate and interest 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.

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 December 31, 2025 and 2024 (in millions):

	2025		2024	
Line Item in our 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**
Long-term debt and finance leases	$ 279	$ 3	$ 279	$ 4

Income Statement and AOCI Recognition of Designated Hedges

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

	2025			2024		
Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	**Revenue**	**Interest Expense**	**Investment Income (Expense) and Other**	**Revenue**	**Interest Expense**	**Investment Income (Expense) and Other**
Gain or (loss) on cash flow hedging relationships:						
Interest Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	—	(6)	—	—	(5)	—
Foreign Currency Exchange Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	26	—	(1)	176	—	(1)
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	$ 26	$ (6)	$ (1)	$ 176	$ (5)	$ (1)

The following table indicates the amount of gains and (losses) that have been recognized in AOCI during 2025 and 2024 for those derivatives designated as cash flow hedges (in millions):

	Amount of Gain (Loss) Recognized in AOCI on Derivatives	
Derivative Instruments in Cash Flow Hedging Relationships	**2025**	**2024**
Foreign currency exchange contracts	(434)	389
Total	$ (434)	$ 389

As of December 31, 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 December 31, 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 and (losses) that have been recognized in AOCI within foreign currency translation adjustment during 2025 and 2024 for those instruments designated as net investment hedges (in millions):

	Amount of Gain (Loss) Recognized in AOCI on Debt	
Non-derivative Instruments in Net Investment Hedging Relationships	**2025**	**2024**
Foreign denominated debt	$ (254)	$ 127
Total	$ (254)	$ 127

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.

Amounts recorded in our statements of consolidated income related to foreign currency forward contracts not designated as hedges during 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
Foreign currency exchange contracts	Investment income (expense) and other	$ (6)	$ (1)
Total		$ (6)	$ (1)

NOTE 18. TRANSFORMATION STRATEGY COSTS

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 2025, 2024 and 2023 (in millions):

	2025	2024	2023
Compensation and benefits	$ 420	$ 213	$ 337
Total other expenses	173	109	98
Total Transformation Strategy Costs	$ 593	$ 322	$ 435
Income Tax Benefit from Transformation Strategy Costs [1]	(141)	(77)	(102)
After-Tax Transformation Strategy Costs	$ 452	$ 245	$ 333

[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 separations 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 $117 and $45 million were included in other current liabilities in our consolidated balance sheets as of December 31, 2025 and 2024, respectively. During 2025, we made payments of $315 million and recognized additional separation costs of $387 million. An additional $25 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 third quarter of 2026.

Other costs incurred in furtherance of our transformation strategy are primarily related to fees paid to outside professional 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.

As previously announced, we intend to offer a voluntary separation program to full-time drivers in the United States. At this time we are unable to estimate the full impact of this program on our consolidated financial position, results of operations or cash flows. However, we expect to incur costs associated with separation benefits provided under the program. We will also continue to monitor the impact of these uncertainties on our projected benefit obligation in accordance with ASC Topic 715.

Transformation Strategy Costs during the periods presented related to our Transformation 1.0, Transformation 2.0, Fit to Serve and *Network Reconfiguration* and *Efficiency Reimagined* programs. Total costs by program are shown in the table below (in millions):

	2025	2024	2023
Transformation Strategy Costs:			
Transformation 1.0	$ —	$ —	$ 13
Transformation 2.0			
Spans and layers	—	—	86
Business portfolio review	(18)	29	84
Financial systems	55	54	36
Other initiatives	—	—	4
Transformation 2.0 total	37	83	210
Fit to Serve	47	204	212
Network Reconfiguration and *Efficiency Reimagined*	509	35	—
Total Transformation Strategy Costs	$ 593	$ 322	$ 435

Transformation 1.0: Transformation 1.0 was a fundamental change in our operating model, moving certain functions from a decentralized operating model to a centralized model, leveraging third-party offshore resources to supplement internal resources. We completed Transformation 1.0 in 2023.

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. 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 December 31, 2025, this initiative has now completed and we incurred total costs of $835 million, including $37 million in 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 SCS 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 and create a more efficient operating model to enhance responsiveness to changing market dynamics. As of December 31, 2025, this initiative has now completed, and we incurred total costs of $463 million, including $47 million 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, 85 of which have been permanently closed during 2025. We continue to review expected changes in volume in our integrated air and ground network to identify additional buildings for closure. As of December 31, 2025, we have incurred program costs of $544 million, including $509 million in 2025.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***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. 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 December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

UPS management is responsible for establishing and maintaining adequate internal control over financial reporting for United Parcel Service, Inc. and its subsidiaries (the "Company"). Based on the criteria for effective internal control over financial reporting established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, management has assessed our internal control over financial reporting as effective as of December 31, 2025. The independent registered public accounting firm of Deloitte & Touche LLP, as auditors of the consolidated balance sheets of United Parcel Service, Inc. and its subsidiaries as of December 31, 2025 and the related statements of consolidated income, consolidated comprehensive income and consolidated cash flows for 2025, has issued an attestation report on our internal control over financial reporting, which is included herein.

Report of Independent Registered Public Accounting Firm

To the Shareowners and Board of Directors of
United Parcel Service, Inc.
Atlanta, Georgia

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of United Parcel Service, Inc. and subsidiaries (the "Company") as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements as of and for the year ended December 31, 2025, of the Company and our report dated February 17, 2026, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
February 17, 2026

Item 9B. ***Other Information***

Insider Trading Arrangements and Policies

None.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information about our Executive Officers

Name and Office	Age	Principal Occupation and Employment For the Last Five Years
Carol B. Tomé Chief Executive Officer	69	Chief Executive Officer (2020 - present), Chief Financial Officer, The Home Depot, Inc. (2001 - 2019).
Norman M. Brothers, Jr. Executive Vice President; Chief Legal and Compliance Officer and Corporate Secretary	58	Chief Legal and Compliance Officer and Corporate Secretary (2020 - present), Senior Vice President, General Counsel and Corporate Secretary (2016 - 2020).
Nando Cesarone Executive Vice President; President, U.S.	54	President, U.S. (2020 - present), President, UPS International (2018 - 2020), Europe Region Manager (2016 - 2018).
Brian Dykes Executive Vice President; Chief Financial Officer	48	Chief Financial Officer (2024 - present), Senior Vice President, Global Finance and Planning (2023 – 2024), Senior Vice President, Treasury and Global Capital Markets (2020 – 2023), Vice President, Mergers & Acquisitions (2016 – 2020).
Darrell Ford Executive Vice President; Chief Human Resources Officer	61	Chief Human Resources Officer (2021 - Present), Chief Human Resources Officer, DuPont (2018 - 2020), Chief Human Resources Officer, Xerox Corporation (2015 - 2018).
Matt Guffey Executive Vice President; Chief Commercial and Strategy Officer	47	Chief Commercial and Strategy Officer (2024 - present), Senior Vice President, Global Strategy (2020 - 2023), President, Corporate Strategy (2020), Marketing Department Manager (2019 - 2020), Product Senior Director (2016 - 2018).
Kate M. Gutmann Executive Vice President; President International, Healthcare and Supply Chain Solutions	57	President International, Healthcare and Supply Chain Solutions (2022 - present), Chief Sales and Solutions Officer, Executive Vice President, UPS Global Healthcare (2020 - 2022), Chief Sales and Solutions Officer; Senior Vice President The UPS Store and UPS Capital (2017 - 2019).
Bala Subramanian Executive Vice President; Chief Digital and Technology Officer	54	Chief Digital and Technology Officer (2022 - present), Chief Digital Officer, AT&T Inc. (2018 - 2022), Chief Digital Officer, Best Buy Co., Inc. (2017 - 2018).

