

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 30, 2020



United Parcel Service, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-15451
(Commission File Number)

58-2480149
(IRS Employer
Identification No.)

55 Glenlake Parkway, N.E., Atlanta, Georgia 30328
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (404) 828-6000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company.

If an emerging growth company, indicate by check mark if the registrant has elected not 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.

Item 2.02 — Results of Operations and Financial Condition.

On July 30, 2020, United Parcel Service, Inc. (the “Company”) issued a press release containing information about the Company’s results of operations for the second quarter ended June 30, 2020. The Company also posted on its website at www.investors.ups.com financial statement schedules containing additional detail about the Company’s results of operations for the same period.

A copy of the press release is attached hereto as Exhibit 99.1. A copy of the financial statement schedules are attached hereto as Exhibit 99.2.

Item 9.01 — Financial Statements and Exhibits.

(d) Exhibits

99.1 Press release dated July 30, 2020 ["UPS RELEASES 2Q 2020 EARNINGS"](#)

99.2 [Q2 2020 financial statement schedules](#)

104 The cover page from this Current Report on Form 8-K, formatted in Inline XBRL

The information contained in Items 2.02 and 9.01 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933 or the Exchange Act, except as may be expressly set forth by reference in any such filing.

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 hereunto duly authorized.

Date: July 30, 2020

UNITED PARCEL SERVICE, INC.
By: /s/ BRIAN NEWMAN
Brian Newman
Senior Vice President, Chief Financial Officer and Treasurer

For Immediate Release

UPS RELEASES 2Q 2020 EARNINGS

- Consolidated Average Daily Volume Surged to Record 20.9% Growth
- 2Q20 Diluted EPS of \$2.03, Up 4.6%; Adjusted* Diluted EPS up 8.7% to \$2.13
- YTD Cash from Operations of \$5.9B; Adjusted Free Cash Flow of \$3.9B

ATLANTA – July 30, 2020 – UPS (NYSE:UPS) today announced second-quarter 2020 consolidated revenue increased to \$20.5 billion, a 13.4% increase from the second quarter of 2019. Net income was \$1.8 billion for the quarter; adjusted net income was \$1.9 billion, 8.8% above the same period in 2019. Operating profit was \$2.2 billion, and adjusted operating profit was \$2.3 billion, up 7.4% compared to last year's second quarter.

Diluted earnings per share was \$2.03 and adjusted diluted earnings per share was \$2.13, up 8.7% from the same period last year. GAAP results included a pre-tax transformation charge of \$112 million, equivalent to \$0.10 per share. In the prior year period, GAAP results included a pre-tax charge for transformation costs of \$21 million, equivalent to \$0.02 per share.

“Our results were better than we expected, driven in part by the changes in demand that emerged from the pandemic, including a surge in residential volume, COVID-19 related healthcare shipments and strong outbound demand from Asia,” said Carol Tomé, UPS chief executive officer. “UPSers are keeping the world moving during this time of need and I want to thank our team for their hard work and outstanding efforts to serve our customers, our communities and each other.”

U.S. Domestic Segment

	<u>2Q 2020</u>	<u>Adjusted 2Q 2020</u>	<u>2Q 2019</u>	<u>Adjusted 2Q 2019</u>
Revenue	\$13,074 M		\$11,150 M	
Operating profit	\$1,182 M	\$ 1,215 M	\$1,208 M	\$1,226 M

- Average daily volume increased 22.8%, reaching 21.1 million packages per day.
- Demand for residential delivery surged in the quarter, driving B2C shipment growth up 65.2%.
- Operating margin was 9.0%; adjusted operating margin was 9.3%.

International Segment

	<u>2Q 2020</u>	<u>Adjusted 2Q 2020</u>	<u>2Q 2019</u>	<u>Adjusted 2Q 2019</u>
Revenue	\$3,705 M		\$3,505 M	
Operating profit	\$771 M	\$ 842 M	\$663 M	\$665 M

- Average daily volume grew 9.8%, driven by strong outbound demand from Asia and an increase in cross-border e-commerce in Europe.
- Operating margin was 20.8%; adjusted operating margin was 22.7%.

* “Adjusted” amounts are non-GAAP financial measures. See the appendix to this release for a discussion of non-GAAP financial measures, including a reconciliation to the most closely correlated GAAP measure.

Supply Chain and Freight Segment

	2Q 2020	Adjusted 2Q 2020	2Q 2019	Adjusted 2Q 2019
Revenue	\$3,680 M		\$3,393 M	
Operating profit	\$259 M	\$ 267 M	\$272 M	\$273 M

- Revenue increased 8.5%, driven by elevated air freight forwarding demand out of Asia, offset in part by weaker demand early in the quarter in the LTL and truckload brokerage units.
- Operating margin was 7.0%; adjusted operating margin was 7.3%.

Outlook

UPS is not providing revenue and diluted earnings per share guidance due to the uncertainty around the timing and pace of the economic recovery. The company is unable to predict the extent of the business impact or the duration of the coronavirus pandemic, or reasonably estimate its operating performance in future quarters.

“Using the scale and flexibility of our global integrated network, we successfully managed operational challenges throughout the quarter. Moving forward we are focusing on efficiency and revenue quality to improve U.S. operating margins longer term,” said Brian Newman, UPS chief financial officer. “Our liquidity and cash position remain strong, allowing us to invest in enabling capabilities through this time of unprecedented business disruption.”

Contacts:

UPS Media Relations: 404-828-7123 or pr@ups.com

UPS Investor Relations: 404-828-6059 (option 2) or investor@ups.com

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Conference Call Information

UPS CEO Carol Tomé and CFO Brian Newman will discuss second-quarter results with investors and analysts during a conference call at 8:30 a.m. ET, July 30, 2020. That call will be open to others through a live Webcast. To access the call, go to www.investors.ups.com and click on “Earnings Webcast.” Additional financial information is included in the detailed financial schedules being posted on www.investors.ups.com under “Financials” and as filed with the SEC as an exhibit to our Current Report on Form 8-K.

