

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): April 27, 2021



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 April 27, 2021, United Parcel Service, Inc. (the “Company”) issued a press release containing information about the Company’s results of operations for the first quarter ended March 31, 2021. The Company also posted on its website at www.investors.ups.com financial statement schedules containing additional detail about the Company’s results of operations for the same period.

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

Item 9.01 — Financial Statements and Exhibits.

(d) Exhibits

99.1 Press release dated April 27, 2021 "[UPS RELEASES 1Q 2021 EARNINGS](#)"

99.2 [Q1 2021 financial statement schedules](#)

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

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

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 27, 2021

By: UNITED PARCEL SERVICE, INC.
/s/ BRIAN NEWMAN

Brian Newman
Senior Vice President, Chief Financial Officer and Treasurer

For Immediate Release

UPS RELEASES 1Q 2021 EARNINGS

- *Consolidated Revenue Increased 27%; Growth Across All Segments*
- *Consolidated Operating Profit Up 158% to \$2.8B, Up 164% on an Adjusted* Basis*
- *Diluted EPS of \$5.47; Adjusted Diluted EPS Up 141% to \$2.77*

ATLANTA – April 27, 2021 – UPS (NYSE:UPS) today announced first-quarter 2021 consolidated revenue of \$22.9 billion, a 27% increase over the first quarter of 2020. Consolidated average daily volume increased 14.3% year over year. Consolidated operating profit was \$2.8 billion, up 158% compared to the first quarter of 2020, and up 164% on an adjusted basis. Diluted earnings per share were \$5.47 for the quarter, 393% above the same period in 2020, and up 141% on an adjusted basis.

For the first-quarter of 2021, GAAP results include a net benefit of \$2.4 billion, or \$2.70 per diluted share, comprised of an after-tax mark-to-market (MTM) pension benefit of \$2.5 billion and after-tax transformation and other charges of \$140 million. The MTM benefit was primarily driven by the enactment of the American Rescue Plan Act of 2021 (ARPA). The ARPA, which was signed into law on March 11, 2021, protects certain multi-employer pension plans from becoming insolvent through 2051, thereby eliminating the Company's liability for potential coordinating benefits related to the Central States Pension Fund. Enactment of the ARPA required the Company to remeasure its UPS IBT Pension plan at current discount rates, which have increased since the previous measurement date. The overall result was a reduction in the pension liability of \$6.4 billion.

"I want to thank all UPSers for delivering what matters, including COVID-19 vaccines," said Carol Tomé, UPS chief executive officer. "During the quarter, we continued to execute our strategy under the better not bigger framework, which enabled us to win the best opportunities in the market and drove record financial results."

U.S. Domestic Segment

	<u>1Q 2021</u>	<u>Adjusted</u> <u>1Q 2021</u>	<u>1Q 2020</u>	<u>Adjusted</u> <u>1Q 2020</u>
Revenue	\$14,010M		\$11,456M	
Operating profit	\$1,359M	\$1,463M	\$364M	\$401M

- Revenue increased 22.3%, led by growth from small and medium-sized businesses.
- Revenue per piece increased 10.2%, driven by Ground products.
- Operating margin was 9.7%; adjusted operating margin was 10.4%.

* **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.

International Segment

	<u>1Q 2021</u>	<u>Adjusted 1Q 2021</u>	<u>1Q 2020</u>	<u>Adjusted 1Q 2020</u>
Revenue	\$4,607M		\$3,383M	
Operating profit	\$1,085M	\$1,091M	\$551M	\$558M

- Average daily volume grew 23.1%, with export growth from all regions.
- Revenue increased 36.2%, led by Asia and Europe.
- Operating margin was 23.6%; adjusted operating margin was 23.7%.

Supply Chain and Freight Segment

	<u>1Q 2021</u>	<u>Adjusted 1Q 2021</u>	<u>1Q 2020</u>	<u>Adjusted 1Q 2020</u>
Revenue	\$4,291M		\$3,196M	
Operating profit	\$321M	\$395M	\$157M	\$158M

- Revenue increased 34.3%, driven by strong demand in nearly all businesses.
- Operating margin was 7.5%; adjusted operating margin was 9.2%.