Information about our directors will be presented under the caption "Our Board of Directors" in our definitive proxy statement for our meeting of shareowners to be held on May 7, 2026 (the "Proxy Statement") and is incorporated herein by reference.

Information about our Audit Committee will be presented under the caption "Our Board of Directors - Committees of the Board of Directors" and "Audit Committee Matters" in our Proxy Statement and is incorporated herein by reference.

Information about our Code of Business Conduct is presented under the caption "Where You Can Find More Information" in Part I, Item 1 of this report.

Information about our policies and procedures regarding insider trading will be presented in our Proxy Statement under the caption "Corporate Governance – Insider Trading Policy" and is incorporated by reference herein.

Item 11. ***Executive Compensation***

Information about our board and executive compensation will be presented under the captions "Our Board of Directors - Director Compensation" and "Executive Compensation" in our Proxy Statement and is incorporated herein by reference.

Information about our policies and procedures regarding the timing of equity incentive awards in relation to the disclosure of material, non-public information will be presented in our Proxy Statement under the caption "Other Compensation and Governance Policies - Equity Grant Practices" and is incorporated by reference herein.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information about security ownership will be presented under the caption "Ownership of Our Securities - Securities Ownership of Certain Beneficial Owners and Management" in our Proxy Statement and is incorporated herein by reference.

Information about our equity compensation plans will be presented under the caption "Executive Compensation - Equity Compensation Plans" in our Proxy Statement and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information about transactions with related persons will be presented under the caption "Corporate Governance - Conflicts of Interest and Related Person Transactions" in our Proxy Statement and is incorporated herein by reference.

Information about director independence will be presented under the caption "Our Board of Directors - Director Independence" in our Proxy Statement and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

Information about aggregate fees billed to us by our principal accountant will be presented under the caption "Audit Committee Matters - Principal Accounting Firm Fees" in our Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) *Documents filed as a part of this report:*

1. *Financial Statements*.

See Item 8 for the financial statements filed with this report.

2. *Financial Statement Schedules*.

None.

3. *Exhibits*.

See the Exhibit Index below for a list of the exhibits incorporated by reference into or filed with this report.

(b) *Exhibits Required To Be Filed*

See Item 15(a) 3 above.

(c) *Financial Statement Schedules Required To Be Filed*

See Item 15(a) 2 above.

Item 16. *Form 10-K Summary*

None.

EXHIBIT INDEX

Exhibit No.		Description
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).
4.1	—	Indenture dated as of December 18, 1997 (incorporated by reference to Exhibit T-3C to Form T-3 (No. 022-22295), filed on December 18, 1997) [(1)].
4.2	—	Indenture dated as of January 26, 1999 (incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 1 to Form S-3 (No. 333-08369), filed on January 26, 1999) [(1)].
4.3	—	Form of First Supplemental Indenture to Indenture dated as of January 26, 1999 (incorporated by reference to Exhibit 4.2 to Post-Effective Amendment No. 1 to Form S-3 (No. 333-08369-01), filed on March 15, 2000).
4.4	—	Second Supplemental Indenture dated as of September 21, 2001 to Indenture dated as of January 26, 1999 (incorporated by reference to Exhibit 4 to Form 10-Q for the quarter ended September 30, 2001).
4.5	—	Indenture dated as of August 26, 2003 (incorporated by reference to Exhibit 4.1 to Form S-3 (No. 333-108272), filed on August 27, 2003).
4.6	—	First Supplemental Indenture dated as of November 15, 2013 to Indenture dated as of August 26, 2003 (incorporated by reference to Exhibit 4.2 to Form S-3ASR (No. 333-192369), filed on November 15, 2013).
4.7	—	Second Supplemental Indenture dated as of May 18, 2017 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on May 18, 2017).
4.8	—	Indenture dated as of September 30, 2022, between UPS and U.S. Bank Trust Company, National Association, as Trustee (incorporated by reference to Exhibit 4.4 to Form S-3 (File No.333-267664), filed on September 30, 2022).
4.9	—	Indenture dated as of September 30, 2022, between UPS and Truist Bank, as Trustee (incorporated by reference to Exhibit 4.5 to Form S-3 (File No.333-267664), filed on September 30, 2022).
4.10	—	Form of 6.20% Senior Notes due January 15, 2038 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on January 15, 2008).
4.11	—	Form of 4.875% Senior Notes due November 15, 2040 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on November 12, 2010).
4.12	—	Form of 3.625% Senior Notes due October 1, 2042 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on September 27, 2012).
4.13	—	Form of Floating Rate Senior Notes due December 15, 2064 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on December 15, 2014).
4.14	—	Form of Floating Rate Senior Notes due September 15, 2065 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on September 17, 2015).
4.15	—	Form of Floating Rate Senior Notes due March 15, 2066 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on April 1, 2016).
4.16	—	Form of 2.40% Senior Notes Due November 2026 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on October 25, 2016).
4.17	—	Form of 3.40% Senior Notes Due November 2046 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on October 25, 2016).
4.18	—	Form of 1.00% Senior Notes Due November 2028 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on October 25, 2016).
4.19	—	Form of Floating Rate Senior Notes due March 15, 2067 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on March 31, 2017).
4.20	—	Form of 5.150% Senior Notes due 2034 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on May 22, 2024).
4.21	—	Form of 4.875% Senior Notes due 2033 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on February 27, 2023).

