

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): October 28, 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 October 28, 2020, United Parcel Service, Inc. (the “Company”) issued a press release containing information about the Company’s results of operations for the third quarter ended September 30, 2020. The Company also posted on its website at [www.investors.ups.com](http://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 October 28, 2020 "[UPS RELEASES 3Q 2020 EARNINGS](#)"

99.2 [Q3 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.

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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: October 28, 2020

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

## For Immediate Release

## UPS RELEASES 3Q 2020 EARNINGS

- Consolidated Revenue Increased 15.9%; Growth Across All Segments
- Diluted EPS of \$2.24, Up 11.4%; Adjusted\* Diluted EPS Up 10.1% to \$2.28
- YTD Cash from Operations of \$9.3B; Adjusted Free Cash Flow of \$5.9B

ATLANTA – October 28, 2020 – UPS (NYSE:UPS) today announced third-quarter 2020 consolidated revenue of \$21.2 billion, a 15.9% increase over the third quarter of 2019. Consolidated average daily volume increased 13.5% year over year. Net income was \$2.0 billion for the quarter, 11.8% above the same period in 2019, or 10.7% on an adjusted basis. Operating profit was \$2.4 billion, up 11.0% compared to last year’s third quarter, or 9.9% on an adjusted basis.

Diluted earnings per share was \$2.24 and adjusted diluted earnings per share was \$2.28, up 10.1% from the same period last year. GAAP results include a pre-tax transformation charge of \$44 million, equivalent to \$0.04 per share. In the prior year period, GAAP results included a pre-tax charge for transformation costs of \$63 million, equivalent to \$0.06 per diluted share.

“Our performance highlights the agility of our global integrated network amid the ongoing challenges of the pandemic. Our results were fueled by continued strong outbound demand from Asia and growth from small and medium-sized businesses,” said Carol Tomé, UPS chief executive officer. “UPSers are everyday heroes who are keeping the world’s supply chains moving. I want to thank our team for their ongoing commitment to our customers and the communities we serve.”

## U.S. Domestic Segment

	<u>3Q 2020</u>	<u>Adjusted</u> <u>3Q 2020</u>	<u>3Q 2019</u>	<u>Adjusted</u> <u>3Q 2019</u>
Revenue	\$13,225 M		\$11,455 M	
Operating profit	\$1,098 M	\$1,133 M	\$1,216 M	\$1,242 M

- Average daily volume increased 13.8%, with growth across all products and continued elevated residential demand.
- Operating margin was 8.3%; adjusted operating margin was 8.6%.

## International Segment

	<u>3Q 2020</u>	<u>Adjusted</u> <u>3Q 2020</u>	<u>3Q 2019</u>	<u>Adjusted</u> <u>3Q 2019</u>
Revenue	\$4,087 M		\$3,494 M	
Operating profit	\$966 M	\$972 M	\$667 M	\$693 M

- Average daily volume grew 12.1%, with double-digit export volume growth globally and continued strong outbound demand from Asia.
- Operating margin was 23.6%; adjusted operating margin was 23.8%.

\* \* 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

	<u>3Q 2020</u>	<u>Adjusted 3Q 2020</u>	<u>3Q 2019</u>	<u>Adjusted 3Q 2019</u>
Revenue	\$3,926 M		\$3,369 M	
Operating profit	\$299 M	\$302 M	\$245 M	\$256 M

- Revenue increased 16.5%, driven by strong freight forwarding demand out of Asia.
- Operating margin was 7.6%; adjusted operating margin was 7.7%.

## Outlook

UPS is not providing consolidated 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.

“Our *Better, not Bigger* approach had a positive impact on our performance in the quarter, specifically through the revenue-quality actions we’ve taken. Additionally, we recently launched new initiatives to further reduce our costs,” said Brian Newman, UPS chief financial officer. “Looking ahead to the fourth quarter, we are collaborating with our customers and using our proven tools to control volume and ensure the resiliency of our network. We are focused on delivering a successful peak and generating cash returns.”

## Contacts:

UPS Media Relations: 404-828-7123 or [pr@ups.com](mailto:pr@ups.com)

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

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## **Conference Call Information**

UPS CEO Carol Tomé and CFO Brian Newman will discuss third-quarter results with investors and analysts during a conference call at 8:30 a.m. ET, October 28, 2020. That call will be open to others through a live Webcast. To access the call, go to [www.investors.ups.com](http://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](http://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 one of the world’s largest package delivery companies with 2019 revenue of \$74 billion, and provides a broad range of integrated logistics solutions for customers in more than 220 countries and territories. The company’s more than 500,000 employees embrace a strategy that is simply stated and powerfully executed: Customer First. People Led. Innovation Driven. UPS is committed to reducing its impact on the environment and supporting the communities we serve around the world. UPS also takes a strong and unwavering stance in support of diversity, equality, and inclusion. The company can be found on the Internet at [www.ups.com](http://www.ups.com), with more information at [www.pressroom.ups.com](http://www.pressroom.ups.com) and [www.investors.ups.com](http://www.investors.ups.com).

## **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: continued 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 or more complex physical or data security requirements; 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 our brand image; 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

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strategy, government regulations, or economic or market conditions that may result in impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; potential additional U.S. or international tax liabilities; potential claims or 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*

Adjusted 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.

#### *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.

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### *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 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. 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.

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.