Outlook

Given continued economic uncertainty, the Company is not providing 2021 revenue or diluted earnings per share guidance; however, it is re-affirming its full-year capital allocation plans. UPS has scheduled its 2021 Investor and Analyst Day for June 9, when it will share further financial details.

Reaffirms Full-Year 2021 Capital Allocation Plans

- The sale of UPS Freight is expected to close in the second quarter.
- Capital expenditures are planned to be about \$4.0 billion.
- Long-term debt repayments, including \$1.5 billion repaid in the first quarter of 2021, will total \$2.5 billion.
- Effective tax rate for the remainder of the year is expected to be around 23.5%.
- The Company has no plans to repurchase shares.

Contacts:

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

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

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Conference Call Information

UPS CEO Carol Tomé and CFO Brian Newman will discuss first-quarter results with investors and analysts during a conference call at 8:30 a.m. ET, April 27, 2021. That call will be open to others through a live Webcast. To access the call, go to www.investors.ups.com and click on “Earnings Webcast.” Additional financial information is included in the detailed financial schedules being posted on www.investors.ups.com under “Financials” and as filed with the SEC as an exhibit to our Current Report on Form 8-K.

About UPS

UPS (NYSE: UPS) is one of the world’s largest package delivery companies with 2020 revenue of \$84.6 billion, and provides a broad range of integrated logistics solutions for customers in more than 220 countries and territories. The company’s more than 540,000 employees embrace a strategy that is simply stated and powerfully executed: Customer First. People Led. Innovation Driven. UPS is committed to being a steward of the environment and positively contributing to the communities we serve around the world. UPS also takes a strong and unwavering stance in support of diversity, equity and inclusion. The company can be found on the Internet at www.ups.com, with more information at www.stories.ups.com and www.investors.ups.com.

Forward-Looking Statements

This release and our filings with the Securities and Exchange Commission contain and in the future may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements other than those of current or historical fact, and all statements accompanied by terms such as “will,” “believe,” “project,” “expect,” “estimate,” “assume,” “intend,” “anticipate,” “target,” “plan,” and similar terms, are intended to be forward-looking statements. Forward-looking statements are made subject to the safe harbor provisions of the federal securities laws pursuant to Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Such statements may relate to our intent, belief 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 and our present expectations or anticipated results. These risks and uncertainties, include, but are not limited to: continued uncertainties related to the impact of the COVID-19 pandemic on our business and operations, financial performance and liquidity, 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 regulatory environment in the U.S. or internationally; 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; our ability to attract and retain qualified employees; breaches in data security; disruptions to the Internet or our technology infrastructure; interruptions in or impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; our ability to accurately forecast our future capital investment needs; exposure to changing economic, political and social developments in international and emerging markets; changes in business strategy, government regulations, or economic or market conditions that may result in 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, dispositions, 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, 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 predictions contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements.

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 expenses, operating profit, operating margin, other income and (expense), income before income taxes, income tax expense, effective tax rate, net income and earnings per share. We supplement the reporting of revenue, revenue per piece and operating profit with adjusted measures that exclude the period over period impact of foreign currency exchange rate changes and hedging activities, and we disclose free cash flow. 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.

Restructuring and Other Charges

Adjusted operating profit, operating margin, income before income taxes, net income and earnings per share exclude the impact of charges related to restructuring programs, including Transformation strategy costs and asset impairments.

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.

Mark-To-Market Pension and Postretirement Adjustments

We recognize changes in the fair value of plan assets and net actuarial gains and losses in excess of a 10% corridor for our pension and postretirement defined benefit plans immediately as part of other pension income (expense). We supplement the presentation of our income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of gains and losses recognized in excess of the 10% corridor and the related income tax effects. We believe excluding these mark-to-market impacts provides important supplemental information by removing the volatility associated with short-term changes in market interest rates, equity values, and similar factors.

