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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024 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)	***(IRS 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
1.625% Senior Notes due 2025	UPS25	New York Stock Exchange
1% Senior Notes due 2028	UPS28	New York Stock Exchange
1.500% Senior Notes due 2032	UPS32	New York Stock Exchange

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

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

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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

There were 124,068,795 Class A shares, and 732,509,029 Class B shares, with a par value of $0.01 per share, outstanding at July 17, 2024.

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PART I. FINANCIAL INFORMATION

Cautionary Statement About Forward-Looking Statements

This report, our Annual Report on Form 10-K for the year ended December 31, 2023 and our other filings with the Securities and Exchange Commission contain and in the future may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Forward-looking statements are made subject to the safe harbor provisions of the federal securities laws pursuant to Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

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

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties include, but are not limited to: changes in general economic conditions in the United States ("U.S.") or internationally; significant competition on a local, regional, national and international basis; changes in our relationships with our significant customers; our ability to attract and retain qualified employees; strikes, work stoppages or slowdowns by our employees; increased or more complex physical or operational security requirements; a significant cybersecurity incident, or increased data protection regulations; our ability to maintain our brand image and corporate reputation; impacts from global climate change; interruptions in or impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; exposure to changing economic, political, regulatory and social developments in international and emerging markets; our ability to realize the anticipated benefits from acquisitions, dispositions, joint ventures or strategic alliances; the effects of changing prices of energy, including gasoline, diesel, jet fuel and other fuels, and interruptions in supplies of these commodities; changes in exchange rates or interest rates; our ability to accurately forecast our future capital investment needs; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; our ability to manage insurance and claims expenses; changes in business strategy, government regulations or economic or market conditions that may result in impairments of our assets; potential additional U.S. or international tax liabilities; increasingly stringent regulations related to climate change; potential claims or litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters; and other risks discussed in our filings with the Securities and Exchange Commission from time to time, including our Annual Report on Form 10-K for the year ended December 31, 2023, and subsequently filed reports. You should consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements, except as required by law.

From time to time, we expect to participate in analyst and investor conferences. Materials provided or displayed at those conferences, such as slides and presentations, may be posted on our investor relations website at *www.investors.ups.com* under the heading "Presentations" when made available. These presentations may contain new material nonpublic information about our company and you are encouraged to monitor this site for any new posts, as we may use this mechanism as a public announcement.

Item 1. *Financial Statements*

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2024 (unaudited) and December 31, 2023 (in millions)

	June 30, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 6,319	$ 3,206
Marketable securities	213	2,866
Accounts receivable	9,174	11,342
Less: Allowance for credit losses	(126)	(126)
Accounts receivable, net	9,048	11,216
Assets held for sale	1,183	—
Other current assets	2,060	2,125
Total Current Assets	18,823	19,413
Property, Plant and Equipment, Net	37,129	36,945
Operating Lease Right-Of-Use Assets	4,088	4,308
Goodwill	4,350	4,872
Intangible Assets, Net	3,106	3,305
Deferred Income Tax Assets	123	126
Other Non-Current Assets	1,799	1,888
Total Assets	$ 69,418	$ 70,857
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt, commercial paper and finance leases	$ 2,008	$ 3,348
Current maturities of operating leases	683	709
Accounts payable	5,299	6,340
Accrued wages and withholdings	3,308	3,224
Self-insurance reserves	1,273	1,320
Accrued group welfare and retirement plan contributions	1,202	1,479
Liabilities to be disposed of	373	—
Other current liabilities	939	1,256
Total Current Liabilities	15,085	17,676
Long-Term Debt and Finance Leases	20,197	18,916
Non-Current Operating Leases	3,561	3,756
Pension and Postretirement Benefit Obligations	6,449	6,159
Deferred Income Tax Liabilities	3,841	3,772
Other Non-Current Liabilities	3,232	3,264
Shareowners' Equity:		
Class A common stock (125 and 127 shares issued in 2024 and 2023, respectively)	2	2
Class B common stock (732 and 726 shares issued in 2024 and 2023, respectively)	7	7
Additional paid-in capital	136	—
Retained earnings	20,692	21,055
Accumulated other comprehensive loss	(3,807)	(3,758)
Deferred compensation obligations	6	9
Less: Treasury stock (0.1 and 0.2 shares in 2024 and 2023, respectively)	(6)	(9)
Total Equity for Controlling Interests	17,030	17,306
Noncontrolling interests	23	8
Total Shareowners' Equity	17,053	17,314
Total Liabilities and Shareowners' Equity	$ 69,418	$ 70,857

See notes to unaudited, consolidated financial statements.

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

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Revenue	$ 21,818	$ 22,055	$ 43,524	$ 44,980
Operating Expenses:				
Compensation and benefits	11,503	11,196	23,142	22,660
Repairs and maintenance	734	682	1,452	1,407
Depreciation and amortization	887	828	1,785	1,662
Purchased transportation	3,273	3,171	6,519	6,712
Fuel	1,126	1,090	2,186	2,361
Other occupancy	492	458	1,056	1,009
Other expenses	1,859	1,850	3,827	3,848
Total Operating Expenses	19,874	19,275	39,967	39,659
Operating Profit	1,944	2,780	3,557	5,321
Other Income (Expense):				
Investment income and other	137	131	255	300
Interest expense	(212)	(191)	(407)	(379)
Total Other Income (Expense)	(75)	(60)	(152)	(79)
Income Before Income Taxes	1,869	2,720	3,405	5,242
Income Tax Expense	460	639	883	1,266
Net Income	$ 1,409	$ 2,081	$ 2,522	$ 3,976
Basic Earnings Per Share	$ 1.65	$ 2.42	$ 2.95	$ 4.62
Diluted Earnings Per Share	$ 1.65	$ 2.42	$ 2.94	$ 4.61

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

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net Income	$ 1,409	$ 2,081	$ 2,522	$ 3,976
Change in foreign currency translation adjustment, net of tax	(58)	(18)	(183)	100
Change in unrealized gain (loss) on marketable securities, net of tax	—	(16)	(1)	(9)
Change in unrealized gain (loss) on cash flow hedges, net of tax	3	(80)	76	(157)
Change in unrecognized pension and postretirement benefit costs, net of tax	29	21	59	41
Comprehensive Income	$ 1,383	$ 1,988	$ 2,473	$ 3,951

See notes to unaudited, consolidated financial statements.

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

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash Flows From Operating Activities:		
Net income	$ 2,522	$ 3,976
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,785	1,662
Pension and postretirement benefit expense	518	486
Pension and postretirement benefit contributions	(150)	(1,328)
Self-insurance reserves	(39)	64
Deferred tax (benefit) expense	72	168
Stock compensation expense	3	165
Other (gains) losses	166	(19)
Changes in assets and liabilities, net of effects of business acquisitions:		
Accounts receivable	1,526	2,898
Other assets	73	187
Accounts payable	(685)	(1,921)
Accrued wages and withholdings	137	(535)
Other liabilities	(619)	(132)
Other operating activities	—	(77)
Net cash from operating activities	5,309	5,594
Cash Flows From Investing Activities:		
Capital expenditures	(1,968)	(1,820)
Proceeds from disposal of businesses, property, plant and equipment	28	50
Purchases of marketable securities	(52)	(2,970)
Sales and maturities of marketable securities	2,715	1,903
Acquisitions, net of cash acquired	(66)	(34)
Other investing activities	(4)	12
Net cash (used in) from investing activities	653	(2,859)
Cash Flows From Financing Activities:		
Net change in short-term debt	(1,272)	—
Proceeds from long-term borrowings	2,785	2,503
Repayments of long-term borrowings	(1,508)	(1,596)
Purchases of common stock	—	(1,498)
Issuances of common stock	131	119
Dividends	(2,701)	(2,693)
Other financing activities	(202)	(417)
Net cash (used in) from financing activities	(2,767)	(3,582)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(72)	57
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash, including cash classified within current assets held for sale	3,123	(790)
Less: net increase (decrease) in cash classified within current assets held for sale	10	—
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	3,113	(790)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of period	3,206	5,602
End of period	$ 6,319	$ 4,812

See notes to unaudited, consolidated financial statements.

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

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Principles of Consolidation

The accompanying unaudited, consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited, consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly our financial position as of June 30, 2024, our results of operations for the three and six months ended June 30, 2024 and 2023, and our cash flows for the six months ended June 30, 2024 and 2023. The results reported in these unaudited, consolidated financial statements should not be regarded as indicative of results that may be expected for any other period or the entire year. The unaudited, consolidated financial statements should be read in conjunction with the audited, consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, accounts receivable, finance receivables and accounts payable approximated fair value as of June 30, 2024 and December 31, 2023. The fair values of our marketable securities are disclosed in note 5, our recognized multiemployer pension withdrawal liabilities in note 7, our short- and long-term debt in note 9 and our derivative instruments in note 15. We apply a fair value hierarchy (Levels 1, 2 and 3) when measuring and reporting items at fair value. Fair values are based on listed market prices (Level 1), when such prices are available. To the extent that listed market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations (Level 2). If listed market prices or other relevant factors are not available, inputs are developed from unobservable data reflecting our own assumptions and include situations where there is little or no market activity for the asset or liability (Level 3).

Use of Estimates

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

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

Supplier Finance Programs

As part of our working capital management, certain financial institutions offer a Supply Chain Finance ("SCF") program to certain of our suppliers. 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 June 30, 2024 and December 31, 2023, suppliers sold them $387 and $504 million, respectively, of our outstanding payment obligations.

Restricted cash

As of June 30, 2024, we did not have any restricted cash. As of December 31, 2023, we had $37 million of restricted cash that was primarily related to cash we agreed to deposit in connection with a challenge by Italian tax authorities to the deductibility of Value Added Tax payments by UPS to certain third-party service providers, a review of which was launched in the fourth quarter of 2023. During the second quarter of 2024 we made a voluntary payment, including interest, of approximately $94 million to address this matter and recorded a corresponding charge against income.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

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

Accounting Standards Issued But Not Yet Effective

In November 2023, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") on segment reporting, which will require new disclosures, including significant segment expenses and additional qualitative information about how segment measures are used by management. The standard becomes effective for us beginning with our 2024 annual reporting and for both annual and interim periods thereafter. We are evaluating the impact of this ASU on our disclosures. We will be required to define significant segment expense categories and we anticipate providing additional qualitative and quantitative information in accordance with this ASU. We do not expect this ASU will have a significant impact on our consolidated financial position, results of operations or cash flows.

In December 2023, the FASB issued an ASU to enhance tax-related disclosures. This update will require more standardized categories for tax rate reconciliation and additional detail for significant tax items. It will also require a breakdown of income taxes paid by jurisdiction exceeding 5% of total taxes and remove certain disclosure requirements for unremitted foreign earnings and uncertain tax positions. The standard becomes effective for us in the first quarter of 2025. We are evaluating its impact on our financial statements, disclosures and internal controls but do not expect this ASU will have a significant impact on our consolidated financial position, results of operations, cash flows or internal controls.

Other accounting pronouncements issued before, but not effective until after, June 30, 2024, are not expected to have a material impact on our consolidated financial position, results of operations, cash flows or internal controls.

NOTE 3. 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 distribution centers and field stocking locations.

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

Disaggregation of Revenue

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
Next Day Air	$ 2,309	$ 2,407	$ 4,625	$ 4,868
Deferred	1,107	1,169	2,263	2,363
Ground	10,703	10,820	21,465	22,152
U.S. Domestic Package	14,119	14,396	28,353	29,383
Domestic	770	763	1,528	1,557
Export	3,437	3,468	6,787	7,020
Cargo & Other	163	184	311	381
International Package	4,370	4,415	8,626	8,958
Forwarding	1,315	1,376	2,595	2,890
Logistics	1,546	1,431	3,088	2,841
Other	468	437	862	908
Supply Chain Solutions	3,329	3,244	6,545	6,639
Consolidated revenue	$ 21,818	$ 22,055	$ 43,524	$ 44,980

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.

Contract assets and liabilities as of June 30, 2024 and December 31, 2023 were as follows (in millions):

	Balance Sheet Location	June 30, 2024	December 31, 2023
Contract Assets:			
Revenue related to in-transit packages	Other current assets	$ 246	$ 237
Contract Liabilities:			
Short-term advance payments from customers	Other current liabilities	$ 16	$ 20
Long-term advance payments from customers	Other non-current liabilities	$ 26	$ 25

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. This estimate requires 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.

Our allowance for credit losses as of both June 30, 2024 and December 31, 2023 was $126 million. Amounts for credit losses charged to expense, before recoveries, during each of the three months ended June 30, 2024 and 2023 were $63 and $41 million, respectively, and during each of the six months ended June 30, 2024 and 2023 were $136 and $83 million, respectively.

NOTE 4. STOCK-BASED COMPENSATION

We issue share-based awards under various incentive compensation plans, including non-qualified and incentive stock options, stock appreciation rights, restricted stock and stock units ("RSUs"), restricted performance shares and performance units ("RPUs", collectively with RSUs, "Restricted Units"). Upon vesting, Restricted Units result in the issuance of the equivalent number of UPS class A common shares after required tax withholdings. Dividends earned on Restricted Units are reinvested in additional Restricted Units at each dividend payable date until conversion to class A shares occurs.

Our primary equity compensation programs are the UPS Long-Term Incentive Performance Award program (the "LTIP") and the UPS Stock Option program. We also grant Restricted Units to our Board of Directors (the "Board") as a component of their annual compensation and, from time to time, to individual employees as a retention mechanism. Employees may elect to receive unrestricted shares of class A common stock under the UPS Management Incentive Award Program (the "MIP"), and we also maintain an employee stock purchase plan which allows eligible employees to purchase shares of UPS class A common stock at a discount.

Pre-tax compensation expense for stock compensation awards recognized in *Compensation and benefits* in our statements of consolidated income for the three months ended June 30, 2024 and 2023 was $30 and $39 million, respectively, and for the six months ended June 30, 2024 and 2023 was $3 and $165 million, respectively.

Management Incentive Award Program

The MIP is an incentive-based compensation program, with awards based on annual Company performance. 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 June 30, 2024, the MIP was classified as a compensation obligation within *Accrued wages and withholdings* in our consolidated balance sheet.

Long-Term Incentive Performance Program

RPUs issued under the LTIP vest at the end of a three-year performance period, subject to 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 actual number of RPUs earned is based on achievement of the performance targets established on the grant date.

The performance targets are equally weighted between adjusted earnings per share and cumulative free cash flow. The final number of RPUs earned will then be subject to adjustment based on total shareholder return relative to the Standard & Poor's 500 Index. We determine the grant date fair value of the RPUs using a Monte Carlo model and recognize compensation expense (less estimated forfeitures) ratably over the vesting period, based on the number of awards expected to be earned.

Based on the date of the Compensation and Human Capital Committee of the Board's approval of the 2024 LTIP award performance targets, we determined March 20, 2024 to be the award measurement date and each target RPU awarded was valued at $158.16.

The weighted-average assumptions used and the weighted-average fair values of the LTIP awards granted in 2024 and 2023 are as follows:

	2024	2023
Risk-free interest rate	4.45 %	3.81 %
Expected volatility	27.00 %	30.30 %
Weighted-average fair value of units granted	$ 157.91	$ 199.95
Share payout	102.20 %	107.80 %

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

Non-Qualified Stock Options

We grant non-qualified stock options to a limited group of eligible senior management employees under the UPS Stock Option program. Stock option awards 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). The option grants expire 10 years after the date of the grant. On March 20, 2024, we granted 0.2 million stock options at an exercise price of $154.76, the New York Stock Exchange closing price on that date.

The fair value of each option granted is estimated using a Black-Scholes option pricing model. The weighted-average assumptions used and the weighted-average fair values of options granted in 2024 and 2023 are as follows:

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

NOTE 5. MARKETABLE SECURITIES AND NON-CURRENT INVESTMENTS

The following is a summary of marketable securities classified as trading and available for sale as of June 30, 2024 and December 31, 2023 (in millions):

	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
June 30, 2024:				
Current trading marketable securities:				
Equity securities	$ 3	$ —	$ —	$ 3
Total trading marketable securities	3	—	—	3
Current available-for-sale securities:				
U.S. government and agency debt securities	182	—	(3)	179
Mortgage and asset-backed debt securities	—	—	—	—
Corporate debt securities	31	—	—	31
Non-U.S. government debt securities	—	—	—	—
Total available-for-sale marketable securities	213	—	(3)	210
Total current marketable securities	$ 216	$ —	$ (3)	$ 213

	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
December 31, 2023:				
Current trading marketable securities:				
Equity securities	$ 4	$ —	$ —	$ 4
Total trading marketable securities	4	—	—	4
Current available-for-sale securities:				
U.S. government and agency debt securities	963	2	(4)	961
Mortgage and asset-backed debt securities	3	—	—	3
Corporate debt securities	1,891	4	(4)	1,891
Non-U.S. government debt securities	7	—	—	7
Total available-for-sale marketable securities	2,864	6	(8)	2,862
Total current marketable securities	$ 2,868	$ 6	$ (8)	$ 2,866

Investment Impairments

We have concluded that no material impairment losses existed within marketable securities as of June 30, 2024. In making this determination, we considered the financial condition and prospects of each issuer, the magnitude of the losses compared with the cost, the probability that we will be unable to collect all amounts due according to the contractual terms of the security, the credit rating of the security and our ability and intent to hold these investments until the anticipated recovery in market value occurs.

Maturity Information

The amortized cost and estimated fair value of marketable securities as of June 30, 2024 by contractual maturity are shown below (in millions). Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations with or without prepayment penalties.

	Cost	Estimated Fair Value
Due in one year or less	$ 108	$ 106
Due after one year through three years	105	104
Due after three years through five years	—	—
Due after five years	—	—
	213	210
Equity securities	3	3
	$ 216	$ 213

Non-Current Investments

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

- *Equity method investments:* Equity securities accounted for under the equity method had a carrying value of $284 and $295 million as of June 30, 2024 and December 31, 2023, respectively.
- *Other equity securities:* Certain equity securities that do not have readily determinable fair values are reported in accordance with the measurement alternative in ASC Topic 321 Investments - Equity Securities. Equity securities accounted for under the measurement alternative had a carrying value of $47 million as of both June 30, 2024 and December 31, 2023.
- *Other investments:* We hold an investment in a variable life insurance policy to fund benefits for the UPS Excess Coordinating Benefit Plan. The investment had a fair market value of $19 million as of both June 30, 2024 and December 31, 2023.

Fair Value Measurements

Marketable securities valued utilizing Level 1 inputs include active exchange-traded equity securities and equity index funds, 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 asset-backed securities, corporate bonds and municipal bonds. These securities are valued using market corroborated pricing, matrix pricing or other models that utilize observable inputs such as yield curves.

The following table presents information about our investments measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2024:				
Marketable Securities:				
U.S. government and agency debt securities	$ 179	$ —	$ —	$ 179
Mortgage and asset-backed debt securities	—	—	—	—
Corporate debt securities	—	31	—	31
Equity securities	—	3	—	3
Non-U.S. government debt securities	—	—	—	—
Total marketable securities	179	34	—	213
Other non-current investments[1]	—	19	—	19
Total	$ 179	$ 53	$ —	$ 232

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2023:				
Marketable Securities:				
U.S. government and agency debt securities	$ 961	$ —	$ —	$ 961
Mortgage and asset-backed debt securities	—	3	—	3
Corporate debt securities	—	1,891	—	1,891
Equity securities	—	4	—	4
Non-U.S. government debt securities	—	7	—	7
Total marketable securities	961	1,905	—	2,866
Other non-current investments[1]	—	19	—	19
Total	$ 961	$ 1,924	$ —	$ 2,885

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

There were no transfers of investments into or out of Level 3 during the six months ended June 30, 2024 or 2023.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2024 and December 31, 2023 consisted of the following (in millions):

	2024	2023
Vehicles	$ 11,934	$ 11,768
Aircraft	23,370	22,888
Land	2,122	2,138
Buildings	6,541	6,255
Building and leasehold improvements	5,572	5,241
Plant equipment	18,078	17,322
Technology equipment	2,658	2,656
Construction-in-progress	2,321	3,247
	72,596	71,515
Less: Accumulated depreciation and amortization	(35,467)	(34,570)
Property, Plant and Equipment, Net	$ 37,129	$ 36,945

Property, plant and equipment purchased on account was $222 and $309 million as of June 30, 2024 and December 31, 2023, respectively.