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

**Three Months Ended September 30, 2020**

	As-Reported (GAAP)	Transformation <sub>(1)</sub> Strategy Costs	As-Adjusted (Non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 1,098	\$ 35	\$ 1,133
International Package	966	6	972
Supply Chain & Freight	299	3	302
Total operating profit	<u>\$ 2,363</u>	<u>\$ 44</u>	<u>\$ 2,407</u>
Income before income taxes	\$ 2,525	\$ 44	\$ 2,569
Income tax expense	\$ 568	\$ 11	\$ 579
Net income	<u>\$ 1,957</u>	<u>\$ 33</u>	<u>\$ 1,990</u>
Diluted earnings per share	\$ 2.24	\$ 0.04	\$ 2.28

(1) Transformation costs of \$44 million reflect other employee benefits costs of \$18 million and other costs of \$26 million

**Nine Months Ended September 30, 2020**

	As-Reported (GAAP)	Transformation <sub>(1)</sub> Strategy Costs	As-Adjusted (Non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 2,644	\$ 105	\$ 2,749
International Package	2,288	84	2,372
Supply Chain & Freight	715	12	727
Total operating profit	<u>\$ 5,647</u>	<u>\$ 201</u>	<u>\$ 5,848</u>
Income before income taxes	\$ 6,132	\$ 201	\$ 6,333
Income tax expense	\$ 1,442	\$ 50	\$ 1,492
Net income	<u>\$ 4,690</u>	<u>\$ 151</u>	<u>\$ 4,841</u>
Diluted earnings per share	\$ 5.39	\$ 0.17	\$ 5.56

(1) Transformation costs of \$201 million reflect other employee benefits costs of \$111 million and other costs of \$90 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 September 30,

	2020 As-Reported (GAAP)	2019 As-Reported (GAAP)	% Change (GAAP)	Currency Impact	2020 Currency Neutral (Non-GAAP) <sup>(1)</sup>	% Change (Non-GAAP)
<b>Average Revenue Per Piece:</b>						
International Package:						
Domestic	\$ 6.61	\$ 6.45	2.5 %	\$ (0.18)	\$ 6.43	(0.3) %
Export	28.98	29.06	(0.3) %	(0.30)	28.68	(1.3) %
Total International Package	<u>\$ 17.37</u>	<u>\$ 16.92</u>	2.7 %	<u>\$ (0.23)</u>	<u>\$ 17.14</u>	1.3 %
Consolidated	<u>\$ 11.06</u>	<u>\$ 11.02</u>	0.4 %	<u>\$ (0.03)</u>	<u>\$ 11.03</u>	0.1 %
<b>Revenue:</b>						
U.S. Domestic Package	\$ 13,225	\$ 11,455	15.5 %	\$ —	\$ 13,225	15.5 %
International Package	4,087	3,494	17.0 %	(54)	4,033	15.4 %
Supply Chain & Freight	3,926	3,369	16.5 %	8	3,934	16.8 %
Total revenue	<u>\$ 21,238</u>	<u>\$ 18,318</u>	15.9 %	<u>\$ (46)</u>	<u>\$ 21,192</u>	15.7 %

<sup>(1)</sup> Amounts adjusted for period over period foreign currency exchange rate and hedging differences

	2020 As-Adjusted (Non-GAAP) <sup>(1)</sup>	2019 As-Adjusted (Non-GAAP) <sup>(1)</sup>	% Change (Non-GAAP)	Currency Impact	2020 As-Adjusted Currency Neutral (Non-GAAP) <sup>(2)</sup>	% Change (Non-GAAP)
<b>As-Adjusted Operating Profit:</b>						
U.S. Domestic Package	\$ 1,133	\$ 1,242	(8.8) %	\$ —	\$ 1,133	(8.8) %
International Package	972	693	40.3 %	(7)	965	39.2 %
Supply Chain & Freight	302	256	18.0 %	2	304	18.8 %
Total operating profit	<u>\$ 2,407</u>	<u>\$ 2,191</u>	9.9 %	<u>\$ (5)</u>	<u>\$ 2,402</u>	9.6 %

<sup>(1)</sup> Amounts adjusted for transformation strategy costs

<sup>(2)</sup> 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 conform 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):**

**Nine Months Ended September 30,**

	2020 As-Reported (GAAP)	2019 As-Reported (GAAP)	% Change (GAAP)	Currency Impact	2020 Currency Neutral (Non-GAAP) <sup>(1)</sup>	% Change (Non-GAAP)
<b>Average Revenue Per Piece:</b>						
International Package:						
Domestic	\$ 6.48	\$ 6.52	(0.6) %	\$ 0.02	\$ 6.50	(0.3) %
Export	28.63	29.29	(2.3) %	(0.02)	28.61	(2.3) %
Total International Package	<u>\$ 16.88</u>	<u>\$ 17.04</u>	(0.9) %	<u>\$ —</u>	<u>\$ 16.88</u>	(0.9) %
Consolidated	<u>\$ 10.85</u>	<u>\$ 11.10</u>	(2.3) %	<u>\$ —</u>	<u>\$ 10.85</u>	(2.3) %
<b>Revenue:</b>						
U.S. Domestic Package	\$ 37,755	\$ 33,085	14.1 %	\$ —	\$ 37,755	14.1 %
International Package	11,175	10,458	6.9 %	3	11,178	6.9 %
Supply Chain & Freight	10,802	9,983	8.2 %	108	10,910	9.3 %
Total revenue	<u>\$ 59,732</u>	<u>\$ 53,526</u>	11.6 %	<u>\$ 111</u>	<u>\$ 59,843</u>	11.8 %

<sup>(1)</sup> Amounts adjusted for period over period foreign currency exchange rate and hedging differences