The deferred income tax effects of mark-to-market pension and postretirement adjustments are calculated by multiplying the statutory tax rates applicable in each tax jurisdiction, including the U.S. federal jurisdiction and various U.S. state and non-U.S. jurisdictions, by the adjustments.

Free Cash Flow

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. We believe free cash flow is an important indicator of how much cash is generated by regular business operations and we use this as a measure of incremental cash available to invest in our business, meet our debt obligations and return cash to shareowners.

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 adjusted financial information does not represent a comprehensive basis of accounting. Therefore, our adjusted financial information may not be comparable to similarly titled information reported by other companies.

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

Three Months Ended March 31, 2021

	As-Reported (GAAP)	Pension MTM Adj. ⁽¹⁾	Transformation & Other Adj. ⁽²⁾	As-Adjusted (Non-GAAP)
Operating profit:				
U.S. Domestic Package	\$ 1,359	\$ —	\$ 104	\$ 1,463
International Package	1,085	—	6	1,091
Supply Chain & Freight	321	—	74	395
Operating Profit	<u>2,765</u>	<u>—</u>	<u>184</u>	<u>2,949</u>
Other Income and (Expense):				
Other pension income (expense)	3,603	(3,290)	—	313
Investment income and other	13	—	—	13
Interest expense	(177)	—	—	(177)
Total Other Income (Expense)	<u>\$ 3,439</u>	<u>\$ (3,290)</u>	<u>\$ —</u>	<u>\$ 149</u>
Income Before Income Taxes	6,204	(3,290)	184	3,098
Income Tax Expense	1,412	(788)	44	668
Net Income	<u>\$ 4,792</u>	<u>\$ (2,502)</u>	<u>\$ 140</u>	<u>\$ 2,430</u>
Basic Earnings Per Share	<u>\$ 5.50</u>	<u>\$ (2.87)</u>	<u>\$ 0.16</u>	<u>\$ 2.79</u>
Diluted Earnings Per Share	<u>\$ 5.47</u>	<u>\$ (2.86)</u>	<u>\$ 0.16</u>	<u>\$ 2.77</u>

(1) Represents a mark-to-market gain recognized outside of a 10% corridor for the UPS IBT Pension Plan

(2) Transformation & other of \$184 million reflects a valuation allowance of \$66 million related to the planned divestiture of UPS Freight, other employee benefits costs of \$76 million and other costs of \$42 million.

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

Three Months Ended March 31,

	2021 As-Reported (GAAP)	2020 As-Reported (GAAP)	% Change (GAAP)	Currency Impact	2021 Currency Neutral (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 7.33	\$ 6.44	13.8 %	\$ (0.46)	\$ 6.87	6.7 %
Export	31.10	28.32	9.8 %	(1.04)	30.06	6.1 %
Total International Package	<u>\$ 18.50</u>	<u>\$ 16.48</u>	12.3 %	<u>\$ (0.73)</u>	<u>\$ 17.77</u>	7.8 %
Consolidated	<u>\$ 12.12</u>	<u>\$ 10.88</u>	11.4 %	<u>\$ (0.12)</u>	<u>\$ 12.00</u>	10.3 %
Revenue:						
U.S. Domestic Package	\$ 14,010	\$ 11,456	22.3 %	\$ —	\$ 14,010	22.3 %
International Package	4,607	3,383	36.2 %	(176)	4,431	31.0 %
Supply Chain & Freight	4,291	3,196	34.3 %	(45)	4,246	32.9 %
Total revenue	<u>\$ 22,908</u>	<u>\$ 18,035</u>	27.0 %	<u>\$ (221)</u>	<u>\$ 22,687</u>	25.8 %

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

	2021 As-Adjusted (Non-GAAP) ⁽¹⁾	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Currency Impact	2021 As-Adjusted Currency Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 1,463	\$ 401	264.8 %	\$ —	\$ 1,463	264.8 %
International Package	1,091	558	95.5 %	(39)	1,052	88.5 %
Supply Chain & Freight	395	158	150.0 %	2	397	151.3 %
Total operating profit	<u>\$ 2,949</u>	<u>\$ 1,117</u>	164.0 %	<u>\$ (37)</u>	<u>\$ 2,912</u>	160.7 %

