

First Quarter 2014 Earnings Release

April 17, 2014

Jack Koraleski, CEO



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First Quarter 2014 Record Results

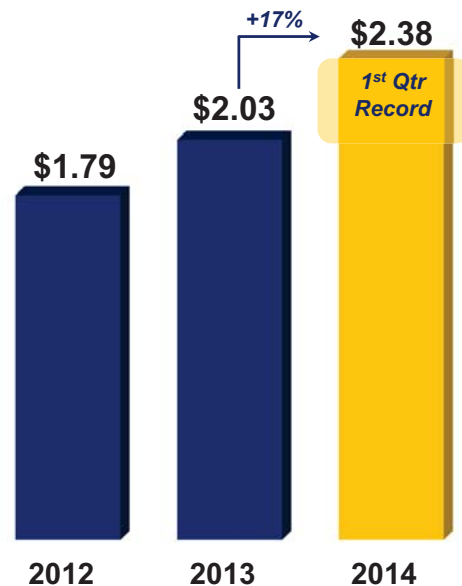
Positives

- First Quarter Records
 - Operating Revenue
 - Operating Income
 - Operating Ratio
 - Earnings
- Franchise Diversity

Challenges

- Weather Conditions

Earnings Per Share First Quarter

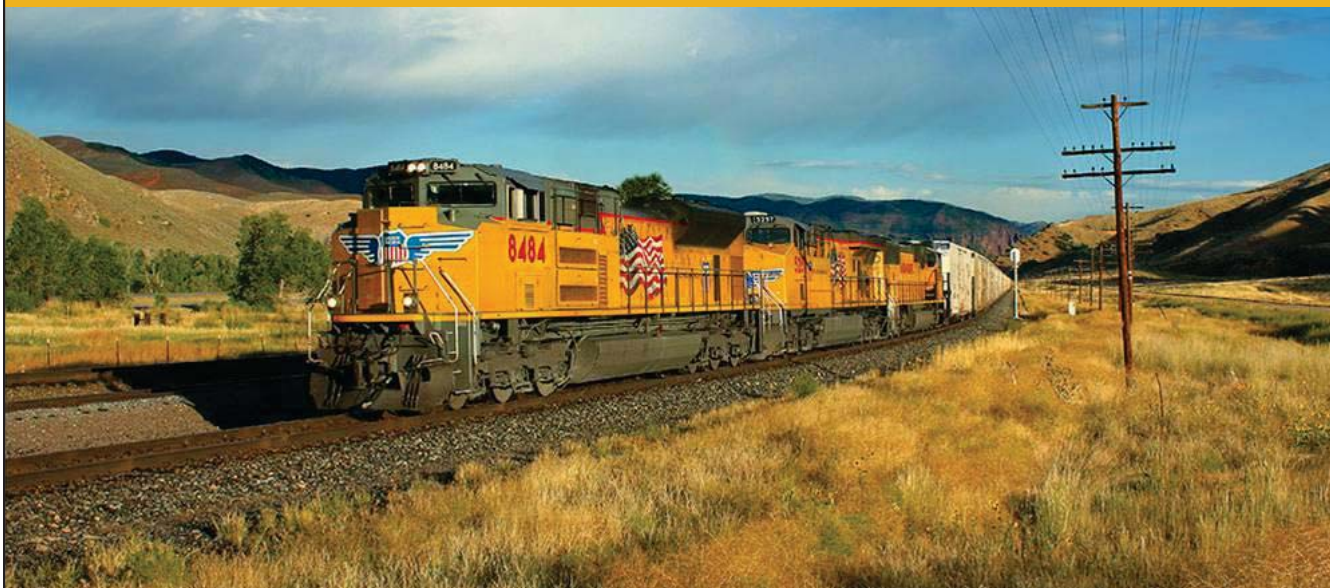


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First Quarter 2014 Marketing & Sales Review

