

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

United Parcel Service, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



55 Glenlake Parkway, N.E., Atlanta, Georgia 30328

Notice of Annual Meeting of Shareowners
May 5, 2005

To our Shareowners:

United Parcel Service, Inc.'s annual meeting of shareowners will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on May 5, 2005, at 8:00 a.m. The purposes of the meeting are:

1. To elect a board of directors to serve until our 2006 annual meeting of shareowners;
2. To ratify the appointment of Deloitte & Touche LLP as our auditors for the year ending December 31, 2005; and
3. To transact any other business as may properly come before the meeting.

Our board of directors has fixed the close of business on March 7, 2005 as the record date for determining holders of our common stock entitled to notice of, and to vote at, the annual meeting.

A handwritten signature in black ink, appearing to read "Allen E. Hill".

Allen E. Hill
Secretary

Atlanta, Georgia
March 21, 2005

Your vote is important. Please vote by using the Internet, by telephone or by signing and returning the enclosed proxy card as soon as possible to ensure your representation at the annual meeting. Your proxy card contains instructions for each of these voting options.



55 Glenlake Parkway, N.E., Atlanta, Georgia 30328

**PROXY STATEMENT
FOR THE
2005 ANNUAL MEETING OF SHAREOWNERS**

This proxy statement and proxy card are furnished in connection with the solicitation of proxies to be voted at our annual meeting of shareowners, which will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on May 5, 2005, at 8:00 a.m. The proxy is solicited by our board of directors. This proxy statement and proxy card are being sent to our shareowners on or about March 21, 2005.

Why am I receiving this proxy statement and proxy card?

You are receiving a proxy statement and proxy card because you own shares of United Parcel Service, Inc. common stock. This proxy statement describes issues on which we would like you to vote at our annual meeting of shareowners. It also gives you information on these issues so that you can make an informed decision.

When you vote by using the Internet, by telephone or by signing and returning the proxy card, you appoint Michael L. Eskew and Allen E. Hill as your representatives at the annual meeting. They will vote your shares at the annual meeting as you have instructed them (or, if an issue that is not on the proxy card comes up for vote, in accordance with their best judgment). This way, your shares will be voted whether or not you attend the annual meeting. Even if you plan to attend the annual meeting, we encourage you to vote by using the Internet, by telephone or by signing and returning your proxy card in advance.

Who is entitled to vote?

Holders of our class A common stock and our class B common stock at the close of business on March 7, 2005 are entitled to vote. March 7, 2005 is referred to as the record date.

In accordance with Delaware law, a list of shareowners entitled to vote at the meeting will be available in electronic form at the place of the annual meeting on May 5, 2005 and will be accessible in electronic form for ten days prior to the meeting at our principal place of business, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328, and at the offices of Morris, Nichols, Arsht & Tunnell, 1201 North Market Street, Wilmington, Delaware 19899, between the hours of 9:00 a.m. and 5:00 p.m.

To how many votes is each share of common stock entitled?

Holders of class A common stock are entitled to ten votes per share. Holders of class B common stock are entitled to one vote per share. On the record date, there were 500,245,688 shares of our class A common stock and 618,288,522 shares of our class B common stock outstanding and entitled to vote.

The voting rights of any shareowner or shareowners as a group, other than any of our employee benefit plans, who beneficially own shares representing more than 25% of our voting power are limited so that the shareowner or group may cast only one one-hundredth of a vote with respect to each vote in excess of 25% of the outstanding voting power.

How do I vote?

Shareowners of record may vote by using the Internet, by telephone or by mail as described below. Shareowners also may attend the meeting and vote in person. If you hold class B shares through a bank or broker, please refer to your proxy card or the information forwarded by your bank or broker to see which options are available to you.

- *You may vote by using the Internet.* The address of the website for Internet voting is *www.proxyvote.com*. Internet voting is available 24 hours a day and will be accessible until 11:59 p.m. Eastern Time on May 4, 2005. Easy-to-follow instructions allow you to vote your shares and confirm that your instructions have been properly recorded. If you vote by using the Internet, you do not need to return your proxy card.
- *You may vote by telephone.* The toll-free telephone number is noted on your proxy card. Telephone voting is available 24 hours a day and will be accessible until 11:59 p.m. Eastern Time on May 4, 2005. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. If you vote by telephone, you do not need to return your proxy card.
- *You may vote by mail.* If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope that we have provided.

The method you use to vote will not limit your right to vote at the annual meeting if you decide to attend in person. Written ballots will be passed out to anyone who wants to vote at the annual meeting. If you hold your shares in "street name", you must obtain a proxy, executed in your favor, from the holder of record to be able to vote in person at the annual meeting.

How many votes do you need to hold the annual meeting?

Shares are counted as present at the annual meeting if the shareowner either is present and votes in person at the annual meeting or properly has submitted a proxy by using the Internet, by telephone or by mail.

As of the record date, 500,245,688 shares of our class A common stock and 618,288,522 shares of our class B common stock were outstanding and are entitled to vote at the annual meeting. Shares representing a majority of our issued and outstanding common stock as of the record date must be present at the annual meeting in order to hold the annual meeting and conduct business. This is called a quorum.

What if I change my mind after I return my proxy?

You may revoke your proxy and change your vote at any time before the polls close at the annual meeting. You may do this by:

- submitting a subsequent proxy by using the Internet, by telephone or by mail with a later date;
- sending written notice of revocation to our Corporate Secretary at 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328; or
- voting in person at the annual meeting.

Attendance at the meeting will not by itself revoke a proxy.

On what items am I voting?

You are being asked to vote on two items:

- the election of a board of directors to serve until our 2006 annual meeting of shareowners; and
- the ratification of the appointment of Deloitte & Touche LLP as our auditors for the year ending December 31, 2005.

No cumulative voting rights are authorized, and dissenters' rights are not applicable to these matters.

How may I vote for the nominees for director, and how many votes must the nominees receive to be elected?

With respect to the election of nominees for director, you may:

- vote FOR the election of the ten nominees for director;
- WITHHOLD AUTHORITY to vote for one or more of the nominees and vote FOR the remaining nominees; or
- WITHHOLD AUTHORITY to vote for the ten nominees.

The ten nominees receiving the highest number of affirmative votes will be elected as directors. This number is called a plurality.

What happens if a nominee is unable to stand for election?

If a nominee is unable to stand for election, the board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. If the board designates a substitute nominee, shares represented by proxies voted for the nominee who is unable to stand for election will be voted for the substitute nominee.

How may I vote for the ratification of the appointment of our auditors, and how many votes must the proposal receive to pass?

With respect to the proposal to ratify the appointment of our auditors, you may:

- vote FOR the proposal;
- vote AGAINST the proposal; or
- ABSTAIN from voting on the proposal.

The ratification of the appointment of our auditors must receive the affirmative vote of a majority in interest of the shares present at the annual meeting either in person or by proxy and entitled to vote to pass. If you abstain from voting on the proposal, it will have the same effect as a vote against the proposal.

How does the board of directors recommend that I vote?

The board recommends a vote FOR all ten director nominees and FOR the ratification of the appointment of our auditors.

What happens if I sign and return my proxy card but do not provide voting instructions?

If you return a signed card but do not provide voting instructions, your shares will be voted FOR all ten director nominees and FOR the ratification of the appointment of our auditors.

Will my shares be voted if I do not vote by using the Internet, by telephone or by signing and returning my proxy card?

If you own class A shares and you do not vote by using the Internet, by telephone or by signing and returning your proxy card, then your class A shares will not be voted and will not count in deciding the matters presented for shareholder consideration in this proxy statement. If your class A shares are held pursuant to the UPS Qualified Stock Ownership Plan and Trust and you do not vote by using the Internet, by telephone or by signing and returning your proxy card, the trustee will vote your shares for each proposal in the same proportion as the shares held pursuant to that plan for which voting instructions were received.