	2020 As-Adjusted (Non-GAAP) <sup>(1)</sup>	2019 As-Adjusted (Non-GAAP) <sup>(1)</sup>	% Change (Non-GAAP)	Currency Impact	2020 As-Adjusted Currency Neutral (Non-GAAP) <sup>(2)</sup>	% Change (Non-GAAP)
<b>As-Adjusted Operating Profit:</b>						
U.S. Domestic Package	\$ 2,749	\$ 3,162	(13.1) %	\$ —	\$ 2,749	(13.1) %
International Package	2,372	1,970	20.4 %	(37)	2,335	18.5 %
Supply Chain & Freight	727	740	(1.8) %	(4)	723	(2.3) %
Total operating profit	<u>\$ 5,848</u>	<u>\$ 5,872</u>	(0.4) %	<u>\$ (41)</u>	<u>\$ 5,807</u>	(1.1) %

<sup>(1)</sup> Amounts adjusted for transformation strategy costs

<sup>(2)</sup> 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 September 30,**

	2020 As-Adjusted (Non-GAAP) <sup>(1)</sup>	2019 As-Adjusted (Non-GAAP) <sup>(1)</sup>	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) <sup>(2)</sup>	% Change (Non-GAAP)
<b>As-Adjusted Operating Profit:</b>						
U.S. Domestic Package	\$ 1,133	\$ 1,242	(8.8) %	\$ 63	\$ 1,196	(3.7) %
International Package	972	693	40.3 %	4	976	40.8 %
Supply Chain & Freight	302	256	18.0 %	7	309	20.7 %
<b>Total operating profit</b>	<b>\$ 2,407</b>	<b>\$ 2,191</b>	<b>9.9 %</b>	<b>\$ 74</b>	<b>\$ 2,481</b>	<b>13.2 %</b>

	2020 As-Adjusted (Non-GAAP) <sup>(1)</sup>	2019 As-Adjusted (Non-GAAP) <sup>(1)</sup>	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) <sup>(2)</sup>	% Change (Non-GAAP)
<b>As-Adjusted Operating margin:</b>						
U.S. Domestic Package	8.6 %	10.8 %	(2.2) %	0.4 %	9.0 %	(1.8) %
International Package	23.8 %	19.8 %	4.0 %	0.1 %	23.9 %	4.1 %
Supply Chain & Freight	7.7 %	7.6 %	0.1 %	0.2 %	7.9 %	0.3 %
<b>Total operating margin</b>	<b>11.3 %</b>	<b>12.0 %</b>	<b>(0.7) %</b>	<b>0.4 %</b>	<b>11.7 %</b>	<b>(0.3) %</b>

<sup>(1)</sup> Amounts adjusted for transformation strategy costs

<sup>(2)</sup> 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):**

Nine Months Ended September 30,

	2020 As-Adjusted (Non-GAAP) <sup>(1)</sup>	2019 As-Adjusted (Non-GAAP) <sup>(1)</sup>	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) <sup>(2)</sup>	% Change (Non-GAAP)
<b>As-Adjusted Operating Profit:</b>						
U.S. Domestic Package	\$ 2,749	\$ 3,162	(13.1)%	\$ 188	\$ 2,937	(7.1)%
International Package	2,372	1,970	20.4 %	12	2,384	21.0 %
Supply Chain & Freight	727	740	(1.8)%	21	748	1.1 %
<b>Total operating profit</b>	<b>\$ 5,848</b>	<b>\$ 5,872</b>	<b>(0.4)%</b>	<b>\$ 221</b>	<b>\$ 6,069</b>	<b>3.4 %</b>

	2020 As-Adjusted (Non-GAAP) <sup>(1)</sup>	2019 As-Adjusted (Non-GAAP) <sup>(1)</sup>	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) <sup>(2)</sup>	% Change (Non-GAAP)
<b>As-Adjusted Operating Margin:</b>						
U.S. Domestic Package	7.3 %	9.6 %	(2.3)%	0.5 %	7.8 %	(1.8)%
International Package	21.2 %	18.8 %	2.4 %	0.1 %	21.3 %	2.5 %
Supply Chain & Freight	6.7 %	7.4 %	(0.7)%	0.2 %	6.9 %	(0.5)%
<b>Total operating margin</b>	<b>9.8 %</b>	<b>11.0 %</b>	<b>(1.2)%</b>	<b>0.4 %</b>	<b>10.2 %</b>	<b>(0.8)%</b>

<sup>(1)</sup> Amounts adjusted for transformation strategy costs

<sup>(2)</sup> 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 Adjusted Capital Expenditures and Free Cash Flow (Non-GAAP measures)**  
**(in millions):**

**Nine Months Ended September 30,**

	<u>2020</u>
Cash flows from operating activities	\$ 9,283
Capital expenditures	(3,219)
Principal repayments of finance lease obligations	(136)
Adjusted Capital Expenditures (Non-GAAP measure)	\$ (3,355)
Proceeds from disposals of PP&E	10
Net change in finance receivables	24
Other investing activities	(15)
Adjusted Free Cash Flow (Non-GAAP measure)	\$ 5,947
Discretionary pension contributions	1,000
Adjusted Free cash flow (Non-GAAP measure) excluding discretionary pension contributions	\$ 6,947