About UPS

UPS (NYSE: UPS) is a global leader in logistics, offering a broad range of solutions including transporting packages and freight; facilitating international trade, and deploying advanced technology to more efficiently manage the world of business. UPS is committed to operating more sustainably – for customers, the environment and the communities we serve around the world. Headquartered in Atlanta, UPS serves more than 220 countries and territories worldwide. UPS was awarded [America’s Best Customer Service](#) company for Shipping and Delivery services by Newsweek magazine; Fortune magazine’s Most Valuable Brand in Transportation; and top rankings on the [JUST 100](#) list for social responsibility, the Dow Jones Sustainability World Index, and the Harris Poll Reputation Quotient, among other prestigious rankings and awards. The company can be found on the web at ups.com or pressroom.ups.com and its corporate blog can be found at ups.com/longitudes. The company’s sustainability eNewsletter, UPS Horizons, can be found at ups.com/sustainabilitynewsletter. Learn more about our sustainability efforts at ups.com/sustainability. To get UPS news direct, follow [@UPS_News](#) on Twitter. To ship with UPS, visit ups.com/ship.

Forward-Looking Statements

This release, our Annual Report on Form 10-K for the year ended December 31, 2019 and our other filings with the Securities and Exchange Commission contain and refer to “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 “believe,” “project,” “expect,” “estimate,” “assume,” “intend,” “anticipate,” “target,” “plan,” and variations thereof, 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 forward-looking statements in other publicly disclosed materials. Such statements may relate to our intent, belief and current expectations about our strategic direction, prospects and future results, and give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any forward-looking statements because such statements speak only as of the date when made.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience, present expectations or anticipated results. These risks and uncertainties, many of which are outside of our control, include, but are not limited to: uncertainties related to the impact of the COVID-19 pandemic on our business and operations, financial condition, financial results and financial position, our customers and suppliers, and on the global economy; changes in general economic conditions, in the U.S. or internationally; significant competition on a local, regional, national and international basis; changes in our relationships with our significant customers; changes in the complex and stringent regulation in the U.S. and internationally (including tax laws and regulations); increased physical or data security requirements that may increase our costs of operations and reduce operating efficiencies; legal, regulatory or market responses to global climate change; results of negotiations and ratifications of labor contracts; strikes, work stoppages or slowdowns by our employees; the effects of changing prices of energy, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities; changes in exchange rates or interest rates; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; our ability to maintain the image of our brand; breaches in data security; disruptions to the Internet or our technology infrastructure; interruptions in or

impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; our ability to accurately forecast our future capital investment needs; exposure to changing economic, political and social developments in international and emerging markets; changes in business strategy, government regulations, or economic or market conditions that may result in substantial impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; potential additional tax liabilities in the U.S. or internationally; the potential for various claims and litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters; our ability to realize the anticipated benefits from acquisitions, joint ventures or strategic alliances; our ability to realize the anticipated benefits from our transformation initiatives; cyclical and seasonal fluctuations in our operating results; our ability to manage insurance and claims expenses; 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, 2019, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 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 information 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.

Reconciliation of GAAP and non-GAAP Financial Measures

We supplement the reporting of our financial information determined under generally accepted accounting principles ("GAAP") with certain non-GAAP financial measures, including "adjusted" compensation and benefits, operating profit, operating margin, other income (expense), income before income taxes, income tax expense, effective tax rate, net income and earnings per share. We also supplement the reporting of revenue, revenue per piece and operating profit with non-GAAP measures that exclude the period-over-period impact of foreign currency exchange rate changes and hedging activities. Additionally, we periodically disclose free cash flow, free cash flow excluding discretionary pension contributions, and capital expenditures including principal repayments of capital lease obligations. The equivalent measures determined in accordance with GAAP are also referred to as "reported" or "unadjusted."

We believe that these non-GAAP measures provide additional meaningful information to assist users of our financial statements in understanding our financial results and cash flows and assessing our ongoing performance, because they exclude items that may not be indicative of, or are unrelated to, our underlying operations and may provide a useful baseline for analyzing trends in our underlying businesses. These non-GAAP measures are used internally by management for business unit operating performance analysis, business unit resource allocation and in connection with incentive compensation award determinations.

Costs Related to Restructuring Programs; Transformation Strategy Costs

Non-GAAP operating profit, operating margin, pre-tax income, net income and earnings per share exclude the impact of costs related to restructuring programs, including Transformation strategy costs. We believe this provides a useful comparison of year-to-year financial performance without considering the short-term impact of restructuring costs.

Impact of Changes in Foreign Currency Exchange Rates and Hedging Activities

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 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.

Impact of Changes in Pension Discount Rates

Non-GAAP pension discount rate-neutral operating profit excludes the period over period impact of discount rate changes on pension service cost. Effective January 1, 2020, we began evaluating our segments using pension discount rate-neutral operating profit in addition to our current segment operating profit measure.

Pension discount rate-neutral operating profit is calculated by discounting the value of benefits attributable to employee service in the current period utilizing the prior year discount rate applicable to each of our company-sponsored defined benefit plans. The difference between this derived amount and the current period reported service cost is the period over period impact of pension discount rate movements on operating profit.

Free Cash Flow and Adjusted Capital Expenditures

We believe free cash flow, free cash flow excluding discretionary pension contributions and free cash flow adjusted for principal repayments of finance lease obligations are important indicators of how much cash is generated by regular business operations and we use them as a measure of incremental cash available to invest in our business, meet our debt obligations and return cash to shareowners. Additionally, we believe that adjusting capital expenditures for principal repayments of finance lease obligations more appropriately reflects the overall cash that we have invested in capital assets. We calculate free cash flow as cash flows from operating activities less capital expenditures, proceeds from disposals of property, plant and equipment, and plus or minus the net changes in finance receivables and other investing activities. Free cash flow excluding discretionary pension contributions adds back any discretionary pension contributions made during the period.

Non-GAAP financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP. Our non-GAAP financial information does not represent a comprehensive basis of accounting. Therefore, our non-GAAP financial information may not be comparable to similarly titled measures reported by other companies.

Reconciliation of GAAP and Non-GAAP Income Statement
(in millions, except per share amounts):

Three Months Ended June 30, 2020

	As-Reported (GAAP)	Transformation Strategy Costs ⁽¹⁾	As-Adjusted (Non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 1,182	\$ 33	\$ 1,215
International Package	771	71	842
Supply Chain & Freight	259	8	267
Total operating profit	\$ 2,212	\$ 112	\$ 2,324
Income before income taxes	\$ 2,357	\$ 112	\$ 2,469
Income tax expense	\$ 589	\$ 29	\$ 618
Net income	<u>\$ 1,768</u>	<u>\$ 83</u>	<u>\$ 1,851</u>
Diluted earnings per share	\$ 2.03	\$ 0.10	\$ 2.13

⁽¹⁾ Reflects other employee benefits costs of \$81 million and other costs of \$31 million.