If your class B shares are held in "street name" through a bank or broker, your bank or broker may vote your class B shares under certain circumstances if you do not provide voting instructions before the annual meeting in accordance with New York Stock Exchange rules that govern the banks and brokers. These

circumstances include “routine” matters, such as the election of directors and ratification of the appointment of our auditors described in this proxy statement. With respect to these matters, therefore, if you do not vote your shares, your bank or broker may vote your shares on your behalf or leave your shares unvoted.

Can I receive future proxy materials and annual reports electronically?

Yes. This proxy statement and the 2004 Annual Report to Shareowners are available on the investor relations page of our website located at www.shareholder.com/ups. Instead of receiving paper copies in the mail, shareowners can elect to receive an e-mail that provides a link to our future annual reports and proxy materials on the Internet. Opting to receive your proxy materials online will save us the cost of producing and mailing documents to your home or business, and will give you an automatic link to the proxy voting site.

If you are a shareowner of record and wish to enroll in the electronic proxy delivery service, you may do so by going to www.icsdelivery.com/ups and following the prompts.

ELECTION OF DIRECTORS
(Proposal No. 1)

There are ten nominees to our board of directors this year. Eight of the nominees have served as directors since our last annual meeting. John Beystehner was appointed to our board in February 2005, and Ben Verwaayen was appointed in March 2005. Ben Verwaayen was recommended to our Nominating and Corporate Governance Committee by a third-party search firm to which the Company will pay a fee for conducting a search. All directors are elected annually to serve until the next annual meeting and until their respective successors are elected.

Calvin Darden is retiring from our board on March 31, 2005. We thank Cal for his many years of dedicated service to the board and to UPS. We also acknowledge the many years of service of Bob Teeter, a director since 1990, who passed away in 2004.

The board of directors recommends a vote **FOR the election
to the board of each of the following nominees.**



John J. Beystehner Age 53 Director since 2005

UPS Chief Operating Officer and President, UPS Airlines

John joined UPS in 1971 as a part-time clerk while attending Boston College. After graduating in 1973 with a bachelor's degree in finance, he joined UPS full-time and then earned a law degree in 1977 from Suffolk University Law School. Between 1973 and 1982, John was involved in all phases of UPS's package operations. He has held various positions in marketing, sales and air operations. John joined UPS's Management Committee in 1999 when he was named Senior Vice President for worldwide sales and marketing, and assumed his current position in 2004.



Michael L. Eskew Age 55 Director since 1998

UPS Chairman and Chief Executive Officer

Mike joined UPS in 1972, after he received a bachelor of science degree in industrial engineering from Purdue University. He also completed the Advanced Management Program at the Wharton School of Business. In 1994, Mike was named UPS's Corporate Vice President for Industrial Engineering. Two years later he became Group Vice President for Engineering. He was appointed Executive Vice President in 1999 and Vice Chairman in 2000. In January 2002, he succeeded Jim Kelly as Chairman and Chief Executive Officer. Mike serves on the President's Export Council, he is Chairman of the U.S.-China Business Council, and he is a trustee of the Annie E. Casey Foundation, the world's largest philanthropic foundation dedicated to helping disadvantaged children. Mike also is a director of 3M Company and IBM.



James P. Kelly Age 61 Director since 1991

Former UPS Chairman and Chief Executive Officer

Jim joined UPS in 1964 as a package car driver in the Metro Jersey District. He was promoted into management as a package distribution center manager in 1966. In 1988, he was elected Senior Vice President and appointed UPS's Labor Relations Manager. In 1992, Jim became Chief Operating Officer and in 1994, he became Executive Vice President. Jim succeeded Oz Nelson as Chairman and Chief Executive Officer in January 1997. In January 2002, Jim retired as Chairman and Chief Executive Officer. Jim also is a director of BellSouth Corporation, Dana Corporation and Hewitt Associates, Inc., and he is a trustee of the Annie E. Casey Foundation, the world's largest philanthropic foundation dedicated to helping disadvantaged children.

Our board has delegated to the Nominating and Corporate Governance Committee the responsibility for reviewing and recommending nominees for membership on the board. Board candidates are evaluated based upon various factors, such as values and disciplines, ethical standards, diversity, professional background and skills, all in the context of an assessment of the needs of the board at that time. In addition, each director is expected to ensure that other existing and planned future commitments do not materially interfere with his or her responsibilities as a director.

Accordingly, the Nominating and Corporate Governance Committee's objective is to maintain a board of individuals of the highest personal character, integrity and ethical standards, and that reflects a range of professional backgrounds and skills relevant to our business. The Committee identifies new director candidates through a variety of sources, including third-party search firms.

The Nominating and Corporate Governance Committee will consider director candidates proposed by shareowners on the same basis as recommendations from other sources. Any shareowner who wishes to recommend a prospective candidate for the board of directors for consideration by the Nominating and Corporate Governance Committee may do so by submitting the name and qualifications of the prospective candidate in writing to the following address: 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328, Attn: Corporate Secretary.

Meetings of the Board of Directors and Attendance at the Annual Meeting

Our board of directors held six meetings during 2004. Each of our directors attended at least 75% of the total number of meetings of the board and any committees of which he or she was a member. It is the board's policy that our directors attend the annual meeting. All of the directors who were serving at our 2004 annual meeting of shareowners attended the annual meeting.

Director Independence

Our Corporate Governance Guidelines include categorical standards adopted by the board to determine director independence that meet the listing standards set forth by the NYSE. The portion of our Corporate Governance Guidelines addressing director independence is attached to this proxy statement as Annex I.

Pursuant to the Corporate Governance Guidelines, the board undertook its annual review of director independence in February 2005 and, with respect to Ben Verwaayen, in March 2005. During this review, the Board considered whether there were any transactions or relationships between each director or any member of his or her immediate family and UPS. The board also examined whether there were any transactions or relationships between an organization of which a director is a partner, shareholder or officer and UPS. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that a director is independent. The board also evaluated the categorical standards set forth in Annex I.

As a result of this review, the board affirmatively determined that the following directors nominated for election at the annual meeting are independent directors: Jim Kelly, Ann Livermore, Gary MacDougal, Vic Pelson, John Thompson, Carol Tomé and Ben Verwaayen. The other directors nominated for election at the annual meeting, Mike Eskew, John Beystehner and Lea Soupata, are not independent directors because of their employment by us.

Executive Sessions of our Non-Management Directors

Our non-management directors meet without management present as frequently as they deem appropriate, and at least two times each year. The non-management directors select the presiding director for these meetings.

Corporate Governance

Our Corporate Governance Guidelines are available on the governance section of the investor relations page of our website (www.shareholder.com/ups). In addition, the charters that have been adopted for each of the Audit, Compensation and Nominating and Corporate Governance Committees are available on the governance section of the investor relations page of our website (www.shareholder.com/ups).

We have a long-standing commitment to conduct our business in accordance with the highest ethical principles. Our Code of Business Conduct is applicable to all the representatives of our enterprise, including our executive officers and all other employees and agents of our company and our subsidiary companies, as well as to our directors. A copy of our code is available on the governance section of the investor relations page of our website (www.shareholder.com/ups).

A copy of our Corporate Governance Guidelines, committee charters and Code of Business conduct may also be obtained without charge upon written request to: Corporate Secretary, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328.

Any shareowner who wishes to communicate directly with our board of directors, with our non-management directors as a group or with the presiding director of our non-management directors may do so by writing to UPS, c/o Corporate Secretary, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328. Please specify to whom your letter should be directed. Once the communication is received by the corporate secretary, the corporate secretary reviews the communication. Communications that comprise advertisements, solicitations for business, requests for employment, requests for contributions or other inappropriate material will not be forwarded to our directors. Other communications are promptly forwarded to the addressee.

Committees of the Board of Directors

Our board of directors has four committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Executive Committee.