There were no material impairment charges for the three or six months ended June 30, 2024 or 2023.

NOTE 7. EMPLOYEE BENEFIT PLANS

Company-Sponsored Benefit Plans

Information about the net periodic benefit cost for our company-sponsored pension and postretirement benefit plans for the three and six months ended June 30, 2024 and 2023 is as follows (in millions):

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2024	2023	2024	2023	2024	2023
Three Months Ended June 30:						
Service cost	$ 310	$ 293	$ 5	$ 5	$ 11	$ 11
Interest cost	644	627	27	29	17	16
Expected return on assets	(772)	(741)	(1)	(3)	(21)	(21)
Amortization of prior service cost	39	26	—	1	—	—
Net periodic benefit cost	$ 221	$ 205	$ 31	$ 32	$ 7	$ 6

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2024	2023	2024	2023	2024	2023
Six Months Ended June 30:						
Service cost	$ 620	$ 586	$ 10	$ 10	$ 22	$ 22
Interest cost	1,288	1,254	54	58	34	33
Expected return on assets	(1,543)	(1,483)	(2)	(6)	(42)	(42)
Amortization of prior service cost	77	53	—	1	—	—
Net periodic benefit cost (income)	$ 442	$ 410	$ 62	$ 63	$ 14	$ 13

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

During the six months ended June 30, 2024, we contributed $33 and $117 million to our company-sponsored pension and U.S. postretirement medical benefit plans, respectively. We expect to contribute approximately $1.2 billion and $50 million over the remainder of the year to our company-sponsored pension and U.S. postretirement medical benefit plans, respectively.

Multiemployer Benefit Plans

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

As of June 30, 2024 and December 31, 2023, we had $809 and $813 million, respectively, recorded in *Other Non-Current Liabilities* in our consolidated balance sheets and $9 million as of both June 30, 2024 and December 31, 2023 recorded in *Other current liabilities* in our consolidated balance sheets associated with our previous withdrawal from the New England Teamsters and Trucking Industry Pension Fund. This liability is payable in equal monthly installments over a remaining term of approximately 38 years. Based on the borrowing rates currently available to us for long-term financing of a similar maturity, the fair value of this withdrawal liability as of June 30, 2024 and December 31, 2023 was $665 and $710 million, respectively. We utilized Level 2 inputs in the fair value hierarchy of valuation techniques to determine the fair value of this liability.

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

Subsequent to our withdrawal, the CSPF incurred extensive asset losses and indicated that it was projected to become insolvent. In such event, the 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.

In 2021, the American Rescue Plan Act ("ARPA") was enacted into law. The ARPA contains provisions that allow for qualifying multiemployer pension plans to apply for special financial assistance ("SFA") from the PBGC, which will be funded by the U.S. government. Following SFA approval, a qualifying multiemployer pension plan will receive a lump sum payment to enable it to continue paying unreduced pension benefits through 2051. The multiemployer plan is not obligated to repay the SFA. The ARPA is intended to prevent both the PBGC and certain financially distressed multiemployer pension plans, including the CSPF, from becoming insolvent through 2051. The CSPF submitted an application for SFA that was approved in December 2022. In January 2023, $35.8 billion was paid to the CSPF by the PBGC.

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, 2023, our best estimate of coordinating benefits that may be required to be paid by the UPS/IBT Plan after SFA funds have been exhausted 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 ARPA, future legislative actions, actuarial assumptions and the ability of the CSPF to sustain its long-term commitments. Actual events may result in a change in our best estimate of the projected benefit obligation. We will continue to assess the impact of these uncertainties in accordance with ASC Topic 715.

Collective Bargaining Agreements

We have approximately 310,000 employees in the U.S. employed under a national master agreement and various supplemental agreements with local unions affiliated with the Teamsters. These agreements are scheduled to expire on July 31, 2028.

We have approximately 10,000 employees in Canada employed under a collective bargaining agreement with the Teamsters which runs through July 31, 2025.

We have approximately 3,300 pilots who are employed under a collective bargaining agreement with the Independent Pilots Association. This collective bargaining agreement becomes amendable September 1, 2025.

We have approximately 1,900 airline mechanics who are covered by a collective bargaining agreement with Teamsters Local 2727 which becomes amendable November 1, 2026. In addition, approximately 3,000 of our auto and maintenance mechanics who are not represented by the Teamsters are employed under a collective bargaining agreement with the International Association of Machinists and Aerospace Workers ("IAM"). On July 21, 2024, the IAM ratified a new collective bargaining agreement that will expire on July 31, 2029.

NOTE 8. GOODWILL AND INTANGIBLE ASSETS

The following table indicates the allocation of goodwill as of June 30, 2024 and December 31, 2023 (in millions):

	U.S. Domestic Package	International Package	Supply Chain Solutions	Consolidated
December 31, 2023:	$ 847	$ 503	$ 3,522	$ 4,872
Acquired	—	—	21	21
Currency / Other	—	(11)	(532)	(543)
June 30, 2024:	$ 847	$ 492	$ 3,011	$ 4,350

During the six months ended June 30, 2024:

- Within Supply Chain Solutions, we reclassified $494 million of goodwill as held for sale in connection with the pending divestiture of our truckload brokerage business, Coyote, as discussed in note 18. Prior to reclassification, we performed an impairment test for our Coyote reporting unit. This analysis did not indicate impairment.
- We recorded an increase in goodwill of $15 million as part of purchase accounting allocations for our November 2023 acquisitions of MNX Global Logistics and Happy Returns. Certain areas of purchase accounting, including our estimates of tax positions, remain preliminary as of June 30, 2024. In addition, we recorded $6 million of goodwill related to the acquisition of certain locations of The UPS Store.
- The remaining movements are due to the impact of changes in the value of the U.S. Dollar on the translation of non-U.S. Dollar goodwill balances.

We complete our annual goodwill impairment evaluation as of July 1 on a reporting unit basis. As of June 30, 2024, none of our reporting units had indications that an impairment was more likely than not. Approximately $1.1 billion of our consolidated goodwill balance of $4.4 billion is represented by our Global Freight Forwarding and Roadie reporting units which, based on our quarterly monitoring, are exhibiting a limited excess of fair value above carrying value and reflect a greater risk of an impairment occurring in future periods. We do not expect any impairment would have a significant impact on our consolidated financial position, results of operations or cash flows.

For each of our reporting units, we continue to monitor the impact of macroeconomic conditions and business performance on our estimates of fair value. Actual reporting unit performance, revisions to our forecasts of future performance, market factors, changes in estimates or assumptions in connection with our annual testing, or a combination thereof could result in an impairment charge in one or more of our reporting units during a future period. We continue to monitor business performance and external factors affecting our reporting units.

The following is a summary of intangible assets as of June 30, 2024 and December 31, 2023 (in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
June 30, 2024:			
Capitalized software	$ 5,954	$ (4,061)	$ 1,893
Licenses	45	(19)	26
Franchise rights	348	(51)	297
Customer relationships	684	(186)	498
Trade name	112	(23)	89
Trademarks, patents and other	376	(77)	299
Amortizable intangible assets	$ 7,519	$ (4,417)	$ 3,102
Indefinite-lived intangible assets	4	—	4
Total Intangible Assets, Net	$ 7,523	$ (4,417)	$ 3,106
December 31, 2023:			
Capitalized software	$ 5,839	$ (3,900)	$ 1,939
Licenses	30	(7)	23
Franchise rights	291	(49)	242
Customer relationships	1,115	(516)	599
Trade name	172	(30)	142
Trademarks, patents and other	320	(53)	267
Amortizable intangible assets	$ 7,767	$ (4,555)	$ 3,212
Indefinite-lived intangible assets	93	—	93
Total Intangible Assets, Net	$ 7,860	$ (4,555)	$ 3,305

The table above excludes intangible assets associated with our Coyote business that were classified as held for sale as of June 30, 2024. These assets include an indefinite-lived trade name with a carrying value of $89 million and finite-lived intangibles with a carrying value of $104 million. Prior to reclassification, we tested the indefinite-lived trade name for impairment. This analysis did not indicate impairment.

For the three months ended June 30, 2024, there were no impairment charges for finite-lived intangible assets. For the six months ended June 30, 2024, we recorded impairment charges of $48 million ($35 million after tax, or $0.04 per diluted share) within *Other Expenses* in our statement of consolidated income. These charges represented capitalized software license impairments of $7 million and a $41 million charge to write down the value of certain trade names acquired as part of our acquisition of Bomi Group. There were no impairment charges for finite-lived intangible assets for the three or six months ended June 30, 2023.

NOTE 9. DEBT AND FINANCING ARRANGEMENTS

The carrying value of our outstanding debt obligations as of June 30, 2024 and December 31, 2023 consisted of the following (in millions):

	Principal Amount	Maturity	Carrying Value 2024	Carrying Value 2023
Commercial paper	$ —		$ —	$ 2,172
Fixed-rate senior notes:				
2.800% senior notes	500	2024	500	499
2.200% senior notes	400	2024	400	400
3.900% senior notes	1,000	2025	999	999
2.400% senior notes	500	2026	499	499
3.050% senior notes	1,000	2027	996	996
3.400% senior notes	750	2029	747	747
2.500% senior notes	400	2029	398	398
4.450% senior notes	750	2030	746	745
4.875% senior notes	900	2033	895	894
5.150% senior notes	900	2034	893	—
6.200% senior notes	1,500	2038	1,486	1,485
5.200% senior notes	500	2040	494	494
4.875% senior notes	500	2040	491	491
3.625% senior notes	375	2042	369	369
3.400% senior notes	500	2046	492	492
3.750% senior notes	1,150	2047	1,138	1,138
4.250% senior notes	750	2049	743	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	—
5.600% senior notes	600	2064	590	—
Floating-rate senior notes:				
Floating-rate senior notes	1,775	2049-2074	1,755	1,545
Debentures:				
7.620% debentures	276	2030	279	280
Pound Sterling notes:				
5.500% notes	84	2031	83	84
5.125% notes	575	2050	547	550
Euro senior notes:				
1.625% senior notes	749	2025	748	774
1.000% senior notes	535	2028	533	551
1.500% senior notes	535	2032	533	551
Canadian senior notes:				
2.125% senior notes	—	2024	—	566
Finance lease obligations (see note 10)	437	2024-2046	437	472
Facility notes and bonds	320	2029-2045	320	320
Other debt	3	2024-2026	3	6
Total debt	$ 22,414		22,205	22,264
Less: current maturities			(2,008)	(3,348)
Long-term debt			$ 20,197	$ 18,916

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 June 30, 2024. The amount of commercial paper outstanding under these programs in 2024 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 May 21, 2024, our 2.125% Canadian Dollar senior notes with a principal balance of C$750 million ($550 million) matured and were repaid in full.

Debt Issuances

On May 22, 2024 we issued three series of notes in the principal amounts of $900 million, $1.1 billion and $600 million. These notes bear interest at 5.15%, 5.50% and 5.60%, respectively, and mature on May 22, 2034, May 22, 2054 and May 22, 2064, respectively. Interest on the notes is payable semi-annually, beginning November 22, 2024. Each series of notes is callable at our option at a redemption price equal to the greater of 100% of the principal amount, or the sum of the present values of scheduled payments of principal and interest, plus accrued and unpaid interest.

On May 28, 2024 we issued floating rate senior notes with a principal balance of $213 million. These notes bear interest at a rate equal to the compounded Secured Overnight Financing Rate ("SOFR") less 0.35% per year and mature on June 1, 2074. These notes are callable at various times after 30 years at a stated percentage of par value and are redeemable at the option of the note holders at various times after one year at a stated percentage of par value.

Sources of Credit

We maintain two credit agreements with a consortium of banks. The first of these agreements provides revolving credit facilities of $1.0 billion, and expires on December 3, 2024. 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 June 30, 2024 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 December 7, 2026. 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 June 30, 2024 was 0.875%. Alternatively, a fluctuating rate of interest equal to the highest of (1) the rate of interest last quoted by The Wall Street Journal as the prime rate in the United States; (2) the Federal Funds effective rate plus 0.50%; or (3) the Adjusted Term SOFR Rate for a one-month interest period plus 1.00%, plus an applicable margin, may be used at our discretion.

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

There were no amounts outstanding under these facilities as of June 30, 2024.

Debt Covenants

Our existing debt instruments and credit facilities subject us to certain financial covenants. As of June 30, 2024, and for all prior periods presented, we have satisfied these 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, to 10% of net tangible assets. As of June 30, 2024, 10% of net tangible assets was equivalent to $4.7 billion and we had no covered sale-leaseback transactions or secured indebtedness outstanding. We do not expect these covenants to have a material impact on our liquidity.

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, was approximately $21.2 and $22.1 billion as of June 30, 2024 and December 31, 2023, respectively. 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. 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.

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.

The components of lease expense for the three and six months ended June 30, 2024 and 2023 were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Operating lease costs	$ 231	$ 219	$ 462	$ 426
Finance lease costs:				
Amortization of assets	31	28	66	57
Interest on lease liabilities	5	5	10	9
Total finance lease costs	36	33	76	66
Variable lease costs	78	68	154	140
Short-term lease costs	192	226	391	503
Total lease costs[(1)]	$ 537	$ 546	$ 1,083	$ 1,135

[(1)] This table excludes sublease income as it was not material for the three and six months ended June 30, 2024 and 2023.

In addition to the lease costs disclosed in the table above, we monitor all lease categories for any indicators that the carrying value of the assets may not be recoverable. There were no material lease impairments recognized during the three or six months ended June 30, 2024 or 2023.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Supplemental information related to leases and location within our consolidated balance sheets is as follows (in millions, except lease term and discount rate):

	June 30, 2024	December 31, 2023
Operating Leases:		
Operating lease right-of-use assets	$ 4,088	$ 4,308
Current maturities of operating leases	$ 683	$ 709
Non-current operating leases	3,561	3,756
Total operating lease obligations	$ 4,244	$ 4,465
Finance Leases:		
Property, plant and equipment, net	$ 667	$ 856
Current maturities of long-term debt, commercial paper and finance leases	$ 106	$ 104
Long-term debt and finance leases	331	368
Total finance lease obligations	$ 437	$ 472
Weighted average remaining lease term (in years):		
Operating leases	10.7	10.8
Finance leases	7.2	7.4
Weighted average discount rate:		
Operating leases	3.35 %	3.20 %
Finance leases	3.99 %	3.88 %

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

	Six Months Ended June 30,	
	2024	2023
Cash paid for amounts included in measurement of obligations:		
Operating cash flows from operating leases	$ 448	$ 419
Operating cash flows from finance leases	10	8
Financing cash flows from finance leases	58	79
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 232	$ 826
Finance leases	$ 23	$ 106

Maturities of lease obligations as of June 30, 2024 were as follows (in millions):

	Finance Leases	Operating Leases
2024	$ 64	$ 396
2025	105	828
2026	79	721
2027	49	619
2028	42	468
Thereafter	173	2,067
Total lease payments	512	5,099
Less: Imputed interest	(75)	(855)
Total lease obligations	437	4,244
Less: Current obligations	(106)	(683)
Long-term lease obligations	$ 331	$ 3,561

As of June 30, 2024, we had $628 million of additional leases which had not commenced. These leases will commence later in 2024 through 2026 when we are granted access to the property, such as when leasehold improvements are completed by the lessor or a certificate of occupancy is obtained.

NOTE 11. LEGAL PROCEEDINGS AND CONTINGENCIES

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

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

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

Judicial Proceedings

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

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

Other Matters

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

As previously disclosed, the Securities and Exchange Commission (the "SEC") has been investigating our controls and practices surrounding impairment analyses in connection with the divestiture of UPS Freight in April 2021. Such analysis led to a non-cash goodwill impairment charge being recorded during the quarter ended December 31, 2020. Since March 2024, when the SEC staff informed the Company that it disagreed with the timing of the impairment, the Company has been discussing with the SEC staff the possibility of reaching a negotiated resolution. Although the Company cannot predict the ultimate outcome of the investigation with certainty, it believes the resolution of the SEC investigation will not have a material effect on the Company's financial condition, results of operations or liquidity. An accrual representing our best estimate of the impact of this regulatory matter is included in our consolidated balance sheets as of June 30, 2024.

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

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

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 under the symbol "UPS". Class A and B shares both have a $0.01 par value, and as of June 30, 2024, 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 June 30, 2024, no preferred shares had been issued.

The following is a rollforward of our common stock, additional paid-in capital, retained earnings and noncontrolling interests accounts for the three and six months ended June 30, 2024 and 2023 (in millions, except per share amounts):

Three Months Ended June 30:	2024		2023	
	Shares	Dollars	Shares	Dollars
Class A Common Stock:				
Balance at beginning of period	126	$ 2	135	$ 2
Common stock issuances	2	—	—	—
Conversions of class A to class B common stock	(3)	—	(3)	—
Class A shares issued at end of period	125	$ 2	132	$ 2
Class B Common Stock:				
Balance at beginning of period	729	$ 7	724	$ 7
Common stock purchases	—	—	(4)	—
Conversions of class A to class B common stock	3	—	3	—
Class B shares issued at end of period	732	$ 7	723	$ 7
Additional Paid-In Capital:				
Balance at beginning of period		$ —		$ —
Stock award plans		15		32
Common stock purchases		—		(135)
Common stock issuances		121		108
Other [(1)]		—		(5)
Balance at end of period		$ 136		$ —
Retained Earnings:				
Balance at beginning of period		$ 20,681		$ 21,510
Net income attributable to controlling interests		1,409		2,081
Dividends ($1.63 and $1.62 per share) [(2)]		(1,398)		(1,393)
Common stock purchases		—		(615)
Other		—		1
Balance at end of period		$ 20,692		$ 21,584
Noncontrolling Interests:				
Balance at beginning of period		$ 24		$ 15
Change in noncontrolling interest		(1)		3
Balance at end of period		$ 23		$ 18

(1) Includes a 1% excise tax applicable to share repurchases.

(2) The dividend per share amount is the same for both class A and class B common stock. Dividends include $45 and $48 million as of June 30, 2024 and 2023, respectively, that were settled in shares of class A common stock.

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Six Months Ended June 30:	2024		2023	
	Shares	Dollars	Shares	Dollars
Class A Common Stock:				
Balance at beginning of period	127	$ 2	134	$ 2
Stock award plans	2	—	3	—
Common stock issuances	2	—	1	—
Conversions of class A to class B common stock	(6)	—	(6)	—
Class A shares issued at end of period	125	$ 2	132	$ 2
Class B Common Stock:				
Balance at beginning of period	726	$ 7	725	$ 7
Common stock purchases	—	—	(8)	—
Conversions of class A to class B common stock	6	—	6	—
Class B shares issued at end of period	732	$ 7	723	$ 7
Additional Paid-In Capital:				
Balance at beginning of period		$ —		$ —
Stock award plans		(103)		377
Common stock purchases		—		(627)
Common stock issuances		239		255
Other [1]		—		(5)
Balance at end of period		$ 136		$ —
Retained Earnings:				
Balance at beginning of period		$ 21,055		$ 21,326
Net income attributable to controlling interests		2,522		3,976
Dividends ($3.26 and $3.24 per share) [2]		(2,812)		(2,846)
Common stock purchases		—		(873)
Other [3]		(73)		1
Balance at end of period		$ 20,692		$ 21,584
Noncontrolling Interests:				
Balance at beginning of period		$ 8		$ 17
Change in noncontrolling interest		15		1
Balance at end of period		$ 23		$ 18

(1) Includes a 1% excise tax applicable to share repurchases.