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

Three Months Ended  
September 30

	2020	2019	Change	% Change
(amounts in millions, except per share data)				
<b>Statement of Income Data:</b>				
Revenue:				
U.S. Domestic Package	\$ 13,225	\$ 11,455	\$ 1,770	15.5 %
International Package	4,087	3,494	593	17.0 %
Supply Chain & Freight	3,926	3,369	557	16.5 %
Total revenue	21,238	18,318	2,920	15.9 %
Operating expenses:				
Compensation and benefits	11,077	9,590	1,487	15.5 %
Other	7,798	6,600	1,198	18.2 %
Total operating expenses	18,875	16,190	2,685	16.6 %
Operating profit:				
U.S. Domestic Package	1,098	1,216	(118)	(9.7)%
International Package	966	667	299	44.8 %
Supply Chain & Freight	299	245	54	22.0 %
Total operating profit	2,363	2,128	235	11.0 %
Other income (expense):				
Other pension income (expense)	327	191	136	71.2 %
Investment income and other	11	46	(35)	(76.1)%
Interest expense	(176)	(159)	(17)	10.7 %
Total other income (expense)	162	78	84	107.7 %
Income before income taxes	2,525	2,206	319	14.5 %
Income tax expense (benefit)	568	456	112	24.6 %
Net income	\$ 1,957	\$ 1,750	\$ 207	11.8 %
Net income as a percentage of revenue	9.2 %	9.6 %		
Per share amounts:				
Basic earnings per share	\$ 2.25	\$ 2.03	\$ 0.22	10.8 %
Diluted earnings per share	\$ 2.24	\$ 2.01	\$ 0.23	11.4 %
Weighted-average shares outstanding:				
Basic	868	864	4	0.5 %
Diluted	872	870	2	0.2 %
<b>As adjusted income data <sup>(1)</sup>:</b>				
Operating profit:				
U.S. Domestic Package	\$ 1,133	\$ 1,242	\$ (109)	(8.8)%
International Package	972	693	279	40.3 %
Supply Chain & Freight	302	256	46	18.0 %
Total operating profit	2,407	2,191	216	9.9 %
Income before income taxes	\$ 2,569	\$ 2,269	\$ 300	13.2 %
Net income	\$ 1,990	\$ 1,797	\$ 193	10.7 %
Basic earnings per share	\$ 2.29	\$ 2.08	\$ 0.21	10.1 %
Diluted earnings per share	\$ 2.28	\$ 2.07	\$ 0.21	10.1 %

(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 - Third Quarter**  
**(unaudited)**

	Three Months Ended			
	September 30			
	2020	2019	Change	% Change
<b>Revenue (in millions):</b>				
U.S. Domestic Package:				
Next Day Air	\$ 2,098	\$ 2,146	\$ (48)	(2.2)%
Deferred	1,378	1,248	130	10.4 %
Ground	9,749	8,061	1,688	20.9 %
Total U.S. Domestic Package	13,225	11,455	1,770	15.5 %
International Package:				
Domestic	776	689	87	12.6 %
Export	3,153	2,673	480	18.0 %
Cargo and Other	158	132	26	19.7 %
Total International Package	4,087	3,494	593	17.0 %
Supply Chain & Freight:				
Forwarding	1,753	1,472	281	19.1 %
Logistics	1,040	846	194	22.9 %
Freight	870	852	18	2.1 %
Other	263	199	64	32.2 %
Total Supply Chain & Freight	3,926	3,369	557	16.5 %
Consolidated	\$ 21,238	\$ 18,318	\$ 2,920	15.9 %
Consolidated volume (in millions)	1,550	1,345	205	15.2 %
Operating weekdays	65	64	1	1.6 %
<b>Average Daily Package Volume (in thousands):</b>				
U.S. Domestic Package:				
Next Day Air	1,915	1,891	24	1.3 %
Deferred	1,657	1,474	183	12.4 %
Ground	16,803	14,544	2,259	15.5 %
Total U.S. Domestic Package	20,375	17,909	2,466	13.8 %
International Package:				
Domestic	1,806	1,668	138	8.3 %
Export	1,674	1,437	237	16.5 %
Total International Package	3,480	3,105	375	12.1 %
Consolidated	23,855	21,014	2,841	13.5 %
<b>Average Revenue Per Piece:</b>				
U.S. Domestic Package:				
Next Day Air	\$ 16.85	\$ 17.73	\$ (0.88)	(5.0)%
Deferred	12.79	13.23	(0.44)	(3.3)%
Ground	8.93	8.66	0.27	3.1 %
Total U.S. Domestic Package	9.99	9.99	—	— %
International Package:				
Domestic	6.61	6.45	0.16	2.5 %
Export	28.98	29.06	(0.08)	(0.3)%
Total International Package	17.37	16.92	0.45	2.7 %
Consolidated	\$ 11.06	\$ 11.02	\$ 0.04	0.4 %

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

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

	Three Months Ended September 30			
	2020	2019	Change	% Change
(in millions)				
Repairs and maintenance	\$ 576	\$ 485	\$ 91	18.8 %
Depreciation and amortization	677	587	90	15.3 %
Purchased transportation	3,937	2,984	953	31.9 %
Fuel	618	824	(206)	(25.0)%
Other occupancy	376	346	30	8.7 %
Other expenses	1,614	1,374	240	17.5 %
Total other operating expenses	<u>\$ 7,798</u>	<u>\$ 6,600</u>	<u>\$ 1,198</u>	<u>18.2 %</u>