<u>Director</u>	<u>Audit</u>	<u>Compensation</u>	<u>Nominating and Corporate Governance</u>	<u>Executive</u>
John Beystehner				X
Mike Eskew				X*
Ann Livermore(1)			X	
Gary MacDougal		X	X*	
Vic Pelson		X*	X	
Lea Soupata				X
John Thompson	X	X		
Carol Tomé	X*			
Ben Verwaayen	X			

X = current committee member; * = chair

(1) Ann Livermore was a member of the Audit Committee during 2004 and until March 17, 2005.

Audit Committee. The primary responsibilities of our Audit Committee include:

- discharging the board's responsibility relating to our accounting, reporting and financial practices,
- general responsibility for overseeing our accounting and financial reporting processes,
- overseeing the integrity of our financial statements, our systems of disclosure controls and internal controls and our compliance with legal and regulatory requirements,
- overseeing the qualification and independence of our auditors and the performance of our internal audit function and independent auditors, and

- having sole authority to appoint and oversee a registered public accounting firm (as defined by applicable law) to serve as our independent auditors, including sole discretion to retain and terminate the independent auditors.

In 2004, the Audit Committee held six meetings. Each member of our Audit Committee meets the independence requirements of the NYSE and SEC rules and regulations. Each member of our Audit Committee is financially literate. Our board has determined that Carol Tomé is an audit committee financial expert as defined by the SEC.

Compensation Committee. The primary responsibilities of our Compensation Committee include:

- discharging the board's responsibilities with respect to compensation of our executive officers,
- establishing corporate goals and objectives relevant to the compensation for our Chairman and Chief Executive Officer,
- evaluating the Chief Executive Officer's performance in light of these goals and objectives and establishing the compensation for the Chief Executive Officer based on this evaluation,
- reviewing and approving the compensation of other executive officers based upon the recommendation of the Chief Executive Officer, and
- making awards to executive officers under our equity compensation plans.

In 2004, the Compensation Committee held three meetings. Each member of our Compensation Committee meets the independence requirements of the NYSE and is an outside director under Section 162(m) of the Internal Revenue Code.

Nominating and Corporate Governance Committee. The primary responsibilities of our Nominating and Corporate Governance Committee include:

- receiving and considering recommendations, from the CEO and others, regarding succession at the CEO and other senior officer levels,
- assisting the board in identifying and screening qualified candidates to serve as directors, including considering shareowner nominees,
- recommending to the board candidates for election or reelection to the board or to fill vacancies on the board,
- aiding in attracting qualified candidates to serve on the board, and
- making recommendations to the board concerning corporate governance principles, including the structure, composition and functioning of the board and all board committees, the delegation of authority to management, board oversight of management actions and reporting duties of management.

In 2004, the Nominating and Corporate Governance Committee held three meetings. Each member of our Nominating and Corporate Governance Committee meets the independence requirements of the NYSE and SEC rules and regulations.

Executive Committee. The Executive Committee may exercise all powers of the board of directors in the management of our business and affairs, except for those powers expressly reserved to the board under Delaware law. In 2004, the Executive Committee held 15 meetings.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table describes the beneficial ownership of our common stock, as of February 1, 2005, by each of our directors, our Chief Executive Officer, each of our other four highest paid executive officers during 2004, all of our directors and executive officers as a group and each shareowner known to us to beneficially own more than 5% of our class A or class B common stock.

Directors and Executive Officers	Number of Shares Directly Owned(1)		Options Exercisable within 60 Days(2)	Additional Shares in which the Beneficial Owner Has or Participates in the Voting or Investment Power(3)	Total Shares Beneficially Owned(4)	Percent of Outstanding Shares(5)
	Class A Shares	Class B Shares				
John J. Beystehner	162,427	930	34,785	315,962(6)	514,104	*
Calvin Darden(7)	167,653	0	37,758	0	205,411	*
D. Scott Davis	103,606	0	20,043	3,098,840(6)(8)	3,222,489	*
Michael L. Eskew	252,762	0	54,691	10,866,521(6)(9)	11,173,974	1.0%
James P. Kelly	48,733	341,865	0	10,550,559(9)	10,941,157	*
Ann M. Livermore	19,378	0	3,017	0	22,395	*
Gary E. MacDougal	29,661	486	3,017	10,550,559(9)	10,583,723	*
Victor A. Pelson	8,882	10,267	1,411	0	20,560	*
Lea N. Soupata	244,261	0	41,805	13,649,399(6)(8)(9)	13,935,465	1.2%
John W. Thompson	500	1,125	1,411	0	3,036	*
Carol B. Tomé	0	0	0	0	0	*
Ben Verwaayen(10)	0	0	0	0	0	*
Shares held by all directors and executive officers as a group (21 persons)	1,885,193	431,924	341,434	13,649,399(11)	16,307,950	

* Less than 1%.

- (1) Includes shares for which the named person has sole voting and investment power or has shared voting and investment power with his or her spouse. Includes shares held by immediate family members as follows: Beystehner — 39,361; Darden — 1,022; Davis — 200; Eskew — 41,640; Kelly — 46,394; and MacDougal — 15,347; all directors and officers as a group — 264,811. Each named individual disclaims all beneficial ownership of the shares held by immediate family members.
- (2) Represents class A shares that may be acquired through stock options exercisable through April 1, 2005.
- (3) Except as described in footnote 9, all shares listed in this column are class A shares. None of the individuals listed, nor members of their families, has any direct ownership rights in the shares listed. See footnotes 6, 8 and 9.
- (4) Calculated based on the number of shares owned by the named individual as of February 1, 2005, plus the number of shares that may be acquired by the named individual through stock options exercisable through April 1, 2005.
- (5) Based on an aggregate of 1,122,131,543 shares of class A and class B common stock issued and outstanding as of February 1, 2005. Assumes that all options exercisable through April 1, 2005 owned by the named individual are exercised. The total number of shares outstanding used in calculating this percentage also assumes that none of the options owned by other named individuals are exercised.
- (6) Includes 315,962 class A shares held by The UPS Foundation, a UPS-sponsored charitable foundation of which John Beystehner, Scott Davis, Mike Eskew, Lea Soupata and two executive officers not listed above are trustees.
- (7) Calvin Darden is retiring on March 31, 2005.
- (8) Includes 2,782,878 class A shares held by various trusts of which Scott Davis, Lea Soupata, one other UPS person and other persons are co-fiduciaries.
- (9) Includes 9,979,651 class A shares and 570,908 class B shares owned by the Annie E. Casey Foundation, Inc., of which Mike Eskew, Jim Kelly, Gary MacDougal, Lea Soupata, two other UPS persons and other persons constitute the corporate Board of Trustees.
- (10) Ben Verwaayen was appointed to the board on March 17, 2005. Excludes 336 shares of common stock beneficially owned by him on that date.

- (11) Includes shares held by the foundations and trusts of which the listed directors and executive officers are trustees. Eliminates duplications in the reported number of shares arising from the fact that several directors and executive officers share in the voting power with respect to these shares.

Additional Ownership

In addition to the beneficial ownership of our common stock discussed above, our directors and executive officers also hold different instruments that are not reported in the security ownership table but represent additional financial interests that are subject to the same market risk as ownership of our common stock. The number of shares of stock to which these stock units are equivalent as of February 1, 2005 is as follows:

	<u>Phantom Stock Units</u>	<u>Restricted Performance Units</u>	<u>Stock Option Deferral Shares</u>	<u>Other Deferred Compensation Plan Balances</u>	<u>Total</u>
John J. Beystehner	—	10,988	39,496	—	50,484
Calvin Darden	—	10,604	50,903	128	61,635
D. Scott Davis	—	10,590	4,593	—	15,183
Michael L. Eskew	—	28,867	54,434	—	83,301
James P. Kelly	357	552	28,868	—	29,777
Ann M. Livermore	1,701	1,187	—	—	2,888
Gary E. MacDougal	1,701	1,187	7,619	—	10,507
Victor A. Pelson	1,701	1,187	2,973	6,291	12,152
Lea N. Soupata	—	11,032	—	—	11,032
John W. Thompson	1,701	1,187	—	206	3,094
Carol B. Tomé	804	1,187	—	—	1,991
Ben Verwaayen	—	—	—	—	—

Phantom Stock Units are bookkeeping units, the value of each of which corresponds to one share of UPS common stock. Dividends paid on UPS common stock automatically are deemed to be reinvested in additional phantom stock units. Upon termination of the individual's service as a director, amounts represented by phantom stock units will be distributed in cash.

