

REFINITIV

DELTA REPORT

10-Q

UPS - UNITED PARCEL SERVICE INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2576
CHANGES	270
DELETIONS	818
ADDITIONS	1488

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023 March 31, 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

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United Parcel Service, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

55 Glenlake Parkway N.E. , Atlanta, Georgia

(Address of Principal Executive Offices)

58-2480149

(IRS Employer
Identification No.)

30328

(Zip Code)

(404) 828-6000

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Class B common stock, par value \$0.01 per share	UPS	New York Stock Exchange
0.375% Senior Notes due 2023	UPS23A	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",

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

"smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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 128,669,028 126,159,503 Class A shares, and 723,256,561 729,399,444 Class B shares, with a par value of \$0.01 per share, outstanding at October 19, 2023 April 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, 2022** **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, the impact of: continued uncertainties arising from the COVID-19 pandemic; to: changes in general economic conditions in the United States (“U.S.”) or internationally; industry evolution significant competition on a local, regional, national and significant competition; international basis; changes in our relationships with any of our significant customers; our ability to attract and retain qualified employees; strikes, work stoppages or slowdowns by our employees; impacts arising from negotiations and ratifications of labor contracts; 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; increased or more complex physical security requirements; a significant data breach or information technology system disruption; 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, and jet fuel or 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; significant increases in our expenses and 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 laws and regulations including relating 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, 2022** **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				
September 30, 2023 March 31, 2024 (unaudited) and December 31, 2022 December 31, 2023 (in millions)				
September 30, 2023		December 31, 2022		
March 31, 2024		March 31, 2024		December 31, 2023
ASSETS	ASSETS			
Current Assets:	Current Assets:			
Current Assets:				
Current Assets:				

Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents	Cash and cash equivalents	\$ 4,311	\$ 5,602
Marketable securities	Marketable securities	2,967	1,993
Accounts receivable	Accounts receivable	9,593	12,729
Less: Allowance for credit losses	Less: Allowance for credit losses	(132)	(146)
Accounts receivable, net	Accounts receivable, net	9,461	12,583
Materials and supplies			
Other current assets	Other current assets	2,512	2,039
Total Current Assets	Total Current Assets	19,251	22,217
Property, Plant and Equipment, Net	Property, Plant and Equipment, Net	36,013	34,719
Operating Lease Right-Of-Use Assets	Operating Lease Right-Of-Use Assets	4,162	3,755
Goodwill	Goodwill	4,097	4,223
Intangible Assets, Net	Intangible Assets, Net	2,892	2,796
Deferred Income Tax Assets	Deferred Income Tax Assets	127	139
Other Non-Current Assets	Other Non-Current Assets	3,739	3,275
Total Assets	Total Assets	\$ 70,281	\$ 71,124
LIABILITIES AND SHAREOWNERS' EQUITY	LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:	Current Liabilities:		
Current Liabilities:			
Current Liabilities:			
Current maturities of long-term debt, commercial paper and finance leases			
Current maturities of long-term debt, commercial paper and finance leases			
Current maturities of long-term debt, commercial paper and finance leases	Current maturities of long-term debt, commercial paper and finance leases	\$ 2,243	\$ 2,341
Current maturities of operating leases	Current maturities of operating leases	664	621

Accounts payable	Accounts payable	5,972	7,515
Accrued wages and withholdings	Accrued wages and withholdings	3,341	4,049
Self-insurance reserves	Self-insurance reserves	1,065	1,069
Accrued group welfare and retirement plan contributions	Accrued group welfare and retirement plan contributions	1,306	1,078
Other current liabilities	Other current liabilities	1,226	1,467
Total Current Liabilities	Total Current Liabilities	15,817	18,140
Long-Term Debt and Finance Leases	Long-Term Debt and Finance Leases	18,882	17,321
Non-Current Operating Leases	Non-Current Operating Leases	3,651	3,238
Pension and Postretirement Benefit Obligations	Pension and Postretirement Benefit Obligations	4,670	4,807
Deferred Income Tax Liabilities	Deferred Income Tax Liabilities	4,601	4,302
Other Non-Current Liabilities	Other Non-Current Liabilities	3,480	3,513
Shareowners' Equity:	Shareowners' Equity:		
Class A common stock (130 and 134 shares issued in 2023 and 2022, respectively)		2	2
Class B common stock (722 and 725 shares issued in 2023 and 2022, respectively)		7	7
Class A common stock (126 and 127 shares issued in 2024 and 2023, respectively)			
Class A common stock (126 and 127 shares issued in 2024 and 2023, respectively)			
Class A common stock (126 and 127 shares issued in 2024 and 2023, respectively)			
Class B common stock (729 and 726 shares issued in 2024 and 2023, respectively)			
Additional paid-in capital	Additional paid-in capital	—	—
Retained earnings	Retained earnings	20,699	21,326
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(1,540)	(1,549)

Deferred compensation obligations	Deferred compensation obligations	9	13
Less: Treasury stock (0.2 shares in both 2023 and 2022)		(9)	(13)
Less: Treasury stock (0.1 and 0.2 shares in 2024 and 2023, respectively)			
Total Equity for Controlling Interests	Total Equity for Controlling Interests	19,168	19,786
Noncontrolling interests	Noncontrolling interests	12	17
Total Shareowners' Equity	Total Shareowners' Equity	19,180	19,803
Total Liabilities and Shareowners' Equity	Total Liabilities and Shareowners' Equity	\$ 70,281	\$ 71,124

See notes to unaudited, consolidated financial statements.

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

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
Revenue	Revenue	\$ 21,061	\$ 24,161	\$ 66,041	\$ 73,305		
Operating Expenses:	Operating Expenses:						
Compensation and benefits	Compensation and benefits						
Compensation and benefits	Compensation and benefits	11,528	11,489	34,187	34,434		
Repairs and maintenance	Repairs and maintenance	719	732	2,126	2,160		
Depreciation and amortization	Depreciation and amortization	837	774	2,499	2,300		
Purchased transportation	Purchased transportation	3,118	4,179	9,834	13,176		
Fuel	Fuel	1,132	1,530	3,493	4,447		
Other occupancy	Other occupancy	481	435	1,490	1,358		
Other expenses	Other expenses	1,903	1,909	5,748	5,531		
Total Operating Expenses	Total Operating Expenses	19,718	21,048	59,377	63,406		
Operating Profit	Operating Profit	1,343	3,113	6,664	9,899		
Other Income (Expense):	Other Income (Expense):						
Investment income and other	Investment income and other	124	333	424	981		
Investment income and other	Investment income and other						
Interest expense	Interest expense	(199)	(177)	(578)	(522)		
Total Other Income (Expense)	Total Other Income (Expense)	(75)	156	(154)	459		
Income Before Income Taxes	Income Before Income Taxes	1,268	3,269	6,510	10,358		
Income Tax Expense	Income Tax Expense	141	685	1,407	2,263		
Net Income	Net Income	\$ 1,127	\$ 2,584	\$ 5,103	\$ 8,095		
Basic Earnings Per Share	Basic Earnings Per Share	\$ 1.31	\$ 2.97	\$ 5.93	\$ 9.27		

Diluted Earnings Per Share

Diluted Earnings Per Share	\$	1.31	\$	2.96	\$	5.92	\$	9.24
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STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(In millions)
(unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Net Income	Net Income	\$ 1,127	\$ 2,584	\$ 5,103	\$ 8,095
Net Income					
Net Income					
Change in foreign currency translation adjustment, net of tax					
Change in foreign currency translation adjustment, net of tax					
Change in foreign currency translation adjustment, net of tax	Change in foreign currency translation adjustment, net of tax	(96)	(263)	4	(548)
Change in unrealized gain (loss) on marketable securities, net of tax	Change in unrealized gain (loss) on marketable securities, net of tax	(2)	(3)	(11)	(10)
Change in unrealized gain (loss) on marketable securities, net of tax					
Change in unrealized gain (loss) on marketable securities, net of tax					
Change in unrealized gain (loss) on cash flow hedges, net of tax					
Change in unrealized gain (loss) on cash flow hedges, net of tax					
Change in unrealized gain (loss) on cash flow hedges, net of tax	Change in unrealized gain (loss) on cash flow hedges, net of tax	111	281	(46)	558
Change in unrecognized pension and postretirement benefit costs, net of tax	Change in unrecognized pension and postretirement benefit costs, net of tax	21	18	62	60
Comprehensive Income (Loss)		\$ 1,161	\$ 2,617	\$ 5,112	\$ 8,155
Change in unrecognized pension and postretirement benefit costs, net of tax					
Change in unrecognized pension and postretirement benefit costs, net of tax					
Comprehensive Income					
Comprehensive Income					
Comprehensive Income					

See notes to unaudited, consolidated financial statements.

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

(unaudited)

		Nine Months Ended September 30,		Three Months Ended March 31,		
		2023	2022	2024		2023
Cash Flows From Operating Activities:	Cash Flows From Operating Activities:					
Net income	Net income	\$5,103	\$ 8,095			
Net income						
Net income						
Adjustments to reconcile net income to net cash from operating activities:	Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	Depreciation and amortization	2,499	2,300			
Pension and postretirement benefit (income) expense		729	666			
Depreciation and amortization						
Depreciation and amortization						
Pension and postretirement benefit expense						
Pension and postretirement benefit contributions	Pension and postretirement benefit contributions	(1,363)	(2,106)			
Self-insurance reserves	Self-insurance reserves	81	182			
Deferred tax (benefit) expense	Deferred tax (benefit) expense	327	466			
Stock compensation expense	Stock compensation expense	186	850			
Other (gains) losses	Other (gains) losses	89	(25)			
Changes in assets and liabilities, net of effects of business acquisitions:	Changes in assets and liabilities, net of effects of business acquisitions:					
Accounts receivable	Accounts receivable					
Accounts receivable	Accounts receivable	2,880	1,022			
Other assets	Other assets	(252)	(98)			
Accounts payable	Accounts payable	(2,058)	(952)			
Accrued wages and withholdings	Accrued wages and withholdings	(155)	(59)			
Other liabilities	Other liabilities	(157)	481			

Other operating activities	Other operating activities	(82)	(50)
Net cash from operating activities	Net cash from operating activities	7,827	10,772
Cash Flows From Investing Activities:	Cash Flows From Investing Activities:		
Capital expenditures	Capital expenditures	(3,109)	(2,278)
Capital expenditures			
Capital expenditures			
Proceeds from disposal of businesses, property, plant and equipment	Proceeds from disposal of businesses, property, plant and equipment	167	12
Purchases of marketable securities	Purchases of marketable securities	(3,347)	(195)
Sales and maturities of marketable securities	Sales and maturities of marketable securities	2,397	193
Acquisitions, net of cash acquired	Acquisitions, net of cash acquired	(39)	(106)
Other investing activities	Other investing activities	2	(34)
Net cash used in investing activities		(3,929)	(2,408)
Net cash (used in) from investing activities			
Cash Flows From Financing Activities:	Cash Flows From Financing Activities:		
Net change in short-term debt			
Net change in short-term debt			
Net change in short-term debt	Net change in short-term debt	415	—
Proceeds from long-term borrowings	Proceeds from long-term borrowings	2,546	—
Repayments of long-term borrowings	Repayments of long-term borrowings	(1,625)	(1,124)
Purchases of common stock	Purchases of common stock	(2,250)	(2,194)
Issuances of common stock	Issuances of common stock	190	198
Dividends	Dividends	(4,034)	(3,842)
Other financing activities	Other financing activities	(427)	(513)
Net cash used in financing activities		(5,185)	(7,475)
Net cash (used in) from financing activities			
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash		
		(4)	(99)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(1,291)	790
Cash, Cash Equivalents and Restricted Cash:	Cash, Cash Equivalents and Restricted Cash:		
Beginning of period			
Beginning of period			
Beginning of period	Beginning of period	5,602	10,255
End of period	End of period	\$4,311	\$11,045

See notes to unaudited, consolidated financial statements.

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

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Principles of Consolidation

The accompanying unaudited, consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited, consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly our financial position as of September 30, 2023, March 31, 2024 and our results of operations for the three and nine months ended September 30, 2023 and 2022, and our cash flows for the nine months ended September 30, 2023, March 31, 2024 and 2022, 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, 2022 December 31, 2023.

In the first nine months of 2023, we reclassified certain operating expenses to better align with the manner in which we manage our operations. Substantially all of these costs were previously classified within operating expenses as *Other expenses* and have now been classified within operating expenses as *Repairs and maintenance* in the statements of consolidated income. The remaining line items within operating expenses impacted by this reclassification were inconsequential. As a result, the statements of consolidated income give effect to this reclassification as follows:

- For the three and nine months ended September 30, 2023: decreasing *Other expenses* by \$93 and \$273 million, and increasing *Repairs and maintenance* by \$89 and \$265 million, respectively.
- For the three and nine months ended September 30, 2022: decreasing *Other expenses* by \$90 and \$244 million, and increasing *Repairs and maintenance* by \$93 and \$252 million, respectively.

The reclassification had no impact on our reported revenue, operating profit, net income, or any internal performance measure on which management is compensated.

Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, accounts receivable, finance receivables and accounts payable approximated fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, suppliers sold them \$640 \$406 and \$806 \$504 million, respectively, of our outstanding payment obligations.

Restricted cash

As of March 31, 2024 and December 31, 2023, we had \$93 and \$37 million, respectively of restricted cash. As of March 31, 2024, this restricted cash is included in *Other Non-Current Assets* in our consolidated balance sheet and is included in *Total cash, cash equivalents and restricted cash* in our statement of consolidated cash flows. The restricted cash

primarily relates to cash we have 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. We are cooperating in this matter and believe that we have a number of meritorious defenses.

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

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

In September 2022, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU") to enhance the disclosure of supplier finance programs. This ASU did not affect the recognition, measurement or financial statement presentation of obligations covered by supplier finance programs. We adopted the requirements of this ASU as of January 1, 2023 and have included required disclosures within note 1.

Other 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 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, September 30, 2023 March 31, 2024, are not expected to have a material impact on our consolidated financial position, results of operations, cash flows or internal controls.

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

NOTE 3. 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 September 30,		Nine Months Ended September 30,	
2023	2022	2023	2022
Three Months Ended March 31,		Three Months Ended March 31,	
Three Months Ended March 31,		Three Months Ended March 31,	
Three Months Ended March 31,		Three Months Ended March 31,	
2024		2024	
		2023	

Revenue:	Revenue:				
Next Day Air					
Next Day Air					
Next Day Air	Next Day Air	\$ 2,372	\$ 2,673	\$ 7,240	\$ 7,923
Deferred	Deferred	1,128	1,311	3,491	4,123
Ground	Ground	10,160	11,390	32,312	33,911
U.S.	U.S.				
Domestic	Domestic				
Package	Package	13,660	15,374	43,043	45,957
Domestic	Domestic	742	785	2,299	2,465
Domestic					
Domestic					
Export	Export	3,367	3,747	10,387	11,501
Cargo & Other	Cargo & Other	158	267	539	782
International	International				
Package	Package	4,267	4,799	13,225	14,748
Forwarding					
Forwarding					
Forwarding	Forwarding	1,327	2,162	4,217	7,140
Logistics	Logistics	1,430	1,302	4,271	3,843
Other	Other	377	524	1,285	1,617
Supply Chain	Supply Chain				
Solutions	Solutions	3,134	3,988	9,773	12,600
Consolidated revenue	Consolidated revenue	\$21,061	\$24,161	\$66,041	\$73,305
Consolidated revenue					
Consolidated revenue					

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.

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

Contract assets and liabilities as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** were as follows (in millions):

	Balance Sheet Location	September 30, 2023	December 31, 2022
Balance Sheet Location	Balance Sheet Location	March 31, 2024	December 31, 2023
Contract Assets:	Contract Assets:		
Revenue related to in-transit packages			

Revenue related to in-transit packages				
Revenue related to in-transit packages	Revenue related to in-transit packages	Other current assets	\$ 233	\$ 308
Contract Liabilities:	Contract Liabilities:			
Contract Liabilities:				
Short-term advance payments from customers				
Short-term advance payments from customers				
Short-term advance payments from customers	Short-term advance payments from customers	Other current liabilities	\$ 13	\$ 11
Long-term advance payments from customers	Long-term advance payments from customers	Other non-current liabilities	\$ 25	\$ 26

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 September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023 was \$132, \$144 and \$146 million, \$126 million, respectively. Amounts for credit losses charged to expense, before recoveries, during each of the three months ended September 30, 2023, March 31, 2024 and 2022, 2023 were \$49, \$73 and \$48 million, respectively, and for the nine months ended September 30, 2023 and 2022 were \$133 and \$154 million, \$43 million, respectively.

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

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") and 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 accrued earned on Restricted Units are reinvested in additional Restricted Units at each dividend payable date and are subject until conversion to the same vesting and forfeiture conditions as the underlying Restricted Units. class A shares occurs.

Our primary equity compensation programs are the UPS Long-Term Incentive Performance Program 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. We also maintain an employee stock purchase plan which allows eligible employees to purchase shares of UPS class A common stock at a discount.

On November 2, 2022, we amended and restated the terms and conditions of the UPS Management Incentive Program (the "MIP") effective January 1, 2023, to provide that awards under the MIP will be fully electable in the form of cash or unrestricted shares of class A common stock.

Pre-tax compensation expense for share-based stock compensation awards recognized in Compensation and benefits in the statements of consolidated income for the three months ended September 30, 2023, March 31, 2024 and 2022, 2023 was \$21, \$(27) and \$233 million, respectively, and for the nine months ended September 30, 2023 and 2022 was \$186 and \$850, \$126 million, respectively.

Management Incentive Award Program

RPUs issued under the UPS Management Incentive 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 MIP prior to 2022 vested one year following award in unrestricted shares of class A common stock. As of March 31, 2024, the grant date subject to continued employment with the Company and were expensed on a straight-line basis (less estimated forfeitures) over the requisite service period. In cases of death, disability or retirement, RPU

s issued under the MIP in 2022 vested on December 31, 2022. As a result, the award was classified as a compensation obligation and recorded in within Accrued wages and withholdings on the in our consolidated balance sheet at that date. Based on the date of the Compensation and Human Capital Committee of the UPS Board of Directors (the "Compensation Committee") approval of the 2022 MIP, we determined the award measurement date to be February 8, 2023 for U.S.-based employees, including executive management, and March 20, 2023 for international employees. Each RPU issued under the MIP was valued using the closing New York Stock Exchange ("NYSE") prices of \$186.36 and \$183.49 on those dates. The compensation obligation recognized as of December 31, 2022 was relieved and the issuance of RPU

Long-Term Incentive Performance Program

RPU

s 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 RPU

s 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 actual final number of RPU

s earned is will then be subject to adjustment based on total shareholder return relative to the Standard & Poor's 500 Index ("S&P 500") Index. We determine the grant date fair value of the RPU

	2024	2023
Risk-free interest rate	4.45 %	3.81 %
Expected volatility	27.00 %	30.30 %
Weighted-average fair value of units granted	\$ 158.16	\$ 200.01
Share payout	102.20 %	107.80 %

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

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

The weighted-average assumptions used and the weighted-average fair values of the LTIP awards granted in 2023 and 2022 are as follows:

	2023	2022
Risk-free interest rate	3.81 %	2.35 %
Expected volatility	30.30 %	31.92 %
Fair value of RPU	\$ 198.98	\$ 227.00
Share payout	107.80 %	107.37 %

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 22, 2023 March 20, 2024, we granted 0.1 million0.2 million stock options at an exercise price of \$185.54, \$154.76, the NYSE 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 2023 2024 and 2022 2023 are as follows:

	2023	2022
Expected dividend yield	3.54 %	2.35 %
Risk-free interest rate	3.70 %	2.39 %
Expected life (in years)	5.93	7.50
Expected volatility	28.31 %	25.04 %
Fair value of options granted	\$ 41.08	\$ 48.45

	2024	2023
Expected dividend yield	3.96 %	3.54 %

Mortgage and asset-backed debt securities	Mortgage and asset-backed debt securities	7	—	—	7
Corporate debt securities	Corporate debt securities	1,962	—	(17)	1,945
U.S. state and local municipal debt securities		2	—	—	2
Non-U.S. government debt securities					
Non-U.S. government debt securities					
Non-U.S. government debt securities	Non-U.S. government debt securities	41	—	—	41
Total available-for-sale marketable securities	Total available-for-sale marketable securities	2,992	—	(29)	2,963
Total available-for-sale marketable securities					
Total available-for-sale marketable securities					
Total current marketable securities					
Total current marketable securities					
Total current marketable securities	Total current marketable securities	\$ 2,996	\$ —	\$ (29)	\$ 2,967
		Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value

December 31, 2022:

		Cost	Unrealized Gains	Unrealized Losses
December 31, 2023:				
Current trading marketable securities:	Current trading marketable securities:			
Current trading marketable securities:				
Current trading marketable securities:				
Equity securities				
Equity securities				
Equity securities	Equity securities	\$ 2	\$ —	\$ —
Total trading marketable securities	Total trading marketable securities	2	—	—
Total trading marketable securities				
Total trading marketable securities				
Current available-for-sale securities:	Current available-for-sale securities:			

Current available-for-sale securities:					
Current available-for-sale securities:					
U.S. government and agency debt securities					
U.S. government and agency debt securities					
U.S. government and agency debt securities	U.S. government and agency debt securities	355	—	(8)	347
Mortgage and asset-backed debt securities	Mortgage and asset-backed debt securities	9	—	—	9
Corporate debt securities	Corporate debt securities	1,472	—	(6)	1,466
U.S. state and local municipal debt securities	U.S. state and local municipal debt securities	4	—	—	4
Non-U.S. government debt securities					
Non-U.S. government debt securities					
Non-U.S. government debt securities	Non-U.S. government debt securities	165	—	—	165
Total available-for-sale marketable securities	Total available-for-sale marketable securities	2,005	—	(14)	1,991
Total available-for-sale marketable securities					
Total available-for-sale marketable securities					
Total current marketable securities					
Total current marketable securities					
Total current marketable securities	Total current marketable securities	\$ 2,007	\$ —	\$ (14)	\$ 1,993

Investment Impairments

We have concluded that no material impairment losses existed within marketable securities as of September 30, 2023 March 31, 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.

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

Maturity Information

The amortized cost and estimated fair value of marketable securities as of September 30, 2023 March 31, 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
--	------	----------------------

Cost		Cost		Estimated Fair Value
Due in one year or less	Due in one year or less	\$ 1,469	\$ 1,464	
Due after one year through three years	Due after one year through three years	1,515	1,491	
Due after three years through five years	Due after three years through five years	8	8	
Due after five years	Due after five years	—	—	
		2,992	2,963	
		232		
Equity securities	Equity securities	4	4	
		\$ 2,996	\$ 2,967	
				\$

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:* As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, equity securities accounted for under the equity method had a carrying value of **\$249** **\$293** and **\$256 million** **\$295 million**, 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*. As of **September 30, 2023** and **December 31, 2022**, we held equity *Securities*. Equity securities accounted for using under the measurement alternative had a carrying value of **\$33** **\$47 million** as of both **March 31, 2024** and **\$31 million**, respectively. **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 **\$18 million** **\$19 million** as of both **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**.

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

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.

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

The following table presents information about our investments measured at fair value on a recurring basis as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **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
--	---	--	-------

December 31, 2022:																			
		Quoted Prices in Active Markets for Identical Assets (Level 1)				Quoted Prices in Active Markets for Identical Assets (Level 1)				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:		Marketable Securities:																	
Marketable Securities:																			
Marketable Securities:																			
U.S. government and agency debt securities																			
U.S. government and agency debt securities																			
U.S. government and agency debt securities		U.S. government and agency debt securities		\$	279	\$	68	\$	—	\$	347								
Mortgage and asset-backed debt securities		Mortgage and asset-backed debt securities			—		9		—		9								
Corporate debt securities		Corporate debt securities			—		1,466		—		1,466								
U.S. state and local municipal debt securities		U.S. state and local municipal debt securities			—		4		—		4								
Equity securities																			
Equity securities																			
Equity securities		Equity securities			—		2		—		2								
Non-U.S. government debt securities		Non-U.S. government debt securities			—		165		—		165								
Non-U.S. government debt securities																			
Non-U.S. government debt securities																			
Total marketable securities																			
Total marketable securities																			
Total marketable securities		Total marketable securities			279		1,714		—		1,993								

Other non-current investments ⁽¹⁾	Other non-current investments ⁽¹⁾	—	18	—	18
Total	Total	\$ 279	\$ 1,732	\$ —	\$ 2,011

(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 **nine** **three** months ended **September 30, 2023** **March 31, 2024** or **2022, 2023**.

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

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** consisted of the following (in millions):

		2023	2022		
		2024		2024	2023
Vehicles	Vehicles	\$ 11,403	\$ 10,628		
Aircraft	Aircraft	22,780	22,598		
Land	Land	2,124	2,140		
Buildings	Buildings	6,164	6,032		
Building and leasehold improvements	Building and leasehold improvements	5,173	5,067		
Plant equipment	Plant equipment	16,961	16,145		
Technology equipment	Technology equipment	2,613	2,411		
Construction-in-progress	Construction-in-progress	2,852	2,409		
		70,070	67,430		
		72,213			
Less: Accumulated depreciation and amortization	Less: Accumulated depreciation and amortization	(34,057)	(32,711)		
Property, Plant and Equipment, Net	Property, Plant and Equipment, Net	\$ 36,013	\$ 34,719		

Property, plant and equipment purchased on account was **\$734** **\$204** and **\$176** **\$309** million as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

For the three and nine months ended **September 30, 2023** and **2022**, there **There** were no material impairment **charges**. **charges** for the three months ended **March 31, 2024** or **2023**.

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

NOTE 7. EMPLOYEE BENEFIT PLANS

Company-Sponsored Benefit Plans

Information about the net periodic benefit cost **(income)** for our company-sponsored pension and postretirement benefit plans for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** is as follows (in millions):

		U.S. Postretirement Medical Benefits		International Pension Benefits		U.S. Pension Benefits		U.S. Post Medical B
		2023	2022	2023	2022	2024	2023	2023
								2023

Three Months Ended September 30:							
Three Months Ended March 31:							
Service cost	Service cost						
Service cost	Service cost						
Service cost	Service cost	\$ 293	\$ 506	\$ 5	\$ 7	\$ 11	\$ 17
Interest cost	Interest cost	627	488	29	21	16	11
Expected return on assets	Expected return on assets	(742)	(820)	(3)	(1)	(21)	(19)
Amortization of prior service cost	Amortization of prior service cost	27	23	—	—	1	—
Amortization of prior service cost							
Net periodic benefit cost (income)							
		\$ 205	\$ 197	\$ 31	\$ 27	\$ 7	\$ 9
Amortization of prior service cost							
		U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
		2023	2022	2023	2022	2023	2022
Nine Months Ended September 30:							
Service cost		\$ 879	\$ 1,518	\$ 15	\$ 22	\$ 33	\$ 52
Interest cost		1,881	1,463	87	62	49	34
Expected return on assets		(2,225)	(2,460)	(9)	(3)	(63)	(59)
Amortization of prior service cost		80	69	1	—	1	1
Net periodic benefit cost							
Settlement and curtailment (gain) loss		—	—	—	—	—	(33)
Net periodic benefit cost (income)		\$ 615	\$ 590	\$ 94	\$ 81	\$ 20	\$ (5)
Net periodic benefit cost							
Net periodic benefit cost							

The components of net periodic benefit cost (income) other than current service cost are presented within *Investment income and other* in the statements of consolidated income.

During the nine three months ended September 30, 2022, we amended the UPS Canada Ltd. Retirement Plan to cease future benefit accruals effective December 31, 2023. We remeasured the plan's assets and benefit obligation, which resulted in a curtailment gain of \$33 million (\$24 million after-tax) for the nine months ended September 30, 2022. The gain is included in *Investment income and other* in the statement of consolidated income.

During the nine months ended September 30, 2023 March 31, 2024, we contributed \$1.3 billion \$19 million and \$108 million \$31 million to our company-sponsored pension and U.S. postretirement medical benefit plans, respectively. We expect to contribute approximately \$26 and \$10 million \$87 million over the remainder of the year to our pension and U.S. postretirement medical benefit plans, respectively. plans.

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 annual contribution increases allotted to the plans that we participate in, and we are in compliance with these contribution rates. These limitations on annual contribution rates will remain in effect throughout the terms of the existing collective bargaining agreements.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had \$815 \$811 and \$821 million \$813 million, respectively, recorded in *Other Non-Current Liabilities* in our consolidated balance sheets and \$8 million \$9 million as of each of September 30, 2023 both March 31, 2024 and December 31, 2022 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 39 years. Based on the borrowing rates currently available to us for long-term financing of a similar maturity, the fair value of this withdrawal liability as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was \$642 \$685 and \$686 million \$710 million, respectively. We utilized Level 2 inputs in the fair value hierarchy of valuation techniques to determine the fair value of this liability.

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

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 March 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 and, in 2022, in January 2023, \$35.8 billion was paid to the CSPF received \$35.8 billion from by the PBGC.

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

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 31st 31 measurement date. As of December 31, 2022 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 more than 300,000 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 were are scheduled to expire on July 31, 2023 July 31, 2028. On July 25, 2023, we reached a new tentative national master agreement with the Teamsters. On September 9, 2023, the agreement was fully ratified. The new agreement contains wage and benefit rate increases for both our part-time and full-time Teamster employees. Based on the most recent actuarial assumptions, the impact to the projected benefit obligation ("PBO") would be approximately \$0.6 billion. These enhancements will be recognized at the plans' next measurement date, which is expected to be December 31, 2023, and are subject to actuarial assumptions at that date which may further impact the final PBO calculation.

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 3,500 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 1,800 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 3,100 3,000 of our auto and maintenance mechanics who are not employed under agreements with the Teamsters are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers. These collective bargaining agreements run through July 31, 2024.

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

NOTE 8. GOODWILL AND INTANGIBLE ASSETS

The following table indicates the allocation of goodwill as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in millions):

	U.S. Domestic Package	International Package	Supply Chain Solutions	Consolidated
December 31, 2022:	\$ 847	\$ 492	\$ 2,884	\$ 4,223
Acquired	—	—	8	8
Impairments	—	—	(125)	(125)
Currency / Other	—	(5)	(4)	(9)
September 30, 2023:	\$ 847	\$ 487	\$ 2,763	\$ 4,097

	U.S. Domestic Package	International Package	Supply Chain Solutions	Consolidated
December 31, 2023:	\$ 847	\$ 503	\$ 3,522	\$ 4,872
Acquired	—	—	8	8
Currency / Other	—	(7)	(27)	(34)
March 31, 2024:	\$ 847	\$ 496	\$ 3,503	\$ 4,846

We conducted our most recent goodwill impairment testing as of July 1, 2023 using both qualitative and quantitative methods. Our quantitative tests utilize a combination of the income and market approaches. In developing our valuation assumptions underlying the annual impairment testing, we determined that the cost of capital for our Roadie and Delivery Solutions reporting units had increased, driven by increases in the risk-free interest rate and volatility of the stock prices of market comparables. The results of our testing using these assumptions indicated that the carrying values of our Roadie and Delivery Solutions reporting units exceeded their estimated fair values.

