

UPS RELEASES 4Q RESULTS

- *Global Deliveries in December Climb 20%*
- *Higher U.S. Costs Driven by Surge in Shipments and Inclement Weather*
- *E-commerce Pushes Quarterly Volume up 6.0% Worldwide*
- *International Export Volume Up 9.5% per Day on Strong Europe Growth*
- *2013: \$6.1 Billion in Shareowner Distributions; \$5.3 Billion in Free Cash Flow*
- *\$500 Million of Increased Investments in Capacity Expansion*
- *Announces Full-Year 2014 EPS Guidance of \$5.05 to \$5.30*

ATLANTA, USA, Jan. 30, 2014 – UPS (NYSE:UPS) today released details regarding fourth quarter 2013 results. Diluted earnings per share totalled \$1.25, a \$0.07 decline from 2012 fourth quarter adjusted results. Average daily package volume increased 6.0%, as total deliveries in December surged 20%. Significantly higher than predicted volume and inclement weather contributed to excess operating costs in the U.S., negatively affecting results.

During the fourth quarter 2012, UPS reported diluted earnings per share loss of \$1.83, due to an after-tax, non-cash charge of \$3.0 billion to account for a mark-to-market pension adjustment.

“As the retail market shifts to a direct-to-consumer model, more and more companies are leveraging UPS solutions,” said Scott Davis, UPS chairman and CEO. “As a result, we experienced an unprecedented increase in volume, exceeding even our most optimistic plans.

“The increased volume put a strain on our network, causing delays. In response, UPS deployed additional people and equipment, placing a greater emphasis on service than cost,” Davis explained. “UPS will make the necessary investments and operational improvements to ensure we meet the needs of the marketplace.”

The company expects full-year diluted earnings per share to be within a range of \$5.05 to \$5.30, an increase of 11%-to-16% over 2013 adjusted results.

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UPS delivered 20 million packages per day during the fourth quarter. Total shipments in 2013 increased to 4.3 billion, a 3.9% improvement over 2012.

During the holiday period, global daily deliveries exceeded expectations by surpassing 29 million packages on five days, with peak volume exceeding 31 million on December 23. Also during this period, UPS experienced 10 days with delivery volume that exceeded the company's previous high.

Cash Flow

For the year ended Dec. 31, UPS generated \$5.3 billion in free cash flow, producing a net income-to-cash conversion ratio of more than 120%. The company paid dividends of \$2.3 billion, an increase of nearly 9% per share over the prior year, and repurchased more than 43 million shares for approximately \$3.8 billion.

U.S. Domestic Package

U.S. Domestic fourth quarter revenue improved 4.2% to \$9.3 billion. Daily package volume increased 5.6% with Deferred and Ground leading the way, up 8.0% and 5.8% respectively.

Total revenue per package declined 1.3%, as lower fuel surcharges, changes in product and customer mix, as well as higher service refunds, contributed to the drop. Shippers continue to utilize the UPS portfolio, choosing lower cost over faster delivery, as evidenced by more than 30% growth in UPS SurePost.

Operating profit totalled \$1.2 billion as additional costs associated with a greater-than-expected surge in volume and weather led to a \$178 million decline from the prior-year adjusted results. Increased compensation and benefit costs reflected the deployment of

additional resources in an attempt to meet service commitments. During the quarter, UPS exceeded seasonal hiring targets by more than 30,000, deploying a total of 85,000 temporary employees. In addition, the company experienced significantly higher purchased transportation expenses.

On a reported basis, the operating loss for the fourth quarter of 2012 totalled \$1.8 billion as a result of the mark-to-market pension charge.

International Package

International revenue increased 5.3% to \$3.4 billion on 8.8% growth in daily package volume. UPS Export products rose 9.5% per day, driven primarily by 13% growth in Europe and significant growth in the Asia-to-Europe trade lane. Non-U.S. domestic products were up 8.2% with strong growth in Poland, Italy, and Canada. During December, the segment achieved a peak volume day above four million pieces and exceeded last year's high on 11 days.

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Export yield declined 3.4% on a currency neutral basis, as a result of lower fuel surcharges and customer preference for non-premium products. Double-digit gains in Pan-European shipments also lowered revenue per piece.

Operating profit improved 7.6% to \$537 million. Operating margin expanded 30 basis points to 15.9%, compared to last year's adjusted results.

On a reported basis, the operating loss for the fourth quarter of 2012 totalled \$442 million as a result of the mark-to-market pension charge.

Supply Chain & Freight

Revenue in the segment fell 5.8% to \$2.3 billion, due to declines in the Freight Forwarding unit. Operating profit was flat compared to

2012 adjusted results, as improvements in Distribution offset declines in Forwarding and UPS Freight.

On a reported basis, the operating loss for the fourth quarter of 2012 was \$541 million as a result of the mark-to-market pension charge.

The Forwarding unit experienced a revenue decline resulting from decreased tonnage and revenue per kilo, in International Air Freight. The Ocean Freight business reported growth in shipments and operating margin expansion.

Distribution revenue increased over the prior year period. The retail and healthcare sectors contributed to the improved results. Global footprint expanded during the year to 284 facilities, with more than 2 million square metres of space.

UPS Freight LTL revenue increased 2.3% over the prior year driven by LTL tonnage and pricing improvements.

Outlook

The company announced plans to repurchase \$2.7 billion of UPS shares during 2014. Capital expenditures are anticipated to be approximately \$2.5 billion. This includes accelerated deployments in operational technologies and over \$500 million of increased investments in capacity expansion and hub modernization.

“While the year ended on a challenging note, we are confident in our ability to adapt and we expect much better results in 2014,” said Kurt Kuehn, UPS chief financial officer. “UPS expects balanced profitability growth across all segments in a slightly better economic environment, resulting in full-year guidance of diluted earnings per share of \$5.05 to \$5.30, an 11%-to-16% increase over our 2013 adjusted results.”

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