Restricted performance units are bookkeeping units, the value of each of which corresponds to one share of UPS common stock. Restricted performance units vest on the fifth anniversary date of their grant if the grantee remains an employee or director of UPS or one of its subsidiaries. In addition, the restricted performance units will vest if the grantee's employment terminates by reason of death, disability or retirement. Dividends paid on UPS common stock automatically are deemed to be reinvested in additional restricted performance units. The number of restricted performance units granted to each individual will increase by 10% if we attain certain performance measures for the years ending December 31, 2007 and 2008. Upon vesting of restricted performance units, the individual receives shares of UPS class A common stock.

Stock Option Deferral Shares are shares held for the individual in a rabbi trust within the UPS Deferred Compensation Plan. Each individual elected to defer the receipt of these shares rather than acquiring them directly upon the exercise of a stock option.

Other Deferred Compensation Plan balances are (i) amounts our board of directors allocated to certain directors to satisfy obligations accrued under a previous retirement plan, which were transferred to the UPS Deferred Compensation Plan during 2003 and (ii) other amounts within the UPS Deferred Compensation Plan allocated to UPS common stock.

Stock Ownership Guidelines

We have stock ownership guidelines for our management and board of directors. The guidelines are based on our expectation that our management team maintain a significant level of investment in our company.

Our stock ownership guidelines extend to all levels of management and to members of our board of directors. For our senior executive officers and directors, they are as follows:

- Chairman and CEO: 9.0 to 11.0 times annualized base salary;
- Management Committee: 5.5 to 6.5 times annualized base salary; and
- Non-employee Directors: 6.0 times annualized retainer.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The following table shows the compensation paid or to be paid by us or any of our subsidiaries and other compensation paid or accrued during the last three fiscal years to our Chief Executive Officer and our other four highest paid executive officers who were serving as executive officers at the end of 2004. We refer to these executive officers as our "named executive officers."

<u>Name and Principal Position</u>	<u>Year</u>	<u>Annual Compensation</u>		<u>Long Term Compensation Awards</u>	<u>Securities Underlying Stock Options and Restricted Performance</u>	<u>All Other Compensation(2)</u>
		<u>Salary</u>	<u>Bonus(1)</u>	<u>Units(#)</u>	<u>Units(#)</u>	<u>Units(#)</u>
Michael L. Eskew	2004	\$ 927,500	\$ 435,000		47,649	\$ 29,419
Chairman and	2003	\$ 863,000	\$ 351,400		50,382	\$ 16,529
Chief Executive Officer	2002	\$ 792,000	\$ 330,753		67,879	\$ 16,062
John J. Beystehner	2004	\$ 512,500	\$ 237,800		18,606	\$ 15,870
Senior Vice President, Chief Operating	2003	\$ 447,200	\$ 182,728		18,715	\$ 6,000
Officer and President, UPS Airlines	2002	\$ 403,250	\$ 170,300		24,622	\$ 6,000
Calvin Darden(3)	2004	\$ 472,000	\$ 220,400		17,244	\$ 29,251
Senior Vice President	2003	\$ 453,650	\$ 183,230		18,765	\$ 19,200
of U.S. Operations	2002	\$ 435,600	\$ 184,448		26,667	\$ 18,774
D. Scott Davis	2004	\$ 471,800	\$ 220,400		17,244	\$ 20,108
Senior Vice President, Chief Financial	2003	\$ 445,200	\$ 182,728		18,715	\$ 10,002
Officer, and Treasurer	2002	\$ 388,750	\$ 165,060		23,864	\$ 9,731
Lea N. Soupata	2004	\$ 490,750	\$ 229,100		17,925	\$ 15,812
Senior Vice President and	2003	\$ 472,400	\$ 190,760		19,536	\$ 6,000
Human Resources Group Manager	2002	\$ 456,350	\$ 192,308		27,804	\$ 6,000

- (1) Reflects the value of awards accrued under the United Parcel Service, Inc. Incentive Compensation Plan based upon the prices of our class B common stock on the dates the awards were granted.
- (2) Amounts for 2004 include \$6,150 for the value of class A common stock contributed by us to the accounts of the named individuals pursuant to the UPS Qualified Stock Ownership Plan. Also includes life insurance premiums paid by us on behalf of the named individuals in the following amounts: Eskew — \$4,334, Beystehner — \$1,220, Darden — \$1,112, Davis — \$1,112 and Soupata — \$1,162. Also includes financial planning services provided to the named individuals in the following amounts: Eskew — \$8,000, Beystehner — \$8,500, Darden — \$8,000, Davis — \$8,500 and Soupata — \$8,500. Also includes imputed income under split-dollar life insurance policies as follows: Darden — \$13,989, Davis — \$4,346 and Eskew — \$10,935. No premiums were paid by UPS on its executive officers' split-dollar life insurance policies after the enactment of the Sarbanes-Oxley Act on July 30, 2002.
- (3) Calvin Darden is retiring on March 31, 2005.

Stock Option Grants

The following table shows grants of stock options to the named executive officers during 2004. All options are options to purchase shares of our class A common stock.

Name	Individual Grants				Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted to Employees In 2004	Exercise Price Per Share	Expiration Date	5% (2)	10% (2)
Michael L. Eskew	33,877	1.27%	\$ 70.70	2014	\$ 1,506,268	\$ 3,817,179
John J. Beystehner	13,228	0.50%	\$ 70.70	2014	\$ 588,155	\$ 1,490,499
Calvin Darden	12,260	0.46%	\$ 70.70	2014	\$ 545,115	\$ 1,381,427
D. Scott Davis	12,260	0.46%	\$ 70.70	2014	\$ 545,115	\$ 1,381,427
Lea N. Soupata	12,744	0.48%	\$ 70.70	2014	\$ 566,635	\$ 1,435,963

- (1) Option grants during 2004 were made under the United Parcel Service, Inc. Incentive Compensation Plan. These options are issued at fair market value on the date of grant, vest five years from the date of grant and expire ten years from the date of grant.
- (2) We are required to use a 5% and 10% assumed rate of appreciation over the ten-year option terms. This does not represent our projection of the future common stock price. The actual value, if any, the named executive officers will realize upon exercise of an option will depend upon the future value of the stock over the exercise price on the date the option is exercised.

Stock Option Exercises and Holdings

The following table sets forth information about the exercise of stock appreciation rights and stock options during 2004 by our named executive officers and the value of their unexercised stock appreciation rights and options as of December 31, 2004.

Name	Number of Class A Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options/SARs at December 31, 2004(1)		Value of Unexercised In-the-Money Options/SARs at December 31, 2004(2)	
			Exercisable/Unexercisable		Exercisable/Unexercisable	
Michael L. Eskew	33,108	\$ 1,665,332	54,691/137,575		\$ 1,690,411/\$3,039,277	
John J. Beystehner	23,812	\$ 1,197,744	34,785/51,155		\$ 1,084,119/\$1,123,517	
Calvin Darden	30,562	\$ 1,537,269	37,758/52,268		\$ 1,178,474/\$1,161,676	
D. Scott Davis	0	\$ 682,923	27,019/49,429		\$ 819,797/\$1,090,098	
Lea N. Soupata	34,382	\$ 1,729,415	41,805/54,437		\$ 1,305,386/\$1,210,154	

- (1) Represents stock appreciation rights and shares of class A common stock subject to options granted under the United Parcel Service, Inc. Incentive Compensation Plan.
- (2) This number is calculated by subtracting the exercise price from the closing price of our class B common stock on December 31, 2004 (\$85.46) and multiplying by the number of stock appreciation rights or shares underlying the unexercised options, as applicable. The amounts in this column may not represent amounts that actually can be realized.