As a result, for the third quarter of 2023, we recorded an impairment charge of \$117 million (\$103 million after tax, or \$0.12 per diluted share) within *Other Expenses* in our Statement of Consolidated Income. This charge represented goodwill impairment of \$56 million related to the Roadie reporting unit and \$61 million related to Delivery Solutions, representing all of the goodwill associated with this reporting unit.

Additional changes in goodwill during the nine three months ended September 30, 2023 March 31, 2024 resulted from:

- An increase in goodwill of \$8 million, as part of purchase accounting for allocations relating to our acquisition acquisitions of Bomi Group MNX Global Logistics and Happy Returns in the fourth quarter of 2022, 2023. Certain areas of purchase accounting, including our estimates of non-current liabilities and tax positions, remain preliminary as of September 30, 2023 March 31, 2024.
- An immaterial impairment charge related to the closure of a trade management services business within Supply Chain Solutions.
- 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.

As of March 31, 2024, none of our reporting units had indications that an impairment was more likely than not. Approximately \$1.5 billion of our consolidated goodwill balance of \$4.8 billion is represented by our Global Freight Forwarding, our truckload brokerage ("Coyote") 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.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of intangible assets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
September 30, 2023:			
Capitalized software	\$ 5,637	\$ (3,790)	\$ 1,847
Licenses	71	(43)	28
Franchise rights	261	(46)	215
Customer relationships	852	(489)	363
Trade name	124	(24)	100
Trademarks, patents and other	188	(53)	135
Amortizable intangible assets	\$ 7,133	\$ (4,445)	\$ 2,688
Indefinite-lived intangible assets	204	—	204
Total Intangible Assets, Net	\$ 7,337	\$ (4,445)	\$ 2,892
December 31, 2022:			
Capitalized software	\$ 5,186	\$ (3,500)	\$ 1,686
Licenses	55	(30)	25
Franchise rights	226	(37)	189
Customer relationships	872	(453)	419
Trade name	125	(8)	117
Trademarks, patents and other	183	(27)	156

Amortizable intangible assets	\$ 6,647	\$ (4,055)	\$ 2,592
Indefinite-lived intangible assets	204	—	204
Total Intangible Assets, Net	\$ 6,851	\$ (4,055)	\$ 2,796

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
March 31, 2024:			
Capitalized software	\$ 5,923	\$ (4,007)	\$ 1,916
Licenses	45	(13)	32
Franchise rights	332	(48)	284
Customer relationships	1,114	(537)	577
Trade name	112	(19)	93
Trademarks, patents and other	377	(64)	313
Amortizable intangible assets	\$ 7,903	\$ (4,688)	\$ 3,215
Indefinite-lived intangible assets	93	—	93
Total Intangible Assets, Net	\$ 7,996	\$ (4,688)	\$ 3,308
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

A trade name and licenses with carrying values of \$200 \$89 and \$4 million, respectively, as of September 30, 2023 March 31, 2024 are deemed to be indefinite-lived intangible assets, and therefore are not amortized.

Our annual impairment testing indicated that As of March 31, 2024, the estimated fair value of the indefinite-lived trade name associated with our truckload brokerage business Coyote remained greater than its carrying value by less than 10 percent. The carrying value of the this trade name is \$200 \$89 million. Our truckload brokerage business continues to be negatively impacted by market conditions, which has resulted in revenue declines. We continue to monitor business performance and external factors affecting our valuation assumptions for this trade name. There were no events or changes in circumstances as of September 30, 2023 March 31, 2024 that would indicate the carrying amount amounts of our indefinite-lived intangible assets may be impaired as of the date of this report.

Impairment tests for For the three months ended March 31, 2024, we recorded impairment charges related to finite-lived intangible assets are performed when 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 triggering event occurs that may indicate that \$41 million charge to write down the carrying value of the intangible asset may not be recoverable. Impairment charges for finite-lived intangible assets were \$8 million for the three and nine months ended September 30, 2023. certain trade names acquired as part of our acquisition of Bomi Group as we consolidate our brands. There were no impairment charges for finite-lived intangible assets for the three and nine months ended September 30, 2022 March 31, 2023.

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

NOTE 9. DEBT AND FINANCING ARRANGEMENTS

The carrying value of our outstanding debt obligations as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consisted of the following (in millions):

Principal Amount	Maturity	Carrying Value	
		2023	2022
Principal Amount Principal Amount	Principal Amount Maturity		

Maturity					
Maturity					
Commercial paper					
Commercial paper					
Commercial paper	Commercial paper	\$ 461	2023-2024	\$ 458	\$ —
Fixed-rate senior notes:	Fixed-rate senior notes:				
2.500% senior notes		\$ —	2023	\$ —	\$ 999
Fixed-rate senior notes:					
Fixed-rate senior notes:					
2.800% senior notes					
2.800% senior notes					
2.800% senior notes	2.800% senior notes	500	2024	499	499
2.200% senior notes	2.200% senior notes	400	2024	400	399
2.200% senior notes					
2.200% senior notes					
3.900% senior notes					
3.900% senior notes					
3.900% senior notes	3.900% senior notes	1,000	2025	998	997
2.400% senior notes	2.400% senior notes	500	2026	499	499
2.400% senior notes					
2.400% senior notes					
3.050% senior notes					
3.050% senior notes					
3.050% senior notes	3.050% senior notes	1,000	2027	996	995
3.400% senior notes	3.400% senior notes	750	2029	747	747
3.400% senior notes					
3.400% senior notes					
2.500% senior notes					
2.500% senior notes					
2.500% senior notes	2.500% senior notes	400	2029	398	397
4.450% senior notes	4.450% senior notes	750	2030	745	744
4.450% senior notes					
4.450% senior notes					
4.875% senior notes					
4.875% senior notes					
4.875% senior notes	4.875% senior notes	900	2033	894	—
6.200% senior notes	6.200% senior notes	1,500	2038	1,485	1,485
6.200% senior notes					
6.200% senior notes					
5.200% senior notes					
5.200% senior notes					
5.200% senior notes	5.200% senior notes	500	2040	494	494
4.875% senior notes	4.875% senior notes	500	2040	491	491
4.875% senior notes					
4.875% senior notes					
3.625% senior notes					
3.625% senior notes					

3.625% senior notes	3.625% senior notes	375	2042	369	369
3.400% senior notes	3.400% senior notes	500	2046	492	492
3.400% senior notes					
3.400% senior notes					
3.750% senior notes					
3.750% senior notes					
3.750% senior notes	3.750% senior notes	1,150	2047	1,138	1,137
4.250% senior notes	4.250% senior notes	750	2049	743	743
4.250% senior notes					
4.250% senior notes					
3.400% senior notes					
3.400% senior notes					
3.400% senior notes	3.400% senior notes	700	2049	689	688
5.300% senior notes	5.300% senior notes	1,250	2050	1,231	1,231
5.300% senior notes					
5.300% senior notes					
5.050% senior notes	5.050% senior notes	1,100	2053	1,083	—
5.050% senior notes					
5.050% senior notes					
Floating-rate senior notes:					
Floating-rate senior notes:					
Floating-rate senior notes:	Floating-rate senior notes:				
Floating-rate senior notes	Floating-rate senior notes	—	2023	—	500
Floating-rate senior notes	Floating-rate senior notes	1,566	2049-2073	1,549	1,027
Floating-rate senior notes					
Debentures:					
Debentures:					
Debentures:	Debentures:				
7.620% debentures	7.620% debentures	276	2030	280	280
7.620% debentures					
7.620% debentures					
Pound Sterling notes:					
Pound Sterling notes:					
Pound Sterling notes:	Pound Sterling notes:				
5.500% notes	5.500% notes	81	2031	81	79
5.500% notes					
5.500% notes					
5.125% notes					
5.125% notes					
5.125% notes	5.125% notes	555	2050	527	521
Euro senior notes:	Euro senior notes:				
0.375% senior notes		741	2023	741	745
Euro senior notes:					
Euro senior notes:					
1.625% senior notes					

1.625% senior notes				
1.625% senior notes	1.625% senior notes	741	2025	739
1.000% senior notes	1.000% senior notes	530	2028	527
1.000% senior notes				
1.000% senior notes				
1.500% senior notes				
1.500% senior notes				
1.500% senior notes	1.500% senior notes	530	2032	527
Canadian senior notes:	Canadian senior notes:			530
Canadian senior notes:				
Canadian senior notes:				
2.125% senior notes	2.125% senior notes	556	2024	555
Finance lease obligations		425	2023-2046	425
2.125% senior notes				
2.125% senior notes				
Finance lease obligations (see note 10)				
Finance lease obligations (see note 10)				
Finance lease obligations (see note 10)				
Facility notes and bonds				
Facility notes and bonds				
Facility notes and bonds	Facility notes and bonds	320	2029-2045	320
Other debt	Other debt	5	2023-2026	5
Other debt				
Other debt				
Total debt				
Total debt				
Total debt	Total debt	\$ 21,312	21,125	19,662
Less:	Less:			
current maturities	current maturities		(2,243)	(2,341)
Less: current maturities				
Less: current maturities				
Long-term debt	Long-term debt	\$ 18,882	\$ 17,321	
Long-term debt				
Long-term debt				

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

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. As of September 30, 2023, we had \$458 million outstanding under our U.S. There was no commercial paper program, with an average interest rate outstanding as of 5.32% March 31, 2024. The amount of commercial paper outstanding under these programs in 2024 is expected to fluctuate. As of September 30, 2023, we have classified the entire commercial paper balance as a current liability on our consolidated balance sheet. There was no commercial paper outstanding at December 31, 2022.

Debt Classification

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

Debt Repayments

During the nine months ended September 30, 2023, As of March 31, 2024, we repaid approximately \$23 million of foreign-currency-denominated debt assumed in the Bomi Group acquisition.

On April 1, 2023, continued to classify our 2.500% Senior Notes with a principal balance of \$1.0 billion and our floating rate 2.200% senior notes with a principal balance of \$500 \$400 million matured and were repaid in full.

Debt Issuances

On February 23, 2023, we issued two series of notes in the principal amounts of \$900 million and \$1.1 billion. These notes bear interest at 4.875% and 5.050%, respectively, and mature on March 3, 2033 and March 3, 2053, respectively. Interest on the notes is payable semi-annually, beginning September 2023. 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 March 7, 2023, we issued floating rate senior notes with a principal balance of \$529 million. These notes bear interest at a rate equal to the compounded Secured Overnight Financing Rate ("SOFR") less 0.350% per year and mature on March 15, 2073. 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.

Reference Rate Reform

Our floating-rate senior notes that mature between 2049 in September 2024 as long-term debt in our consolidated balance sheet due to our intent and 2067 bore interest at rates that referenced ability to refinance the London Interbank Offer Rate ("LIBOR") for U.S. Dollars. As part of a broader program of reference rate reform, U.S. Dollar LIBOR rates ceased to be published after June 2023. Beginning July 1, 2023, we transitioned these notes to an alternative reference rate, SOFR, which was adopted in accordance with recommendations of the Alternative Reference Rates Committee. debt.

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 5, 2023 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 September 30, 2023 March 31, 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. We expect to renew this credit agreement in the fourth quarter of 2023 on substantially similar terms.

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 September 30, 2023 March 31, 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.

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

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

There were no amounts outstanding under these facilities as of September 30, 2023 March 31, 2024.

Debt Covenants

Our existing debt instruments and credit facilities subject us to certain financial covenants. As of September 30, 2023 March 31, 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 September 30, 2023 March 31, 2024, 10% of net tangible assets was equivalent to \$4.7 \$4.5 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 financial condition or 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 \$19.8 \$19.4 and \$18.2 billion \$22.1 billion as of September 30, 2023 March 31, 2024 and December 31, 2022 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.

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

NOTE 10. LEASES

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

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

We 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.

The components of lease expense for the three and nine months ended September 30, 2023, March 31, 2024 and 2022, 2023 were as follows (in millions):

(1) This table excludes sublease income as it was not material for the three and nine months ended September 30, 2023 or 2022.

Total lease costs⁽¹⁾Total lease costs⁽¹⁾

(1) This table excludes sublease income as it was not material for the three months ended March 31, 2024 or 2023.

(1) This table excludes sublease income as it was not material for the three months ended March 31, 2024 or 2023.

(1) This table excludes sublease income as it was not material for the three months ended March 31, 2024 or 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 months ended September 30, 2023. We recognized \$13 million of impairments during the nine months ended September 30, 2023. There were no material impairments recognized during the three March 31, 2024 or nine months ended September 30, 2022, 2023.

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

Supplemental information related to leases and location within our consolidated balance sheets is as follows (in millions, except lease term and discount rate):

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Operating Leases:	Operating Leases:				
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 4,162	\$ 3,755		
Operating lease right-of-use assets					
Operating lease right-of-use assets					
Current maturities of operating leases					
Current maturities of operating leases					
Current maturities of operating leases	Current maturities of operating leases	\$ 664	\$ 621		
Non-current operating leases	Non-current operating leases	3,651	3,238		
Total operating lease obligations	Total operating lease obligations	\$ 4,315	\$ 3,859		
Finance Leases:	Finance Leases:				
Finance Leases:					
Property, plant and equipment, net					
Property, plant and equipment, net					
Property, plant and equipment, net	Property, plant and equipment, net	\$ 810	\$ 959		
Current maturities of long-term debt, commercial paper and finance leases					
Current maturities of long-term debt, commercial paper and finance leases					

Current maturities of long-term debt, commercial paper and finance leases	Current maturities of long-term debt, commercial paper and finance leases	\$	86	\$	92				
Long-term debt and finance leases	Long-term debt and finance leases		339		298				
Total finance lease obligations	Total finance lease obligations	\$	425	\$	390				
Weighted average remaining lease term (in years):	Weighted average remaining lease term (in years):								
Weighted average remaining lease term (in years):	Weighted average remaining lease term (in years):								
Operating leases	Operating leases								
Operating leases	Operating leases								
Operating leases	Operating leases		11.0	10.8		10.7		10.8	
Finance leases	Finance leases		8.1	8.4		Finance leases	7.2		7.4
Weighted average discount rate:	Weighted average discount rate:								
Weighted average discount rate:	Weighted average discount rate:								
Weighted average discount rate:	Weighted average discount rate:								
Operating leases	Operating leases								
Operating leases	Operating leases								
Operating leases	Operating leases		3.04	%	2.32	%	3.30	%	3.20
Finance leases	Finance leases		3.72	%	3.17	%	Finance leases	3.91	%
Finance leases	Finance leases							3.88	%

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

		Nine Months Ended September 30,							
		2023	2022						
		Three Months Ended March 31,				Three Months Ended March 31,			
		2024		2024		2023			
Cash paid for amounts included in measurement of obligations:	Cash paid for amounts included in measurement of obligations:								
Operating cash flows from operating leases	Operating cash flows from operating leases								

Operating cash flows from operating leases			
Operating cash flows from operating leases	Operating cash flows from operating leases	\$ 627	\$ 523
Operating cash flows from finance leases	Operating cash flows from finance leases	10	3
Financing cash flows from finance leases	Financing cash flows from finance leases	101	123
Right-of-use assets obtained in exchange for lease obligations:	Right-of-use assets obtained in exchange for lease obligations:		
Right-of-use assets obtained in exchange for lease obligations:			
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases			
Operating leases			
Operating leases	Operating leases	\$ 1,013	\$ 588
Finance leases	Finance leases	\$ 136	\$ 98

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

Maturities of lease obligations as of **September 30, 2023** **March 31, 2024** were as follows (in millions):

		Finance Leases	Operating Leases
2023		\$ 32	\$ 180
Finance Leases		Finance Leases	
2024	2024	97	789
2025	2025	74	713
2026	2026	51	612
2027	2027	44	532
2028			
Thereafter	Thereafter	212	2,323
Total lease payments	Total lease payments	510	5,149
Less: Imputed interest	Less: Imputed interest	(85)	(834)
Total lease obligations	Total lease obligations	425	4,315
Less: Current obligations	Less: Current obligations	(86)	(664)

Long-term lease obligations	Long-term lease obligations	\$ 339	\$ 3,651
-----------------------------	-----------------------------	--------	----------

As of September 30, 2023 March 31, 2024, we had \$764 \$720 million of additional leases which had not commenced. These leases will commence between 2023 and later in 2024 or in 2025 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.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. LEGAL PROCEEDINGS AND CONTINGENCIES

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

Although there can be no assurances as to the ultimate outcome, we have generally denied, or believe we have meritorious defenses and will deny, liability in all 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 legal 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. At this time, 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 financial condition. One of these matters, Hughes v. UPS Supply Chain Solutions, Inc. and United Parcel Service, Inc. had previously been certified as a class action in Kentucky state court. In the second quarter of 2019, the court granted our motion for judgment on the pleadings related to the wage-and-hour claims. The plaintiffs' appeal of this decision was denied. However, they were granted a discretionary review by the Kentucky Supreme Court. In the first quarter of 2023, the Kentucky Supreme Court ruled in our favor. Plaintiffs subsequently filed a motion for rehearing, which was denied. liquidity.

In July 2023, another matter, 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, at this time, 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.

The Securities and Exchange Commission (the "SEC") has been investigating our controls and practices surrounding impairment analyses in connection with the sale 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, 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 sheet at March 31, 2024.

We are a party in 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 these any other matters (either individually or in the aggregate), including any reasonably possible losses in excess of current accruals, will have a material impact on our operations or financial condition.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. SHAREOWNERS' EQUITY

Capital Stock, Additional Paid-In Capital, Retained Earnings and Non-Controlling Interests

We are authorized to issue two classes of common stock, which are distinguished from each other primarily by their respective voting rights. Class A shares of UPS are entitled to 10 votes per share, whereas class B shares are entitled to one vote per share. Class A shares are primarily held by UPS employees and retirees, as well as trusts and descendants of the Company's founders, and these shares are fully convertible into class B shares at any time. Class B shares are publicly traded on the **NYSE New York Stock Exchange** under the symbol **"UPS" "UPS"**. Class A and B shares both have a \$0.01 par value, and as of **September 30, 2023** **March 31, 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 **September 30, 2023** **March 31, 2024**, no preferred shares had been issued.

The following is a rollforward of our common stock, additional paid-in capital, retained earnings and non-controlling interests accounts for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** (in millions, except per share amounts):

Three Months Ended September 30:		2023		2022	
		Shares	Dollars	Shares	Dollars
Class A Common Stock					
Balance at beginning of period		132	\$ 2	138	\$ 2
Stock award plans		1	—	(1)	—
Common stock issuances		1	—	1	—
Conversions of class A to class B common stock		(4)	—	(3)	—
Class A shares issued at end of period		130	\$ 2	135	\$ 2
Class B Common Stock					
Balance at beginning of period		723	\$ 7	732	\$ 7
Common stock purchases		(5)	—	(5)	—
Conversions of class A to class B common stock		4	—	3	—
Class B shares issued at end of period		722	\$ 7	730	\$ 7
Additional Paid-In Capital					
Balance at beginning of period			\$ —		\$ 573
Stock award plans			14		233
Common stock purchases			(123)		(903)
Common stock issuances			115		97
Other ⁽¹⁾			(6)		—
Balance at end of period			\$ —		\$ —
Retained Earnings					
Balance at beginning of period			\$ 21,584		\$ 18,958
Net income attributable to common shareowners			1,127		2,584
Dividends (\$1.62 and \$1.52 per share) ⁽²⁾			(1,384)		(1,316)
Common stock purchases			(627)		(48)
Other			(1)		(1)
Balance at end of period			\$ 20,699		\$ 20,177
Non-Controlling Interest					
Balance at beginning of period			\$ 18		\$ 21
Change in non-controlling interest			(6)		(1)
Balance at end of period			\$ 12		\$ 20

⁽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 included \$43 and \$41 million as of September 30, 2023 and 2022, respectively, that were settled in shares of class A common stock.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Nine Months Ended September 30:					
2023			2022		
Three Months Ended March 31:					
Three Months Ended March 31:					

Class A Common Stock:	Class A Common Stock:						
Balance at beginning of period	Balance at beginning of period						
Balance at beginning of period	Balance at beginning of period	134	\$	2	138	\$	2
Stock award plans	Stock award plans	4	—	5	—		
Common stock issuances	Common stock issuances	2	—	2	—		
Conversions of class A to class B common stock	Conversions of class A to class B common stock	(10)	—	(10)	—		
Class A shares issued at end of period	Class A shares issued at end of period	130	\$	2	135	\$	2
Class B Common Stock:	Class B Common Stock:						
Balance at beginning of period	Balance at beginning of period	725	\$	7	732	\$	7
Balance at beginning of period	Balance at beginning of period						
Balance at beginning of period	Balance at beginning of period						
Common stock purchases	Common stock purchases	(13)	—	(12)	—		
Conversions of class A to class B common stock	Conversions of class A to class B common stock	10	—	10	—		
Class B shares issued at end of period	Class B shares issued at end of period	722	\$	7	730	\$	7
Additional Paid-In Capital:	Additional Paid-In Capital:						
Balance at beginning of period	Balance at beginning of period	\$	—	\$	1,343		
Balance at beginning of period	Balance at beginning of period						
Balance at beginning of period	Balance at beginning of period						
Stock award plans	Stock award plans	391		410			

Common stock purchases	Common stock purchases	(750)	(2,146)
Common stock issuances	Common stock issuances	370	393
Other ⁽¹⁾		(11)	—
Balance at end of period			
Balance at end of period			
Balance at end of period	Balance at end of period	\$ —	\$ —
Retained Earnings:	Retained Earnings:		
Balance at beginning of period	Balance at beginning of period	\$ 21,326	\$ 16,179
Balance at beginning of period			
Balance at beginning of period			
Net income attributable to controlling interests	Net income attributable to controlling interests	5,103	8,095
Dividends (\$4.86 and \$4.56 per share) ⁽²⁾		(4,230)	(4,049)
Dividends (\$1.63 and \$1.62 per share) ⁽¹⁾			
Common stock purchases	Common stock purchases	(1,500)	(48)
Other		—	—
Other ⁽²⁾			
Balance at end of period	Balance at end of period	\$ 20,699	\$ 20,177
Non-Controlling Interests:	Non-Controlling Interests:		
Balance at beginning of period	Balance at beginning of period	\$ 17	\$ 16
Balance at beginning of period			
Balance at beginning of period			
Change in non-controlling interest	Change in non-controlling interest	(5)	4
Balance at end of period	Balance at end of period	\$ 12	\$ 20

(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 \$196 and \$207 million as of September 30, 2023 and 2022, respectively, that were settled in shares of class A common stock.

(1) The dividend per share amount is the same for both class A and class B common stock. Dividends include \$66 and \$105 million as of March 31, 2024 and 2023, respectively, that were settled in shares of class A common stock.	
	(1) The dividend per share amount is the same for both class A and class B common stock. Dividends include \$66 and \$105 million as of March 31, 2024 and 2023, respectively, that were settled in shares of class A common stock.
(2) Includes adjustments related to certain stock-based awards.	
	(2) Includes adjustments related to certain stock-based awards.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

We did not repurchase any shares under our share repurchase program during the three months ended March 31, 2024. We repurchased 4.4 and 12.8 million 4.1 million shares of class B common stock for \$750 million and \$2.3 billion during the three and nine months ended September 30, 2023, respectively. We repurchased 4.9 and 11.6 million shares of class B common stock for \$951 million and \$2.2 billion during the three and nine months ended September 30, 2022, respectively. March 31, 2023. 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 nine three months ended months ended September 30, 2023 March 31, 2023, we repurchased 0.5 million shares of class B common stock for \$82 million under this authorization. The share repurchases discussed above for the three and nine months ended September 30, 2022, were completed 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 nine months ended September 30, 2023 March 31, 2023, we repurchased 4.4 and 12.3 million 3.6 million shares for \$750 668 million and \$2.2 billion, respectively, under the 2023 Authorization.

As of September 30, 2023 March 31, 2024, we had \$2.8 billion available under this repurchase authorization. the 2023 Authorization. We do not currently anticipate further any share repurchases in 2023, 2024.

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

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

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 nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was as follows (in millions):

Three Months Ended September 30:		2023	2022		
Three Months Ended March 31:				Three Months Ended March 31:	
				2024	2023
Foreign Currency Translation Gain (Loss), Net of Tax:	Foreign Currency Translation Gain (Loss), Net of Tax:				

Balance at beginning of period	Balance at beginning of period	\$ (1,346)	\$ (1,447)
Translation adjustment (net of tax effect of \$0 and \$4)		(96)	(263)
Balance at beginning of period			
Balance at beginning of period			
Translation adjustment (net of tax effect of \$6 and \$(15))			
Reclassification to earnings (net of tax effect of \$0 and \$0)			
Balance at end of period	Balance at end of period	(1,442)	(1,710)
Unrealized Gain (Loss) on Marketable Securities, Net of Tax:	Unrealized Gain (Loss) on Marketable Securities, Net of Tax:		
Balance at beginning of period	Balance at beginning of period	(20)	(8)
Current period changes in fair value (net of tax effect of \$(1) and \$(1))		(2)	(4)
Reclassification to earnings (net of tax effect of \$0 and \$0)		—	1
Balance at beginning of period			
Balance at beginning of period			
Current period changes in fair value (net of tax effect of \$0 and \$1)			
Reclassification to earnings (net of tax effect of \$0 and \$1)			
Balance at end of period	Balance at end of period	(22)	(11)
Unrealized Gain (Loss) on Cash Flow Hedges, Net of Tax:	Unrealized Gain (Loss) on Cash Flow Hedges, Net of Tax:		
Balance at beginning of period	Balance at beginning of period	10	260
Current period changes in fair value (net of tax effect of \$44 and \$110)		138	350
Reclassification to earnings (net of tax effect of \$(8) and \$(21))		(27)	(69)
Balance at beginning of period			
Balance at beginning of period			
Current period changes in fair value (net of tax effect of \$33 and \$(8))			
Reclassification to earnings (net of tax effect of \$(10) and \$(16))			

Balance at end of period	Balance at end of period	121	541
Unrecognized Pension and Postretirement Benefit Costs, Net of Tax:	Unrecognized Pension and Postretirement Benefit Costs, Net of Tax:		
Balance at beginning of period	Balance at beginning of period	(218)	(2,056)
Balance at beginning of period	Balance at beginning of period		
Reclassification to earnings (net of tax effect of \$7 and \$5)	Reclassification to earnings (net of tax effect of \$7 and \$5)	21	18
Reclassification to earnings (net of tax effect of \$8 and \$7)	Reclassification to earnings (net of tax effect of \$8 and \$7)		
Reclassification to earnings (net of tax effect of \$8 and \$7)	Reclassification to earnings (net of tax effect of \$8 and \$7)		
Reclassification to earnings (net of tax effect of \$8 and \$7)	Reclassification to earnings (net of tax effect of \$8 and \$7)		
Balance at end of period	Balance at end of period	(197)	(2,038)
Accumulated other comprehensive income (loss) at end of period	Accumulated other comprehensive income (loss) at end of period	\$ (1,540)	\$ (3,218)

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Nine Months Ended September 30:	2023	2022
Foreign currency translation gain (loss), net of tax:		
Balance at beginning of period	\$ (1,446)	\$ (1,162)
Translation adjustment (net of tax effect of \$(13) and \$11)	1	(548)
Reclassification to earnings (net of tax effect of \$0 and \$0)	3	—
Balance at end of period	(1,442)	(1,710)
Unrealized gain (loss) on marketable securities, net of tax:		
Balance at beginning of period	(11)	(1)
Current period changes in fair value (net of tax effect of \$(5) and \$(3))	(13)	(11)
Reclassification to earnings (net of tax effect of \$1 and \$0)	2	1
Balance at end of period	(22)	(11)
Unrealized gain (loss) on cash flow hedges, net of tax:		
Balance at beginning of period	167	(17)
Current period changes in fair value (net of tax effect of \$22 and \$222)	69	705
Reclassification to earnings (net of tax effect of \$(36) and \$(46))	(115)	(147)
Balance at end of period	121	541
Unrecognized pension and postretirement benefit costs, net of tax:		
Balance at beginning of period	(259)	(2,098)
Net actuarial gain (loss) resulting from remeasurements of plan assets and liabilities (net of tax effect of \$0 and \$11)	—	31
Reclassification to earnings (net of tax effect of \$20 and \$8)	62	29
Balance at end of period	(197)	(2,038)
Accumulated other comprehensive income (loss) at end of period	\$ (1,540)	\$ (3,218)

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Detail of the gains (losses) reclassified from accumulated other comprehensive income (loss) to the statements of consolidated income for the three and nine months ended September 30, 2023, March 31, 2024 and 2022 2023 is as follows (in millions):

		Amount Reclassified from AOCI ₍₁₎		Affected Line Item in the Income Statement	
Three Months Ended September 30:		2023	2022		
Amount Reclassified from AOCI ₍₁₎		Amount Reclassified from AOCI ₍₁₎			
Three Months Ended March 31:		Affected Line Item in the Income Statement			
Unrealized Gain (Loss) on Foreign Currency Translation:					
Unrealized Gain (Loss) on Foreign Currency Translation:					
Unrealized Gain (Loss) on Foreign Currency Translation:					
Realized gain (loss) on business wind-down					
Realized gain (loss) on business wind-down					
Realized gain (loss) on business wind-down		\$ —	\$ (3)	Other expenses	
Income tax (expense) benefit		Income tax (expense) benefit		Income tax expense	
Impact on net income		—	—		
Impact on net income		—	(3)	Net income	
Unrealized Gain (Loss) on Marketable Securities:	Unrealized Gain (Loss) on Marketable Securities:				
Realized gain (loss) on sale of securities					
Realized gain (loss) on sale of securities					
Realized gain (loss) on sale of securities	Realized gain (loss) on sale of securities	\$ —	\$ (1)	Investment income and other	
Income tax (expense) benefit	Income tax (expense) benefit	—	—	Income tax expense	Income tax expense
Impact on net income	Impact on net income	—	(1)	Net income	Net income
Impact on net income	Impact on net income	—	(1)	Net income	Net income
Unrealized Gain (Loss) on Cash Flow Hedges:	Unrealized Gain (Loss) on Cash Flow Hedges:				
Interest rate contracts	Interest rate contracts	(6)	(4)	Interest expense	

	Amount Reclassified from AOCI ⁽¹⁾		
Nine Months Ended September 30:	2023	2022	Affected Line Item in the Income Statement
Unrealized Gain (Loss) on Foreign Currency Translation:			
Realized gain (loss) on business wind-down	\$ (3)	\$ —	Other expenses
Income tax (expense) benefit	—	—	Income tax expense
Impact on net income	(3)	—	Net income
Unrealized gain (loss) on marketable securities:			
Realized gain (loss) on sale of securities	(3)	(1)	Investment income and other
Income tax (expense) benefit	1	—	Income tax expense
Impact on net income	(2)	(1)	Net income
Unrealized gain (loss) on cash flow hedges:			
Interest rate contracts	(9)	(9)	Interest expense

Foreign currency exchange contracts	160	202	Revenue
Income tax (expense) benefit	(36)	(46)	Income tax expense
Impact on net income	115	147	Net income
Unrecognized pension and postretirement benefit costs:			
Prior service costs	(82)	(70)	Investment income and other
Curtailment of benefit obligation	—	33	Investment income and other
Income tax (expense) benefit	20	8	Income tax expense
Impact on net income	(62)	(29)	Net income
Total amount reclassified for the period	\$ 48	\$ 117	Net income
(1) Accumulated other comprehensive income (loss)			

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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 nine months ended September 30, 2023, March 31, 2024, and 2022 2023 was as follows (in millions):

		2023		2022	
Three Months Ended September 30:		Shares	Dollars	Shares	Dollars
2024				2024	
Three Months Ended March 31:				2024	
				Shares	Dollars
Deferred Compensation Obligations:				Shares	Dollars
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period	Balance at beginning of period		\$ 9		\$ 12
Reinvested dividends	Reinvested dividends		—		—
Benefit payments	Benefit payments		—		—
Balance at end of period	Balance at end of period		\$ 9		\$ 12
Treasury Stock:					
Balance at beginning of period	Balance at beginning of period	—	\$ (9)	—	\$ (12)
Balance at beginning of period					
Reinvested dividends	Reinvested dividends	—	—	—	—
Benefit payments	Benefit payments	—	—	—	—

Balance at end of period	Balance at end of period	—	\$ (9)	—	\$ (12)
</					

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

NOTE 13. SEGMENT INFORMATION

We have two reportable segments: U.S. Domestic Package and International Package, which are together referred to as our global small package operations. Our remaining businesses are reported as Supply Chain Solutions. Global small package operations represent our most significant business and are broken down into regional operations around the world. Regional operations managers are responsible for both domestic and export products within their geographic area. 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. Our International Package reporting segment includes our operations in Europe, the Indian sub-continent, the Middle East and Africa ("EMEA"), Canada and Latin America (together "Americas") and Asia.

