

We see...





...a world of opportunity.

Letter to shareowners	2
We see growth	6
We see a world of opportunity	8
UPS senior leadership	18
Financial highlights	20
Selected financial data	21
Financial table of contents	22
Investor information	66

Vision. Execution. Growth. At UPS, we know success begins by seeing opportunities to grow the business. With a powerful brand, rapidly expanding capabilities, and a finely tuned network, we see a world of opportunity.

We see \$600 million in operational efficiencies.



By investing hundreds of millions in leading-edge package flow technologies, we are improving upon what was already a highly efficient U.S. package network.



For nearly a century we've innovated, perfected, and invested in our network to create a system that runs like clockwork. Our uniquely integrated business model, which flows packages of all kinds through one system, and our use of technology differentiate UPS, allowing for optimum performance and the broadest capabilities.

Most recently, we've begun implementing new operational technologies that allow us to use precise package information to streamline our operations. In addition, new routing and dispatch technologies are expected to reduce miles driven by more than 100 million per year and save 14 million gallons of fuel annually. They are expected to save more than \$600 million annually once fully operational in 2007.

These industry-leading technologies will allow UPS to be even more nimble in our responsiveness to individual customer needs and ultimately create the potential for proactive services.

Facts:

- **UPS WorldportSM processes in excess of 304,000 packages per hour.**
- **Our mobile radio network transmits more than 3 million packets of tracking data each day.**
- **Our mainframe capacity allows the transmission of more than 22 million instructions per second.**
- **UPS shipping tools are embedded in more than 65,000 customer Web sites.**
- **Using Global Positioning Satellite technology, we will have the capability to pinpoint a package within 30 feet of its location.**

We see great opportunity in a \$3 trillion industry.



Our rapidly expanding capabilities help customers manage the complexity of global commerce and establish us as a leader in a vast supply chain and logistics marketplace.



At UPS, we're operating as an increasingly globalized and synchronized business that is in step with a changing world marketplace. UPS Supply Chain Solutions provides customized solutions, taking advantage of the full strength of our small package network and creating deeper relationships with our customers.

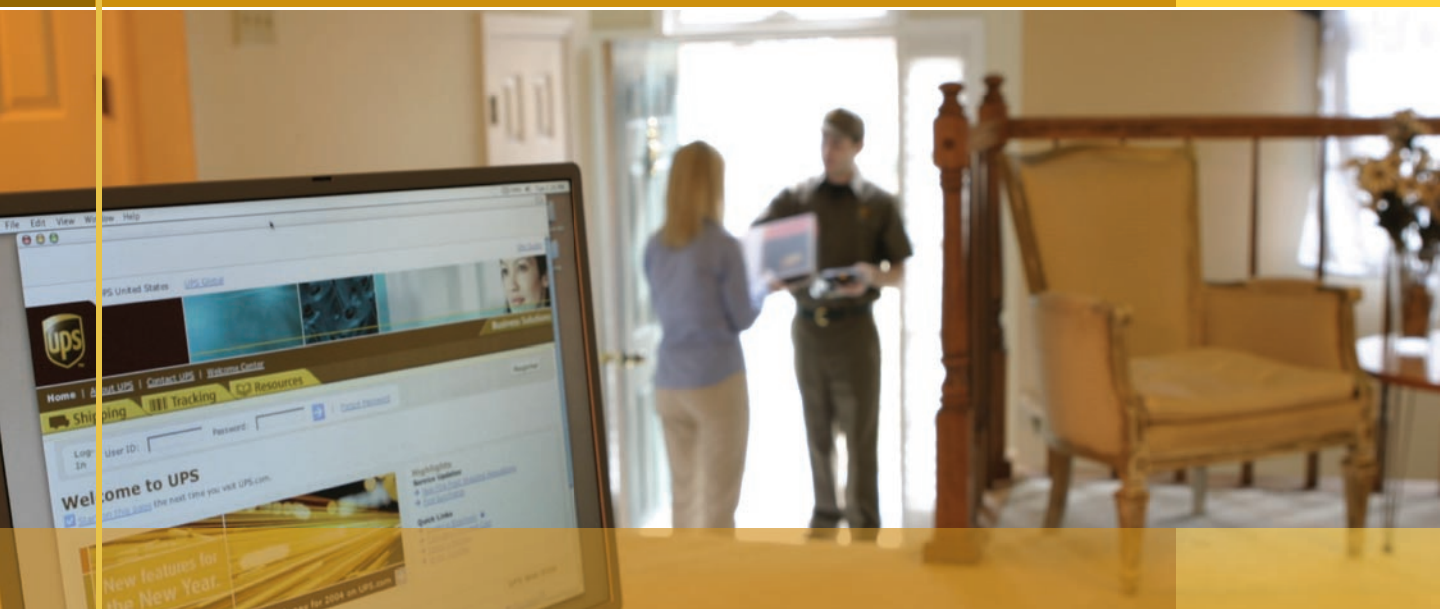
With more than 750 worldwide distribution centers, we're simplifying complex supply chains for businesses through multimodal freight shipments, customs clearance, order and inventory management, returns, parts distribution, international trade support, and financial services.