**Earnings Per Share and Share Data - Third Quarter**  
(unaudited)

	Three Months Ended September 30	
	2020	2019
(amounts in millions, except per share data)		
<b>Numerator:</b>		
Net income	<u>\$ 1,957</u>	<u>\$ 1,750</u>
<b>Denominator:</b>		
Weighted-average shares	864	858
Deferred compensation obligations	—	—
Vested portion of restricted units	4	6
Denominator for basic earnings per share	<u>868</u>	<u>864</u>
<b>Effect of dilutive securities:</b>		
Restricted units	4	6
Stock options	—	—
Denominator for diluted earnings per share	<u>872</u>	<u>870</u>
Basic earnings per share	<u>\$ 2.25</u>	<u>\$ 2.03</u>
Diluted earnings per share	<u>\$ 2.24</u>	<u>\$ 2.01</u>
<b>Detail of shares outstanding as of September 30, 2020:</b>		
Class A shares	150	
Class B shares	714	
Total shares outstanding	<u>864</u>	

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)**

	Nine Months Ended September 30			
	2020	2019	Change	% Change
(amounts in millions, except per share data)				
<b>Statement of Income Data:</b>				
Revenue:				
U.S. Domestic Package	\$ 37,755	\$ 33,085	\$ 4,670	14.1 %
International Package	11,175	10,458	717	6.9 %
Supply Chain & Freight	10,802	9,983	819	8.2 %
Total revenue	<u>59,732</u>	<u>53,526</u>	6,206	11.6 %
Operating expenses:				
Compensation and benefits	32,006	28,206	3,800	13.5 %
Other	22,079	19,655	2,424	12.3 %
Total operating expenses	<u>54,085</u>	<u>47,861</u>	6,224	13.0 %
Operating profit:				
U.S. Domestic Package	2,644	3,090	(446)	(14.4)%
International Package	2,288	1,858	430	23.1 %
Supply Chain & Freight	715	717	(2)	(0.3)%
Total operating profit	<u>5,647</u>	<u>5,665</u>	(18)	(0.3)%
Other income (expense):				
Other pension income (expense)	981	574	407	70.9 %
Investment income and other	30	98	(68)	(69.4)%
Interest expense	(526)	(487)	(39)	8.0 %
Total other income (expense)	<u>485</u>	<u>185</u>	300	162.2 %
Income before income taxes	6,132	5,850	282	4.8 %
Income tax expense (benefit)	1,442	1,304	138	10.6 %
Net income	<u>\$ 4,690</u>	<u>\$ 4,546</u>	<u>\$ 144</u>	3.2 %
Net income as a percentage of revenue	7.9 %	8.5 %		
Per share amounts:				
Basic earnings per share	\$ 5.42	\$ 5.26	\$ 0.16	3.0 %
Diluted earnings per share	\$ 5.39	\$ 5.23	\$ 0.16	3.1 %
Weighted-average shares outstanding:				
Basic	866	865	1	0.1 %
Diluted	870	869	1	0.1 %
<b>As adjusted income data<sup>(1)</sup>:</b>				
Operating profit:				
U.S. Domestic Package	\$ 2,749	\$ 3,162	\$ (413)	(13.1)%
International Package	2,372	1,970	402	20.4 %
Supply Chain & Freight	727	740	(13)	(1.8)%
Total operating profit	<u>5,848</u>	<u>5,872</u>	(24)	(0.4)%
Income before income taxes	\$ 6,333	\$ 6,057	\$ 276	4.6 %
Net income	\$ 4,841	\$ 4,703	\$ 138	2.9 %
Basic earnings per share	\$ 5.59	\$ 5.44	\$ 0.15	2.8 %
Diluted earnings per share	\$ 5.56	\$ 5.41	\$ 0.15	2.8 %

(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)**

	Nine Months Ended September 30			
	2020	2019	Change	% Change
<b>Revenue (in millions):</b>				
U.S. Domestic Package:				
Next Day Air	\$ 6,137	\$ 6,160	\$ (23)	(0.4) %
Deferred	3,873	3,494	379	10.8 %
Ground	27,745	23,431	4,314	18.4 %
Total U.S. Domestic Package	37,755	33,085	4,670	14.1 %
International Package:				
Domestic	2,183	2,069	114	5.5 %
Export	8,538	7,972	566	7.1 %
Cargo and Other	454	417	37	8.9 %
Total International Package	11,175	10,458	717	6.9 %
Supply Chain & Freight:				
Forwarding	4,897	4,384	513	11.7 %
Logistics	2,862	2,511	351	14.0 %
Freight	2,360	2,486	(126)	(5.1) %
Other	683	602	81	13.5 %
Total Supply Chain & Freight	10,802	9,983	819	8.2 %
Consolidated	\$ 59,732	\$ 53,526	\$ 6,206	11.6 %
Consolidated volume (in millions)	4,466	3,885	581	15.0 %
Operating weekdays	193	191	2	1.0 %
<b>Average Daily Package Volume (in thousands):</b>				
U.S. Domestic Package:				
Next Day Air	1,888	1,771	117	6.6 %
Deferred	1,617	1,413	204	14.4 %
Ground	16,346	14,068	2,278	16.2 %
Total U.S. Domestic Package	19,851	17,252	2,599	15.1 %
International Package:				
Domestic	1,746	1,661	85	5.1 %
Export	1,545	1,425	120	8.4 %
Total International Package	3,291	3,086	205	6.6 %
Consolidated	23,142	20,338	2,804	13.8 %
<b>Average Revenue Per Piece:</b>				
U.S. Domestic Package:				
Next Day Air	\$ 16.84	\$ 18.21	\$ (1.37)	(7.5) %
Deferred	12.41	12.95	(0.54)	(4.2) %
Ground	8.79	8.72	0.07	0.8 %
Total U.S. Domestic Package	9.85	10.04	(0.19)	(1.9) %
International Package:				
Domestic	6.48	6.52	(0.04)	(0.6) %
Export	28.63	29.29	(0.66)	(2.3) %
Total International Package	16.88	17.04	(0.16)	(0.9) %
Consolidated	\$ 10.85	\$ 11.10	\$ (0.25)	(2.3) %