Six Months Ended June 30, 2020

	As-Reported (GAAP)	Transformation Strategy Costs ⁽¹⁾	As-Adjusted (Non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 1,546	\$ 70	\$ 1,616
International Package	1,322	78	1,400
Supply Chain & Freight	416	9	425
Total operating profit	\$ 3,284	\$ 157	\$ 3,441
Income before income taxes	\$ 3,607	\$ 157	\$ 3,764
Income tax expense	\$ 874	\$ 39	\$ 913
Net income	<u>\$ 2,733</u>	<u>\$ 118</u>	<u>\$ 2,851</u>
Diluted earnings per share	\$ 3.14	\$ 0.14	\$ 3.28

⁽¹⁾ Reflects other employee benefits costs of \$93 million and other costs of \$64 million.

Note: Certain amounts may not compute due to rounding.

**Reconciliation of GAAP and Non-GAAP Revenue, Revenue Per Piece, and Adjusted Operating Profit
(in millions, except per piece amounts):**

Three Months Ended June 30						
	2020 As-Reported (GAAP)	2019 As-Reported (GAAP)	% Change (GAAP)	Currency Impact	2020 Currency Neutral (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 6.37	\$ 6.63	(3.9)%	\$ 0.16	\$ 6.53	(1.5)%
Export	28.56	30.06	(5.0)%	0.18	28.74	(4.4)%
Total International Package	<u>\$ 16.73</u>	<u>\$ 17.41</u>	(3.9)%	<u>\$ 0.17</u>	<u>\$ 16.90</u>	(2.9)%
Consolidated	<u>\$ 10.63</u>	<u>\$ 11.21</u>	(5.2)%	<u>\$ 0.02</u>	<u>\$ 10.65</u>	(5.0)%
Revenue:						
U.S. Domestic Package	\$ 13,074	\$ 11,150	17.3%	\$ —	\$ 13,074	17.3%
International Package	3,705	3,505	5.7%	38	3,743	6.8%
Supply Chain & Freight	3,680	3,393	8.5%	52	3,732	10.0%
Total revenue	<u>\$ 20,459</u>	<u>\$ 18,048</u>	13.4%	<u>\$ 90</u>	<u>\$ 20,549</u>	13.9%

⁽¹⁾ Amounts adjusted for period over period foreign currency exchange rate and hedging differences

	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Currency Impact	2020 As-Adjusted Currency Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 1,215	\$ 1,226	(0.9)%	\$ —	\$ 1,215	(0.9)%
International Package	842	665	26.6%	(8)	834	25.4%
Supply Chain & Freight	267	273	(2.2)%	(7)	260	(4.8)%
Total operating profit	<u>\$ 2,324</u>	<u>\$ 2,164</u>	7.4%	<u>\$ (15)</u>	<u>\$ 2,309</u>	6.7%

⁽¹⁾ Amounts adjusted for transformation strategy costs

⁽²⁾ Amounts adjusted for transformation strategy costs and period over period foreign currency exchange rate and hedging differences

Certain prior year amounts have been classified to confirm to the current year presentation.

Reconciliation of GAAP and Non-GAAP Revenue, Revenue Per Piece, and Adjusted Operating Profit
(in millions, except per piece amounts):

Six Months Ended June 30						
	2020 As-Reported (GAAP)	2019 As-Reported (GAAP)	% Change (GAAP)	Currency Impact	2020 Currency Neutral (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 6.41	\$ 6.56	(2.3) %	\$ 0.13	\$ 6.54	(0.3) %
Export	28.45	29.40	(3.2) %	0.13	28.58	(2.8) %
Total International Package	<u>\$ 16.61</u>	<u>\$ 17.10</u>	(2.9) %	<u>\$ 0.13</u>	<u>\$ 16.74</u>	(2.1) %
Consolidated	<u>\$ 10.74</u>	<u>\$ 11.15</u>	(3.7) %	<u>\$ 0.02</u>	<u>\$ 10.76</u>	(3.5) %
Revenue:						
U.S. Domestic Package	\$ 24,530	\$ 21,630	13.4 %	\$ —	\$ 24,530	13.4 %
International Package	7,088	6,964	1.8 %	57	7,145	2.6 %
Supply Chain & Freight	6,876	6,614	4.0 %	100	6,976	5.5 %
Total revenue	<u>\$ 38,494</u>	<u>\$ 35,208</u>	9.3 %	<u>\$ 157</u>	<u>\$ 38,651</u>	9.8 %

⁽¹⁾ Amounts adjusted for period over period foreign currency exchange rate and hedging differences

	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Currency Impact	2020 As-Adjusted Currency Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As- Adjusted Operating Profit:						
U.S. Domestic Package	\$ 1,616	\$ 1,920	(15.8) %	\$ —	\$ 1,616	(15.8) %
International Package	1,400	1,277	9.6 %	(30)	1,370	7.3 %
Supply Chain & Freight	425	484	(12.2) %	(6)	419	(13.4) %
Total operating profit	<u>\$ 3,441</u>	<u>\$ 3,681</u>	(6.5) %	<u>\$ (36)</u>	<u>\$ 3,405</u>	(7.5) %

⁽¹⁾ Amounts adjusted for transformation strategy costs

⁽²⁾ Amounts adjusted for transformation strategy costs and period over period foreign currency exchange rate and hedging differences

Certain prior year amounts have been classified to confirm to the current year presentation.

**Reconciliation of Non-GAAP Pension Discount Rate Neutral Operating Profit and Margin
(in millions):**

Three Months Ended June 30

	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 1,215	\$ 1,226	(0.9) %	\$ 63	\$ 1,278	4.2 %
International Package	842	665	26.6 %	4	846	27.2 %
Supply Chain & Freight	267	273	(2.2) %	6	273	— %
Total operating profit	\$ 2,324	\$ 2,164	7.4 %	\$ 73	\$ 2,397	10.8 %

	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Margin						
U.S. Domestic Package	9.3 %	11.0 %	(1.7) %	0.5 %	9.8 %	(1.2) %
International Package	22.7 %	19.0 %	3.7 %	0.1 %	22.8 %	3.8 %
Supply Chain & Freight	7.3 %	8.0 %	(0.7) %	0.1 %	7.4 %	(0.6) %
Total operating margin	11.4 %	12.0 %	(0.6) %	0.3 %	11.7 %	(0.3) %

⁽¹⁾ Amounts adjusted for transformation strategy costs

⁽²⁾ Amounts adjusted for transformation strategy costs and period over period impact of discount rates on pension service cost

Certain prior year amounts have been classified to confirm to the current year presentation.