(2) The dividend per share amount is the same for both class A and class B common stock. Dividends include $111 and $153 million as of June 30, 2024 and 2023, respectively, that were settled in shares of class A common stock.

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

We did not repurchase any shares under our share repurchase program during the three or six months ended June 30, 2024. We repurchased 4.3 and 8.4 million shares of class B common stock for $750 million and $1.5 billion during the three and six months ended June 30, 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 the six months ended June 30, 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"). For the three and six months ended June 30, 2023, we repurchased 4.3 and 7.9 million shares for $750 million and $1.4 billion, respectively, under the 2023 Authorization.

As of June 30, 2024, we had $2.8 billion available under the 2023 Authorization. We anticipate our share repurchases will total approximately $500 million in 2024.

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, the authorization 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.

Accumulated Other Comprehensive Income (Loss)

We recognize activity in other comprehensive income (loss) for foreign currency translation adjustments, unrealized holding gains and losses on available-for-sale securities, unrealized gains and losses from derivatives that qualify as hedges of cash flows and unrecognized pension and postretirement benefit costs. The activity in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2024 and 2023 was as follows (in millions):

Three Months Ended June 30:	**2024**	**2023**
Foreign Currency Translation Gain (Loss), Net of Tax:		
Balance at beginning of period	$ (1,373)	$ (1,328)
Translation adjustment (net of tax effect of $(3) and $2)	(58)	(18)
Balance at end of period	(1,431)	(1,346)
Unrealized Gain (Loss) on Marketable Securities, Net of Tax:		
Balance at beginning of period	(3)	(4)
Current period changes in fair value (net of tax effect of $0 and $(5))	—	(16)
Balance at end of period	(3)	(20)
Unrealized Gain (Loss) on Cash Flow Hedges, Net of Tax:		
Balance at beginning of period	(3)	90
Current period changes in fair value (net of tax effect of $11 and $(14))	38	(43)
Reclassification to earnings (net of tax effect of $(10) and $(12))	(35)	(37)
Balance at end of period	—	10
Unrecognized Pension and Postretirement Benefit Costs, Net of Tax:		
Balance at beginning of period	(2,402)	(239)
Reclassification to earnings (net of tax effect of $10 and $6)	29	21
Balance at end of period	(2,373)	(218)
Accumulated other comprehensive income (loss) at end of period	$ (3,807)	$ (1,574)

Six Months Ended June 30:	2024	2023
Foreign currency translation gain (loss), net of tax:		
Balance at beginning of period	$ (1,248)	$ (1,446)
Translation adjustment (net of tax effect of $3 and $(13))	(183)	97
Reclassification to earnings (net of tax effect of $0 and $0)	—	3
Balance at end of period	(1,431)	(1,346)
Unrealized gain (loss) on marketable securities, net of tax:		
Balance at beginning of period	(2)	(11)
Current period changes in fair value (net of tax effect of $0 and $(4))	(1)	(11)
Reclassification to earnings (net of tax effect of $0 and $1)	—	2
Balance at end of period	(3)	(20)
Unrealized gain (loss) on cash flow hedges, net of tax:		
Balance at beginning of period	(76)	167
Current period changes in fair value (net of tax effect of $44 and $(22))	141	(69)
Reclassification to earnings (net of tax effect of $(20) and $(28))	(65)	(88)
Balance at end of period	—	10
Unrecognized pension and postretirement benefit costs, net of tax:		
Balance at beginning of period	(2,432)	(259)
Reclassification to earnings (net of tax effect of $18 and $13)	59	41
Balance at end of period	(2,373)	(218)
Accumulated other comprehensive income (loss) at end of period	$ (3,807)	$ (1,574)

Detail of the gains (losses) reclassified from accumulated other comprehensive income (loss) to the statements of consolidated income for the three and six months ended June 30, 2024 and 2023 is as follows (in millions):

	Amount Reclassified from AOCI[(1)]		
Three Months Ended June 30:	**2024**	**2023**	**Affected Line Item in the Income Statement**
Unrealized Gain (Loss) on Cash Flow Hedges:			
Interest rate contracts	$ (2)	$ (2)	Interest expense
Foreign currency exchange contracts	47	51	Revenue
Income tax (expense) benefit	(10)	(12)	Income tax expense
Impact on net income	35	37	Net income
Unrecognized Pension and Postretirement Benefit Costs:			
Prior service costs	(39)	(27)	Investment income and other
Income tax (expense) benefit	10	6	Income tax expense
Impact on net income	(29)	(21)	Net income
Total amount reclassified for the period	$ 6	$ 16	Net income

	Amount Reclassified from AOCI[(1)]		
Six Months Ended June 30:	**2024**	**2023**	**Affected Line Item in the Income Statement**
Unrealized gain (loss) on foreign currency translation:			
Realized gain (loss) on business wind-down	$ —	$ (3)	Other expenses
Impact on net income	—	(3)	Net income
Unrealized gain (loss) on marketable securities:			
Realized gain (loss) on sale of securities	—	(3)	Investment income and other
Income tax (expense) benefit	—	1	Income tax expense
Impact on net income	—	(2)	Net income
Unrealized gain (loss) on cash flow hedges:			
Interest rate contracts	(3)	(3)	Interest expense
Foreign currency exchange contracts	88	119	Revenue
Income tax (expense) benefit	(20)	(28)	Income tax expense
Impact on net income	65	88	Net income
Unrecognized pension and postretirement benefit costs:			
Prior service costs	(77)	(54)	Investment income and other
Income tax (expense) benefit	18	13	Income tax expense
Impact on net income	(59)	(41)	Net income
Total amount reclassified for the period	$ 6	$ 42	Net income

(1) Accumulated other comprehensive income (loss)

Deferred Compensation Obligations and Treasury Stock

We maintain a deferred compensation plan whereby certain employees were previously able to elect to defer the gains on stock option exercises by deferring the shares received upon exercise into a rabbi trust. The shares held in this trust are classified as treasury stock, and the liability to participating employees is classified as a deferred compensation obligation within *Shareowners' Equity* in the consolidated balance sheets. The number of shares needed to settle the liability for deferred compensation obligations is included in the denominator in both the basic and diluted earnings per share calculations. Employees are generally no longer able to defer the gains from stock options exercised.

Activity in the deferred compensation program for the three and six months ended June 30, 2024 and 2023 was as follows (in millions):

	2024		2023	
Three Months Ended June 30:	**Shares**	**Dollars**	**Shares**	**Dollars**
Deferred Compensation Obligations:				
Balance at beginning of period		$ 6		$ 9
Reinvested dividends		—		—
Benefit payments		—		—
Balance at end of period		$ 6		$ 9
Treasury Stock:				
Balance at beginning of period	—	$ (6)	—	$ (9)
Reinvested dividends	—	—	—	—
Benefit payments	—	—	—	—
Balance at end of period	—	$ (6)	—	$ (9)

	2024		2023	
Six Months Ended June 30:	**Shares**	**Dollars**	**Shares**	**Dollars**
Deferred Compensation Obligations:				
Balance at beginning of period		$ 9		$ 13
Reinvested dividends		—		—
Benefit payments		(3)		(4)
Balance at end of period		$ 6		$ 9
Treasury Stock:				
Balance at beginning of period	—	$ (9)	—	$ (13)
Reinvested dividends	—	—	—	—
Benefit payments	—	3	—	4
Balance at end of period	—	$ (6)	—	$ (9)

NOTE 13. SEGMENT INFORMATION

We have two reportable segments: U.S. Domestic Package and International Package, which are together referred to as our global small package operations. Our remaining businesses are reported as Supply Chain Solutions. Global small package operations represent our most significant business. Supply Chain Solutions comprises the results of non-reportable operating segments that do not meet the quantitative and qualitative criteria of a reportable segment as defined under ASC Topic 280 – Segment Reporting.

U.S. Domestic Package

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

International Package

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

Supply Chain Solutions

Supply Chain Solutions includes our Forwarding, Logistics, digital and other businesses. Our Forwarding and Logistics businesses provide services in more than 200 countries and territories worldwide and include international air and ocean freight forwarding, truckload brokerage, 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.

In evaluating financial performance, we focus on operating profit as a segment's measure of profit or loss. Operating profit is before investment income and other, interest expense and income tax expense. Certain expenses are allocated between the segments using activity-based costing methods. These activity-based costing methods require us to make estimates that impact the amount of each expense category that is attributed to each segment. Changes in these estimates directly impact the amount of expense allocated to each segment, and therefore the operating profit of each reporting segment. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses. There were no significant changes to our allocation methodologies in the second quarter of 2024.

Results of operations for the three and six months ended June 30, 2024 and 2023 were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
U.S. Domestic Package	$ 14,119	$ 14,396	$ 28,353	$ 29,383
International Package	4,370	4,415	8,626	8,958
Supply Chain Solutions	3,329	3,244	6,545	6,639
Consolidated revenue	$ 21,818	$ 22,055	$ 43,524	$ 44,980
Operating Profit:				
U.S. Domestic Package	$ 989	$ 1,602	$ 1,814	$ 3,068
International Package	718	883	1,374	1,711
Supply Chain Solutions	237	295	369	542
Consolidated operating profit	$ 1,944	$ 2,780	$ 3,557	$ 5,321

NOTE 14. EARNINGS PER SHARE

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

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2024 and 2023 (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income attributable to common shareowners	$ 1,409	$ 2,081	$ 2,522	$ 3,976
Denominator:				
Weighted-average shares	856	857	855	858
Vested portion of restricted shares	—	3	1	3
Denominator for basic earnings per share	856	860	856	861
Effect of dilutive securities:				
Restricted performance units	—	1	—	1
Stock options	1	—	1	1
Denominator for diluted earnings per share	857	861	857	863
Basic earnings per share[(1)]	$ 1.65	$ 2.42	$ 2.95	$ 4.62
Diluted earnings per share[(1)]	$ 1.65	$ 2.42	$ 2.94	$ 4.61

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

Diluted earnings per share for the three and six months ended June 30, 2024 and 2023 excluded the effect of 0.5 and 0.2 million shares of common stock, respectively, that may be issued upon the exercise of employee stock options because such effect would be antidilutive.

NOTE 15. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

Risk Management Policies

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

Credit Risk Management

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

As of June 30, 2024 we did not hold any cash collateral. As of December 31, 2023, we held cash collateral of $103 million under these agreements. Collateral is included in *Cash and cash equivalents* in our consolidated balance sheets and is unrestricted. As of June 30, 2024, no collateral was required to be posted with our counterparties. As of December 31, 2023, we were required to post $13 million of collateral with our counterparties.

Types of Hedges

Commodity Risk Management

Currently, the fuel surcharges that we apply in our domestic and international package businesses are the primary means of reducing 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 June 30, 2024 and December 31, 2023, the notional amounts of our outstanding derivative positions were as follows (in millions):

		June 30, 2024	December 31, 2023
Currency hedges:			
Euro	EUR	4,064	4,408
British Pound Sterling	GBP	641	663
Canadian Dollar	CAD	1,703	1,550
Hong Kong Dollar	HKD	4,652	1,822

As of June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023 (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**	**June 30, 2024**	**December 31, 2023**	**June 30, 2024**	**December 31, 2023**
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current assets	Level 2	$ 121	$ 95	$ 112	$ 73
Foreign currency exchange contracts	Other non-current assets	Level 2	65	63	51	19
Derivatives not designated as hedges:						
Foreign currency exchange contracts	Other current assets	Level 2	—	—	—	—
Total Asset Derivatives			$ 186	$ 158	$ 163	$ 92

			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**	**June 30, 2024**	**December 31, 2023**	**June 30, 2024**	**December 31, 2023**
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current liabilities	Level 2	$ 9	$ 26	$ —	$ 4
Foreign currency exchange contracts	Other non-current liabilities	Level 2	14	65	—	21
Derivatives not designated as hedges:						
Foreign currency exchange contracts	Other non-current liabilities	Level 2	—	1	—	1
Total Liability Derivatives			$ 23	$ 92	$ —	$ 26

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

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 June 30, 2024 and December 31, 2023 (in millions):

Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Carrying Amount of Hedged Liabilities June 30, 2024	Cumulative Amount of Fair Value Hedge Adjustments June 30, 2024	Carrying Amount of Hedged Liabilities December 31, 2023	Cumulative Amount of Fair Value Hedge Adjustments December 31, 2023
Long-term debt and finance leases	$ 279	$ 4	$ 280	$ 4

Income Statement and AOCI Recognition of Designated Hedges

The following table indicates the amount of gains (losses) that have been recognized in our statements of consolidated income for fair value and cash flow hedges, as well as the associated gain (loss) for the underlying hedged item for fair value hedges for the three and six months ended June 30, 2024 and 2023 (in millions):

	Three Months Ended June 30,					
	2024			2023		
Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	**Revenue**	**Interest Expense**	**Investment Income and Other**	**Revenue**	**Interest Expense**	**Investment Income and Other**
Gain or (loss) on cash flow hedging relationships:						
Interest Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	—	(2)	—	—	(2)	—
Foreign Currency Exchange Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	47	—	—	51	—	—
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	$ 47	$ (2)	$ —	$ 51	$ (2)	$ —

	Six Months Ended June 30,					
	2024			2023		
Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	**Revenue**	**Interest Expense**	**Investment Income and Other**	**Revenue**	**Interest Expense**	**Investment Income and Other**
Gain (loss) on cash flow hedging relationships:						
Interest Rate Contracts:						
Amount of gain (loss) reclassified from accumulated other comprehensive income	—	(3)	—	—	(3)	—
Foreign Currency Exchange Contracts:						
Amount of gain (loss) reclassified from accumulated other comprehensive income	88	—	—	119	—	—
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	$ 88	$ (3)	$ —	$ 119	$ (3)	$ —

The following table indicates the amount of gains (losses) that have been recognized in AOCI for the three and six months ended June 30, 2024 and 2023 for those derivatives designated as cash flow hedges (in millions):

Three Months Ended June 30:

	Amount of Gain (Loss) Recognized in AOCI on Derivatives	
Derivative Instruments in Cash Flow Hedging Relationships	**2024**	**2023**
Foreign currency exchange contracts	49	(57)
Total	$ 49	$ (57)

Six Months Ended June 30:

	Amount of Gain (Loss) Recognized in AOCI on Derivatives	
Derivative Instruments in Cash Flow Hedging Relationships	**2024**	**2023**
Foreign currency exchange contracts	185	(91)
Total	$ 185	$ (91)

As of June 30, 2024, there were $106 million of pre-tax gains related to cash flow hedges deferred in AOCI that are expected to be reclassified to income over the 12-month period ending June 30, 2025. The actual amounts that will be reclassified to income over the next 12 months will vary from this amount as a result of changes in market conditions. The maximum term over which we are hedging exposures to the variability of cash flows is approximately 3 years.

The following table indicates the amount of gains (losses) that have been recognized in AOCI within foreign currency translation adjustment for the three and six months ended June 30, 2024 and 2023 for those instruments designated as net investment hedges (in millions):

Three Months Ended June 30:

	Amount of Gain (Loss) Recognized in AOCI on Debt	
Non-derivative Instruments in Net Investment Hedging Relationships	**2024**	**2023**
Foreign currency denominated debt	$ 18	$ (25)
Total	$ 18	$ (25)

Six Months Ended June 30:

	Amount of Gain (Loss) Recognized in AOCI on Debt	
Non-derivative Instruments in Net Investment Hedging Relationships	**2024**	**2023**
Foreign currency denominated debt	$ 84	$ (98)
Total	$ 84	$ (98)

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 fair value changes and settlements of foreign currency forward contracts not designated as hedges for the three and six months ended June 30, 2024 and 2023 (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	
		2024	**2023**
Three Months Ended June 30:			
Foreign currency exchange contracts	Investment income and other	$ 1	$ (1)
Total		$ 1	$ (1)
Six Months Ended June 30:			
Foreign currency exchange contracts	Investment income and other	$ (4)	$ 3
Total		$ (4)	$ 3

NOTE 16. INCOME TAXES

Our effective tax rate for the quarter increased to 24.6% in 2024 compared to 23.5% in 2023 (25.9% year to date compared to 24.2% in 2023). The year-over-year increase in our effective tax rate was driven by share-based compensation shortfalls, unfavorable changes in uncertain tax positions and non-deductible expenses related to regulatory matters.

We have recognized liabilities for uncertain tax positions and we reevaluate these uncertain tax positions on a quarterly basis. A number of years may elapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months, however, an estimate of the range of reasonably possible outcomes cannot be made. Items that may cause changes to unrecognized tax benefits include the allowance or disallowance of deductions, the timing of deductions and the allocation of income and expense between tax jurisdictions. Changes could result from the settlement of ongoing litigation, the completion of ongoing examinations, the expiration of statutes of limitations or other unforeseen circumstances.

NOTE 17. TRANSFORMATION COSTS

We are undertaking an enterprise-wide transformation of our organization that includes initiatives, as well as changes in processes and technology, that impact global direct and indirect operating costs. In 2023, we announced our *Fit to Serve* initiative, with the aim of right-sizing our business for the future through a workforce reduction. An accrual for separation costs of $31 and $205 million was included in our consolidated balance sheets as of June 30, 2024 and December 31, 2023, respectively, all of which we expect to pay during 2024.

The table below presents transformation costs for the three and six months ended June 30, 2024 and 2023 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Transformation Costs:				
Compensation and benefits	$ 20	$ 109	$ 51	$ 97
Other expenses	7	30	22	45
Total Transformation Costs	$ 27	$ 139	$ 73	$ 142
Income Tax Benefit from Transformation Costs	(6)	(33)	(17)	(33)
After-Tax Transformation Costs	$ 21	$ 106	$ 56	$ 109

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

NOTE 18. ASSETS HELD FOR SALE

On June 23, 2024, we announced that we have entered into a definitive agreement to divest our truckload brokerage business, Coyote, for $1.025 billion, subject to working capital and other adjustments. We report Coyote within our Forwarding businesses in Supply Chain Solutions.

The following table summarizes the carrying values of the assets and liabilities classified as held for sale in our consolidated balance sheets as of June 30, 2024 (in millions):

		2024
Assets:		
Cash and cash equivalents	$	10
Accounts receivable, net		370
Other current assets		95
Goodwill		494
Intangible assets, net		193
Other non-current assets		21
Total assets held for sale	$	1,183
Liabilities:		
Accounts payable	$	215
Other current liabilities		48
Other non-current liabilities		110
Total liabilities to be disposed of	$	373
Net assets held for sale	$	810

We expect the transaction, which is subject to customary closing conditions and regulatory approval, to close in the second half of 2024.

NOTE 19. SUBSEQUENT EVENTS

On July 22, 2024, we announced that we have entered into an agreement to acquire Estafeta, a leading domestic small package provider in Mexico that is expected to enhance our logistics orchestration capabilities in this market. This acquisition is targeted to close by the end of 2024, subject to regulatory approval, and is not expected to exceed 10% of operating income.

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

Overview

We are pursuing our goal of becoming the premium small package provider, logistics orchestrator and leading complex healthcare logistics provider in the world under our *Customer First, People Led, Innovation Driven* strategy. We are investing to grow in the most attractive parts of the market and transforming our integrated network through automation. Together, our Smart Package, Smart Facility and Network of the Future initiatives are providing enhanced shipment visibility for our customers and driving efficiency.

During the first half of the year, we took a number of steps in furtherance of our strategy. We continued to grow our healthcare logistics capabilities, including opening our first dedicated healthcare facility in Ireland. We also expanded the size of our flagship facility in the Netherlands, including additional ultra-cold storage capabilities to support the growing market for complex biopharma products. We continued adding partners to our Digital Access Program, expanded weekend service to six additional U.S. markets and launched an enhanced Worldwide Economy product globally.

We also continue to pursue inorganic opportunities. On June 23, 2024, we announced that we have entered into an agreement to divest our truckload brokerage business, Coyote, and on July 22, 2024, we announced that we have entered into an agreement to acquire Estafeta, a leading domestic small package provider in Mexico that is expected to enhance our logistics orchestration capabilities in this market.