Supply Chain Solutions

Supply Chain Solutions includes our Forwarding, Logistics, UPS Mail Innovations, Coyote, Healthcare digital and other businesses. Our Forwarding Logistics and UPS Mail Innovations 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 mail such as same-day delivery, end-to-end return services and consulting services. Coyote offers truckload brokerage services primarily in the United States. Our Healthcare businesses provide integrated supply chain solutions to the healthcare and life sciences industries. Other businesses within Supply Chain Solutions include The UPS Store, UPS Capital, Roadie and Delivery Solutions. 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 (expense) 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 third first quarter or year-to-date periods, of 2024.

Results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows (in millions):

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,			
		2023	2022	2023	2022	2024		2023	
Revenue:	Revenue:								
	U.S. Domestic Package								
	U.S. Domestic Package								

U.S. Domestic Package	U.S. Domestic Package	\$13,660	\$15,374	\$43,043	\$45,957
International Package	International Package	4,267	4,799	13,225	14,748
Supply Chain Solutions	Supply Chain Solutions	3,134	3,988	9,773	12,600
Consolidated revenue	Consolidated revenue	<u>\$21,061</u>	<u>\$24,161</u>	<u>\$66,041</u>	<u>\$73,305</u>
Operating Profit:	Operating Profit:				
U.S. Domestic Package	U.S. Domestic Package	\$ 571	\$ 1,666	\$ 3,639	\$ 5,157
U.S. Domestic Package	U.S. Domestic Package				
International Package	International Package	630	997	2,341	3,306
Supply Chain Solutions	Supply Chain Solutions	142	450	684	1,436
Consolidated operating profit	Consolidated operating profit	<u>\$ 1,343</u>	<u>\$ 3,113</u>	<u>\$ 6,664</u>	<u>\$ 9,899</u>

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. EARNINGS PER SHARE

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

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in millions, except per share amounts):

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
Numerator:	Numerator:						
Net income attributable to common shareowners	Net income attributable to common shareowners	\$ 1,127	\$ 2,584	\$ 5,103	\$ 8,095		
Net income attributable to common shareowners	Net income attributable to common shareowners						
Denominator:	Denominator:						
Weighted average shares	Weighted average shares	853	867	856	870		
Weighted-average shares	Weighted-average shares						
Weighted-average shares	Weighted-average shares						
Weighted-average shares	Weighted-average shares						
Vested portion of restricted units	Vested portion of restricted units	4	3	4	3		
Vested portion of restricted shares	Vested portion of restricted shares						
Vested portion of restricted shares	Vested portion of restricted shares						
Vested portion of restricted shares	Vested portion of restricted shares						
Denominator for basic earnings per share	Denominator for basic earnings per share	<u>857</u>	<u>870</u>	<u>860</u>	<u>873</u>		
Effect of dilutive securities:	Effect of dilutive securities:						

Restricted units	1	2	1	2	
Restricted performance units					
Restricted performance units					
Restricted performance units					
Stock options	Stock options	—	—	—	1
Denominator for diluted earnings per share	Denominator for diluted earnings per share	858	872	861	876
Basic earnings per share ⁽¹⁾		\$ 1.31	\$ 2.97	\$ 5.93	\$ 9.27
Diluted earnings per share ⁽¹⁾		\$ 1.31	\$ 2.96	\$ 5.92	\$ 9.24
⁽¹⁾ Earnings per share is computed using unrounded amounts.					
Basic earnings per share ⁽¹⁾					
Diluted earnings per share ⁽¹⁾					

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

Diluted earnings per share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 excluded the effect of 0.2 0.5 and 0.1 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

Risk Management Policies

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

Credit Risk Management

The forward contracts, swaps and options discussed below contain an element of risk that the counterparties may be unable to meet the terms of the agreements. We seek to minimize such risk exposures for these instruments by limiting the counterparties to banks and financial institutions that meet established credit guidelines. We may further manage credit risk through the use of zero threshold 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. The majority of these arrangements require exchange of collateral when positions exceed \$250 million.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we held cash collateral of \$382 \$82 and \$534 million \$103 million, respectively, under these agreements. This collateral is included in Cash and cash equivalents in the consolidated balance sheets and is unrestricted. As of September 30, 2023 and December 31, 2022 March 31, 2024, no collateral was required to be posted with our counterparties. As of December 31, 2023, we were required to post \$13 million 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.

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

Outstanding Positions

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the notional amounts of our outstanding derivative positions were as follows (in millions):

			September 30, 2023	December 31, 2022		March 31, 2024		December 31, 2023
Currency	Currency							
hedges:	hedges:							
Euro								
Euro								
Euro	Euro	EUR	3,837	4,115				
British	British							
Pound Sterling	Pound Sterling	GBP	682	856				
Canadian	Canadian							
Dollar	Dollar	CAD	1,518	1,598				
Hong	Hong							
Kong Dollar	Kong Dollar	HKD	2,669	4,261				
Interest rate hedges:								
Floating to Fixed Interest								
Rate Swaps		USD	—	28				

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had no outstanding commodity hedge positions.

Balance Sheet Recognition

The following table indicates the location in the 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 the 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 the consolidated balance sheets had we elected to apply the right of offset as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in millions):

				Gross Amounts Presented in Consolidated Balance Sheets		Net Amounts if Right of Offset had been Applied	

Foreign currency exchange contracts	Foreign currency exchange contracts	Other current assets	Level 2	\$	171	\$	174	\$	166	\$	171			
Foreign currency exchange contracts	Foreign currency exchange contracts	Other non-current assets	Level 2		172		250		161		226			
Foreign currency exchange contracts														
Foreign currency exchange contracts														
Derivatives not designated as hedges:	Derivatives not designated as hedges:													
Derivatives not designated as hedges:														
Derivatives not designated as hedges:														
Foreign currency exchange contracts														
Foreign currency exchange contracts														
Foreign currency exchange contracts	Foreign currency exchange contracts	Other current assets	Level 2	—		1		—		1				
Total Asset Derivatives	Total Asset Derivatives			\$	343	\$	425	\$	327	\$	398			
Total Asset Derivatives														
Total Asset Derivatives														
Gross Amounts Presented in Consolidated Balance Sheets														
Net Amounts if Right of Offset had been Applied														
Fair Value Hierarchy Level														
Fair Value Hierarchy Level														
Liability Derivatives	Liability Derivatives	Balance Sheet Location	Fair Value Hierarchy Level	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	Liability Derivatives	Balance Sheet Location	March 31, 2024	Value Hierarchy Level	December 31, 2023	Gross Amounts Presented in Consolidated Balance Sheets	Net Amount if Right of Offset had been Applied
Derivatives designated as hedges:	Derivatives designated as hedges:		Fair Value Hierarchy Level											
Foreign currency exchange contracts														
Foreign currency exchange contracts														

Foreign currency exchange contracts	Foreign currency exchange contracts	Other current liabilities	Level 2	\$ 5	\$ 3	\$ —	\$ —
Foreign currency exchange contracts	Foreign currency exchange contracts	Other non-current liabilities	Level 2	11	24	—	—
Interest rate contracts		Other non-current liabilities	Level 2	—	5	—	5
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Derivatives not designated as hedges:							
Derivatives not designated as hedges:							
Derivatives not designated as hedges:							
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Total Liability Derivatives	Total Liability Derivatives			\$ 16	\$ 32	\$ —	\$ 5
Total Liability Derivatives							
Total Liability Derivatives							

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

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

Balance Sheet Location of Hedged Item in Fair Value Hedges

The following table indicates the amounts that were recorded in the consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023 (in millions):

Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Carrying Amount of Hedged Liabilities	Cumulative Amount of Fair Value Hedge Adjustments	Carrying Amount of Hedged Liabilities	Cumulative Amount of Fair Value Hedge Adjustments	Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Carrying Amount of Hedged Liabilities	Cumulative Amount of Fair Value Hedge Adjustments	Carrying Amount of Hedged Liabilities	Cumulative Amount of Fair Value Hedge Adjustments
		September 30, 2023	September 30, 2023	December 31, 2022	December 31, 2022		March 31, 2024		December 31, 2023	
Long-term debt and finance leases	Long-term debt and finance leases	\$ 280	\$ 5	\$ 280	\$ 5					
Long-term debt and finance leases										
Long-term debt and finance leases										

Income Statement and AOCI Recognition of Designated Hedges

The following table indicates the amount of gains (losses) that have been recognized in the statements of consolidated income for fair value and cash flow hedges, as well as the associated gain (loss) for the underlying hedged item for fair value hedges for the three and nine months ended September 30, 2023, March 31, 2024 and 2022 2023 (in millions):

Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	Three Months Ended September 30,					
	2023			2022		
	Revenue	Interest Expense	Investment Income and Other	Revenue	Interest Expense	Investment Income and Other
Gain or (loss) on fair value hedging relationships:						
Interest Contracts:						
Hedged items	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —
Derivatives designated as hedging instruments	—	—	—	—	1	—
Gain or (loss) on cash flow hedging relationships:						
Interest Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	—	(6)	—	—	(4)	—
Foreign Currency Exchange Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	41	—	—	94	—	—
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	\$ 41	\$ (6)	\$ —	\$ 94	\$ (4)	\$ —

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

Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	Nine Months Ended September 30,					
	2023			2022		
	Revenue	Interest Expense	Investment Income and Other	Revenue	Interest Expense	Investment Income and Other
Gain (loss) on fair value hedging relationships:						
Interest Rate Contracts:						
Hedged items	\$ —	\$ —	\$ —	\$ —	\$ 10	\$ —
Derivatives designated as hedging instruments	—	—	—	—	(10)	—
Gain (loss) on cash flow hedging relationships:						
Interest Rate Contracts:						
Amount of gain (loss) reclassified from accumulated other comprehensive income	—	(9)	—	—	(9)	—
Foreign Currency Exchange Contracts:						
Amount of gain (loss) reclassified from accumulated other comprehensive income	160	—	—	202	—	—
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	\$ 160	\$ (9)	\$ —	\$ 202	\$ (9)	\$ —

Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	Three Months Ended March 31,					
	2024			2023		
	Revenue	Interest Expense	Investment Income and Other	Revenue	Interest Expense	Investment Income and Other
Gain or (loss) on cash flow hedging relationships:						
Interest Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	—	(1)	—	—	(1)	—
Foreign Currency Exchange Contracts:						

Amount of gain or (loss) reclassified from accumulated other comprehensive income	41	—	—	68	—	—
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	\$ 41	\$ (1)	\$ —	\$ 68	\$ (1)	\$ —

The following table indicates the amount of gains (losses) that have been recognized in AOCI for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 for those derivatives designated as cash flow hedges (in millions):

Three Months Ended September 30:					
Three Months Ended March 31:					
Three Months Ended March 31:					
Three Months Ended March 31:					
Derivative Instruments in Cash Flow Hedging Relationships	Derivative Instruments in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives			
		2023		2022	
Interest rate contracts		\$	—	\$	1
Derivative Instruments in Cash Flow Hedging Relationships					
Foreign currency exchange contracts					
Foreign currency exchange contracts					
Foreign currency exchange contracts	Foreign currency exchange contracts	182		459	
Total	Total	\$	182	\$	460
Nine Months Ended September 30:					
Derivative Instruments in Cash Flow Hedging Relationships					
Interest rate contracts		\$	—	\$	5
Foreign currency exchange contracts			91		922
Total					
Total	Total	\$	91	\$	927

As of September 30, 2023 March 31, 2024, there were \$160 \$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 September 30, 2024 March 31, 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.

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

The following table indicates the amount of gains (losses) that have been recognized in AOCI within foreign currency translation adjustment for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 for those instruments designated as net investment hedges (in millions):

Three Months Ended September 30:	
Three Months Ended March 31:	
Non-derivative Instruments	
in Net Investment Hedging Relationships	

Non-derivative Instruments	Non-derivative Instruments	Amount of Gain (Loss)	Non-derivative Instruments in Net Investment Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Debt
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in Net Investment Hedging Relationships	in Net Investment Hedging Relationships	Recognized in AOCI on Debt			2024		2023
		2023	2022				
Foreign currency denominated debt	Foreign currency denominated debt	\$103	\$209				
Total	Total	\$103	\$209				
Nine Months Ended September 30:							
		Amount of Gain (Loss) Recognized in AOCI on Debt					
Non-derivative Instruments in Net Investment Hedging Relationships		2023	2022				
Foreign currency denominated debt		\$ 5	\$436				
Total		\$ 5	\$436				

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 the **statement 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 the statements of consolidated income related to fair value changes and settlements of **interest rate swaps and** foreign currency forward contracts not designated as hedges for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** (in millions) were as follows:

Derivative Instruments Not Designated in Hedging Relationships	Derivative Instruments Not Designated in Hedging Relationships	Amount of Gain (Loss) Recognized in Income		Derivative Instruments Not Designated in Hedging Relationships	Location of Gain (Loss) Recognized in Income	2024	2023
	Location of Gain (Loss) Recognized in Income	2023	2022				
Three Months Ended September 30:							
Three Months Ended March 31:							
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Foreign currency exchange contracts	Foreign currency exchange contracts	Investment income and other	\$ (4)	\$ (45)			
Total	Total		\$ (4)	\$ (45)			
Nine Months Ended September 30:							
Total							
Total							
Foreign currency exchange contracts	Investment income and other		\$ (1)	\$ (131)			
Total			\$ (1)	\$ (131)			

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

NOTE 16. INCOME TAXES

Our third-quarter effective tax rate decreased to 11.1% as compared to 21.0% in for the prior year (21.6% year to date compared to 21.8% in 2022). three months ended March 31, 2024 and 2023 was approximately 27.5% and 24.9%, respectively. The year-over-year decrease increase in our effective tax rate was driven by favorable U.S. Treasury guidance on utilization of foreign tax credits, decreases share-based compensation shortfalls, unfavorable changes in uncertain tax positions as and a result of resolution of global tax audits and adjustments non-deductible expense related to our tax balances to reflect our recently filed tax returns, a regulatory matter.

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. Any changes Changes could result from the settlement of ongoing litigation, the completion of ongoing examinations, the expiration of statutes of limitations or other unforeseen circumstances.

During the third quarter of 2023, we recognized an income tax benefit of \$15 million related to a one-time compensation payment of \$61 million. This income tax benefit was generated at a higher average tax rate than the U.S. federal statutory tax rate due to the effect of U.S. state and local taxes.

Also in the third quarter of 2023, we recorded goodwill impairment charges of \$117 million (\$125 million year to date). As a result, we recorded an additional income tax benefit of \$14 million (\$16 million year to date). This income tax benefit was generated at a lower average tax rate than the U.S. federal statutory tax rate due to a portion of the goodwill impairment charge not being deductible for tax purposes.

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

NOTE 17. TRANSFORMATION STRATEGY 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. During the third quarter of In 2023, we reduced staff announced our "fit to better align direct headcount with volumes. serve" initiative, which is intended to right-size our business for the future through a workforce reduction of approximately 12,000 positions and create a more efficient operating model to enhance responsiveness to changing market dynamics. As of September 30, 2023 March 31, 2024 and December 31, 2023, we recorded an accrual for separation costs of \$90 \$87 and \$205 million, on the respectively, was included in our consolidated balance sheet. We currently sheets, all of which we expect approximately \$26 million to be paid by December 31, 2023 and the remainder to be paid pay during the first quarter of 2024.

The table below presents transformation strategy costs for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in millions):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Transformation Strategy Costs:				
Compensation and benefits	\$ 80	\$ 15	\$ 178	\$ 71
Total other expenses	14	21	58	61
Total Transformation Strategy Costs	\$ 94	\$ 36	\$ 236	\$ 132
Income Tax Benefit from Transformation Strategy Costs	(24)	(9)	(57)	(31)
After-Tax Transformation Strategy Costs	\$ 70	\$ 27	\$ 179	\$ 101

	Three Months Ended	
	March 31,	
	2024	2023
Transformation Costs:		
Compensation and benefits	\$ 31	\$ (12)
Other expenses	15	15
Total Transformation Costs	\$ 46	\$ 3
Income Tax Benefit from Transformation Costs	(11)	—

After-Tax Transformation Costs	\$	35	\$	3
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The income tax effects of transformation strategy costs are calculated by multiplying the amount of the adjustments by the statutory tax rates applicable in each tax jurisdiction.

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

NOTE 18. SUBSEQUENT EVENTS

In the third quarter of 2023, we entered into an agreement to acquire MNX Global Logistics, a global time-critical and temperature-sensitive logistics provider. This acquisition is expected to enhance our capabilities in time-critical logistics, including healthcare and related industries and is expected to close in the fourth quarter of 2023, subject to regulatory approval.

Also in the third quarter of 2023, we entered into a separate agreement to acquire Happy Returns, a technology-focused company that provides innovative end-to-end return services. This acquisition will expand our returns portfolio and provide a consolidated returns solution for our enterprise retail customers. This acquisition was closed on November 1, 2023.

The aggregate purchase price for both acquisitions will be approximately \$1.3 billion. These acquisitions are not expected to exceed 10% of operating income.

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

Overview

As the world's premier package delivery company and leading provider of global supply chain management solutions, we seek to provide industry-leading service to Through our customers by combining our digital capabilities with our global integrated network and diversified portfolio. Our Customer First, People Led, Innovation Driven strategy is enabling us to stay focused on our core business and invest we are investing to grow in the most attractive premium parts of the market like and drive efficiency across our network. We are focused on the parts of the market that value our end-to-end integrated network, including healthcare, commercial shippers and with small- and medium-sized businesses ("SMBs"). Through our Network of the Future initiative, we are transforming our network by combining physical and digital capabilities, including our smart package smart facility RFID solution, to streamline our operations. We are also leveraging technology to add new capabilities and expand our addressable market.

We have taken During the first quarter, we took a number of steps in furtherance of this strategy. For example, we expanded our no box, no label returns service that combines the reach and capabilities of The UPS Store and Happy Returns, and we launched Roadie XD, adding capabilities for big and bulky long-zone deliveries for items that are incompatible with our small package network. Additionally, we continued to develop capabilities to enhance our SMB customer experience. In furtherance of our healthcare strategy, we opened a new facility at our global air hub specifically designed for complex healthcare shipments. For the remainder of 2024, we expect to continue investment in the third quarter of 2023. We our network to drive further operational efficiencies.

On April 1, 2024, we announced that we entered into an agreement to acquire MNX Global Logistics, a global time-critical and temperature-sensitive logistics provider, which we anticipate will close during the fourth quarter. We also entered into an agreement to acquire Happy Returns, a technology-focused company that provides innovative end-to-end return services. This acquisition closed on November 1st.

In addition, in early September, expand our International Brotherhood of Teamsters employees fully ratified a new national master agreement. In total, wage and benefit rates combined with all other contract provisions will increase union cost at a 3.3% compounded annual growth rate over the five-year term of the contract, relationship with the majority of U.S. Postal Service ("USPS"), providing for UPS to become the increase in USPS primary air cargo provider within the first and fifth years. Importantly, this contract provides us significant certainty around labor, and we have retained the ability to implement technology to further drive productivity inside our buildings, which is expected to help offset cost increases.

Throughout the third quarter, we continued deploying our Smart Package Smart Facility RFID technology to reduce package car loading errors and improve efficiency in deliveries. As of September 30, 2023, this technology was installed in most of our U.S. facilities. In Supply Chain Solutions, we began implementing robotic technology to unload packages more efficiently.

For the quarter and year-to-date periods, macroeconomic headwinds, including persistent global inflation, geopolitical tensions and changes in consumer behavior, together with volume diversion resulting from our labor negotiations with the Teamsters, have contributed to a challenging operating environment. Internationally, demand continued to decline in Asia while economic conditions in Europe remained challenging.

These factors led to volume declines in our global small package operations for both the quarter and year to date, and we anticipate that they will continue to impact us in the fourth quarter, although we have experienced week-over-week U.S. volume growth since the ratification of our contract with the Teamsters.

Faced with this challenging external environment during the quarter, we continued our focus on adjusting our network to match volume levels and delivering industry-leading service to our customers. Additionally, we remained disciplined in our capital allocation practices by returning cash to shareowners through both a dividend and share repurchases, and by reinvesting in our business. We do not anticipate further share repurchases in 2023. United States.

We expect our second quarter earnings to be lower relative to 2023, primarily due to the higher labor costs associated with the first year of the Teamsters contract. However, we anticipate a return to operating profit growth during the second half of 2024.

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

	Three Months Ended										Nine Months Ended									
	September 30,										September 30,									
						Change														
	2023		2022			\$		%			2023		2022			\$				
Revenue	Revenue																			
(in millions)	(in millions)	\$	21,061		\$	24,161		\$	(3,100)	(12.8)	%		\$	66,041		\$	73,305		\$	(7,264)
Revenue (in millions)																				
Revenue (in millions)																				
Operating Expenses (in millions)																				
Operating Expenses (in millions)																				
Operating Expenses (in millions)	Operating Expenses (in millions)																			
			19,718			21,048			(1,330)	(6.3)	%			59,377			63,406			(4,029)
Operating Profit (in millions)	Operating Profit (in millions)																			
		\$	1,343		\$	3,113		\$	(1,770)	(56.9)	%		\$	6,664		\$	9,899		\$	(3,235)
Operating Profit (in millions)																				
Operating Profit (in millions)																				
Operating Margin																				
Operating Margin																				
Operating Margin	Operating Margin		6.4	%		12.9	%						10.1	%		13.5	%			
Net Income (in millions)	Net Income (in millions)																			
		\$	1,127		\$	2,584		\$	(1,457)	(56.4)	%		\$	5,103		\$	8,095		\$	(2,992)
Net Income (in millions)																				
Net Income (in millions)																				
Basic Earnings Per Share	Basic Earnings Per Share																			
		\$	1.31		\$	2.97		\$	(1.66)	(55.9)	%		\$	5.93		\$	9.27		\$	(3.34)
Basic Earnings Per Share																				
Basic Earnings Per Share																				
Diluted Earnings Per Share																				
Diluted Earnings Per Share																				

Diluted Earnings Per Share	Diluted Earnings Per Share	\$ 1.31	\$ 2.96	\$ (1.65)	(55.7)	%	\$ 5.92	\$ 9.24	\$ (3.32)
Operating Days	Operating Days	63	64				191	192	
Operating Days									
Operating Days									
Average Daily Package Volume (in thousands)									
Average Daily Package Volume (in thousands)									
Average Daily Package Volume (in thousands)	Average Daily Package Volume (in thousands)	20,425	22,900		(10.8)	%	21,109	23,083	
Average Revenue Per Piece	Average Revenue Per Piece	\$ 13.81	\$ 13.58	\$ 0.23	1.7	%	\$ 13.82	\$ 13.52	\$ 0.30
Average Revenue Per Piece									
Average Revenue Per Piece									

- Revenue and average Average daily package volume in our global small package operations decreased, for both the quarter and year to date, with declines in both commercial and residential shipments across all of our products, product segments. These declines were primarily the result of the challenging macroeconomic conditions and labor-related uncertainties described above, conditions.
- Revenue declined as well, as a reduction in fuel surcharge revenue driven by declines in fuel prices, lower volume and relatively flat revenue per piece.
- Operating expenses decreased, for both the quarter and year due to date, driven by a reduction in purchased transportation in Supply Chain Solutions all segments and reductions in fuel expense expenses in our small package operations, as well as the impact of our ongoing productivity initiatives.
- Operating profit and operating margin decreased for both the quarter and year to date, as revenue declines were greater than operating expense reductions.
- We reported third quarter net income of \$1.1 billion and diluted earnings per share of \$1.31 (\$5.1 billion and \$5.92 per diluted share for the year-to-date period), \$1.30. Adjusted diluted earnings per share were \$1.57 for the third quarter (\$6.31 per diluted share year to date) \$1.43 after adjusting for the after-tax impacts of:
 - transformation strategy and other costs of \$70 million \$75 million, or \$0.09 per diluted share, for the third quarter (\$179 million and \$0.21 per diluted share year to date);
 - goodwill impairment charges of \$103 million, or \$0.12 per diluted share, for the third quarter (\$109 million and \$0.13 per diluted share year to date); and
 - a one-time compensation payment asset impairment charges of \$46 million \$35 million, or \$0.05 \$0.04 per diluted share, for the third quarter and year to date. share.

In the Within our segments, U.S. Domestic Package revenues and expenses were primarily impacted by the matters described above, with expense decreases partially offset by increases in union workforce compensation and benefits expense.

International Package segment revenue revenues were also impacted by declines for the quarter in demand related surcharges and year to date were driven by lower volume and fuel surcharge revenue. These were somewhat currency fluctuations, partially offset by revenue per piece growth due to increases in base rates and changes in product and customer mix. Expenses for the quarter and year to date decreased, primarily due to declines in fuel expense, purchased transportation and management compensation expense.

In our International Package segment, revenue declines for the quarter and year to date were driven by lower volume and declines in fuel and demand-related surcharges. These were slightly offset by the impact of base rate increases. Expense decreases for the quarter and year to date were primarily driven by lower fuel and purchased transportation expense as a result of volume declines and lower fuel prices.

In Supply Chain Solutions, revenue decreases for the quarter and year to date were driven by volume and market rate declines in Forwarding, that were slightly somewhat offset by growth in our Logistics including the impact of the Bomi Group acquisition that occurred in the fourth quarter of 2022, businesses. Expenses decreased for the quarter and year primarily due to date, primarily driven by lower purchased transportation expense in Forwarding. This was slightly Forwarding, partially offset by expense increases within Logistics.

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

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-GAAP Adjustments				
Operating Expenses:				
Transformation Strategy Costs	\$ 94	\$ 36	\$ 236	\$ 132
Goodwill and Asset Impairments, and Divestiture Charges	117	—	125	—
One-Time Compensation Payment	61	—	61	—
Total Adjustments to Operating Expenses	\$ 272	\$ 36	\$ 422	\$ 132
Other Income and (Expense):				
Defined Benefit Plan (Gains) Losses	\$ —	\$ —	\$ —	\$ (33)
Total Adjustments to Other Income and (Expense)	\$ —	\$ —	\$ —	\$ (33)
Total Adjustments to Income Before Income Taxes	\$ 272	\$ 36	\$ 422	\$ 99
Income Tax (Benefit) Expense:				
Transformation Strategy Costs	\$ (24)	\$ (9)	\$ (57)	\$ (31)
Goodwill and Asset Impairments, and Divestiture Charges	(14)	—	(16)	—
One-Time Compensation Payment	(15)	—	(15)	—
Defined Benefit Plan (Gains) Losses	—	—	—	9
Total Adjustments to Income Tax (Benefit) Expense	\$ (53)	\$ (9)	\$ (88)	\$ (22)
Total Adjustments to Net Income	\$ 219	\$ 27	\$ 334	\$ 77

	Three Months Ended March 31,	
	2024	2023
Non-GAAP Adjustments		
Operating Expenses:		
Transformation and Other Costs	\$ 86	\$ 3
Asset Impairment Charges	48	8
Total Adjustments to Operating Expenses	\$ 134	\$ 11
Total Adjustments to Income Before Income Taxes	\$ 134	\$ 11
Income Tax (Benefit) Expense:		
Transformation and Other Costs	\$ (11)	\$ —
Asset Impairment Charges	(13)	(2)
Total Adjustments to Income Tax (Benefit) Expense	\$ (24)	\$ (2)
Total Adjustments to Net Income	\$ 110	\$ 9

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

Transformation Charges, and Goodwill, Other Costs, and Asset Impairment and Divestiture 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 goodwill, asset impairment and divestiture charges. We believe excluding the impact of these

charges better enables users of our financial statements to view and evaluate underlying business performance from the perspective of management. We do not consider these costs when evaluating the operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards, impairments. For more information regarding transformation activities, 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 goodwill asset impairment charges, see note 8 to the unaudited, consolidated financial statements.

One-Time Compensation Payment

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 a one-time payment made to certain U.S.-based, non-union part-time supervisors following the ratification of our labor agreement with the Teamsters. We do not expect this or similar payments to recur. We believe excluding the impact of this one-time payment better enables users of our financial statements to view and evaluate underlying business performance from the same perspective as management.

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

Foreign Currency Exchange Rate Changes Defined Benefit Pension and Hedging Activities

We supplement the reporting of revenue, revenue per piece and operating profit with adjusted measures that exclude the period-over-period impact of foreign currency exchange rate changes and hedging activities. We believe currency-neutral revenue, revenue per piece and operating profit information allows users of our financial statements to understand growth trends in our products and results. We evaluate the performance of International Package and Supply Chain Solutions on this currency-neutral basis.

Currency-neutral revenue, revenue per piece and operating profit are calculated by dividing current period reported U.S. Dollar revenue, revenue per piece and operating profit by the current period average exchange rates to derive current period local currency revenue, revenue per piece and operating profit. The derived amounts are then multiplied by the average foreign currency exchange rates used to translate the comparable results for each month in the prior year period (including the period-over-period impact of foreign currency hedging activities). The difference between the current period reported U.S. Dollar revenue, revenue per piece and operating profit and the derived current period U.S. Dollar revenue, revenue per piece and operating profit is the period-over-period impact of currency fluctuations.

Defined Benefit 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.

During the first quarter of 2022, we amended the UPS Canada Ltd. Retirement Plan to cease future benefit accruals effective December 31, 2023. As a result, we remeasured the plan's assets and benefit obligation resulting in a curtailment gain of \$33 million (\$24 million after-tax) for the nine months ended September 30, 2022.

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

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

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. There While there were no significant changes to our allocation methodologies in the third first quarter or year-to-date periods of 2024, we expect additional air cargo volumes from our recently-announced agreement with the USPS will result in a greater share of air network expense being allocated to Supply Chain Solutions beginning in the second quarter of 2024.

As a normal part of managing of our air network, we routinely idle aircraft and engines temporarily for maintenance or to adjust network capacity. As a result of the reduction in volumes experienced during the quarter, we identified additional opportunities to temporarily idle 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 September 30, 2023 March 31, 2024, we had nine eight aircraft temporarily idled for an average period of approximately four two months. We expect these aircraft to return to revenue service. service during 2024.