**Reconciliation of Non-GAAP Pension Discount Rate Neutral Operating Profit and Margin
(in millions):**

Six Months Ended June 30						
	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 1,616	\$ 1,920	(15.8)%	\$ 125	\$ 1,741	(9.3)%
International Package	1,400	1,277	9.6%	8	1,408	10.3%
Supply Chain & Freight	425	484	(12.2)%	14	439	(9.3)%
Total operating profit	<u>\$ 3,441</u>	<u>\$ 3,681</u>	<u>(6.5)%</u>	<u>\$ 147</u>	<u>\$ 3,588</u>	<u>(2.5)%</u>
As-Adjusted Operating Margin						
U.S. Domestic Package	6.6%	8.9%	(2.3)%	0.5%	7.1%	(1.8)%
International Package	19.8%	18.3%	1.5%	0.1%	19.9%	1.6%
Supply Chain & Freight	6.2%	7.3%	(1.1)%	0.2%	6.4%	(0.9)%
Total operating margin	<u>8.9%</u>	<u>10.5%</u>	<u>(1.6)%</u>	<u>0.4%</u>	<u>9.3%</u>	<u>(1.2)%</u>

⁽¹⁾ Amounts adjusted for transformation strategy costs

⁽²⁾ Amounts adjusted for transformation strategy costs and period over period impact of discount rates on pension service cost

Certain prior year amounts have been classified to confirm to the current year presentation.

**Reconciliation of Non-GAAP Liquidity Measures
(in millions):**

Six Months Ended June 30

Reconciliation of Adjusted Capital Expenditures and Free Cash Flow (Non-GAAP measures)

	2020
Cash flows from operating activities (GAAP)	\$ 5,947
Capital expenditures	(2,065)
Principal repayments of finance lease obligations	(33)
Adjusted capital expenditures (Non-GAAP measure)	\$ (2,098)
Proceeds from disposals of PP&E	2
Net change in finance receivables	16
Other investing activities	(6)
Adjusted free cash flow (Non-GAAP measure)	\$ 3,861

Amounts are subject to reclassification.

United Parcel Service, Inc.
Selected Financial Data - Second Quarter
(unaudited)

Three Months Ended

June 30

	2020	2019	Change	% Change
(amounts in millions, except per share data)				
Statement of Income Data:				
Revenue:				
U.S. Domestic Package	\$ 13,074	\$ 11,150	\$ 1,924	17.3 %
International Package	3,705	3,505	200	5.7 %
Supply Chain & Freight	3,680	3,393	287	8.5 %
Total revenue	20,459	18,048	2,411	13.4 %
Operating expenses:				
Compensation and benefits	10,843	9,299	1,544	16.6 %
Other	7,404	6,606	798	12.1 %
Total operating expenses	18,247	15,905	2,342	14.7 %
Operating profit:				
U.S. Domestic Package	1,182	1,208	(26)	(2.2) %
International Package	771	663	108	16.3 %
Supply Chain & Freight	259	272	(13)	(4.8) %
Total operating profit	2,212	2,143	69	3.2 %
Other income (expense):				
Other pension income (expense)	327	192	135	70.3 %
Investment income and other	1	28	(27)	(96.4) %
Interest expense	(183)	(159)	(24)	15.1 %
Total other income (expense)	145	61	84	137.7 %
Income before income taxes	2,357	2,204	153	6.9 %
Income tax expense (benefit)	589	519	70	13.5 %
Net income	\$ 1,768	\$ 1,685	\$ 83	4.9 %
Net income as a percentage of revenue	8.6 %	9.3 %		
Per share amounts:				
Basic earnings per share	\$ 2.04	\$ 1.95	\$ 0.09	4.6 %
Diluted earnings per share	\$ 2.03	\$ 1.94	\$ 0.09	4.6 %
Weighted-average shares outstanding:				
Basic	866	865	1	0.1 %
Diluted	869	869	—	0.0 %
As adjusted income data ⁽¹⁾:				
Operating profit:				
U.S. Domestic Package	\$ 1,215	\$ 1,226	\$ (11)	(0.9) %
International Package	842	665	177	26.6 %
Supply Chain & Freight	267	273	(6)	(2.2) %
Total operating profit	2,324	2,164	160	7.4 %
Income before income taxes	\$ 2,469	\$ 2,225	\$ 244	11.0 %
Net income	\$ 1,851	\$ 1,702	\$ 149	8.8 %
Basic earnings per share	\$ 2.14	\$ 1.97	\$ 0.17	8.6 %
Diluted earnings per share	\$ 2.13	\$ 1.96	\$ 0.17	8.7 %

(1) See Non-GAAP Schedules for detail of Transformation costs.

Certain prior year amounts have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Selected Operating Data - Second Quarter
(unaudited)

	Three Months Ended			
	June 30			
	2020	2019	Change	% Change
Revenue (in millions):				
U.S. Domestic Package:				
Next Day Air	\$ 1,984	\$ 2,173	\$ (189)	(8.7) %
Deferred	1,298	1,157	141	12.2 %
Ground	9,792	7,820	1,972	25.2 %
Total U.S. Domestic Package	13,074	11,150	1,924	17.3 %
International Package:				
Domestic	719	690	29	4.2 %
Export	2,824	2,668	156	5.8 %
Cargo and Other	162	147	15	10.2 %
Total International Package	3,705	3,505	200	5.7 %
Supply Chain & Freight:				
Forwarding	1,771	1,496	275	18.4 %
Logistics	977	833	144	17.3 %
Freight	724	861	(137)	(15.9) %
Other	208	203	5	2.5 %
Total Supply Chain & Freight	3,680	3,393	287	8.5 %
Consolidated	\$ 20,459	\$ 18,048	\$ 2,411	13.4 %
Consolidated volume (in millions)	1,564	1,294	270	20.9 %
Operating weekdays	64	64	—	— %
Average Daily Package Volume (in thousands):				
U.S. Domestic Package:				
Next Day Air	1,865	1,855	10	0.5 %
Deferred	1,702	1,380	322	23.3 %
Ground	17,560	13,972	3,588	25.7 %
Total U.S. Domestic Package	21,127	17,207	3,920	22.8 %
International Package:				
Domestic	1,764	1,626	138	8.5 %
Export	1,545	1,387	158	11.4 %
Total International Package	3,309	3,013	296	9.8 %
Consolidated	24,436	20,220	4,216	20.9 %
Average Revenue Per Piece:				
U.S. Domestic Package:				
Next Day Air	\$ 16.62	\$ 18.30	\$ (1.68)	(9.2) %
Deferred	11.92	13.10	(1.18)	(9.0) %
Ground	8.71	8.75	(0.04)	(0.5) %
Total U.S. Domestic Package	9.67	10.12	(0.45)	(4.4) %
International Package:				
Domestic	6.37	6.63	(0.26)	(3.9) %
Export	28.56	30.06	(1.50)	(5.0) %
Total International Package	16.73	17.41	(0.68)	(3.9) %
Consolidated	\$ 10.63	\$ 11.21	\$ (0.58)	(5.2) %

