United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2004, or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-15451

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

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**58-2480149** (IRS Employer Identification No.)
55 Glenlake Parkway, NE Atlanta, Georgia (Address of Principal Executive Offices)	**30328** (Zip Code)

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

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

There were 551,148,474 Class A shares, and 576,014,511 Class B shares, with a par value of $0.01 per share, outstanding at May 5, 2004.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2004 (unaudited) and December 31, 2003
(In millions, except per share amounts)

	March 31, 2004	December 31, 2003
Assets		
Current Assets:		
Cash & cash equivalents	$ 2,823	$ 2,951
Marketable securities & short-term investments	1,789	1,001
Accounts receivable, net	3,954	4,004
Finance receivables, net	832	840
Deferred income taxes	320	316
Other current assets	700	741
Total Current Assets	10,418	9,853
Property, Plant & Equipment - at cost, net of accumulated depreciation & amortization of $13,329 and $13,007 in 2004 and 2003	14,008	13,908
Prepaid Pension Costs	2,885	2,922
Goodwill and Intangible Assets, Net	1,317	1,273
Other Assets	931	953
	$ 29,559	$ 28,909
Liabilities & Shareowners' Equity		
Current Liabilities:		
Current maturities of long-term debt and commerical paper	$ 683	$ 674
Accounts payable	2,108	2,003
Accrued wages & withholdings	1,452	1,166
Dividends payable	—	282

Other current liabilities	1,497	1,393
Total Current Liabilities	5,740	5,518
Long-Term Debt	3,273	3,149
Accumulated Postretirement Benefit Obligation, Net	1,398	1,335
Deferred Taxes, Credits & Other Liabilities	4,202	4,055
Shareowners' Equity:		
Preferred stock, no par value, authorized 200 shares, none issued	—	—
Class A common stock, par value $.01 per share, authorized 4,600 shares, issued 554 and 571 in 2004 and 2003	6	6
Class B common stock, par value $.01 per share, authorized 5,600 shares, issued 573 and 560 in 2004 and 2003	5	5
Additional paid-in capital	360	662
Retained earnings	14,799	14,356
Accumulated other comprehensive loss	(224)	(177)
Deferred compensation arrangements	129	136
	15,075	14,988
Less: Treasury stock (2 shares in 2004 and 2003)	(129)	(136)
	14,946	14,852
	$ 29,559	$ 28,909

See notes to unaudited consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
Three Months Ended March 31, 2004 and 2003
(In millions, except per share amounts)
(unaudited)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Revenue	$ 8,919	$ 8,015
Operating Expenses:		
Compensation and benefits	5,168	4,708
Other	2,534	2,362
	7,702	7,070
Operating Profit	1,217	945
Other Income and (Expense):		
Investment income (loss)	17	(38)
Interest expense	(39)	(25)
	(22)	(63)
Income before Income Taxes	1,195	882
Income Taxes	436	271
Net Income	$ 759	$ 611
Basic Earnings Per Share	$ 0.67	$ 0.54
Diluted Earnings Per Share	$ 0.67	$ 0.54

See notes to unaudited consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREOWNERS' EQUITY
Three Months Ended March 31, 2004 and 2003
(In millions, except per share amounts)
(unaudited)

	2004 Shares	2004 Dollars	2003 Shares	2003 Dollars
Class A Common Stock				
Beginning balance	571	$ 6	642	$ 7
Common stock purchases	(3)	—	(2)	—
Stock award plans	—	—	—	—
Common stock issuances	1	—	—	—
Conversions of Class A to Class B common stock	(15)	—	(22)	(1)
Ending balance	554	6	618	6
Class B Common Stock				
Beginning balance	560	5	482	4
Common stock purchases	(2)	—	(1)	—
Conversions of Class A to Class B common stock	15	—	22	1
Ending balance	573	5	503	5

Additional Paid-In Capital				
Beginning balance		662		387
Stock award plans		38		25
Common stock purchases		(379)		(154)
Common stock issuances		39		31
Ending balance		360		289
Retained Earnings				
Beginning balance		14,356		12,495
Net income		759		611
Dividends ($0.28 and $0.21 per share)		(316)		(237)
Ending balance		14,799		12,869
Accumulated Other Comprehensive Income (Loss)				
Foreign currency translation adjustment:				
Beginning balance		(56)		(328)
Aggregate adjustment		(63)		58
Ending balance		(119)		(270)
Unrealized gain (loss) on marketable securities:				
Beginning balance		14		(34)
Current period changes in fair value (net of tax effect of $0 and $(3))		—		(5)
Reclassification to earnings (net of tax effect of $1 and $21)		1		36
Ending balance		15		(3)
Unrealized gain (loss) on cash flow hedges:				
Beginning balance		(72)		(26)
Current period changes in fair value (net of tax effect of $3 and $6)		6		10
Reclassification to earnings (net of tax effect of $5 and $(10))		9		(17)
Ending balance		(57)		(33)
Additional minimum pension liability:				
Beginning balance		(63)		(50)
Minimum pension liability adjustment		—		—
Ending balance		(63)		(50)
Ending accumulated other comprehensive income (loss)		(224)		(356)
Deferred Compensation Obligations				
Beginning balance		136		84
Common stock held for deferred compensation arrangements		(7)		1
Ending balance		129		85
Treasury Stock				
Beginning balance	(2)	(136)	(1)	(84)
Common stock held for deferred compensation arrangements	—	7	—	(1)
Ending balance	(2)	(129)	(1)	(85)
Ending Total Shareowners' Equity		$ 14,946		$ 12,813
Comprehensive Income		$ 712		$ 693

See notes to unaudited consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2004 and 2003
(In millions)
(unaudited)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Cash flows from operating activities:		
Net income	$ 759	$ 611
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	386	387
Postretirement benefits	63	53
Deferred taxes, credits and other	194	(148)
Stock award plans	154	124
Gain on disposal of assets	(1)	(3)
Loss on investments	2	61
Provision for losses on finance receivables	5	5
Changes in assets and liabilities:		
Accounts receivable, net	50	97
Other current assets	93	(127)
Prepaid pension costs	37	36
Accounts payable	94	1
Accrued wages and withholdings	165	156
Dividends payable	(282)	(212)

Income taxes payable	36	362
Other current liabilities	68	72
Net cash from operating activities	1,823	1,475
Cash flows from investing activities:		
Capital expenditures	(519)	(600)
Disposals of property, plant and equipment	50	43
Purchases of marketable securities and short-term investments	(1,721)	(1,123)
Sales and maturities of marketable securities and short-term investments	933	1,038
Net (increase) decrease in finance receivables	67	(1)
Other asset receipts (payments)	(91)	(38)
Net cash used in investing activities	(1,281)	(681)
Cash flows from financing activities:		
Proceeds from borrowings	76	147
Repayments of borrowings	(58)	(662)
Purchases of common stock	(379)	(154)
Issuances of common stock	35	21
Dividends	(308)	(232)
Other transactions	1	1
Net cash used in financing activities	(633)	(879)
Effect of exchange rate changes on cash	(37)	9
Net increase (decrease) in cash and cash equivalents	(128)	(76)
Cash and cash equivalents:		
Beginning of period	2,951	2,211
End of period	$ 2,823	$ 2,135
Cash paid during the period for:		
Interest (net of amount capitalized)	$ 34	$ 26
Income taxes	$ 238	$ 56

See notes to unaudited consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

In our opinion, the accompanying interim, unaudited, consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly our financial position as of March 31, 2004, our results of operations for the three months ended March 31, 2004 and 2003, and cash flows for the three months ended March 31, 2004 and 2003. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. The interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2003.

For interim consolidated financial statement purposes, we compute our tax provision on the basis of our estimated annual effective income tax rate, and provide for accruals under our various employee benefit plans for each three month period based on one quarter of the estimated annual expense.