We test goodwill and other indefinite-lived intangible assets for impairment annually at July 1st and at other dates on an interim basis 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. Actual results

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 differ from, changes in, or the use of different, assumptions may adversely affect the our reporting units' fair value of a reporting unit, which may in turn require us to recognize an impairment charge.

We conducted our most recent goodwill impairment testing values are less than their carrying values as of July 1, 2023. In March 31, 2024, these external conditions or other factors, including market comparables, may negatively impact certain estimates and assumptions that we use in developing our valuation assumptions underlying the annual impairment testing, we determined that the cost 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 capital for March 31, 2024, none of our Roadie and Delivery Solutions reporting units had increased, driven indications that an impairment was more likely than not. Approximately \$1.5 billion of our consolidated goodwill balance of \$4.8 billion is represented by increases our Global Freight Forwarding, Coyote 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 the risk-free interest rate and volatility of the stock prices of market comparables. The 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, using these assumptions indicated that the carrying values of our Roadie and Delivery Solutions reporting units exceeded their estimated fair values.

As or a combination thereof could result for the third quarter of 2023, we recorded in an impairment charge in one or more of \$117 million (\$103 million after tax, or \$0.12 per diluted share) within Other Expenses in our Statement of Consolidated Income. This charge represented goodwill impairment of \$56 million related reporting units during a future period. We continue to the Roadie monitor business performance and external factors affecting our reporting unit and \$61 million related to Delivery Solutions, which represents all of the goodwill associated with this reporting unit.units.

Additionally, our annual impairment testing indicated that as of March 31, 2024, the estimated fair value of the indefinite-lived trade name associated with our truckload brokerage business, Coyote, remained greater than its carrying value by less than 10 percent. The carrying value of the this trade name is \$200 million \$89 million. Our During the quarter, our truckload brokerage business continues continued to be negatively impacted by market conditions, which has resulted in revenue declines. We continue to monitor business performance and external factors affecting our valuation assumptions for this trade name. As previously disclosed, we are continuing to evaluate strategic alternatives relating to this business.

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

U.S. Domestic Package

		Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
		2023	2022	\$	%	2023	2022	\$	%
2024									
2024									
Average Daily Package Volume (in thousands):									
Average Daily Package Volume (in thousands):									
Average Daily Package Volume (in thousands):	Average Daily Package Volume (in thousands):								
Next Day Air	Next Day Air	1,679	1,932		(13.1) %	1,699	1,929		(11.9) %
Next Day Air									
Next Day Air									
Deferred									
Deferred									
Deferred	Deferred	1,078	1,341		(19.6) %	1,102	1,417		(22.2) %
Ground	Ground	14,529	16,266		(10.7) %	15,102	16,309		(7.4) %
Ground									
Ground									
Total Average Daily Package Volume									

Total Average Daily Package Volume												
Total Average Daily Package Volume	Total Average Daily Package Volume	17,286	19,539	(11.5)	%	17,903	19,655	(8.9)	%			
Average Revenue Per Piece:	Average Revenue Per Piece:											
Average Revenue Per Piece:												
Next Day Air	Next Day Air											
Next Day Air	Next Day Air	\$ 22.42	\$ 21.62	\$ 0.80	3.7 %	\$ 22.31	\$ 21.39	\$ 0.92	4.3 %			
Deferred	Deferred	16.61	15.28	1.33	8.7 %	16.59	15.15	1.44	9.5 %			
Deferred	Deferred											
Deferred	Deferred											
Ground	Ground											
Ground	Ground											
Ground	Ground	11.10	10.94	0.16	1.5 %	11.20	10.83	0.37	3.4 %			
Total Average Revenue Per Piece	Total Average Revenue Per Piece											
Per Piece	Per Piece	\$ 12.54	\$ 12.29	\$ 0.25	2.0 %	\$ 12.59	\$ 12.18	\$ 0.41	3.4 %			
Total Average Revenue Per Piece												
Total Average Revenue Per Piece												
Operating Days in Period												
Operating Days in Period												
Operating Days in Period	Operating Days in Period	63	64	191	192							
Revenue (in millions):	Revenue (in millions):											
Revenue (in millions):												
Revenue (in millions):												
Next Day Air	Next Day Air											
Next Day Air	Next Day Air	\$ 2,372	\$ 2,673	\$ (301)	(11.3) %	\$ 7,240	\$ 7,923	\$ (683)	(8.6) %			
Deferred	Deferred	1,128	1,311	(183)	(14.0) %	3,491	4,123	(632)	(15.3) %			
Deferred	Deferred											
Deferred	Deferred											
Ground	Ground											
Ground	Ground											
Ground	Ground	10,160	11,390	(1,230)	(10.8) %	32,312	33,911	(1,599)	(4.7) %			
Total Revenue	Total Revenue	\$ 13,660	\$ 15,374	\$ (1,714)	(11.1) %	\$ 43,043	\$ 45,957	\$ (2,914)	(6.3) %			
Total Revenue												
Total Revenue												
Operating Expenses (in millions):												
Operating Expenses (in millions):												
Operating Expenses (in millions):	Operating Expenses (in millions):											
Operating Expenses	Operating Expenses	\$ 13,089	\$ 13,708	\$ (619)	(4.5) %	\$ 39,404	\$ 40,800	\$ (1,396)	(3.4) %			
Transformation Strategy Costs		(33)	(20)	(13)	65.0 %	(134)	(89)	(45)	50.6 %			

One-Time Compensation Payment		(61)	—		(61)	N/A		(61)	—		(61)	N/A			
Operating Expenses															
Operating Expenses															
Transformation Costs															
Transformation Costs															
Transformation Costs															
Asset Impairment Charges															
Asset Impairment Charges															
Asset Impairment Charges															
Adjusted Operating Expense															
Adjusted Operating Expense															
Adjusted Operating Expense	Adjusted Operating Expense	\$	12,995	\$	13,688	\$	(693)	(5.1) %	\$	39,209	\$	40,711	\$	(1,502)	(3.7) %
Operating Profit (in millions) and Operating Margin:	Operating Profit (in millions) and Operating Margin:														
Operating Profit (in millions) and Operating Margin:															
Operating Profit															
Operating Profit															
Operating Profit	Operating Profit	\$	571	\$	1,666	\$	(1,095)	(65.7) %	\$	3,639	\$	5,157	\$	(1,518)	(29.4) %
Adjusted Operating Profit	Adjusted Operating Profit	\$	665	\$	1,686	\$	(1,021)	(60.6) %	\$	3,834	\$	5,246	\$	(1,412)	(26.9) %
Adjusted Operating Profit															
Adjusted Operating Profit															
Operating Margin															
Operating Margin															
Operating Margin	Operating Margin	4.2 %	10.8 %					8.5 %	11.2 %						
Adjusted Operating Margin	Adjusted Operating Margin	4.9 %	11.0 %					8.9 %	11.4 %						
Adjusted Operating Margin															
Adjusted Operating Margin															

Revenue

The change in revenue was due to the following factors: following:

	Volume	Rates / Product Mix	Fuel Surcharge	Total Revenue Change
Revenue Change Drivers:				
Third quarter 2023 vs. 2022	(12.9)%	4.7 %	(2.9)%	(11.1)%
Year to date 2023 vs. 2022	(9.4)%	4.6 %	(1.5)%	(6.3)%

	Volume	Rates / Product Mix	Fuel Surcharge	Total Revenue Change
Revenue Change Drivers:				
First quarter 2024 vs. 2023	(4.2)%	0.4 %	(1.2)%	(5.0)%

In both the three and nine month periods, revenue Revenue was also negatively impacted by having one less operating day in the third first quarter of 2023, 2024.

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

Volume

Average daily volume decreased, in the third quarter and year to date, with reductions in both residential and commercial shipments. In both periods, challenging external volume. Challenging macroeconomic conditions, including persistent inflation, geopolitical tensions and changes weakness in consumer behavior contributed to manufacturing output, drove the overall volume declines. Volume was also negatively impacted for both the quarter and year-to-date periods by our labor negotiations with the Teamsters. Following ratification of the contract in September, we began to experience week-over-week increases in volume, decline. We anticipate that year-over-year average daily volume will decline increase each quarter for the remainder of 2024.

Business-to-consumer volume declined 1.5% in the fourth quarter relative to the comparative period, but will increase compared to the third quarter of 2023.

Business-to-consumer shipments declined 13.4% in the third quarter (down 10.1% year to date), primarily due to a reduction in discretionary consumer spending as a result of the macroeconomic environment factors discussed above, as well as with declines from both large customers and SMBs.

Business-to-business volume declined 5.5% in the impact quarter for the reasons described above, driven by declines across a number of sectors including retail, technology and manufacturing. Returns volume increased in the quarter, partially attributable to our addressable market expansion with capabilities like no box, no label returns through Happy Returns and the convenience of our labor negotiations with the Teamsters. In both periods, residential volume declines from SMBs were lower than from our large customers, which was partially due to continued growth in our Digital Access Program. Volume from our largest customer declined for both the third quarter and year to date as planned under our contract terms.

Business-to-business shipments declined 9.0% in the third quarter (down 7.3% year to date), primarily as a result of declines from our large customers in industry sectors that are sensitive to macroeconomic factors discussed above. Uncertainty around our Teamsters contract also negatively impacted volume in both periods. Returns volume declined in the third quarter, but remained relatively flat year to date. We anticipate that our acquisition of Happy Returns will accelerate returns volume growth. The UPS Store locations.

Within our Air products, average daily volume decreased across all customer segments for both the quarter and year to date. These declines resulted from decreases were driven by continued execution under the contract terms with our largest customer as planned, as well as from by the impact of other customers making cost trade-offs and utilizing the enhanced speed in to our ground network.

Ground residential and Average daily volumes for Ground commercial average daily volume decreases of 12.3% and 8.7% shipments decreased by 5.6%, respectively, for the quarter (down 8.0% and 6.7%, respectively, year to date) were primarily attributable to volume declines from a number of large customers due to the macroeconomic factors general economic conditions discussed above. Overall Ground residential volumes were relatively flat, as the decreases were offset by a 10.8% increase in SurePost volume from large customers. We expect volume to increase in the second quarter, driven by anticipated volume from large customers.

Rates Revenue Per Piece

In December 2023, we implemented an average 5.9% net increase in base and Product Mix

accessorial rates for both our Air and Ground rates increased an average of 6.9% in December 2022, products. Revenue per piece from our Air and Ground products increased for the quarter, while revenue per piece from our Ground products declined. The increase in base and year to date, resulting from base rate increases and additional pricing actions, as well as favorable changes in customer mix and, for the third quarter, a favorable shift in product mix. Declines in fuel surcharges negatively accessorial rates favorably impacted revenue per piece from both Air and Ground products, although it was partially offset by decreases in both periods, fuel surcharge revenues and average billable weight per piece, coupled with an unfavorable shift in product mix within our Ground products.

We continue to execute on pricing and revenue quality initiatives within our strategy, and anticipate the year-over-year revenue per piece growth rate will improve remain relatively flat in the fourth second quarter relative before returning to growth during the third quarter second half of 2023, as anticipated declines in fuel surcharge revenue are expected to be more than offset by the impact of the base rate increases and additional pricing actions. 2024.

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 \$459 million \$184 million for the quarter. (down \$724 million year to date), driven by reductions in price per gallon and the impact of lower volume. Based on the current commodity market outlook, we volumes. We expect a continued year-over-year reduction in fuel surcharge revenue to increase in the fourth quarter, second quarter, primarily due to volume growth and the impact of higher surcharge modifiers.

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

Operating Expenses

Operating expenses and adjusted operating expenses decreased for both the quarter and year to date. Our pickup and delivery costs decreased \$210 million in the third quarter (down \$479 million year to date), the quarter. The costs of operating our integrated air and ground network decreased \$439 million in the third quarter (down \$1.0 billion year to date) \$291 million, and our package sorting other operating costs decreased \$88 million in the third quarter (down \$198 million year to date). These decreases were partially offset by an increase of \$44 million in other indirect operating costs in the third quarter (up \$200 million year to date) \$224 million. In addition to the impact of one less operating day in 2023, 2024, the overall decrease in operating expenses was primarily due to:

- Lower compensation expense for both the quarter and year-to-date periods due to a reduction in direct union labor hours resulting from volume declines, as well as the impact of incentive compensation program design changes implemented in the fourth quarter of 2022 and reductions in management headcount. These decreases were partially offset by the impact of the first-year contractual rate increase under our new Teamsters contract that became effective August 1st.

- A reduction in purchased transportation costs for both the quarter and year to date, aircraft block hours, resulting from lower overall volumes and the impact of network optimization initiatives, which drove a reduction in ground volume handled by third-party carriers, as well as the impact of continued strategic initiatives. carriers.
- Lower fuel expense driven by lower volume and decreases in the price of jet fuel, diesel and gasoline which we gasoline. We expect fuel expense to continue remain relatively flat in the fourth quarter, second quarter of 2024.

Notwithstanding These reductions were partially offset by increases of \$311 million in pickup and delivery costs and \$100 million in sortation costs that were driven by increased compensation and benefits expense for our union workforce. Compensation expense increased due to the factors discussed above, total contractual rates under our Teamsters contract, partially offset by a reduction in direct labor hours. Contractual rate increases for contributions to multiemployer benefit plans drove the increase in benefits expense.

Total cost per piece increased 9.7% 4.2% for the quarter (up 6.6% year to date), and adjusted cost per piece increased 8.9% for 4.1%, as the quarter (up 6.3% year to date), driven by reduction in volume more than offset the decrease in overall reductions in volume, expenses. We anticipate the cost per piece growth rate will moderate increase further in the fourth second quarter relative to and then moderate for the third quarter remainder of 2023, driven by volume growth, additional network improvements and productivity initiatives, as well as further reductions in fuel cost, the year.

Operating Profit and Margin

Operating profit decreased \$1.1 billion in As a result of the third quarter (down \$1.5 billion year to date), with operating margin decreasing 660 basis points to 4.2% (down 270 basis points to 8.5% year to date) as factors described above, revenue declines were greater than operating expense reductions. reductions and operating profit decreased \$641 million in the first quarter, with operating margin decreasing 400 basis points to 5.8%. Adjusted operating profit decreased \$1.0 billion in the third quarter (down \$1.4 billion year to date) \$649 million, with adjusted operating margin decreasing 610 400 basis points to 4.9% (down 250 basis points to 8.9% year to date) 5.9%.

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

International Package

		Three Months Ended				Nine Months Ended				Three Months Ended				Change	
		September 30,		Change		September 30,		Change		March 31,					
		2023	2022	\$	%	2023	2022	\$	%	2024	2023			\$	
Average Daily Package Volume (in thousands):	Average Daily Package Volume (in thousands):														
Domestic	Domestic	1,524	1,677		(9.1)%	1,571	1,729		(9.1)%						
Domestic	Domestic									1,503	1,635				
Export	Export	1,615	1,684		(4.1)%	1,635	1,699		(3.8)%	1,621	1,682	1,682		(3.6)	
Total Average Daily Package Volume	Total Average Daily Package Volume	3,139	3,361		(6.6)%	3,206	3,428		(6.5)%	3,124	3,317	3,317		(5.8)	
Average Revenue Per Piece:	Average Revenue Per Piece:														
Domestic	Domestic														
Domestic	Domestic	\$ 7.73	\$ 7.31	\$ 0.42	5.7 %	\$ 7.66	\$ 7.43	\$ 0.23	3.1 %	\$ 8.01	\$ 7.59	\$ 0.42	5.5		
Export	Export	33.09	34.77	(1.68)	(4.8)%	33.26	35.26	(2.00)	(5.7)%	32.80	33.00	33.00	(0.20)	(0.20)	(0.6)
Total Average Revenue Per Piece	Total Average Revenue Per Piece	\$20.78	\$21.07	\$(0.29)	(1.4)%	\$ 20.72	\$ 21.22	\$(0.50)	(2.4)%	\$20.87	\$ 20.47	\$ 0.40	2.0		
Operating Days in Period	Operating Days in Period	63	64			191	192								
Revenue (in millions):	Revenue (in millions):														

Revenue (in millions):														
Revenue (in millions):														
Domestic														
Domestic														
Domestic	Domestic	\$ 742	\$ 785	\$ (43)	(5.5)%	\$ 2,299	\$ 2,465	\$ (166)	(6.7)%	\$ 758	\$ 794	\$ (36)	(4.5)	(6.7)%
Export	Export	3,367	3,747	(380)	(10.1)%	10,387	11,501	(1,114)	(9.7)%	3,350	3,552	(202)	(202)	(5.7)
Cargo and Other	Cargo and Other	158	267	(109)	(40.8)%	539	782	(243)	(31.1)%	148	197	(49)	(49)	(24.9)
Total Revenue	Total Revenue	\$4,267	\$4,799	\$ (532)	(11.1)%	\$13,225	\$14,748	\$ (1,523)	(10.3)%	\$4,256	\$4,543	\$ (287)	(6.3)	(10.3)%
Operating Expenses (in millions):														
Operating Expenses	Operating Expenses	\$3,637	\$3,802	\$ (165)	(4.3)%	\$10,884	\$11,442	\$ (558)	(4.9)%	\$3,574	\$3,737	\$ (163)	(4.4)	(4.9)%
Transformation Strategy Costs	Transformation Strategy Costs	(45)	(7)	(38)	542.9 %	(42)	(22)	(20)	90.9 %	(24)	22	(46)		
Operating Expenses														
Operating Expenses	Operating Expenses									\$3,600	\$3,715	\$ (115)		
Transformation Costs	Transformation Costs									(24)	22	(46)		
Asset Impairment Charges	Asset Impairment Charges									(2)	—	(2)		
Adjusted Operating Expenses	Adjusted Operating Expenses	\$3,592	\$3,795	\$ (203)	(5.3)%	\$10,842	\$11,420	\$ (578)	(5.1)%	\$3,574	\$3,737	\$ (163)	(4.4)	(5.1)%
Operating Profit (in millions) and Operating Margin:														
Operating Profit														
Operating Profit														
Operating Profit	Operating Profit	\$ 630	\$ 997	\$ (367)	(36.8)%	\$ 2,341	\$ 3,306	\$ (965)	(29.2)%	\$ 656	\$ 828	\$ (172)	(20.8)	(29.2)%
Adjusted Operating Profit	Adjusted Operating Profit	\$ 675	\$1,004	\$ (329)	(32.8)%	\$ 2,383	\$ 3,328	\$ (945)	(28.4)%	\$ 682	\$ 806	\$ (124)	(15.4)	(28.4)%
Operating Margin	Operating Margin	14.8 %	20.8 %			17.7 %	22.4 %							
Adjusted Operating Margin	Adjusted Operating Margin	15.8 %	20.9 %			18.0 %	22.6 %							
Adjusted Operating Margin														
Adjusted Operating Margin														
Currency Benefit / (Cost) – (in millions)*:														
Currency Benefit / (Cost) – (in millions)*:														
Currency Benefit / (Cost) – (in millions)*:	Currency Benefit / (Cost) – (in millions)*:			\$ 43				\$ (152)						
Revenue														
Revenue														
Operating Expenses														
Operating Expenses														
Operating Expenses	Operating Expenses			(75)				37						

Operating Profit	Operating Profit	\$ (32)	\$ (115)
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Operating Profit
Operating Profit

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

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

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

Revenue

The change in revenue was due to the following:

	Volume	Rates / Product Mix	Fuel Surcharge	Currency	Total Revenue Change
Revenue Change Drivers:					
Third quarter 2023 vs. 2022	(8.4)%	(0.1)%	(3.5)%	0.9 %	(11.1)%
Year to date 2023 vs. 2022	(7.0)%	0.6 %	(2.9)%	(1.0)%	(10.3)%

	Volume	Rates / Product Mix	Fuel Surcharge	Currency	Total Revenue Change
Revenue Change Drivers:					
First quarter 2024 vs. 2023	(6.0)%	1.6 %	(1.3)%	(0.6)%	(6.3)%

In both the three and nine month periods, revenue Revenue was also negatively impacted by having one less operating day in the third first quarter of 2023, 2024.

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

Average daily volume for domestic both export and export domestic products decreased for in the third quarter and year to date. quarter. Business-to-consumer volume decreased 11.5% for the third quarter (down 9.8% year to date) as persistent inflation 11.1% and high interest rates continued to impact consumer demand. These factors and increased levels of U.S. inventory also negatively impacted business-to-business volume which decreased 4.7% for 3.7%. Challenging economic conditions and geopolitical factors contributed to the third quarter (down 5.2% year volume declines. Volume declines were primarily attributable to date). Volume SMBs, although volume from large customers and SMBs also declined, in both periods, with declines driven by declines from the retail and manufacturing and sectors, while the technology sectors. sector exhibited moderate volume growth. We expect year-over-year declines in average daily volume to continue through be relatively flat in the fourth quarter. second quarter and to improve in the second half of the year, dependent on an improvement in global macroeconomic conditions.

Export volume decreased for the quarter, and year to date, primarily driven by declines in on intra-Europe and Asia activity. trade lanes. These declines were partially offset by an increase in volume in increases on the Americas region. The volume declines in intra-Europe and Asia to U.S. trade lanes, were as manufacturing and distribution moves closer to the U.S. consumer market. We also experienced volume improvements on the China to U.S. trade lane during the quarter. The intra-Europe volume decline was primarily due to lower consumer spending as a result of challenging economic conditions. The Asia to U.S. trade lane was also negatively impacted by high inventory levels in the United States.

Our premium products saw experienced volume decline 11.3% declines of 9.6% for the third quarter. (down 10.0% year to date), primarily in our Worldwide and Transborder Express Saver products. These declines resulted from continuing shifts in customer product preferences, macroeconomic conditions and lower import demand from U.S. consumers, preferences. Volume in our non-premium products decreased 2.6% 1.6% for the third quarter. (down 1.5% year to date), driven by declines in our Transborder Standard product, primarily within Europe. The declines in both our premium and Worldwide Expedited. These declines non-premium products were primarily due to the macroeconomic conditions described above.

Macroeconomic conditions also impacted Domestic volume which declined for both in the third quarter, and year to date, driven by with the largest declines in Europe Germany, Canada and Canada, the United Kingdom as challenging economic conditions in those countries reduced consumer spending.

Rates and Product Mix Revenue Per Piece

In December 2022, 2023, we implemented an average 6.9% 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 decreased 1.4% increased 2.0% for the quarter, (down 2.4% year to date), primarily due to base rate increases. This was partially offset by declines in fuel and demand-related surcharges, and as well as unfavorable shifts in product mix. These declines were partially offset by base rate increases and, for the third quarter, favorable currency movements. Year to date, currency negatively impacted revenue per piece. Excluding the impact of currency, revenue per piece decreased 2.4% in increased 2.5% for the

quarter (down 1.2% year to date). In the fourth quarter, we anticipate overall revenue per piece growth will be relatively flat compared in the second quarter and will decline in the second half of the year due to the same period last year, continued shift to non-premium products.

Export revenue per piece decreased 4.8% 0.6% for the quarter (down 5.7% year quarter. The decrease was primarily attributable to date). Decreases were driven by changes in product mix primarily a decline due to the shifts in our Worldwide products. In both periods, these decreases customer preferences. Declines in revenue per piece were slightly mostly offset by base rate increases. Excluding the impact of currency, export revenue per piece decreased 5.4% in the quarter (down 4.7% year remained flat relative to date), last year.

Domestic revenue per piece increased 5.7% 5.5% for the quarter, (up 3.1% year to date), primarily due to customer mix. Currency movements favorably impacted revenue per piece for the quarter, but were unfavorable for the year. rate increases discussed above. Excluding the impact of currency, domestic revenue per piece increased 2.9% 6.1% for the quarter (up 5.1% year to date). quarter.

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 decreased \$156 million \$59 million for the quarter, (down \$450 million year due to date), primarily driven by a decrease in price per gallon and the impact of volume declines, declines, partially offset by higher surcharge modifiers. Based on our current commodity market outlook, we expect fuel surcharge revenue will increase in the fourth quarter to remain below the same period last year. second quarter.

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

Operating Expenses

Operating expenses and adjusted operating expenses decreased for both the third quarter, and year to date. This was primarily due to reductions to:

- Reductions in the cost of operating our integrated international air and ground network, which decreased \$277 million for the quarter and \$594 million year to date, \$125 million, driven by lower fuel prices as well as a reduction and reductions in air charters and aircraft block hours. We anticipate that fuel prices in the fourth quarter will remain lower than in the prior year.

These reductions were slightly offset by increases in our Lower pickup and delivery costs, which decreased \$22 million as a result of \$29 million for lower volumes and the quarter (down \$9 million year to date) and our other indirect costs, which increased \$39 million for impact of cost management initiatives.

On an unadjusted basis, these reductions were partially offset by the quarter (up \$24 million year to date). We also incurred additional impact of year-over-year increases in employee separation costs as we made staffing adjustments continued to reduce overhead and better align direct labor headcount with volume, right-size our business.

Operating Profit and Margin

As a result of the factors described above, operating profit decreased \$367 million \$172 million for the third quarter, (down \$965 million year to date), with operating margin decreasing 600 280 basis points to 14.8% (down 470 basis points to 17.7% year to date) 15.4%. Adjusted operating profit decreased \$329 million for the third quarter (down \$945 million year to date), while \$124 million and adjusted operating margin decreased 510 170 basis points to 15.8% (down 460 basis points 16.0%).

Increased geopolitical uncertainty continues to 18.0% year to date).

Substantially impact volumes in our International Package segment. As previously disclosed, substantially all of our operations in Russia and Belarus were have been suspended, in March 2022. Subsequently, and we have commenced expect to complete the liquidation of our Small Package and Forwarding and Logistics subsidiaries in these countries. We expect to complete this process in early countries by end of 2024. 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.

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

Supply Chain Solutions

	Three Months Ended				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Revenue (in millions):								
Forwarding	\$ 1,327	\$ 2,162	\$ (835)	(38.6)%	\$ 4,217	\$ 7,140	\$ (2,923)	(40.9)%
Logistics	1,430	1,302	128	9.8 %	4,271	3,843	428	11.1 %
Other	377	524	(147)	(28.1)%	1,285	1,617	(332)	(20.5)%
Total Revenue	\$ 3,134	\$ 3,988	\$ (854)	(21.4)%	\$ 9,773	\$ 12,600	\$ (2,827)	(22.4)%
Operating Expenses (in millions):								

Operating Expenses	\$	2,992	\$	3,538	\$	(546)	(15.4)%	\$	9,089	\$	11,164	\$	(2,075)	(18.6)%
Transformation Strategy Costs		(16)		(9)		(7)	77.8 %		(60)		(21)		(39)	185.7 %
Goodwill and Asset Impairments, and Divestiture Charges		(117)		—		(117)	N/A		(125)		—		(125)	N/A
Adjusted Operating Expenses:	\$	2,859	\$	3,529	\$	(670)	(19.0)%	\$	8,904	\$	11,143	\$	(2,239)	(20.1)%
Operating Profit (in millions) and Operating Margin:														
Operating Profit	\$	142	\$	450	\$	(308)	(68.4)%	\$	684	\$	1,436	\$	(752)	(52.4)%
Adjusted Operating Profit	\$	275	\$	459	\$	(184)	(40.1)%	\$	869	\$	1,457	\$	(588)	(40.4)%
Operating Margin		4.5 %		11.3 %					7.0 %		11.4 %			
Adjusted Operating Margin		8.8 %		11.5 %					8.9 %		11.6 %			
Currency Benefit / (Cost) – (in millions)*:														
Revenue					\$	24						\$	(33)	
Operating Expenses						(30)							35	
Operating Profit					\$	(6)						\$	2	

* Amount represents the change in currency translation compared to the prior year.

	Three Months Ended				Nine Months Ended									
	September 30,		Change		September 30,		Change							
	2023	2022	\$	%	2023	2022	\$	%						
Adjustments to Operating Expenses (in millions):														
Transformation Strategy Costs														
Forwarding	\$	14	\$	1	\$	13	1,300.0 %	\$	38	\$	9	\$	29	322.2 %
Logistics		1		7		(6)	(85.7)%		21		9		12	133.3 %
Other		1		1		—	— %		1		3		(2)	(66.7)%
Total Transformation Strategy Costs	\$	16	\$	9	\$	7	77.8 %	\$	60	\$	21	\$	39	185.7 %
Goodwill and Asset Impairments, and Divestiture Charges														
Forwarding	\$	—	\$	—	\$	—	N/A	\$	8	\$	—	\$	8	N/A
Logistics		—		—		—	N/A		—		—		—	N/A
Other		117		—		117	N/A		117		—		117	N/A
Total Goodwill and Asset Impairments, and Divestitures														
Charges	\$	117	\$	—	\$	117	N/A	\$	125	\$	—	\$	125	N/A
Total Adjustments to Operating Expenses	\$	133	\$	9	\$	124	1,377.8 %	\$	185	\$	21	\$	164	781.0 %

	Three Months Ended						
	March 31,		Change				
	2024	2023	\$	%			
Revenue (in millions):							
Forwarding	\$	1,280	\$	1,514	\$	(234)	(15.5)%
Logistics		1,542		1,410		132	9.4 %
Other		394		471		(77)	(16.3)%
Total Revenue	\$	3,216	\$	3,395	\$	(179)	(5.3)%
Operating Expenses (in millions):							
Operating Expenses	\$	3,084	\$	3,148	\$	(64)	(2.0)%
Transformation and Other Costs		(53)		(3)		(50)	N/M
Asset Impairment Charges		(41)		(8)		(33)	412.5 %
Adjusted Operating Expenses:	\$	2,990	\$	3,137	\$	(147)	(4.7)%
Operating Profit (in millions) and Operating Margin:							
Operating Profit	\$	132	\$	247	\$	(115)	(46.6)%
Adjusted Operating Profit	\$	226	\$	258	\$	(32)	(12.4)%
Operating Margin		4.1 %		7.3 %			
Adjusted Operating Margin		7.0 %		7.6 %			
Currency Benefit / (Cost) – (in millions)*:							

Revenue	\$	(14)
Operating Expenses		20
Operating Profit	\$	6

* Amount represents the change in currency translation compared to the prior year.

	Three Months Ended		Change	
	March 31,			
	2024	2023	\$	%
Adjustments to Operating Expenses (in millions):				
Transformation and Other Costs				
Forwarding	\$ 7	\$ 1	\$ 6	600.0 %
Logistics	6	2	4	200.0 %
Other	40	—	40	N/A
Total Transformation and Other Costs	\$ 53	\$ 3	\$ 50	N/M
Asset Impairment Charges				
Forwarding	\$ —	\$ 8	\$ (8)	(100.0)%
Logistics	41	—	41	N/A
Other	—	—	—	— %
Total Asset Impairment Charges	\$ 41	\$ 8	\$ 33	412.5 %
Total Adjustments to Operating Expenses	\$ 94	\$ 11	\$ 83	754.5 %

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

Revenue

Total revenue in Supply Chain Solutions decreased for both the third quarter and year to date, quarter. This was primarily due to declines in our Forwarding business, as macroeconomic conditions drove with both truckload brokerage and freight forwarding revenues decreasing, and declines within certain of our other businesses. These declines were partially offset by revenue growth in customer activity, while increased capacity led to lower market rates.