Certain prior year amounts have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Detail of Other Operating Expenses - Second Quarter
(unaudited)

	Three Months Ended			
	June 30			
(in millions)	2020	2019	Change	% Change
Repairs and maintenance	\$ 554	\$ 473	\$ 81	17.1 %
Depreciation and amortization	661	575	86	15.0 %
Purchased transportation	3,716	3,000	716	23.9 %
Fuel	499	857	(358)	(41.8) %
Other occupancy	355	322	33	10.2 %
Other expenses	1,619	1,379	240	17.4 %
Total other operating expenses	\$ 7,404	\$ 6,606	\$ 798	12.1 %

Earnings Per Share and Share Data - Second Quarter
(unaudited)

	Three Months Ended	
	June 30	
(amounts in millions, except per share data)	2020	2019
Numerator:		
Net income	\$ 1,768	\$ 1,685
Denominator:		
Weighted-average shares	862	860
Deferred compensation obligations	—	—
Vested portion of restricted units	4	5
Denominator for basic earnings per share	866	865
Effect of dilutive securities:		
Restricted units	3	4
Stock options	—	—
Denominator for diluted earnings per share	869	869
Basic earnings per share	\$ 2.04	\$ 1.95
Diluted earnings per share	\$ 2.03	\$ 1.94
Detail of shares outstanding as of June 30, 2020:		
Class A shares	157	
Class B shares	706	
Total shares outstanding	863	

Certain prior year amounts have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Selected Financial Data - Year to Date
(unaudited)

Six Months Ended

June 30

	2020	2019	Change	% Change
(amounts in millions, except per share data)				
Statement of Income Data:				
Revenue:				
U.S. Domestic Package	\$ 24,530	\$ 21,630	\$ 2,900	13.4 %
International Package	7,088	6,964	124	1.8 %
Supply Chain & Freight	6,876	6,614	262	4.0 %
Total revenue	38,494	35,208	3,286	9.3 %
Operating expenses:				
Compensation and benefits	20,929	18,616	2,313	12.4 %
Other	14,281	13,055	1,226	9.4 %
Total operating expenses	35,210	31,671	3,539	11.2 %
Operating profit:				
U.S. Domestic Package	1,546	1,874	(328)	(17.5) %
International Package	1,322	1,191	131	11.0 %
Supply Chain & Freight	416	472	(56)	(11.9) %
Total operating profit	3,284	3,537	(253)	(7.2) %
Other income (expense):				
Other pension income (expense)	654	383	271	70.8 %
Investment income and other	19	52	(33)	(63.5) %
Interest expense	(350)	(328)	(22)	6.7 %
Total other income (expense)	323	107	216	N/A
Income before income taxes	3,607	3,644	(37)	(1.0) %
Income tax expense (benefit)	874	848	26	3.1 %
Net income	\$ 2,733	\$ 2,796	\$ (63)	(2.3) %
Net income as a percentage of revenue	7.1 %	7.9 %		
Per share amounts:				
Basic earnings per share	\$ 3.16	\$ 3.23	\$ (0.07)	(2.2) %
Diluted earnings per share	\$ 3.14	\$ 3.22	\$ (0.08)	(2.5) %
Weighted-average shares outstanding:				
Basic	865	866	(1)	(0.1) %
Diluted	869	869	—	— %
As adjusted income data⁽¹⁾:				
Operating profit:				
U.S. Domestic Package	\$ 1,616	\$ 1,920	\$ (304)	(15.8) %
International Package	1,400	1,277	123	9.6 %
Supply Chain & Freight	425	484	(59)	(12.2) %
Total operating profit	3,441	3,681	(240)	(6.5) %
Income before income taxes	\$ 3,764	\$ 3,788	\$ (24)	(0.6) %
Net income	\$ 2,851	\$ 2,906	\$ (55)	(1.9) %
Basic earnings per share	\$ 3.30	\$ 3.36	\$ (0.06)	(1.8) %
Diluted earnings per share	\$ 3.28	\$ 3.34	\$ (0.06)	(1.8) %

(1) See Non-GAAP Schedules for detail of Transformation costs.

Certain prior year amounts have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Selected Operating Data - Year to Date
(unaudited)

	Six Months Ended			
	June 30			
	2020	2019	Change	% Change
Revenue (in millions):				
U.S. Domestic Package:				
Next Day Air	\$ 4,039	\$ 4,014	\$ 25	0.6 %
Deferred	2,495	2,246	249	11.1 %
Ground	17,996	15,370	2,626	17.1 %
Total U.S. Domestic Package	24,530	21,630	2,900	13.4 %
International Package:				
Domestic	1,407	1,380	27	2.0 %
Export	5,385	5,299	86	1.6 %
Cargo and Other	296	285	11	3.9 %
Total International Package	7,088	6,964	124	1.8 %
Supply Chain & Freight:				
Forwarding	3,144	2,912	232	8.0 %
Logistics	1,822	1,665	157	9.4 %
Freight	1,490	1,634	(144)	(8.8) %
Other	420	403	17	4.2 %
Total Supply Chain & Freight	6,876	6,614	262	4.0 %
Consolidated	\$ 38,494	\$ 35,208	\$ 3,286	9.3 %
Consolidated volume (in millions)	2,916	2,540	376	14.8 %
Operating weekdays	128	127	1	0.8 %
Average Daily Package Volume (in thousands):				
U.S. Domestic Package:				
Next Day Air	1,874	1,710	164	9.6 %
Deferred	1,597	1,382	215	15.6 %
Ground	16,114	13,829	2,285	16.5 %
Total U.S. Domestic Package	19,585	16,921	2,664	15.7 %
International Package:				
Domestic	1,716	1,657	59	3.6 %
Export	1,479	1,419	60	4.2 %
Total International Package	3,195	3,076	119	3.9 %
Consolidated	22,780	19,997	2,783	13.9 %
Average Revenue Per Piece:				
U.S. Domestic Package:				
Next Day Air	\$ 16.84	\$ 18.48	\$ (1.64)	(8.9) %
Deferred	12.21	12.80	(0.59)	(4.6) %
Ground	8.72	8.75	(0.03)	(0.3) %
Total U.S. Domestic Package	9.79	10.07	(0.28)	(2.8) %
International Package:				
Domestic	6.41	6.56	(0.15)	(2.3) %
Export	28.45	29.40	(0.95)	(3.2) %
Total International Package	16.61	17.10	(0.49)	(2.9) %
Consolidated	\$ 10.74	\$ 11.15	\$ (0.41)	(3.7) %