4.22	—	Form of 1.500% Senior Notes due November 15, 2032 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on November 13, 2017).
4.23	—	Form of 5.050% Notes due 2053 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on February 27, 2023).
4.24	—	Form of Floating Rate Senior Notes due 2073 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on March 7, 2023).
4.25	—	Form of 5.500% Senior Notes due 2054 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on May 22, 2024).
4.26	—	Form of 3.050% Senior Notes due November 15, 2027 (incorporated by reference to Exhibit 4.6 to Form 8-K, filed on November 14, 2017).
4.27	—	Form of 3.750% Senior Notes due November 15, 2047 (incorporated by reference to Exhibit 4.7 to Form 8-K, filed on November 14, 2017).
4.28	—	Form of Floating Rate Senior Notes due November 15, 2067 (incorporated by reference to Exhibit 4.8 to Form 8-K, filed on November 14, 2017).
4.29	—	Form of 3.400% Senior Notes due March 15, 2029 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on March 15, 2019).
4.30	—	Form of 4.250% Senior Notes due March 15, 2049 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on March 15, 2019).
4.31	—	Form of 5.600% Senior Notes due 2064 (incorporated by reference to Exhibit 4.3 to Form 8-K filed on May 22, 2024).
4.32	—	Form of 2.500% Senior Notes due September 1, 2029 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on August 16, 2019).
4.33	—	Form of 3.400% Senior Notes due September 1, 2049 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on August 16, 2019).
4.34	—	Form of 4.450% Senior Notes due 2030 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on March 25, 2020).
4.35	—	Form of 5.200% Senior Notes due 2040 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on March 25, 2020).
4.36	—	Form of 5.300% Senior Notes due 2050 (incorporated by reference to Exhibit 4.4 to Form 8-K, filed on March 25, 2020).
4.37	—	Form of Floating Rate Senior Notes due 2074 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on May 28, 2024).
4.38	—	Form of 4.650% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on May 14, 2025).
4.39	—	Form of 5.250% Senior Notes due 2035 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on May 14, 2025).
4.40	—	Form of 5.950% Senior Notes due 2055 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on May 14, 2025).
4.41	—	Form of 6.050% Senior Notes due 2065 (incorporated by reference to Exhibit 4.4 to Form 8-K, filed on May 14, 2025).
4.42	—	Form of Floating Rate Senior Notes due 2075 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on May 20, 2025).
4.43	—	Description of Securities
10.1	—	Amended and Restated Restoration Savings Plan, effective as of January 1, 2023 (incorporated by reference to Exhibit 10.3 to Form 10-K for the year ended December 31, 2022).*
10.2	—	Amendment One to the Amended and Restated Excess Coordinating Benefit Plan effective June 23, 2017 (incorporated by reference to Exhibit 10.4 to Form 8-K, filed on June 27, 2017).*

10.2(a)	—	Excess Coordinating Benefit Plan, as Amended and Restated, effective as of January 1, 2012 (incorporated by reference to Exhibit 10.5 to Form 10-K for the year ended December 31, 2012).*
10.3	—	Form of Non-Employee Director Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarter ended June 30, 2019).*
10.3(a)	—	Stock Option Program Terms and Conditions effective as of January 1, 2012 (incorporated by reference to Exhibit 10.7(4) to the Form 10-K for the year ended December 31, 2011).*
10.4	—	Form of Deferred Compensation Plan as Amended and Restated effective January 1, 2012 (incorporated by reference to Exhibit 10.6 to the Form 10-K for the year ended December 31, 2018).*
10.4(a)	—	Amendment No. 1 to Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.7(1) to the Form 10-K for the year ended December 31, 2012).*
10.5	—	2015 Omnibus Incentive Compensation Plan (incorporated by reference to Annex A to the Company's definitive proxy statement filed on March 24, 2015).*
10.6	—	2018 Omnibus Incentive Compensation Plan (incorporated by reference to Annex A to the Company's definitive proxy statement filed on March 16, 2018).*
10.7	—	Stock Option Program Amended and Restated Terms and Conditions effective November 8, 2018 (incorporated by reference to Exhibit 10.8(b) to the Form 10-K for the year ended December 31, 2018).*
10.8	—	Key Employee Severance Plan, effective March 20, 2024 (incorporated by reference to Exhibit 10-1 to the Form 10-Q for the quarter ended March 31, 2024).*
10.9	—	Protective Covenant Agreement between UPS and Carol Tomé, dated March 11, 2020 (incorporated by reference to Exhibit 10.2 to Form 8-K, filed on March 13, 2020).*
10.10	—	Form of Protective Covenant Agreement between UPS and each of Nando Cesarone and Kate Gutmann (incorporated by reference to Exhibit 10.19 to the Form 10-K for the year ended December 31, 2020).*
10.11	—	Management Incentive Program Amended and Restated Terms and Conditions, effective March 20, 2024 (incorporated by reference to Exhibit 10.2 to the Form 10-Q for the quarter ended March 31, 2024).*
10.12	—	Protective Covenant Agreement between UPS and Bala Subramanian, dated May 24, 2022 (incorporated by reference to Exhibit 10.18 to the Form 10-K for the year ended December 31, 2022).*
10.13	—	Long-Term Incentive Performance Program Amended and Restated Terms and Conditions, effective March 20, 2024 (incorporated by reference to Exhibit 10-3 to the Form 10-Q for the quarter ended March 31, 2024).*
10.14	—	2021 Omnibus Incentive Compensation Plan (incorporated by reference to Annex A to the Company's definitive proxy statement filed on March 29, 2021).*
10.15	—	Long-Term Incentive Performance Program Amended and Restated Terms and Conditions, effective as of March 22, 2023 (incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended March 31, 2023).*
10.16	—	Stock Option Program Amended and Restated Terms and Conditions, effective March 20, 2024 (incorporated by reference to Exhibit 10.4 to Form 10-Q for the quarter ended March 31, 2024).*
10.17	—	Long-Term Incentive Performance Program Amended and Restated Terms and Conditions, effective as of May 7, 2025 (incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarter ended March 31, 2025).*
10.18	—	Special Restricted Stock Unit Grant Terms and Conditions, effective as of May 7, 2025 (incorporated by reference to Exhibit 10.2 to the Form 10-Q for the quarter ended March 31, 2025).*
10.19	—	Long-Term Incentive Performance Program Amended and Restated Terms and Conditions, effective as of November 5, 2025 (incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarter ended September 30, 2025).*
10.20	—	Stock Option Program Amended and Restated Terms and Conditions effective as of February 4, 2026.*
19	—	Insider Trading Compliance Policy (incorporated by reference to Exhibit 19 to the Form 10-K for the year ended December 31, 2024).
21	—	Subsidiaries.
23	—	Consent of Deloitte & Touche LLP.
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.
97	—	Incentive-Based Compensation Clawback Policy (incorporated by reference to Exhibit 97 to the Form 10-K for the year ended December 31, 2023).
101	—	The following financial information from the Annual Report on Form 10-K for the year ended December 31, 2025, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.
104	—	Cover Page Interactive Data File - The cover page from this Annual Report on Form 10-K for the year ended December 31, 2025 is formatted in iXBRL (included as Exhibit 101).

(1) Filed in paper format.