- International airfreight revenue decreased approximately \$290 million for the quarter (down \$1.1 billion year to date). Customer demand remained weak, particularly on Asia export lanes for the first half of the year, and capacity growth continued to outpace demand. These factors drove down the rates we charge for services in both the quarter and year-to-date periods and we anticipate that they will continue to pressure rates in the fourth quarter,our Logistics businesses.
- Revenue in our truckload brokerage business decreased \$295 million for the quarter (down \$1.1 billion year to date) \$148 million due to lower volume volumes and a continued decline in market rates. We remained focused on These decreases were partially offset by volume increases from SMBs as a result of our revenue quality initiatives initiatives.
- International airfreight revenue decreased approximately \$53 million due to continued weakness in market demand, impacting both volumes and as a result, were able rates. We expect improvements in market demand and tightening capacity, particularly on Asia export lanes, which are expected to grow volume from SMBs during both lead to revenue growth in the third quarter and year-to-date periods, second half of 2024.
- The remaining reduction in revenue for both the quarter and year to date, was primarily attributable to our ocean freight forwarding business. Market rates declined in both periods, particularly on the Asia to U.S. lane, business, driven by challenging macroeconomic conditions and the impact of additional capacity entering the market. While volume decreases negatively impacted revenue year to date, volume a change in product mix that drove growth in the third quarter slightly offset the impact of volume but at lower market rates. We expect revenue to remain challenged in the fourth second quarter as capacity increases are expected to continue to outpace exceed demand.

Within our Logistics businesses, healthcare logistics revenue increased \$138 million for the third quarter (up \$342 million year to date) \$132 million. The acquisition of Bomi Group MNX Global Logistics in the fourth quarter of 2022 drove \$97 million 2023 contributed \$90 million of the increase, for with the quarter (\$291 million year to date) remainder driven by growth in clinical trials and we also experienced growth across pharmaceuticals within our other healthcare operations. Revenue in mail services increased \$19 million for the quarter (up \$122 million year to date) remained relatively flat as a result of volume growth, rate increases and a favorable shift in product characteristics. The growth in healthcare and mail services was partially characteristics were offset by declines a decrease in our other distribution operations for both the third quarter and year to date, volume.

Revenue from the other businesses within Supply Chain Solutions decreased, for both the quarter and year to date, driven by a reduction of \$92 million (down \$307 million year to date) in \$69 million from lower volumes under contracts with the USPS. Revenue from transition services provided to the acquirer of UPS Freight declined \$34 million as we continue to wind down these arrangements. Third-quarter revenue was also negatively impacted by lower volumes from service contracts with the U.S. Postal Service. These reductions were partially offset by higher revenue from our digital businesses for both due to business growth and the third impact of the acquisition of Happy Returns in the fourth quarter and year of 2023. We expect revenue from our other Supply Chain Solutions businesses will increase during the second half of 2024 as this is where we will report the revenue related to date, the additional air cargo volume under our recently announced agreement with the USPS.

Operating Expenses

Total operating expenses and total adjusted operating expenses for within Supply Chain Solutions decreased for both the quarter and year to date, quarter.

Forwarding operating expenses decreased \$687 million for the quarter (down \$2.4 billion year \$229 million, primarily due to date). This primarily resulted from a reduction of approximately \$650 million \$196 million in purchased transportation expense for the quarter (down approximately \$2.3 billion year to date) due to as a result of lower volumes and market rates across our forwarding businesses, and decreased volumes in both the airfreight and truckload brokerage businesses. We expect these conditions to persist as we move through our operating expenses will increase during the fourth quarter, resulting in lower purchased transportation costs, second half of 2024 driven by expected higher volumes.

Logistics operating expenses increased \$121 million for the quarter (up \$388 million year to date) \$124 million, driven by the impact of the acquisition of Bomi Group, MNX Global Logistics which was responsible for \$107 million contributed \$88 million of the increase (\$317 million year increase. Expenses in our healthcare operations increased \$43 million, primarily due to date). Purchased transportation costs higher rates for third-party transportation. Operating expenses in mail services were relatively flat for flat. On an unadjusted basis, Logistics operating expenses were also impacted by a charge to write down the quarter but increased \$67 million year to date due to volume and rate increases and shifts in product characteristics, value of certain trade names acquired as part of the Bomi Group acquisition.

Expenses in the our other businesses within Supply Chain Solutions businesses decreased, for both the quarter and year to date, largely driven by a the reduction in transportation costs incurred to fulfill our obligations to the USPS under existing agreements. Costs incurred to procure transportation for, and provide transition services to, the acquirer of UPS Freight. Transportation costs related Freight also decreased as we continued to our contracts with the U.S. Postal Service decreased during the third quarter as a result of lower volumes, wind down these arrangements. These decreases were partially offset by goodwill impairment charges and higher operating costs within our digital businesses.

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

On an unadjusted basis, these decreases were offset by the impact of transformation and other costs, including an expense related to a regulatory matter. We expect expenses in our other Supply Chain Solutions businesses will increase during the second half of 2024, as this is where we will report expenses related to the additional air cargo volume under our recently announced agreement with the USPS.

Operating Profit and Margin

As a result of the factors described above, total operating profit decreased \$308 million for the third quarter (down \$752 million year to date) \$115 million, with operating margin decreasing 680 320 basis points to 4.5% (down 440 basis points to 7.0% year to date) 4.1%. On an adjusted basis, operating profit decreased \$184 million for the third quarter (down \$588 million year to date), \$32 million with adjusted operating margin decreasing 270 60 basis points to 8.8% (down 270 basis points to 8.9% year to date) 7.0%.

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

Consolidated Operating Expenses

		Three Months Ended				Nine Months Ended			
		September 30,		Change		September 30,		Change	
		2023	2022	\$	%	2023	2022	\$	%
Operating Expenses (in millions):	Operating Expenses (in millions):								
Operating Expenses (in millions):									
Operating Expenses (in millions):									
Compensation and benefits	Compensation and benefits	\$ 11,528	\$ 11,489	\$ 39	0.3 %	\$ 34,187	\$ 34,434	\$ (247)	(0.7) %
Transformation Strategy Costs		(80)	(15)	(65)	433.3 %	(178)	(71)	(107)	150.7 %
One-Time Compensation Payment		\$ (61)	\$ —	\$ (61)	N/A	\$ (61)	\$ —	\$ (61)	N/A
Compensation and benefits									
Compensation and benefits									
Transformation and Other Costs									
Transformation and Other Costs									
Transformation and Other Costs									
Adjusted Compensation and benefits									
Adjusted Compensation and benefits									

Adjusted Compensation and benefits	Adjusted Compensation and benefits	\$ 11,387	\$ 11,474	\$ (87)	(0.8) %	\$ 33,948	\$ 34,363	\$ (415)	(1.2) %
Repairs and maintenance	Repairs and maintenance	\$ 719	\$ 732	\$ (13)	(1.8) %	\$ 2,126	\$ 2,160	\$ (34)	(1.6) %
Repairs and maintenance									
Repairs and maintenance									
Depreciation and amortization									
Depreciation and amortization									
Depreciation and amortization	Depreciation and amortization	837	774	63	8.1 %	2,499	2,300	199	8.7 %
Purchased transportation	Purchased transportation	3,118	4,179	(1,061)	(25.4) %	9,834	13,176	(3,342)	(25.4) %
Purchased transportation									
Purchased transportation									
Fuel									
Fuel									
Fuel	Fuel	1,132	1,530	(398)	(26.0) %	3,493	4,447	(954)	(21.5) %
Other occupancy	Other occupancy	481	435	46	10.6 %	1,490	1,358	132	9.7 %
Other occupancy									
Other occupancy									
Other expenses									
Other expenses									
Other expenses	Other expenses	1,903	1,909	(6)	(0.3) %	5,748	5,531	217	3.9 %
Total Other expenses	Total Other expenses	8,190	9,559	(1,369)	(14.3) %	25,190	28,972	(3,782)	(13.1) %
Transformation Strategy Costs									
Transformation Strategy Costs									
Goodwill and Asset Impairments, and Divestiture Charges									
Goodwill and Asset Impairments, and Divestiture Charges									
Total Other expenses									
Total Other expenses									
Transformation and Other Costs									
Transformation and Other Costs									
Transformation and Other Costs									
Transformation and Other Costs									
Asset Impairment Charges									
Asset Impairment Charges									
Asset Impairment Charges									
Adjusted Total Other expenses									
Adjusted Total Other expenses									
Adjusted Total Other expenses	Adjusted Total Other expenses	\$ 8,059	\$ 9,538	\$ (1,479)	(15.5) %	\$ 25,007	\$ 28,911	(3,904)	(13.5) %
Total Operating Expenses	Total Operating Expenses	\$ 19,718	\$ 21,048	\$ (1,330)	(6.3) %	\$ 59,377	\$ 63,406	\$ (4,029)	(6.4) %
Total Operating Expenses									
Total Operating Expenses									
Adjusted Total Operating Expenses									
Adjusted Total Operating Expenses									
Adjusted Total Operating Expenses	Adjusted Total Operating Expenses	\$ 19,446	\$ 21,012	\$ (1,566)	(7.5) %	\$ 58,955	\$ 63,274	\$ (4,319)	(6.8) %
Currency (Benefit) / Cost - (in millions)*	Currency (Benefit) / Cost - (in millions)*			\$ 105				\$ (72)	
Currency (Benefit) / Cost - (in millions)*									
Currency (Benefit) / Cost - (in millions)*									

* Amount represents the change in currency translation compared to the prior year.

* Amount represents the change in currency translation compared to the prior year.

* Amount represents the change in currency translation compared to the prior year.

* Amount represents the change in currency translation compared to the prior year.

		Three Months Ended				Nine Months Ended			
		September 30,		Change		September 30,		Change	
		2023	2022	\$	%	2023	2022	\$	%
Adjustments to Operating Expenses (in millions):	Adjustments to Operating Expenses (in millions):								
Transformation Strategy Costs									
Adjustments to Operating Expenses (in millions):									
Adjustments to Operating Expenses (in millions):									
Transformation and Other Costs									
Transformation and Other Costs									
Transformation and Other Costs									
Compensation	Compensation	\$ 5	\$ 7	\$ (2)	(28.6) %	\$ 15	\$ 31	\$ (16)	(51.6) %
Compensation									
Compensation									
Benefits									
Benefits									
Benefits	Benefits	136	8	128	1,600.0 %	223	40	183	457.5 %
Other expenses	Other expenses	14	21	(7)	(33.3) %	59	61	(2)	(3.3) %
Total Transformation Strategy Costs		\$ 155	\$ 36	\$ 119	330.6 %	\$ 297	\$ 132	\$ 165	125.0 %
Goodwill and Asset Impairments, and Divestiture Charges									
Other expenses									
Other expenses									
Total Transformation and Other Costs									
Total Transformation and Other Costs									
Total Transformation and Other Costs									
Asset Impairment Charges									
Asset Impairment Charges									
Asset Impairment Charges									
Other expenses									
Other expenses									
Other expenses	Other expenses	\$ 117	\$ —	\$ 117	N/A	\$ 125	\$ —	\$ 125	N/A
Total	Total								
Adjustments to Operating Expenses	Adjustments to Operating Expenses	\$ 272	\$ 36	\$ 236	655.6 %	\$ 422	\$ 132	\$ 290	219.7 %
Total Adjustments to Operating Expenses									
Total Adjustments to Operating Expenses									

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Compensation and Benefits

Total compensation and benefits costs increased in the third quarter while adjusted total compensation and benefits decreased in the third quarter. In the year-to-date period, total compensation and benefits and adjusted total compensation and benefits decreased, increased in the first quarter. Compensation costs decreased \$163 million for the third quarter (down \$542 million year to date). On an adjusted basis, compensation costs decreased \$161 million for the third quarter (down \$526 million year to date) increased \$97 million. The principal factors contributing to the decreases increase were:

- Management compensation decreased \$152 million for the third quarter (down \$476 million year to date). On an adjusted basis, management compensation decreased \$150 million for the third quarter (down \$468 million year to date). The decreases were driven by fourth quarter 2022 design changes to our incentive compensation programs, lower incentive compensation accruals and lower overall headcount.
- Direct labor costs decreased \$36 million increased \$199 million. Contractual wage rate increases for our U.S. union workforce resulted in an increase in costs of \$328 million. This was partially offset by the third quarter (down \$90 million year to date). Reductions impact of reductions in U.S. direct labor hours and administrative headcount due to volume declines, resulted which reduced expense by \$207 million. The remaining increase was driven by changes in a reduction in expense of \$362 million for the quarter (down approximately \$760 million year to date). Other labor-related costs decreased by approximately \$30 million for the quarter (approximately \$110 million year to date). These declines were largely offset by an increase of \$372 million for the quarter (approximately \$790 million year to date) attributable to contractual wage rate increases for seniority within our U.S. union workforce. We expect wage rate growth will continue through to remain elevated on a year-over-year basis in the fourth second quarter due to before moderating during the new Teamsters contract second half of 2024 as a result of the terms of our contract with the Teamsters.
- The acquisition of Bomi Group Management compensation costs decreased \$73 million due to a reduction in the fourth quarter of 2022 resulted in additional incentive compensation cost of \$28 million for the third quarter (\$79 million year to date), expense and lower overall headcount.

Benefits costs increased \$202 million \$78 million for the third quarter, (up \$295 million year to date). On and increased \$35 million on an adjusted basis, benefits costs increased \$74 million for the third quarter (up \$111 million year to date), basis. The principal factors impacting driving the changes increase were:

- Other benefits costs increased \$118 million for the quarter (up \$180 million year to date), driven by a one-time payment of \$52 million to certain U.S.-based, non-union part time supervisors and employee separation costs of \$64 million (\$118 million year to date) related to staffing adjustment initiatives to reduce our overhead cost and better align direct labor headcount with volume. On an adjusted basis, other benefits increased \$2 million for the third quarter (up \$9 million year to date).
- Accruals for paid time off, payroll taxes and other costs increased \$85 million for the quarter (up \$65 million year to date) \$43 million, primarily due to contractual wage growth and payroll taxes for the one-time payment discussed above. On an adjusted basis, these costs increased \$76 million for the quarter (up \$56 million year to date), rate growth.
- Health and welfare costs increased \$65 million for the third quarter (up \$200 million year to date) \$39 million, driven by increased contributions to multiemployer plans as a result of contractually-mandated rate increases.
- Workers' compensation expense increased \$60 million for the third quarter (up \$96 million year decreased \$29 million due to date), driven by an increase favorable developments in current prior year claims and unfavorable developments in reserves for prior years' claims, partially offset by the impact of a decrease in overall hours worked, counts.
- Pension and other postretirement benefits expense decreased \$12 million as reductions in participating headcount more than offset increases in service costs decreased \$126 million under Company-sponsored plans due to lower discount rates and benefit increases under the terms of the Teamsters contract.
- Other employee benefits expense increased \$37 million due to separation costs incurred as we continued to right-size our business for the third quarter (down \$248 million year future. On an adjusted basis, other employee benefits expense remained relatively flat.

Repairs and Maintenance

The decrease in repairs and maintenance expense was primarily due to date) due primarily to:

- The cost the deferral of company-sponsored defined benefit plans decreased \$219 million aircraft engine maintenance, as the declines in volume resulted in the third temporary idling of certain aircraft. This was partially offset by an increase in routine repairs to buildings and facilities. We expect these expense trends to continue in the second quarter.

Depreciation and Amortization

We incurred higher depreciation expense as a result of facility automation and expansion projects coming into service. Amortization expense for capitalized software investments in support of our strategic initiatives increased, and we recorded additional amortization expense for intangible assets due to the acquisitions of MNX Global Logistics and Happy Returns in the fourth quarter (down \$658 million year of 2023).

Purchased Transportation

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

- Supply Chain Solutions expense decreased \$123 million, driven by volume declines and lower market rates paid for services in our Forwarding businesses. This was partially offset by expense increases in our logistics operations due to business growth and the impact of the acquisition of MNX Global Logistics.
- U.S. Domestic expense decreased \$116 million due to overall volume declines, a reduction in service cost due to higher discount rates. The cessation of accruals for future service in the UPS Retirement Plan was offset ground volume handled by the cost of replacement contributions to the UPS 401(k) Savings Plan.
 - Contributions to multiemployer plans remained flat in the third quarter but increased \$56 million year to date due to the impact of contractually-mandated contribution increases, third-party carriers and other network optimization initiatives. These decreases were partially offset by reductions an increase in eligible headcount, delivery costs for our SurePost product as a result of higher volume.

- Expense for the UPS 401(k) Savings Plan increased \$87 million in the third quarter (up \$328 million year to date) International Package expense decreased \$56 million, primarily due to the impact of replacement contributions for the UPS Retirement Plan, demographic changes and additional contributions resulting from the one-time payment discussed above. declines in volume.

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

Repairs and Maintenance

The decrease in repairs and maintenance expense for the third quarter and year-to-date periods was primarily due to the deferral of aircraft engine maintenance, as the declines in volume resulted in the temporary idling of certain aircraft in both periods.

Depreciation and Amortization

We incurred higher depreciation expense during the third quarter and year-to-date periods as a result of additional facilities coming into service, growth in the size of our vehicle fleet and the reduction in estimated residual value of our MD-11 aircraft. We incurred higher amortization expense on capitalized software investments in support of our strategic initiatives, as well as amortization expense for intangible assets recognized in connection with the acquisition of Bomi Group.

Purchased Transportation

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

- Supply Chain Solutions expense decreased \$686 million for the third quarter (down \$2.4 billion year to date), driven by volume declines and lower market rates paid for services in our Forwarding businesses. This was slightly offset by increases in our logistics operations due to business growth, third-party rate increases in our mail services business and impacts from the acquisition of Bomi Group.
- U.S. Domestic expense decreased \$302 million for the third quarter (down \$639 million year to date), driven by the overall decline in volume and a reduction in ground volume handled by third-party carriers as a result of our network optimization initiatives.
- International Package expense decreased \$73 million for the third quarter (down \$271 million year to date), primarily due to declines in volume partially offset by unfavorable currency movements.

Fuel

The decrease reduction in fuel expense for both the quarter and year to date was driven by lower prices for jet fuel, diesel and gasoline, and the impact of lower volume. volumes. 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 both the quarter, and year primarily due to date increases in property rents. A decrease in utilities expense as a result of additional operating facilities coming into service, increases declines in rental rates and usage was offset by higher year-to-date utilities costs. We expect inflation may continue costs related to adversely impact these costs for the remainder of the year. winter weather events.

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

Other Expenses

Other expenses decreased \$30 million for the 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 consolidate our brands, and a \$7 million impairment charge related to software licenses. Additionally, we incurred \$55 million of transformation and other costs, including an expense related to a regulatory matter. On an adjusted basis, other expenses decreased for \$110 million, primarily due to the quarter but increased for the year-to-date period. The decrease for the quarter was primarily the result of:

- Gains on the sale of surplus real estate of \$82 million. following:
 - A reduction in outsourcing and professional consulting fees of \$38 million due to \$50 million driven by a decrease in project-driven consulting services project-based engagements and higher capitalization of third-party software development expenditure relative to the prior year period. costs.
 - Reductions of \$35 million in vehicle lease expense of \$57 million due to the decrease in volume. volume declines.
 - Lower costs incurred under the transition service agreements with the acquirer of UPS Freight as these agreements wind down.

Other decreases for the quarter were primarily attributable Claims expense decreased \$20 million due to the impact of lower volumes. These were partially offset by increases a reduction in the following expenses: volume of customer claims.

These reductions were partly offset by:

- We recorded goodwill impairment charges Credit loss increases of \$47 million across our segments as a result of an increased number of customer bankruptcies and increases in respect of our Roadie and Delivery Solutions reporting units of \$117 million. reserves.
- Supplies required to support our RFID supplies for Smart Package Smart Facility initiative increased \$45 million. \$30 million as we expanded utilization.
- Hosted software application fees and other technology costs increased \$26 million in that support of ongoing investments in our digital transformation. transformation increased \$15 million.

For Other expense reductions during the year-to-date period, the overall increase in expense was driven by the goodwill impairment charges quarter were primarily associated with volume declines, including employee-related expenses, airline operational expenses, advertising costs and hosted software application fees described above, as well as an increase in outsourcing and professional fees to support ongoing strategic initiatives. An increase in commissions paid for certain online shipments also contributed to the increase. insurance.

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

Other Income (Expense)

The following table sets forth investment income and other and interest expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in millions):

		Three Months Ended				Nine Months Ended					
		September 30,		Change		September 30,		Change			
		2023	2022	\$	%	2023	2022	\$	%		
Investment	Investment										
Income and Other	Income and Other	\$ 124	\$ 333	\$ (209)	(62.8)	%	\$ 424	\$ 981	\$ (557)	(56.8)	%
	Defined Benefit Plan (Gains)										
Losses	Losses	—	—	—	N/A		(33)	33	(100.0)		%
	Adjusted Investment Income										
and Other	and Other	\$ 124	\$ 333	\$ (209)	(62.8)	%	\$ 424	\$ 948	\$ (524)	(55.3)	%
Investment Income and Other											
Investment Income and Other											
Interest Expense											
Interest Expense											
Interest	Interest										
Expense	Expense	(199)	(177)	(22)	12.4	%	(578)	(522)	(56)	10.7	%
	Total Other										
Income	Income										
(Expense)	(Expense)	\$ (75)	\$ 156	\$ (231)	N/A		\$ (154)	\$ 459	\$ (613)	N/A	
	Adjusted Other Income										
(Expense)	(Expense)	\$ (75)	\$ 156	\$ (231)	N/A		\$ (154)	\$ 426	\$ (580)	N/A	
Total Other Income (Expense)											
Total Other Income (Expense)											

Investment Income and Other

Investment income and other decreased \$209 and \$557 million for the third quarter, and year-to-date periods, respectively. Excluding the impact of a \$33 million defined benefit plan curtailment gain that we recognized in the first quarter of 2022, adjusted investment income and other decreased \$524 million year to date. These decreases were primarily due to a reduction in other pension income and an increase in foreign currency losses, partially offset by higher yields on invested balances and year-over-year changes in the fair value of certain non-current investments.

Other pension income decreased \$231 million in the quarter (down \$695 million year to date) due to:

- Lower remained flat as higher expected returns on pension assets for both the quarter and year to date as a result of were a lower asset base due to losses in 2022, partially offset by an increase in our rate of return assumption.
- Higher pension interest cost for both the quarter and year to date, primarily due to higher discount rates as a result of plan growth and changes in demographic assumptions.

Interest Expense

Interest expense increased for both the quarter and year due to date, driven by higher effective interest rates on floating rate average outstanding debt and an increase in our total debt. These impacts were balances, partially offset by an increase in capitalized interest.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Income Tax Expense

The following table sets forth our income tax expense and effective tax rate for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** 2023 (in millions):

		Three Months Ended				Nine Months Ended					
		September 30,		Change			September 30,		Change		
		2023	2022	\$	%		2023	2022	\$	%	
Income Tax Expense	Income Tax Expense	\$ 141	\$ 685	\$ (544)	(79.4) %		\$ 1,407	\$ 2,263	\$ (856)	(37.8) %	
Income Tax Expense											
Income Tax Expense											
Income Tax Impact of:	Income Tax Impact of:										
Transformation											
Strategy Costs		24	9	15	166.7 %		57	31	26	83.9 %	
Goodwill and Asset Impairments, and											
Divestiture Charges		14	—	14	N/A		16	—	16	N/A	
One-Time Compensation											
Payment		15	—	15	N/A		15	—	15	N/A	
Defined Benefit Plan											
(Gains) Losses		—	—	—	N/A		—	(9)	9	(100.0) %	
Income Tax Impact of:											
Income Tax Impact of:											
Transformation and Other Costs											
Transformation and Other Costs											
Transformation and Other Costs											
Asset Impairment Charges											
Asset Impairment Charges											
Asset Impairment Charges											
Adjusted Income Tax Expense											
Adjusted Income Tax Expense											
Adjusted Income Tax Expense											
Adjusted Income Tax Expense	Adjusted Income Tax Expense	\$ 194	\$ 694	\$ (500)	(72.0) %		\$ 1,495	\$ 2,285	\$ (790)	(34.6) %	
Effective Tax Rate	Effective Tax Rate	11.1 %	21.0 %				21.6 %	21.8 %			
Effective Tax Rate											
Effective Tax Rate											
Adjusted Effective Tax Rate											

Adjusted Effective Tax Rate									
Adjusted Effective Tax Rate	Adjusted Effective Tax Rate								
Rate	Rate	12.6	%	21.0	%	21.6	%	21.9	%

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

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

Liquidity and Capital Resources

We deploy a disciplined and balanced approach to capital allocation, including returns to shareowners through dividends and share repurchases. As of **September 30, 2023** **March 31, 2024**, we had **\$7.3 billion** **\$4.5 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 **strategy** costs, debt obligations and planned shareowner returns. We regularly evaluate opportunities to optimize our capital structure, including through issuances of debt to refinance existing debt and to fund operations.

Cash Flows From Operating Activities

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

	Nine Months Ended September 30,	
	2023	2022
Net income	\$ 5,103	\$ 8,095
Non-cash operating activities ^(a)	3,911	4,439
Pension and postretirement medical benefit plan contributions (company-sponsored plans)	(1,363)	(2,106)
Hedge margin receivables and payables	(152)	771
Income tax receivables and payables	(728)	(38)
Changes in working capital and other non-current assets and liabilities	1,138	(339)
Other operating activities	(82)	(50)
Net cash from operating activities	\$ 7,827	\$ 10,772

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 1,113	\$ 1,895
Non-cash operating activities ⁽¹⁾	1,308	1,226
Pension and postretirement medical benefit plan contributions (company-sponsored plans)	(50)	(1,277)
Hedge margin receivables and payables	(8)	(159)
Income tax receivables and payables	257	426
Changes in working capital and other non-current assets and liabilities	696	278
Other operating activities	—	(32)
Net cash from operating activities	\$ 3,316	\$ 2,357

^(a) ⁽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 \$3.0 billion** **increased \$959 million** for the **nine months ended September 30, 2023** **quarter** primarily due to a **reduction in net income**. It was also impacted by:

- A decrease in contributions to our company-sponsored, defined benefit pension and postretirement medical plans. **We made discretionary pension contributions of \$1.2 and \$1.9 billion to our qualified U.S. pension plans during the nine months ended September 30, 2023 and 2022, respectively.** **Net cash was also favorably impacted by:**
- A **decrease** **reduction** in our net hedge margin collateral **position** **outflows** due to changes in the fair value of derivative contracts used in our currency hedging programs.
- An **increase** **Working capital** benefits from lower incentive compensation payments and payment of deferred employer payroll taxes in 2023 that did not repeat.

These factors were partially offset by:

- The **reduction in net income**.
- A **decrease** in income taxes **receivable due to excess tax payments relative to accruals, changes in uncertain tax positions and timing of payments**.

- Our working capital benefited from improvements in collections, partially offset payable, primarily driven by settlement of vendor payables and reductions in amounts outstanding for duty and tax payables due to the decline in volume. We benefited from the timing of payroll and other compensation-related items relative to the comparative period. business performance.
- During the first nine months of 2023, we paid the remaining \$323 million of employer payroll taxes that were deferred under the Coronavirus Aid, Recovery and Economic Security (CARES) Act in 2020. No such payments were made in the 2022 period.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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As of September 30, 2023 March 31, 2024, approximately \$3.0 billion \$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. We did not have any As of March 31, 2024, we had \$93 million of restricted cash. For more information on restricted cash, as of September 30, 2023 or 2022, see note 1 to the unaudited, consolidated financial statements.

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

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

	Nine Months Ended September 30,	
	2023	2022
Net cash used in investing activities	\$ (3,929)	\$ (2,408)
Capital Expenditures:		
Buildings, facilities and plant equipment	\$ (1,559)	\$ (937)
Aircraft and parts	(364)	(468)
Vehicles	(518)	(382)
Information technology	(668)	(491)
Total Capital Expenditures ⁽¹⁾	\$ (3,109)	\$ (2,278)
Capital Expenditures as a % of revenue	4.7 %	3.1 %
Other Investing Activities:		
Proceeds from disposal of businesses, property, plant and equipment	\$ 167	\$ 12
Net (purchases)/sales and maturities of marketable securities	\$ (950)	\$ (2)
Acquisitions, net of cash acquired	\$ (39)	\$ (106)
Other investing activities	\$ 2	\$ (34)

⁽¹⁾ In addition to capital expenditures of \$3.1 and \$2.3 billion for the nine months ended September 30, 2023 and 2022, respectively, there were principal repayments of finance lease obligations of \$101 and \$124 million, respectively. These are included in cash flows from financing activities.

	Three Months Ended March 31,	
	2024	2023
Net cash (used in) from investing activities	\$ 1,566	\$ (1,813)
Capital Expenditures:		
Buildings, facilities and plant equipment	\$ (327)	\$ (368)
Aircraft and parts	(174)	(71)
Vehicles	(349)	(13)

Information technology	(185)	(157)
Total Capital Expenditures	\$ (1,035)	\$ (609)
Capital Expenditures as a % of revenue	4.8 %	2.7 %
Other Investing Activities:		
Proceeds from disposal of businesses, property, plant and equipment	\$ 13	\$ 5
Net (purchases) sales and maturities of marketable securities	\$ 2,646	\$ (1,192)
Acquisitions, net of cash acquired	\$ (44)	\$ (34)
Other investing activities	\$ (14)	\$ 17

We have commitments for 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 2023 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 \$5.3 billion \$4.5 billion in 2023 2024, of which approximately 50 percent will be allocated to strategic expansion projects, network enhancement projects and other technology initiatives.

For the first nine months of 2023 compared to 2022, quarter, total capital expenditures increased, primarily due to:

- Spending on buildings, facilities and plant equipment increased due to facility maintenance and capacity expansion projects.
- Vehicle expenditures increased, expenditure increases, driven by the timing of payments and availability of vehicle replacements and continuing investments in our network, replacements.
- Information technology expenditures increased as a result expenditure increases due to additional deployments of continuing investments in our digital capabilities technology equipment and network automation, capitalized software projects.
- Aircraft expenditures decreased, as higher payments associated with open aircraft orders were more than offset by lower expenditure increases due to final payments associated with the delivery of aircraft.

Proceeds These were partially offset by decreased spending on buildings, facilities and plant equipment, driven by the timing of network enhancement projects.

We received cash proceeds of \$2.6 billion from the disposal sale of businesses, property, plant and equipment were higher relative to the comparative period marketable securities due to the sale liquidation of surplus real estate properties during 2023.

Net purchases of marketable securities increased due our portfolio to a continued shift to longer duration investments, provide additional resources for short-term and strategic operating needs.

Cash paid for acquisitions in the both 2024 and 2023 period primarily represents related to the purchase of development areas for The UPS Store. In the 2022 period, this also included our acquisition of Delivery Solutions. Other investing activities were impacted by changes in our non-current investments, purchase contract deposits and various other immaterial items.

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

Cash Flows From Financing Activities

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

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Net cash used in financing activities	\$ (5,185)	\$ (7,475)		
Net cash (used in) from financing activities				
Share Repurchases:	Share Repurchases:			
Cash paid to repurchase shares				
Cash paid to repurchase shares				
Cash paid to repurchase shares	\$ (2,250)	\$ (2,194)		
Number of shares repurchased	(12.8)	(11.6)		

Shares	Shares		
outstanding at period end	outstanding at period end	852	865
Dividends:	Dividends:		
Dividends declared per share	Dividends declared per share	\$ 4.86	\$ 4.56
Dividends declared per share			
Dividends declared per share			
Cash paid for dividends	Cash paid for dividends	\$ (4,034)	\$ (3,842)
Borrowings:	Borrowings:		
Net borrowings (repayments) of debt principal	Net borrowings (repayments) of debt principal	\$ 1,336	\$ (1,124)
Net borrowings (repayments) of debt principal			
Net borrowings (repayments) of debt principal			
Other Financing Activities:	Other Financing Activities:		
Cash received for common stock issuances			
Cash received for common stock issuances			
Cash received for common stock issuances	Cash received for common stock issuances	\$ 190	\$ 198
Other financing activities	Other financing activities	\$ (427)	\$ (513)
Capitalization:	Capitalization:		
Total debt outstanding at period end	Total debt outstanding at period end	\$ 21,125	\$ 20,350
Total debt outstanding at period end			
Total debt outstanding at period end			
Total shareowners' equity at period end	Total shareowners' equity at period end	19,180	16,988
Total capitalization	Total capitalization	\$ 40,305	\$ 37,338

We did not repurchase any shares under our stock repurchase program during first quarter of 2024, and we do not currently anticipate repurchasing any shares during the remainder of the year. We repurchased 12.8 and 11.6 million 4.1 million shares of class B common stock for \$2.3 and \$2.2 billion under our stock repurchase program \$750 million during the nine months ended September 30, 2023 and 2022, respectively. We do not anticipate further repurchases in first quarter of 2023. In the fourth quarter we plan to redeploy cash back into the business for growth initiatives, such as strategic acquisitions, to drive shareowner value. 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 have paid In the first quarter, we increased our quarterly cash dividends dividend from \$1.62 to \$1.63 per share.

There were no issuances of \$1.62 per share in 2023, compared to \$1.52 in 2022.

debt during the quarter. Issuances of debt during the nine months ended September 30, 2023 first quarter of 2023 consisted of borrowings under our commercial paper program fixed and fixed- and floating-rate floating rate senior notes of varying maturities totaling \$2.5 billion. We used proceeds from

Repayments of debt during the senior note issuances to repay \$1.5 billion quarter consisted of fixed- \$2.2 billion of short- and floating-rate senior notes, debt assumed in the Bomi Group acquisition and to make long-term commercial paper as well as scheduled principal payments on our finance lease obligations. We expect to use substantially all of In the remaining proceeds to repay €700 million of fixed-rate senior notes that mature in the fourth first quarter of 2023.

There were no issuances of debt in the nine months ended September 30, 2022. Repayments of debt in 2022 included fixed- and floating-rate senior notes of varying maturities totaling \$1.0 billion and 2023, we made scheduled principal payments on our finance lease obligations, obligations and repaid certain amounts assumed in the Bomi Group acquisition.

As of March 31, 2024, we had \$1.5 billion of fixed-rate senior notes outstanding that mature in 2024. We intend to repay or refinance these amounts when due. We consider the overall fixed and floating interest rate mix of our portfolio and the related overall cost of borrowing when planning for future issuances and non-scheduled repayments of debt.

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The amount of commercial paper outstanding fluctuates based on daily liquidity needs. The following is a summary of our commercial paper program (in millions):

Functional		Outstanding		Average		Average	
currency		balance at		balance		interest	
outstanding		quarter-end		outstanding		rate	
balance at							
quarter-end		(\$)		(\$)			
Outstanding balance at quarter end (\$)							
Outstanding balance at quarter end (\$)							
Outstanding balance at quarter end (\$)							
				Average balance outstanding (\$)		Average interest rate	
2024							
USD							
USD							
USD	USD \$ 458	\$ 458	\$ 75	5.32 %	\$ —	\$ 552	5.45 5.45 %
Total	Total	\$ 458					

We As of March 31, 2024, we had no outstanding balances under our U.S. or European commercial paper program during the nine months ended September 30, 2023, programs.

The variation in cash received from common stock issuances primarily resulted from activity within the UPS 401(k) Savings Plan and our employee stock purchase 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 \$402 \$177 and \$514 million \$363 million for the nine months ended September 30, 2023 first quarter of 2024 and 2022, 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, 2022 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, 2022, 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, inclusive of these changes, as of September 30, 2023 (in millions):

Commitment Type	2023	2024	2025	2026	2027	After 2027	Total
Purchase Commitments(1)	\$ 2,301	\$ 1,548	\$ 911	\$ 373	\$ 38	\$ 27	\$ 5,198
Total	\$ 2,301	\$ 1,548	\$ 911	\$ 373	\$ 38	\$ 27	\$ 5,198

Purchase commitments for 2023 include amounts related to pending business acquisitions.

For additional information on 2023 debt issuances, see note 9 to the unaudited, consolidated financial statements. December 31, 2023.

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.

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

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):

	March 31, 2024	March 31, 2024	December 31, 2023
Currency Derivatives			
	September 30, 2023	December 31, 2022	
Currency Derivatives	\$ 327	\$ 398	
Interest Rate Derivatives	—	(5)	
	\$ 327	\$ 393	

As of September 30, 2023 March 31, 2024 and December 31, 2022 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, 2022 December 31, 2023 is incorporated herein by reference.

Our market risks, hedging strategies and financial instrument positions as of September 30, 2023 March 31, 2024 have not materially changed from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. In the third first quarter of 2023, 2024, we entered into foreign currency exchange forward

contracts on the Euro, British Pound Sterling, Canadian Dollar and Canadian Hong Kong Dollar, and had forward contracts expire. The fair value changes between December 31, 2022 December 31, 2023 and September 30, 2023 March 31, 2024 in the preceding table are primarily due to terminated interest rate swaps and 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 zero threshold bilateral collateral provisions whereby cash is required based on the net fair value of derivatives associated with those counterparties. The majority of these agreements require exchange of collateral 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 September 30, 2023 March 31, 2024, we held cash collateral of \$382 million \$82 million and were not required to post cash 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 September 30, 2023 March 31, 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, 2022 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

(c) A summary of repurchases of our class A and class B common stock during the third quarter of 2023 is as follows (in millions, except per share amounts):

	Total Number of Shares		Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program	
	Purchased ⁽¹⁾	Average Price Paid Per Share			
July 1 - July 31, 2023	1.2	\$ 183.27	1.2	\$	3,368
August 1 - August 31, 2023	2.8	168.37	2.8		2,906
September 1 - September 30, 2023	0.4	164.90	0.4	\$	2,832

Total July 1 - September 30, 2023

4.4

\$

172.00

4.4

(1) Includes shares repurchased through our publicly announced share repurchase programs and shares tendered to pay the exercise price and tax withholding on employee stock options.

We repurchased 4.4 and 12.8 million shares of class B common stock for \$750 million and \$2.3 billion during the three and nine months ended September 30, 2023, respectively. These repurchases were completed as follows:

- In August 2021, the Board of Directors approved a share repurchase authorization of \$5.0 billion of class A and class B common stock (the "2021 Authorization"). During the nine months ended September 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 of \$5.0 billion for class A and class B common stock. During the three and nine months ended September 30, 2023, we repurchased 4.4 and 12.3 million shares of class B common stock for \$750 million and \$2.2 billion, respectively, under this authorization.

We do not anticipate further repurchasing any shares in 2024. As of March 31, 2024, we had \$2.8 billion of this share repurchases in 2023. repurchase authorization available.

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

Item 5. Other Information

Insider Trading Arrangements and Policies

None.

Item 6. Exhibits

- | | | |
|------|---|---|
| 3.1 | — | Restated Certificate of Incorporation of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.3 to Form 8-K filed on May 12, 2010). |
| 3.2 | — | Amended and Restated Bylaws of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.1 to Form 8-K, filed on May 9, 2023). |
| 10.1 | — | United Parcel Service, Inc. Key Employee Severance Plan, effective March 20, 2024.* |
| 10.2 | — | United Parcel Service, Inc. Management Incentive Program Amended and Restated Terms and Conditions, effective March 20, 2024.* |
| 10.3 | — | United Parcel Service, Inc. Long-Term Incentive Performance Program Amended and Restated Terms and Conditions, effective March 20, 2024.* |
| 10.4 | — | United Parcel Service, Inc. Stock Option Program Amended and Restated Terms and Conditions, effective March 20, 2024.* |
| 31.1 | — | Certification of the Principal Executive Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | — | Certification of the Principal Financial and Accounting Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | — | Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | — | Certification of the Principal Financial and Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | — | The following unaudited financial information from this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 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 September 30, 2023 March 31, 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: May 3, 2024

By:

/s/ BRIAN O. NEWMAN

Brian O. Newman

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

66

Exhibit 10.1

UNITED PARCEL SERVICE, INC.

KEY EMPLOYEE SEVERANCE PLAN

MARCH 20, 2024

1. **Scope.** This United Parcel Service, Inc. Key Employee Severance Plan (this "**Plan**") applies to such officers and/or key employees of United Parcel Service, Inc. (the "**Company**") who are designated for participation in **Section 3(a)** of this Plan or who are otherwise designated for participation by the Compensation and Human Capital Committee (or its successor, the "**Committee**") of the Board of Directors of the Company (the "**Board**") from time to time (collectively, "**Participants**"). Certain capitalized terms used in this Plan have the meanings ascribed to them in **Section 8(k)** or **Section 14** of this Plan.

2. **Purpose.** The purpose of this Plan is to set forth certain compensation and benefits that are due to a Participant upon the Participant's termination of employment with the Company as described herein.

3. Participation.

(a) Unless otherwise determined by the Committee, an employee of the Company or any of its Subsidiaries shall be a Participant in this Plan only if such employee is (i) the Chief Executive Officer of the Company (the "**CEO**"), (ii) an employee of the Company or a Subsidiary classified by the Company as being in "Band 80" according to the Company's policies and procedures (a "**Tier 2 Participant**"), (iii) an employee of the Company or a Subsidiary classified as being in "Band 70" in accordance with the Company's policies and procedures (a "**Tier 3 Participant**"), or (iv) an employee of the Company or a Subsidiary classified as being in "Band 60" in accordance with the Company's policies and procedures (a "**Tier 4 Participant**"). For purposes of determining the benefits (if any) to which a Participant is entitled under this Plan upon a termination of employment, the Participant's participation tier under this Plan shall be determined as of the Participant's Termination Date.

(b) Each Participant is an at-will employee whose employment may be terminated by the Participant or the Company at any time for any reason. Upon the termination of employment of a Participant, this Plan shall govern the rights and responsibilities of the Company and the Participant with respect to the matters addressed by this Plan.

4. **Qualifying Termination of Employment.** If the Company terminates the employment of a Participant (other than due to Cause, a Disability Termination, or the Participant's death), then the Company will pay and provide to the Participant the amounts and benefits specified in this **Section 4** subject to the Participant's compliance with the terms of this Plan (including **Section 8** hereof), except that the Company will not be obligated to pay or provide the benefits specified in **Section 4(b), (c), (d), (e)** and **(f)** (collectively, the "**Severance Benefits**") unless either (x) the Company is deemed to have waived its right to present and require a Release as provided in **Section 7(b)** or (y) the Participant has timely executed (and not revoked) a Release as contemplated by **Section 7(c)**. The amounts and benefits specified in this **Section 4** are as follows:

(a) an amount in cash equal to the sum of (i) the Participant's Annual Base Salary for the year in which the termination of employment occurs that has been earned as of the Termination Date, (ii) Participant's business expenses that are reimbursable pursuant to applicable Company policies and procedures and (iii) any accrued but unused paid time off for the calendar year through the Termination Date, in each case to the extent not already paid in accordance with Company policy (collectively, "**Accrued Base Compensation**"). The Company will pay this amount to the Participant within 30 days following the Termination Date and in accordance with applicable law;

(b) an amount in cash equal in value to the product of (i) the dollar value of the percentage of the Participant's Target Annual Bonus that would have been earned for the fiscal year in which the termination of employment occurs, based on actual performance results for the full fiscal year performance period, multiplied by (ii) a fraction, the numerator of which is the number of months that the Participant was employed by the Company

or a Subsidiary during the applicable fiscal year, and the denominator of which is twelve (12). For clarity, one day worked in a month shall count as a full month. Such amount will be in lieu of any other benefits under the MIP or any other annual incentive program for the fiscal year in which the termination of employment occurs. The Company will pay this amount to the Participant at the time it would have been paid pursuant to the MIP or other annual incentive program, as applicable, and in all events in compliance with Section 409A;

(c) a lump sum amount in cash equal to the Participant's Applicable Cash Severance Amount. Subject to **Section 10**, the Company will pay this amount to the Participant as soon as practicable (but no later than 74 days) following the Termination Date;

(d) a lump sum amount in cash equal to the portion of the Participant's monthly COBRA premium for the Participant and the Participant's dependents to the extent it exceeds the monthly premium amount paid by the Participant for such coverage immediately prior to the Termination times the number of months in the Participant's Applicable COBRA Period (which payment shall be taxable to the Participant). For the avoidance of doubt, nothing in this Plan shall prohibit the Company from amending or terminating any group health plan. Notwithstanding anything in this Plan to the contrary, in the event that the payment of amounts payable under this subsection (d) shall result in adverse tax consequences under Chapter 100 of the Code, Code Section 4980D or otherwise to the Company, the Participant and the Company shall undertake commercially reasonable efforts to restructure such benefit in an economically equivalent manner to avoid the imposition of such taxes on the Company, provided, however, that should the Company's auditors determine in good faith that no such alternative arrangement is achievable, the Participant shall not be entitled to his or her rights to payment under this subsection (d). Further, neither the Company nor any of its employees, directors, managers, board members, affiliates, parents, stakeholders, shareowners, agents, successors, predecessors or related parties guarantees the tax treatment of any benefit under this subsection (d), and no such person shall have liability to the Participant or his or her beneficiaries with respect to the taxation of such benefits or amounts payable in respect thereof;

(e) reasonable career counseling services through a provider of the Company's choice with a value not to exceed the Applicable Career Counseling Amount. Such benefit shall be taxable to the Participant. Such career counseling services cannot extend beyond the last day of the first calendar year following the calendar year of termination of the Participant's employment; and

(f) to the extent granted by the Company to the Participant on or after the effective date of this Plan pursuant to the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan or any successor plan (the "**2021 Plan**"), (i) Restricted Performance Units (as defined in the 2021 Plan) granted under the MIP or the UPS Long-Term Incentive Performance Program that are outstanding as of the Termination Date shall be treated as though the termination of the Participant's employment was a "Retirement" pursuant to the terms of the 2021 Plan and applicable award documents, (ii) Options (as defined in the 2021 Plan), to the extent vested as of the Termination Date (other than as described in (iii) below), shall remain exercisable until the earlier of (x) the first anniversary of the Termination Date and (y) the original expiration date for such Options, and (iii) Options that vest as a result of a Participant's "Retirement" shall be exercisable until the tenth anniversary of the Grant Date of such Option.

(g) Except as otherwise set forth in this **Section 4**, equity compensation awards granted to the Participant on or after the effective date of this Plan shall be treated as set forth in the 2021 Plan and applicable award documents and any other then-effective agreement with the Participant that may alter the treatment of such equity compensation awards upon such Participant's termination of employment.

(h) Except for the benefits stated in this **Section 4**, such Participant's participation in all benefit plans, programs and arrangements of the Company shall be governed by the terms of the plans, programs or arrangements, if any, governing such benefits. No Participant shall receive a duplication of payments or benefits under **Section 4** and **Section 5** of this Plan. If a Participant has an individual severance agreement with the Company, any amount paid under that severance agreement shall be offset against the Severance Benefits provided under this Plan.

5. Termination for Cause; Voluntary Termination. If the Company terminates the employment of a Participant due to Cause, a Disability Termination, or the Participant's death, or a Participant voluntarily terminates employment with the Company, the Company shall pay or provide to the Participant his or her Accrued Base Compensation. The Accrued Base Compensation shall be payable within 30 days following the Termination Date. Except for the benefits stated in this **Section 5**, the Participant's participation in all benefit plans, programs and arrangements of the Company shall be governed by the terms of the plans, programs or arrangements, if any, governing such benefits. No Participant shall receive a duplication of payments or benefits under **Section 4** and **Section 5** of this Plan.

6. Treatment of Other Equity Compensation Awards on Termination. Each equity compensation award granted by the Company to the Participant prior to the effective date of this Plan pursuant to the United Parcel Service, Inc. 2015 Omnibus Incentive Compensation Plan, the United Parcel Service, Inc. 2018 Omnibus Incentive Compensation Plan, or the 2021 Plan (collectively, the **"Equity Plans"**) and outstanding as of the Termination Date shall be treated as set forth in the applicable Equity Plan and award document and any other then-effective agreement with the Participant that may alter the treatment of such equity compensation award upon such Participant's termination of employment.

7. Release. This **Section 7** will apply only upon termination of a Participant's employment by the Company other than due to Cause, a Disability Termination, or the Participant's death, as further described in this Plan.

(a) **Presentation of Release by the Company.** If this **Section 7** applies, the Company may present to the Participant, not later than 21 days after the Termination Date, a release, in a form reasonably acceptable to and provided by the Company (a **"Release"**), of all current and future claims, known or unknown, arising on or before the date on which the Release is to be executed, that the Participant or the Participant's assigns have or may have against the Company or any Subsidiary, and the directors, officers, and affiliates of any of them (which Release will require the Participant to affirm the Participant's obligations as set forth in this Plan).

(b) **Effect of Failure by the Company to Present Release.** If the Company fails to present a Release to the Participant as contemplated by **Section 7(a)**, the Company will be deemed to have waived the requirement that the Participant execute a Release as a condition to receiving payments under any portion of **Section 4**.

(c) **Execution of Release by the Participant or the Participant's Personal Representative.** If the Company does present a Release to the Participant as contemplated by **Section 7(a)**, the Participant will have until the end of the applicable time period for consideration set forth in the Release (the **"Consideration Period"**) to deliver an executed copy of the Release to the Company and thereby satisfy the condition to receiving payments under any portion of **Section 4**, provided that the Participant does not revoke the execution of the Release during any applicable revocation period.

(d) **Effect of Failure to Execute Release or of Revocation of Release.** If the Participant fails to deliver an executed copy of the Release to the Company by the end of the Consideration Period or revokes the execution of the Release during any applicable revocation period, the Participant will be deemed to have waived the right to receive all Severance Benefits.

8. Restrictive Covenants.

(a) **Acknowledgements.** By participating in this Plan, each Participant acknowledges and agrees that, by reason of the Participant's highly specialized skillset and the Company's investment of time, training, money, trust, and exposure to Confidential Information, the Participant is intimately involved in the planning and direction of the Company's global business operations. Each Participant further acknowledges and agrees that the Participant's agreement to enter into, and the Participant's compliance with, the covenants in this **Section 8** are material factors in the Company's decision to permit the Participant to participate in this Plan, which constitutes good and valuable consideration for the covenants set forth in this **Section 8**. Participant further acknowledges and

agrees that a breach or threatened breach of any of the covenants in this **Section 8** 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. Participant further acknowledges and agrees that the covenants in this **Section 8** are reasonable, necessary, and essential for the Company to protect its legitimate business interests in: (i) the Company's trade secrets (as defined under applicable law, including the Georgia Trade Secrets Act of 1990 (the "Act") and the Defend Trade Secrets Act of 2016 (the "DTSA")); (ii) the Company's valuable Confidential Information; (iii) substantial relationships with specific prospective or existing customers of the Company; (iv) customer good will associated with (A) the business of the Company, including, but not limited to, by way of trade name, trademark, service mark, or trade dress, (B) a specific geographic location; or (C) a specific marketing or trade area; and (v) extraordinary or specialized training you have received or will receive. Participant further acknowledges and agrees (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 Participant's employment with the Company, Participant has 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, is or will be in possession of selective or specialized skills, learning, or abilities, or customer contacts or customer information, or Confidential Information. Finally, Participant further acknowledges and agrees that the scope of responsibilities of the position extends throughout the geographic area where the Company has conducted and will conduct business during Participant's employment, and that Participant's work for the Company has brought and will bring Participant into close contact with many of the Company's customers, trade secrets and confidential and proprietary information.

(b) **Unfair Competition.** By Participating in this Plan, each Participant acknowledges and agrees that, as a result of the Participant's receipt of Confidential Information, the Participant's role at the Company, and the Participant's relationships with Company customers and/or employees the Participant would have an unfair competitive advantage if the Participant were to violate this **Section 8** and that, in the event that the Participant's employment with the Company terminates for any reason, the Participant possesses marketable skills and abilities that will enable the Participant to find suitable employment without violating the covenants set forth in this **Section 8**. Each Participant further acknowledges and affirms that the Participant is accepting participating in this Plan voluntarily, that the Participant has read this Plan carefully, that the Participant has had a full and reasonable opportunity to consider this Plan (including actual consultation with legal counsel), and that the Participant has not been pressured or in any way coerced, threatened or intimidated into participating in this Plan.

(c) **Non-Disclosure and Prohibition Against Use of Confidential Information and Trade Secrets.** By participating in this Plan, each Participant agrees that the Participant 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. Each Participant further agrees that the Participant 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 the Participant is pursuing on behalf of the Company. Each Participant acknowledges and agrees that this **Section 8** is not intended to, and does not, alter either the Company's rights or the Participant's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. The act of emailing Confidential Information or Trade Secrets or both to Participant's personal email address is considered to be a breach of this section. Each Participant also understands that nothing contained in this **Section 8** limits the Participant's 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 the Participant, on the Participant's behalf, or by any other individual. Each Participant additionally understands and agrees that as required by the Defend Trade Secrets Act of 2016 ("**DTSA**"), 18 U.S.C. § 1833(b), the Participant has been notified that if the Participant makes 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 the Participant files containing the trade secret is filed under seal and the Participant does not disclose the trade secret except pursuant to court order, the Participant shall not be held civilly or criminally liable under this Plan 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. Each Participant

promises that, no later than the end of the Participant's Company employment, he or she 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 the Participant's possession, custody, or control, including without limitation all Confidential Information. To the extent that a Participant has electronic files or information in Participant's personal possession or under his or her 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), each Participant promises that he or she will notify the Company in writing as to such possession or control prior to the Termination Date, and, if requested to do so by the Company, no later than the Termination Date, the Participant 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 Termination Date, Participant becomes aware that Participant has electronic files or information in Participant's personal possession or under Participant's 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), Participant promises that he or she 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, Participant is 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 Participant) unless directed to do so in writing by the Company. To the extent requested by the Company, whether prior to or after the Termination Date, Participant 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 Participant's possession or under Participant's control that belong to the Company or contain Confidential Information.

(d) **Non-Solicitation of Protected Employees.** During the Non-Solicit Restricted Period, a Participant 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 the Participant or any other person or entity. This employee non-solicitation provision is limited to the geographic area where the Company did business during Participant's employment.

(e) **Non-Solicitation of Protected Customers.** During the Non-Solicit Restricted Period, a Participant 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, a Participant 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 the Participant provided to the Company at any time during Participant's employment and that relate, in any way, directly or indirectly, to the Restricted Competitor's competition with the transportation, delivery or logistics services provided by the Company during the Participant's employment. This non-compete provision is limited to the geographic area where the Company did business during the Participant's employment.

(g) **Enforcement.** Each Participant acknowledges and agrees that the covenants in **Section 8(c)** through **8(f)** ("**Protective Covenants**") are necessary to protect the Company's legitimate business interests. In the event that a Participant breaches, or threatens to breach, the Protective Covenants, the Participant agrees that the Company shall have the right and remedy to: (i) enjoin the Participant, 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 the Participant to account for and pay over to the Company all compensation, profits, monies, or other benefits derived or received by the Participant as the result of any breach of the Protective Covenants; and (iii) require the Participant 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, the Participant will automatically forfeit any portion of the Severance Benefits that have not already been paid to the Participant at the time of the violation.

(h) **Severability/Reformation.** Each Participant acknowledges and agrees 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, each Participant understands and agrees that such invalidity, voidness or unenforceability does not invalidate, void or otherwise render unenforceable any other part or provision of this Plan. Each Participant further agrees 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 Plan is challenged in a court of competent jurisdiction and Participant is 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 Plan until the dispute is finally resolved and all periods of appeal have expired.

(j) **Disclosure.** In the event that a Participant leaves the Company for any reason, the Participant agrees to disclose the existence and terms of this **Section 8** 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 8**, the following terms shall have the following meanings:

(i) **"Company"** means, for purposes of this **Section 8** 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 the Participant learned as a result of the Participant's employment, that is valuable to the Company and that is not generally disclosed by practice or authority to persons not employed or otherwise engaged by the Company, whether or not it constitutes a Trade Secret. "Confidential Information" shall include, but is not limited to, financial plans and data; legal affairs; management planning information; business plans; acquisition plans; operational methods and technology; market studies; marketing plans or strategies; product development techniques or plans; customer lists; details of customer contracts; current and anticipated customer requirements and specifications; customer pricing and profitability data; past, current and planned research and development; employee-related information and new personnel acquisition plans. "Confidential Information" shall not include information that is or becomes generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. However, although certain information may be generally known in the relevant industry, the fact that the Company uses such information may not be so known and in such instance the information would compromise Confidential Information. This definition shall not limit any definition of "confidential information" or any equivalent term under applicable state or federal law.

(iii) **"Material Contact"** means the contact between Participant and each customer or actively sought potential customer of the Company: (A) with whom or with which Participant 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 Participant; (C) about whom Participant obtained Confidential Information in the ordinary course of business as a result of Participant's 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 Participant in the two (2) years prior to Participant's termination of employment.

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

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

(vi) **"Protected Customers"** means customers or actively sought potential customers with whom the Participant had Material Contact in the two (2) years prior to the Participant's 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 the Participant and with whom (A) the Participant had contact during the two (2) years prior to the Participant's termination of employment, or (B) about whom the Participant learned Confidential Information during the two (2) years prior to the Participant's termination of employment.

(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 the United Parcel Service, Inc. Key Employee Severance Plan Restricted Competitor List provided to Participants from time to time, as memorialized in the Company's records.

(ix) **"Trade Secret"** means all of the Company's information that the Participant learned about as a result of the Participant's 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 8(d)** through **8(g)** do not apply to a Participant if the Participant primarily resided or worked in California immediately prior to the end of your Company employment, or if following the termination of your Company employment, you reside and work in California. Notwithstanding the foregoing, such Participant is 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. Each

such Participant also agrees that the Participant 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 the Participant's employment ends.

(ii) Amendments for Hawaii, North Dakota, Minnesota, and Oklahoma Employees. **Section 8(g)** does not apply to a Participant if the Participant primarily resided and worked for the Company in Hawaii, North Dakota, Minnesota, or Oklahoma immediately prior to the end of Participant's Company employment, and following the termination of Participant's Company employment, Participant continues to reside and work in Hawaii, North Dakota, Minnesota, or Oklahoma.

(iii) Amendment for Massachusetts Employees. **Section 8(g)** does not apply to a Participant if: 1) the Participant primarily resided and worked in Massachusetts prior to the end of Participant's Company employment, and following the termination of Participant's Company employment, Participant continues to reside and work in Massachusetts; and 2) **Section 8(g)** is unenforceable pursuant to Massachusetts General Laws c. 149 § 24L.

(m) Other Restrictions. For the avoidance of doubt, if a Participant is based in the United States this **Section 8** does not supersede any protective covenants applicable to the Participant with respect to the Company, and those covenants shall continue in full force and effect in accordance with their terms. If a Participant is based outside the United States any protective covenants set out in the Participant's contract of employment, or otherwise applicable to the Participant's employment with the Company, whether concluded prior to or after the date of this Plan, supersede the equivalent provisions set out in this **Section 8**.

9. **Clawback; Recoupment.** Notwithstanding anything in this document to the contrary, each Eligible Employee acknowledges and agrees that this document and the awards described herein (and any settlement thereof) are subject to the terms and conditions of the Company's Incentive-Based Compensation Clawback Policy (or such other policy relating to the recovery of incentive compensation as may be in effect from time to time), and that relevant sections of this document shall be deemed superseded by and subject to the terms and conditions of such policy. Further, if the Committee reasonably, and in good faith, determines that a Participant has violated any applicable provisions of **Section 8** of this Plan, then the Committee may (in its discretion) provide for the reduction, cancellation, termination or recovery from such Participant all (or any portion) of the Severance Benefits that were previously paid or provided to the Participant, and any such determination by the Committee shall be binding on such Participant.

10. Tax Matters; Section 409A.

(a) The payments and benefits provided under this Plan will be subject to all applicable federal, state and other governmental withholdings.

(b) To the extent applicable, it is intended that this Plan comply with or be exempt from the provisions of Section 409A, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to a Participant. Consistent with that intent, and to the extent required under Section 409A, for benefits that are to be paid in connection with a termination of employment, "termination of employment" or any similar term shall be limited to such a termination that constitutes a "separation from service" under Section 409A. Notwithstanding any provision of **Section 4** or **Section 5** to the contrary, if the period commencing on the date of the Participant's termination of employment begins in one taxable year of the Participant and the 74th day following the date of such termination of employment is in a subsequent taxable year, any amounts payable under **Section 4** or **Section 5** which are considered deferred compensation subject to Section 409A shall be paid in such subsequent taxable year.

(c) Notwithstanding any provision of this Plan to the contrary, if a Participant is a "specified employee," determined pursuant to procedures adopted by the Company in compliance with Section 409A, on the date of his or her separation from service (within the meaning of Treasury Regulation section 1.409A-1(h)) and if any portion of the payments or benefits to be received by the Participant upon his or her termination of employment

would constitute a "deferral of compensation" subject to Section 409A, then to the extent necessary to comply with Section 409A, amounts that would otherwise be payable pursuant to this Plan during the six-month period immediately following the Participant's termination of employment will instead be paid or made available on the earlier of (i) the first business day of the seventh month after the Termination Date, or (ii) the Participant's death. For purposes of application of Section 409A, to the extent applicable, each payment made under this Plan shall be treated as a separate payment and not one of a series of payments for purposes of Section 409A.

(d) Notwithstanding any provision of this Plan to the contrary, to the extent any reimbursement or in-kind benefit provided under this Plan is nonqualified deferred compensation within the meaning of Section 409A: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; (ii) the reimbursement of an eligible expense must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred; and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(e) If, (i) as of the date of commencing participation in this Plan, a Participant is or was party to an agreement or arrangement with the Company that entitled Participant to compensation or benefits which is considered deferred compensation for purposes of Section 409A (in each case, an "**Other Severance Arrangement**"), and (ii) the time and form of any payments under this Plan would result in tax penalties under Section 409A, then, to the extent necessary to avoid tax penalties under Section 409A, any amounts owed pursuant to this Plan shall instead be paid (to the extent possible) at the time and in the manner provided for in such Other Severance Arrangement.

(f) In no event shall this **Section 10** or any other provisions of this Plan be construed to require the Company to provide any gross-up for the tax consequences under Section 409A of any provisions of, or payments under, this Plan, and the Company shall have no responsibility for tax consequences under Section 409A to a Participant resulting from the terms or operation of this Plan.