Certain prior year amounts have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Detail of Other Operating Expenses - Year to Date
(unaudited)

	Six Months Ended June 30			
	2020	2019	Change	% Change
(in millions)				
Repairs and maintenance	\$ 1,117	\$ 907	\$ 210	23.2 %
Depreciation and amortization	1,309	1,143	166	14.5 %
Purchased transportation	6,647	5,966	681	11.4 %
Fuel	1,260	1,627	(367)	(22.6) %
Other occupancy	738	693	45	6.5 %
Other expenses	3,210	2,719	491	18.1 %
Total other operating expenses	\$ 14,281	\$ 13,055	\$ 1,226	9.4 %

Earnings Per Share and Share Data - Year to Date
(unaudited)

	Six Months Ended June 30	
	2020	2019
(amounts in millions, except per share data)		
Numerator:		
Net income	\$ 2,733	\$ 2,796
Denominator:		
Weighted-average shares	860	860
Deferred compensation obligations	—	1
Vested portion of restricted units	5	5
Denominator for basic earnings per share	865	866
Effect of dilutive securities:		
Restricted units	4	3
Stock options	—	—
Denominator for diluted earnings per share	869	869
Basic earnings per share	\$ 3.16	\$ 3.23
Diluted earnings per share	\$ 3.14	\$ 3.22

Certain prior year amounts have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Consolidated Balance Sheets
June 30, 2020 (unaudited) and December 31, 2019

	June 30, 2020	December 31, 2019
(amounts in millions)		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,813	\$ 5,238
Marketable securities	403	503
Accounts receivables	9,383	9,645
Less: Allowance for credit losses	(153)	(93)
Accounts receivable, net	9,230	9,552
Other current assets	1,780	1,810
Total Current Assets	20,226	17,103
Property, Plant and Equipment, Net	31,439	30,482
Operating Lease Right-Of-Use Assets	2,998	2,856
Goodwill	3,787	3,813
Intangible Assets, Net	2,207	2,167
Investments and Restricted Cash	24	24
Deferred Income Tax Assets	277	330
Other Non-Current Assets	1,099	1,082
Total Assets	\$ 62,057	\$ 57,857
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt, commercial paper and finance leases	\$ 3,749	3,420
Current maturities of operating leases	534	538
Accounts payable	5,271	5,555
Accrued wage and withholdings	2,922	2,552
Self-insurance reserves	1,080	914
Accrued group welfare and retirement plan contributions	794	793
Other current liabilities	1,921	1,641
Total Current Liabilities	16,271	15,413
Long-Term Debt and Finance Leases	23,199	21,818
Non-Current Operating Leases	2,463	2,391
Pension and Postretirement Benefit Obligations	10,554	10,601
Deferred Income Tax Liabilities	1,918	1,632
Other Non-Current Liabilities	3,276	2,719
Shareowners' Equity:		
Class A common stock	2	2
Class B common stock	7	7
Additional paid-in capital	255	150
Retained earnings	10,032	9,105
Accumulated other comprehensive loss	(5,933)	(5,997)
Deferred compensation obligations	20	26
Less: Treasury stock	(20)	(26)
Total Equity for Controlling Interest	4,363	3,267
Noncontrolling interests	13	16
Total Shareowners' Equity	4,376	3,283
Total Liabilities and Shareowners' Equity	\$ 62,057	\$ 57,857

Amounts are subject to reclassification.

United Parcel Service, Inc.
Statements of Consolidated Cash Flows
(unaudited)

(amounts in millions)

	Six Months Ended	
	June 30,	
	2020	2019
Cash Flows From Operating Activities:		
Net income	2,733	2,796
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,309	1,143
Pension and postretirement benefit expense	321	376
Pension and postretirement benefit contributions	(263)	(1,108)
Self-insurance reserves	293	(98)
Deferred tax (benefit) expense	284	275
Stock compensation expense	368	513
Other (gains) losses	97	108
Changes in assets and liabilities, net of effects of business acquisitions:		
Accounts receivable	105	817
Other assets	301	398
Accounts payable	(617)	(782)
Accrued wages and withholdings	771	(256)
Other liabilities	239	57
Other operating activities	6	(32)
Net cash from operating activities	<u>5,947</u>	<u>4,207</u>
Cash Flows From Investing Activities:		
Capital expenditures	(2,065)	(2,861)
Proceeds from disposals of property, plant and equipment	2	6
Purchases of marketable securities	(131)	(383)
Sales and maturities of marketable securities	241	480
Net change in finance receivables	16	8
Cash paid for business acquisitions, net of cash and cash equivalents acquired	—	(1)
Other investing activities	(6)	(96)
Net cash used in investing activities	<u>(1,943)</u>	<u>(2,847)</u>
Cash Flows From Financing Activities:		
Net change in short-term debt	(892)	(51)
Proceeds from long-term borrowings	4,436	2,653
Repayments of long-term borrowings	(1,826)	(1,988)
Purchases of common stock	(231)	(503)
Issuances of common stock	131	129
Dividends	(1,683)	(1,599)
Other financing activities	(334)	(175)
Net cash used in financing activities	<u>(399)</u>	<u>(1,534)</u>
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	<u>(29)</u>	<u>23</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	3,576	(151)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of period	5,238	4,367
End of period	<u>\$ 8,814</u>	<u>\$ 4,216</u>