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, United Parcel Service, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED PARCEL SERVICE, INC.
(REGISTRANT)

By: /s/ CAROL B. TOMÉ
Carol B. Tomé
Chief Executive Officer (Principal Executive Officer)

Date: February 17, 2026

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CAROL B. TOMÉ **Carol B. Tomé**	Chief Executive Officer (Principal Executive Officer)	February 17, 2026
/s/ BRIAN DYKES **Brian Dykes**	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 17, 2026
/s/ RODNEY C. ADKINS **Rodney C. Adkins**	Director	February 17, 2026
/s/ EVA C. BORATTO **Eva C. Boratto**	Director	February 17, 2026
/s/ KEVIN CLARK **Kevin Clark**	Director	February 17, 2026
/s/ WAYNE M. HEWETT **Wayne M. Hewett**	Director	February 17, 2026
/s/ ANGELA HWANG **Angela Hwang**	Director	February 17, 2026
/s/ KATE E. JOHNSON **Kate E. Johnson**	Director	February 17, 2026
/s/ WILLIAM R. JOHNSON **William R. Johnson**	Director	February 17, 2026
/s/ FRANCK J. MOISON **Franck J. Moison**	Director	February 17, 2026
/s/ JOHN MORIKIS **John Morikis**	Director	February 17, 2026
/s/ CHRISTIANA SMITH SHI **Christiana Smith Shi**	Director	February 17, 2026
/s/ RUSSELL STOKES **Russell Stokes**	Director	February 17, 2026
/s/ KEVIN M. WARSH **Kevin M. Warsh**	Director	February 17, 2026

Exhibit 4.43

DESCRIPTION OF THE REGISTRANT'S SECURITIES

REGISTERED PURSUANT TO SECTION 12 OF THE

SECURITIES EXCHANGE ACT OF 1934

United Parcel Service, Inc. (the "Corporation," "we," "us" and "our") has three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: (i) our Class B Common Stock, par value $0.01 per share (our "class B common stock"), (ii) our 1.000% Senior Notes due 2028, and (iii) our 1.500% Senior Notes due 2032.

DESCRIPTION OF CLASS B COMMON STOCK

The following summary description sets forth some of the general terms and provisions of our Class B common stock. The description of our Class B common stock is a summary and is subject to and qualified by reference to the applicable provisions of our restated certificate of incorporation (our "certificate of incorporation"), our amended and restated bylaws (our "bylaws"), and relevant provisions of Delaware law. Our certificate of incorporation and bylaws have been incorporated by reference or filed as an exhibit to the Annual Report on Form 10-K to which this description is an exhibit.

General

We are authorized to issue a total of 10,200,000,000 shares of common stock, of which:

- 4,600,000,000 are shares of class A common stock, par value $.01 per share our ("class A common stock," and together with our class B common stock, our "common stock"), and

- 5,600,000,000 are shares of class B common stock.

Our board of directors has the authority to make, alter, amend and repeal our bylaws in any manner not inconsistent with Delaware law or our certificate of incorporation.

Voting Rights

Generally, all shares of our common stock have the same relative rights, preferences and limitations, except as follows:

- shares of class A common stock have 10 votes per share;
- shares of class B common stock have one vote per share; and
- shares of class A common stock may be converted at any time by the holder into an equal number of shares of class B common stock and, if transferred to certain transferees, are automatically converted into shares of class B common stock immediately upon transfer.

Except as otherwise required by law, our certificate of incorporation or our bylaws, (1) the holders of each class of common stock vote together as a single class, subject to any right that may be conferred upon holders of preferred stock to vote together with holders of common stock, on all matters submitted to a vote of stockholders of the Corporation and (2) matters submitted to a vote of stockholders are approved by the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote thereon.

Our certificate of incorporation requires a vote of at least 80% of the voting power of all outstanding shares of our capital stock entitled to vote generally in the election of directors to amend provisions of our certificate of incorporation prohibiting stockholder action by written consent and relating to calling a special meeting of stockholders and the business to be transacted at such meeting.

Subject to certain exceptions specified in our certificate of incorporation, our certificate of incorporation limits the voting rights of any person who is the beneficial owner (as defined in our certificate of incorporation) of more than 25% of the voting power of the then outstanding shares of our capital stock entitled to vote generally in the election of directors. Our certificate of incorporation requires a vote of at least 80% of the voting power of all outstanding shares of our capital stock entitled to vote generally in the election of directors (after taking into account this provision) to amend this provision of our certificate of incorporation.

Our board of directors is not classified, and holders of our common stock do not have cumulative voting rights.

Dividend Rights

Dividends may be paid on our common stock out of funds legally available for dividends, when and if declared by our board of directors. In the case of a distribution of our common stock, each class of common stock receives a distribution of only shares of the same class of common stock. For example, only shares of class B common stock may be distributed with respect to class B common stock.

Liquidation, Dissolution or Similar Rights

Holders of our common stock are entitled to share ratably in any dividends and in any assets available for distribution on liquidation, dissolution or winding-up, subject, if any of our preferred stock is then outstanding, to any preferential rights of such preferred stock.

No Preemptive, Redemption or Conversion Rights

Our common stock is not redeemable, has no sinking fund provision or subscription rights and does not entitle the holder to any preemptive rights.

Preferred Stock

We are authorized to issue up to 200,000,000 shares of preferred stock, par value $0.01 per share. No shares of preferred stock are currently outstanding. Subject to limitations prescribed by law, the board of directors is authorized at any time to (i) issue one or more series of preferred stock, (ii) determine the designation for any series by number, letter or title that shall distinguish the series from any other series of preferred stock; and (iii) determine the number of shares in any series. The board of directors is further authorized to determine, for each series of preferred stock, (a) whether dividends on that series of preferred stock will be cumulative, noncumulative or partially cumulative, (b) the dividend rate (or method for determining the rate), (c) the liquidation preference per share of that series of preferred stock, if any, (d) any conversion provisions applicable to that series of preferred stock, (e) any redemption or sinking fund provisions applicable to that series of preferred stock, (f) the voting rights of that series of preferred stock, if any, and (g) the terms of any other preferences or rights, if any, applicable to that series of preferred stock. Our board of directors, without shareowner approval, may issue preferred stock with voting and conversion rights which could adversely affect the voting power of the holders of common stock. If we issue preferred stock, it may have the effect of delaying, deferring or preventing a change of control.

Forum Selection Clause

Under our bylaws, unless the Corporation, in writing, selects or consents to the selection of an alternative forum, the sole and exclusive forum for any current or former stockholder (including any current or former beneficial owner) to bring internal corporate claims (as defined in our bylaws), to the fullest extent permitted by law, and subject to applicable jurisdictional requirements, shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court or a federal court located within the State of Delaware).

DESCRIPTION OF DEBT SECURITIES

Description of 1.000% Senior Notes due 2028 and 1.500% Senior Notes due 2032

The following summary of our above-referenced debt securities is based on and qualified by the indenture, dated as of August 26, 2003, as supplemented from time to time, entered into with The Bank of New York Mellon Trust Company, N.A. (as successor to Citibank, N.A.), as trustee (the "indenture"), and the 1.000% Senior Notes due 2028 (the "2028 Notes") and 1.500% Senior Notes due 2032 (the "2032 Notes," together with the 2028 Notes, the "notes"). For a complete description of the terms and provisions of the notes, refer to the indenture and the forms of notes, each of which is incorporated by reference or filed as an exhibit to this Annual Report on Form 10-K.