April 17, 2014

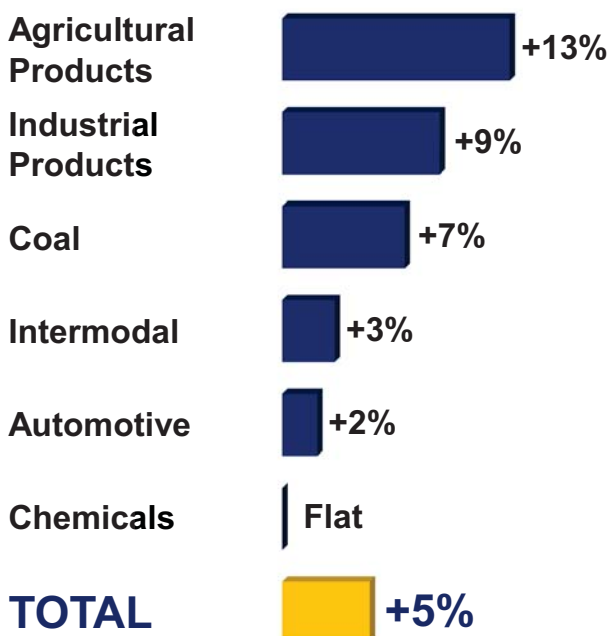
Eric Butler, Executive VP – Marketing & Sales



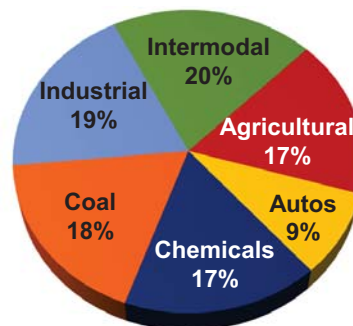
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First Quarter 2014 Recap

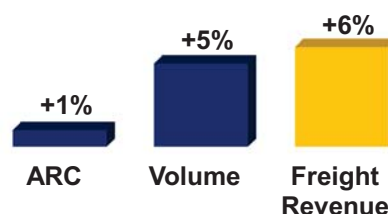
Volume Growth



Freight Revenue Mix



Freight Revenue Performance (Year-Over-Year Change)

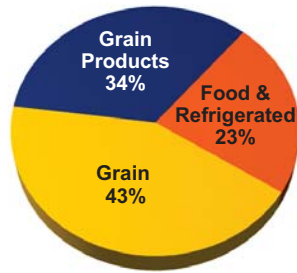


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Agricultural Products

Revenue \$910M (+16%) Volume 239K (+13%) ARC \$3,815 (+3%)

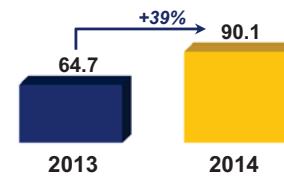
Volume Mix



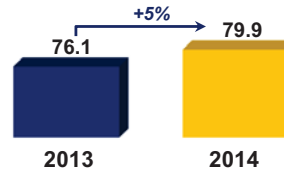
Quarterly Drivers

- Corn and Soybean Production
- Grain & Grain Products Exports
- Food & Refrigerated Declines

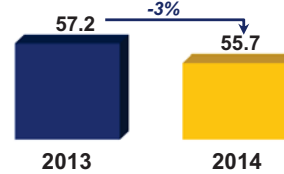
Grain*



Grain Products*



Food & Refrigerated*



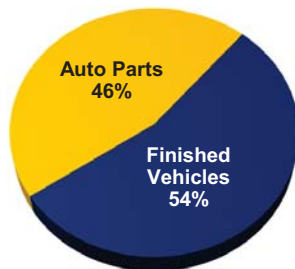
*Volume in thousands of carloads and excludes equipment shipments



Automotive

Revenue \$488M (Flat) Volume 188K (+2%) ARC \$2,591 (-2%)