Restricted Performance Unit Grants

The following table sets forth information about awards of restricted performance units granted to our named executive officers during 2004. Restricted performance units are bookkeeping units, the value of each of which corresponds to one share of UPS common stock. Restricted performance units vest on the fifth anniversary date of their grant if the grantee remains an employee or director of UPS or one of its subsidiaries. In addition, the restricted performance units will vest if the grantee's employment terminates by reason of death, disability or retirement. Dividends paid on UPS common stock automatically are deemed to be

reinvested in additional restricted performance units. The number of restricted performance units granted to each individual will increase by 10% if we attain certain performance measures for the years ending December 31, 2007 and 2008. Upon vesting of restricted performance units, the individual receives shares of class A common stock.

The following restricted performance units were granted under the United Parcel Service, Inc. Incentive Compensation Plan on May 3, 2004.

Name	Number of Units (#)	Performance or Other Period Until Maturaton or Payout
Michael L. Eskew	13,772	2004-2009
John J. Beystehner	5,378	2004-2009
Calvin Darden	4,984	2004-2009
D. Scott Davis	4,984	2004-2009
Lea N. Soupata	5,181	2004-2009

Retirement Plans

The following table shows the estimated annual retirement benefit payable on a single-life-only annuity basis to participating employees, including our named executive officers, under the UPS Retirement Plan and UPS Excess Coordinating Benefit Plan upon retirement, assumed to occur at age 65. Participating employees also are entitled to receive \$23,268 per year, the maximum currently payable in primary Social Security benefits. Participants who elect forms of payment with survivor options will receive lesser amounts than those shown in this table.

Average Final Earnings	Estimated Annual Benefits Payable Upon Retirement for Years of Service Indicated					
	15 Years	20 Years	25 Years	30 Years	35 Years	40 Years
\$ 300,000	\$ 69,525.00	\$ 92,700.00	\$ 115,875.00	\$ 139,050.00	\$ 162,225.00	\$ 177,936.00
\$ 350,000	\$ 82,025.00	\$ 109,367.00	\$ 136,708.00	\$ 164,050.00	\$ 191,392.00	\$ 209,936.00
\$ 400,000	\$ 94,525.00	\$ 126,033.00	\$ 157,542.00	\$ 189,050.00	\$ 220,558.00	\$ 241,936.00
\$ 450,000	\$ 107,025.00	\$ 142,700.00	\$ 178,375.00	\$ 214,050.00	\$ 249,725.00	\$ 273,936.00
\$ 500,000	\$ 119,525.00	\$ 159,367.00	\$ 199,208.00	\$ 239,050.00	\$ 278,892.00	\$ 305,936.00
\$ 550,000	\$ 132,025.00	\$ 176,033.00	\$ 220,042.00	\$ 264,050.00	\$ 308,058.00	\$ 337,936.00
\$ 600,000	\$ 144,525.00	\$ 192,700.00	\$ 240,875.00	\$ 289,050.00	\$ 337,225.00	\$ 369,936.00
\$ 700,000	\$ 169,525.00	\$ 226,033.00	\$ 282,542.00	\$ 339,050.00	\$ 395,558.00	\$ 433,936.00
\$ 800,000	\$ 194,525.00	\$ 259,367.00	\$ 324,208.00	\$ 389,050.00	\$ 453,892.00	\$ 497,936.00
\$ 900,000	\$ 219,525.00	\$ 292,700.00	\$ 365,875.00	\$ 439,050.00	\$ 512,225.00	\$ 561,936.00
\$1,000,000	\$ 244,525.00	\$ 326,033.00	\$ 407,542.00	\$ 489,050.00	\$ 570,558.00	\$ 625,936.00
\$1,100,000	\$ 269,525.00	\$ 359,367.00	\$ 449,208.00	\$ 539,050.00	\$ 628,892.00	\$ 689,936.00
\$1,200,000	\$ 294,525.00	\$ 392,700.00	\$ 490,875.00	\$ 589,050.00	\$ 687,225.00	\$ 753,936.00
\$1,300,000	\$ 319,525.00	\$ 426,033.00	\$ 532,542.00	\$ 639,050.00	\$ 745,558.00	\$ 817,936.00
\$1,400,000	\$ 344,525.00	\$ 459,367.00	\$ 574,208.00	\$ 689,050.00	\$ 803,892.00	\$ 881,936.00
\$1,500,000	\$ 369,525.00	\$ 492,700.00	\$ 615,875.00	\$ 739,050.00	\$ 862,225.00	\$ 945,936.00

The compensation upon which the benefits are summarized in the table above includes salary and management incentive awards granted under the United Parcel Service, Inc. Incentive Compensation Plan. The average final compensation for each participant in the plans is the average covered compensation of the participant during the five highest consecutive years out of the last ten full calendar years of service.

Benefits payable under the UPS Retirement Plan are subject to the maximum compensation limits and the annual benefit limits for a tax qualified defined benefit plan as prescribed and adjusted from time to time by the Internal Revenue Service. Amounts exceeding these limits will be paid pursuant to the UPS Excess Coordinating Benefit Plan. Under this plan, participants may choose to receive the benefit in the form of a life annuity or in combination of a life annuity and cash lump sum.

As of December 31, 2004, estimated or actual credited years of service under the plans to our named executive officers were as follows: Mike Eskew — 33, John Beystehner — 34; Cal Darden — 33, Scott Davis — 20 and Lea Soupata — 35.

The plans permit participants with 25 or more years of benefit service to retire as early as age 55 with only a limited reduction, or no reduction, in the amount of their monthly benefits.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the board of directors (the "Committee") is comprised solely of non-employee directors that meet the independence requirements of the NYSE and who qualify as outside directors under Section 162(m) of the Internal Revenue Code. The Committee is responsible for establishing corporate goals and objectives relevant to the compensation for our Chairman and Chief Executive Officer, evaluating the Chief Executive Officer's performance in light of these goals and objectives, and establishing the compensation for the Chief Executive Officer based on this evaluation. The Committee is also responsible for reviewing and approving the compensation of the other executive officers based on a recommendation from the CEO.

The Committee also determines the eligibility and levels of participation of executive officers under the United Parcel Service, Inc. Incentive Compensation Plan and equity-based compensation programs. The Committee is responsible for providing oversight and guidance in the development of compensation and benefit programs for all employees of the Company, including recommendations to the board of directors with respect to incentive compensation and equity-based plans.

The Committee has sole authority to engage and terminate an outside consulting firm to assist the committee in benchmarking and evaluating the compensation programs for the CEO and executive officers. The Committee has directly worked with the Company's Human Resources group and independent compensation consultants to assist the Committee with its benchmarking and evaluation of the Company's compensation programs.

Compensation Philosophy

Executive Compensation Guiding Principles

The compensation philosophy is designed to drive company performance and create long-term value for our shareowners. The Company's compensation program is centered on a pay-for-performance philosophy designed to attract, retain and motivate key talent. To this end, the following principles guide the design and administration of the Company's compensation program:

- *Manager-Owner concept plays a central role in the success of UPS*

Throughout its history, UPS has been owned by its employees and managed by its owners. To achieve this objective, compensation plans such as the UPS Managers Incentive Plan, the UPS 1996 Stock Option Plan, the UPS Qualified Stock Ownership Plan, the UPS Discounted Employee Stock Purchase Plan and the United Parcel Service, Inc. Incentive Compensation Plan have facilitated stock ownership by management employees.

- *UPS has a long-standing policy of promotion from within wherever possible*

This policy has significantly reduced, relative to other companies, the need to externally hire managers and executive officers. To a high degree, employees who have spent virtually their entire careers with UPS comprise the overall management organization. The named executive officers are long-term employees, each with significant years of service.