The term "business day" means any day, other than a Saturday or Sunday, (i) which is not a day on which banking institutions in the City of New York or London are authorized or required by law or executive order to close and (ii) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system, or the TARGET2 system, or any successor thereto, operates.

Listing

The notes are listed on the New York Stock Exchange.

General

The notes:

- were issued in an aggregate initial principal amount of €500,000,000, in the case of the 2028 Notes and €500,000,000, in the case of the 2032 Notes, each subject to our ability to issue additional notes which may be of the same series as the notes as described under "—Further Issues,"
- mature on November 15, 2028, in the case of the 2028 Notes and November 15, 2032, in the case of the 2032 Notes,
- bear interest at a rate of 1.000%, in the case of the 2028 Notes and 1.500%, in the case of the 2032 Notes,

- are our unsecured and unsubordinated obligations, ranking equally with our other present and future outstanding unsecured and unsubordinated indebtedness,
- were each issued as a separate series under the indenture,
- are redeemable by us prior to the stated maturity at the times and prices described herein,
- are not repayable at the option of the holders prior to the stated maturity, and
- are not subject to any sinking fund.

Interest

The notes bear interest at a rate of (i) 1.000% per annum, in the case of the 2028 Notes, and (ii) 1.500% per annum, in the case of the 2032 Notes, from the most recent date to which interest has been paid or provided for, payable annually in arrears on November 15 of each year (each a "Fixed Rate Notes Interest Payment Date"), to holders of record at the close of business (a) on the November 1st (whether or not a business day) immediately preceding the interest payment date, in the case of the 2028 Notes, and (b) on the November 15th (whether or not a business day) immediately preceding the interest payment date, in the case of the 2032 Notes, or, in each case, if the notes are represented by one or more global notes, on the business day (for this purpose a day on which Clearstream and Euroclear are open for business) immediately preceding the Fixed Rate Notes Interest Payment Date; provided, however, that interest payable on the maturity date of the notes or any redemption date of the notes shall be payable to the person to whom the principal of such notes shall be payable.

Interest payable on the notes on any Fixed Rate Note Interest Payment Date, redemption date or maturity date shall be the amount of interest accrued from, and including, the next preceding Fixed Rate Note Interest Payment Date in respect of which interest has been paid or duly provided for (or from and including the original issue date of the notes, if no interest has been paid or duly provided for) to, but excluding, such Fixed Rate Note Interest Payment Date, redemption date or maturity date, as the case may be. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Markets Association. If any Fixed Rate Note Interest Payment Date falls on a day that is not a business day, the interest payment will be made on the next succeeding day that is a business day, but no additional interest will accrue as a result of the delay in payment. If the maturity date or any redemption date of the notes falls on a day that is not a business day, the related payment of principal, premium, if any, and interest will be made on the next succeeding business day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next succeeding business day. The rights of holders of beneficial interests in notes to receive the payments of interest on such notes are subject to the applicable procedures of Euroclear and Clearstream.

Optional Redemption of the Notes

The notes are redeemable at any time:

- prior to August 15, 2028 (three months prior to their maturity), in the case of the 2028 Notes and prior to August 15, 2032 (three months prior to maturity), in the case of the 2032 Notes, in each case as a whole or in part,
  - at our option, on at least 30 days', in the case of the 2028 Notes, or on at least 10 days', in the case of the 2032 Notes, but not more than 60 days', prior notice mailed (or otherwise transmitted in accordance with the applicable procedures of Euroclear or Clearstream) to the registered address of each holder of the notes to be redeemed,
  - at a redemption price equal to
    - the greater of:
      - 100% of the principal amount of the notes to be redeemed; and
      - the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the notes to be redeemed (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the date of redemption on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate (as defined below) plus 20 basis points, in the case of the 2032 Notes, and 15 basis points, in the case of the 2028 Notes;
    - together with, in each case, accrued and unpaid interest, if any, on the principal amount of the notes to be redeemed to, but excluding, the redemption date.
- on or after August 15, 2028 (three months prior to maturity), in the case of the 2028 Notes, and on or after August 15, 2032 (three months prior to maturity), in the case of the 2032 Notes, in each case as a whole or in part,
  - at our option, on at least 30 days', in the case of the 2028 Notes, or on at least 10 days', in the case of the 2032 Notes, but not more than 60 days', prior notice mailed (or otherwise transmitted in accordance with the applicable procedures of Euroclear or Clearstream) to the registered address of each holder of notes to be redeemed,

- at a redemption price equal to 100% of the principal amount of notes to be redeemed, plus accrued and unpaid interest, if any, on the principal amount of the notes to be redeemed to, but excluding, the redemption date.

If money sufficient to pay the redemption price of all of the notes (or portions thereof) to be redeemed on the redemption date is deposited with the trustee or paying agent on or before the redemption date and certain other conditions are satisfied, then on and after such redemption date, interest will cease to accrue on such notes (or such portion thereof) called for redemption.

"Comparable Government Bond Rate" means the yield to maturity, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), on the third business day prior to the date fixed for redemption, of the Comparable Government Bond (as defined below) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by us.

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to the maturity of the applicable notes to be redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

"Remaining Scheduled Payments" means, with respect to each note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if such redemption date is not a Fixed Rate Notes Interest Payment Date with respect to such note, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced (solely for the purposes of this calculation) by the amount of interest accrued thereon to such redemption date.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the applicable notes or portions thereof called for redemption. On or before the redemption date, we will deposit with the paying agent or set aside, segregate and hold in trust (if we are acting as paying agent), funds sufficient to pay the redemption price of, and accrued and unpaid interest on, such notes to be redeemed on that redemption date. If fewer than all of the notes are to be redeemed, the trustee will select, not more than 60 days prior to the redemption date, the particular notes or portions thereof to be redeemed from the outstanding notes not previously called for redemption by such method as the trustee deems fair and appropriate; provided that if the notes are represented by one or more global notes, beneficial interests in the Fixed Rate Notes will be selected for redemption by Euroclear and Clearstream in accordance with their respective standard procedures therefor; provided, however, that no notes of a principal amount of €100,000 or less shall be redeemed in part.

We may at any time, and from time to time, purchase the notes at any price or prices in the open market or otherwise.