⁽¹⁾ Amounts adjusted for transformation & other

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

Reconciliation of Free Cash Flow (Non-GAAP measure)
(in millions):

Three Months Ended March 31,

	2021
Cash flows from operating activities	\$ 4,531
Capital expenditures	(834)
Proceeds from disposals of PP&E	10
Net change in finance receivables	11
Other investing activities	(6)
Free Cash Flow (Non-GAAP measure)	<u>\$ 3,712</u>

Amounts are subject to reclassification.

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

Three Months Ended
March 31

	2021	2020	Change	% Change
(amounts in millions, except per share data)				
Statement of Income Data:				
Revenue:				
U.S. Domestic Package	\$ 14,010	\$ 11,456	\$ 2,554	22.3 %
International Package	4,607	3,383	1,224	36.2 %
Supply Chain & Freight	4,291	3,196	1,095	34.3 %
Total revenue	22,908	18,035	4,873	27.0 %
Operating expenses:				
U.S. Domestic Package	12,651	11,092	1,559	14.1 %
International Package	3,522	2,832	690	24.4 %
Supply Chain & Freight	3,970	3,039	931	30.6 %
Total operating expenses	20,143	16,963	3,180	18.7 %
Operating profit:				
U.S. Domestic Package	1,359	364	995	273.4 %
International Package	1,085	551	534	96.9 %
Supply Chain & Freight	321	157	164	104.5 %
Total operating profit	2,765	1,072	1,693	157.9 %
Other income (expense):				
Other pension income (expense)	3,603	327	3,276	N/M
Investment income and other	13	18	(5)	(27.8)%
Interest expense	(177)	(167)	(10)	6.0 %
Total other income (expense)	3,439	178	3,261	N/M
Income before income taxes	6,204	1,250	4,954	396.3 %
Income tax expense (benefit)	1,412	285	1,127	395.4 %
Net income	\$ 4,792	\$ 965	\$ 3,827	396.6 %
Net income as a percentage of revenue	20.9 %	5.4 %		
Per share amounts:				
Basic earnings per share	\$ 5.50	\$ 1.12	\$ 4.38	391.1 %
Diluted earnings per share	\$ 5.47	\$ 1.11	\$ 4.36	392.8 %
Weighted-average shares outstanding:				
Basic	872	864	8	0.9 %
Diluted	876	869	7	0.8 %
As adjusted income data ⁽¹⁾:				
Operating profit:				
U.S. Domestic Package	\$ 1,463	\$ 401	\$ 1,062	264.8 %
International Package	1,091	558	533	95.5 %
Supply Chain & Freight	395	158	237	150.0 %
Total operating profit	2,949	1,117	1,832	164.0 %
Total other income (expense)	\$ 149	\$ 178	\$ (29)	(16.3)%
Income before income taxes	\$ 3,098	\$ 1,295	\$ 1,803	139.2 %
Net income	\$ 2,430	\$ 1,000	\$ 1,430	143.0 %
Basic earnings per share	\$ 2.79	\$ 1.16	\$ 1.63	140.5 %
Diluted earnings per share	\$ 2.77	\$ 1.15	\$ 1.62	140.9 %

(1) See Non-GAAP schedules for reconciliation of adjustments.