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)

	Nine Months Ended September 30			
	2020	2019	Change	% Change
(in millions)				
Repairs and maintenance	\$ 1,693	\$ 1,392	\$ 301	21.6 %
Depreciation and amortization	1,986	1,730	256	14.8 %
Purchased transportation	10,584	8,950	1,634	18.3 %
Fuel	1,878	2,451	(573)	(23.4)%
Other occupancy	1,114	1,039	75	7.2 %
Other expenses	4,824	4,093	731	17.9 %
<b>Total other operating expenses</b>	<b>\$ 22,079</b>	<b>\$ 19,655</b>	<b>\$ 2,424</b>	<b>12.3 %</b>

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

	Nine Months Ended September 30	
	2020	2019
(amounts in millions, except per share data)		
<b>Numerator:</b>		
Net income	\$ 4,690	\$ 4,546
<b>Denominator:</b>		
Weighted-average shares	861	859
Deferred compensation obligations	—	—
Vested portion of restricted units	5	6
Denominator for basic earnings per share	866	865
<b>Effect of dilutive securities:</b>		
Restricted units	4	4
Stock options	—	—
Denominator for diluted earnings per share	870	869
Basic earnings per share	\$ 5.42	\$ 5.26
Diluted earnings per share	\$ 5.39	\$ 5.23

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

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

(amounts in millions)	September 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 8,839	\$ 5,238
Marketable securities	402	503
Accounts receivables	9,153	9,645
Less: Allowance for credit losses	(160)	(93)
Accounts receivable, net	8,993	9,552
Other current assets	1,696	1,810
Total Current Assets	19,930	17,103
Property, Plant and Equipment, Net	32,164	30,482
Operating Lease Right-Of-Use Assets	3,022	2,856
Goodwill	3,816	3,813
Intangible Assets, Net	2,289	2,167
Investments and Restricted Cash	25	24
Deferred Income Tax Assets	277	330
Other Non-Current Assets	883	1,082
Total Assets	\$ 62,406	\$ 57,857
<b>LIABILITIES AND SHAREOWNERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt, commercial paper and finance leases	\$ 2,382	\$ 3,420
Current maturities of operating leases	560	538
Accounts payable	5,609	5,555
Accrued wage and withholdings	3,140	2,552
Self-insurance reserves	1,128	914
Accrued group welfare and retirement plan contributions	857	793
Other current liabilities	1,780	1,641
Total Current Liabilities	15,456	15,413
Long-Term Debt and Finance Leases	23,336	21,818
Non-Current Operating Leases	2,473	2,391
Pension and Postretirement Benefit Obligations	9,630	10,601
Deferred Income Tax Liabilities	2,145	1,632
Other Non-Current Liabilities	3,760	2,719
<b>Shareowners' Equity:</b>		
Class A common stock	2	2
Class B common stock	7	7
Additional paid-in capital	490	150
Retained earnings	11,115	9,105
Accumulated other comprehensive loss	(6,022)	(5,997)
Deferred compensation obligations	20	26
Less: Treasury stock	(20)	(26)
Total Equity for Controlling Interest	5,592	3,267
Noncontrolling interests	14	16
Total Shareowners' Equity	5,606	3,283
Total Liabilities and Shareowners' Equity	\$ 62,406	\$ 57,857

Amounts are subject to reclassification.

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

(amounts in millions)

	Nine Months Ended	
	September 30,	
	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 4,690	\$ 4,546
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,986	1,730
Pension and postretirement benefit expense	481	566
Pension and postretirement benefit contributions	(1,307)	(2,321)
Self-insurance reserves	388	(181)
Deferred tax (benefit) expense	566	43
Stock compensation expense	508	716
Other (gains) losses	164	46
Changes in assets and liabilities, net of effects of business acquisitions:		
Accounts receivable	352	843
Other assets	391	778
Accounts payable	(450)	(914)
Accrued wages and withholdings	1,330	(506)
Other liabilities	120	393
Other operating activities	64	(46)
Net cash from operating activities	<u>9,283</u>	<u>5,693</u>
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	(3,219)	(4,336)
Proceeds from disposals of property, plant and equipment	10	61
Purchases of marketable securities	(202)	(487)
Sales and maturities of marketable securities	309	817
Net change in finance receivables	24	8
Cash paid for business acquisitions, net of cash and cash equivalents acquired	(13)	(6)
Other investing activities	(15)	(84)
Net cash used in investing activities	<u>(3,106)</u>	<u>(4,027)</u>
<b>Cash Flows From Financing Activities:</b>		
Net change in short-term debt	(1,924)	(1,100)
Proceeds from long-term borrowings	5,003	4,802
Repayments of long-term borrowings	(2,746)	(2,411)
Purchases of common stock	(224)	(751)
Issuances of common stock	214	161
Dividends	(2,528)	(2,397)
Other financing activities	(351)	(158)
Net cash used in financing activities	<u>(2,556)</u>	<u>(1,854)</u>
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(19)	6
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	<u>3,602</u>	<u>(182)</u>
<b>Cash, Cash Equivalents and Restricted Cash:</b>		
Beginning of period	5,238	4,367
End of period	<u>\$ 8,840</u>	<u>\$ 4,185</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 - Third Quarter**  
**Currency Neutral Revenue Per Piece, Revenue and Operating Profit**  
(unaudited)