We have two reportable segments: U.S. Domestic Package and International Package, which are together referred to as our global small package operations. Our remaining businesses are reported as Supply Chain Solutions.

After volume declined in the first quarter of 2024, our global small package operations experienced growth during the second quarter. Within the U.S., volume growth was driven by residential volume from several new e-commerce customers. This growth occurred primarily in our SurePost product, which led to a decline in revenue per piece for the quarter. Internationally, we experienced declines in total average daily volume, but we experienced increased demand in certain export markets. This export volume growth occurred on several of our higher yielding trade lanes, contributing to an increase in revenue per piece in both the quarter and year-to-date periods.

In Supply Chain Solutions, revenue declines in the first quarter were largely offset by revenue growth during the second quarter, driven primarily by growth in our logistics businesses. This growth included the impact of the acquisition of MNX Global Logistics in the fourth quarter of 2023 as well as continued growth in our healthcare operations. Our digital businesses also saw revenue increase for the second quarter, and we began onboarding the new U.S. Postal Service ("USPS") air cargo business, which we expect to be fully implemented before our fourth-quarter peak period.

We expect revenue and operating profit growth in the second half of 2024 due to anticipated volume growth in our global small package operations. Additionally, wage-rate growth will decrease as we enter into the second year of the Teamsters contract beginning in the third quarter and we will further benefit from the impact of our Fit to Serve initiative. As a result of lower than originally planned capital expenditures and the anticipated divestiture of Coyote, we intend to return additional cash to shareowners by targeting approximately $500 million of share repurchases in the second half of the year.

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

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Revenue (in millions)	$ 21,818	$ 22,055	$ (237)	(1.1)%	$ 43,524	$ 44,980	$ (1,456)	(3.2)%
Operating Expenses (in millions)	19,874	19,275	599	3.1 %	39,967	39,659	308	0.8 %
Operating Profit (in millions)	$ 1,944	$ 2,780	$ (836)	(30.1)%	$ 3,557	$ 5,321	$ (1,764)	(33.2)%
Operating Margin	8.9 %	12.6 %			8.2 %	11.8 %		
Net Income (in millions)	$ 1,409	$ 2,081	$ (672)	(32.3)%	$ 2,522	$ 3,976	$ (1,454)	(36.6)%
Basic Earnings Per Share	$ 1.65	$ 2.42	$ (0.77)	(31.8)%	$ 2.95	$ 4.62	$ (1.67)	(36.1)%
Diluted Earnings Per Share	$ 1.65	$ 2.42	$ (0.77)	(31.8)%	$ 2.94	$ 4.61	$ (1.67)	(36.2)%
Operating Days	64	64			127	128		
Average Daily Package Volume (in thousands)	20,933	20,902		0.1 %	21,065	21,445		(1.8)%
Average Revenue Per Piece	$ 13.68	$ 13.92	$ (0.24)	(1.7)%	$ 13.71	$ 13.83	$ (0.12)	(0.9)%

- Average daily package volume in our global small package operations increased slightly in the quarter, primarily as a result of new e-commerce customers in our U.S. Domestic package segment. Year to date, continued challenging external conditions drove average daily package volume declines across all products in our global small package operations.
- Revenue declined in both the quarter and year-to-date periods primarily as a result of unfavorable changes in product mix driven by customers trading down to lower cost options. Year to date, volume declines also contributed to the revenue decrease.
- Operating expenses increased in the quarter and year-to-date periods, primarily due to increased compensation and benefits expense in our U.S. Domestic Package segment under our Teamsters contract. These increases were partially offset year to date by decreases in purchased transportation and fuel expenses as well as the impact of productivity initiatives.
- Operating profit and operating margin decreased for both the quarter and year-to-date periods as efficiency initiatives were not enough to offset operating expense increases.
- We reported quarterly net income of $1.4 billion and diluted earnings per share of $1.65 ($2.5 billion and $2.94 per share, year to date). Adjusted diluted earnings per share were $1.79 ($3.21 per share, year to date) after adjusting for the after-tax impacts of:
    - transformation and other costs of $26 million, or $0.03 per diluted share in the quarter ($101 million, or $0.12 per share, year to date);
    - a payment to settle a one-time international regulatory matter, including interest, of $94 million, or $0.11 per diluted share in the quarter and year-to-date periods; and
    - asset impairment charges of $35 million, or $0.04 per diluted share in the year-to-date period.

Within our segments, U.S. Domestic Package revenues and expenses were primarily impacted by the matters described above.

International Package revenues were impacted by lower volumes in both periods as described above, as well as fluctuations in currency exchange rates, all of which were partially offset by revenue per piece growth. Expense increased for the quarter, primarily driven by higher fuel prices and the impact of a payment to settle a one-time international regulatory matter. Year to date, expense was relatively flat.

In Supply Chain Solutions, revenue increases for the quarter were primarily driven by growth in Logistics, while year-to-date revenue declines were driven by Forwarding, particularly our truckload brokerage business. Logistics drove the overall increase in segment expense for both periods, partially offset by lower purchased transportation in Forwarding in both periods.

Supplemental Information - Items Affecting Comparability

We supplement the reporting of our financial information determined under generally accepted accounting principles in the United States ("GAAP") with certain non-GAAP financial measures. Non-GAAP financial measures 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. As a result, we believe excluding the impact of these items better enables users of our financial statements to view and evaluate underlying business performance from the perspective of management.

Adjusted financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP. Our 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. Adjusted amounts reflect the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
Non-GAAP Adjustments	**2024**	**2023**	**2024**	**2023**
Operating Expenses:				
Transformation and Other Costs	$ 32	$ 139	$ 118	$ 142
Asset Impairment Charges	—	—	48	8
One-Time International Regulatory Matter	88	—	88	—
Total Adjustments to Operating Expenses	$ 120	$ 139	$ 254	$ 150
Other Income and (Expense):				
Interest Expense associated with One-Time International Regulatory Matter	$ 6	$ —	$ 6	$ —
Total Adjustments to Other Income and (Expense)	$ 6	$ —	$ 6	$ —
Total Adjustments to Income Before Income Taxes	$ 126	$ 139	$ 260	$ 150
Income Tax (Benefit) Expense:				
Transformation and Other Costs	$ (6)	$ (33)	$ (17)	$ (33)
Asset Impairment Charges	—	—	(13)	(2)
Total Adjustments to Income Tax (Benefit) Expense	$ (6)	$ (33)	$ (30)	$ (35)
Total Adjustments to Net Income	$ 120	$ 106	$ 230	$ 115

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

Transformation and Other Costs, and Asset Impairment Charges

We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of charges related to transformation and other activities, and asset impairments. For more information regarding transformation activity charges, see note 17 to the unaudited, consolidated financial statements, for other charges, see note 11 to the unaudited, consolidated financial statements, and for asset impairment charges, see note 8 to the unaudited, consolidated financial statements.

International Regulatory Matter

In the second quarter of 2024, we made a payment of $94 million of previously restricted cash to settle a previously-disclosed challenge by Italian tax authorities to the deductibility of Value Added Tax payments by UPS to certain third-party service providers, a review of which was launched in the fourth quarter of 2023. We supplement the presentation of our operating profit, operating margin, interest expense, total other income (expense), income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of this payment. We believe excluding the impact of this payment, which we do not believe is a component of our ongoing operations and we do not expect to recur, better enables users of our financial statements to view and evaluate underlying business performance from the same perspective as management.

Adjusted Cost per Piece

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

Defined Benefit Pension and Postretirement Medical Plan Gains and Losses

We 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 pension and postretirement defined benefit plans immediately as part of *Investment income and other* in the statements of consolidated income. We supplement the presentation of our income before income taxes, net income and earnings per share with adjusted measures that exclude the impact of these gains and losses and the related income tax effects. We believe excluding these defined benefit pension and postretirement medical plan gains and losses provides important supplemental information by removing the volatility associated with plan amendments and short-term changes in market interest rates, equity values and similar factors.

For additional information, see note 7 to the unaudited, consolidated financial statements.

Results of Operations - Segment Review

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

Certain operating expenses are allocated between our reporting segments using activity-based costing methods. These activity-based costing methods require us to make estimates that impact the amount of each expense category that is attributed to each segment. Changes in these estimates would 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, or as necessary to reflect changes in our businesses. While there were no significant changes to our allocation methodologies in the second quarter of 2024, air cargo volume from our previously-announced agreement with the USPS resulted in immaterial additional air network expense being allocated to Supply Chain Solutions for the quarter. We anticipate this allocation will increase in the second half of the year as the related volume attributable to this agreement increases.

As a normal part of managing our air network, we routinely idle aircraft and engines temporarily for maintenance or to adjust network capacity. As a result of the reduction in air volumes, we temporarily idled certain aircraft within our network in order to better match capacity with current demand. Temporarily idled assets are classified as held-and-used, and we continue to record depreciation expense for these assets. As of June 30, 2024, we had eight aircraft temporarily idled for an average period of approximately four months. We expect these aircraft to return to revenue service in the second half of 2024.

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

Challenging macroeconomic and uncertain geopolitical conditions continue to impact demand for our services. While we do not believe it is more likely than not that our reporting units' fair values are less than their carrying values as of June 30, 2024, these external conditions or other factors, including market comparables, may negatively impact certain estimates and assumptions that we use in developing our reporting units' fair values. Such impacts may be more pronounced for reporting units whose fair values do not significantly exceed their carrying values.

As of June 30, 2024, none of our reporting units had indications that an impairment was more likely than not. Approximately $1.1 billion of our consolidated goodwill balance of $4.4 billion is represented by our Global Freight Forwarding and Roadie reporting units which, based on our quarterly monitoring, are exhibiting a limited excess of fair value above carrying value and reflect a greater risk of an impairment occurring in future periods. We do not expect any impairment would have a significant impact on our consolidated financial position, results of operations or cash flows.

Actual reporting unit performance, revisions to our forecasts of future performance, market factors, changes in estimates or assumptions in connection with our annual testing, or a combination thereof could result in an impairment charge in one or more of our reporting units during a future period. We continue to monitor business performance and external factors affecting our reporting units.

During the second quarter, we determined our truckload brokerage business, Coyote, met the criteria to be classified as held for sale. In connection therewith, we tested the indefinite-lived trade name and goodwill associated with Coyote for impairment prior to reclassifying the assets associated with this business as held for sale. The tests did not indicate impairment. For additional information see note 8 and note 18 to the unaudited, consolidated financial statements.

U.S. Domestic Package

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Average Daily Package Volume (in thousands):								
Next Day Air	1,559	1,679		(7.1)%	1,574	1,708		(7.8)%
Deferred	991	1,087		(8.8)%	1,019	1,113		(8.4)%
Ground	15,314	14,974		2.3 %	15,376	15,385		(0.1)%
Total Average Daily Package Volume	17,864	17,740		0.7 %	17,969	18,206		(1.3)%
Average Revenue Per Piece:								
Next Day Air	$ 23.14	$ 22.40	$ 0.74	3.3 %	$ 23.14	$ 22.27	$ 0.87	3.9 %
Deferred	17.45	16.80	0.65	3.9 %	17.49	16.59	0.90	5.4 %
Ground	10.92	11.29	(0.37)	(3.3)%	10.99	11.25	(0.26)	(2.3)%
Total Average Revenue Per Piece	$ 12.35	$ 12.68	$ (0.33)	(2.6)%	$ 12.42	$ 12.61	$ (0.19)	(1.5)%
Operating Days in Period	64	64			127	128		
Revenue (in millions):								
Next Day Air	$ 2,309	$ 2,407	$ (98)	(4.1)%	$ 4,625	$ 4,868	$ (243)	(5.0)%
Deferred	1,107	1,169	(62)	(5.3)%	2,263	2,363	(100)	(4.2)%
Ground	10,703	10,820	(117)	(1.1)%	21,465	22,152	(687)	(3.1)%
Total Revenue	$ 14,119	$ 14,396	$ (277)	(1.9)%	$ 28,353	$ 29,383	$ (1,030)	(3.5)%
Operating Expenses (in millions):								
Operating Expenses	$ 13,130	$ 12,794	$ 336	2.6 %	$ 26,539	$ 26,315	$ 224	0.9 %
Transformation and Other Costs	(8)	(79)	71	(89.9)%	(17)	(101)	84	(83.2)%
Asset Impairment Charges	—	—	—	N/A	(5)	—	(5)	N/A
Adjusted Operating Expense	$ 13,122	$ 12,715	$ 407	3.2 %	$ 26,517	$ 26,214	$ 303	1.2 %
Operating Profit (in millions) and Operating Margin:								
Operating Profit	$ 989	$ 1,602	$ (613)	(38.3)%	$ 1,814	$ 3,068	$ (1,254)	(40.9)%
Adjusted Operating Profit	$ 997	$ 1,681	$ (684)	(40.7)%	$ 1,836	$ 3,169	$ (1,333)	(42.1)%
Operating Margin	7.0 %	11.1 %			6.4 %	10.4 %		
Adjusted Operating Margin	7.1 %	11.7 %			6.5 %	10.8 %		

Revenue

The change in revenue was due to the following:

	Volume	Rates / Product Mix	Fuel Surcharge	Total Revenue Change
Revenue Change Drivers:				
Second quarter 2024 vs. 2023	0.7 %	(2.5)%	(0.1)%	(1.9)%
Year to date 2024 vs. 2023	(2.1)%	(0.7)%	(0.7)%	(3.5)%

Revenue was also negatively impacted by having one less operating day in the first half of 2024.

Volume

Average daily volume increased in the quarter but decreased year to date. Challenging macroeconomic conditions, including continued weakness in manufacturing output, drove the overall volume decline year to date, while new e-commerce customers entering our network were primarily responsible for the volume growth in the quarter. We anticipate that average daily volume will increase in both the second half of 2024 and on a full year-over-year basis as we expect to benefit from improving macroeconomic conditions and continue to execute on our strategic initiatives.

Business-to-consumer volume increased 4.8% in the quarter (up 1.6% year to date), due primarily to the addition of e-commerce customers noted above and stronger online consumer spending.

Business-to-business volume declined 4.6% in the quarter (down 5.1% year to date) for the reasons described above, driven by declines across a number of sectors including retail, technology and manufacturing. Returns volume increases in both the quarter and year to date partially offset the declines, primarily attributable to our addressable market expansion with capabilities like no box, no label returns through Happy Returns and the convenience of our The UPS Store locations.

Within our Air products, average daily volume decreased in both the quarter and year to date. The decrease was driven by continued execution under the contract terms with our largest customer as planned, as well as by the impact of other large customers making cost trade-offs to our ground network products.

Average daily volume for Ground commercial shipments decreased 4.6% for the quarter (down 5.1% year to date), due to the impact of general economic conditions discussed above. We experienced declines from both large customers and small-and medium-sized businesses ("SMBs") in both the quarter and year to date, slightly offset by continued growth within our Digital Access Program. Overall Ground residential volumes increased 7.9% for the quarter (up 4.0% year to date), primarily due to an increase in SurePost volume from new e-commerce customers.

Revenue Per Piece

Revenue per piece from our Air products increased for the quarter and year to date, while revenue per piece from our Ground products declined for both periods. In December 2023, we implemented an average 5.9% net increase in base and accessorial rates for both our Air and Ground products, which favorably impacted revenue per piece. This was partially offset by decreases in fuel surcharge revenues and average billable weight per piece. The unfavorable shift in product mix and an increase in shorter zone shipments also negatively impacted revenue per piece within our Ground products.

We anticipate the year-over-year revenue per piece growth rate will improve in the second half of the year due in part to Peak delivery surcharges, although it will remain pressured by product mix.

Fuel Surcharges

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

Fuel surcharge revenue decreased $12 million for the quarter, primarily driven by an unfavorable shift in product mix, partially offset by the impact of our pricing initiatives. The year-to-date decrease of $196 million in fuel surcharge revenue was due to lower overall volume and fuel price declines in the first quarter.

We expect fuel surcharge revenue to increase year over year during the second half of 2024.

Operating Expenses

Operating expenses and adjusted operating expenses increased for the quarter and year to date. Pickup and delivery costs increased $375 million in the quarter (up $686 million year to date) and package sortation costs increased $66 million in the quarter (up $166 million year to date). The increase in operating expenses was primarily due to increased compensation and benefits expense for both the quarter and year-to-date periods. This was driven by wage rate increases for our union workforce under our Teamsters contract and the impact of seniority, partially offset by a reduction in direct labor hours. We anticipate compensation and benefits expense growth will moderate in the second half of 2024 as we enter the second year of the Teamsters contract.

These increases were partially offset by a decrease of $7 million in the costs of operating our integrated air and ground network in the quarter (down $298 million year to date), and a decrease in other operating costs of $27 million (down $251 million year to date). In addition to the impact of one less operating day in the first half of 2024, these reductions were primarily driven by:

- A reduction in purchased transportation costs and aircraft block hours resulting from changes in product mix and network optimization initiatives, partially offset by higher third-party delivery expense required to address increased SurePost volume.
- A reduction in fuel expense for both periods, driven by decreases in the cost of ground fuels, as well as the positive impact of network optimization initiatives that reduced overall fuel consumption. A decrease in the cost of jet fuel and volume declines in the first quarter also contributed to the year-to-date reduction.
- A reduction in allocated expenses in both periods, including benefits from our *Fit to Serve* initiative.

Cost per piece increased 1.9% for the quarter (up 3.0% year to date), and adjusted cost per piece increased 2.5% (up 3.3% year to date). For both periods, the increase in cost per piece was primarily driven by the higher wage rates for our union workforce discussed above, while volume and revenue declined year to date. We anticipate the cost per piece growth rate will moderate for the remainder of the year as our cost of labor growth rate is expected to moderate.

Operating Profit and Margin

As a result of the factors described above, operating profit decreased $613 million in the quarter (down $1.3 billion year to date), with operating margin decreasing 410 basis points to 7.0% (down 400 basis points to 6.4% year to date). Adjusted operating profit decreased $684 million in the quarter (down $1.3 billion year to date), with adjusted operating margin decreasing 460 basis points to 7.1% (down 430 basis points to 6.5% year to date).

International Package

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Change $	Change %	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Change $	Change %
Average Daily Package Volume (in thousands):								
Domestic	1,485	1,554		(4.4)%	1,494	1,594		(6.3)%
Export	1,584	1,608		(1.5)%	1,602	1,645		(2.6)%
Total Average Daily Package Volume	3,069	3,162		(2.9)%	3,096	3,239		(4.4)%
Average Revenue Per Piece:								
Domestic	$ 8.10	$ 7.67	$ 0.43	5.6 %	$ 8.05	$ 7.63	$ 0.42	5.5 %
Export	33.90	33.70	0.20	0.6 %	33.36	33.34	0.02	0.1 %
Total Average Revenue Per Piece	$ 21.42	$ 20.91	$ 0.51	2.4 %	$ 21.15	$ 20.69	$ 0.46	2.2 %
Operating Days in Period	64	64			127	128		
Revenue (in millions):								
Domestic	$ 770	$ 763	$ 7	0.9 %	$ 1,528	$ 1,557	$ (29)	(1.9)%
Export	3,437	3,468	(31)	(0.9)%	6,787	7,020	(233)	(3.3)%
Cargo and Other	163	184	(21)	(11.4)%	311	381	(70)	(18.4)%
Total Revenue	$ 4,370	$ 4,415	$ (45)	(1.0)%	$ 8,626	$ 8,958	$ (332)	(3.7)%
Operating Expenses (in millions):								
Operating Expenses	$ 3,652	$ 3,532	$ 120	3.4 %	$ 7,252	$ 7,247	$ 5	0.1 %
Transformation and Other Costs	(18)	(19)	1	(5.3)%	(42)	3	(45)	N/A
One-Time International Regulatory Matter	(88)	—	(88)	N/A	(88)	—	(88)	N/A
Asset Impairment charges	—	—	—	N/A	(2)	—	(2)	N/A
Adjusted Operating Expenses	$ 3,546	$ 3,513	$ 33	0.9 %	$ 7,120	$ 7,250	$ (130)	(1.8)%
Operating Profit (in millions) and Operating Margin:								
Operating Profit	$ 718	$ 883	$ (165)	(18.7)%	$ 1,374	$ 1,711	$ (337)	(19.7)%
Adjusted Operating Profit	$ 824	$ 902	$ (78)	(8.6)%	$ 1,506	$ 1,708	$ (202)	(11.8)%
Operating Margin	16.4 %	20.0 %			15.9 %	19.1 %		
Adjusted Operating Margin	18.9 %	20.4 %			17.5 %	19.1 %		
Currency Benefit / (Cost) – (in millions)[1]:								
Revenue			$ (61)				$ (86)	
Operating Expenses			34				32	
Operating Profit			$ (27)				$ (54)	

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

Revenue

The change in revenue was due to the following:

	Volume	Rates / Product Mix	Fuel Surcharge	Currency	Total Revenue Change
Revenue Change Drivers:					
Second quarter 2024 vs. 2023	(2.9)%	1.9 %	1.4 %	(1.4)%	(1.0)%
Year to date 2024 vs. 2023	(5.3)%	2.6 %	— %	(1.0)%	(3.7)%

Year-to-date revenue was also negatively impacted by having one less operating day in the first half of 2024.