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

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

	Three Months Ended			
	March 31			
	2021	2020	Change	% Change
Revenue (in millions):				
U.S. Domestic Package:				
Next Day Air	\$ 2,331	\$ 2,055	\$ 276	13.4 %
Deferred	1,260	1,197	63	5.3 %
Ground	10,419	8,204	2,215	27.0 %
Total U.S. Domestic Package	14,010	11,456	2,554	22.3 %
International Package:				
Domestic	928	688	240	34.9 %
Export	3,493	2,561	932	36.4 %
Cargo and Other	186	134	52	38.8 %
Total International Package	4,607	3,383	1,224	36.2 %
Supply Chain & Freight:				
Forwarding	2,072	1,373	699	50.9 %
Logistics	1,104	845	259	30.7 %
Freight	767	766	1	0.1 %
Other	348	212	136	64.2 %
Total Supply Chain & Freight	4,291	3,196	1,095	34.3 %
Consolidated	\$ 22,908	\$ 18,035	\$ 4,873	27.0 %
Consolidated volume (in millions)	1,521	1,352	169	12.5 %
Operating weekdays	63	64	(1)	(1.6) %
Average Daily Package Volume (in thousands):				
U.S. Domestic Package:				
Next Day Air	2,012	1,883	129	6.9 %
Deferred	1,513	1,492	21	1.4 %
Ground	16,827	14,669	2,158	14.7 %
Total U.S. Domestic Package	20,352	18,044	2,308	12.8 %
International Package:				
Domestic	2,010	1,668	342	20.5 %
Export	1,783	1,413	370	26.2 %
Total International Package	3,793	3,081	712	23.1 %
Consolidated	24,145	21,125	3,020	14.3 %
Average Revenue Per Piece:				
U.S. Domestic Package:				
Next Day Air	\$ 18.39	\$ 17.05	\$ 1.34	7.9 %
Deferred	13.22	12.54	0.68	5.4 %
Ground	9.83	8.74	1.09	12.5 %
Total U.S. Domestic Package	10.93	9.92	1.01	10.2 %
International Package:				
Domestic	7.33	6.44	0.89	13.8 %
Export	31.10	28.32	2.78	9.8 %
Total International Package	18.50	16.48	2.02	12.3 %
Consolidated	\$ 12.12	\$ 10.88	\$ 1.24	11.4 %

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

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

Three Months Ended

March 31

(in millions)	2021	2020	Change	% Change
Compensation and benefits	\$ 11,483	\$ 10,086	\$ 1,397	13.9 %
Repairs and maintenance	619	563	56	9.9 %
Depreciation and amortization	722	648	74	11.4 %
Purchased transportation	4,243	2,931	1,312	44.8 %
Fuel	807	761	46	6.0 %
Other occupancy	466	383	83	21.7 %
Other expenses	1,803	1,591	212	13.3 %
Total other operating expenses	\$ 20,143	\$ 16,963	\$ 3,180	18.7 %

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

United Parcel Service, Inc.
Consolidated Balance Sheets
March 31, 2021 (unaudited) and December 31, 2020

(amounts in millions)	March 31, 2021	December 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,731	\$ 5,910
Marketable securities	351	406
Accounts receivables	10,258	10,888
Less: Allowance for credit losses	(131)	(138)
Accounts receivable, net	10,127	10,750
Assets held for sale	1,135	1,197
Other current assets	1,641	1,953
Total Current Assets	20,985	20,216
Property, Plant and Equipment, Net	32,455	32,254
Operating Lease Right-Of-Use Assets	3,044	3,073
Goodwill	3,346	3,367
Intangible Assets, Net	2,268	2,274
Investments and Restricted Cash	25	25
Deferred Income Tax Assets	243	527
Other Non-Current Assets	946	672
Total Assets	\$ 63,312	\$ 62,408
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt, commercial paper and finance leases	\$ 1,811	\$ 2,623
Current maturities of operating leases	548	560
Accounts payable	6,305	6,455
Accrued wage and withholdings	3,701	3,569
Self-insurance reserves	1,103	1,085
Accrued group welfare and retirement plan contributions	934	927
Liabilities to be disposed of	296	347
Other current liabilities	1,608	1,450
Total Current Liabilities	16,306	17,016
Long-Term Debt and Finance Leases	21,916	22,031
Non-Current Operating Leases	2,524	2,540
Pension and Postretirement Benefit Obligations	9,594	15,817
Deferred Income Tax Liabilities	1,997	488
Other Non-Current Liabilities	3,816	3,847
Shareowners' Equity:		
Class A common stock	2	2
Class B common stock	7	7
Additional paid-in capital	1,049	865
Retained earnings	10,748	6,896
Accumulated other comprehensive loss	(4,659)	(7,113)
Deferred compensation obligations	15	20
Less: Treasury stock	(15)	(20)
Total Equity for Controlling Interest	7,147	657
Noncontrolling interests	12	12
Total Shareowners' Equity	7,159	669
Total Liabilities and Shareowners' Equity	\$ 63,312	\$ 62,408