Certain prior year amounts have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Supplemental Analysis of Currency and Pension Discount Rates - Second Quarter
Currency Neutral Revenue Per Piece, Revenue and Operating Profit
(unaudited)

	Three Months Ended June 30			Currency Neutral		
	2020	2019	% Change	Currency	2020 ⁽¹⁾	% Change
	Average Revenue Per Piece:					
International Package:						
Domestic	\$ 6.37	\$ 6.63	(3.9) %	\$ 0.16	\$ 6.53	(1.5) %
Export	28.56	30.06	(5.0) %	0.18	28.74	(4.4) %
Total International Package	\$ 16.73	\$ 17.41	(3.9) %	\$ 0.17	\$ 16.90	(2.9) %
Consolidated	\$ 10.63	\$ 11.21	(5.2) %	\$ 0.02	\$ 10.65	(5.0) %

	Three Months Ended June 30			Currency Neutral		
	2020	2019	% Change	Currency	2020 ⁽¹⁾	% Change
	Revenue (in millions):					
U.S. Domestic Package	\$ 13,074	\$ 11,150	17.3 %	\$ —	\$ 13,074	17.3 %
International Package	3,705	3,505	5.7 %	38	3,743	6.8 %
Supply Chain & Freight	3,680	3,393	8.5 %	52	3,732	10.0 %
Total revenue	\$ 20,459	\$ 18,048	13.4 %	\$ 90	\$ 20,549	13.9 %

	Three Months Ended June 30			Currency Neutral		
	2020 ⁽²⁾	2019 ⁽²⁾	% Change	Currency	2020 ⁽³⁾	% Change
	As-Adjusted Operating Profit (in millions):					
U.S. Domestic Package	\$ 1,215	\$ 1,226	(0.9) %	\$ —	\$ 1,215	(0.9) %
International Package	842	665	26.6 %	(8)	834	25.4 %
Supply Chain & Freight	267	273	(2.2) %	(7)	260	(4.8) %
Total operating profit	\$ 2,324	\$ 2,164	7.4 %	\$ (15)	\$ 2,309	6.7 %

Pension Discount Rate Neutral Operating Profit and Margin
(unaudited)

	Three Months Ended June 30,			Pension Discount Rate Neutral		
	2020 ⁽²⁾	2019 ⁽²⁾	% Change	Pension	2020 ⁽⁴⁾	% Change
	As-Adjusted Operating profit (in millions):					
U.S. Domestic Package	\$ 1,215	\$ 1,226	(0.9) %	\$ 63	\$ 1,278	4.2 %
International Package	842	665	26.6 %	4	846	27.2 %
Supply Chain & Freight	267	273	(2.2) %	6	273	— %
Total operating profit	\$ 2,324	\$ 2,164	7.4 %	\$ 73	\$ 2,397	10.8 %

	Three Months Ended June 30,			Pension Discount Rate Neutral		
	2020 ⁽²⁾	2019 ⁽²⁾	% Change	Pension	2020 ⁽⁴⁾	% Change
	As- Adjusted Operating margin:					
U.S. Domestic Package	9.3 %	11.0 %	(1.7) %	0.5 %	9.8 %	(1.2) %
International Package	22.7 %	19.0 %	3.7 %	0.1 %	22.8 %	3.8 %
Supply Chain & Freight	7.3 %	8.0 %	(0.7) %	0.1 %	7.4 %	(0.6) %
Total operating margin	11.4 %	12.0 %	(0.6) %	0.3 %	11.7 %	(0.3) %

(1) Amounts adjusted for period over period foreign currency exchange rate and hedging differences

(2) Amounts adjusted for transformation strategy costs

(3) Amounts adjusted for transformation strategy costs and period over period foreign currency exchange rate and hedging differences

(4) Amounts adjusted for transformation strategy costs and period over period impact of discount rates on pension service cost

Certain prior year have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Supplemental Analysis of Currency and Pension Discount Rates - Year to Date
Currency Neutral Revenue Per Piece, Revenue and Operating Profit
(unaudited)

	Six Months Ended June 30			Currency Neutral		
	2020	2019	% Change	Currency	2020 ⁽¹⁾	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 6.41	\$ 6.56	(2.3) %	\$ 0.13	\$ 6.54	(0.3) %
Export	28.45	29.40	(3.2) %	0.13	28.58	(2.8) %
Total International Package	<u>\$ 16.61</u>	<u>\$ 17.1</u>	(2.9) %	<u>\$ 0.13</u>	<u>\$ 16.74</u>	(2.1) %
Consolidated	<u>\$ 10.74</u>	<u>\$ 11.15</u>	(3.7) %	<u>\$ 0.02</u>	<u>\$ 10.76</u>	(3.5) %

	Six Months Ended June 30			Currency Neutral		
	2020	2019	% Change	Currency	2020 ⁽¹⁾	% Change
Revenue (in millions):						
U.S. Domestic Package	\$ 24,530	\$ 21,630	13.4 %	\$ —	\$ 24,530	13.4 %
International Package	7,088	6,964	1.8 %	57	7,145	2.6 %
Supply Chain & Freight	6,876	6,614	4.0 %	100	6,976	5.5 %
Total revenue	<u>\$ 38,494</u>	<u>\$ 35,208</u>	9.3 %	<u>\$ 157</u>	<u>\$ 38,651</u>	9.8 %

	Six Months Ended June 30			Currency Neutral		
	2020 ⁽²⁾	2019 ⁽²⁾	% Change	Currency	2020 ⁽³⁾	% Change
As-Adjusted Operating Profit (in millions):						
U.S. Domestic Package	\$ 1,616	\$ 1,920	(15.8) %	\$ —	\$ 1,616	(15.8) %
International Package	1,400	1,277	9.6 %	(30)	1,370	7.3 %
Supply Chain & Freight	425	484	(12.2) %	(6)	419	(13.4) %
Total operating profit	<u>\$ 3,441</u>	<u>\$ 3,681</u>	(6.5) %	<u>\$ (36)</u>	<u>\$ 3,405</u>	(7.5) %

Pension Discount Rate Neutral Operating Profit and Margin
(unaudited)