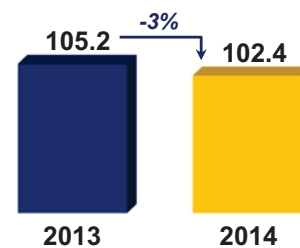
Volume Mix



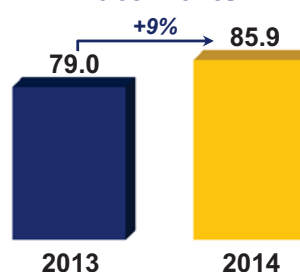
Quarterly Drivers

- Weather Impact on Deliveries
- Unscheduled Plant Shutdowns
- Auto Parts Strength

Finished Vehicles*



Auto Parts*



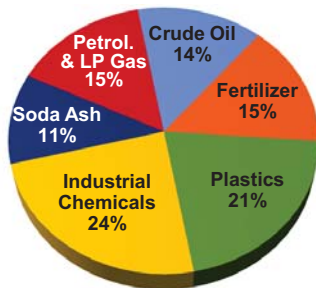
*Volume in thousands of carloads



Chemicals

Revenue \$893M (+2%) Volume 270K (Flat) ARC \$3,307 (+3%)

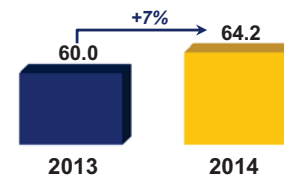
Volume Mix



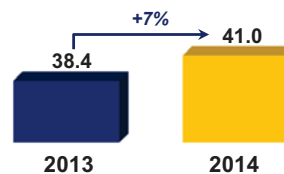
Quarterly Drivers

- Demand for Industrial Chemicals
- Strong Export Potash
- Spreads Drive Crude Flows

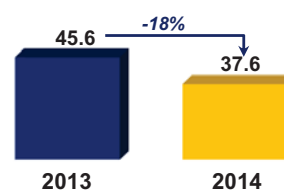
Industrial Chemicals*



Fertilizer*



Crude Oil*



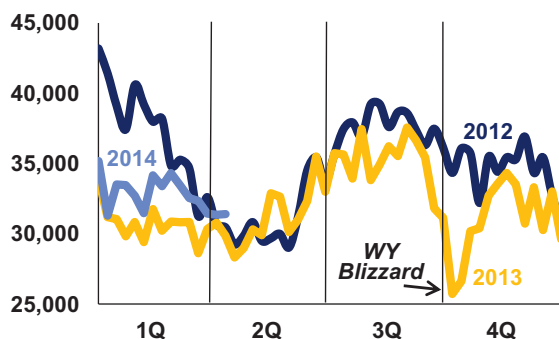
*Volume in thousands of carloads and excludes equipment shipments



Coal

Revenue \$961M (+3%) Volume 430K (+7%) ARC \$2,236 (-4%)

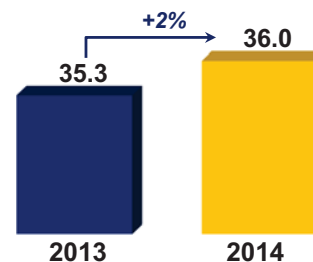
Volume Impact (Weekly Carloadings)



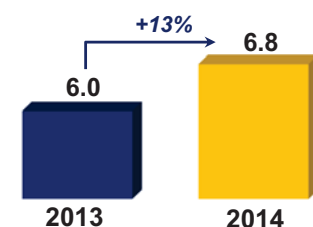
Quarterly Drivers

- Demand from Cold Weather
- Low Coal Inventories
- Legacy Contract Loss

Southern Powder River Basin*



Colorado/Utah*



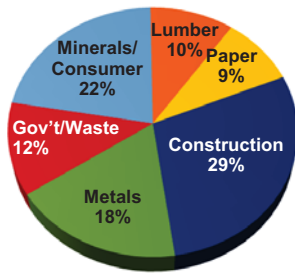
*Tons in millions



Industrial Products

Revenue \$1,011M (+10%) Volume 314K (+9%) ARC \$3,218 (+1%)