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

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

(amounts in millions)

	Three Months Ended	
	March 31,	
	2021	2020
Cash Flows From Operating Activities:		
Net income	\$ 4,792	\$ 965
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	722	648
Pension and postretirement benefit expense	(3,024)	160
Pension and postretirement benefit contributions	(215)	(222)
Self-insurance reserves	4	124
Deferred tax (benefit) expense	942	86
Stock compensation expense	315	231
Other (gains) losses	57	33
Changes in assets and liabilities, net of effects of business acquisitions:		
Accounts receivable	435	1,223
Other assets	363	209
Accounts payable	(261)	(1,101)
Accrued wages and withholdings	199	83
Other liabilities	180	102
Other operating activities	22	9
Net cash from operating activities	<u>4,531</u>	<u>2,550</u>
Cash Flows From Investing Activities:		
Capital expenditures	(834)	(933)
Proceeds from disposals of property, plant and equipment	10	1
Purchases of marketable securities	(78)	(80)
Sales and maturities of marketable securities	134	80
Net change in finance receivables	11	3
Cash paid for business acquisitions, net of cash and cash equivalents acquired	(3)	—
Other investing activities	(6)	(5)
Net cash used in investing activities	<u>(766)</u>	<u>(934)</u>
Cash Flows From Financing Activities:		
Net change in short-term debt	697	(91)
Proceeds from long-term borrowings	—	4,253
Repayments of long-term borrowings	(1,528)	(687)
Purchases of common stock	—	(220)
Issuances of common stock	78	70
Dividends	(858)	(840)
Other financing activities	(334)	(318)
Net cash (used in) / from financing activities	<u>(1,945)</u>	<u>2,167</u>
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	<u>1</u>	<u>(65)</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	1,821	3,718
Cash, Cash Equivalents and Restricted Cash:		
Beginning of period	5,910	5,238
End of period	<u>\$ 7,731</u>	<u>\$ 8,956</u>

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

United Parcel Service, Inc.
Reconciliation of Free Cash Flow (Non-GAAP measure)
(unaudited)

(amounts in millions):

	Three Months Ended			
	2021		2020	
	March 31,			
Cash flows from operating activities	\$	4,531	\$	2,550
Capital expenditures		(834)		(933)
Proceeds from disposals of PP&E		10		1
Net change in finance receivables		11		3
Other investing activities		(6)		(5)
Free Cash Flow (Non-GAAP measure)	\$	3,712	\$	1,616

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

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

	Three Months Ended March 31			Currency	Currency Neutral	
	2021	2020	% Change		2021 ⁽¹⁾	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 7.33	\$ 6.44	13.8 %	\$ (0.46)	\$ 6.87	6.7 %
Export	31.10	28.32	9.8 %	(1.04)	30.06	6.1 %
Total International Package	\$ 18.50	\$ 16.48	12.3 %	\$ (0.73)	\$ 17.77	7.8 %
Consolidated	\$ 12.12	\$ 10.88	11.4 %	\$ (0.12)	\$ 12.00	10.3 %
Revenue (in millions):						
U.S. Domestic Package	\$ 14,010	\$ 11,456	22.3 %	\$ —	\$ 14,010	22.3 %
International Package	4,607	3,383	36.2 %	(176)	4,431	31.0 %
Supply Chain & Freight	4,291	3,196	34.3 %	(45)	4,246	32.9 %
Total revenue	\$ 22,908	\$ 18,035	27.0 %	\$ (221)	\$ 22,687	25.8 %
As-Adjusted Operating Profit (in millions)⁽²⁾:						
U.S. Domestic Package	\$ 1,463	\$ 401	264.8 %	\$ —	\$ 1,463	264.8 %
International Package	1,091	558	95.5 %	(39)	1,052	88.5 %
Supply Chain & Freight	395	158	150.0 %	2	397	151.3 %
Total operating profit	\$ 2,949	\$ 1,117	164.0 %	\$ (37)	\$ 2,912	160.7 %