Payment of Additional Amounts

We will, subject to the exceptions and limitations set forth below, pay to or on account of a beneficial owner of a note who is not a United States person for U.S. federal income tax purposes such additional amounts as may be necessary to ensure that every net payment by us of the principal of and interest on such note, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon or as a result of such payment, by the United States or any political subdivision or taxing authority of the United States, will not be less than the amount that would have been payable had no such deduction or withholding been required. However, we will not pay additional amounts for or on account of:

1. any such tax, assessment or other governmental charge which would not have been so imposed but for (i) the existence of any present or former connection between the holder or beneficial owner of a note (or between a fiduciary, settlor, beneficiary, member or shareholder of such person, if such person is an estate, a trust, a partnership or a corporation) and the United States, including, without limitation, such person (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein or (ii) the presentation,

where required, by the holder of any such note for payment on a date more than 15 calendar days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

2. any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or governmental charge;
3. any tax, assessment or other governmental charge imposed by reason of the holder or beneficial owner's past or present status as a personal holding company or foreign personal holding company or controlled foreign corporation or passive foreign investment company for U.S. federal income tax purposes or as a corporation which accumulates earnings to avoid United States federal income tax or as a private foundation or other tax-exempt organization;
4. any tax, assessment or other governmental charge which is payable otherwise than by withholding from payments on or in respect of any note;
5. any tax, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner of such note, if such compliance is required by statute or by regulation of the United States or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from such tax, assessment or other governmental charge;
6. any tax, assessment or other governmental charge that would not have been imposed but for a failure by the holder or beneficial owner (or any financial institution through which the holder or beneficial owner holds any note or through which payment on the note is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the Internal Revenue Service) imposed pursuant to, or complying with any requirements imposed under an intergovernmental agreement entered into between the United States and the government of another country in order to implement the requirements of, Sections 1471 through 1474 of the Internal Revenue Code as in effect on the date of issuance of the notes or any successor or amended version of these provisions,

to the extent such successor or amended version is not materially more onerous to comply with than these provisions as enacted on such date;

7. any tax, assessment or other governmental charge imposed by reason of such beneficial owner's past or present status as the actual or constructive owner of 10% or more of the total combined voting power of all of our classes of stock entitled to vote or as a direct or indirect affiliate of us;

8. any tax, assessment or other governmental charge required to be deducted or withheld by any paying agent from a payment on a note upon presentation of such note, where required, if such payment can be made without such deduction or withholding upon presentation of such note, where required, to any other paying agent; or

any combination of two or more of items (1), (2), (3), (4), (5), (6), (7) and (8), nor shall additional amounts be paid with respect to any payment on a note to a United States Alien Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the United States (or any political subdivision thereof) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the note.

The term "United States Alien Holder" means any beneficial owner of a note that is not, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate whose income is subject to United States federal income tax regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or if such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person. Except as specifically provided under this heading "—Payment of Additional Amounts," we will not be required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

We undertake that, to the extent permitted by law, we will maintain a paying agent in a Member State of the European Union (if any) that will not require withholding or deduction of tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such European Council Directive.

Redemption for Tax Reasons

We may redeem the notes of each series prior to maturity in whole, but not in part, on not more than 60 days' notice and not less than 30 days' notice, in the case of the 2028 Notes, or not less than 10 days' notice, in the case of the 2032 Notes, at a redemption price equal to 100% of their principal amount plus any accrued interest and additional amounts to, but not including, the date fixed for redemption if we determine that, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced and becomes effective on or after the date of issuance of the notes, we have or will become obligated to pay additional amounts with respect to the notes as described above under "—Payment of Additional Amounts."

If we exercise our option to redeem the notes, we will deliver to the trustee a certificate signed by an authorized officer stating that we are entitled to redeem the notes and an opinion of independent tax counsel to the effect that the circumstances described above exist.

Defeasance and Covenant Defeasance

We may elect, at our option at any time, to have the provisions of Section 13.02 of the indenture, relating to defeasance and discharge of indebtedness, or Section 13.03 of the indenture, relating to defeasance of certain restrictive covenants in the indenture, applied to the notes of any series, or to any specified part of a series. Defeasance refers to the discharge of some or all of our obligations under the indenture.

Defeasance and Discharge

Upon our exercise of our option to have Section 13.02 of the indenture apply to any series of the notes, we will be deemed to have been discharged from all obligations with respect to the notes (except for certain obligations to exchange or register the transfer of notes, to replace stolen, lost or mutilated notes, to maintain paying agencies and to hold money for payment in trust) upon the irrevocable deposit in trust for the benefit of the holders of the notes of money or U.S. Government Obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal of and any premium and interest on the notes on the respective stated maturities in accordance with the terms of the indenture and the notes. Defeasance or discharge may occur only if, among other things, we have delivered to the trustee an opinion of counsel to the effect that, we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in any case to the effect that holders of the notes will not recognize gain or loss for federal income tax purposes as a result of the deposit, defeasance and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the deposit, defeasance and discharge were not to occur.

As used in this exhibit, “U.S. Government Obligations” means any security which is (i) a direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged or (ii) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which in either case (i) or (ii), is not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of a depositary receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal or interest with respect to the U.S. Government Obligation evidenced by such depositary receipt.

Issuance in Euros

All payments of interest and principal, including payments made upon any redemption of the notes, will be payable in euros. If, on or after the date of this exhibit, the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then member states of the European Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. The amount payable on any date in euros will be converted into U.S. dollars on the basis of the most recently available market exchange rate for the euro. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the indenture governing the notes. Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing.

As used in this exhibit, “market exchange rate” means the noon buying rate in The City of New York for cable transfers of euros as certified for customs purposes (or, if not so certified, as otherwise determined) by the United States Federal Reserve Board.

Investors will be subject to foreign exchange risks as to payments of principal and interest that may have important economic and tax consequences to them.

Further Issues

We may from time to time, without notice to or the consent of the registered holders of notes, create and issue further notes ranking equally with each series of the notes in all respects. Such further notes may be consolidated and form a single series with each series of the notes and have the same terms as to ranking, redemption or otherwise as such series (other than the issue date and public offering price of such further notes and, if applicable, the first payment of interest following the issue date of such further notes).

Book-Entry System

Each series of the notes were issued in the form of one or more global notes (each a “global note”) in fully registered form, without coupons, and were deposited on the closing date with, or on behalf of, a common depositary for, and in respect of interests held through, Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”). Except as described herein, certificates will not be issued in exchange for beneficial interests in the global notes.

Except as set forth below, the global notes may be transferred, in whole and not in part, only to a common depositary for Euroclear or Clearstream or its nominee.

Beneficial interests in the global notes are represented, and transfers of such beneficial interests are effected, through accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in Euroclear or Clearstream. Those beneficial interests are in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Investors may hold notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems.