Volume

Average daily volume decreased in the quarter and year-to-date periods for both our export and domestic products, impacted by challenging economic conditions and geopolitical factors. We experienced volume declines from both large customers and SMBs, primarily within the retail and manufacturing sectors. This was partially offset by growth from customers in the technology sector in both the quarter and year-to-date periods. Business-to-business volume decreased 3.9% for the quarter (down 3.8% year to date), while business-to-consumer volume remained relatively flat (down 6.0% year to date). We expect year-over-year average daily volume to improve in the second half of the year, dependent on an improvement in global macroeconomic conditions.

For both the quarter and year to date, the decrease in export volume was driven by declines on intra-Europe trade lanes as challenging economic conditions continued to impact consumer spending. For the quarter, these declines were partially offset by growth in 11 of our top 20 export countries. This included improvements on the Americas to U.S. trade lanes as manufacturing and distribution moves closer to the U.S. consumer market, and improvements on the China to U.S. trade lane driven by retail, technology and manufacturing customers.

Our premium products experienced a volume decline of 5.6% for the quarter (down 7.6% year to date), primarily from our Worldwide Express products as we continued to see customers make cost trade-offs to our economy products. Volume in our non-premium products was relatively flat for both the quarter and year to date, with a shift from Transborder to Worldwide products resulting from the trade lane shifts discussed above.

Domestic volume decreased both for the quarter and year to date, driven by declines in a number of European markets, as challenging economic conditions continued to negatively impact consumer spending. These declines were slightly offset in the second quarter by growth from retail customers in the Americas region during that period.

Revenue Per Piece

In December 2023, we implemented an average 5.9% net increase in base and accessorial rates for international shipments originating in the United States. Rate changes for shipments originating outside the U.S. are made throughout the year and vary by geographic market.

Total revenue per piece increased 2.4% for the quarter (up 2.2% year to date), primarily due to base rate and fuel surcharge increases. These were partially offset by unfavorable currency movements and declines in demand-related surcharges. Excluding the impact of currency, revenue per piece increased 4.0% for the quarter (up 3.2% year to date). We anticipate overall revenue per piece will increase in the second half of 2024 relative to the prior year, driven by expected volume growth in Asia.

Export revenue per piece increased 0.6% for the quarter but remained relatively flat year to date. The improvement for the quarter was driven by base rate increases and a favorable shift in geographic mix. Excluding the impact of currency, export revenue per piece increased 2.0% for the quarter (up 1.0% year to date).

Domestic revenue per piece increased 5.6% for the quarter (up 5.5% year to date), driven by base rate increases and favorable shifts in customer and geographic mix, partially offset by unfavorable currency movements. Excluding the impact of currency, domestic revenue per piece increased 8.0% for the quarter (up 7.1% year to date).

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.

Total international fuel surcharge revenue increased $52 million for the quarter, with the impacts of our pricing initiatives more than offsetting volume declines. Year to date, fuel surcharge revenue decreased $7 million due to the impact of lower fuel prices in the first quarter and year-to-date volume declines. We anticipate fuel surcharge revenue will increase in the second half of the year driven by expected volume growth.

Operating Expenses

Operating expenses increased for the second quarter while remaining relatively flat year to date. Adjusted operating expenses increased slightly for the second quarter but decreased for the year-to-date period.

- The cost of operating our integrated air and ground network increased $41 million for the quarter, driven primarily by an increase in the cost of jet fuel. Year to date, network costs decreased $85 million due to a fuel price decline in the first quarter and reductions in air charters and aircraft block hours resulting from volume declines.

On an unadjusted basis, a payment to settle a one-time regulatory matter in Italy also contributed to the increase during the quarter and largely offset the reduction in network costs year to date.

We expect our operating expenses will increase during the second half of 2024, driven by expected volume growth.

Operating Profit and Margin

As a result of the factors described above, operating profit decreased $165 million for the quarter ($337 million year to date), with operating margin decreasing 360 basis points to 16.4% (down 320 basis points to 15.9% year to date). Adjusted operating profit decreased $78 million ($202 million year to date) and adjusted operating margin decreased 150 basis points to 18.9% (down 160 basis points to 17.5% year to date).

Increased geopolitical uncertainty continues to impact volumes in our International Package segment. As previously disclosed, substantially all of our operations in Russia have been suspended and we expect to complete the liquidation of our Small Package and Forwarding and Logistics subsidiaries in Russia by the end of 2024. In July 2024, we completed liquidation of our operations in Belarus. Substantially all of our operations in Ukraine remain indefinitely suspended. These actions have not had, and are not expected to have, a material impact on us.

Supply Chain Solutions

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Revenue (in millions):								
Forwarding	$ 1,315	$ 1,376	$ (61)	(4.4)%	$ 2,595	$ 2,890	$ (295)	(10.2)%
Logistics	1,546	1,431	115	8.0 %	3,088	2,841	247	8.7 %
Other	468	437	31	7.1 %	862	908	(46)	(5.1)%
Total Revenue	$ 3,329	$ 3,244	$ 85	2.6 %	$ 6,545	$ 6,639	$ (94)	(1.4)%
Operating Expenses (in millions):								
Operating Expenses	$ 3,092	$ 2,949	$ 143	4.8 %	$ 6,176	$ 6,097	$ 79	1.3 %
Transformation and Other Costs	(6)	(41)	35	(85.4)%	(59)	(44)	(15)	34.1 %
Asset Impairment Charges	—	—	—	N/A	(41)	(8)	(33)	412.5 %
Adjusted Operating Expenses:	$ 3,086	$ 2,908	$ 178	6.1 %	$ 6,076	$ 6,045	$ 31	0.5 %
Operating Profit (in millions) and Operating Margin:								
Operating Profit	$ 237	$ 295	$ (58)	(19.7)%	$ 369	$ 542	$ (173)	(31.9)%
Adjusted Operating Profit	$ 243	$ 336	$ (93)	(27.7)%	$ 469	$ 594	$ (125)	(21.0)%
Operating Margin	7.1 %	9.1 %			5.6 %	8.2 %		
Adjusted Operating Margin	7.3 %	10.4 %			7.2 %	8.9 %		
Currency Benefit / (Cost) – (in millions)[1]:								
Revenue			$ (28)				$ (42)	
Operating Expenses			29				49	
Operating Profit			$ 1				$ 7	

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

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Adjustments to Operating Expenses (in millions):								
Transformation and Other Costs								
Forwarding	$ —	$ 23	$ (23)	(100.0)%	$ 7	$ 24	$ (17)	(70.8)%
Logistics	1	18	(17)	(94.4)%	7	20	(13)	(65.0)%
Other	5	—	5	N/A	45	—	45	N/A
Total Transformation and Other Costs	$ 6	$ 41	$ (35)	(85.4)%	$ 59	$ 44	$ 15	34.1 %
Asset Impairment Charges								
Forwarding	$ —	$ —	$ —	N/A	$ —	$ 8	$ (8)	(100.0)%
Logistics	—	—	—	N/A	41	—	41	N/A
Other	—	—	—	N/A	—	—	—	N/A
Total Asset Impairment Charges	$ —	$ —	$ —	N/A	$ 41	$ 8	$ 33	412.5 %
Total Adjustments to Operating Expenses	$ 6	$ 41	$ (35)	(85.4)%	$ 100	$ 52	$ 48	92.3 %

Revenue

Total revenue in Supply Chain Solutions increased for the quarter, but decreased year to date. The second quarter increase was primarily due to growth in Logistics and certain of our other businesses, which more than offset declines in Forwarding. Year to date, revenue declines in Forwarding were only partially offset by growth within Logistics.

Within our Forwarding businesses:

- Revenue in our truckload brokerage business, Coyote, decreased $87 million for the quarter (down $236 million year to date) due to lower volumes and continuing softness in market rates. On June 23, 2024, we announced that we have entered into an agreement to divest our truckload brokerage business to RXO, Inc. for $1.025 billion. We expect this transaction to close by the end of 2024, subject to regulatory review and approval.
- International airfreight revenue increased approximately $31 million for the quarter, driven by improved market rates and growth on Asia export lanes resulting from increased e-commerce volumes. Revenue decreased $22 million year to date, as weakness in market rates during the first quarter was only partially offset by second quarter improvements. We expect revenue growth to continue in the second half of 2024, with anticipated increases in e-commerce demand driving higher volumes and rates.
- Ocean freight forwarding revenue declined for both the quarter and year to date. The second quarter decrease was due to lower volumes, largely offset by an increase in rates driven by improved market dynamics and favorable product mix. The year-to-date decrease was attributable to weak rates and an unfavorable product mix during the first quarter. We expect revenue growth in the second half of 2024 as lower capacity growth and disruptions in the Red Sea are expected to continue to drive up rates.

Within our Logistics businesses, revenue increased $115 million for the quarter (up $247 million year to date). The acquisition of MNX Global Logistics in the fourth quarter of 2023 contributed $88 million of the increase for the quarter ($178 million year to date), with the remainder driven by growth in clinical trials and pharmaceuticals business within our healthcare operations. We expect these trends will continue in the second half of the year. Revenue in mail services remained relatively flat for both the quarter and year to date as decreases in volume were partially offset by rate increases and a favorable shift in product characteristics. We expect our mail services business to generate volume and revenue growth during the second half of the year.

Revenue from other businesses within Supply Chain Solutions increased for the quarter, but decreased year to date.

- In our digital businesses, revenue increased $44 million for the quarter (up $78 million year to date), driven by volume growth at Roadie and the impact of acquiring Happy Returns in the fourth quarter of 2023.
- Revenue attributable to volume from the USPS was relatively flat for the quarter, but was down $74 million year to date as a result of lower volumes in the first quarter. We expect revenue will increase in the second half of 2024 as we fully onboard air cargo volume from our USPS agreement.
- Revenue from transition services provided to the acquirer of UPS Freight continued to decrease in both the quarter and year-to-date periods as we continue to wind down these arrangements.

Operating Expenses

Total operating expenses and adjusted operating expenses within Supply Chain Solutions increased for the second quarter and year to date.

Forwarding operating expenses decreased $42 million for the quarter (down $271 million year to date), primarily due to a reduction in purchased transportation expense as a result of lower volumes and market rates in our truckload brokerage business. Expense movements in our freight forwarding business were driven by international airfreight, which increased for the second quarter due to increases in market rates and volume growth, but were down year to date as a result of lower rates and volumes during the first quarter more than offsetting the second quarter growth. We expect our operating expenses will increase during the second half of 2024 driven by volume growth.

Logistics operating expenses increased $145 million for the quarter (up $269 million year to date), driven primarily by the impact of the acquisition of MNX Global Logistics which contributed $87 million of the increase for the quarter ($175 million year to date). Expenses in our healthcare operations increased $46 million for the quarter ($89 million year to date), primarily due to higher rates for third-party transportation. Operating expenses in mail services were relatively flat for both the quarter and year to date. We expect that Logistics operating expense will continue to increase in the second half of the year, driven by business growth. On an unadjusted basis, Logistics operating expenses were also impacted by a charge during the first quarter to write down the value of certain trade names acquired as part of the Bomi Group acquisition.

Expenses in our other Supply Chain Solutions businesses increased $77 million for the quarter (up $33 million year to date), largely driven by higher operating costs within our digital businesses due to volume growth and the impact of acquiring Happy Returns. Expenses associated with USPS volumes increased during the second quarter as we began handling volume under our new air cargo agreement. Year to date, the increase was more than offset by lower costs associated with lower USPS volumes during the first quarter. Costs incurred to procure transportation for, and provide transition services to, the acquirer of UPS Freight also continued to decrease in both periods as we continued to wind down these arrangements. On an unadjusted basis, expense was further increased by the impact of transformation and other costs, including expense related to a regulatory matter. We expect expenses in our other Supply Chain Solutions businesses will increase during the second half of 2024 due to volume growth in our digital businesses and under our air cargo agreement with the USPS.

Operating Profit and Margin

As a result of the factors described above, total operating profit decreased $58 million for the second quarter (down $173 million year to date), with operating margin decreasing 200 basis points to 7.1% (down 260 basis points to 5.6% year to date). On an adjusted basis, operating profit decreased $93 million for the second quarter (down $125 million year to date) with adjusted operating margin decreasing 310 basis points to 7.3% (down 170 basis points to 7.2% year to date).

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Consolidated Operating Expenses

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Operating Expenses (in millions):								
Compensation and benefits	$ 11,503	$ 11,196	$ 307	2.7 %	$ 23,142	$ 22,660	$ 482	2.1 %
Transformation and Other Costs	(20)	(109)	89	(81.7)%	(51)	(97)	46	(47.4)%
Adjusted Compensation and benefits	$ 11,483	$ 11,087	$ 396	3.6 %	$ 23,091	$ 22,563	$ 528	2.3 %
Repairs and maintenance	$ 734	$ 682	$ 52	7.6 %	$ 1,452	$ 1,407	$ 45	3.2 %
Depreciation and amortization	887	828	59	7.1 %	1,785	1,662	123	7.4 %
Purchased transportation	3,273	3,171	102	3.2 %	6,519	6,712	(193)	(2.9)%
Fuel	1,126	1,090	36	3.3 %	2,186	2,361	(175)	(7.4)%
Other occupancy	492	458	34	7.4 %	1,056	1,009	47	4.7 %
Other expenses	1,859	1,850	9	0.5 %	3,827	3,848	(21)	(0.5)%
Total Other expenses	8,371	8,079	292	3.6 %	16,825	16,999	(174)	(1.0)%
Transformation and Other Costs	(12)	(30)	18	(60.0)%	(67)	(45)	(22)	48.9 %
Asset Impairment Charges	—	—	—	N/A	(48)	(8)	(40)	500.0 %
One-Time International Regulatory Matter	(88)	—	(88)	N/A	(88)	—	(88)	N/A
Adjusted Total Other expenses	$ 8,271	$ 8,049	$ 222	2.8 %	$ 16,622	$ 16,946	(324)	(1.9)%
Total Operating Expenses	$ 19,874	$ 19,275	$ 599	3.1 %	$ 39,967	$ 39,659	$ 308	0.8 %
Adjusted Total Operating Expenses	$ 19,754	$ 19,136	$ 618	3.2 %	$ 39,713	$ 39,509	$ 204	0.5 %
Currency (Benefit) / Cost - (in millions)[1]			$ (63)				$ (81)	

[1] Amount represents the change in currency translation compared to the prior year.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Adjustments to Operating Expenses (in millions):								
Transformation and Other Costs								
Compensation	$ 8	$ 5	$ 3	60.0 %	$ 13	$ 10	$ 3	30.0 %
Benefits	12	104	(92)	(88.5)%	38	87	(49)	(56.3)%
Other expenses	12	30	(18)	(60.0)%	67	45	22	48.9 %
Total Transformation and Other Costs	$ 32	$ 139	$ (107)	(77.0)%	$ 118	$ 142	$ (24)	(16.9)%
Asset Impairment Charges								
Other expenses	$ —	$ —	$ —	N/A	$ 48	$ 8	$ 40	500.0 %
Total Asset Impairment Charges	$ —	$ —	$ —	N/A	$ 48	$ 8	$ 40	500.0 %
One-Time International Regulatory Matter								
Other expenses	$ 88	$ —	$ 88	N/A	$ 88	$ —	$ 88	N/A
Total One-Time International Regulatory Matter	$ 88	$ —	$ 88	N/A	$ 88	$ —	$ 88	N/A
Total Adjustments to Operating Expenses	$ 120	$ 139	$ (19)	(13.7)%	$ 254	$ 150	$ 104	69.3 %

Compensation and Benefits

Total compensation and benefits and adjusted total compensation and benefits increased for both the second quarter and year to date. Compensation costs increased $259 million for the quarter (up $356 million year to date) and on an adjusted basis increased $256 million for the quarter (up $352 million year to date). The principal factors contributing to the overall increase were:

- Direct labor costs increased $349 million for the quarter (up $549 million year to date). Contractual wage rate increases for our U.S. union workforce resulted in an increase in costs of $299 million for the quarter (up $627 million year to date). Productivity improvements reduced direct labor cost by $41 million for the second quarter (down $43 million year to date). Additionally, the impact of lower volumes in the first quarter reduced year-to-date expense by $207 million. The remaining increase for both the quarter and year to date was primarily due to changes in seniority within our workforce. We expect wage rate growth to moderate beginning in the second half of the year as a result of the terms of our contract with the Teamsters.
- Management compensation costs decreased $80 million for the quarter (down $154 million year to date) due to a reduction in incentive compensation expense and lower overall headcount.

Benefits costs increased $48 million for the second quarter (up $126 million year to date) and on an adjusted basis increased $140 million for the second quarter (up $176 million year to date). The principal factors driving the overall increase were:

- Accruals for paid time off, payroll taxes and other costs increased $151 million for the quarter (up $194 million year to date), primarily due to contractual wage rate growth.
- Health and welfare costs increased $52 million for the quarter (up $92 million year to date), driven by increased contributions to multiemployer plans as a result of contractually-mandated rate increases.
- Workers' compensation expense decreased $61 million for the quarter (down $90 million year to date) due to favorable developments in prior year claims counts and a reduction in hours worked.
- Other employee benefits expense decreased $89 million for the quarter (down $52 million year to date) due to higher separation costs incurred in 2023 as we continue to right-size our business. On an adjusted basis, other employee benefits expense remained relatively flat.

Repairs and Maintenance

The increase in repairs and maintenance expense for both the second quarter and year to date was primarily attributable to higher routine repairs to buildings and facilities. During the second quarter, we also incurred additional aircraft engine maintenance expense due to the timing of required maintenance cycles. We expect these expense trends to continue in the second half of 2024.

Depreciation and Amortization

We incurred higher depreciation expense in the second quarter and year to date as a result of facility automation and expansion projects aligned with our strategic objectives. Amortization expense for capitalized software investments in support of our strategic initiatives increased for both periods, and we recorded additional amortization expense for intangible assets arising from the acquisitions of MNX Global Logistics and Happy Returns in the fourth quarter of 2023.

Purchased Transportation

Third-party transportation expense charged to us by air, ocean and ground carriers increased for the quarter, but decreased year to date. The changes were primarily driven by:

- Supply Chain Solutions expense increased $64 million for the second quarter, driven by growth in healthcare logistics and the impact of the acquisition of MNX Global Logistics, as well as volume growth in our digital businesses. These impacts were partially offset by expense declines in truckload brokerage due to lower volumes and market rates paid for services. Year to date, expense decreased $59 million as the impact of volume declines and lower market rates across our forwarding businesses more than offset increases in our logistics businesses.