11. Adjustment of Certain Payments and Benefits. Notwithstanding any provision of this Plan to the contrary, if any payment or benefit to be paid or provided hereunder or under any other plan or agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be paid or provided hereunder shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payments and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income taxes). The determination of whether any reduction in such payments or benefits to be provided hereunder is required pursuant to the preceding sentence shall be made at the expense of the Company, if requested by the Participant or the Company, by the Company's independent accountants or a nationally recognized law firm chosen by the Company. The fact that the Participant's right to payments or benefits may be reduced by reason of the limitations contained in this Section shall not of itself limit or otherwise affect any other rights of the Participant under this Plan. In the event that any payment or benefit intended to be provided hereunder is required to be reduced pursuant to this Section, then the reduction will be made in accordance with Section 409A and will occur in the following order: (a) first, by reducing any cash payments with the last scheduled payment reduced first; (b) second, by reducing any equity-based benefits that are included at full value under Q&A-24(a) of the Treasury Regulations promulgated under Section 280G of the Internal Revenue Code (the "**280G Regulations**"), with the highest value reduced first; (c) third, by reducing any equity-based benefits included on an acceleration value under Q&A-24(b) or 24(c) of the 280G Regulations, with the highest value reduced first; and (d) fourth, by reducing any non-cash, non-equity based benefits, with the latest scheduled benefit reduced first. Such payments or benefits shall be reduced in a manner that maximizes the Participant's economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero.

12. **Amendments.** This Plan may be amended or terminated at any time by the Board.

13. **Effective Date/Termination.** This Plan is effective as of May 4, 2022, and, except as otherwise specifically provided herein in Section 8(m), supersedes all prior understandings, agreements or representations, written or oral, with respect to the subject matter herein with respect to Participants, including any protective covenant agreement or other individual severance arrangement with the Company, and, for the avoidance of doubt, a Participant who becomes entitled to Severance Benefits under this Plan will not be eligible for severance benefits under any such protective covenant agreement or other individual severance arrangement.

14. **Other Definitions.** The following capitalized terms that are used, but not otherwise defined, in this Plan shall have the meaning set forth in this Section:

(a) **"Annual Base Salary"** means the monthly amount a Participant is entitled to receive as base salary from time to time, multiplied by 12, including any amounts deferred pursuant to any contributions to the Company's 401(k) Retirement Savings Plan and excluding all annual cash performance awards (or equivalent award for annual performance), bonuses, equity sharing plans, overtime, long-term incentive awards, welfare benefit premium reimbursements and other incentive compensation, payable by the Company as consideration for the Participant's services.

(b) **"Applicable Career Counseling Amount"** means:

- (i) For the CEO, \$30,000;
- (ii) For a Tier 2 Participant, \$20,000;
- (iii) For a Tier 3 Participant, \$15,000; or
- (iv) For a Tier 4 Participant, \$10,000.

(c) **"Applicable Cash Severance Amount"** means an amount equal to:

(i) for the CEO, the product of (A) two times (B) the sum of the Participant's Annual Base Salary plus the current Target Annual Bonus in effect immediately prior to the Participant's Termination Date;

(ii) for a Tier 2 Participant, the product of (A) one times (B) the sum of the Participant's Annual Base Salary plus the current Target Annual Bonus in effect immediately prior to the Participant's Termination Date;

(iii) for a Tier 3 Participant, the product of (A) 1.5 times (B) the Participant's Annual Base Salary in effect immediately prior to the Participant's Termination Date; or

(iv) for a Tier 4 Participant, the product of (A) one times (B) the Participant's Annual Base Salary in effect immediately prior to the Participant's Termination Date.

(d) **"Applicable COBRA Period"** means:

- (i) for the CEO or a Tier 2 Participant, the period of 18 months commencing on the Termination Date;
- (ii) for a Tier 3 Participant, the period of 12 months commencing on the Termination Date; or

(iii) for a Tier 4 Participant, the period of 6 months commencing on the Termination Date.

(e) **"Cause"** means that the Company or a Subsidiary or an affiliate for which a Participant works has determined that (i) the Participant has been insubordinate or refused or failed to carry out the instructions or policies of the Company or the Subsidiary or affiliate for which the Participant works, or the supervisors or managers to whom the Participant reports; (ii) the Participant has engaged in misconduct or negligence in performing the Participant's duties and responsibilities; (iii) the Participant has engaged in conduct which is dishonest, fraudulent or materially injurious to the Company, or the Subsidiary or affiliate for which the Participant works; (iv) the Participant has been indicted for a

felony or any crime involving dishonesty, fraud or moral turpitude; and/or (v) the Participant has materially breached the Participant's employment agreement, if any, or engaged in activity prohibited by any other agreement between the Participant and the Company or the Subsidiary or affiliate for which the Participant works.

(f) "**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985.

(g) "**Code**" means the Internal Revenue Code of 1986, as amended.

(h) "**Disability Termination**" means termination of the Participant's employment by the Company when the Participant, as reasonably determined by the Company, is unable to perform the material and substantial duties of the Participant's own job because of an illness or injury.

(i) "**MIP**" means, with respect to any Participant who participates in the UPS Management Incentive Program or the UPS International Management Incentive Program during the relevant fiscal year, such applicable program.

(j) "**Section 409A**" means Section 409A of the Code. References in this Plan to Section 409A are intended to include any proposed, temporary, or final regulations, or any other guidance, promulgated with respect to Section 409A by the U.S. Department of Treasury or the Internal Revenue Service.

(k) "**Subsidiary**" means a corporation, company or other entity (i) more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture, limited liability company, unincorporated association or other similar entity), but more than 50% of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company.

(l) "**Target Annual Bonus**" means:

(i) for a Participant who participates in the MIP during the relevant fiscal year, such Participant's "Performance Incentive Award Target" with respect to the "Performance Incentive Award" under the MIP for such fiscal year, and specifically excludes any "Ownership Incentive Award," or "Ceremonial Share Ownership Award"; and

(ii) for any other Participant, such Participant's target annual incentive award for the relevant fiscal year.

(m) "**Termination Date**" means the date on which a Participant's employment with the Company and its Subsidiaries terminates.

15. Miscellaneous Provisions.

(a) **No Set Off; No Obligation to Seek Other Employment or to Otherwise Mitigate Damages; No Effect Upon Other Plans.** Except as otherwise specifically provided in this Plan, the Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations under this Plan will not be affected by any set off, counterclaim, recoupment, defense, or other claim whatsoever that the Company or any Subsidiary or affiliate of the Company may have against the Participant, except that the prohibition on set-off, counterclaim, recoupment, defense, or other claim contained in this sentence will not apply if the Participant's employment is terminated by the Company for Cause. The Participant will not be required to mitigate damages or the amount of any payment provided for under this Plan by seeking other employment or otherwise. Except as otherwise specifically provided in this Plan, the amount of any payment provided for under this Plan will not be reduced by any compensation or benefits earned by the Participant as the result of employment by another employer or otherwise after the Termination Date. Except as explicitly provided herein, neither the provisions of this Plan nor the making of any payment provided for under this Plan, nor the termination of the Company's obligations under this Plan, will reduce any amounts otherwise payable, or in any way diminish a Participant's rights, under any incentive compensation plan, stock option or stock appreciation rights plan, restricted stock plan or agreement, deferred compensation, retirement, or supplemental retirement plan, stock purchase and savings plan, disability or insurance plan, or other similar contract, plan, or arrangement of the Company or any Subsidiary, all of which will be governed by their respective terms.

(b) **Payments Not Compensation.** Any participation by a Participant in, and any terminating distributions and vesting rights (other than previously defined) under, the Company-sponsored retirement or savings plans, regardless of whether such plans are qualified or non-qualified for tax purposes, shall be governed by the terms of those respective plans. Any salary continuation or severance benefits shall not be considered compensation for purposes of accruing additional benefits under such plans.

(c) **Legal Fees and Claims.** In the event that a Participant or the Company brings any proceeding or any legal action to enforce the terms of this Plan, each of the Company and the Participant shall bear its own attorneys' fees and costs in connection with such proceeding or legal action. In the event that a Participant brings a legal action against the Company for any other reason, or negotiates with the Company for a severance benefit, any amount paid pursuant to a judgment or settlement shall, to the extent permitted under Section 409A, be offset against the Severance Benefits provided under this Plan.

(d) **Payments Are in Lieu of Severance Payments.** If a Participant becomes entitled to receive payments under this Plan as a result of termination of the Participant's employment, those payments will be in lieu of any and all other claims or rights that the Participant may have against the Company for severance, separation, and/or salary continuation pay upon that termination of the Participant's employment, including under the UPS Restructuring Separation Allowance Plan, except as otherwise provided herein.

(e) **Assistance.** During the three-month period following a Participant's Termination Date, and from time to time after that as may be necessary, a Participant agrees to cooperate in good faith with the Company regarding reasonable transitional assistance that may be requested by the Company, including but not limited to (i) answering questions about matters relating to the business of the Company or its affiliates as to which the Participant has knowledge, and (ii) forwarding to an appropriate person designated by the Company any email, voicemail message or other communication received by the Participant after the Termination Date that relates to the Company, its affiliates, or their respective businesses. The Company agrees to make reasonable efforts to minimize the burden on a Participant with regard to the foregoing transitional activities, including scheduling telephone calls and meetings at times and locations that are reasonably convenient for the Participant. As further consideration for the covenants set forth herein, each Participant agrees 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 the Participant was involved prior to the Termination Date with the Company or which the Participant gained knowledge of during the Participant's 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 the Participant has 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. Each Participant further covenants that, except with respect to an investigation or proceeding conducted by a governmental entity or where prohibited by law, the Participant will (i) contact the Company as soon as reasonably practicable, but in no event longer than seventy-two (72) hours, in the event that the Participant is served with or notified of any subpoena, notice or other instruction directing the Participant 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 such Participant for reasonable travel expenses and other reasonable out-of-pocket expenses associated with the Participant's compliance with the obligations in this **Section 15(e)**. The Company will exercise its rights in good faith under this **Section 15(e)** so as not to unreasonably interfere with the Participant's professional activities.

(f) **Termination of Status as Director or Officer.** Notwithstanding anything in this Plan to the contrary, unless otherwise agreed to by the Company and a Participant prior to the Termination Date, a Participant 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 Termination Date.

(g) **Notices.** Notices and all other communications provided for in this Plan must be in writing and will be deemed to have been duly given upon receipt (or rejection) when delivered in person or by overnight delivery (to the chief legal officer of the Company in the case of notices to the Company and to the Participant in the case of notices to a Participant) or mailed by United States registered mail, return receipt requested, postage prepaid, and addressed, if to the Company, to its principal place of business, attention: Chief Legal and Compliance Officer, and, if to the Participant, to the Participant's home address last shown on the records of the Company, or to such other address or addresses as either party may furnish to the other in accordance with this **Section 15(g)**.

(h) **Interpretation.** The language in all parts of this Plan shall in all cases be construed according to its fair meaning, and not strictly for or against the Company or a Participant. In this Plan, unless the context otherwise requires, the masculine, feminine and neuter genders and the singular and the plural include one another. There shall be no entitlement to benefits and payments under any of **Section 4** or **Section 5** hereof if a Participant otherwise has been, is, or will be entitled to benefits under one or more different sections among **Section 4** and **Section 5**.

(i) **Non-Waiver of Rights and Breaches.** No failure or delay of the Company or a Participant in the exercise of any right given to the Company or the Participant under this Plan shall constitute a waiver unless the time specified for the exercise of such right has expired, nor shall any single or partial exercise of any right preclude other or further exercise thereof or of any other right. The waiver by the Company or the Participant of any default of the Company or the Participant, as applicable, shall not be deemed to be a waiver of any subsequent default or other default by the Company or the Participant, as applicable.

(j) **Successors and Assigns.** The rights and obligations of the Company under this Plan will inure to the benefit of, and will be binding on, the Company and its successors and assigns, and the rights and obligations (other than obligations to perform services) of the Participant under this Plan will inure to the benefit of, and will be binding upon, the Participant and the Participant's heirs, personal representatives, and assigns.

(k) **Top Hat Plan.** This Plan is intended to be a "top hat" plan maintained primarily for a group of management or highly compensated employees.

(l) **Governing Law.** Each Participant agrees that (i) Georgia law shall apply to this Plan, and (ii) the state and federal courts located in Fulton County shall have exclusive jurisdiction over any dispute relating to this Plan, and each Participant specifically and irrevocably consents to jurisdiction and venue in such court, even if the Participant does not reside in Georgia at the time of any dispute arising out of or involving this Plan. Each

Participant hereby waives any objections or defenses to jurisdiction or venue in any such proceeding before such court. If a Participant primarily resided and worked for the Company in California immediately prior to the end of Participant's Company employment, or following the termination of Participant's Company employment, Participant resides and works in California, the Participant agrees that (x) California law shall apply to this Plan, and (y) the federal or state courts of California shall have exclusive jurisdiction over any dispute relating to this Plan and the Participant specifically consents to personal jurisdiction in such courts even if the Participant does not reside in California at the time of any dispute arising out of or involving this Plan. If Participant primarily resided and worked for the Company in Minnesota immediately prior to the end of Participant's employment, Participant agrees and acknowledges that Participant's consent to jurisdiction and venue in Georgia is voluntary and that Participant is not being required to accept Georgia jurisdiction and venue as a condition of Participant's employment.

(m) **Severability.** If any provision of this Plan is or becomes invalid or unenforceable in any jurisdiction, or would disqualify this Plan or any compensation under this Plan under any law deemed applicable by the Committee, such provision will be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Committee, it will be stricken and the remainder of this Plan will remain in full force and effect.

(n) **Claims Procedure.**

(i) The Committee or its designee has the exclusive right to determine eligibility for benefits under the Plan and to deny or grant a claim, in whole or in part. All claim determinations shall be made by the Committee (or its delegate) in a uniform and nondiscriminatory manner in accordance with the Plan provisions. The Committee's decision on a claim for benefits is final and binding on all persons.

(ii) Any Participant or his or her authorized representative who believes he or she may be eligible for benefits under this Plan may file a claim for benefits to which the claimant believes he or she is entitled. Claims under this Plan must be made in writing and delivered to the Committee, in person or by mail, postage prepaid. When a claim has been properly filed, the Committee shall, within 90 days after receipt of such claim, send to the claimant notice of the grant or denial, in whole or in part, of such claim unless special circumstances require an extension of time for processing the claim. In no event may the extension exceed 90 days from the end of the initial period. If such extension is necessary, the claimant will be given notice to this effect prior to the expiration of the initial 90-day period. Any notice of extension shall set forth the special circumstances requiring the extension of time and the date by which the Committee expects to render its decision on the application for benefits.

(iii) The Committee will provide the claimant with written notice in which the claimant shall be advised as to whether the claim is granted or denied, in whole or in part. If a claim is denied, in whole or in part, the notice shall contain: (A) the specific reasons for the denial; (B) references to pertinent Plan provisions on which the denial is based; (C) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; and (D) an explanation of the Plan's claim review procedure, the time limits applicable under the procedures, and a statement regarding the claimant's right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended (if applicable) following an adverse benefit determination on appeal.

(iv) If a claim is denied, in whole or in part, the claimant shall have the right to request that the Committee review the denial, provided that the claimant files a written request for review with the Committee no later than 60 days after the date on which the claimant received written notification of the denial. The request for a review shall be in writing and shall be addressed to the Committee at the Company's principal office. The request for review shall set forth all of the grounds on which it is based, all facts in support of the request and any other matters which the claimant deems pertinent. The Committee may require the claimant to submit such additional facts, documents or other material as it may

deem necessary or appropriate in making its review. The claimant may submit written comments, documents, records and other information related to the benefit claim on appeal. The claimant must be provided, upon request and free of charge, reasonable access to and copies of any and all records, documents or information on which the Committee based its determination (the "**Relevant Records**").

(v) The Committee will provide the claimant with written notification of the benefit determination on review within 60 days after a request for review is received, unless special circumstances require an extension of time for processing the review, in which case the Committee shall give the claimant written notification within the initial 60-day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within 120 days

after the date on which the request for review was filed). If the Committee denies the claim on review, in whole or in part, the notification will set forth, in a manner calculated to be understood by the claimant: (A) the specific reason or reasons for the denial; (B) specific references to the Plan provisions on which the denial is based; (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all Relevant Records; and (D) a description of the claimant's right to obtain information about such procedures and a statement regarding the claimant's right to bring a civil action under section 502(a) of the Employee Retirement Income Security Act of 1974, as amended (if applicable) following the denial on appeal.

Exhibit 10.2

UPS MANAGEMENT INCENTIVE PROGRAM

Amended and Restated Terms and Conditions

March 20, 2024

1. Establishment, Objectives and Duration.

1.1 Establishment of the Program. The Compensation and Human Capital Committee of the Board of Directors of United Parcel Service, Inc. (the "Committee") hereby amends and restates the UPS Management Incentive Program ("MIP"), to provide for MIP Awards to Eligible Employees beginning with the 2024 Plan Year, pursuant to the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan, as it may be amended or amended and restated from time to time, including any successor plan (the "ICP"). This document sets forth the rules under which such MIP Awards will be made and administered. Unless otherwise defined in this document (in Section 7 or otherwise), capitalized terms shall have the meanings set forth in the ICP.

These terms and conditions shall be effective from the date set forth above and will relate to and govern MIP Awards granted beginning with the 2024 Plan Year.

1.2 Objectives of the MIP. The objectives of the MIP are to align incentive pay with annual performance. The MIP is also intended to further align the interests of Eligible Employees and shareowners by strengthening the link between the achievement of key business objectives and incentive compensation.

2. Administration.

2.1 Authority of the Committee. The MIP will be administered by the Committee, which shall have the same power and authority to administer the MIP as it does to administer the ICP.

2.2 Delegation. The Committee may (subject to applicable law, regulation and the terms of the ICP), delegated its power, authority and duties as identified herein to administer the MIP, other than the power, authority and duties to grant and approve MIP Awards to Executive Leadership Team Eligible Employees, to (i) any committee comprised of members of management of the Company responsible for determining or overseeing compensation for individuals other than Executive Leadership Team members or (ii) to the Executive Leadership Team or (iii) any members thereof such responsibility (the "Management Compensation Committee"). Except as set forth above, the Management Compensation Committee shall have the powers, authority and duties of the Committee as contained herein, and references to the "Committee" shall be deemed to refer to the Committee or the Management Compensation Committee, as applicable.

2.3 Decisions Binding. All decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, its shareowners, any Eligible Employee, and their estates and beneficiaries.

3. Eligibility for Awards. Only an Eligible Employee shall be considered for a MIP Award. The Committee shall have broad discretion to determine the eligibility criteria for Eligible Employees.

4. MIP Awards.

4.1 Performance Objectives.

4.1.1 Eligible Employees (other than Executive Leadership Team Eligible Employees). The MIP Award for each Eligible Employee (other than an Executive Leadership Team Eligible Employee) will be determined by multiplying the Eligible Employee's

Annualized Salary by the MIP Factor and the Eligible Employee's MIP Award Target as described on [Exhibit A](#), or as may be revised from time to time. Annualized Salary and the MIP Award Target will be determined as of the MIP Record Date for the applicable Plan Year.

4.1.2 Business Elements. The Committee shall have broad discretion to establish the business elements upon which the MIP Factor for any Plan Year will be based and shall establish and communicate those business elements as soon as reasonably practicable following the beginning of each Plan Year.

4.1.3 MIP Factor, Award Determination. The Committee shall have broad discretion to determine the MIP Factor for each Plan Year. Following the end of each Plan Year, the Committee will review Company performance in respect of each applicable business element, will approve the MIP Factor for such Plan Year and will calculate the MIP Award to be paid to each Eligible Employee (for the avoidance of doubt, the establishment of the MIP Factor and calculation of the MIP Award to be paid to each Executive Leadership Team Eligible Employee shall not be delegated to the Management Compensation Committee) and will approve the MIP Award to each such Eligible Employee. At the Committee's direction, Eligible Employees will receive written notification of their MIP Awards.

4.1.4 Minimum MIP Factor. Prior to the end of any Plan Year, the Committee may establish a minimum MIP Factor that will result in payment of a minimum MIP Award for each Eligible Employee employed on the MIP Eligibility Date for such Plan Year without regard to the performance in respect of the business elements of such Plan Year.

4.2 Maximum Individual Award. The value of the MIP Award for an Eligible Employee for any calendar year, when added to the value of other cash awards granted to that Eligible Employee under the ICP and earned in the same calendar year, shall not exceed \$10,000,000 (measured as of the date on which such MIP Award for such calendar year is granted, as described in Section 4.1.3).

4.3 Pro-rated Awards. The Committee shall have discretion to make pro-rated MIP Awards to Eligible Employees who are actively employed for less than an entire Plan Year. Reasons for proration may include, but are not limited to, approved leaves of absence (including, but not limited to, disability leave, workers' compensation leave, Family and Medical Leave Act, military leave or personal leave), transfer to or from full-time management to part-time management status, mid-year hires, temporary assignments, Retirement or death.

5. Payment of Awards.

5.1 Form and Timing. At the election of the Eligible Employee, in accordance with rules established by the Committee, the total value of the MIP Award less applicable taxes will be (i) paid in cash, Shares or any combination thereof, or (ii) contributed to a UPS tax-qualified defined contribution plan (subject to compliance with all laws and regulations and the terms and conditions of the applicable plan), in each case before the end of the second calendar quarter of the Plan Year immediately following the Plan Year for which the award is made. Such election must be made within the period established by the Committee for such elections. Any portion elected to be contributed to a tax-qualified plan that cannot be contributed to that plan because of the limitations on contributions to that plan will be paid to the Eligible Employee in cash.

5.2 Elections With Respect to MIP Award; UPS Deferred Compensation Plan. Prior to the beginning of the Plan Year for which a MIP Award is earned, Eligible Employees who are eligible to make deferral elections under the UPS Deferred Compensation Plan may elect to defer all or any portion of a MIP Award for such Plan Year in accordance with the terms of the UPS Deferred Compensation Plan. If an Eligible Employee dies before the Electable Portion of a MIP Award is

paid, any such deferral election shall be null and void and the MIP Award, if any, payable with respect to such Eligible Employee shall be governed in accordance with Section 5.5.

5.3 Vesting. A MIP Award vests on the MIP Eligibility Date for the Plan Year for which the MIP Award is made, provided the Eligible Employee is employed by the Company or an affiliate on such date. However, the Committee may establish rules that provide for vesting of a MIP Award at other dates or under other circumstances.

5.4 Tax Withholding. MIP Awards will be reduced for applicable taxes or the Eligible Employee shall remit taxes in accordance with Article 16 of the ICP.

5.5 Death. Notwithstanding any contrary provision of the MIP and subject to Section 5.4, the following provisions shall apply if an Eligible Employee dies before the MIP Eligibility Date or before a MIP Award for a Plan Year is paid.

5.5.1 Death Before MIP Eligibility Date. If an Eligible Employee dies during the Plan Year and before the MIP Eligibility Date, a prorated portion of his or her MIP Award for such Plan Year shall be fully vested and payable in cash to his or her estate as soon as practicable and no later than 90 days after the date of death. The MIP Award will be calculated at target for such Eligible Employee's job classification and salary on his or her date of death, and prorated based on his or her number of calendar months of active employment completed in such Plan Year.

5.5.2 Death after MIP Eligibility Date and Before Payment. If an Eligible Employee dies after the MIP Eligibility Date and before the MIP Award for a Plan Year is paid, his or her actual MIP Award for such Plan Year shall be paid in cash to his or her estate as soon as practicable and no later than before the end of the second calendar quarter of the Plan Year immediately following the Plan Year for which the award is made. March 15 following the Plan Year to which the applicable MIP Award relates.

6. Miscellaneous.

6.1 Awards Subject to the Terms of the ICP. MIP Awards are subject to the terms of the ICP.

6.2 Section 409A Compliance. Each MIP Award is intended either to be exempt from or to comply with Code § 409A and the 409A Guidance. This document and the ICP shall be administered in a manner consistent with this intent, and any provisions that would cause this document or the ICP to fail to satisfy Code § 409A or the 409A Guidance shall have no further force or effect until amended to comply with or be exempt from Code § 409A and the 409A Guidance (which amendment may be retroactive to the extent permitted by Code § 409A and the 409A Guidance and may be made by the Company without an Eligible Employee's consent). The MIP Award is intended to be exempt from Code § 409A as a short term deferral. To the extent that benefits provided under the MIP constitute deferred compensation for purposes of Code § 409A and the 409A Guidance and to the extent that deferred compensation is payable upon a "separation from service" as defined in Code § 409A, to the extent necessary to comply with Code § 409A and the 409A Guidance, no amount of deferred compensation shall be paid or transferred to the Eligible Employee as a result of the Eligible Employee's separation from service until the date which is the earlier of (i) the first day of the seventh month after the Eligible Employee's separation from service or (ii) the date of the Eligible Employee's death (the "Delay Period").

6.3 Severability. The provisions of the MIP are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

6.4 Waiver. Each Eligible Employee acknowledges that a waiver by the Company of breach of any provision of the MIP shall not operate or be construed as a waiver of any other provision of the MIP, or of any subsequent breach by the Eligible Employee or any other participant.

6.5 Imposition of Other Requirements. The Committee reserves the right to impose other requirements on an Eligible Employee's participation in the MIP, on a MIP Award and on any Shares acquired under the ICP, to the extent the Committee determines it is necessary or advisable for legal or administrative reasons, and to require the Eligible Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

6.6 Amendment and Termination. The Committee may amend, alter, suspend or terminate the MIP, any Exhibit and any award granted under the MIP at any time subject to the terms of the ICP. Any amendment shall be in writing and approved by the Committee. Subject to the terms of the ICP, the Management Compensation Committee may make administrative amendments to the MIP and the Exhibits from time to time provided that any such amendment shall be reviewed with the Committee and a copy of such amendment kept with the records of the MIP. An administrative amendment does not include any amendment that would materially change the terms and conditions of the MIP that were previously approved by the Committee.

6.7 Equitable Adjustments. MIP Awards and the number of Shares issuable under each MIP Award (if any) and the other terms and conditions of a MIP Award evidenced by this document are subject to adjustment as provided in Sections 4.5 and 15.2 of the ICP.

6.8 Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to the MIP Awards and an Eligible Employee's participation in the ICP, or future awards that may be granted under the ICP, by electronic means or request an Eligible Employee's consent to participate in the ICP by electronic means. An Eligible Employee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the ICP through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

6.9 No Right to Future Awards or Employment. The grant of a MIP Award to an Eligible Employee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. Nothing contained in this document shall confer upon an Eligible Employee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate an Eligible Employee's employment or adjust an Eligible Employee's compensation.

6.10 Acknowledgement. By accepting the grant of an MIP Award, an Eligible Employee accepts and acknowledges the terms and conditions included in this document. Each Eligible Employee acknowledges that the Eligible Employee (i) has received a copy of the ICP, (ii) has had an opportunity to review the terms of this document and the ICP, (iii) understands the terms and conditions of this document and the ICP and (iv) agrees to such terms and conditions.

6.11 Repayment. Notwithstanding anything in this document to the contrary, each Eligible Employee acknowledges and agrees that this document and the awards described herein (and any settlement thereof) are subject to the terms and conditions of the Company's Incentive-Based Compensation Clawback Policy (or such other policy relating to the recovery of incentive compensation as may be in effect from time to time), and that relevant sections of this document shall be deemed superseded by and subject to the terms and conditions of such policy.

7. Definitions. Except as set forth below, capitalized terms will have the meanings set forth in the ICP.

7.1 Annualized Salary. For each Plan Year, an Eligible Employee's monthly rate of Base Salary determined as of the MIP Record Date multiplied by 12.

7.2 Base Salary. The annual or monthly rate, as applicable, of an Eligible Employee's base salary as determined as of the MIP Record Date of the Plan Year for which a MIP Award is made or, if earlier, the date of death.

7.3 Disability. Disability as defined in the long-term disability plan of the Company or an affiliate under which the Eligible Employee is eligible for coverage or if there is no such plan, disability as determined by the Committee in its discretion.

7.4 Eligible Employee. For each Plan Year, (i) an Employee (other than an Executive Leadership Team Eligible Employee) who (a) is classified at the supervisor level or above on the MIP Record Date, (b) is continuously employed with the Company or an affiliate through the MIP Eligibility Date, (c) satisfies such other eligibility criteria as may be developed from time to time by the Committee, (d) is recommended by his or her managers and (e) approved by the Committee and (ii) an Executive Leadership Team Eligible Employee.

7.5 Executive Leadership Team Eligible Employee. For any Plan Year, an Employee who is a member of the UPS Executive Leadership Team as of the MIP Record Date.

7.6 Management Incentive Award or MIP Award. An award granted under the ICP, with terms and conditions as described in this document.

7.7 MIP. The UPS Management Incentive Program, as amended from time to time.

7.8 MIP Eligibility Date. December 31 of a Plan Year (or such other date as may be selected by the Committee).

7.9 MIP Factor. For each Plan Year, the factor (expressed as a percentage) determined by the Committee pursuant to Section 4.1.3. to reflect performance with respect to the business elements identified for the Plan Year.

7.10 MIP Record Date. For each Plan Year, December 1 (or such other date as may be selected by the Committee).

7.11 MIP Award Target. The applicable MIP Award Target described in Exhibit A.

7.12 Plan Year. Calendar year, January 1 - December 31.

7.13 Retirement. Means (i) attaining or exceeding age 55 with a minimum of 10 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, (ii) attaining or exceeding age 60 with a minimum of 5 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, or (iii) "retirement" as determined by the Committee in its sole discretion.

EXHIBIT A

CLASSIFICATION	MIP AWARD TARGETS
CEO	200%
Executive Leadership Team (other than the CEO)	115%

UPS LONG-TERM INCENTIVE PERFORMANCE PROGRAM

Amended and Restated Terms and Conditions

March 20, 2024

1. Establishment, Objectives and Duration.

- 1.1 Establishment of the Program and Effective Date.** The Compensation and Human Capital Committee of the Board of Directors of United Parcel Service, Inc. ("Committee") hereby amends and restates the terms and conditions of the UPS Long-Term Incentive Performance Program ("LTIP") which provides for Awards in the form of Restricted Performance Units ("Units") pursuant to the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan ("ICP"). Unless otherwise defined in this document, capitalized terms shall have the meanings set forth in the ICP. These LTIP Terms and Conditions shall be effective for any LTIP Awards made on or after the date set forth above ("LTIP Effective Date").
- 1.2 Objectives of the LTIP.** The objectives of the LTIP are to align incentive pay with long-term performance related to key business objectives, enhance retention of key talent, and align the interests of shareowners with the incentive compensation opportunity for executives.
- 1.3 Duration of the Program.** The LTIP shall commence on the LTIP Effective Date and shall remain in effect, subject to the right of the Committee to amend or terminate the LTIP at any time pursuant to Section 14.6 hereof.

2. Administration.

- 2.1 Authority of the Committee.** The LTIP shall be administered by the Committee, which shall have the same power and authority to administer the LTIP as it does to administer the ICP.
- 2.2 Decisions Binding.** All decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, its shareowners, any employee, and their estates and beneficiaries.
- 2.3 Delegation.** The Committee may (subject to applicable law, regulation and the terms of the ICP), delegated its power, authority and duties as identified herein to administer the LTIP, other than the power, authority and duties to grant and approve LTIP Awards to Executive Leadership Team Eligible Employees, to (i) any committee comprised of members of management of the Company responsible for determining or overseeing compensation for individuals other than Executive Leadership Team members or (ii) to the Executive Leadership Team or (iii) any members thereof such responsibility (the "Management Compensation Committee"). Except as set forth above, the Management Compensation Committee shall have the powers, authority and duties of the Committee as contained herein, and references to the "Committee" shall be deemed to refer to the Committee or the Management Compensation Committee, as applicable.
- 3. Units Subject to Award.** Your target number of Units subject to an Award is determined by (1) the product of (a) your Target LTIP Award Percentage on Exhibit A multiplied by (b) your annualized monthly salary in effect on the grant date specified in your grant notice (the "Grant Date"), then (2) divided by the Fair Market Value of a Share on the Grant Date, rounded up to the nearest whole number of Units.
- 4. Eligibility for Awards.** The Committee shall have broad discretion to determine the eligibility criteria for Awards for members of the Executive Leadership Team, including the Grant Date and any proration

applicable to any Award for any reason, including as a result of an individual becoming an employee or changing job classification in a manner that would result in a different LTIP target payout percentage for that individual, after the Grant Date.

- 5. Award Document.** You will receive a grant notice that specifies the Grant Date, the target number of Units subject to an Award, which may be prorated for the number of months remaining in the Performance Period (as defined below), and such other provisions as the Committee shall determine. Such grant notice, together with this document, shall constitute the "Award Document" for the applicable Award for purposes of the ICP.

6. Acceptance. You must expressly accept the terms and conditions of your Award. To accept, log on to Merrill Lynch Benefits Online at www.benefits.ml.com, select Equity Plan > Grant Information > Pending Acceptance. If you do not accept your Award in the manner instructed by the Company, the Units subject to an Award may be subject to cancellation. If you do not wish to receive your Award, then you understand that you must reject the Award by contacting Shareholder Services (shareholderservices@ups.com) no later than 90 days following the Grant Date specified in the applicable grant notice in which case the Award will be cancelled.

7. Performance Metrics; Earned Units. The number of Units earned for an Award will be determined based upon the Company's (a) adjusted earnings per share (growth) and (b) free cash flow performance, each during a three-year performance period identified in the applicable grant notice (the "Performance Period"), subject to modification based on (c) total shareholder return performance during the Performance Period. Performance and payout will be determined independently for each metric. The number of Units earned under an Award will be calculated as follows:

(a) Adjusted Earnings Per Share Payout % x 50%	+	UNITED PARCEL SERVICE, INC. (Registrant) (b) Free Cash Flow Payout % x 50%	+/-	(c) RTSR Payout Modifier (if applicable)	=	Award Payout %
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Date: November 1, 2023 By: /s/ BRIAN O. NEWMAN
Brian O. Newman
Executive Vice President and Chief Financial Officer

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

7.1 Adjusted Earnings Per Share (Growth). Adjusted earnings per share is determined by dividing the Company's adjusted net income available to common shareowners by the diluted weighted average shares outstanding during applicable year(s) of the Performance Period. The adjusted earnings per share growth target is the projected average annual adjusted earnings per share growth during each of the applicable years within the Performance Period. The actual adjusted earnings per share (growth) for each applicable year of the Performance Period will be compared to the target and assigned a payout percentage; the average of the three payout percentages will be used to calculate the final payout percentage under this metric. Following the completion of the Performance Period, the Committee will certify (i) the actual adjusted earnings per share (growth) for the Performance Period; (ii) the actual adjusted earnings per share (growth) for the Performance Period as compared to the targets; and (iii) the final payout percentage for this metric.

7.2 Free Cash Flow. Free cash flow is determined by reducing the Company's cash flow from operations by capital expenditures net of proceeds from disposals of fixed assets, and adjusting for net changes in finance receivables and other investing activities. The free cash flow target is the projected aggregate free cash flow generated during the entire three years of the Performance Period. Following the completion of the Performance Period, the Committee will certify (i) the

actual free cash flow for the Performance Period; (ii) the actual free cash flow for the Performance Period as compared to the target; and (iii) the final payout percentage for this metric.

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

7.3.1 Payout Modifier: The number of Units earned under an Award may be modified up or down, if applicable, based on RTSR as follows:

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

7.3.2 TSR Calculation: TSR is determined as follows:

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

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

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

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

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

8. Employee Covenants.

8.1 Acknowledgements. You acknowledge and agree that, by reason of your highly specialized skillset and the Company's investment of time, training, money, trust, and exposure to Confidential Information, you are intimately involved in the planning and direction of the Company's global business operations. You further acknowledge and agree that your agreement to enter into, and your compliance with, your covenants in this Section 8 are material factors in the Company's decision to grant you the Units, which constitutes good and valuable consideration for the covenants set forth in this Section 8. You further acknowledge and agree that your breach or threatened breach of any of the covenants in this Section 8 would result in material and irreparable damage and injury to the Company and that it would be difficult or impossible to establish the full monetary value of such damage. You further acknowledge and agree that the covenants in this Section 8 are reasonable, necessary, and essential for the Company to protect its legitimate business interests in: (i) the Company's trade secrets (as defined under applicable law, including the Georgia Trade Secrets Act of 1990 (the "Act") and the Defend Trade Secrets Act of 2016 (the "DTSA")); (ii) the Company's valuable Confidential Information; (iii) substantial relationships with specific prospective or existing customers of the Company; (iv) customer good will associated with (A) the business of the Company, including, but not limited to, by way of trade name, trademark, service mark, or trade dress, (B) a specific geographic location; or (C) a specific marketing or trade area; and (v) extraordinary or specialized training you have received or will receive. You further acknowledge and agree (i) by reason of the Company's investment of time, training, money, trust, exposure to the public, or exposure to customers, vendors, or other business relationships during the course of your employment with the Company, you have attained or will attain a high level of influence or credibility with the Company's Protected Customers, vendors, or other business relationships; and (ii) by reason of working for the Company, you are or will be in possession of selective or specialized skills, learning, or abilities, or customer contacts or customer information, or Confidential Information. Finally, you acknowledge and agree that the scope of responsibilities of your position extends throughout the geographic area where the Company has conducted and will conduct business during your employment, and that your work for the Company has brought and will bring you into close contact with many of the Company's customers, trade secrets and confidential and proprietary information.

8.2 Unfair Competition. You acknowledge and agree that, as a result of your receipt of Confidential Information, your role at the Company, and your relationships with Company customers and/or employees you would have an unfair competitive advantage if you were to violate this Section 8 and that, in the event that your employment with the Company terminates for any reason, you possess marketable skills and abilities that will enable you to find suitable employment without violating the covenants set forth in this Section 8. You further acknowledge and affirm that you are accepting this Agreement voluntarily, that you have read this Agreement carefully, that you have had a full and reasonable opportunity to consider this Agreement (including actual consultation with legal counsel), and that you have not been pressured or in any way coerced, threatened or intimidated into entering into this Agreement.

8.3 Non-Disclosure and Prohibition Against Use of Confidential Information and Trade Secrets. You agree that you will not, directly or indirectly, reveal, divulge, or disclose any Confidential Information or Trade Secrets to any person not expressly authorized by the Company to receive

such information. You further agree that you will not, directly or indirectly, use or make use of any Confidential Information or Trade Secrets in connection with any business activity other than business activity that you are pursuing on behalf of the Company. You acknowledge and agree that this Section 8 is not intended to, and does not, alter either the Company's rights or your obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. The act of emailing Confidential Information or Trade Secrets or both to your personal email address is considered to be a breach of this section. You also understand that nothing contained in this Section 8 limits your ability to communicate with any federal, state or local governmental agency or commission ("Government Agencies") or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by you, on your behalf, or by any other individual. You additionally understand and agree that as required by the Defend Trade Secrets Act of 2016 ("DTSA"), 18 U.S.C. § 1833(b), you have been notified that if you make a confidential disclosure of a Company Trade Secret (as defined in 18 U.S.C. § 1839) to a government official or an attorney for the sole purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a legal proceeding, so long as any document you file containing the trade secret is filed under seal and you do not disclose the trade secret except pursuant to court order, you shall not be held civilly or criminally liable under this Agreement or under any federal or state trade secret law for such a disclosure. The DTSA does not authorize, or limit liability for, an act that is otherwise prohibited by law, such as the unlawful access of material by unauthorized means. You promise that, no later than the end of your Company employment, you will return to the Company all files, memoranda, documents, records, credit cards, keys, computers, printers, telephones, and other property of the Company or its affiliates in your possession, custody, or control, including without limitation all Confidential Information. To the extent that you have, or become aware after your Separation Date that you have, electronic files or information in your personal possession or under your control that belong to the Company or contain Confidential Information (specifically including without limitation electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), you promise that you will notify the Company in writing as to such possession or control prior to your Separation Date or immediately after you become aware of such possession, and, if requested to do so by the Company you will cooperate with the Company, and take direction from the Company, regarding the deletion or return of all such files and information, including all copies and derivatives thereof, from all non-Company-owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable. For the avoidance of doubt, you are not permitted to delete any Company files or information from any computers, mobile devices, electronic media, or in cloud storage (including those owned personally by you) unless directed to do so in writing by the Company. To the extent requested by the Company, whether prior to or after the Separation Date, you will voluntarily participate in a process involving a forensic computer specialist chosen by the Company to identify, quarantine, preserve and delete all electronic files or information, including all copies and derivatives thereof, in your possession or under your control that belong to the Company or contain Confidential Information.

8.4 Non-Solicitation of Protected Employees. During the Non-Solicit Restricted Period, you will not, without the prior written consent of the Company, directly or indirectly, solicit or induce or attempt to solicit or induce any Protected Employee to terminate or cease his/her employment relationship with the Company or to enter into employment with you or any other person or entity. This employee non-solicitation provision is limited to the geographic area where the Company did business during your employment.

8.5 Non-Solicitation of Protected Customers. During the Non-Solicit Restricted Period, you will not, without the prior written consent of the Company, directly or indirectly, solicit, divert, take

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

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

8.7 Enforcement. You acknowledge and agree that the covenants in Sections 8.3 through 8.6 ("Protective Covenants") are necessary to protect the Company's legitimate business interests. In the event that you breach, or threaten to breach, the Protective Covenants, you agree that the Company shall have the right and remedy to: (a) enjoin you, preliminarily and permanently (without the necessity of posting bond), from violating or threatening to violate the Protective Covenants because any breach or threatened breach of the Protective Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy; (b) require you to account for and pay over to the Company all compensation, profits, monies, or other benefits derived or received by you as the result of any breach of the Protective Covenants; and (c) require you to pay the reasonable attorneys' fees and costs incurred by the Company in enforcing the Protective Covenants. In addition, in the event of such a violation, you will automatically forfeit all Units.

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

8.9 Applicable Law and Exclusive Jurisdiction.

8.9.1 Section 8 of these LTIP terms and conditions are governed by the laws of the State of Georgia. Any and all claims arising out of or relating to this Section 8 will be brought in the state and federal courts located in Fulton County, Georgia, which will be the sole and exclusive jurisdiction and venue for all disputes between the parties under this Section 8. You hereby irrevocably consent to the jurisdiction and venue of the state and federal courts located in Fulton County, Georgia for adjudication of all disputes between the parties with respect to this Section 8. You hereby waive any objections or defenses to jurisdiction or venue in any such proceeding before such court.

8.9.2 Notwithstanding the foregoing, if you primarily resided and worked for the Company in California immediately prior to the end of your employment, or following the termination of your employment, you reside and work in California, you agree that (a) California law shall apply to this Section 8, and (b) the federal or state courts of California will be the sole and exclusive jurisdiction and venue over any dispute relating to this Section 8 and you specifically and irrevocably consent to personal jurisdiction in such courts even if

you do not reside in California at the time of any dispute arising out of or involving this Section 8.

8.9.3 Notwithstanding the foregoing, if you primarily resided and worked for the Company in Minnesota immediately prior to the end of your company employment, you agree and acknowledge that your consent to jurisdiction and venue in Georgia is voluntary and that you are not being required to accept Georgia jurisdiction and venue as a condition of your employment.

8.10 Tolling During Violation. In the event the enforceability of any of the terms of this Section 8 is challenged in a court of competent jurisdiction and you are not enjoined from breaching any of the restrictive covenants, then if a court of competent jurisdiction finds that the challenged restrictive covenant(s) is enforceable, the time periods set forth herein shall be deemed tolled upon the filing of the claim challenging the enforceability of this Section 8 until the dispute is finally resolved and all periods of appeal have expired..

8.11 Disclosure. In the event that you leave the Company for any reason, you agree to disclose the existence and terms of this Section 8 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.

8.12 Definitions. For purposes of this Section 8:

- 8.12.1** "Company" means, for purposes of this Section 8 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)).
- 8.12.2** "Confidential Information" means all information regarding the Company, its activities, businesses or customers which you learned as a result of your employment, that is valuable to the Company and that is not generally disclosed by practice or authority to persons not employed or otherwise engaged by the Company, whether or not it constitutes a Trade Secret. "Confidential Information" shall include, but is not limited to, financial plans and data; legal affairs; management planning information; business plans; acquisition plans; operational methods and technology; market studies; marketing plans or strategies; product development techniques or plans; customer lists; details of customer contracts; current and anticipated customer requirements and specifications; customer pricing and profitability data; past, current and planned research and development; employee-related information and new personnel acquisition plans. "Confidential Information" shall not include information that is or becomes generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. However, although certain information may be generally known in the relevant industry, the fact that the Company uses such information may not be so known and in such instance the information would compromise Confidential Information. This definition shall not limit any definition of "confidential information" or any equivalent term under applicable state or federal law.
- 8.12.3** "Material Contact" means the contact between you and each customer or actively sought potential customer of the Company: (A) with whom or with which you dealt on behalf of the Company in support of the initiation, maintenance or furtherance of a business relationship between Company and each customer or actively sought potential customer; (B) whose dealings with the Company were coordinated or supervised by you; (C) about whom you obtained Confidential Information in the ordinary course of business as a result of your association with the Company; or (D) who receives products or services authorized by the Company, the sale or provision of which results or resulted in compensation, commissions, or earnings for you in the two (2) years prior to your termination of employment
- 8.12.4** "Non-Compete Restricted Period" means during your employment with the Company and for a period of one (1) year after your employment ends for any reason.
- 8.12.5** "Non-Solicit Restricted Period" means during your employment with the Company and for a period of two (2) years after your employment ends for any reason
- 8.12.6** "Protected Customers" means customers or actively sought potential customers with whom you had Material Contact in the two (2) years prior to your termination of employment.
- 8.12.7** "Protected Employee" means an employee of the Company who is employed by the Company in a position of Band 20 or higher at the time of any solicitation or attempted solicitation by you and with whom (a) you had contact during the two (2) years prior to your termination of employment, or (b) about whom you learned Confidential Information during the two (2) years prior to your termination of employment.
- 8.12.8** "Restricted Competitors" 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, Restricted Competitors include, without limitation, the entities listed on Exhibit B.
- 8.12.9** "Trade Secret" means all of the Company's information that you learned about as a result of your employment, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers, that (i) derives economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. This definition shall not limit any definition of "trade secrets" or any equivalent term under applicable law.

8.13 Amendments for Certain Employees.

- 8.13.1 Amendments for California Employees.** Sections 8.4 through 8.6 do not apply to you if you primarily resided or worked for the Company in California immediately prior to the end of your employment, or if following the termination of your employment, you reside and work in California. Notwithstanding the foregoing, you are and shall continue to be prohibited from any unauthorized use, transfer, or disclosure of the Company's Confidential Information, including trade secrets, pursuant to the California Trade Secrets Act, the U.S. Defend Trade Secrets Act of 2016, any other confidentiality and non-disclosure agreements with the Company, and any other applicable federal, state and common law protections afforded proprietary business and trade

secret information. You also agree that you will not, without the prior written consent of the Company, directly or indirectly, interfere with the Company's business by soliciting or inducing or attempt to solicit or induce any Protected Employee to terminate or cease his/her employment

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

8.13.2 Amendments for Hawaii, North Dakota, Minnesota and Oklahoma Employees. Section 8.6 does not apply to you if you primarily resided and worked for the Company in Hawaii, North Dakota, Minnesota or Oklahoma immediately prior to the end of your Company employment, and following the termination of your Company employment, you continue to reside and work in Hawaii, North Dakota, Minnesota or Oklahoma.

8.13.3 Amendment for Massachusetts Employees. Section 8.6 does not apply to you if: (1) you primarily resided and worked for the Company in Massachusetts immediately prior to the end of your Company employment, and following the termination of your Company employment, you continue to reside and work in Massachusetts; and (2) Section 8.6 is unenforceable pursuant to Massachusetts General Laws c. 149 § 24L.

8.14 Other Restrictions. For the avoidance of doubt, if you are based in the U.S. this Section 8 does not supersede any protective covenants applicable to you with respect to the Company, and those covenants shall continue in full force and effect in accordance with their terms. If you are based outside the US any protective covenants set out in your contract of employment, or otherwise applicable to your employment with the Company, whether concluded prior to or after the date of this Agreement, supersede the equivalent provisions set out in this Section 8.

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

10. Vesting Terms. If you remain an active employee through the last business day of the Performance Period, then the number of Units that vest following the end of the Performance Period, if any, will be based on the achievement of the performance goals related to each of the performance metrics set forth herein. Shares attributable to the number of vested Units and dividend equivalent units (described below), if any, will be transferred to you during the calendar quarter following the end of the Performance Period. Except as set forth below, if employment with the Company is terminated after the Date of Grant but prior to the last business day of the Performance Period, then your unvested Units will be forfeited.

10.1 Death. If you are an active employee for six continuous months from the beginning of the Performance Period and your employment terminates prior to the last business day of the Performance Period as a result of death, then Shares attributable to a prorated number of Units (calculated at target based on the number of months worked during the Performance Period) will be transferred to your estate no later than 90 days after the date of your death.

10.2 Disability or Retirement. If you are an active employee for six continuous months from the beginning of the Performance Period and your employment terminates prior to the last business day of the Performance Period as a result of disability or Retirement (as defined below), then Shares attributable to a prorated number of vested Units (based on actual results for the full Performance Period and the number of months worked during the Performance Period) will be transferred to you during the calendar quarter following the end of the Performance Period. For purposes of the LTIP, Retirement is defined as (a) the attainment of age 55 with a minimum of 10 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, (b) the attainment of age 60 with a minimum of 5 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, or (c) "retirement" as determined by the Committee in its sole discretion.

10.3 Demotion. If you are an active employee for six continuous months from the beginning of the Performance Period and, prior to the last business day of the Performance Period, you are demoted to a position that would have been ineligible to receive an LTIP award, then Shares attributable to a prorated number of vested Units (based on actual results for the full Performance Period and the

number of months worked during the Performance Period prior to the demotion) will be transferred to you during the calendar quarter following the end of the Performance Period.

- 11. Repayment.** Notwithstanding anything in this document to the contrary, you acknowledge and agree that this document and the awards described herein (and any settlement thereof) are subject to the terms and conditions of the Company's Incentive-Based Compensation Clawback Policy (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.
- 12. Withholding.** Awards shall be reduced for applicable taxes or you will be required to remit taxes to the Company in accordance with the terms of the ICP.
- 13. Dividend Equivalents.** Dividends payable on the number of shares represented by your Units (including whole and fractional Units) will be allocated to your account in the form of dividend equivalent units ("DEUs") (whole and fractional). DEUs will be allocated to your account each time dividends are paid by (i) multiplying the cash (or stock) dividend paid per share of the Company's class B common stock by the number of outstanding target number Units (and previously credited DEUs) prior to adjustment for the dividend, and (ii) dividing the product by the Fair Market Value of a Share on the day the dividend is declared, provided that the record date occurs after the Grant Date. DEUs will be subject to the same vesting conditions as the underlying Award.
- 14. Miscellaneous.**
- 14.1 Awards Subject to the Terms of the ICP.** LTIP Awards are subject to the terms of the ICP.
- 14.2 Section 409A.** Each Award is intended either to be exempt from Code § 409A and the 409A Guidance or to comply with Code § 409A and the 409A Guidance. The Award Document and the ICP shall be administered in a manner consistent with this intent, and any provision that would cause the Award Document or the ICP to fail to satisfy Code § 409A or the 409A Guidance shall have no force or effect until amended to comply with or be exempt from Code § 409A and the 409A Guidance (which amendment may be retroactive to the extent permitted by Code § 409A and the 409A Guidance and may be made by the Company without your consent). To the extent that benefits provided under an Award constitute deferred compensation for purposes of Code § 409A and the 409A Guidance and to the extent that deferred compensation is payable upon a "separation from service" as defined in Code § 409A and the 409A Guidance, no amount of deferred compensation shall be paid or transferred to you as a result of your separation from service until the date which is the earlier of (i) the first day of the seventh month after your separation from service or (ii) the date of your death (the "Delay Period").
- 14.3 Severability.** The provisions of the LTIP are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- 14.4 Waiver.** You acknowledge that a waiver by the Company of breach of any provision of the LTIP shall not operate or be construed as a waiver of any other provision of the LTIP, or of any subsequent breach by you or any other participant.
- 14.5 Imposition of Other Requirements.** The Committee reserves the right to impose other requirements on your participation in the LTIP, on the Units and on any shares of Stock acquired under the ICP, to the extent the Committee determines it is necessary or advisable for legal or

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

- 14.6 Amendment and Termination.** The Committee may amend, alter, suspend or terminate the LTIP and any Award at any time subject to the terms of the ICP. Any such amendment shall be in writing and approved by the Committee. A committee comprised of members of management of the Company for purposes of administering compensation ("Management Compensation Committee"), may make administrative amendments to the LTIP from time to time; provided, however, that any such amendment shall be reviewed with the Committee and kept with the records of the LTIP.
- 14.7 Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the Units and your participation in the ICP, or future awards that may be granted under the ICP, by electronic means or request your consent to participate in the ICP by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the ICP through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- 14.8 No Right to Future Awards or Employment.** The grant of the Units under an Award to you is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. Nothing contained in the Award Document shall confer upon you any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate your employment or adjust your compensation.

14.9 Acknowledgement. You acknowledge that you (a) have received a copy of the ICP, (b) have had an opportunity to review the terms of the Award Document and the ICP, (c) understand the terms and conditions of the Award Document and the ICP and (d) agree to such terms and conditions.

Exhibit A

Long-Term Incentive Performance Program

CLASSIFICATION	TARGET LTIP AWARD PERCENTAGE
Chief Executive Officer	1,185%
Executive Leadership Team Member (other than the CEO)	350% - 550%

75

Exhibit 10.4

UPS STOCK OPTION PROGRAM

Amended and Restated Terms and Conditions

March 20, 2024

1. Establishment, Objectives and Duration.

1.1 Establishment of the Program and Effective Date. The Compensation and Human Capital Committee of the Board of Directors of United Parcel Service, Inc. ("Committee") hereby amends and restated this Stock Option Program ("Program") which provides for the grant of Nonqualified Stock Options to selected Eligible Employees pursuant to the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan, as amended from time to time, and any successor plan ("ICP"). This document sets forth the rules under which Options shall be granted and administered. Unless otherwise defined in this document (in Section 6 or otherwise), capitalized terms shall have the meanings set forth in the ICP.

These amended and restated Stock Option Program Terms and Conditions shall be effective for any stock option awards made on or after the date set forth above and shall remain in effect, subject to the right of the Committee to amend or terminate the Program at any time pursuant to Section 5.5 hereof or otherwise.

1.2 Objectives of the Program. The objectives of the Program are to enhance retention of key talent, provide incentives to key senior executives and to further align the interests of the Company's senior executives and shareholders.

1.3 Duration of the Program. The Program shall commence on the Program Effective Date and shall remain in effect, subject to the right of the Committee to amend or terminate the Program at any time pursuant to Section 5.5 hereof.

2. Administration.

2.1 Authority of the Committee. The Program will be administered by the Committee, which shall have the same power and authority to administer the Program as it does to administer the ICP.

2.2 Decisions Binding. All decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, its shareowners, any employee, and their estates and beneficiaries.

2.3 Delegation. The Committee may (subject to applicable law, regulation and the terms of the ICP), delegated its power, authority and duties as identified herein to administer the Program, other than the power, authority and duties to grant an Option to Executive Leadership Team Eligible Employees, to (i) any committee comprised of members of management of the Company responsible for determining or overseeing compensation for individuals other than Executive Leadership Team members or (ii) to the Executive Leadership Team or (iii) any members thereof such responsibility (the "Management Compensation Committee"). Except as set forth above, the Management Compensation Committee shall have the powers, authority and duties of the Committee as contained herein, and references to the "Committee" shall be deemed to refer to the Committee or the Management Compensation Committee, as applicable.

3. Eligibility for Options. Only an Eligible Employee shall be eligible to be considered for a grant of an Option under the Program. The Committee shall have broad discretion to determine the eligibility criteria for Eligible Employees.

4. Option Awards.

4.1 General. Eligible Employees will receive an award in the form of Options pursuant to the Program.

4.2 Number of Shares Subject to Option. The number of Shares subject to an Option will be determined by the Committee in a manner designed to provide the Eligible Employee with an Option the value of which (as determined by the Company) is approximately equal to the product of the percentage shown on Exhibit A multiplied by his or her Annualized Base Salary as of the Grant Date.

4.3 Award Document. An Eligible Employee will receive a grant notice that specifies the Option Price, the Grant Date, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. Such grant notice, together with this document, shall constitute the "Award Document" for the applicable Option for purposes of the ICP.

4.4 Options Not Transferable. Except as provided in the Award Document, no Option may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Except as provided in the Award Document, an Option shall be exercisable during an Eligible Employee's lifetime only by such Eligible Employee; provided, however, that in the event he or she is incapacitated and unable to exercise his or her Option, such Option may be exercised by such Eligible Employee's legal guardian, legal representative, or other representative whom the Committee deems appropriate based on applicable facts and circumstances. The determination of incapacity of an Eligible Employee and the determination of the appropriate representative to exercise the Option if the Eligible Employee is incapacitated shall be made by the Committee in its sole and absolute discretion.

4.5 Vesting and Exercise Rules.

4.5.1 General. Except as otherwise provided below or in the Award Document, all Options will become exercisable at the rate of 20% per year on each of the first five anniversaries of the Grant Date and will expire and terminate at 4:00 p.m. Eastern Time on the tenth anniversary of the Grant Date.

4.5.2 Retirement, Death or Disability. Options will immediately vest in full upon an Eligible Employee's termination of employment because of Retirement, death or Disability, and will remain exercisable until the tenth anniversary of the Grant Date.

4.5.3 Other Terminations of Employment. Termination of an Eligible Employee's employment for reasons other than Retirement, death or Disability will result in the forfeiture and termination of all of the Eligible Employee's non-vested Options. Such Eligible Employee's vested Options (if any) and will expire and terminate at 4:00 p.m. Eastern Time on the 90th calendar day following the date his or her employment terminates.

4.5.4 Other Exercise Rules. An Eligible Employee generally may exercise his or her vested Options at any time (subject to the Company's insider trading guidelines) provided the number of Shares he or she seeks to purchase as a result of the exercise is at least the lesser of 500 Shares or the number of Shares that remain subject to the vested portion of such Option.

4.5.5 Payment and Tax Withholding. Options shall be exercised in accordance with Sections 6.5 and 6.6 of the ICP. The Company shall arrange for taxes to be withheld or for the Eligible Employee to remit taxes in accordance with Article 16 of the ICP.

5. Miscellaneous.

5.1 Awards Subject to the Terms of the ICP. Options awarded under the Program are subject to the terms of the ICP.

5.2 Severability. The provisions of the Program are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

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- 5.3 Waiver.** An Eligible Employee acknowledges that a waiver by the Company of breach of any provision of the Program shall not operate or be construed as a waiver of any other provision of the Program, or of any subsequent breach by an Eligible Employee or any other participant.
- 5.4 Imposition of Other Requirements.** The Committee reserves the right to impose other requirements on an Eligible Employee's participation in the Program, on the Options and on any shares of Stock acquired under the ICP, to the extent the Committee determines it is necessary or advisable for legal or administrative reasons, and to require an Eligible Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
- 5.5 Amendment and Termination.** The Committee may amend, alter, suspend or terminate the Program at any time subject to the terms of the ICP. Any such amendment shall be in writing and approved by the Committee. Subject to the terms of the ICP, a committee comprised of members of management of the Company responsible for determining or overseeing compensation for individuals other than Executive Leadership Team members (the "Management Compensation Committee") or the UPS Executive Leadership Team or any members thereof, may make administrative amendments to the Program from time to time; provided, however, that a copy of any such amendment shall be reviewed with the Committee and kept with the records of the Program.
- 5.6 Repayment.** Notwithstanding anything in this document to the contrary, each Eligible Employee acknowledges and agrees that this document and the awards described herein (and any settlement thereof) are subject to the terms and conditions of the Company's Incentive-Based Compensation Clawback Policy (or such other policy relating to the recovery of incentive compensation as may be in effect from time to time), and that relevant sections of this document shall be deemed superseded by and subject to the terms and conditions of such policy.
- 5.7 Equitable Adjustments.** Options and the number of Shares issuable for each Option, and the other terms and conditions of an Option evidenced by the Award Document, are subject to adjustment as provided in Sections 4.5 and 15.2 of the ICP.
- 5.8 Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to Options and an Eligible Employee's participation in the ICP, or future awards that may be granted under the ICP, by electronic means or request an Eligible Employee's consent to participate in the ICP by electronic means. An Eligible Employee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the ICP through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- 5.9 No Right to Future Awards or Employment.** The grant of Options to an Eligible Employee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. Nothing contained in the Award Document shall confer upon an Eligible Employee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate an Eligible Employee's employment or adjust an Eligible Employee's compensation.
- 5.10 Acknowledgement.** By accepting the grant of an Option under this Program, an Eligible Employee accepts and acknowledges the terms and conditions included in this document. An Eligible Employee acknowledges that the Eligible Employee (i) has received a copy of the ICP, (ii) has had an opportunity to review the terms of the Award Document and the ICP, (iii) understands the terms and conditions of the Award Document and the ICP and (iv) agrees to such terms and conditions.
- 6. Definitions.** Except as set forth below or as otherwise set forth herein, capitalized terms shall have the meanings set forth in the ICP.
- 6.1 Annualized Base Salary.** An Eligible Employee's rate of pay for a single fixed pay installment determined as of the Grant Date multiplied by the number of mandatory fixed pay installments for a Plan Year.

6.2 Disability. "Disability" as defined in the Company's long-term disability plan, or if no such plan exists, as determined by the Committee in its discretion.

6.3 Eligible Employee. For each Plan Year, an Employee who is classified as an active employee at the region manager level or above and satisfies such other eligibility criteria as may be developed from time to time by the Committee.

6.4 Grant Date. The date as of which an Option is granted, as shown on the Award Document for such Option.

6.5 Plan Year. The calendar year, January 1- December 31.

6.6 Retirement. Means (a) the attainment of age 55 with a minimum of 10 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, (b) the attainment of age 60 with a minimum of 5 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, or (c) "retirement" as determined by the Committee in its sole discretion.

Exhibit A

Eligible Employee	Option Award
Chief Executive Officer	90% of Annualized Base Salary
Executive Leadership Team Member (other than the CEO)	30% - 50% of Annualized Base Salary

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)

November 1, 2023 May 3, 2024

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Brian O. Newman, 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 O. NEWMAN

Brian O. Newman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

November 1, 2023 May 3, 2024

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the "Corporation") for the period ended ~~September 30, 2023~~ March 31, 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)

~~November 1, 2023~~ May 3, 2024

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the "Corporation") for the period ended ~~September 30, 2023~~ March 31, 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 O. NEWMAN

Brian O. Newman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

~~November 1, 2023~~ May 3, 2024

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