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

Note 2. Stock-Based Compensation

Effective January 1, 2003, we adopted the fair value measurement provisions of Financial Accounting Standards Board ("FASB") Statement No. 123 “Accounting for Stock-Based Compensation” (“FAS 123”). Under the provisions of FASB Statement No. 148 “Accounting for Stock-Based Compensation – Transition and Disclosure,” we have elected to adopt the measurement provisions of FAS 123 using the prospective method. Under this approach, all stock-based compensation granted subsequent to January 1, 2003 has been expensed to compensation and benefits over the vesting period based on the fair value at the date the stock-based compensation is granted. Stock compensation awards include stock options, management incentive awards, restricted performance units, and employer matching contributions (in shares of UPS stock) for a defined contribution benefit plan.

The following provides pro forma information as to the impact on net income and earnings per share if we had used the fair value measurement provisions of FAS 123 to account for all stock-based compensation awards granted prior to January 1, 2003 (in millions, except per share amounts).

		Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Net income		$ 759	$ 611
Add:	Stock-based employee compensation expense included in net income, net of tax effects	134	110
Less:	Total pro-forma stock-based employee compensation expense, net of tax effects	(147)	(123)
Pro-forma net income		$ 746	$ 598
Basic earnings per share			
	As reported	$ 0.67	$ 0.54
	Pro forma	$ 0.66	$ 0.53
Diluted earnings per share			
	As reported	$ 0.67	$ 0.54
	Pro forma	$ 0.65	$ 0.53

Note 3. New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities", to address perceived weaknesses in accounting for entities commonly known as special purpose or off balance sheet. In addition to numerous FASB Staff Positions written to clarify and improve the application of FIN 46, the FASB recently announced a deferral for certain entities, and an amendment to FIN 46 entitled FASB Interpretation No. 46 (revised December 2003) "Consolidation of Variable Interest Entities" ("FIN 46").

FIN 46 provides guidance for identifying the party with a controlling financial interest resulting from arrangements or financial instruments rather than voting interests. FIN 46 defines the term "variable interest entity" and is based on the premise that if a business enterprise absorbs a majority of such an entity's expected losses and/or receives a majority of its expected residual returns, that enterprise has a controlling financial interest, and would thus require consolidation of the variable interest entity. As of December 31, 2003, we adopted FIN 46, and the effects of adoption were not material to our results of operations or financial condition.

On July 1, 2003, we adopted FASB Statement No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("FAS 149"). FAS 149 amends FAS 133 for certain decisions made by the FASB as part of the Derivatives Implementation Group process. FAS 149 also amends FAS 133 to incorporate clarifications of the definition of a derivative. The adoption of FAS 149 was not material to our results of operations or financial condition.

On July 1, 2003, we adopted FASB Statement No. 150 "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity" ("FAS 150"). FAS 150 establishes how an issuer measures certain freestanding financial instruments with characteristics of both liabilities and equity, and requires that such instruments be classified as liabilities. The adoption of FAS 150 was not material to our results of operations or financial condition.

In December 2003, the FASB revised Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("FAS 132"). The revised standard requires new disclosures in addition to those required by the original standard about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. As revised, FAS 132 is effective for financial statements with fiscal years ending after December 15, 2003. We have included these disclosures in Note 5 – Employee Benefit Plans.

Note 4. Property, Plant and Equipment

Property plant and equipment as of March 31, 2004 and December 31, 2003 consists of the following (in millions):

	March 31, 2004	December 31, 2003
Vehicles	$ 3,536	$ 3,486
Aircraft (including aircraft under capitalized leases)	11,101	10,897
Land	723	721
Buildings	2,087	2,083
Leasehold improvements	2,234	2,219
Plant equipment	4,449	4,410
Technology equipment (including capitalized software)	2,419	2,366
Equipment under operating lease	68	53
Construction-in-progress	720	680
	27,337	26,915
Less: Accumulated depreciation and amortization	(13,329)	(13,007)
	$ 14,008	$ 13,908

Note 5. Employee Benefit Plans

Information about net periodic benefit cost for the pension and postretirement benefit plans is as follows for the three months ended March 31 (in millions):

	Pension Benefits		Postretirement Medical Benefits	
	2004	2003	2004	2003
Service cost	$ 85	$ 71	$ 23	$ 20
Interest cost	132	116	41	36
Expected return on assets	(200)	(167)	(9)	(7)
Amortization of:				
Transition obligation	1	2	—	—
Prior service cost	11	9	—	—
Actuarial (gain) loss	14	7	8	4
Net periodic benefit cost	$ 43	$ 38	$ 63	$ 53

During the first quarter of 2004, we contributed $16 million to our postretirement medical benefit plans. We expect to contribute $284 and $51 million over the remainder of the year to the pension and postretirement medical benefit plans, respectively.

Our accumulated postretirement benefit obligation and net periodic cost for our postretirement medical benefits do not reflect the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). The provisions of the Act provide for a federal subsidy for plans that provide prescription drug benefits and meet certain qualifications. Until further guidance is issued by the government, we are unable to conclude whether the benefits provided by our plans are actuarially equivalent to Medicare Part D under the Act, and therefore, whether our plans would qualify for the federal subsidy.

Note 6. Goodwill, Intangibles, and Other Assets

Other assets as of March 31, 2004 and December 31, 2003 consist of the following (in millions):

	March 31, 2004	December 31, 2003
Non-current finance receivables, net of allowance for credit losses	$ 521	$ 574
Other non-current assets	410	379
Consolidated	$ 931	$ 953

The following table indicates the allocation of goodwill by reportable segment as of March 31, 2004 and December 31, 2003 (in millions):

	December 31, 2003	Goodwill Acquired	Currency/ Other	March 31, 2004
Goodwill by Segment:				
U.S. domestic package	$ —	$ —	$ —	$ —
International package	100	45	—	145
Non-package	1,073	—	(1)	1,072
Consolidated	$ 1,173	$ 45	$ (1)	$ 1,217

The goodwill added in the International segment resulted from the purchase of the remaining 49% minority interest in UPS Yamato Express Co., which was a joint venture with Yamato Transport Co. in Japan. UPS Yamato Express Co. provides express package delivery services in Japan. Upon close of the acquisition, UPS Yamato Express Co. became a wholly-owned subsidiary of UPS. This acquisition had no material effect on our results of operations or financial condition.

The following is a summary of intangible assets as of March 31, 2004 and December 31, 2003 (in millions):

	Franchise Rights, Licenses, Patents, Trademarks, and Other	Intangible Pension Asset	Total Intangible Assets
March 31, 2004:			
Gross carrying amount	$ 121	$ 5	$ 126
Accumulated amortization	(26)	—	(26)
Net carrying value	$ 95	$ 5	$ 100
December 31, 2003:			
Gross carrying amount	$ 118	$ 5	$ 123
Accumulated amortization	(23)	—	(23)
Net carrying value	$ 95	$ 5	$ 100

Note 7. Deferred Taxes, Credits and Other Liabilities

Deferred taxes, credits and other liabilities as of March 31, 2004 and December 31, 2003 consist of the following (in millions):

	March 31, 2004	December 31, 2003
Deferred federal and state income taxes	$ 2,663	$ 2,491
Insurance reserves	967	923
Other credits and non-current liabilities	572	641
	$ 4,202	$ 4,055

Note 8. Legal Proceedings and Contingencies

On August 9, 1999 the United States Tax Court held that we were liable for tax on income of Overseas Partners Ltd., a Bermuda company that had reinsured excess value ("EV") insurance purchased by our customers beginning in 1984, and that we were liable for additional tax for the 1983 and 1984 tax years. The IRS took similar positions to those advanced in the Tax Court decision for tax years subsequent to 1984 through 1998. On June 20, 2001, the U.S. Court of Appeals for the Eleventh Circuit ruled in our favor and reversed the Tax Court decision. In January 2003, we and the IRS finalized settlement of all outstanding tax issues related to EV package insurance. Under the terms of settlement, we agreed to adjustments that will result in income tax due of approximately $562 million, additions to tax of $60 million and related interest. The amount due to the IRS as a result of the settlement is less than amounts we previously had accrued. As a result, we recorded income, before taxes, of $1.023 billion ($776 million after tax) during the fourth quarter of 2002. In the first quarter of 2004, we received a refund of $185 million pertaining to the 1983 and 1984 tax years. The remaining refunds and credits associated with this settlement are expected to be received over the next several years.

The IRS has proposed adjustments, unrelated to the EV package insurance matters discussed above, regarding the allowance of deductions and certain losses, the characterization of expenses as capital rather than ordinary, the treatment of certain income, and our entitlement to tax credits in the 1985 through 1990 tax years. The proposed adjustments would result in $10 million of additional income tax. The IRS has also issued a report taking a similar position with respect to some of these issues for each of the years from 1991 through 1994. That report proposes adjustments that would result in $21 million in additional income tax. The IRS's proposed adjustments include penalties and penalty interest. We believe that the possibility that such penalties and penalty interest will be sustained is remote. In November 2002, the IRS issued a report taking a similar position with respect to some of these issues for each of the years 1995 through 1998. That report proposes adjustments that would result in $9 million of income tax refunds. For the 1985 through 1998 tax years, unpaid interest on these adjustments through March 31, 2004 could aggregate up to approximately $157 million, after the benefit of related tax deductions. We expect that we will prevail on substantially all of these issues. Specifically, we believe that our practice of expensing the items that the IRS alleges should have been capitalized is consistent with the practices of other industry participants. The IRS may take similar positions with respect to some of these issues for each of the years 1999 through 2003. We believe that the eventual resolution of these issues will not have a material adverse effect on our financial condition, results of operations or liquidity.

We are named as a defendant in twenty-three pending lawsuits that seek to hold us liable for the collection of premiums for EV insurance in connection with package shipments since 1984. Based on state and federal tort, contract and statutory claims, these cases generally claim that we failed to remit collected EV premiums to an independent insurer; we failed to provide promised EV insurance; we acted as an insurer without complying with state insurance laws and regulations; and the price for EV insurance was excessive. These actions all were filed after the August 9, 1999 United States Tax Court decision, discussed above, which the U.S. Court of Appeals for the Eleventh Circuit later reversed.

These twenty-three cases have been consolidated for pre-trial purposes in a multi-district litigation proceeding ("MDL Proceeding") in federal court in New York. In addition to the cases in which UPS is

named as a defendant, there also is an action, Smith v. Mail Boxes Etc., against Mail Boxes Etc. and its franchisees relating to UPS EV insurance and related services purchased through Mail Boxes Etc. centers. This case also has been consolidated into the MDL Proceeding.

The parties have obtained preliminary court approval of a global settlement resolving all claims and all cases in the MDL Proceeding. The proposed settlement, under which we and the other defendants expressly deny any and all liability, still requires final court approval. If the proposed settlement becomes final, we would provide qualifying settlement class members with vouchers toward the purchase of specified UPS services and would pay a portion of the plaintiffs' attorneys' fees, the total amount of which will be determined by the Court. The ultimate cost to us of the proposed settlement will depend on a number of factors, including how many vouchers settlement class members actually request and use. We do not believe that this proposed settlement will have a material effect on our financial condition, results of operations, or liquidity.

In addition, we are a defendant in various other lawsuits that arose in the normal course of business. We believe that the eventual resolution of these cases will not have a material adverse effect on our financial condition, results of operations, or liquidity.

We participate in a number of trustee-managed multi-employer pension and health and welfare plans for employees covered under collective bargaining agreements. Several factors could result in higher future contributions to these plans, including unfavorable investment performance, changes in demographics, and increased benefits to participants. At this time, we are unable to determine the amount of additional future contributions, if any, or whether any material adverse effect on our financial condition, results of operations, or cash flows could result from our participation in these plans.

Note 9. Segment Information

We report our operations in three segments: U.S. domestic package operations, international package operations and non-package operations, as follows:

U.S. Domestic Package – Domestic package operations include the time-definite delivery of letters, documents, and packages throughout the United States.

International Package – International package operations include delivery to more than 200 countries and territories worldwide, including shipments wholly outside the U.S. as well as shipments with either origin or distribution outside the U.S. Our international package reporting segment includes the operations of our Europe, Asia-Pacific, Canada, and Americas operating segments.

Non-Package – Non-package operations include UPS Supply Chain Solutions, Mail Boxes Etc. (the franchisor of Mail Boxes Etc. and The UPS Store), UPS Capital Corp., our mail and consulting services, and our excess value package insurance business. UPS Supply Chain Solutions, which is comprised of our former UPS Freight Services and UPS Logistics Group businesses, provides supply chain design and management, freight forwarding, and customs brokerage services.

Segment information for the three months ended March 31 is as follows (in millions):

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Revenue:		
U.S. domestic package	$ 6,540	$ 6,020
International package	1,619	1,302
Non-package	760	693
Consolidated	$ 8,919	$ 8,015
Operating profit:		
U.S. domestic package	$ 831	$ 704
International package	269	134
Non-package	117	107
Consolidated	$ 1,217	$ 945

Non-package operating profit included $26 and $28 million for the three months ended March 31, 2004 and 2003 respectively, of intersegment profit, with a corresponding amount of operating expense, which reduces operating profit, included in the U.S. domestic package segment.

Note 10. Other Operating Expenses

The major components of other operating expenses for the three months ended March 31, 2004 and 2003 are as follows (in millions):

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Repairs and maintenance	$ 251	$ 229
Depreciation and amortization	386	387
Purchased transportation	481	425
Fuel	300	264
Other occupancy	209	197
Other expenses	907	860
Consolidated	$ 2,534	$ 2,362

Note 11. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share amounts):

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Numerator:		
Net income	$ 759	$ 611
Denominator:		
Weighted-average shares	1,128	1,123
Deferred compensation arrangements	2	1
Denominator for basic earnings per share	1,130	1,124

Effect of dilutive securities:		
Contingent shares -		
Management incentive awards	4	3
Stock option plans	6	9
Denominator for diluted earnings per share	1,140	1,136
Basic Earnings Per Share	$ 0.67	$ 0.54
Diluted Earnings Per Share	$ 0.67	$ 0.54

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Revenue, Volume and Revenue Per Piece

The following tables set forth information showing the change in revenue, average daily package volume and average revenue per piece, both in dollars or amounts and in percentage terms:

	Three Months Ended March 31, 2004	2003	Change $	%
Revenue (in millions):				
U.S. domestic package:				
Next Day Air	$ 1,470	$ 1,353	$ 117	8.6%
Deferred	764	698	66	9.5
Ground	4,306	3,969	337	8.5
Total U.S. domestic package	6,540	6,020	520	8.6
International package:				
Domestic	336	266	70	26.3
Export	1,181	940	241	25.6
Cargo	102	96	6	6.3
Total International package	1,619	1,302	317	24.3
Non-package:				
UPS Supply Chain Solutions	563	500	63	12.6
Other	197	193	4	2.1
Total Non-package	760	693	67	9.7
Consolidated	$ 8,919	$ 8,015	$ 904	11.3%
Average Daily Package Volume (in thousands):			#	
U.S. domestic package:				
Next Day Air	1,170	1,135	35	3.1%
Deferred	894	845	49	5.8
Ground	10,393	9,881	512	5.2
Total U.S. domestic package	12,457	11,861	596	5.0
International package:				
Domestic	811	776	35	4.5
Export	516	471	45	9.6
Total International package	1,327	1,247	80	6.4
Consolidated	13,784	13,108	676	5.2%
Operating days in period	64	63		
Average Revenue Per Piece:			$	
U.S. domestic package:				
Next Day Air	$ 19.63	$ 18.92	$ 0.71	3.8%
Deferred	13.35	13.11	0.24	1.8
Ground	6.47	6.38	0.09	1.4
Total U.S. domestic package	8.20	8.06	0.14	1.7
International package:				
Domestic	6.47	5.44	1.03	18.9
Export	35.76	31.68	4.08	12.9
Total International package	17.86	15.35	2.51	16.4
Consolidated	$ 9.13	$ 8.75	$ 0.38	4.3%

Operating Profit

The following table sets forth information showing the change in operating profit, both in dollars (in millions) and in percentage terms:

Operating Segment	Three Months Ended March 31, 2004	2003	Change $	%
U.S. domestic package	$ 831	$ 704	$ 127	18.0%

International package	269	134	135	100.7
Non-package	117	107	10	9.3
Consolidated Operating Profit	$ 1,217	$ 945	$ 272	28.8 %

Non-GAAP Financial Measures

In the discussion and analysis below, we sometimes refer to information extracted from consolidated financial information but not required by generally accepted accounting principles ("GAAP") to be presented in financial statements. Certain of this information is considered “non-GAAP financial measures” under Securities and Exchange Commission rules. We have presented these measures since we believe that meaningful analysis of our financial performance requires an understanding of the factors underlying that performance and our judgments about the likelihood that particular factors will repeat. When these “non-GAAP financial measures” have been used, we have provided reconciliations of these adjusted measures to the appropriate GAAP measure for comparability purposes.

U.S. Domestic Package Operations

U.S. domestic package revenue increased $520 million, or 8.6%, for the quarter, which was driven by a 5.0% increase in average daily package volume, a 1.7% increase in revenue per piece, and the effects of one additional operating day in 2004. Ground volume increased 5.2% during the quarter, and was driven in part by the improving U.S. economy and the impact that adverse weather conditions had on volume in the first quarter of 2003. Next Day Air volume increased 3.1%, due to solid growth in package volume reflecting the improved economy, but was somewhat offset by declines in letter volume influenced by the slowdown in mortgage refinancing. Volume growth for our domestic products was also positively affected by increased volume through our expanded retail network.

Ground revenue per piece increased 1.4% primarily due to the impact of a rate increase that took effect in 2004, but was adversely impacted by the removal of the fuel surcharge on ground products, as discussed below. Next Day Air revenue per piece increased 3.8%, primarily due to the shift in product mix from letters to packages, the rate increase, and the modified fuel surcharge on domestic air products.

On January 5, 2004, a rate increase took effect which was in line with previous years’ rate increases. We increased rates for standard ground shipments an average of 1.9% for commercial deliveries. The ground residential surcharge increased $0.25 to $1.40 over the commercial ground rate. An additional delivery area surcharge of $1.00 was implemented for commercial deliveries in certain ZIP codes. Rates for UPS Hundredweight increased 5.9%. In addition, we increased rates for UPS Next Day Air an average of 2.9% and increased rates for deferred services by 2.9%. Rates for international shipments originating in the United States (Worldwide Express, Worldwide Express Plus, UPS Worldwide Expedited and UPS International Standard service) increased an average of 3.5%.

In addition, we discontinued the fuel surcharge on ground products, while we began to apply a new indexed surcharge to domestic air products. This new fuel surcharge for the domestic air products is based on the U.S. Energy Department’s Gulf Coast spot price for a gallon of kerosene-type jet fuel. Based on published rates, the average fuel surcharge applied to our air products during the first quarter of 2004 was 5.33%, compared with the average surcharge of 1.33% applied to both air and ground products in 2003, resulting in an increase in domestic fuel surcharge revenue of $37 million during the quarter.

U.S. domestic package operating profit increased $127 million, or 18%, primarily due to the increase in volume and revenue growth, combined with an improved operating margin resulting from better utilization of our delivery network.

International Package Operations

International package revenue improved $317 million, or 24.3%, for the quarter primarily due to the 9.6% volume growth for our export products and strong revenue per piece improvements, a portion of which can be attributed to the impact of currency. Revenue increased $101 million during the quarter due to currency fluctuations. Revenue growth was also impacted by the change to our fuel surcharge, discussed below, as well as rate changes, which vary by geographical market and occur throughout the year.

In January 2004, changes were made to the calculation of our fuel surcharge on international products (including U.S. export products). The new surcharge is indexed to fuel prices in our different international regions, depending on where the shipment takes place. The new surcharge is only applied to our international express products, while the previous surcharge was applied to all international products. These changes, along with higher fuel prices, had the effect of increasing international package revenue by $39 million during the quarter.

Export volume increased throughout the world, led by exports from Asia, which increased over 14%, and exports from the U.S., which increased nearly 13%. Domestic volume increased 4.5% for the quarter, which was its highest growth rate since 2001.

Export revenue per piece increased 12.9% for the quarter (3.5% currency-adjusted), due to continued focus on yield management, product mix, and the impact of the fuel surcharge. In total, international average daily package volume increased 6.4% and average revenue per piece increased 16.4% (5.2% currency-adjusted).

The improvement in operating profit for our international package operations was $135 million for the quarter, $14 million of which was due to favorable currency fluctuations. This increase in operating profit was primarily due to the strong export volume growth and revenue per piece increases described previously, and a strong increase in operating margin through better network utilization.

Non-Package Operations

Non-package revenue increased $67 million, or 9.7%, for the quarter. UPS Supply Chain Solutions increased revenue by 12.6% during the quarter due to double-digit revenue growth in our supply chain management and other logistics businesses, and high single-digit revenue growth in the transportation and brokerage businesses. Supply Chain Solutions revenue in Europe, Asia, and Canada increased at double-digit rates, with favorable currency fluctuations providing $26 million of the increase in revenue. The remainder of our non-package operations, which includes Mail Boxes Etc. (the franchisor of Mail Boxes Etc. and The UPS Store), UPS Capital Corporation, our mail and consulting services, and our excess value package insurance business, increased revenue by 2.1% for the quarter, primarily due to increased franchise revenue at Mail Boxes Etc.

Non-package operating profit increased $10 million, or 9.3%, for the quarter. This increase was primarily due to higher operating profit from our Supply Chain Solutions unit, which was driven by the increase in revenue as well as continued operating margin expansion. Mail Boxes Etc. also contributed strong profit growth, due to the increased franchise revenue noted previously. Non-package operating profit includes $26 million (compared to $28 million in 2003) of intersegment profit, with a corresponding amount of operating expense, which reduces operating profit, in the U.S. domestic package segment.

Operating Expenses and Operating Margin

Consolidated operating expenses increased by $632 million, or 8.9%, for the quarter, $111 million of which was due to currency fluctuations in our international package and non-package segments. Compensation and benefits increased by $460 million, or 9.8%, for the quarter, largely due to increased health and welfare benefit costs and higher pension expense. Stock-based compensation expense totaled $212 million in 2004, which was a 21% increase over 2003, primarily as a result of increased management incentive awards expense and adopting the measurement provisions of FAS 123 beginning with 2003 stock-based compensation awards.

Other operating expenses increased by $172 million, or 7.3%, for the quarter, largely due to a 13.6% increase in fuel expense, a 13.2% increase in purchased transportation, and a 9.6% increase in repairs and maintenance. The increase in fuel expense was impacted by lower hedging gains in 2004, along with increased fuel usage and higher prices. The increase in purchased transportation expense was influenced by the impact of currency and volume growth in our international package business, as well as growth at our Supply Chain Solutions business. The increase in repairs and maintenance was driven by increased vehicle maintenance, and also affected by our corporate rebranding efforts. The decline in depreciation and

amortization for the quarter was impacted by lower depreciation expense on aircraft and engines, largely due to the recent retirement of some older aircraft.

Our operating margin, defined as operating profit as a percentage of revenue, increased to 13.6% during the first quarter of 2004 from 11.8% in 2003. The operating margins for our three business segments were as follows:

	Three Months Ended March 31,	
Operating Segment	**2004**	**2003**
U.S. domestic package	12.7%	11.7%
International package	16.6%	10.3%
Non-package	15.4%	15.4%

Investment Income/Interest Expense

The increase in investment income of $55 million in 2004 is primarily due to a $58 million impairment charge recognized during the first quarter of 2003. We periodically review our investments for indications of other than temporary impairment considering many factors, including the extent and duration to which a security's fair value has been less than its cost, overall economic and market conditions, and the financial condition and specific prospects for the issuer. During the first quarter of 2003, after considering the continued decline in the U.S. equity markets, we recognized an impairment charge of $58 million, primarily related to our investment in S&P 500 equity portfolios.

The $14 million increase in interest expense in 2004 was affected by imputed interest expense associated with certain investments, currency exchange rates, and a slightly lower amount of capitalized interest.

Net Income and Earnings Per Share

Net income for the first quarter of 2004 was $759 million, a 24.2% increase from the $611 million achieved in 2003, resulting in an increase in diluted earnings per share from $0.54 in 2003 to $0.67 in 2004.

Net income in 2003 was favorably impacted by a reduction in income tax expense of $55 million ($0.05 per diluted share) due to the resolution of various tax issues with the Internal Revenue Service. Net income in 2003 was adversely impacted by the $58 million ($37 million after-tax, or $0.03 per diluted share) investment impairment charge described previously. Excluding the impact of these two items, net income in the first quarter of 2003 would have been $593 million, or $0.52 per diluted share.

Liquidity and Capital Resources

Net Cash From Operating Activities

Net cash provided by operating activities increased to $1.823 billion in the first quarter of 2004 from $1.475 billion during 2003, largely due to higher net income and the receipt of an income tax refund of $185 million associated with the resolution of the excess value ("EV") tax case discussed in Note 8 to the unaudited consolidated financial statements.

In November 2003, we announced rate increases, which took effect on January 5, 2004. The overall impact is in line with previous years' rate increases. We increased rates for standard ground shipments an average of 1.9% for commercial deliveries. The ground residential surcharge increased $0.25 to $1.40 over the commercial ground rate. An additional delivery area surcharge of $1.00 was implemented for commercial deliveries in certain ZIP codes. Rates for UPS Hundredweight increased 5.9%. In addition, we increased rates for UPS Next Day Air an average of 2.9% and increased rates for deferred services by 2.9%. Rates for international shipments originating in the United States (Worldwide Express, Worldwide Express Plus, UPS Worldwide Expedited and UPS International Standard service) increased an average of 3.5%. Rate changes for shipments originating outside the U.S. were made throughout the past year and varied by geographic market.

In addition, we discontinued the fuel surcharge on ground service, while a new indexed surcharge is being applied to our Next Day Air, deferred products, and international services. This new fuel surcharge for the domestic air products is based on the U.S. Energy Department's Gulf Coast spot price for a gallon of kerosene-type jet fuel. The index for shipments originating in Europe is based on the Rotterdam ARA spot price of kerosene-type jet fuel.

Net Cash Used In Investing Activities

Net cash used in investing activities increased to $1.281 billion in the first quarter of 2004 from $681 million during 2003, primarily due to increased purchases of marketable securities and short-term investments resulting from our improved free cash flow. We anticipate capital expenditures of approximately $2.2 billion in 2004. These expenditures will provide for replacement of existing capacity and anticipated future growth and include the projected cost of capitalized software. We fund our capital expenditures with our cash from operations.

Net Cash Used In Financing Activities

Net cash used in financing activities decreased to $633 million in the first quarter of 2004 from $879 million during 2003, primarily due to lower repayments of debt. Our primary use of cash in financing activities has been to repay long-term debt, repurchase stock, and pay dividends. During the first quarter of 2004, we repaid $58 million in debt, primarily consisting of UPS Notes and principal payments on our capitalized lease obligations. Issuances of debt consisted primarily of UPS Notes. We consider the overall fixed and floating interest rate mix of our portfolio and the related overall cost of borrowing when planning for future issuances and non-scheduled repayments of debt.

In August 2003, a total of $1.0 billion was authorized for share repurchases as part of our continuing share repurchase program. We repurchased a total of $379 and $154 million of common stock in the first quarter of 2004 and 2003, respectively. On May 6, 2004, the Board of Directors authorized a total of $1.0 billion for future share repurchases.

We increased our quarterly cash dividend payment to $0.28 per share in 2004 from $0.21 per share in the first quarter of 2003, resulting in an increase in total cash dividends paid to $308 million from $232 million. The declaration of dividends is subject to the discretion of the Board of Directors and will depend on various factors, including our net income, financial condition, cash requirements, future prospects, and other relevant factors. We expect to continue the practice of paying regular cash dividends.

Sources of Credit

We maintain two commercial paper programs under which we are authorized to borrow up to $7.0 billion. Approximately $519 million was outstanding under these programs as of March 31, 2004, with an average interest rate of 1.00%. The entire balance outstanding has been classified as a current liability in our balance sheet. In addition, we maintain an extendible commercial notes program under which we are authorized to borrow up to $500 million. No amounts were outstanding under this program at March 31, 2004.

We maintain two credit agreements with a consortium of banks. These agreements provide revolving credit facilities of $1.0 billion each, with one expiring on April 21, 2005 and the other on April 24, 2008. Interest on any amounts we borrow under these facilities would be charged at 90-day LIBOR plus 15 basis points. There were no borrowings under either of these agreements as of March 31, 2004.

We also maintain a $1.0 billion European medium-term note program. Under this program, we may issue notes from time to time, denominated in a variety of currencies. No amounts were outstanding under this program at March 31, 2004.

In August 2003, we filed a $2.0 billion shelf registration statement under which we may issue debt securities in the United States. There was approximately $126 million issued under this shelf registration statement at March 31, 2004, all of which consists of issuances under our UPS Notes program.

Commitments & Contingencies

We have contractual obligations and commitments in the form of operating leases, capital leases, debt obligations, and purchase commitments. We intend to satisfy these obligations through the use of cash flow from operations.

We believe that funds from operations and borrowing programs will provide adequate sources of liquidity and capital resources to meet our expected current and long-term needs for the operation of our business, including anticipated capital expenditures such as commitments for aircraft purchases, through 2009.

On August 9, 1999 the United States Tax Court held that we were liable for tax on income of Overseas Partners Ltd., a Bermuda company that had reinsured EV insurance purchased by our customers beginning in 1984, and that we were liable for additional tax for the 1983 and 1984 tax years. The IRS took similar positions to those advanced in the Tax Court decision for tax years subsequent to 1984 through 1998. On June 20, 2001, the U.S. Court of Appeals for the Eleventh Circuit ruled in our favor and reversed the Tax

Court decision. In January 2003, we and the IRS finalized settlement of all outstanding tax issues related to EV package insurance. Under the terms of settlement, we agreed to adjustments that will result in income tax due of approximately $562 million, additions to tax of $60 million and related interest. The amount due to the IRS as a result of the settlement is less than amounts we previously had accrued. As a result, we recorded income, before taxes, of $1.023 billion ($776 million after tax) during the fourth quarter of 2002. In the first quarter of 2004, we received a refund of $185 million pertaining to the 1983 and 1984 tax years. The remaining refunds and credits associated with this settlement are expected to be received over the next several years.

The IRS has proposed adjustments, unrelated to the EV package insurance matters discussed above, regarding the allowance of deductions and certain losses, the characterization of expenses as capital rather than ordinary, the treatment of certain income, and our entitlement to tax credits in the 1985 through 1990 tax years. The proposed adjustments would result in $10 million of additional income tax. The IRS has also issued a report taking a similar position with respect to some of these issues for each of the years from 1991 through 1994. That report proposes adjustments that would result in $21 million in additional income tax. The IRS's proposed adjustments include penalties and penalty interest. We believe that the possibility that such penalties and penalty interest will be sustained is remote. In November 2002, the IRS issued a report taking a similar position with respect to some of these issues for each of the years 1995 through 1998. That report proposes adjustments that would result in $9 million of income tax refunds. For the 1985 through 1998 tax years, unpaid interest on these adjustments through March 31, 2004 could aggregate up to approximately $157 million, after the benefit of related tax deductions. We expect that we will prevail on substantially all of these issues. Specifically, we believe that our practice of expensing the items that the IRS alleges should have been capitalized is consistent with the practices of other industry participants. The IRS may take similar positions with respect to some of these issues for each of the years 1999 through 2003. We believe that the eventual resolution of these issues will not have a material adverse effect on our financial condition, results of operations or liquidity.

We are named as a defendant in twenty-three pending lawsuits that seek to hold us liable for the collection of premiums for EV insurance in connection with package shipments since 1984. Based on state and federal tort, contract and statutory claims, these cases generally claim that we failed to remit collected EV premiums to an independent insurer; we failed to provide promised EV insurance; we acted as an insurer without complying with state insurance laws and regulations; and the price for EV insurance was excessive. These actions all were filed after the August 9, 1999 United States Tax Court decision, discussed above, which the U.S. Court of Appeals for the Eleventh Circuit later reversed.

These twenty-three cases have been consolidated for pre-trial purposes in a multi-district litigation proceeding ("MDL Proceeding") in federal court in New York. In addition to the cases in which UPS is named as a defendant, there also is an action, Smith v. Mail Boxes Etc., against Mail Boxes Etc. and its franchisees relating to UPS EV insurance and related services purchased through Mail Boxes Etc. centers. This case also has been consolidated into the MDL Proceeding.

The parties have obtained preliminary court approval of a global settlement resolving all claims and all cases in the MDL Proceeding. The proposed settlement, under which we and the other defendants expressly deny any and all liability, still requires final court approval. If the proposed settlement becomes final, we would provide qualifying settlement class members with vouchers toward the purchase of specified UPS services and would pay a portion of the plaintiffs' attorneys' fees, the total amount of which will be determined by the Court. The ultimate cost to us of the proposed settlement will depend on a number of factors, including how many vouchers settlement class members actually request and use. We do not believe that this proposed settlement will have a material effect on our financial condition, results of operations, or liquidity.

In addition, we are a defendant in various other lawsuits that arose in the normal course of business. We believe that the eventual resolution of these cases will not have a material adverse effect on our financial condition, results of operations, or liquidity.

We participate in a number of trustee-managed multi-employer pension and health and welfare plans for employees covered under collective bargaining agreements. Several factors could result in higher future contributions to these plans, including unfavorable investment performance, changes in demographics, and increased benefits to participants. At this time, we are unable to determine the amount of additional future

contributions, if any, or whether any material adverse effect on our financial condition, results of operations, or cash flows could result from our participation in these plans.

As of December 31, 2003, we had approximately 228,000 employees (64% of our total employees) employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters ("Teamsters"). These agreements run through July 31, 2008. The majority of our pilots are employed under a collective bargaining agreement with the Independent Pilots Association, which became amendable January 1, 2004. Negotiations are ongoing with the assistance of the National Mediation Board. Our airline mechanics are covered by a collective bargaining agreement with Teamsters Local 2727, which becomes amendable on November 1, 2006. In addition, the majority of our ground mechanics who are not employed under agreements with the Teamsters are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers. These agreements run through July 31, 2009.

New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities", to address perceived weaknesses in accounting for entities commonly known as special purpose or off balance sheet. In addition to numerous FASB Staff Positions written to clarify and improve the application of FIN 46, the FASB recently announced a deferral for certain entities, and an amendment to FIN 46 entitled FASB Interpretation No. 46 (revised December 2003) "Consolidation of Variable Interest Entities" ("FIN 46").

FIN 46 provides guidance for identifying the party with a controlling financial interest resulting from arrangements or financial instruments rather than voting interests. FIN 46 defines the term "variable interest entity" and is based on the premise that if a business enterprise absorbs a majority of such an entity's expected losses and/or receives a majority of its expected residual returns, that enterprise has a controlling financial interest, and would thus require consolidation of the variable interest entity. As of December 31, 2003, we adopted FIN 46, and the effects of adoption were not material to our results of operations or financial condition.

On July 1, 2003, we adopted FASB Statement No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("FAS 149"). FAS 149 amends FAS 133 for certain decisions made by the FASB as part of the Derivatives Implementation Group process. FAS 149 also amends FAS 133 to incorporate clarifications of the definition of a derivative. The adoption of FAS 149 was not material to our results of operations or financial condition.

On July 1, 2003, we adopted FASB Statement No. 150 "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity" ("FAS 150"). FAS 150 establishes how an issuer measures certain freestanding financial instruments with characteristics of both liabilities and equity, and requires that such instruments be classified as liabilities. The adoption of FAS 150 was not material to our results of operations or financial condition.

In December 2003, the FASB revised Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("FAS 132"). The revised standard requires new disclosures in addition to those required by the original standard about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. As revised, FAS 132 is effective for financial statements with fiscal years ending after December 15, 2003, and we have included these disclosures in Note 5 – Employee Benefit Plans.

Forward-Looking Statements

"Management's Discussion and Analysis of Financial Condition and Results of Operations," "Liquidity and Capital Resources" and other parts of this report contain "forward-looking" statements about matters that inherently are difficult to predict. These statements include statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results. We have described some of the important factors that affect these statements as we discussed each subject. Forward-looking statements involve risks and uncertainties, and certain factors may cause actual results to differ materially from those contained in the forward-looking statements. Some of the factors that could cause our actual results to differ materially from the expected results are described in our Annual Report on Form 10-K for the year ended December 31, 2003.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in foreign currency exchange rates, interest rates, equity prices, and certain commodity prices. All of this market risk arises in the normal course of business, as we do not engage in speculative trading activities. In order to manage the risk arising from these exposures, we utilize a variety of foreign exchange, interest rate, equity and commodity forward contracts, options, and swaps.

The total fair value asset (liability) of our derivative financial instruments is summarized in the following table (in millions):

	March 31, 2004	December 31, 2003
Energy Derivatives	$ 27	$ 30
Currency Derivatives	(18)	(48)
Interest Rate Derivatives	(14)	(27)
	$ (5)	$ (45)

Our market risks, hedging strategies, and financial instrument positions at March 31, 2004 are similar to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2003. The market risk sensitivity of the contracts noted above would not be materially different from the amounts disclosed in our Annual Report on Form 10-K for the year ended December 31, 2003. During the first three months of 2004, we issued a total of $41 million of fixed rate notes with various maturities under our UPS Notes program. All of these fixed rate notes were effectively converted to floating interest rates using interest rate swaps. The notes are callable at various stated times after issuance, and $15 million of the notes were called in the first three months of 2004.

The forward contracts, swaps, and options previously discussed contain an element of risk that the counterparties may be unable to meet the terms of the agreements. However, we minimize such risk exposures for these instruments by limiting the counterparties to large banks and financial institutions that meet established credit guidelines. We do not expect to incur any losses as a result of counterparty default.

The information concerning market risk under the sub-caption "Market Risk" of the caption "Management's Discussion and Analysis" on pages 27-29 of our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2003, is hereby incorporated by reference in this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

As of the end of the period covered by this report, management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon, and as of the date of the evaluation, our chief executive officer and chief financial officer concluded that the disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required.

There have been no significant changes in our internal controls over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting. There were no significant deficiencies or material weaknesses identified in the evaluation and therefore, no corrective actions were taken.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings affecting us and our subsidiaries, please see Note 8 to our unaudited consolidated financial statements contained herein.

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits:

3.1 – Form of Restated Certificate of Incorporation of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.2 to Form 10-Q for the Quarter Ended June 30, 2002).

3.2 – Form of Bylaws of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.2 on Form S-4 (No. 333-83349), filed on July 21, 1999, as amended).

10 – Credit Agreement (364-Day Facility) dated April 22, 2004 among United Parcel Service, Inc., the initial lenders named therein, Citigroup Global Markets Inc. as Arranger and Bank of America, N.A. and Bank One, N.A., as Co-Documentation Agents and Citibank, N.A. as Administrative and Syndication Agent.

12 – Computation of Ratio of Earnings to Fixed Charges.

31.1 – Certification of the Chief Executive Officer Pursuant to Rule 13a (14), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 – Certification of the Chief Financial Officer Pursuant to Rule 13a (14), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 – Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 – Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(B) Reports on Form 8-K:

The Company furnished a Form 8-K Current Report on February 4, 2004 (Date of Earliest Event Reported: January 29, 2004), announcing its financial results for the three months and year ended December 31, 2003.

The Company furnished a Form 8-K Current Report on April 27, 2004 (Date of Earliest Event Reported: April 22, 2004), announcing its first quarter financial results for the three months ended March 31, 2004.

EXHIBIT INDEX

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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 thereunto duly authorized.

UNITED PARCEL SERVICE, INC.
(Registrant)

Date: May 10, 2004

By: /s/ D. Scott Davis
D. Scott Davis
Senior Vice President,
Treasurer and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Exhibit 10

EXECUTION COPY

EIGHTH AMENDED AND RESTATED CREDIT AGREEMENT
(364-DAY FACILITY)

Dated as of April 22, 2004

UNITED PARCEL SERVICE, INC., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders party hereto (collectively, the "Lenders"), Citibank, N.A., as syndication agent and administrative agent (the "Administrative Agent") for the Lenders, Bank of America, N.A. and Bank One, NA as co-documentation agents (the "Co-Documentation Agents") for the Lenders, hereby agree as follows:

PRELIMINARY STATEMENTS

(1) The Borrower is party to a Seventh Amended and Restated Credit Agreement (364-Day Facility) dated as of April 24, 2003 (as amended, supplemented or otherwise modified from time to time to, but not including, the date hereof, the "Existing Credit Agreement") with the banks, financial institutions and other institutional lenders party thereto (the "Existing Lenders"), Citibank, N.A., as Administrative Agent and as Syndication Agent for the Existing Lenders, Bank of America, N.A., and Bank One, NA, as Co-Documentation Agents for such Lenders, and Citigroup Global Markets Inc., as Arranger. Capitalized terms not otherwise defined in this Eighth Amended and Restated Credit Agreement (364-Day Facility) (the "Amendment and Restatement") shall have the same meanings as specified in the Existing Credit Agreement.

(2) The Borrower has requested that the Lenders agree to extend credit to it from time to time in an aggregate principal amount of up to $1,000,000,000 for general corporate purposes of the Borrower and its Subsidiaries not otherwise prohibited under the terms of this Amendment and Restatement. The Lenders have indicated their willingness to agree to extend credit to the Borrower from time to time in such amount on the terms and conditions of this Amendment and Restatement.

(3) The parties to this Amendment and Restatement desire to amend the Existing Credit Agreement as set forth herein and to restate the Existing Credit Agreement in its entirety to read as set forth in the Existing Credit Agreement with the following amendments.

SECTION 1. Amendments to the Existing Credit Agreement. Effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof:

(a) Section 1.01 of the Existing Credit Agreement is hereby further amended by:

(i) deleting in its entirety the definition of "Applicable Fee Percentage" set forth therein;

(ii) amending and restating clause (a) of the definition of "Applicable Margin" set forth therein to read as follows:

"(a) as of any date up to the Termination Date, 0.00% per annum for Base Rate Advances and 0.12% per annum for Eurodollar Rate Advances; *provided*, *however*, that if as of any date of determination up to the Termination Date the aggregate amount of Advances outstanding exceeds 33% of

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the aggregate Commitments, the Applicable Margin for such date shall be the percentage per annum determined in accordance with this clause (a) *plus* 0.05% and";

(iii) deleting the number "0.500%" in the definition of "Applicable Margin" set forth therein and substituting the number "0.400%" therefor;

(iv) deleting the number "0.725%" in the definition of "Applicable Margin" set forth therein and substituting the number "0.500%" therefor;

(v) deleting in its entirety the proviso to the definition of "Applicable Margin" set forth therein;

(vi) amending and restating the definition of "Existing Credit Facilities" set forth therein to read as follows:

""Existing Credit Facilities" means the credit facilities provided pursuant to (a) the Seventh Amended and Restated Credit Agreement (364-Day Facility), dated as of April 24, 2003, as amended, supplemented or otherwise modified from time to time prior to the date hereof, among United Parcel Service, Inc., a Delaware corporation, the banks, financial institutions and other institutional lenders parties thereto, Citibank, N.A., as administrative agent and syndication agent, Bank of America, N.A. and Bank One, NA, as co-documentation agents, and Citigroup Global Markets Inc., as arranger thereunder and (b) the Credit Agreement (Five-year Facility) dated as of April 24, 2003, among United Parcel Service, Inc., a Delaware corporation, the banks, financial institutions and other institutional lenders parties thereto, Citibank, N.A., as administrative agent and syndication agent, Bank of America, N.A. and Bank One, NA, as co-documentation agents, and Citigroup Global Markets Inc, as arranger thereunder.";

(vii) amending and restating the definition of "Public Debt Rating" set forth therein to read as follows:

""Public Debt Rating" means, as of any date, the higher rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Borrower. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Margin shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating, the Applicable Margin will be set in accordance with Level 3 under the definition of "Applicable Margin"; (c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Margin shall be based upon the higher rating; *provided*, *however*, that if the lower of such ratings is more than one level below the level of the higher of such ratings, then the Applicable Margin shall be based upon the level immediately above the level of the lower of such ratings; (d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be; *provided*, *however*, that if prior thereto the Borrower has selected, and the Required Lenders have approved, a rating agency to replace S&P or Moody's, as the case may be, such selection shall be deemed to be S&P or Moody's, as the case may be, for all purposes hereof."; and

(viii) amending and restating the definition of "Termination Date" set forth therein to read as follows:

""Termination Date" means the earlier of (i) April 21, 2005 or, if extended pursuant to Section 2.16(a), the date that is 364 days after the Termination Date then in effect, and (ii) the date of termination in whole of the Commitments pursuant to section 2.05 or 6.01.".

(b) Section 2.04(a) of the Existing Credit Agreement is hereby amended by deleting in its entirety clause (ii) thereof.

(c) Section 4.01(e) of the Existing Credit Agreement is hereby amended by replacing the date "December 31, 2002" with the date "December 31, 2003".

(d) Section 4.01(f) of the Existing Credit Agreement is amended by replacing the date "December 31, 2002" with the date "December 31, 2003."

SECTION 2. Conditions of Effectiveness of this Amendment and Restatement. This Amendment and Restatement shall become effective as of the date first above written (the "Restatement Effective Date") when and only if:

(a) The Administrative Agent shall have received counterparts of this Amendment and Restatement executed by the Borrower, each of the Guarantors and all of the Lenders or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment and Restatement.

(b) The Administrative Agent shall have received on or before the Restatement Effective Date the following, each dated such date and (unless otherwise specified below) in form and substance satisfactory to the Administrative Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(i) The new Revolving Credit Notes, each dated April 22, 2004, issued in connection with this Amendment and Restatement to the order of each of the Lenders.

(ii) Certified copies of the resolutions of the board of directors of the Borrower approving this Amendment and Restatement, the Notes and all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement and the Notes.

(iii) Certified copies of the resolutions of the board of directors of each of the Guarantors approving this Amendment and Restatement and all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement.

(iv) A certificate of the Secretary or an Assistant Secretary of each of the Guarantors certifying the names and true signatures of the officers of such Guarantor authorized to sign this Amendment and Restatement and the other documents to be delivered hereunder.

(v) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement, the Notes and the other documents to be delivered hereunder.

(vi) A favorable opinion of King & Spalding, counsel for the Borrower, in substantially the form of Exhibit G to the Existing Credit Agreement, but with such modifications as are required to address the Existing Credit Agreement, as amended by this Amendment and Restatement, in each such case in form and substance reasonably satisfactory to the Lenders.

(vii) A favorable opinion of Shearman & Sterling, counsel for the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent.

(c) The representations and warranties contained in Section 4.01 of the Existing Credit Agreement shall be correct in all material respects on and as of the Restatement Effective Date, before and after giving effect to the Restatement Effective Date, as though made on and as of such date, except to the extent that any such representation or warranty expressly relates solely to an earlier date.

(d) No event shall have occurred and be continuing, or shall occur as a result of the occurrence of the Restatement Effective Date, that constitutes a Default.

(e) The Borrower shall have paid all fees and amounts due and payable.

SECTION 3. Affirmation of Guaranty. Each of the Guarantors hereby consents to the execution and delivery of this Amendment and Restatement and ratifies and confirms its obligations under the Guaranty dated April 24, 2003, which obligations shall remain in full force and effect notwithstanding the provisions of this Amendment and Restatement or any other amendment and restatement thereto heretofore executed. Each of the Guarantors further agrees that all references to "the Borrower" in the above referenced Guaranty shall be deemed to be references to the Borrower hereunder.

SECTION 4. Reference to and Effect on the Existing Credit Agreement and the Notes (a) On and after the effectiveness of this Amendment and Restatement, each reference in the Existing Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Existing Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement, shall mean and be a reference to the Existing Credit Agreement, as amended by this Amendment and Restatement.

(b) The Existing Credit Agreement and the Notes, as specifically amended by this Amendment and Restatement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) Without limiting any of the other provisions of the Existing Credit Agreement, as amended by this Amendment and Restatement, any references in the Existing Credit Agreement to the phrases "on the date hereof", "on the date of this Agreement" or words of similar import shall mean and be a reference to the date of the Existing Credit Agreement (which is April 24, 2003).

SECTION 5. Costs and Expenses. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and Restatement, the Notes and the other documents to be delivered hereunder (including, without limitation, the reasonable and documented fees and expenses of counsel for the Administrative Agent with respect hereto and thereto) in accordance with the terms of Section 8.04 of the Existing Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment and Restatement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment and Restatement by telecopier shall be effective as delivery of an original executed counterpart of such signature page.

SECTION 7. Governing Law. This Amendment and Restatement shall be governed by, and construed in accordance with, the laws of the State of New York.

[Remainder of this Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Restatement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

UNITED PARCEL SERVICE, INC.,
as Borrower

By /s/ Gary Barth
Name: Gary Barth
Title:

UNITED PARCEL SERVICE, INC., a New York
corporation, as Guarantor

By /s/ Gary Barth
Name: Gary Barth
Title:

UNITED PARCEL SERVICE, INC., an Ohio
corporation, as Guarantor

By /s/ Gary Barth
Name: Gary Barth
Title:

UNITED PARCEL SERVICE CO., a Delaware
corporation, as Guarantor

By /s/ Gary Barth
Name: Gary Barth
Title:

CITIBANK, N.A.,
as Administrative Agent, Syndication Agent and Lender

By /s/ Robert A. Danziger
Name: Robert A. Danziger
Title:Vice President

BANK OF AMERICA, N.A.
As Co-Documentation Agent and as Lender

By /s/ Lynn W. Stetson
Name: Lynn W. Stetson
Title: Managing Director

BANK ONE, NA,
As Co-Documentation Agent and as Lender

By /s/ Christopher C. Cavalani
Name: Christopher C. Cavalani
Title: Director

BNP PARIBAS , as Lender
(Type or print legal name of Lender)

By: /s/ Mike Shryock

Name: Mike Shryock
Title: Director

By: /s/ Aurora Abella
Name: Aurora Abella
Title: Vice President

CREDIT SUISSE FIRST BOSTON as Lender
Acting Through Its Cayman Islands Branch

By: /s/ Jay Chall
Name: Jay Chall
Title: Director

By: /s/ JENNIFER A. PIEZA
Name: JENNIFER A. PIEZA
Title: ASSOCIATE

ROYAL BANK OF CANADA, as Lender
(Type or print legal name of Lender)

By: /s/ Scott Umbs
Name: Scott Umbs
Title: Authorized Signatory

MELLON BANK, N.A., as Lender
(Type or print legal name of Lender)

By: /s/ Daniel J. Lenckos
Name: Daniel J. Lenckos
Title: First Vice President

Wells Fargo Bank, National Association, as Lender

By: /s/ Alex Idichandy
Name: Alex Idichandy
Title: Vice President

By: /s/ James D. Heinz
Name: James D. Heinz
Title: Senior Vice President

ABN AMRO Bank N.V., as Lender

By: /s/ Angela Noique
Angela Noique
Group Vice President

By: /s/ Peter J. Hallan
Peter J. Hallan
Vice President

Merrill Lynch Bank USA, as Lender

By: /s/ David Millett
Name: David Millett

Title: Vice President

JPMORGAN CHASE BANK, as Lender

By: /s/ Matthew H. Massie
Name: Matthew H. Massie
Title: Managing Director

STATE STREET BANK AND TRUST COMPANY,
as Lender

By: /s/ Juan G. Sierra
Name: Juan G. Sierra
Title: Assistant Vice President

BARCLAYS BANK PLC, as Lender
(Type or print legal name of Lender)

By: /s/ Nicholas Bell
Name: Nicholas Bell
Title: Director

[Logo]

Standard Chartered Bank, as Lender
(Type or print legal name of Lender)

By: /s/ Bert De Guzman
Name: Bert De Guzman
Title: Senior Vice President, Client Relationships

By: /s/ Robert Reddington
Name: Robert Reddington
Title: Assistant Vice President, Credit Documentation

UBS LOAN FINANCE LLC, as Lender

By: /s/ Joselin Fernandes
Joselin Fernandes
Associate Director
Banking Products Services, US

By: /s/ Doris Mesa
Doris Mesa
Associate Director
Banking Products Services, US

Dresdner Bank AG, New York and Grand Cayman Branches, as Lender

By: /s/ Michael Leffler

Name: Michael Leffler
Title: Managing Director

By: /s/ Stephen Kovach
Name: Stephen Kovach
Title: Vice President

Exhibit 12

United Parcel Service, Inc. and Subsidiaries
Ratio of Earnings to Fixed Charges

(in millions)	Three Months Ended March 31, 2004	2003
Earnings:		
Earnings before income taxes and accounting changes	$ 1,195	$ 882
Add: Interest expense	39	25
Add: One-third of rental expense (a)	59	56
Total earnings	$ 1,293	$ 963
Fixed Charges:		
Interest expense	$ 39	$ 25
Interest capitalized	6	7
One-third of rental expense (a)	59	56
Total fixed charges	$ 104	$ 88
Ratio of Earnings to Fixed Charges	12.4	10.9

(a) Considered to be representative of interest factor in rental expense.

Exhibit 31.1

CERTIFICATE OF CHIEF EXECUTIVE OFFICER

I, Michael L. Eskew, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Parcel Service, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Michael L. Eskew

Michael L. Eskew
Chairman and Chief Executive Officer
May 10, 2004

Exhibit 31.2

CERTIFICATE OF CHIEF FINANCIAL OFFICER

I, D. Scott Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Parcel Service, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ D. Scott Davis

D. Scott Davis
Chief Financial Officer
May 10, 2004

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the “Corporation”) for the period ended March 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Chairman of the Board and Chief Executive Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Michael L. Eskew

Michael L. Eskew
Chairman and Chief Executive Officer
May 10, 2004

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the "Corporation") for the period ended March 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chief Financial Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ D. Scott Davis

D. Scott Davis
Chief Financial Officer
May 10, 2004