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

(2) Amounts adjusted for transformation & other

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

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

	Three Months Ended March 31,				2020		
	2021				2020		
	As-Reported (GAAP)	Pension MTM Adj. ⁽¹⁾	Transformation & Other Adj. ⁽²⁾	As-Adjusted (Non-GAAP)	As-Reported (GAAP)	Transformation & Other Adj. ⁽³⁾	As-Adjusted (Non-GAAP)
U.S. Domestic Package	\$ 1,359	\$ —	\$ 104	1,463	\$ 364	\$ 37	\$ 401
International Package	1,085	—	6	1,091	551	7	558
Supply Chain & Freight	321	—	74	395	157	1	158
Operating profit	<u>2,765</u>	<u>—</u>	<u>184</u>	<u>2,949</u>	<u>1,072</u>	<u>45</u>	<u>1,117</u>
Other Income and (Expense):							
Other pension income (expense)	3,603	(3,290)	—	313	327	—	327
Investment income and other	13	—	—	13	18	—	18
Interest expense	(177)	—	—	(177)	(167)	—	(167)
Total Other Income (Expense)	<u>\$ 3,439</u>	<u>\$ (3,290)</u>	<u>\$ —</u>	<u>\$ 149</u>	<u>\$ 178</u>	<u>\$ —</u>	<u>\$ 178</u>
Income before income taxes	6,204	(3,290)	184	3,098	1,250	45	1,295
Income tax expense	1,412	(788)	44	668	285	10	295
Net income	<u>\$ 4,792</u>	<u>\$ (2,502)</u>	<u>\$ 140</u>	<u>\$ 2,430</u>	<u>\$ 965</u>	<u>\$ 35</u>	<u>\$ 1,000</u>
Basic Earnings Per Share	<u>\$ 5.50</u>	<u>\$ (2.87)</u>	<u>\$ 0.16</u>	<u>\$ 2.79</u>	<u>\$ 1.12</u>	<u>\$ 0.04</u>	<u>\$ 1.16</u>
Diluted Earnings Per Share	<u>\$ 5.47</u>	<u>\$ (2.86)</u>	<u>\$ 0.16</u>	<u>\$ 2.77</u>	<u>\$ 1.11</u>	<u>\$ 0.04</u>	<u>\$ 1.15</u>
Weighted-average shares outstanding:							
Basic	872				864		
Diluted	876				869		

(1) Represents a mark-to-market gain recognized outside of a 10% corridor for the UPS IBT Pension Plan

(2) Transformation & Other Adj. of \$184 million reflects a valuation allowance of \$66 million related to the planned divestiture of UPS Freight, other employee benefits costs of \$76 million and other costs of \$42 million.

(3) Transformation & Other Adj. of \$45 million reflect other employee benefits costs of \$12 million and other costs of \$33 million.

United Parcel Service, Inc.
Aircraft Fleet - as of March 31, 2021
(unaudited)

Description	Owned and Finance Leases	Operating Leases & Charters from Others	On Order	Under Option
Operating:				
Boeing 757-200	75	—	—	—
Boeing 767-300	70	—	2	—
Boeing 767-300BCF	4	—	—	—
Boeing 767-300BDSF	4	—	—	—
Airbus A300-600	52	—	—	—
Boeing MD-11	42	—	—	—
Boeing 747-400F	11	—	—	—
Boeing 747-400BCF	2	—	—	—
Boeing 747-8F	21	—	7	—
Other	—	290	—	—
Total	281	290	9	—