- *Compensation is related to performance*

An employee's compensation is linked to individual employee performance, experience, and qualifications as well as overall Company and team performance against financial and non-financial objectives. Our compensation programs provide employees with a pay opportunity that is reasonable yet competitive with the external market. The Committee believes that when either the Company's performance or individual achievements exceeds the objectives set for the performance period, employees should be paid more, and when the performance does not meet expectations, overall pay will reflect actual performance.

- *Executives are provided with the opportunity to own stock*

Because plans are designed to foster stock ownership by managers, each executive officer has accumulated a meaningful number of shares of UPS common stock. As a result, the interests of shareowners and our executive officers are closely aligned, and the executive officers have strong incentives to provide for our effective management. Additionally, executive officers and directors are required to acquire and hold a significant amount of UPS stock as outlined under the heading “Stock Ownership Guidelines” on page 13.

- *Incentive compensation and equity awards comprise a greater portion of compensation for senior positions*

The proportion of an executive’s compensation package that varies based on individual and corporate performance objectives increases as the level of the individual’s responsibilities increase. In the case of the named executive officers, annual appreciation derived from stock ownership, dividends, stock options and management incentive awards granted in the form of UPS stock constitute a significant component of total compensation. Of the forms of compensation in use, management incentive awards granted in the form of UPS stock are keyed to corporate performance. A significant portion of total compensation that could be earned by all other officers of the Company is at risk and payable based on annual and long-term performance goals.

- *Compensation is validated against benchmark data*

We review compensation survey data from several independent sources to ensure UPS’s compensation programs are competitive. With respect to cash compensation, the Committee reviews data received directly from consultants concerning compensation for comparable positions at companies that have similar revenues and other characteristics. The companies used for executive compensation comparisons are not limited to the companies that comprise the S&P 500 Index and the Dow Jones Transport Average used in the shareowner return performance graph contained in our proxy statement. The Company annually monitors its’ compensation plan design and evaluates the competitiveness of our programs.

Elements of the UPS Compensation Program

The four primary components of the UPS executive compensation program are: Base Salary, Annual Incentives, Long-Term Incentives, and other Benefits and Perquisites.

- *Base salary*

Base salaries for compensation of each executive officer, including that of the Chief Executive Officer, are generally less than median compensation levels at similarly sized companies. The Company participates in surveys annually and the salaries of those at more senior levels are generally adjusted annually. A significant factor in determining annual salary increases is the Committee’s strong desire to keep the salary levels of executive officers reasonable in comparison with the salaries of other executives with similar responsibilities at comparable companies and when compared to the salaries of other UPS management positions.

- *Annual incentives*

We design the annual component of incentive compensation to align pay with the annual performance of the Company and individual achievements. The Committee exercises its judgment on the level of incentive payments based on considerations including overall responsibilities and the importance of these responsibilities to UPS’s success. The senior executive’s individual performance is evaluated at the end of the year. Criteria for evaluation include financial targets and other important goals such as customer satisfaction, employee engagement, operational performance and shareowner value creation. In addition, we assess each executive in terms of leadership, managerial skills and talent, business knowledge and execution of UPS’s overall business strategy, and adherence to our values.

Annual incentive grants are issued under the United Parcel Service, Inc. Incentive Compensation Plan and allow employees to acquire shares of class A common stock. The size of the grants is determined by a formula that takes into consideration profits, monthly salary, the number of participants and the level of participation. The level of participation for the Chief Executive Officer and other executive officers is the same as for approximately 11,000 participating employees at or above the center manager level. Over the past five years, the grants to the top five executives have totaled less than 5 percent of the grants issued to all employees.

- *Long-term incentives*

The long-term incentive component of UPS's executive compensation program is comprised of two programs: stock option grants and restricted performance units. Stock options to eligible employees, including senior leaders, are issued once a year. These options are issued at fair market value on the date of grant, vest five years from the date of grant and expire ten years from the date of grant. During 2004, executive officers could elect to defer the receipt of any shares acquired from options exercised in accordance with the UPS Deferred Compensation Plan.

Beginning in 2003, employees in key leadership positions (approximately 3,075 employees) were also entitled to receive awards of restricted performance units. Restricted performance units are bookkeeping units, and the value of each unit corresponds to one share of UPS common stock. Restricted performance units vest on the fifth anniversary date of their grant if the grantee remains an employee or director of UPS or one of its subsidiaries. In addition, the restricted performance units will vest if the grantee's employment terminates by reason of death, disability or retirement. The awards are eligible for dividend equivalents, which are deemed to be automatically reinvested into additional restricted performance units. At the end of the five-year restriction period, the number of restricted performance units granted to each individual can increase by 10 percent if certain Company performance measures are attained. Upon vesting of restricted performance units, the individual receives shares of UPS class A common stock.

- *Benefits and perquisites*

To remain competitive in the market, UPS also provides certain benefits to its executive officers, including the CEO, such as matching contributions to the UPS Qualified Stock Ownership Plan that are paid in shares of class A common stock, life insurance premiums paid by UPS on behalf of these executive officers, the Discounted Employee Stock Purchase Plan, and financial counseling services. For additional information on these benefits made available during fiscal 2004, please see the summary compensation table under the section "Compensation of Executive Officers and Directors" on page 14. Overall, these benefits represent less than 2 percent of the senior executives' compensation for the year.

Review of CEO Compensation

The performance of each executive officer, including the CEO, is reviewed by the Committee on an annual basis. In regards to the CEO, the Committee is responsible for reviewing the achievement of individual goals and objectives, evaluating the CEO's performance, and setting CEO compensation based on this evaluation. The Committee uses specified criteria to help assess the performance of the Chairman and CEO in addition to the financial results of the Company and performance against his annual objectives. Among other things, the Committee evaluates his strategic vision and leadership, UPS's business and operational results, his ability to make long-term decisions that create competitive advantage and position UPS as the premier enabler of global commerce, and his overall effectiveness as a leader and role model.

Fiscal 2004 was a year of outstanding progress and strong accomplishments across a number of critical areas for UPS. Under Mike Eskew's leadership, UPS achieved strong growth in international and supply chain markets and achieved other significant business and financial results. Mike's strong strategic vision for the Company provides a clear path to the future for all UPSers. The Committee did not assign particular weights to these factors.

The Committee recommended and the board approved a base salary increase during 2004 for Mike Eskew of \$52,500 or approximately 7 percent of salary. This increase was similar to the overall increase of 6.75 percent provided to other senior executives.

The Committee approved, and recommended that the board approve, a 5.3 percent base salary increase during 2005 for Mike Eskew that reflected Mike's strategic vision and leadership, UPS's business and operational results, and Mike's ability to position UPS as the premier enabler of global commerce.

Additionally, Mike received an option to purchase 33,877 shares of class A common stock on May 3, 2004 at an exercise price of \$70.70 a share, the fair market value of UPS stock on the date of grant. Like the option grants provided to other employees, his options will vest after five years and have a ten-year term. Mike was also awarded a grant of 13,772 restricted performance units which will vest on May 3, 2009 as shown in the "Long Term Compensation Awards" column of the summary compensation table on page 14 and more fully described on page 15 under the caption "Restricted Performance Unit Grants."

Section 162(m) of the Internal Revenue Code makes compensation paid to certain executives in amounts in excess of \$1 million not deductible unless the compensation is paid under a predetermined objective performance plan meeting certain requirements, or satisfies one of various other exemptions. The Committee has not adopted a policy that all compensation be deductible under Section 162(m) in order to preserve the Committee's flexibility to compensate executive officers.

Conclusion

The Committee, through benchmarking provided by the Company's Human Resources group and independent advice from our outside consultants, has reviewed all components of our executive compensation programs, including benefits and perquisites. The Committee believes that our programs are reasonable and based on sound corporate governance principles. Additionally, we believe our programs foster a competitive total rewards package designed to promote our manger-owner concept which aligns with the long-term interests of our shareowners.