	Six Months Ended June 30,			Pension Discount Rate Neutral		
	2020 ⁽²⁾	2019 ⁽²⁾	% Change	Pension	2020 ⁽⁴⁾	% Change
As-Adjusted Operating profit (in millions):						
U.S. Domestic Package	\$ 1,616	\$ 1,920	(15.8) %	\$ 125	\$ 1,741	(9.3) %
International Package	1,400	1,277	9.6 %	8	1,408	10.3 %
Supply Chain & Freight	425	484	(12.2) %	14	439	(9.3) %
Total operating profit	<u>\$ 3,441</u>	<u>\$ 3,681</u>	(6.5) %	<u>\$ 147</u>	<u>\$ 3,588</u>	(2.5) %
As- Adjusted Operating margin:						
U.S. Domestic Package	6.6 %	8.9 %	(2.3) %	0.5 %	7.1 %	(1.8) %
International Package	19.8 %	18.3 %	1.5 %	0.1 %	19.9 %	1.6 %
Supply Chain & Freight	6.2 %	7.3 %	(1.1) %	0.2 %	6.4 %	(0.9) %
Total operating margin	<u>8.9 %</u>	<u>10.5 %</u>	(1.6) %	<u>0.4 %</u>	<u>9.3 %</u>	(1.2) %

(1) Amounts adjusted for period over period foreign currency exchange rate and hedging differences

(2) Amounts adjusted for transformation strategy costs

(3) Amounts adjusted for transformation strategy costs and period over period foreign currency exchange rate and hedging differences

(4) Amounts adjusted for transformation strategy costs and period over period impact of discount rates on pension service cost

Certain prior year have been reclassified to conform to the current year presentation.

United Parcel Service, Inc.
Non-GAAP Schedules
Reconciliation of GAAP and Non-GAAP Income Statement Data
(in millions, except per share amounts):

	Three Months Ended June 30, 2020			2019		
	As-Reported (GAAP)	Transformation Strategy Costs ⁽¹⁾	As-Adjusted (Non-GAAP)	As-Reported (GAAP)	Transformation Strategy Costs ⁽²⁾	As-Adjusted (Non-GAAP)
Operating profit:						
U.S. Domestic Package	\$ 1,182	\$ 33	\$ 1,215	\$ 1,208	\$ 18	\$ 1,226
International Package	771	71	842	663	2	665
Supply Chain & Freight	259	8	267	272	1	273
Total operating profit	<u>\$ 2,212</u>	<u>\$ 112</u>	<u>\$ 2,324</u>	<u>\$ 2,143</u>	<u>\$ 21</u>	<u>\$ 2,164</u>
Income before income taxes	\$ 2,357	\$ 112	\$ 2,469	\$ 2,204	\$ 21	\$ 2,225
Income tax expense	\$ 589	\$ 29	\$ 618	\$ 519	\$ 4	\$ 523
Net income	<u>\$ 1,768</u>	<u>\$ 83</u>	<u>\$ 1,851</u>	<u>\$ 1,685</u>	<u>\$ 17</u>	<u>\$ 1,702</u>
Diluted earnings per share	\$ 2.03	\$ 0.10	\$ 2.13	\$ 1.94	\$ 0.02	\$ 1.96

(1) Transformation costs of \$112 million reflect other employee benefits costs of \$81 million and other costs of \$31 million.

(2) Transformation costs of \$21 million reflect other employee benefits costs of \$2 million and other costs of \$19 million.

	Six Months Ended June 30, 2020			2019		
	As-Reported (GAAP)	Transformation Strategy Costs ⁽¹⁾	As-Adjusted (Non-GAAP)	As-Reported (GAAP)	Transformation Strategy Costs ⁽²⁾	As-Adjusted (Non-GAAP)
Operating profit:						
U.S. Domestic Package	\$ 1,546	\$ 70	\$ 1,616	\$ 1,874	\$ 46	\$ 1,920
International Package	1,322	78	1,400	1,191	86	1,277
Supply Chain & Freight	416	9	425	472	12	484
Total operating profit	<u>\$ 3,284</u>	<u>\$ 157</u>	<u>\$ 3,441</u>	<u>\$ 3,537</u>	<u>\$ 144</u>	<u>\$ 3,681</u>
Income before income taxes	\$ 3,607	\$ 157	\$ 3,764	\$ 3,644	\$ 144	\$ 3,788
Income tax expense	\$ 874	\$ 39	\$ 913	\$ 848	\$ 34	\$ 882
Net income	<u>\$ 2,733</u>	<u>\$ 118</u>	<u>\$ 2,851</u>	<u>\$ 2,796</u>	<u>\$ 110</u>	<u>\$ 2,906</u>
Diluted earnings per share	\$ 3.14	\$ 0.14	\$ 3.28	\$ 3.22	\$ 0.12	\$ 3.34

(1) Transformation costs of \$157 million reflect other employee benefits costs of \$93 million and other costs of \$64 million.

(2) Transformation costs of \$144 million reflect other employee benefits costs of \$108 million and other costs of \$36 million.

Reconciliation of Adjusted Capital Expenditures and Free Cash Flow (Non-GAAP measures)
(in millions):

	2020	2019
Cash flows from operating activities	\$ 5,947	\$ 4,207
Capital expenditures	(2,065)	(2,861)
Principal repayments of finance lease obligations	(33)	(85)
Adjusted Capital Expenditures (Non-GAAP measure)	<u>\$ (2,098)</u>	<u>\$ (2,946)</u>
Proceed from disposal of PP&E	2	6
Net change in finance receivables	16	8
Other investing activities	(6)	(96)
Adjusted free cash flow (Non-GAAP measure)	<u>\$ 3,861</u>	<u>\$ 1,179</u>
Discretionary pension contributions	—	1,005
Adjusted Free cash flow (Non-GAAP measure) excluding discretionary pension contributions	<u>\$ 3,861</u>	<u>\$ 2,184</u>

Amounts are subject to reclassification.

United Parcel Service, Inc.
Aircraft Fleet - as of June 30, 2020
(unaudited)

Description	Owned and Finance Leases	Operating Leases & Charters from Others	On Order	Under Option
Operating:				
Boeing 757-200	75	—	—	—
Boeing 767-300	66	—	6	—
Boeing 767-300BCF	4	—	—	—
Boeing 767-300BDSF	2	—	2	—
Airbus A300-600	52	—	—	—
Boeing MD-11	39	—	3	—
Boeing 747-400F	11	—	—	—
Boeing 747-400BCF	2	—	—	—
Boeing 747-8F	16	—	12	—
Other	—	294	—	—
Total	267	294	23	—