Owners of beneficial interests in the global notes are not entitled to have notes registered in their names, and will not receive or be entitled to receive physical delivery of notes in definitive form. Except as provided below, beneficial owners are not considered the owners or holders of the notes under the indenture, including for purposes of receiving any reports delivered by us or the trustee pursuant to the indenture. Accordingly, each beneficial owner must rely on the procedures of the clearing systems and, if such person is not a participant of the clearing systems, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture. Under existing industry practices, if we request any action of holders or a beneficial owner desires to give or take any action which a holder is entitled to give or take under the indenture, the clearing systems would authorize their participants holding the relevant beneficial interests to give or take action and the participants would authorize beneficial owners owning through the participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the clearing systems to their participants, by the participants to indirect participants and by the participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. These limits and laws may impair the ability to transfer beneficial interests in global notes.

Persons who are not Euroclear or Clearstream participants may beneficially own notes held by the common depositary for Euroclear and Clearstream only through direct or indirect participants in Euroclear and Clearstream. So long as the common depositary for Euroclear and Clearstream is the registered owner of the global note, the common depositary for all purposes will be considered the sole holder of the notes represented by the global note under the indenture and the global notes.

Euroclear and Clearstream may discontinue providing services with respect to the notes at any time by giving reasonable notice to the issuer or its agent. Under these circumstances, in the event that a successor securities depositary is not obtained, certificates for the notes are required to be printed and delivered. We may decide to discontinue the use of the system of book-entry-only transfers through Euroclear and Clearstream (or any successor securities depository). In that event, certificates for the notes will be printed and delivered to Euroclear and Clearstream.

Secondary market sales of book-entry interests in the notes held through Euroclear or Clearstream to purchasers of book-entry interests in the global notes through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Notices

The trustee will mail notices by first class mail, postage prepaid, to each registered holder's address as it appears in the security register (or otherwise transmit such notices in accordance with applicable procedures of Euroclear or Clearstream). The trustee will only mail or transmit these notices to the registered holder of the notes, and consequently holders of beneficial interests will not receive these notices unless we reissue the notes in fully certificated form.

The Trustee, Paying Agent, Transfer Agent and Security Registrar

The Bank of New York Mellon Trust Company, N.A. is the trustee, transfer agent and security registrar with respect to the notes and maintains various commercial and investment banking relationships with us and with affiliates of ours. It is also the trustee under the indenture. The Bank of New York Mellon, London Branch, acts as paying agent with respect to the notes.

Principal of, premium, if any, and interest on the notes will be payable at the office of the paying agent or, at our option, payment of interest may be made by check mailed to the holders of the notes at their respective addresses set forth in the register of holders; *provided* that all payments of principal, premium, if any, and interest with respect to the notes represented by one or more global notes deposited with, or on behalf of, a common depositary, and registered in the name of the nominee of the common depositary for the accounts of Clearstream and Euroclear will be made through the facilities of the common depositary. We may change the paying agent without prior notice to the holders, and we or any of our subsidiaries may act as paying agent.

Governing Law

The indenture and the notes for all purposes shall be governed by and construed in accordance with the laws of the State of New York.

UPS STOCK OPTION PROGRAM

Amended and Restated Terms and Conditions

February 4, 2026

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 restated this Stock Option Program ("Program") which provides for the grant of Nonqualified Stock Options to selected Eligible Employees pursuant to the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan, as amended from time to time, and any successor plan ("ICP"). This document sets forth the rules under which Options shall be granted and administered. Unless otherwise defined in this document (in Section 6 or otherwise), capitalized terms shall have the meanings set forth in the ICP.

These amended and restated Stock Option Program Terms and Conditions shall be effective for any stock option awards made on or after the date set forth above and shall remain in effect, subject to the right of the Committee to amend or terminate the Program at any time pursuant to Section 5.5 hereof or otherwise.

1.1 Objectives of the Program. The objectives of the Program are to enhance retention of key talent, provide incentives to key senior executives and to further align the interests of the Company's senior executives and shareholders.

1.2 Duration of the Program. The Program shall commence on the Program Effective Date and shall remain in effect, subject to the right of the Committee to amend or terminate the Program at any time pursuant to Section 5.5 hereof.

2. Administration.

2.1 Authority of the Committee. The Program will be administered by the Committee, which shall have the same power and authority to administer the Program as it does to administer the ICP.

2.2 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.

2.3 Delegation. The Committee may (subject to applicable law, regulation and the terms of the ICP), delegated its power, authority and duties as identified herein to administer the Program, other than the power, authority and duties to grant an Option to Executive Leadership Team Eligible Employees, 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 members or (ii) to the Executive Leadership Team or (iii) any members thereof such responsibility (the "Management Compensation Committee"). Except as 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. **Eligibility for Options.** Only an Eligible Employee shall be eligible to be considered for a grant of an Option under the Program. The Committee shall have broad discretion to determine the eligibility criteria for Eligible Employees.

4. **Option Awards.**

4.1 **General.** Eligible Employees will receive an award in the form of Options pursuant to the Program.

4.2 **Number of Shares Subject to Option.** The number of Shares subject to an Option will be determined by the Committee in a manner designed to provide the Eligible Employee with an Option the value of which (as determined by the Company) is approximately equal to the product of the percentage shown on Exhibit A multiplied by his or her Annualized Base Salary as of the Grant Date.

4.3 **Award Document.** An Eligible Employee will receive a grant notice that specifies the Option Price, the Grant Date, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. Such grant notice, together with this document, shall constitute the "Award Document" for the applicable Option for purposes of the ICP.

4.4 **Options Not Transferable.** Except as provided in the Award Document, no Option may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Except as provided in the Award Document, an Option shall be exercisable during an Eligible Employee's lifetime only by such Eligible Employee; provided, however, that in the event he or she is incapacitated and unable to exercise his or her Option, such Option may be exercised by such Eligible Employee's legal guardian, legal representative, or other representative whom the Committee deems appropriate based on applicable facts and circumstances. The determination of incapacity of an Eligible Employee and the determination of the appropriate representative to exercise the Option if the Eligible Employee is incapacitated shall be made by the Committee in its sole and absolute discretion.

4.5 **Vesting and Exercise Rules**.

4.5.1 **General.** Except as otherwise provided below or in the Award Document, all Options will become exercisable at the rate of 20% per year on each of the first five anniversaries of the Grant Date and will expire and terminate at 4:00 p.m. Eastern Time on the tenth anniversary of the Grant Date.

4.5.2 **Retirement, Death or Disability.** Options will immediately vest in full upon an Eligible Employee's termination of employment because of Retirement, death or Disability, and will remain exercisable until the tenth anniversary of the Grant Date.

4.5.3 **Other Terminations of Employment.** Termination of an Eligible Employee's employment for reasons other than Retirement, death or Disability will result in the forfeiture and termination of all of the Eligible Employee's non-vested Options. Such Eligible Employee's vested Options (if any) and will expire and terminate at 4:00 p.m. Eastern Time on the 90th calendar day following the date his or her employment terminates.