The Compensation Committee
Victor A. Pelson, Chair
Gary E. MacDougal
John W. Thompson

Compensation of Directors

In 2004, we compensated our non-employee directors as follows:

Annual Retainer	\$	65,000
Committee Chair's Meeting Fee	\$	4,000
Committee Member's Meeting Fee	\$	2,500
Phantom Stock Units Grant		Yes
Restricted Performance Unit Grant		Yes
Reimbursement for Expenses Related to Board Membership		Yes

Committee chairs received a minimum annual meeting fee of \$8,000, and other committee members received a minimum annual meeting fee of \$5,000.

In February 2004, we granted to each non-employee director 352 phantom stock units.

In May 2004, we granted each non-employee director options to purchase 1,343 shares of class A common stock and 546 restricted performance units under the United Parcel Service, Inc. Incentive Compensation Plan.

Beginning in 2005, our non-employee directors will receive an annual retainer of \$75,000, and committee chairs will receive an additional annual fee of \$10,000. Our non-employee directors will receive an annual

restricted stock grant of class A common stock in the amount of \$85,000. In addition, upon joining the board, new non-employee directors will receive a restricted stock grant of class A common stock in the amount of \$25,000. Directors will continue to be reimbursed for their expenses related to board membership.

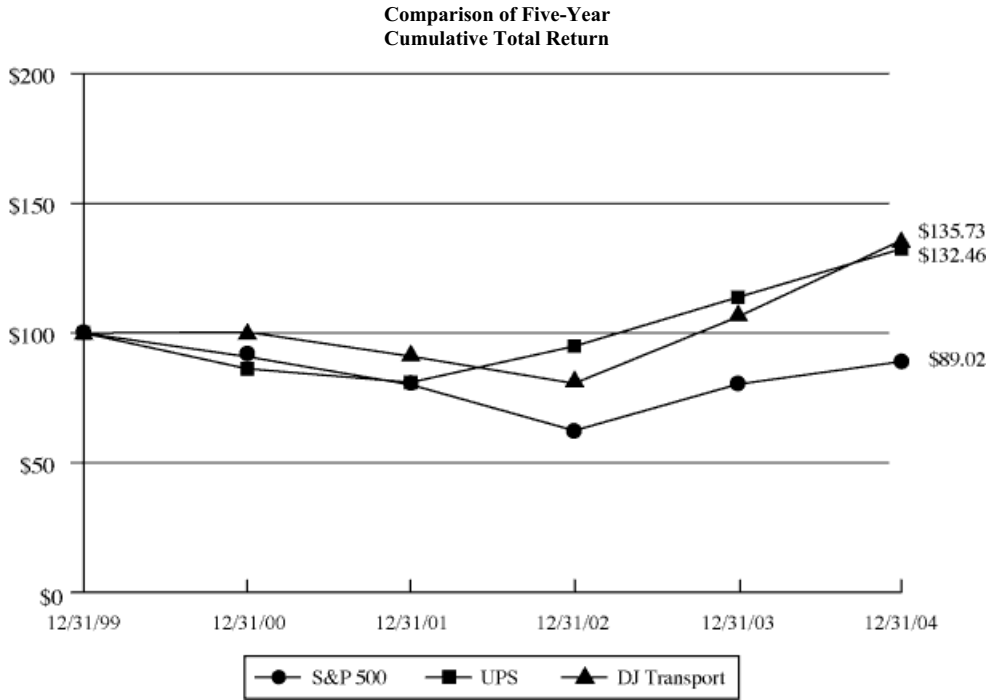
Non-employee directors also have the option of deferring some or all of the fees and/or retainer payable in connection with their services on our board. Deferred amounts track the performance of investments selected by each non-employee director, although no funds are set aside or invested. At the time a participating non-employee director ceases to be a director, the total value of the non-employee director's account will be payable to him or her, or his or her designated beneficiary, at his or her election, in a lump sum, or in payments over three, five, seven or ten years.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Gary MacDougal, Vic Pelson, John Thompson (beginning in August 2004) and Bob Teeter (until July 2004) were members of the Compensation Committee of our board of directors during 2004. None of these directors are employees or former employees of UPS. None of the members of the Compensation Committee has any direct or indirect material interest in or relationship with us outside of his position as a non-employee director. None of our executive officers serves as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serves on our board of directors or Compensation Committee.

SHAREOWNER RETURN PERFORMANCE GRAPH

The following graph shows a five-year comparison, prepared in accordance with the rules of the Securities and Exchange Commission, of cumulative total shareowners' returns for our common stock, the S&P 500 Index and the Dow Jones Transport Average. The comparison of the total cumulative return on investment, which is the change in the quarterly stock price plus reinvested dividends for each of the quarterly periods, assumes that \$100 was invested on December 31, 1999 in the S&P 500 Index, the Dow Jones Transport Average and the common stock of United Parcel Service, Inc.



	Dollar Value of \$100 Investment at December 31					
	1999	2000	2001	2002	2003	2004
UPS class B common stock	\$ 100.00	\$ 86.25	\$ 81.00	\$ 94.92	\$ 113.80	\$ 132.46
DJ Transport	\$ 100.00	\$ 100.38	\$ 91.05	\$ 80.60	\$ 106.26	\$ 135.75
S&P 500	\$ 100.00	\$ 90.90	\$ 80.09	\$ 62.39	\$ 80.29	\$ 89.02

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of our board of directors is responsible for, among other things, reviewing with Deloitte & Touche LLP, our independent auditors, the scope and results of their audit engagement. In connection with the 2004 audit, the Audit Committee has:

- reviewed and discussed with management UPS's audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2004,
- discussed with Deloitte & Touche the matters required by Statement of Accounting Standards No. 61, as amended, and
- received from and discussed with Deloitte & Touche the communications from Deloitte & Touche required by Independence Standards Board Standard No. 1 regarding their independence.

Based on the review and the discussions described in the preceding bullet points, the Audit Committee recommended to the board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2004 for filing with the Securities and Exchange Commission.

The Audit Committee has adopted a charter and a process for pre-approving services to be provided by Deloitte & Touche. The members of the Audit Committee have been determined to be independent in accordance with the requirements of Section 303.01 (B)(2)(a) and (3) of the New York Stock Exchange listing standards.

The Audit Committee

Carol B. Tomé, Chair
John W. Thompson
Ann M. Livermore*

* Ann Livermore was a member of the Audit Committee during 2004 and until March 17, 2005.

RATIFICATION OF APPOINTMENT OF AUDITORS (Proposal No. 2)

Our Audit Committee has appointed Deloitte & Touche LLP, independent auditors, to audit our consolidated financial statements for the year ending December 31, 2005 and to prepare a report on this audit, subject to ratification by our shareowners. A representative of Deloitte & Touche will be present at the annual meeting of shareowners, will have the opportunity to make a statement and will be available to respond to appropriate questions by shareowners.

**The board of directors recommends that shareowners vote FOR the ratification
of the appointment of Deloitte & Touche LLP as our auditors.**

Principal Accounting Firm Fees

Aggregate fees billed to us for the fiscal years ended December 31, 2004, and 2003 by our principal accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates were:

	Fiscal Year Ended	
	2004	2003
Audit Fees(a)	\$ 12,232,045	\$ 5,999,600
Audit-Related Fees(b)	347,361	756,317
Total audit and audit-related fees	12,579,406	6,755,917
Tax Fees(c)	2,964,159	7,395,328
All Other Fees	0	0
<u>Total Fees</u>	<u>\$ 15,543,565</u>	<u>\$ 14,151,245</u>

- (a) Includes fees for the audit of our annual financial statements, Sarbanes-Oxley Section 404 attestation procedures, statutory audits of foreign subsidiary financial statements, and services associated with securities filings.
- (b) Includes fees for due diligence related to acquisitions, audits in connection with acquisitions, employee benefit plan audits, and accounting consultations.
- (c) Fees for tax services billed in 2004 and 2003 consisted of tax compliance and tax planning and advice.
- Fees for tax compliance services totaled \$3.0 million and \$7.2 million in 2004 and 2003, respectively. Fees for such services in 2003 were unusually high due to the culmination of a large project that lasted 18 months for which the fees were due only at completion. Tax compliance fees in 2004 included \$1.1 million resulting from payments to convert previously contingent fee arrangements to fixed fees. Tax compliance services are services to document, compute and obtain government approval for amounts to be included in tax filings based upon preexisting facts or transactions that have already occurred and consisted primarily of the following:
 - i. Assistance in preparing amended state tax returns related to state apportionment changes and enterprise zone tax credits, including assistance necessary to document and obtain state approval for such credits,
 - ii. Assistance in preparing federal refund claims to deduct certain costs incurred in recent years to acquire various subsidiaries and businesses, and
 - iii. Assistance in preparing and reviewing various tax return filings in foreign jurisdictions.
 - Fees for tax planning and advice services totaled \$0 and \$0.2 million in 2004 and 2003, respectively. Tax planning and advice are services related to proposed transactions or advice that alters a transaction to obtain a particular tax result.