- U.S. Domestic expense increased $34 million for the second quarter, but decreased $82 million year to date. Volume growth in our SurePost product drove an increase in delivery costs of $85 million for the quarter (up $132 million year to date). For the quarter, this was partially offset by a reduction in ground volume handled by third-party carriers. Year to date, volume declines in the first quarter, together with the impact of network optimization initiatives, resulted in lower utilization of third-party ground and rail carriers and drove the overall reduction in expense.
- International Package expense was relatively flat for the second quarter. Year to date, expense decreased $53 million, as the decline in volume resulted in lower utilization of third-party transportation services.

Fuel

The increase in fuel expense for the quarter was mainly attributable to higher prices for jet fuel. Year to date, overall fuel expense decreased, driven by the combination of lower prices for jet fuel and the impact of volume declines in the first quarter, as well as lower prices for diesel and gasoline. 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 for the quarter and year to date, primarily due to increases in property rents. A decrease in utilities expense as a result of declines in rates and usage was offset by higher costs related to winter weather events during the first quarter.

Other Expenses

Other expenses remained relatively flat, increasing $9 million for the second quarter but decreasing $21 million year to date. During the second quarter, we made a $94 million payment, including interest, to settle a previously-disclosed challenge by Italian tax authorities to the deductibility of Value Added Tax payments by UPS to certain third-party service providers. We incurred $12 million of transformation and other costs for the quarter ($67 million year to date), including an additional expense related to a regulatory matter recorded in the first quarter. Also in the first quarter, we recorded a $41 million charge to write down the value of certain trade names acquired as part of our acquisition of Bomi Group as we consolidated our brands and a $7 million impairment charge related to software licenses.

On an adjusted basis, other expenses decreased $61 million for the quarter (down $171 million year to date), primarily due to the following:

- A reduction in outsourcing and consulting fees of $60 million for the quarter (down $110 million year to date) driven by a decrease in project-based engagements and higher capitalization of third-party software development costs.
- Reductions in vehicle lease expense of $40 million for the quarter (down $97 million year to date), due to network optimization efforts and volume declines in the first quarter.
- Claims expense decreases of $10 million for the quarter (down $30 million year to date) due to a reduction in the volume of customer claims.

These reductions were partly offset by:

- Credit losses increased $17 million for the quarter (up $64 million year to date) across our segments as a result of an increased number of customer bankruptcies and increases in reserves.
- RFID supplies for *Smart Package Smart Facility* increased $20 million for the quarter (up $50 million year to date) as we continued to expand utilization.
- Hosted software application fees and other technology costs increased $17 million for the quarter (up $32 million year to date) as we continue to make investments in support of our digital transformation.

Other expense movements were primarily associated with volume declines during the first quarter and included employee-related expenses, airline operational expenses, advertising costs and insurance.

Other Income (Expense)

The following table sets forth investment income and other and interest expense for the three and six months ended June 30, 2024 and 2023 (in millions):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Investment Income and Other	$ 137	$ 131	$ 6	4.6 %	$ 255	$ 300	$ (45)	(15.0)%
Interest Expense	(212)	(191)	(21)	11.0 %	(407)	(379)	(28)	7.4 %
Interest Expense associated with One-Time International Regulatory Matter	6	—	6	N/A	6	—	6	N/A
Adjusted Interest Expense	$ (206)	$ (191)	$ (15)	7.9 %	$ (401)	$ (379)	$ (22)	5.8 %
Total Other Income (Expense)	$ (75)	$ (60)	$ (15)	25.0 %	$ (152)	$ (79)	$ (73)	92.4 %
Adjusted Total Other Income (Expense)	$ (69)	$ (60)	$ (9)	15.0 %	$ (146)	$ (79)	$ (67)	84.8 %

Investment Income and Other

Investment income and other increased $6 million for the second quarter but decreased $45 million year to date, primarily due to a reduction in invested balances and year-over-year changes in certain non-current investments. In the second quarter, a reduction in foreign currency exchange losses relative to the prior year offset the impact of these declines.

Other pension income remained flat for both the quarter and year to date, as higher expected returns on pension assets were offset by an increase in interest cost as a result of plan growth and changes in demographic assumptions.

Interest Expense

Interest expense increased for the second quarter and year to date, driven by higher average outstanding debt balances.

Income Tax Expense

The following table sets forth our income tax expense and effective tax rate for the three and six months ended June 30, 2024 and 2023 (in millions):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Income Tax Expense	$ 460	$ 639	$ (179)	(28.0)%	$ 883	$ 1,266	$ (383)	(30.3)%
Income Tax Impact of:								
Transformation and Other Costs	6	33	(27)	(81.8)%	17	33	(16)	(48.5)%
Asset Impairment Charges	—	—	—	N/A	13	2	11	550.0 %
Adjusted Income Tax Expense	$ 466	$ 672	$ (206)	(30.7)%	$ 913	$ 1,301	$ (388)	(29.8)%
Effective Tax Rate	24.6 %	23.5 %			25.9 %	24.2 %		
Adjusted Effective Tax Rate	23.4 %	23.5 %			24.9 %	24.1 %		

For additional information on our income tax expense and effective tax rate, see note 16 to the unaudited, 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 June 30, 2024, we had $6.5 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 costs, debt obligations and planned shareowner returns. We regularly evaluate opportunities to optimize our capital structure, including through issuances of debt to refinance existing debt and to fund operations.

Cash Flows From Operating Activities

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

	Six Months Ended June 30,	
	2024	2023
Net income	$ 2,522	$ 3,976
Non-cash operating activities [1]	2,505	2,526
Pension and postretirement medical benefit plan contributions (company-sponsored plans)	(150)	(1,328)
Hedge margin receivables and payables	(90)	(298)
Income tax receivables and payables	(117)	(61)
Changes in working capital and other non-current assets and liabilities	639	856
Other operating activities	—	(77)
Net cash from operating activities	$ 5,309	$ 5,594

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

Net cash from operating activities decreased $285 million for the six months ended June 30, 2024 primarily due to a reduction in net income, somewhat offset by a decrease in year-to-date contributions to our company-sponsored, defined benefit pension and postretirement medical plans. Additional impacts included:

- A favorable reduction in hedge margin collateral outflows, driven by changes in the fair value of derivative contracts used in our currency hedging programs and an increase in the threshold at which we exchange collateral with counterparties.
- Unfavorable changes in working capital, driven by an increase in our 401(k) plan contributions, partially offset by a 2023 payment for deferred employer payroll taxes that did not repeat.

As of June 30, 2024, 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 domestic operating needs, capital expenditures, share repurchases, pension contributions and dividend payments to shareowners. 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.

As of June 30, 2024, $10 million of cash held by our truckload brokerage business, Coyote, was reported within *Assets held for sale* in our consolidated balance sheet. For more information, see note 18 to the unaudited, consolidated financial statements.

Cash Flows From Investing Activities

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

	Six Months Ended June 30,	
	2024	2023
Net cash (used in) from investing activities	$ 653	$ (2,859)
Capital Expenditures:		
Buildings, facilities and plant equipment	$ (712)	$ (818)
Aircraft and parts	(426)	(272)
Vehicles	(461)	(277)
Information technology	(369)	(453)
Total Capital Expenditures	$ (1,968)	$ (1,820)
Capital Expenditures as a % of revenue	4.5 %	4.0 %
Other Investing Activities:		
Proceeds from disposal of businesses, property, plant and equipment	$ 28	$ 50
Net (purchases) sales and maturities of marketable securities	$ 2,663	$ (1,067)
Acquisitions, net of cash acquired	$ (66)	$ (34)
Other investing activities	$ (4)	$ 12

We have commitments for pending acquisitions and for the purchase of aircraft, vehicles, equipment and real estate to provide for the replacement of existing capacity and anticipated future growth. Future capital spending for anticipated growth and replacement assets will depend on a variety of factors, including economic and industry conditions. Our 2024 investment program anticipates investments in technology initiatives and enhanced network capabilities, including approximately $1.0 billion of projects that support our environmental sustainability goals. It also provides for the maintenance of buildings, facilities and equipment and replacement of certain aircraft within our fleet. We currently expect that our capital expenditures will total approximately $4.0 billion in 2024, of which approximately 50 percent will be allocated to growth initiatives and network enhancement projects, including technology.

For the first six months of 2024, total capital expenditures increased compared to the 2023 period, primarily due to:

- Vehicle expenditure increases, driven by the timing of payments and availability of vehicle replacements.
- Aircraft expenditures driven by higher payments on open aircraft orders and the timing of final deliveries of aircraft.

These increases were partially offset by:

- Decreases in spending on buildings, facilities and plant equipment, driven by the timing of network enhancement projects.
- A reduction in information technology expenditures driven by the purchase of certain licenses in the 2023 period that did not repeat.

We received cash proceeds of $2.7 billion from the sale of marketable securities in the first six months of 2024 due to the liquidation of our portfolio to provide additional resources for short-term and strategic operating needs.

Cash paid for acquisitions in both 2024 and 2023 related primarily to the purchase of development areas for The UPS Store. Other investing activities comprised various immaterial items.

Cash Flows From Financing Activities

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

	Six Months Ended June 30,	
	2024	2023
Net cash (used in) from financing activities	$ (2,767)	$ (3,582)
Share Repurchases:		
Cash paid to repurchase shares	$ —	$ (1,498)
Number of shares repurchased	—	(8.4)
Shares outstanding at period end	857	855
Dividends:		
Dividends declared per share	$ 3.26	$ 3.24
Cash paid for dividends	$ (2,701)	$ (2,693)
Borrowings:		
Net borrowings (repayments) of debt principal	$ 5	$ 907
Other Financing Activities:		
Cash received for common stock issuances	$ 131	$ 119
Other financing activities	$ (202)	$ (417)
Capitalization:		
Total debt outstanding at period end	$ 22,205	$ 20,763
Total shareowners' equity at period end	17,053	20,037
Total capitalization	$ 39,258	$ 40,800

We did not repurchase any shares under our stock repurchase program in the first six months of 2024. We anticipate our share repurchases will total approximately $500 million in the second half of 2024. We repurchased 8.4 million shares of class B common stock for $1.5 billion during the 2023 period. For additional information on our share repurchase activities, see note 12 to the unaudited, consolidated financial statements.

The declaration of dividends is subject to the discretion of the Board and depends on various factors, including our net income, financial condition, cash requirements, future prospects and other relevant factors. We increased our quarterly cash dividend to $1.63 per share in 2024, compared to $1.62 in 2023.

Issuances of debt during the 2024 period consisted of fixed- and floating-rate senior notes of varying maturities totaling $2.8 billion. Repayments of debt in the 2024 period consisted of $2.2 billion of short- and long-term commercial paper, our C$750 million fixed-rate senior notes and scheduled principal payments on our finance lease obligations. As of June 30, 2024, we had $900 million of fixed-rate senior notes outstanding that mature in 2024. We intend to repay or refinance these amounts when due.

Issuances of debt during the 2023 period consisted of fixed- and floating-rate senior notes of varying maturities totaling $2.5 billion. Repayments of debt in the 2023 period included $1.5 billion of fixed- and floating-rate senior notes, the repayment of debt assumed in the Bomi Group acquisition and scheduled principal payments on our finance lease obligations.

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.

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 as of June 30, 2024 ($)	Average year-to-date balance outstanding ($)	Average interest rate
2024			
USD	$ —	$ 310	5.44 %
Total	$ —		

As of June 30, 2024, we had no outstanding balances under our U.S. or European commercial paper programs.

The variation in cash received from common stock issuances primarily resulted from activity within the UPS 401(k) Savings Plan in both the current and comparative period.

Other financing activities includes cash used to repurchase shares to satisfy tax withholding obligations on vested employee stock awards. Cash outflows for this purpose were $199 and $395 million for the six months ended June 30, 2024 and 2023, respectively. The decrease was driven by changes in required repurchase amounts.

Except as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, we do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

Sources of Credit

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

Contractual Commitments

There have been no material changes to the contractual commitments described in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023, except as described below.

Purchase commitments represent contractual agreements to purchase assets, goods or services that are legally binding, including contracts for aircraft, construction of new or expanded facilities and vehicles. We also have commitments related to pending business acquisitions.

The following table summarizes the expected cash outflows to satisfy our total purchase commitments as of June 30, 2024 (in millions):

Commitment Type	2024	2025	2026	2027	2028	After 2028	Total
Purchase Commitments[1]	$ 1,373	$ 1,228	$ 425	$ 62	$ 32	$ 8	$ 3,128

[1] Purchase commitments for 2024 include amounts related to pending business acquisitions.

For additional information on 2024 debt issuances and repayments, see note 9 to the unaudited, consolidated financial statements.

Legal Proceedings and Contingencies

See note 7 and note 11 to the unaudited, consolidated financial statements for a discussion of judicial proceedings and other matters arising from the conduct of our business activities, and note 16 for a discussion of income tax related matters.

Collective Bargaining Agreements

Status of Collective Bargaining Agreements

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

Multiemployer Benefit Plans

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

Recent Accounting Pronouncements

Adoption of New Accounting Standards

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

Accounting Standards Issued But Not Yet Effective

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

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

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 and interest rate forward contracts, options and swaps. A discussion of our accounting policies for derivative instruments and further disclosures are provided in note 15 to the unaudited, consolidated financial statements.

The total net fair value asset (liability) of our derivative financial instruments is summarized in the following table (in millions):

	June 30, 2024	December 31, 2023
Currency Derivatives	$ 163	$ 66

As of June 30, 2024 and December 31, 2023, we had no outstanding commodity hedge positions.

The information concerning market risk in Item 7A under the caption "Quantitative and Qualitative Disclosures about Market Risk" of our Annual Report on Form 10-K for the year ended December 31, 2023 is incorporated herein by reference.

Our market risks, hedging strategies and financial instrument positions as of June 30, 2024 have not materially changed from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023. In the second quarter of 2024, we entered into foreign currency exchange forward contracts on the Euro, British Pound Sterling, Canadian Dollar and Hong Kong Dollar, and had forward contracts expire. The fair value changes between December 31, 2023 and June 30, 2024 in the preceding table are primarily due to foreign currency exchange rate fluctuations between those dates.

The foreign currency exchange forward contracts, swaps and options previously discussed contain an element of risk that the counterparties may be unable to meet the terms of the agreements; however, we seek to minimize such risk exposures for these instruments by limiting the counterparties to banks and financial institutions that meet established credit guidelines and by monitoring counterparty credit risk to prevent concentrations of credit risk with any single counterparty.

We have agreements with all of our active counterparties (covering all of our derivative positions) containing early termination rights and/or bilateral collateral provisions whereby cash is required based on the net fair value of derivatives associated with those counterparties when positions exceed $250 million.

Events such as a credit rating downgrade (depending on the ultimate rating level) could also allow us to take additional protective measures such as the early termination of trades. As of June 30, 2024, we held no cash collateral and were not required to post any collateral with our counterparties under these agreements. We have not historically incurred, and do not expect to incur in the future, any losses as a result of counterparty default.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

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

Item 1A. *Risk Factors*

There have been no material changes to the risk factors described in Part 1, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2023. The occurrence of any of the risks described therein could materially affect us, including impacting our business, financial condition, results of operations, stock price or credit rating, as well as our reputation. These risks are not the only ones we face. We could also be materially adversely affected by other events, factors or uncertainties that are unknown to us, or that we do not currently consider to be material.

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

In January 2023, the Board of Directors approved a share repurchase authorization of $5.0 billion for class A and class B common stock. As of June 30, 2024, we had $2.8 billion of this share repurchase authorization available. We did not repurchase any shares under our share repurchase program during the second quarter of 2024. We anticipate our share repurchases will total approximately $500 million in 2024.

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

Item 5. *Other Information*

Insider Trading Arrangements and Policies

None.

Item 6. ***Exhibits***

3.1	—	Restated Certificate of Incorporation of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.3 to Form 8-K filed on May 12, 2010).
3.2	—	Amended and Restated Bylaws of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.1 to Form 8-K, filed on May 9, 2023).
4.1	—	Form of 5.150% Senior Notes due 2034 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on May 22, 2024).
4.2	—	Form of 5.500% Senior Notes due 2054 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on May 22, 2024).
4.3	—	Form of 5.600% Senior Notes due 2064 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on May 22, 2024).
4.4	—	Form of Floating Rate Senior Notes due 2074 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on May 28, 2024).
10.1	—	Form of Separation Agreement and General Release between the Company and Brian Newman. *
31.1	—	Certification of the Principal Executive Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	—	Certification of the Principal Financial and Accounting Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	—	Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	—	Certification of the Principal Financial and Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	—	The following unaudited financial information from this Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 is formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Statements of Consolidated Income, (iii) the Statements of Consolidated Comprehensive Income (Loss), (iv) the Statements of Consolidated Cash Flows, and (v) the Notes to the Consolidated Financial Statements.
104	—	Cover Page Interactive Data File - The cover page from this Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 is formatted in Inline XBRL (included as Exhibit 101).

* Management contract or compensatory plan or arrangement.

SIGNATURES

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

UNITED PARCEL SERVICE, INC.
(Registrant)

Date: August 7, 2024

By: /s/ BRIAN DYKES

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

FORM OF SEPARATION AGREEMENT AND GENERAL RELEASE

United Parcel Service, Inc. ("Company") and I, Brian Newman ("Employee"), agree as follows:

Section 1 – Benefits

(a) **In General**: The Company promises that, after I sign this Separation Agreement and General Release ("Agreement") and the Supplemental Release (as defined in Section 2(g)), pursuant to Section 7 of the UPS Key Employee Severance Plan ("KESP"), and email it to Norm Brothers at XXXXXXXX, UPS will, subject to the terms and conditions of the KESP, pay me the amounts or benefits set forth herein. For this Agreement to be effective I must first satisfy my obligations under this Agreement, including under Section 4(c) to return all Company property. I acknowledge that the Company is not otherwise required to pay or provide me such amounts or benefits. I may revoke this Agreement within seven calendar days after I sign it by giving notice via email to Norm Brothers at XXXXXXXX. If I revoke this Agreement, I will not receive the amounts or benefits that are conditioned on my execution of this Agreement or the Supplemental Release, as applicable. This Agreement will not become effective or enforceable unless and until the seven-day revocation period has expired without my revoking it.

(b) **Sufficiency of Consideration**: I acknowledge and agree that the amounts and benefits to be provided under the terms of the KESP and described in this Agreement are, in significant and substantial part, in addition to any benefits to which I am otherwise entitled. I acknowledge that the Company has – apart from this Agreement – paid me for all wages and unused accrued vacation benefits that were due to me.

(c) **Consideration:** In exchange for the promises and releases contained in this Agreement, and provided I do not revoke the Agreement as permitted in Section 6 below, UPS will provide the following:

(i) Pursuant to Section 3(a), I will remain an employee of the Company until the "Separation Date" (defined below) and continue to receive my regular monthly salary and remain entitled to any incentive compensation I would have otherwise received or been entitled to as an active employee through June 1, 2024; and

(ii) Provided I execute the Supplemental Release on or after June 2, 2024 and before June 23, 2024, within fourteen days after I execute such Supplemental Release, I will be entitled to receive the benefits summarized and estimated in Exhibit A attached hereto (the "Severance Benefits). I acknowledge and agree that all terms and conditions of the KESP are incorporated herein by reference, and I acknowledge the terms of the KESP will apply post-employment. I understand and agree that payments made under this Agreement after the Separation Date will not be included in my compensation for purposes of calculating the benefits to which I am entitled under an employee benefit program.

(d) **Compensation and Benefit Plans**: Whether I execute this Agreement or not, as of the Separation Date and except as described herein, I will cease to be eligible to participate under any applicable stock option, bonus, incentive compensation, commission, medical, dental, life insurance, retirement, and other compensation or benefit plans of the Company; however I will retain all vested benefits as of the Separation Date. Thereafter, I will have no rights under any of those plans, except as follows:

(i) I will have the right to COBRA continuation coverage as to any Company-provided medical, dental, or vision plan in which I participate, which means that I will be entitled to buy continued health plan coverage under the normal COBRA health care continuation rules.

(ii) I will retain my vested benefits under all applicable qualified retirement and non-qualified plans of the Company, and all rights associated with such benefits, as determined under the terms of those plans.

