

UNITED PARCEL SERVICE INC  
Form 10-Q  
August 05, 2011  
[Table of Contents](#)

**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 June 30, 2011, 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)

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**Delaware**  
*(State or Other Jurisdiction of*

**58-2480149**  
*(IRS Employer*

*Incorporation or Organization)*

*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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Check one: Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 244,207,270 Class A shares, and 736,581,782 Class B shares, with a par value of \$0.01 per share, outstanding at July 28, 2011.

**Table of Contents**

**UNITED PARCEL SERVICE, INC.**

**QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2011**

**TABLE OF CONTENTS**

**PART I FINANCIAL INFORMATION**

	<u>Cautionary Statement About Forward-Looking Statements</u>	1
Item 1.	<u>Financial Statements</u>	2
	<u>Consolidated Balance Sheets</u>	2
	<u>Statements of Consolidated Income</u>	3
	<u>Statements of Consolidated Comprehensive Income</u>	3
	<u>Statements of Consolidated Cash Flows</u>	4
	<u>Notes to Consolidated Financial Statements</u>	5
	<u>Note 1 Basis of Presentation</u>	5
	<u>Note 2 Recent Accounting Pronouncements</u>	5
	<u>Note 3 Stock-Based Compensation</u>	5
	<u>Note 4 Cash and Investments</u>	7
	<u>Note 5 Property, Plant and Equipment</u>	11
	<u>Note 6 Employee Benefit Plans</u>	11
	<u>Note 7 Goodwill and Intangible Assets</u>	13
	<u>Note 8 Debt and Financing Arrangements</u>	14
	<u>Note 9 Legal Proceedings and Contingencies</u>	15
	<u>Note 10 Shareowners' Equity</u>	18
	<u>Note 11 Segment Information</u>	21
	<u>Note 12 Earnings Per Share</u>	23
	<u>Note 13 Derivative Instruments and Risk Management</u>	23
	<u>Note 14 Restructuring Costs and Related Expenses</u>	28
	<u>Note 15 Income Taxes</u>	29
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
	<u>Overview</u>	31
	<u>Items Affecting Comparability</u>	32
	<u>U.S. Domestic Package Operations</u>	33
	<u>International Package Operations</u>	36
	<u>Supply Chain &amp; Freight Operations</u>	38
	<u>Operating Expenses</u>	39
	<u>Investment Income and Interest Expense</u>	42
	<u>Income Tax Expense</u>	42
	<u>Liquidity and Capital Resources</u>	43
	<u>Net Cash from Operating Activities</u>	43
	<u>Net Cash used in Investing Activities</u>	44
	<u>Net Cash Provided by Financing Activities</u>	45
	<u>Sources of Credit</u>	46
	<u>Contingencies</u>	47
	<u>Recent Accounting Pronouncements</u>	51
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	52
Item 4.	<u>Controls and Procedures</u>	52
<b>PART II OTHER INFORMATION</b>		
Item 1.	<u>Legal Proceedings</u>	53
Item 1A.	<u>Risk Factors</u>	53
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	53
Item 3.	<u>Defaults Upon Senior Securities</u>	53
Item 6.	<u>Exhibits</u>	54

**Table of Contents**

**PART I. FINANCIAL INFORMATION**

**Cautionary Statement About Forward-Looking Statements**

This report includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in the future tense, and all statements accompanied by terms such as believe, project, expect, estimate, assume, intend, anticipate, and variations thereof and similar terms are intended to be forward-looking statements. We intend that all forward-looking statements we make will be subject to safe harbor protection 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.

Our disclosure and analysis in this report, in our Annual Report on Form 10-K for the year ended December 31, 2010 and in our other filings with the Securities and Exchange Commission contain some forward-looking statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results. From time to time, we also provide forward-looking statements in other materials we release as well as oral forward-looking statements. Such statements 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 such 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 are described in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2010 and may also be described from time to time in our future reports filed with the Securities and Exchange Commission. 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.

**Table of Contents****Item 1. Financial Statements****UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****June 30, 2011 (unaudited) and December 31, 2010****(In millions)**

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,691	\$ 3,370
Marketable securities	946	711
Accounts receivable, net	5,602	5,627
Finance receivables, net	192	203
Deferred income tax assets	661	659
Income tax receivable	157	287
Other current assets	701	712
<b>Total Current Assets</b>	<b>12,950</b>	<b>11,569</b>
Property, Plant and Equipment, Net	17,489	17,387
Goodwill	2,101	2,081
Intangible Assets, Net	593	599
Non-Current Finance Receivables, Net	248	288
Non-Current Investments and Restricted Cash	304	458
Other Non-Current Assets	1,467	1,215
<b>Total Assets</b>	<b>\$ 35,152</b>	<b>\$ 33,597</b>
<b>LIABILITIES AND SHAREOWNERS EQUITY</b>		
Current Liabilities:		
Current maturities of long-term debt and commercial paper	\$ 1,374	\$ 355
Accounts payable	2,078	1,974
Accrued wages and withholdings	1,688	1,505
Self-insurance reserves	768	725
Other current liabilities	1,710	1,343
<b>Total Current Liabilities</b>	<b>7,618</b>	<b>5,902</b>
Long-Term Debt	10,787	10,491
Pension and Postretirement Benefit Obligations	3,712	4,663
Deferred Income Tax Liabilities	2,175	1,870
Self-Insurance Reserves	1,808	1,809
Other Non-Current Liabilities	723	815
Shareowners Equity:		
Class A common stock (247 and 258 shares issued in 2011 and 2010)	3	3
Class B common stock (736 and 735 shares issued in 2011 and 2010)	7	7
Additional paid-in capital	3	
Retained earnings	14,218	14,164
Accumulated other comprehensive loss	(5,977)	(6,195)
Deferred compensation obligations	86	103
Less: Treasury stock (2 shares in 2011 and 2010)	(86)	(103)

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Total Equity for Controlling Interests	8,254	7,979
Total Equity for Non-Controlling Interests	75	68
Total Shareowners' Equity	8,329	8,047
Total Liabilities and Shareowners' Equity	\$ 35,152	\$ 33,597

See notes to unaudited consolidated financial statements.

**Table of Contents****UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES****STATEMENTS OF CONSOLIDATED INCOME****(In millions, except per share amounts)****(unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Revenue	\$ 13,191	\$ 12,204	\$ 25,773	\$ 23,932
Operating Expenses:				
Compensation and benefits	6,683	6,515	13,291	13,054
Repairs and maintenance	317	281	632	555
Depreciation and amortization	443	449	884	900
Purchased transportation	1,762	1,613	3,410	3,114
Fuel	1,057	717	1,965	1,395
Other occupancy	225	216	486	478
Other expenses	1,006	1,011	1,981	1,992
Total Operating Expenses	11,493	10,802	22,649	21,488
Operating Profit	1,698	1,402	3,124	2,444
Other Income and (Expense):				
Investment income (loss)	9	(18)	20	(22)
Interest expense	(83)	(84)	(168)	(169)
Total Other Income and (Expense)	(74)	(102)	(148)	(191)
Income Before Income Taxes	1,624	1,300	2,976	2,253
Income Tax Expense	561	455	1,028	875
Net Income	\$ 1,063	\$ 845	\$ 1,948	\$ 1,378
Basic Earnings Per Share	\$ 1.08	\$ 0.85	\$ 1.97	\$ 1.39
Diluted Earnings Per Share	\$ 1.07	\$ 0.84	\$ 1.95	\$ 1.37

**STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME****(In millions)****(unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net income				