The Audit Committee has considered whether the provision of audit-related and other non-audit services by Deloitte & Touche is compatible with maintaining Deloitte & Touche's independence.

Our Audit Committee has established a policy requiring the pre-approval of all audit and non-audit services provided to us by Deloitte & Touche. The policy provides for pre-approval of audit, audit-related and tax services specifically described by the Audit Committee. The Audit Committee has delegated to its chair authority to pre-approve permitted services between the Committee's regularly scheduled meetings, and the chair must report any pre-approval decisions to the Committee at its next scheduled meeting for review by the Committee. The policy prohibits the Audit Committee from delegating to management the committee's responsibility to pre-approve permitted services of our independent auditor.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own beneficially more than 10% of either our class A or class B common stock to file reports of ownership and changes in ownership of such stock with the Securities and Exchange Commission. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file with the SEC. To our knowledge, each of our directors and executive officers complied during 2004 with all applicable Section 16(a) filing requirements except for Scott Davis, who was late in reporting the exercise of a stock appreciation right due to an administrative error, and John McDevitt, who was late in reporting the purchase of class B common stock due to an administrative error.

EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2004, concerning shares of our class A common stock authorized for issuance under our existing equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	19,680,676	\$ 59.93	34,745,180
Equity compensation plans not approved by security holders	—	N/A	—
Total(2)	19,680,676		34,745,180

- (1) Includes the United Parcel Service, Inc. Incentive Compensation Plan, the United Parcel Service, Inc. Discounted Employee Stock Purchase Plan and the UPS Qualified Stock Ownership Plan. Includes restricted performance units granted under the Incentive Compensation Plan. The weighted average exercise price does not take these awards into account.
- (2) Does not include options to purchase an aggregate of 200,549 shares, at a weighted average exercise price of \$63.29, granted under plans assumed in connection with acquisition transactions. No additional options may be granted under these plans.

SOLICITATION OF PROXIES

We will pay our costs of soliciting proxies. Directors, officers and other employees may solicit proxies by mail, in person or by telephone. We will reimburse brokers, fiduciaries, custodians and other nominees for out-of-pocket expenses incurred in sending our proxy materials to, and obtaining instructions relating to the proxy materials from, beneficial owners.

HOUSEHOLDING

In 2001, we adopted a procedure approved by the SEC called "householding." Under this procedure, multiple shareowners who share the same last name and address and do not participate in electronic delivery will receive only one copy of the annual proxy materials, unless they notify us that they wish to continue receiving multiple copies. We have undertaken householding to reduce our printing costs and postage fees.

If you wish to opt-out of householding and continue to receive multiple copies of the proxy materials at the same address, you may do so at any time prior to thirty days before the mailing of proxy materials, which typically are mailed in March of each year, by notifying us in writing or by telephone at: UPS Investor Relations, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328, (404) 828-6059. You also may request additional copies of the proxy materials by notifying us in writing or by telephone at the same address or telephone number.

If you share an address with another shareowner and currently are receiving multiple copies of the proxy materials, you may request householding by notifying us at the above-referenced address or telephone number.

OTHER BUSINESS

Our board of directors is not aware of any business to be conducted at the annual meeting of shareowners other than the proposals described in this proxy statement. Should any other matter requiring a vote of the shareowners arise, the persons named in the accompanying proxy card will vote in accordance with their best judgment.

Under our bylaws and SEC regulations, any shareowner proposals or director nominations for the 2006 annual meeting of shareowners must be received by our Corporate Secretary at 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328, no later than November 21, 2005 to be eligible for inclusion in the proxy statement for next year's meeting.

Pursuant to Rule 14a-4 under the Exchange Act, if a shareowner notifies us after February 4, 2006 of an intent to present a proposal at our 2006 annual meeting of shareowners, our proxy holders will have the right to exercise discretionary voting authority with respect to the proposal, without including information regarding the proposal in our proxy materials.

A copy of our 2004 annual report on Form 10-K, including financial statements, as filed with the SEC, may be obtained without charge upon written request to: Corporate Secretary, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328. It is also available on our investor relations website at www.shareholder.com/ups.

**Excerpt from the UPS Corporate Governance Guidelines
Relating to Director Independence Standards**

An “independent” director is a director whom the Board has determined has no material relationship, other than as a director of the Company, with the Company or any of its consolidated subsidiaries, either directly, or as a partner, shareholder or officer of an organization that has a relationship with the Company. In addition, when determining whether a director is independent, the Board applies the categorical standards set forth below.

Under no circumstances is a director independent if:

1. the director is, or has been within the past three years, an employee of the Company, or an immediate family member of the director is, or in the past three years has been, an executive officer of the Company, other than on an interim basis;
2. (A) the director or an immediate family member is a current partner of a firm that is the Company’s external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm’s audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company’s audit within that time.
3. the director, or a member of the director’s immediate family, is or in the past three years has been, an executive officer of another company where any of the Company’s present executives concurrently served on the compensation committee;
4. the director, or a member of the director’s immediate family, has, in any twelve-month period within the past three years, received any direct compensation from the Company in excess of \$100,000, other than compensation for service on the Board or any of its committees, compensation received by the director’s immediate family member for service as a non-executive employee of the Company, and pension or other forms of deferred compensation for prior service with the Company; or
5. the director is a current employee, or a member of the director’s immediate family is an executive officer, of another company that makes payments to or receives payments from the Company, or during any of the last three fiscal years has made payments to or received payments from the Company, for property or services in an amount that, in any single fiscal year, exceeded the greater of \$1 million or 2% of the other company’s consolidated gross revenues. For purposes of this section, a contribution to a tax-exempt entity is not a “payment.”

An “immediate family” member includes a director’s spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares the director’s home.



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UNITED PARCEL SERVICE, INC.

**This Proxy is Solicited on Behalf of the Board of Directors
for the Annual Meeting of Shareowners to be held on May 5, 2005**

I hereby appoint MICHAEL L. ESKEW and ALLEN E. HILL, or either of them, with power of substitution, as attorneys and proxies to vote all of the shares of stock outstanding in my name as of March 7, 2005 at the annual meeting of shareowners of United Parcel Service, Inc. to be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on May 5, 2005, and at any or all adjournments thereof, and I hereby instruct and authorize the attorneys to vote as stated on the reverse side. (If you sign and return this proxy but no direction is made, this proxy will be voted FOR the election of the nominees listed in Proposal 1 and FOR Proposal 2.)

If I participate in the UPS Qualified Stock Ownership Plan and Trust, I direct the Trustee to vote the stock in the manner stated on the reverse side. (If you sign and return this proxy but no direction is made, the Trustee will vote the shares FOR the election of the nominees listed in Proposal 1 and FOR Proposal 2. If this card is not returned or is returned unsigned, the Trustee will vote the shares in the same proportion as the shares for which voting instructions are received from other participants.)

(CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE)