

Non-GAAP Financial Measures

The schedule below presents adjusted EBITDA excluding gains on real estate transactions, which represents a non-GAAP financial measure. We provide a reconciliation of this measure to the most directly comparable measure calculated in accordance with United States generally accepted accounting principles ("GAAP"). We believe that presenting adjusted EBITDA excluding gains on real estate transactions improves the comparability of our operating results from period to period by removing the impact of our capital structure (interest and financing expenses), asset base (depreciation and amortization), tax impacts, gains on real estate transactions and other adjustments as set out in the table that management has determined are not reflective of core operating activities and thereby assist investors with assessing trends in our underlying businesses. Other companies may calculate adjusted EBITDA excluding gains on real estate transactions income differently and, therefore, our measures may not be comparable to similarly titled measures of other companies. Adjusted EBITDA excluding gains on real estate transactions should only be used as a supplemental measure of our operating performance.

XPO, Inc. Reconciliation of Adjusted EBITDA Excluding Gains on Real Estate Transactions (Unaudited) (In millions)

	Three Months Ended December 31,		
	2023	2022	Change %
Net income (loss) from continuing operations	\$ 58	\$ (36)	NM
Debt extinguishment loss	2	13	
Interest expense	42	32	
Income tax provision	20	8	
Depreciation and amortization expense	114	103	
Goodwill impairment	-	64	
Litigation matter ⁽¹⁾	8	-	
Transaction and integration costs	11	42	
Restructuring costs	9	35	
Other	-	1	
Adjusted EBITDA	\$ 264	\$ 262	0.8%
Gains on real estate transactions	-	55	
Adjusted EBITDA, excluding gains on real estate transactions	\$ 264	\$ 207	27.5%
Revenue	\$ 1,940	\$ 1,831	
Adjusted EBITDA, excluding gains on real estate transactions margin ⁽²⁾	13.6%	11.3%	

NM - Not meaningful.

¹ Relates to California Environmental Matters as described in Note 9 to the Company's third quarter Form 10-Q.

² Adjusted EBITDA excluding gains on real estate transactions margin is calculated as Adjusted EBITDA excluding gains on real estate transactions divided by Revenue.

Non-GAAP Financial Measures

The schedule below presents net debt, net leverage and adjusted EBITDA, which represent non-GAAP financial measures. We provide reconciliations of these measures to the most directly comparable measures calculated in accordance with United States generally accepted accounting principles ("GAAP"). We believe that net debt and net leverage are important measures of our overall liquidity position and are calculated by removing cash and cash equivalents from our reported total debt and reporting net debt as a ratio of our reported adjusted EBITDA for the year ended December 31, 2023. We believe that presenting adjusted EBITDA improves the comparability of our operating results from period to period by removing the impact of our capital structure (interest and financing expenses), asset base (depreciation and amortization), tax impacts and other adjustments as set out in the table that management has determined are not reflective of core operating activities and thereby assist investors with assessing trends in our underlying businesses. Other companies may calculate net leverage, net debt and adjusted EBITDA differently and, therefore, our measures may not be comparable to similarly titled measures of other companies. Net debt, net leverage and adjusted EBITDA should only be used as supplemental measures of our operating performance.

XPO, Inc. Reconciliation of Net Leverage (Unaudited) (In millions)

	<u>As of</u>	
	<u>December 31, 2023</u>	
Reconciliation of Net Debt		
Total debt	\$	3,404
Less: Cash and cash equivalents		412
Net debt	\$	<u>2,992</u>
	<u>Year Ended</u>	
	<u>December 31, 2023</u>	
Reconciliation of Net Leverage		
Net debt	\$	2,992
Adjusted EBITDA	\$	996
Net leverage		<u>3.0x</u>
	<u>Year Ended</u>	
	<u>December 31, 2023</u>	
Reconciliation of Net Income from Continuing Operations to Adjusted EBITDA		
Net income from continuing operations	\$	192
Debt extinguishment loss		25
Interest expense		168
Income tax provision		68
Depreciation and amortization expense		432
Litigation matter ⁽¹⁾		8
Transaction and integration costs		58
Restructuring costs		44
Other		1
Adjusted EBITDA	\$	<u>996</u>

¹ Relates to California Environmental Matters as described in Note 9 to the Company's third quarter Form 10-Q.