



UPS Achieves Record Earnings Per Share

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2012 Free Cash Flow \$5.4 Billion; Expects 2013 EPS growth 6-to-12%; \$4 Billion in Share Repurchases
UPS (NYSE: UPS) today announced record 2012 fourth quarter and full year adjusted diluted earnings per share of \$1.32 and \$4.53 respectively, with the U.S. Domestic segment leading the way. The company generated annual free cash flow of approximately \$5.4 billion, a testament to operations execution and the emphasis UPS places on capital efficiency. UPS estimates that Hurricane Sandy reduced earnings per share by approximately \$0.05. UPS recorded a fourth quarter mark-to-market, non-cash, after-tax charge of \$3.0 billion for its company-sponsored pension and post-retirement benefit plans. Although the plans exceeded their expected rate of return, these incremental gains were more than offset by a 120 basis point decline in year-end discount rates. As a result, on a GAAP basis, diluted earnings per share for the quarter fell to a loss of \$1.83. For the full year, reported diluted earnings per share were \$0.83. This adjustment does not affect cash flow, required pension funding or benefits paid to plan participants. "2012 presented its challenges, most notably weak global trade. Nonetheless, UPS executed well, delivering superior service to customers," said Scott Davis, UPS Chairman and CEO. "Despite modest macro growth expectations for 2013 and uncertainty in the U.S. caused by the lack of progress in Washington, the UPS business model will deliver consistent results, with operating profit growth in all segments." UPS expects full year earnings per share to be within a range of \$4.80 - \$5.06, an increase of 6-to-12% compared to 2012 adjusted results. The company also raised guidance for 2013 share repurchases from \$1.5 billion to \$4.0 billion. During the year, UPS delivered more than four billion packages. For the quarter, it delivered 18.8 million pieces per day, an increase of 2.9% over the prior-year period. Overall consumer spending for holiday shopping fell slightly below expectations, however; UPS still delivered more than 500 million packages, including almost 28 million on its peak day, both new records. Cash Position
For the year ending Dec. 31, UPS generated \$5.4 billion in free cash flow after capital expenditures of \$2.2 billion. UPS repurchased 21.8 million shares for approximately \$1.6 billion and paid dividends totaling \$2.1 billion, up 9.6% per share. As on-line retailers continue to rely on UPS to serve their customers, daily package volume was up 3.0%, led by 7.7% growth in UPS Next Day Air, while ground improved 3.0%. On an adjusted basis, operating profit increased \$58 million or 4.4%, and operating margin expanded to 15.4%, despite challenges created by Hurricane Sandy. Revenue grew 3.0% and revenue per piece increased 1.7%, driven by base rate improvements in both ground and air products. As a result of the pension mark-to-market adjustment, the segment reported an operating loss of \$1.8 billion, on a U.S. GAAP basis. This holiday season, the B2C market took advantage of the unique consumer experience offered by UPS My Choice. Reflecting its popularity, subscribers have grown to almost 2.5 million. This innovative service reduces missed deliveries to customers and lowers UPS operating costs. Strong demand for UPS products in Asia and Europe led to a 5.5% increase in average daily export volume, increasing revenue to \$3.2 billion. Adjusted operating profit was \$499 million, down slightly, as customer and product mix changes drove a 3.5% decline in export yields, on a currency neutral basis. Adjusted operating margin of 15.6% remains industry leading. As a result of the pension mark-to-market adjustment, the segment reported an operating loss of \$442 million, on a U.S. GAAP basis. Earlier this month, UPS announced a new express air freight service, UPS Worldwide Express Freight, for urgent, time-sensitive and high-value international heavyweight shipments. This new service is an extension of the UPS Worldwide Express package portfolio and offers customers a seamless experience between shipping express package and express freight. Revenue in the Supply Chain Freight segment increased \$94 million or 4.0% compared with the fourth quarter of 2011. Adjusted operating profit was \$172 million. As a result of the pension mark-to-market adjustment, the segment reported an operating loss of \$541 million, on a U.S. GAAP basis. The Freight Forwarding unit experienced revenue improvement on strong tonnage increases in international air freight. Operating margin was negatively impacted by an increase in purchased transportation rates on Asia outbound freight during a period of accelerated demand in the market. The Distribution business unit achieved revenue growth of more than 10% as UPS continued to meet customers' needs for optimal supply chain management and value added services. Although operating margin was still strong, it declined due to investments in technology and new facilities to support the Healthcare and High Tech industries. UPS Freight revenue increased 6.2% with LTL gross weight hauled up 4.9% and LTL revenue per hundredweight up 1.5%. During the quarter, UPS launched an innovative ocean and air freight forwarding technology platform, UPS Order Watch, enhancing the UPS Supplier Management product with cloud-based capabilities that allow customers to more efficiently manage their international inbound supply chains. Outlook
UPS delivered its best ever adjusted earnings per share with strong free cash flow, even in the midst of weaker than expected global economic conditions in 2012," said Kurt Kuehn, UPS chief financial officer. "Economic growth for 2013 is expected to be below long-term trends. Despite \$350 million in headwinds from unfavorable foreign exchange comparisons and increased pension expense, UPS anticipates full year diluted earnings per share to increase 6% to 12% over 2012 adjusted results. Free cash flow remains a UPS hallmark, creating opportunities for significant distributions to shareholders," Kuehn added. "Based on our strong financial position, UPS has increased expected share repurchases for 2013 from \$1.5 billion to \$4.0 billion." Next Steps
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