Section 2 – Complete Release

(a) **In General**: In exchange for the Company's promises contained in this Agreement and subject to the KESP, I agree to irrevocably and unconditionally release any and all Claims I may now have against the Company and other parties as set forth in this Section 2 (the "Release").

(b) **Released Parties:** The Released Parties are the Company, all related companies, partnerships, or joint ventures, employee benefits plans of the Company and, with respect to each of them, their predecessors and successors; and, with respect to each such entity, all of its past and present employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs), and any other persons acting by, through, under or in concert with any of the persons or entities listed in this subsection.

(c) **Claims Released:** I understand and agree that I am releasing (i.e., giving up) all known and unknown claims, promises, causes of action, or similar rights of any type that I may presently have (the "Claims") against any Released Party, except as provided in Section 2(e) below. For example, I am releasing all common law contract, tort or other claims I might have, as well as claims I might have under the Age Discrimination in Employment Act (ADEA), the Older Workers Benefit Protection Act, the Worker Adjustment and Retraining Notification (WARN) Act, Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, the Americans With Disabilities Act (ADA), the Employee Retirement Income Security Act of 1974 (ERISA), the Family and Medical Leave Act, the Genetic Information Nondiscrimination Act, the anti-retaliation provisions of the Fair Labor Standards Act, the Equal Pay Act, the Occupational Safety and Health Act, the WARN Act, the Occupational Safety and Health Act, the Fair Credit Reporting Act, and similar state and local laws.

(d) **Unknown Claims:** I understand that I am releasing Claims that I may not know about. That is my knowing and voluntary intent, even though I recognize that someday I might learn that some or all of the facts I currently believe to be true are untrue and even though I might then regret having signed this Release. Nevertheless, I am assuming that risk and I agree that this Agreement shall remain effective in all respects in any such case. I expressly waive all rights I might have under any law that is intended to protect me from waiving unknown claims. I understand the significance of doing so.

(e) **Claims Not Released:** I understand and agree that this Release does not release any claims that the law does not permit me to release. I further understand and agree that I am not releasing any claim that relates to: (i) my right to enforce this Agreement; (ii) my right, if any, to claim government-provided unemployment benefits; (iii) the rights I retain pursuant to Section 1(d), above; or (iv) any rights or claims which may arise or accrue after I sign this Agreement.

Initials: ______

(f) **Protected Rights:** I understand that nothing contained in the Release, or in any other provision of this Agreement, limits my ability to file any claim or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board or any other federal, state or local governmental agency or commission ("Government Agencies"). I further understand that this Agreement does not limit my ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by me, or on my behalf, or by any individual. However, I understand that I am releasing my right to recover monetary damages or obtain other relief that is personal to me in connection with any charge or complaint that may be filed with any Government Agencies relating to my employment with the Company. I additionally understand and agree that if I make a confidential disclosure of a Company Trade Secret or other Confidential Information to a government official or an attorney for the sole purpose of reporting or investigating a suspected violation of law, or in a court filing under seal, I shall not be held liable under this Agreement or under any federal or state trade secret law for such disclosure.

(g) **Supplemental Release:** In addition to signing this Agreement, I agree that, no earlier than June 2, 2024 but no later than June 23, 2024, I will complete, sign and return the Supplemental Release which is in the form of Exhibit B attached hereto (the "Supplemental Release") to Norm Brothers at XXXXXXX. I acknowledge and agree that I will not be entitled to receive the Consideration unless and until (i) I remain employed until the Separation Date; (ii) I sign and return the Supplemental Release, and (iii) the revocation period specified in the Supplemental Release has expired without my having revoked the Supplemental Release.

(h) **Clawback; Recoupment:** I acknowledge and agree that all compensation described in the Agreement shall be 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. Further, if the Company reasonably, and in good faith, determines that I have violated any applicable provisions of Section 4 of the Agreement, then the Company may (in its discretion) provide for the reduction, cancellation, termination or recovery from me of all (or any portion) of the Severance Benefits that were previously paid or provided to me, and any such determination by the Company shall be binding on me.

Section 3 – Promises

(a) **Separation of Employment**: I agree that my employment with the Company and its affiliates will end on June 1, 2024 (the "Separation Date"). I understand and agree that I will no longer authorize or incur any expenses, liabilities, or obligations on behalf of the Company following the Separation Date. Furthermore, unless otherwise agreed to by the Company and me prior to the Separation Date, I shall be deemed to have automatically resigned from all directorships and offices with the Company and its Subsidiaries, and their affiliates (including joint ventures), as of the Separation Date.

Initials: ______

(b) **Promise Not to Litigate Released Claims:** Except as specifically identified below, I have not filed or caused to be filed any lawsuit, complaint, or charge with respect to any Claim this Agreement purports to release. I promise never to pursue any Claim that I have released by signing this Agreement and Release, whether by means of a lawsuit, arbitration, or otherwise, and whether as a named plaintiff, class member, or otherwise. I will promptly dismiss with prejudice or withdraw from any such action that is currently pending. However, this Release does not require me to withdraw, or prohibit me from filing, a charge with any government administrative agency (such as the EEOC) as long as I do not personally seek any reinstatement, damages, remedies, or other relief for myself personally as to any Claim that I have released, any right to which I hereby waive. This subsection shall not prohibit me from challenging the validity of the ADEA Claim release in Section 2(c) of this Agreement.

(c) **Update Social Media Profile:** I promise, that immediately following the Separation Date, I will update any social media profile (*e.g.,* LinkedIn) to reflect that I am no longer a UPS employee. I may represent that I am a former UPS employee, but will not in any way hold myself out as currently employed by the Company.

(d) **Taxes:** I am responsible for paying any taxes on amounts I receive because I signed this Agreement. I understand that I may be subject to higher income tax rates resulting from amounts I receive because I signed this Agreement. I agree that the Company may withhold all taxes it determines it is legally required to withhold. I also have reviewed, understand and agree to take any actions and comply with the terms of Section 10, *Tax Matters; Section 409A* and Section 11, *Adjustments of Certain Payments and Benefits*, of the KESP.

(e) **Ownership of Claims:** I have not assigned, transferred or given away any of the Claims I am releasing, nor have I purported to do so. I hereby acknowledge that no child support order, garnishment orders, or other orders requiring me to pay money to any other person are now in effect.

(f) **Nonadmission of Liability:** I agree not to assert that this Agreement is an admission of guilt or wrongdoing by the Company or any Released Party, and I acknowledge that the Company and the Released Parties deny that they have engaged in wrongdoing of any kind or nature.

(g) **No Disparagement or Harm:** I agree not to criticize, denigrate, or disparage any Released Party or any one of their products, services, or practices.

(h) **Implementation:** I agree to sign any documents and do anything else that is necessary in the future to implement this Agreement.

(i) **Age Representation:** I am over age forty at the time of signing this Agreement.

(j) **Other Representations:** I have not suffered any discrimination on account of my age, sex, race, national origin, marital status, sexual orientation, or any other protected status, and none of these ever has been an adverse factor used against me by any Released Party. I have not suffered any job-related wrongs or injuries for which I might still be entitled to compensation or relief, such as an injury for which I might receive a workers' compensation award in the future. I have properly reported all hours that I have worked, and I already have been paid all wages, overtime, commissions, compensation, benefits, and other amounts that the Company or any Released Party has ever owed me, except for unpaid amounts or benefits expressly payable under the terms of this Agreement. To the best of my knowledge, all of the factual allegations I made that induced the Company to enter into this Agreement are true in all material respects.

(k) **This Agreement to be Kept Confidential:** I agree not to disclose the underlying facts that led up to this Agreement or the terms, amount, or existence of this Agreement to anyone other than a member of my immediate family, attorney, or other professional advisor and, even as to such a person, only if the person agrees to honor this confidentiality requirement. Such a person's violation of this confidentiality requirement will be treated as a violation of this Agreement by me. This subsection does not prohibit my disclosure of the terms, amount, or existence of this Agreement to the extent necessary legally to enforce this Agreement, nor does it prohibit disclosures to the extent otherwise legally required. I acknowledge that the Released Parties would be irreparably harmed if this subsection is violated.

Section 4 – Restrictive Covenants

(a) **Acknowledgements:** I acknowledge and agree that, by reason of my highly specialized skillset and the Company's investment of time, training, money, trust, and exposure to Confidential Information, I am intimately involved in the planning and direction of the Company's global business operations. I further acknowledge and agree that my agreement to enter into, and my compliance with, my covenants in this Section 4 are material factors in the Company's decision to grant me the benefits summarized and estimated in Exhibit A, which constitute good and valuable consideration for the covenants set forth in this Section 4. I further acknowledge and agree that my breach or threatened breach of any of the covenants in this Section 4 would result in material and irreparable damage and injury to the Company and that it would be difficult or impossible to establish the full monetary value of such damage. I further acknowledge and agree that the covenants in this Section 4 are reasonable, necessary, and essential for the Company to protect its legitimate business interests in: (i) the Company's trade secrets (as defined under applicable law, including the Georgia Trade Secrets Act of 1990 (the "Act") and the Defend Trade Secrets Act of 2016 (the "DTSA")); (ii) the Company's valuable Confidential Information; (iii) substantial relationships with specific prospective or existing customers of the Company; (iv) customer good will associated with (A) the business of the Company, including, but not limited to, by way of trade name, trademark, service mark, or trade dress, (B) a specific geographic location; or (C) a specific marketing or trade area; and (v) extraordinary or specialized training I have received or will receive. I further acknowledge and agree (i) by reason of the Company's investment of time, training, money, trust, exposure to the public, or exposure to customers, vendors, or other business relationships during the course of my employment with the Company, I have attained or will attain a high level of influence or credibility with the Company's Protected Customers, vendors, or other business relationships; and (ii) by reason of working for the Company, I am or will be in possession of selective or specialized skills, learning, or abilities, or customer contacts or customer information, or Confidential Information. Finally, I acknowledge and agree that the scope of responsibilities of my position extends throughout the geographic area where the Company has conducted and will conduct business during my employment, and that my work for the Company has brought and will bring me into close contact with many of the Company's customers, trade secrets and confidential and proprietary information.

(b) **Unfair Competition:** I acknowledge and agree that, as a result of my receipt of Confidential Information, my role at the Company, and my relationships with Company customers and/or employees, I would have an unfair competitive advantage if I were to violate this Section 4 and that I possess marketable skills and abilities that will enable me to find suitable employment without violating the covenants set forth in this Section 4. I further acknowledge and affirm that I am entering into this Agreement voluntarily, that I have read the Agreement carefully, that I have had a full and reasonable opportunity to consider the Agreement (including actual consultation with legal counsel), and that I have not been pressured or in any way coerced, threatened or intimidated into entering into the Agreement.

(c) **Non-Disclosure and Prohibition Against Use of Confidential Information and Trade Secrets and Return of Company Property:** I agree that I will not, directly or indirectly, reveal, divulge, or disclose any Confidential Information or Trade Secrets to any person not expressly authorized by the Company to receive such information. I further agree that I will not, directly or indirectly, use or make use of any Confidential Information or Trade Secrets in connection with any business activity other than business activity that I am pursuing on behalf of the Company. I acknowledge and agree that this Section 4 is not intended to, and does not, alter either the Company's rights or my obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. I acknowledge and agree that the act of emailing Confidential Information or Trade Secrets or both to my personal email address is considered to be a breach of this section. I also understand that nothing contained in this Section 4 limits my ability to communicate with any federal, state or local governmental agency or commission ("Government Agencies") or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by me, on my behalf, or by any other individual. I additionally understand and agree that as required by the DTSA, I have been notified that if I make a confidential disclosure of a Company Trade Secret (as defined in 18 U.S.C. § 1839) to a government official or an attorney for the sole purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a legal proceeding, so long as any document I file containing the trade secret is filed under seal and I do not disclose the trade secret except pursuant to court order, I shall not be held civilly or criminally liable under the Agreement or under any federal or state trade secret law for such a disclosure. The DTSA does not authorize, or limit liability for, an act that is otherwise prohibited by law, such as the unlawful access of material by unauthorized means. I promise that, no later than the end of my employment with the Company, I will return to the Company all files, memoranda, documents, records, credit cards, keys, computers, printers, telephones, and other property of the Company or its affiliates in my possession, custody, or control, including without limitation all Confidential Information. To the extent that I have electronic files or information in my personal possession or under my control that belong to the Company or contain Confidential Information (specifically including without limitation electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), I promise that I will notify the Company in writing as to such possession or control prior to the Separation Date, and, if requested to do so by the Company, no later than the Separation Date, I will cooperate with the Company, and take direction from the Company, regarding the deletion or return of all such files and information, including all copies and derivatives thereof from all non-Company-owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable. If, after the Separation Date, I become aware that I have electronic files or information in my personal possession or under my control that belong to the Company or contain Confidential Information (specifically including without limitation electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), I promise that I will immediately so notify the Company and cooperate with the Company, and take direction from the Company, regarding the deletion or return of all such files and information, including all copies and derivatives thereof. For the avoidance of doubt, I understand I am not permitted to delete any Company files or information from any computers, mobile devices, electronic media, or in cloud storage (including those owned personally by me) unless directed to do so in writing by the Company. To the extent requested by the Company, whether prior to or after the Separation Date, I will voluntarily participate in a process involving a forensic computer specialist chosen by the Company to identify, quarantine, preserve and delete all electronic files or information, including all copies and derivatives thereof, in my possession or under my control that belong to the Company or contain Confidential Information.

(d) **Non-Solicitation of Protected Employees:** During the Non-Solicit Restricted Period, I will not, without the prior written consent of the Company, directly or indirectly, solicit or induce or attempt to solicit or induce any Protected Employee to terminate or cease his/her employment relationship with the Company or to enter into employment with me or any other person or entity. I understand that this employee non-solicitation provision is limited to the geographic area where the Company did business during my employment.

(e) **Non-Solicitation of Protected Customers:** During the Non-Solicit Restricted Period, I will not, without the prior written consent of the Company, directly or indirectly, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for purposes of providing products and services that are competitive with those provided by the Company.

(f) **Covenant Not to Compete:** During the Non-Compete Restricted Period, I will not, without the prior written consent of the Company, (i) work for a Restricted Competitor; (ii) provide consulting services to a Restricted Competitor; or (iii) otherwise provide services to a Restricted Competitor, in each of (i) through (iii) that involves the provision of services that are similar to or relate to those services that I provided to the Company at any time during my employment with the Company and that relate, in any way, directly or indirectly, to the Restricted Competitor's competition with the transportation, delivery or logistics services provided by the Company during my employment. I understand and agree that this non-compete provision is limited to the geographic area where the Company did business during my employment.

(g) **Enforcement.** I acknowledge and agree that the covenants in Section 4(c) through 4(f) ("Protective Covenants") are necessary to protect the Company's legitimate business interests. In the event that I breach, or threaten to breach, the Protective Covenants, I agree that the Company shall have the right and remedy to: (i) enjoin me, preliminarily and permanently (without the necessity of posting bond), from violating or threatening to violate the

Protective Covenants because any breach or threatened breach of the Protective Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy; (ii) require me to account for and pay over to the Company all compensation, profits, monies, or other benefits derived or received by me as the result of any breach of the Protective Covenants; and (iii) require me to pay the reasonable attorneys' fees and costs incurred by the Company in enforcing the Protective Covenants. In addition, in the event of such a violation, I will automatically forfeit any portion of the Severance Benefits that have not already been paid to me at the time of the violation.

(h) **Severability/Reformation.** I acknowledge and agree that the Protective Covenants are reasonable in time, scope, geography and all other respects and that they will be considered and construed as separate and independent covenants. Should any part or provision of any of the Protective Covenants be held invalid, void or unenforceable in any court of competent jurisdiction, I understand and agree that such invalidity, voidness or unenforceability does not invalidate, void or otherwise render unenforceable any other part or provision of this Agreement. I further agree that, in the event any court of competent jurisdiction finds any of the Protective Covenants to be invalid or unenforceable (in whole or in part), such court shall modify the invalid or unenforceable term so that the Protective Covenants are enforceable to the fullest extent permitted by law.

(i) **Tolling During Violation.** In the event the enforceability of any of the terms of this Agreement is challenged in a court of competent jurisdiction and I am not enjoined from breaching any of the restrictive covenants, then if a court of competent jurisdiction finds that the challenged restrictive covenant(s) is enforceable, the time periods set forth herein shall be deemed tolled upon the filing of the claim challenging the enforceability of this Agreement until the dispute is finally resolved and all periods of appeal have expired.

(j) **Disclosure.** I agree to disclose the existence and terms of this Section 4 to any prospective employer, partner, co-venturer, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, partner, co-venturer, investor or lender.

(k) **Definitions.** Solely for purposes of this Section 4, the following terms shall have the following meanings:

(i) "*Company*" means, for purposes of this Section 4 only, United Parcel Service, Inc., a Delaware Corporation with its principal place of business in Atlanta, Georgia, and all of its Affiliates (as defined in O.C.G.A. § 13-8-51(1)).

(ii) "*Confidential Information*" means all information regarding the Company, its activities, businesses or customers which I learned as a result of my employment, that is valuable to the Company and that is not generally disclosed by practice or authority to persons not employed or otherwise engaged by the Company, whether or not it constitutes a Trade Secret. "Confidential Information" shall include, but is not limited to, financial plans

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and data; legal affairs; management planning information; business plans; acquisition plans; operational methods and technology; market studies; marketing plans or strategies; product development techniques or plans; customer lists; details of customer contracts; current and anticipated customer requirements and specifications; customer pricing and profitability data; past, current and planned research and development; employee-related information and new personnel acquisition plans. "Confidential Information" shall not include information that is or becomes generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. However, although certain information may be generally known in the relevant industry, the fact that the Company uses such information may not be so known and in such instance the information would compromise Confidential Information. This definition shall not limit any definition of "confidential information" or any equivalent term under applicable state or federal law.

(iii) "Material Contact" means the contact between me and each customer or actively sought potential customer of the Company: (A) with whom or with which I dealt on behalf of the Company in support of the initiation, maintenance or furtherance of a business relationship between Company and each customer or actively sought potential customer; (B) whose dealings with the Company were coordinated or supervised by me; (C) about whom I obtained Confidential Information in the ordinary course of business as a result of my association with the Company; or (D) who receives products or services authorized by the Company, the sale or provision of which results or resulted in compensation, commissions, or earnings for me in the two (2) years prior to the termination of my employment.

(iv) "*Non-Compete Restricted Period*" means during my employment with the Company and for a period of one (1) year after my employment ends for any reason.

(v) "*Non-Solicit Restricted Period*" means during my employment with the Company and for a period of two (2) years after my employment ends for any reason.

(vi) "*Protected Customers*" means customers or actively sought potential customers with whom I had Material Contact in the two (2) years prior to my termination of employment.

(vii) "*Protected Employee*" means an employee of the Company who is employed by the Company at the time of any solicitation or attempted solicitation by my and with whom (A) I had contact during the two (2) years prior to my termination of employment, or (B) about whom I learned Confidential Information during the two (2) years prior to my termination of employment.

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(viii) "*Restricted Competitor*" means a person engaged in any business competitive with the Company's and its Subsidiaries' businesses of package delivery and global supply chain management solutions. Restricted Competitors shall be defined to include any affiliates of such entities that are engaged in delivery, transportation, and/or logistics services and activities. In addition, the Restricted Competitors include, without limitation, the entities listed on Exhibit C attached hereto.

(ix) "*Trade Secret*" means all of the Company's information that I learned about as a result of my employment, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers, that (A) derives economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. This definition shall not limit any definition of "trade secrets" or any equivalent term under applicable law.