By doing so, we allow customers to focus on what they do best while we help increase their cash flow, improve service to their customers, differentiate their products from competitors, and find new ways to reach their customers around the world with efficiency and ease.

Facts:

- **UPS Supply Chain Solutions has operations in more than 120 countries around the world.**
- **UPS Supply Chain Solutions files more than 4 million customs entries in the United States, making it the nation's largest broker.**
- **UPS Supply Chain Solutions has hundreds of engineers to help remap supply chains for greater efficiency and market responsiveness.**
- **UPS Supply Chain Solutions was rated as the No. 1 logistics provider in *Inbound Logistics'* annual "Top 10 3PL Excellence Award" survey.**
- **UPS is ranked as the largest third-party logistics provider in North America by *Traffic World* magazine.**

We see more than 125,000 ways to connect.



Through drop boxes, retail outlets, and customer centers — even through our more than 70,000 drivers — we offer customers a broad range of access points.



By expanding and diversifying our customer access points, we not only offer customers convenience and accessibility, we're also invigorating our U.S. ground business and increasing our brand presence.

The UPS Store locations offer a full range of shipping and business services and represent a considerable package volume opportunity. Store locations have seen significant increases in UPS volume from both small businesses and retail customers. In fact, since the more than 3,000 Mail Boxes Etc. centers in the United States opted to convert to The UPS Store in March 2003, their UPS volume has more than doubled.

UPS also has thousands of drop boxes strategically located near businesses and retail areas for air express and expedited shipments, as well as in-store shipping and third-party retail pack-and-ship locations. What's more, customers can give their packages to any of our drivers who deliver more than 13 million packages and documents to customer loading docks, offices, and homes every day around the world.

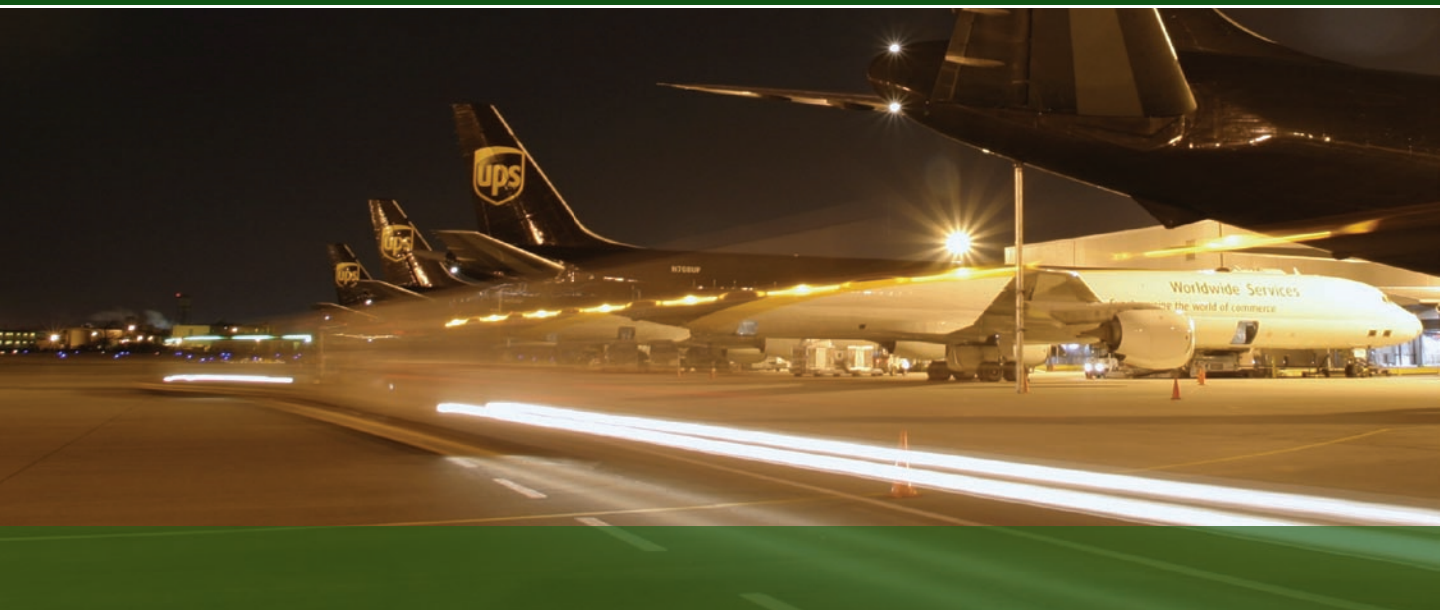
Facts:

- **We have 4,500 retail locations worldwide — more than all other franchised shipping chains put together.**
- **In the United States and Canada, we have more than 41,000 drop boxes.**
- **There are 7,500 third-party retail pack-and-ship locations.**
- **We operate 1,400 customer centers within our operating facilities worldwide.**
- **We have more than 12,900 in-store shipping locations and commercial counters.**

We see 4 billion addresses.



Spanning the globe, we deliver more than 13.6 million packages and documents to customers in more than 200 countries and territories every day.



As the only company in the industry with an integrated global network and a substantial presence in every major market around the world, we saw international operating profit more than double in 2003. Our international export volume has grown at an annual compound rate of more than 13 percent in the last five years, generating the best margins in the industry.

Globalization has helped spur such growth, and our unparalleled product portfolio offers solutions addressing customers' local, regional, and global needs. Those solutions are possible through our use of sophisticated technologies, allowing us to consolidate shipments, speed packages through customs, and improve transit times.

We continue to expand our presence throughout the world via additional air rights and routes in Asia, and we're building upon our already extensive network with new facilities in Vancouver, Canada and Cologne, Germany. We're also set to expand our pan-European air and ground network in the 10 countries that are joining the European Union.

Facts:

- We serve more than 850 airports around the world, flying more than 1,800 flight segments each day.
- We operate the 11th largest airline in the world.
- Local country management people average 14 years of UPS experience.
- With expanded air rights to Hong Kong, we now offer direct service to our two largest hubs in Europe and Asia and enhanced service to China's fastest growing express and cargo region.
- We have begun construction on a \$135 million, 30,000-square-meter facility at Cologne/Bonn Airport in Germany, which will be the largest UPS facility outside the United States.

We see margins over 15 percent.



Our integrated network, operational efficiencies, dedicated people, brand equity, and broad service portfolio create the best returns in the industry. By 2007, we expect even more — with operating profit margins expected to be above 15 percent in each of our business segments.



With a commitment to employee stock ownership, UPS is a company run by investors for investors. UPS operates with the innovative qualities of a start-up company and the vision, discipline, and execution of a well-established industry leader. In fact, UPS strives to be the most efficient, cost effective, environmentally responsible, and profitable company in the industry.

And, we see a continued, positive outlook for growth in our industry. As trade barriers fall, free trade agreements are signed, and the movement towards globalization redefines the marketplace, companies increasingly are outsourcing services and moving goods around the world.

UPS is embracing these globalization trends. The strength of our brand has allowed us to expand beyond borders and cultures and given us the opportunity to offer innovative solutions to our customers. We are becoming synonymous with world commerce, and it's translating to the bottom line.

Facts:

- **We have a 96-year history of revenue growth.**
- **We are one of seven companies in the United States that has a Triple-A credit rating from both Standard & Poor's and Moody's.**
- **Our quarterly dividend increased 32 percent in 2003.**
- **We delivered 3.44 billion packages in 2003, an average of 13.6 million per day.**
- **Active and former employees and their families own more than 50 percent of UPS stock.**
- **For the sixth straight year, *FORTUNE* magazine named UPS a "World's Most Admired Company," and for the 21st consecutive year, *FORTUNE* named UPS "America's Most Admired" company in its industry.**