4.5.4 **Other Exercise Rules.** An Eligible Employee generally may exercise his or her vested Options at any time (subject to the Company's insider trading guidelines) provided the number of Shares he or she seeks to purchase as a result of the exercise is at least the lesser of 500 Shares or the number of Shares that remain subject to the vested portion of such Option.

4.5.5 **Payment and Tax Withholding.** Options shall be exercised in accordance with Sections 6.5 and 6.6 of the ICP. The Company shall arrange for taxes to be withheld or for the Eligible Employee to remit taxes in accordance with Article 16 of the ICP.

5. Miscellaneous.

5.1 **Awards Subject to the Terms of the ICP.** Options awarded under the Program are subject to the terms of the ICP.

5.2 **Severability.** The provisions of the Program 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.

5.3 **Waiver.** An Eligible Employee acknowledges that a waiver by the Company of breach of any provision of the Program shall not operate or be construed as a waiver of any other provision of the Program, or of any subsequent breach by an Eligible Employee or any other participant.

5.4 **Imposition of Other Requirements.** The Committee reserves the right to impose other requirements on an Eligible Employee's participation in the Program, on the Options 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 an Eligible Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

5.5 **Amendment and Termination.** The Committee may amend, alter, suspend or terminate the Program at any time subject to the terms of the ICP. Any such amendment shall be in writing and approved by the Committee. Subject to the terms of the ICP, a committee comprised of members of management of the Company responsible for determining or overseeing compensation for individuals other than Executive Leadership Team members (the "Management Compensation Committee") or the UPS Executive Leadership Team or any members thereof, may make administrative amendments to the Program from time to time; provided, however, that a copy of any such amendment shall be reviewed with the Committee and kept with the records of the Program.

5.6 **Repayment.** Notwithstanding anything in this document to the contrary, each Eligible Employee acknowledges and agrees 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 (or such other 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.

5.7 **Equitable Adjustments.** Options and the number of Shares issuable for each Option, and the other terms and conditions of an Option evidenced by the Award Document, are subject to adjustment as provided in Sections 4.5 and 15.2 of the ICP.

5.8 **Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to Options and an Eligible Employee's participation in the ICP, or future awards that may be granted under the ICP, by electronic means or request an Eligible Employee's consent to participate in the ICP by electronic means. An Eligible Employee hereby consents to receive such documents by electronic delivery and, if requested, agrees 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.

5.9 **No Right to Future Awards or Employment.** The grant of Options to an Eligible Employee 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 an Eligible Employee 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 an Eligible Employee's employment or adjust an Eligible Employee's compensation.

5.10 **Acknowledgement.** By accepting the grant of an Option under this Program, an Eligible Employee accepts and acknowledges the terms and conditions included in this document. An Eligible Employee acknowledges that the Eligible Employee (i) has received a copy of the ICP, (ii) has had an opportunity to review the terms of the Award Document and the ICP, (iii) understands the terms and conditions of the Award Document and the ICP and (iv) agrees to such terms and conditions.

6. **Definitions.** Except as set forth below or as otherwise set forth herein, capitalized terms shall have the meanings set forth in the ICP.

6.1 **Annualized Base Salary**. An Eligible Employee's rate of pay for a single fixed pay installment determined as of the Grant Date multiplied by the number of mandatory fixed pay installments for a Plan Year.

6.2 **Disability.** "Disability" as defined in the Company's long-term disability plan, or if no such plan exists, as determined by the Committee in its discretion.

6.3 **Eligible Employee.** For each Plan Year, an Employee who is classified as an active employee at the region manager level or above and satisfies such other eligibility criteria as may be developed from time to time by the Committee.

6.4 **Grant Date.** The date as of which an Option is granted, as shown on the Award Document for such Option.

6.5 **Plan Year.** The calendar year, January 1- December 31.

6.6 **Retirement.** Means (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 determined by the Committee in its sole discretion.

Exhibit A

6.7

Eligible Employee	**Option Award**
Chief Executive Officer	250% of Annualized Base Salary
Executive Leadership Team Member (other than the CEO)	80% - 100% of Annualized Base Salary

6.8

Exhibit 21

SUBSIDIARIES OF UNITED PARCEL SERVICE, INC.
As of December 31, 2025

Name of Subsidiary	Jurisdiction of Organization
Advance Acquistion Holdings LP	Canada
Andlauer Healthcare Group Inc.	Canada
BT Property Holdings, Inc.	Delaware
BT Realty II, Inc.	Maryland
BT Realty, Inc.	Maryland
C.C. & E. I, L.L.C.	Delaware
FT Beteiligungsgesellschaft GmbH	Germany
Marken Limited	United Kingdom
Marken LLP	Delaware
MNX Global Intermediate Holdings, Inc	Delaware
MNX GLOBAL LOGISTICS CORP.	California
Roadie, Inc.	California
The UPS Store, Inc.	Delaware
United Parcel Service Canada Ltd.	Canada
United Parcel Service Co.	Delaware
United Parcel Service Deutschland S.à.r.l. & Co. OHG	Germany
United Parcel Service France SAS	France
United Parcel Service General Services Co.	Delaware
United Parcel Service Italia SRL	Italy
United Parcel Service LLC & Co. OHG	Germany
United Parcel Service Nederlands B.V.	Netherlands
United Parcel Service Oasis Supply Corporation	Delaware
United Parcel Service of America, Inc.	Delaware
United Parcel Service, Inc.	Ohio
UPICO Corporation	Delaware
UPS Asia Group Pte. Ltd.	Singapore
UPS DIGITAL, INC.	Delaware
UPS Expedited Mail Services, Inc.	Delaware
UPS Global Treasury Plc	United Kingdom
UPS Grundstucksverwaltungs GmbH	Germany
UPS International, Inc.	Delaware
UPS Limited	United Kingdom
UPS Parcel Delivery (Guangdong) Co., Ltd.	China
UPS SCS, Inc.	Canada
UPS Supply Chain Solutions, Inc.	Delaware
UPS Worldwide Forwarding, Inc.	Delaware

The names of particular subsidiaries are omitted pursuant to Item 601(b)(21)(ii) of Regulation S-K.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-112329 and 333-285036 on Form S-3 and Registration Statement Nos. 333-224928, 333-208151, 333-206239, 333-181436, 333-70708, 333-61112, and 333-256074 on Form S-8 of our reports dated February 17, 2026, relating to the consolidated financial statements of United Parcel Service, Inc. and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2026

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Carol B. Tomé, certify that:

1. I have reviewed this Annual Report on Form 10-K 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)

February 17, 2026

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Brian Dykes, certify that:

1. I have reviewed this Annual Report on Form 10-K 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)

February 17, 2026

Exhibit 32.1

**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 Annual Report on Form 10-K of United Parcel Service, Inc. (the "Corporation") for the year ended December 31, 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)

February 17, 2026

Exhibit 32.2

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 Annual Report on Form 10-K of United Parcel Service, Inc. (the “Corporation”) for the year ended December 31, 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)

February 17, 2026