(l) **Amendments for Certain Employees.**

(i) Amendments for California Employees. Sections 4(d) through 4(f) do not apply to me if I primarily resided or worked in California immediately prior to the end of your Company employment, or if following the termination of my Company employment, I reside and work in California. Notwithstanding the foregoing, I am and shall continue to be prohibited from any unauthorized use, transfer, or disclosure of the Company's Confidential Information, including trade secrets, pursuant to the California Trade Secrets Act, the U.S. Defend Trade Secrets Act of 2016, any other confidentiality and non-disclosure agreements with the Company, and any other applicable federal, state and common law protections afforded proprietary business and trade secret information. I also agree that I will not, without the prior written consent of the Company, directly or indirectly, interfere with the Company's business by soliciting or inducing or attempt to solicit or induce any Protected Employee to terminate or cease his/her employment relationship with the Company for a period of twelve (12) months from and after my employment ends.

(ii) Amendments for Hawaii, North Dakota, Minnesota, and Oklahoma Employees. Section 4(f) does not apply to me if I primarily resided and worked for the Company in Hawaii, North Dakota, Minnesota, or Oklahoma immediately prior to the end of my Company employment, and following the termination of my Company employment, I continue to reside and work in Hawaii, North Dakota, Minnesota, or Oklahoma.

(iii) Amendment for Massachusetts Employees. Section 4(f) does not apply to me if: 1) I primarily resided and worked in Massachusetts prior to the end of my Company employment, and following the termination of my Company employment, I continue to reside and work in Massachusetts; and 2) Section 4(f) is unenforceable pursuant to Massachusetts General Laws c. 149 § 24L.

(m) **Other Restrictions**. For the avoidance of doubt, if I am based in the United States this Section 4 does not supersede any protective covenants applicable to me with respect to the Company, and those covenants shall continue in full force and effect in accordance with their terms. If I am based outside the United States any protective covenants set out in my contract of employment, or otherwise applicable to my employment with the Company, whether concluded prior to or after the date of this Plan, supersede the equivalent provisions set out in this Section 4.

Section 5 – <u>Consequences of Violating my Promises</u>

I agree to pay the reasonable attorneys' fees and any damages Released Parties may incur as a result of my breaching a promise I made in this Agreement, or if any representation I made in this Agreement was false when made. I further agree that the Company would be irreparably harmed by any actual or threatened violation of Section 3 that involves disclosure of the existence, terms, or amount payable under this Agreement, and that the Company will be entitled to an injunction prohibiting me from committing any such violation.

Section 6 – <u>Review and Revocation</u>

I acknowledge that I may revoke this Agreement at any time within seven days of the date on which I signed it. Further, I acknowledge that, before signing this Agreement, I was given a period of at least twenty-one days beginning May 6, 2024 in which to consider it. I further acknowledge that: (a) I took advantage of this period to consider this Agreement before signing it; (b) I have carefully read this Agreement, and each of its provisions; (c) if I initially did not think any representation I am making in this Agreement was true, or if I initially was uncomfortable making it, I resolved all my doubts and concerns before signing this Agreement; (d) I fully understand what the Agreement, and each of its provisions, means; and (e) I am entering into the Agreement, and each of its provisions, knowingly and voluntarily. The Company encourages me to discuss this Agreement, and each of its provisions, with an attorney (at my own expense) before signing it. I acknowledge that I sought such advice to the extent I deemed appropriate. If I sign this Agreement before the end of the twenty-one-day period, it will be my voluntary decision to do so because I have decided that I do not need any additional time to decide whether to sign this Agreement. I also understand that I do not have more than twenty-one days from the day it was presented to me to sign this Agreement. If I do not sign this Agreement by the end of the twenty-one-day period, I understand that it will become null and void. I understand that the Company would not have given me the special payments or benefits I am getting in exchange for this Agreement but for my promises and representations I am making by signing it.

Section 7 – Miscellaneous

(a) **Entire Agreement and Severability:** This Agreement, together with the terms and conditions of the KESP and the Supplemental Release, is the entire agreement between me and the Released Parties pertaining to the subject matter of this Agreement. This Agreement, the KESP and Supplemental Release may not be modified or canceled in any manner except by a writing signed by both me and an authorized Company official. I acknowledge that the Released Parties have made no representations or promises to me, other than those in this Agreement, the KESP and Supplemental Release. If any provision in this Agreement is found to be unenforceable, all other provisions will remain fully enforceable. The covenants set forth in this Agreement shall be considered and construed as separate and independent covenants. To the extent that I executed an Employee Proprietary Information and Innovation Agreement, a UPS Protective Covenant Agreement, or any other agreement with the Company containing protective covenants, the protective covenants in such agreement(s) shall not be superseded by this Agreement and shall instead remain in full force and effect in accordance with their terms. Should any part or provision of any provision of this Agreement be held invalid, void or unenforceable in any court of competent jurisdiction, such invalidity, voidness or unenforceability shall not render invalid, void or unenforceable any other part or provision of this Agreement.

(b) **Successors and Assigns:** The rights and obligations of the Company under this Agreement, the KESP and the Supplemental Agreement will inure to the benefit of, and will be binding on, the Company and its successors and assigns, and my rights and obligations (other than obligations to perform services) under the Agreement will inure to the benefit of, and will be binding upon, me and my heirs, personal representatives, and assigns.

(c) **Interpretation:** This Agreement, the KESP and the Supplemental Agreement shall be construed as a whole according to its fair meaning. It shall not be construed strictly for or against me or any Released Party. Unless the context indicates otherwise, the singular or plural number, and the masculine, feminine and neutral genders, shall be deemed to include one another. Captions are intended solely for convenience of reference and shall not be used in the interpretation of this Agreement, the KESP or the Supplemental Agreement.

(d) **Governing Law:** I agree that (i) Georgia law shall apply to this Agreement, and (ii) the state and federal courts located in Fulton County shall have exclusive jurisdiction over any dispute relating to this Agreement, and I specifically and irrevocably consent to personal jurisdiction and venue in such court, even if I do not reside in Georgia at the time of any dispute arising out of or involving this Agreement. I hereby waive any objections or defenses to jurisdiction or venue in any such proceeding before such court. If I primarily resided and worked for the Company in California immediately prior to the end of my Company employment, or following the termination of my Company employment, I reside and work in California, I agree that (x) California law shall apply to this Agreement, and (y) the federal or state courts of California shall have exclusive jurisdiction over any dispute relating to this Agreement and I specifically consent to personal jurisdiction in such courts even if I do not reside in California at the time of any dispute arising out of or involving this Agreement. If I primarily resided and worked for the Company in Minnesota immediately prior to the end of my Company employment, I agree and acknowledge that my consent to jurisdiction and venue in Georgia is voluntary and that I am not being required to accept Georgia jurisdiction and venue as a condition of my employment.

(e) **Assistance:** During the three-month period following my Separation Date, and from time to time after that as may be necessary, I agree to cooperate in good faith with the Company regarding reasonable transitional assistance that may be requested by the Company, including but

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not limited to (i) answering questions about matters relating to the business of the Company or its affiliates as to which I have knowledge, and (ii) forwarding to an appropriate person designated by the Company any email, voicemail message or other communication received by me after the Separation Date that relates to the Company, its affiliates, or their respective businesses. The Company agrees to make reasonable efforts to minimize the burden on me with regard to the foregoing transitional activities, including scheduling telephone calls and meetings at times and locations that are reasonably convenient for me. As further consideration for the covenants set forth herein, I agree to reasonably cooperate in good faith with any lawyer, law firm, or consultant that the Company designates with respect to any litigation, deposition, hearing, arbitration, inquiry, investigation or other proceeding, in any jurisdiction arising out of or relating to matters of which I was involved prior to the Separation Date with the Company or which I gained knowledge of during my employment with the Company (including, but not limited to, support of the Company's, or that of any of its affiliates', position in defending any general liability-related lawsuits, employment related lawsuits or claims concerning which I have knowledge, or audits, investigations, lawsuits, complaints or proceedings by government entities of state or federal law compliance) where the legal or financial interests of the Company or any of its affiliates are at material issue. I further covenant that, except with respect to an investigation or proceeding conducted by a governmental entity or where prohibited by law, I will (i) contact the Company as soon as reasonably practicable, but in no event longer than seventy-two hours, in the event that I am served with or notified of any subpoena, notice or other instruction directing me to appear, or produce documents or other information, in any legal proceeding involving the Company or any of its affiliates, and (ii) will make no such appearance or disclosure, unless required by law, until the Company has had a reasonable opportunity to contest the right of the requesting person or entity to such appearance or disclosure. The Company shall timely reimburse me for reasonable travel expenses and other reasonable out-of-pocket expenses associated with my compliance with the obligations in this Section 7(d). The Company will exercise its rights in good faith under this Section 7(d) so as not to unreasonably interfere with my professional activities.

(f) **References:** If it is necessary for the Company to give a prospective employer a reference on me, I will direct that employer to the Company's employment verification line at XXXXXXXXXX or XXXXXXXXXXXX. Through this system, the Company agrees to only give out my employment dates and position(s) held.

Section 8 – <u>Finality of Release</u>

(a) **Further Pursuit of Claims Under Company EDR Program:** I understand that by signing this Agreement I am waiving any rights pursuant to the Company's Employee Dispute Resolution Program ("EDR") to challenge or seek reconsideration of any employment action or to seek reconsideration of the terms of this Agreement. My sole claim available under the EDR program will be to challenge the validity of this Agreement.

(b) **Tender Back Provision:** Should I ever attempt to challenge the terms of this Agreement, attempt to obtain an order declaring this Agreement to be null and void, or institute litigation against the Company or any other Released Party based upon a Claim which is covered by the terms of the Release contained in Section 2, I will as a condition precedent to such action repay all amounts paid to me under the terms of this Agreement. Furthermore, if I do not prevail in an action to challenge this Agreement, to obtain an order declaring this Agreement to be null and void, or in any action against the Company or any other Released Party based upon a Claim

Initials: ______

which is covered by the Release contained in Section 2, I shall pay to the Company and/or the appropriate Released Party all their costs and attorneys' fees incurred in their defense of my action. It is understood and agreed by me and the Company, however, that I shall not be required to repay the amounts paid to me under the terms of this Agreement or pay the Company and/or the appropriate Released Party all their costs and attorneys' fees incurred in their defense of my action (except those attorneys' fees or costs specifically authorized under federal or state law) in the event that I seek to challenge my waiver of claims under the Age Discrimination in Employment Act or Section 510 of the Employee Retirement Income Security Act (“ERISA”), 29 U.S.C. § 1140.

TAKE THIS AGREEMENT HOME, READ IT, AND CAREFULLY CONSIDER ALL OF ITS PROVISIONS BEFORE SIGNING IT: IT INCLUDES A RELEASE OF KNOWN AND UNKNOWN CLAIMS. IF YOU WISH, YOU SHOULD TAKE ADVANTAGE OF THE FULL CONSIDERATION PERIOD AFFORDED BY SECTION 6 AND YOU SHOULD CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT.

Executed this __________ day of __________, 2024

____
Brian Newman

____
By the Company

Norman M. Brothers, Jr., Chief Legal and Compliance Officer
____
Name and Title

Initials: ______

EXHIBIT A

COMPENSATION SUMMARY AND ESTIMATES

Cash Severance	
1X Annual Base Salary	$837,725.40
1X Target Annual MIP Award	$963,384.21
COBRA (18 months)	$29,361.42
Total Estimated Cash Severance	**$1,830,471.03**

MIP Award Treatment
Prorated 2024 estimate MIP
(*final amount determined based on 2024 MIP factor*) **$481,692.11**

Equity Treatment

Previously granted LTIP RPUs are earned on a prorated basis, based upon the number of months worked during the applicable performance period. LTIP awards will vest and be paid on the original applicable LTIP award cycle schedule. LTIP award values below are estimated based on a target (100%) payout percentage and a class B stock price of $146.43 (the closing price of a share of class B common stock on the NYSE on May 3, 2024). Actual award values will depend upon the share price on the date the award is vested, and the performance payout percentage as determined by the Committee.

2022 LTIP (30/36 proration)	$2,579,871
2023 LTIP (18/36 proration)	$1,838,649
2024 LTIP (6/36 proration)	$726,731
Total Estimated LTIP Value	**$5,145,251**

All vested stock options shall remain exercisable until the earlier of the first anniversary of the Separation or the original expiration date for such Options. Unvested options are forfeited.

2020 Vested Options	24,308
2021 Vested Options	9,483
2022 Vested Options	3,160
2023 Vested Options	1,980
2024 Vested Options	0
Total Number of Options	**38,931**

Career Counseling Amount **$20,000**

Initials: ______

EXHIBIT B

SUPPLEMENTAL RELEASE

In furtherance of my obligations pursuant to Section 1(a), 1(c)(ii) and 2(g) in the Separation Agreement that I, Brian Newman, signed in connection with my separation from employment with United Parcel Service, Inc., including its subsidiaries and affiliates, (the "Company") (the "Agreement"), I hereby agree to the terms forth below (the "Supplemental Release"). Capitalized terms not defined in this Supplemental Release shall have the same definitions as set forth in the Agreement.

1. Supplemental Release

(a) **In General:** In exchange for the Company's promises contained in the Agreement, I agree to irrevocably and unconditionally release any and all Claims I may now have against the Company and other parties as set forth in this Section 1 which may have arisen between the date I signed the Agreement and the date I sign this Supplemental Release.

(b) **Released Parties:** The Released Parties are the Company, all related companies, partnerships, or joint ventures, employee benefits plans of the Company and, with respect to each of them, their predecessors and successors; and, with respect to each such entity, all of its past and present employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs), and any other persons acting by, through, under or in concert with any of the persons or entities listed in this subsection.

(c) **Claims Released:** I understand and agree that I am releasing (i.e., giving up) all known and unknown claims, promises, causes of action, or similar rights of any type that I may presently have (the "Claims") against any Released Party, except as provided in Section 2(e) below. For example, I am releasing all common law contract, tort or other claims I might have, as well as claims I might have under the Age Discrimination in Employment Act (ADEA), the Older Workers Benefit Protection Act, the WARN Act, Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, the Americans With Disabilities Act (ADA), the Employee Retirement Income Security Act of 1974 (ERISA), the Family and Medical Leave Act, the Genetic Information Nondiscrimination Act, the anti-retaliation provisions of the Fair Labor Standards Act, the Equal Pay Act, the Occupational Safety and Health Act, the Worker Adjustment and Retraining Notification Act, the Occupational Safety and Health Act, the Fair Credit Reporting Act, and similar state and local laws.

(d) **Pending Claims:** I do not have a pending claim of unlawful discrimination, harassment, sexual harassment, abuse, assault or other criminal conduct, or retaliation.

(e) **Unknown Claims:** I understand that I am releasing Claims that I may not know about. That is my knowing and voluntary intent, even though I recognize that someday I might learn that some or all of the facts I currently believe to be true are untrue and even though I might then regret having signed this Supplemental Release. Nevertheless, I am assuming that risk and I agree that this Agreement shall remain effective in all respects in any such case. I expressly waive all rights I might have under any law that is intended to protect me from waiving unknown claims. I understand the significance of doing so.

(f)**Claims Not Released:** I understand and agree that this Supplemental Release does not release any claims that the law does not permit me to release. I further understand and agree that I am not releasing any claim that relates to: (i) my right to enforce this Agreement; (ii) my right, if any, to claim government-provided unemployment benefits; (iii) the rights I retain pursuant to Section 2(f) of the Agreement; or (iv) any rights or claims which may arise or accrue after I sign this Supplemental Release.

(g) **Ownership of Claims:** I have not assigned, transferred or given away any of the Claims I am releasing, nor have I purported to do so. I hereby acknowledge that no child support order, garnishment orders, or other orders requiring me to pay money to any other person are now in effect.

(h) **Pursuit of Claims under EDR Program:** I understand that by signing this Supplemental Release I am waiving any rights pursuant to the Company's Employee Dispute Resolution ("EDR") Program to challenge or seek reconsideration of any employment action or to seek reconsideration of the terms of this Agreement.

(i)**Promise Not to Litigate Released Claims:** Except as specifically identified below, I have not filed or caused to be filed any lawsuit or arbitration with respect to any Claim this Supplemental Release purports to release. Except as expressly set forth below regarding my Protected Rights, I promise never to litigate any Claim that I have released by signing this Supplemental Release, whether by means of a lawsuit or arbitration, and whether as a named plaintiff, class member, or otherwise.

(j)**Protected Rights:** I understand that nothing contained in this Supplemental Release limits my ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). I further understand that this Supplemental Release does not limit my ability to communicate or share information with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies. However, based on my release of claims set forth in this Supplemental Release and in Section 3 of the Agreement, I understand that I am releasing all claims and causes of action that I might personally pursue or that might be pursued in my name and, to the extent permitted by applicable law, my right to recover monetary damages or obtain injunctive relief that is personal to me in connection with such claims and causes of action.

(k) **Tender Back Provision:** Should I ever attempt to challenge the terms of this Supplemental Release, attempt to obtain an order declaring this Supplemental Release to be null and void, or institute litigation against the Company or any other Released Party based upon a Claim which is covered by the terms of the Supplemental Release, I will as a condition precedent to such action repay all amounts paid to me under the terms of the Agreement. Furthermore, if I do not prevail in an action to challenge this Supplemental Release, to obtain an order declaring this Supplemental Release to be null and void, or in any action against the Company or any other Released Party based upon a Claim which is covered by the Supplemental Release, I shall pay to the Company and/or the appropriate Released Party all their costs and attorneys' fees incurred in their defense of my action. It is understood and

Initials: ______

agreed by me and the Company, however, that I shall not be required to repay the amounts paid to me under the terms of the Agreement or pay the Company and/or the appropriate Released Party all their costs and attorneys' fees incurred in their defense of my action (except those attorneys' fees or costs specifically authorized under federal or state law) in the event that I seek to challenge my waiver of claims under the Age Discrimination in Employment Act or Section 510 of the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. § 1140.

(l) **Non-Admission of Liability:** I agree that this Agreement is not an admission of liability, guilt, or wrongdoing by the Released Parties, and I acknowledge that the Released Parties do not believe or admit that they have done anything wrong.

2. Review, Acceptance, and Revocation

(a) I acknowledge and agree to the following: Before signing this Supplemental Release, I was given at least twenty-one calendar days to consider this Supplemental Release, and if I sign the Supplemental Release before the end of the twenty-one-day period, it will be my voluntary decision to do so because I have decided that I do not need any additional time to decide whether to sign the Supplemental Release;

(b) I took advantage of the time I was provided, to the extent I desired, to consider this Supplemental Release before signing it;

(c) Before signing this Supplemental Release, I carefully read the Supplemental Release and each of its provisions, and I fully understand what the Supplemental Release and each of its provisions mean;

(d) I am entering into this Supplemental Release knowingly and voluntarily;

(e) I understand that this Supplemental Release requires me to release any and all claims of age discrimination under the ADEA and I am receiving valuable consideration in exchange for my execution of this Supplemental Release that I would not otherwise be entitled to receive;

(f) The Company hereby advises me to consult with an attorney (at my own expense) before signing this Supplemental Release.

(g) I understand that if I do not execute and submit this Supplemental Release before June 23, 2024 to Norm Brothers at XXXXXXX, I will not be entitled to receive the Consideration specified in section 1(c)(ii) of the Separation Agreement and General Release I previously executed.

(h) I understand that I may revoke my acceptance of this Supplemental Release within seven calendar days after I sign the Supplemental Release, in which case I will not be entitled to receive the Consideration or any other benefit under the Agreement. To revoke, I must notify UPS in writing by submitting a notice of revocation to Norm Brothers at XXXXXXXXX before the end of the seven-day revocation period.

Initials: ______

Executed this __________ day of __________, 2024

____
Brian Newman

____
By the Company

Norman M. Brothers, Jr., Chief Legal and Compliance Officer
____
Name and Title

Initials: ______

Initials: ______

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Carol B. Tomé, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Parcel Service, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CAROL B. TOMÉ

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

August 7, 2024

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Brian Dykes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Parcel Service, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ BRIAN DYKES

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

August 7, 2024

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 Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the “Corporation”) for the period ended June 30, 2024, 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)

August 7, 2024

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 Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the “Corporation”) for the period ended June 30, 2024, 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)

August 7, 2024