	Three Months Ended September 30			Currency Neutral		
	2020	2019	% Change	Currency	2020 <sup>(1)</sup>	% Change
<b>Average Revenue Per Piece:</b>						
<b>International Package:</b>						
Domestic	\$ 6.61	\$ 6.45	2.5 %	\$ (0.18)	\$ 6.43	(0.3) %
Export	28.98	29.06	(0.3) %	(0.30)	28.68	(1.3) %
Total International Package	\$ 17.37	\$ 16.92	2.7 %	\$ (0.23)	\$ 17.14	1.3 %
Consolidated	\$ 11.06	\$ 11.02	0.4 %	\$ (0.03)	\$ 11.03	0.1 %

	Three Months Ended September 30			Currency Neutral		
	2020	2019	% Change	Currency	2020 <sup>(1)</sup>	% Change
<b>Revenue (in millions):</b>						
U.S. Domestic Package	\$ 13,225	\$ 11,455	15.5 %	\$ —	\$ 13,225	15.5 %
International Package	4,087	3,494	17.0 %	(54)	4,033	15.4 %
Supply Chain & Freight	3,926	3,369	16.5 %	8	3,934	16.8 %
Total revenue	\$ 21,238	\$ 18,318	15.9 %	\$ (46)	\$ 21,192	15.7 %

	Three Months Ended September 30			Currency Neutral		
	2020 <sup>(2)</sup>	2019 <sup>(2)</sup>	% Change	Currency	2020 <sup>(3)</sup>	% Change
<b>As-Adjusted Operating Profit (in millions):</b>						
U.S. Domestic Package	\$ 1,133	\$ 1,242	-8.8 %	\$ —	\$ 1,133	(8.8) %
International Package	972	693	40.3 %	(7)	965	39.2 %
Supply Chain & Freight	302	256	18.0 %	2	304	18.8 %
Total operating profit	\$ 2,407	\$ 2,191	9.9 %	\$ (5)	\$ 2,402	9.6 %

**Pension Discount Rate Neutral Operating Profit and Margin**  
(unaudited)

	Three Months Ended September 30			Pension Discount Rate Neutral		
	2020 <sup>(2)</sup>	2019 <sup>(2)</sup>	% Change	Pension	2020 <sup>(4)</sup>	% Change
<b>As-Adjusted Operating profit (in millions):</b>						
U.S. Domestic Package	\$ 1,133	\$ 1,242	(8.8) %	\$ 63	\$ 1,196	(3.7) %
International Package	972	693	40.3 %	4	976	40.8 %
Supply Chain & Freight	302	256	18.0 %	7	309	20.7 %
Total operating profit	\$ 2,407	\$ 2,191	9.9 %	\$ 74	\$ 2,481	13.2 %

	Three Months Ended September 30			Pension Discount Rate Neutral		
	2020 <sup>(2)</sup>	2019 <sup>(2)</sup>	% Change	Pension	2020 <sup>(4)</sup>	% Change
<b>As- Adjusted Operating margin:</b>						
U.S. Domestic Package	8.6 %	10.8 %	(2.2) %	0.4 %	9.0 %	(1.8) %
International Package	23.8 %	19.8 %	4.0 %	0.1 %	23.9 %	4.1 %
Supply Chain & Freight	7.7 %	7.6 %	0.1 %	0.2 %	7.9 %	0.3 %
Total operating margin	11.3 %	12.0 %	(0.7) %	0.4 %	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)**

	Nine Months Ended September 30			Currency Neutral		
	2020	2019	% Change	Currency	2020 <sup>(1)</sup>	% Change
<b>Average Revenue Per Piece:</b>						
<b>International Package:</b>						
Domestic	\$ 6.48	\$ 6.52	(0.6)%	\$ 0.02	\$ 6.50	(0.3)%
Export	28.63	29.29	(2.3)%	(0.02)	28.61	(2.3)%
Total International Package	\$ 16.88	\$ 17.04	(0.9)%	\$ —	\$ 16.88	(0.9)%
Consolidated	\$ 10.85	\$ 11.10	(2.3)%	\$ —	\$ 10.85	(2.3)%

	Nine Months Ended September 30			Currency Neutral		
	2020	2019	% Change	Currency	2020 <sup>(1)</sup>	% Change
<b>Revenue (in millions):</b>						
U.S. Domestic Package	\$ 37,755	\$ 33,085	14.1 %	\$ —	\$ 37,755	14.1 %
International Package	11,175	10,458	6.9 %	3	11,178	6.9 %
Supply Chain & Freight	10,802	9,983	8.2 %	108	10,910	9.3 %
Total revenue	\$ 59,732	\$ 53,526	11.6 %	\$ 111	\$ 59,843	11.8 %

	Nine Months Ended September 30			Currency Neutral		
	2020 <sup>(2)</sup>	2019 <sup>(2)</sup>	% Change	Currency	2020 <sup>(3)</sup>	% Change
<b>As-Adjusted Operating Profit (in millions):</b>						
U.S. Domestic Package	\$ 2,749	\$ 3,162	(13.1)%	\$ —	\$ 2,749	(13.1)%
International Package	2,372	1,970	20.4 %	(37)	2,335	18.5 %
Supply Chain & Freight	727	740	(1.8)%	(4)	723	(2.3)%
Total operating profit	\$ 5,848	\$ 5,872	(0.4)%	\$ (41)	\$ 5,807	(1.1)%

**Pension Discount Rate Neutral Operating Profit and Margin**  
**(unaudited)**

	Nine Months Ended September 30			Pension Discount Rate Neutral		
	2020 <sup>(2)</sup>	2019 <sup>(2)</sup>	% Change	Pension	2020 <sup>(4)</sup>	% Change
<b>As-Adjusted Operating profit (in millions):</b>						
U.S. Domestic Package	\$ 2,749	\$ 3,162	(13.1)%	\$ 188	\$ 2,937	(7.1) %
International Package	2,372	1,970	20.4 %	12	2,384	21.0 %
Supply Chain & Freight	727	740	(1.8)%	21	748	1.1 %
Total operating profit	\$ 5,848	\$ 5,872	(0.4)%	\$ 221	\$ 6,069	3.4 %
<b>As- Adjusted Operating margin:</b>						
U.S. Domestic Package	7.3 %	9.6 %	(2.3)%	0.5 %	7.8 %	(1.8) %
International Package	21.2 %	18.8 %	2.4 %	0.1 %	21.3 %	2.5 %
Supply Chain & Freight	6.7 %	7.4 %	(0.7)%	0.2 %	6.9 %	(0.5) %
Total operating margin	9.8 %	11.0 %	(1.2)%	0.4 %	10.2 %	(0.8) %

(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 September 30, 2020			2019		
	As-Reported (GAAP)	Transformation Strategy Costs <sup>(1)</sup>	As-Adjusted (Non-GAAP)	As-Reported (GAAP)	Transformation Strategy Costs <sup>(2)</sup>	As-Adjusted (Non-GAAP)
<b>Operating profit:</b>						
U.S. Domestic Package	\$ 1,098	\$ 35	\$ 1,133	\$ 1,216	\$ 26	\$ 1,242
International Package	966	6	972	667	26	693
Supply Chain & Freight	299	3	302	245	11	256
Total operating profit	\$ 2,363	\$ 44	\$ 2,407	\$ 2,128	\$ 63	\$ 2,191
Income before income taxes	\$ 2,525	\$ 44	\$ 2,569	\$ 2,206	\$ 63	\$ 2,269
Income tax expense	\$ 568	\$ 11	\$ 579	\$ 456	\$ 16	\$ 472
Net income	\$ 1,957	\$ 33	\$ 1,990	\$ 1,750	\$ 47	\$ 1,797
Diluted earnings per share	\$ 2.24	\$ 0.04	\$ 2.28	\$ 2.01	\$ 0.06	\$ 2.07

(1) Transformation costs of \$44 million reflect other employee benefits costs of \$18 million and other costs of \$26 million.  
(2) Transformation costs of \$63 million reflect other employee benefits costs of \$41 million and other costs of \$22 million.

	Nine Months Ended September 30, 2020			2019		
	As-Reported (GAAP)	Transformation Strategy Costs <sup>(1)</sup>	As-Adjusted (Non-GAAP)	As-Reported (GAAP)	Transformation Strategy Costs <sup>(2)</sup>	As-Adjusted (Non-GAAP)
<b>Operating profit:</b>						
U.S. Domestic Package	\$ 2,644	\$ 105	\$ 2,749	\$ 3,090	\$ 72	\$ 3,162
International Package	2,288	84	2,372	1,858	112	1,970
Supply Chain & Freight	715	12	727	717	23	740
Total operating profit	\$ 5,647	\$ 201	\$ 5,848	\$ 5,665	\$ 207	\$ 5,872
Income before income taxes	\$ 6,132	\$ 201	\$ 6,333	\$ 5,850	\$ 207	\$ 6,057
Income tax expense	\$ 1,442	\$ 50	\$ 1,492	\$ 1,304	\$ 50	\$ 1,354
Net income	\$ 4,690	\$ 151	\$ 4,841	\$ 4,546	\$ 157	\$ 4,703
Diluted earnings per share	\$ 5.39	\$ 0.17	\$ 5.56	\$ 5.23	\$ 0.18	\$ 5.41

(1) Transformation costs of \$201 million reflect other employee benefits costs of \$111 million and other costs of \$90 million.  
(2) Transformation costs of \$207 million reflect other employee benefits costs of \$149 million and other costs of \$58 million.

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

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities	\$ 9,283	\$ 5,693
Capital expenditures	(3,219)	(4,336)
Principal repayments of finance lease obligations	(136)	(120)
Adjusted Capital Expenditures (Non-GAAP measure)	\$ (3,355)	\$ (4,456)
Proceed from disposal of PP&E	10	61
Net change in finance receivables	24	8
Other investing activities	(15)	(84)
Adjusted free cash flow (Non-GAAP measure)	\$ 5,947	\$ 1,222
Discretionary pension contributions	1,000	2,000
Adjusted Free cash flow (Non-GAAP measure) excluding discretionary pension contributions	\$ 6,947	\$ 3,222

Amounts are subject to reclassification.

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

Description	Owned and Finance Leases	Operating Leases & Charters from Others	On Order	Under Option
<b>Operating:</b>				
Boeing 757-200	75	—	—	—
Boeing 767-300	66	—	6	—
Boeing 767-300BCF	4	—	—	—
Boeing 767-300BDSF	3	—	1	—
Airbus A300-600	52	—	—	—
Boeing MD-11	39	—	3	—
Boeing 747-400F	11	—	—	—
Boeing 747-400BCF	2	—	—	—
Boeing 747-8F	17	—	11	—
Other	—	297	—	—
Total	269	297	21	—