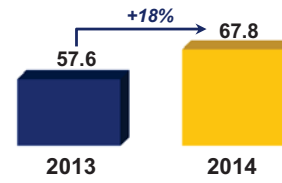
Volume Mix*



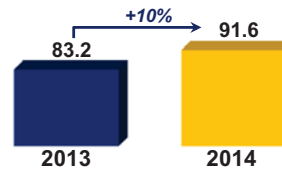
Quarterly Drivers

- Drilling Activity – Frac Sand
- Market Strength for Aggregates and Cement
- Waste Shipments

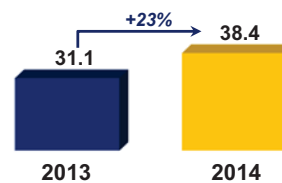
Non-Metallic Minerals**



Construction **



Gov't/Waste**



*Beginning in 3rd Quarter 2013, Shipments of Salt, Carbon Black, Rubber and Magnesium Chloride are reported under Gov't / Waste.

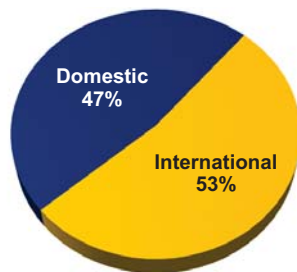
**Volume in thousands of carloads



Intermodal

Revenue \$1,023M (+4%) Volume 833K (+3%) ARC \$1,227 (+1%)

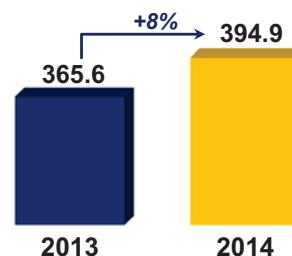
Volume Mix



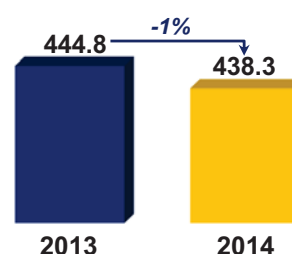
Quarterly Drivers

- Broad Based Growth in Domestic
- Modest International Decline

Domestic*



International*



*Volume in thousands of units



2014 Volume Outlook

Agricultural Products

- + Strong Exports
- ? Weather / 2014 Crop
- ? California Drought

Automotive

- + Auto Sales Recovery Continues

Chemicals

- + Most Markets Remain Solid
- Crude Oil Spreads

Coal

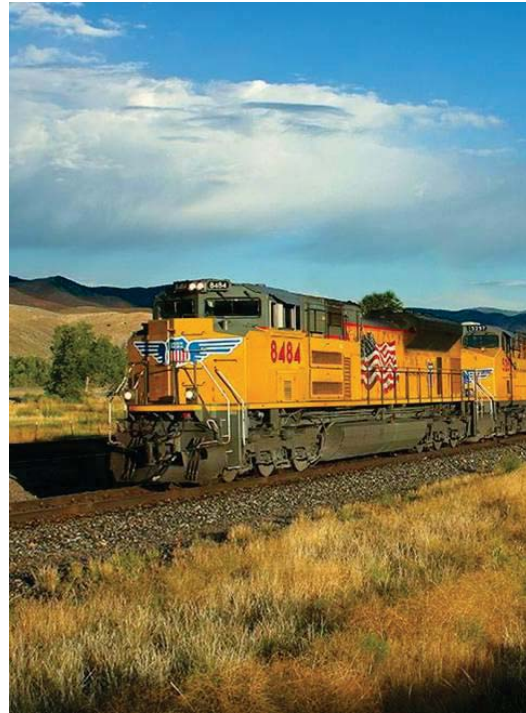
- + Low Coal Inventories
- ? Weather

Industrial Products

- + Shale Drilling - Frac Sand
- + Housing & Construction

Intermodal

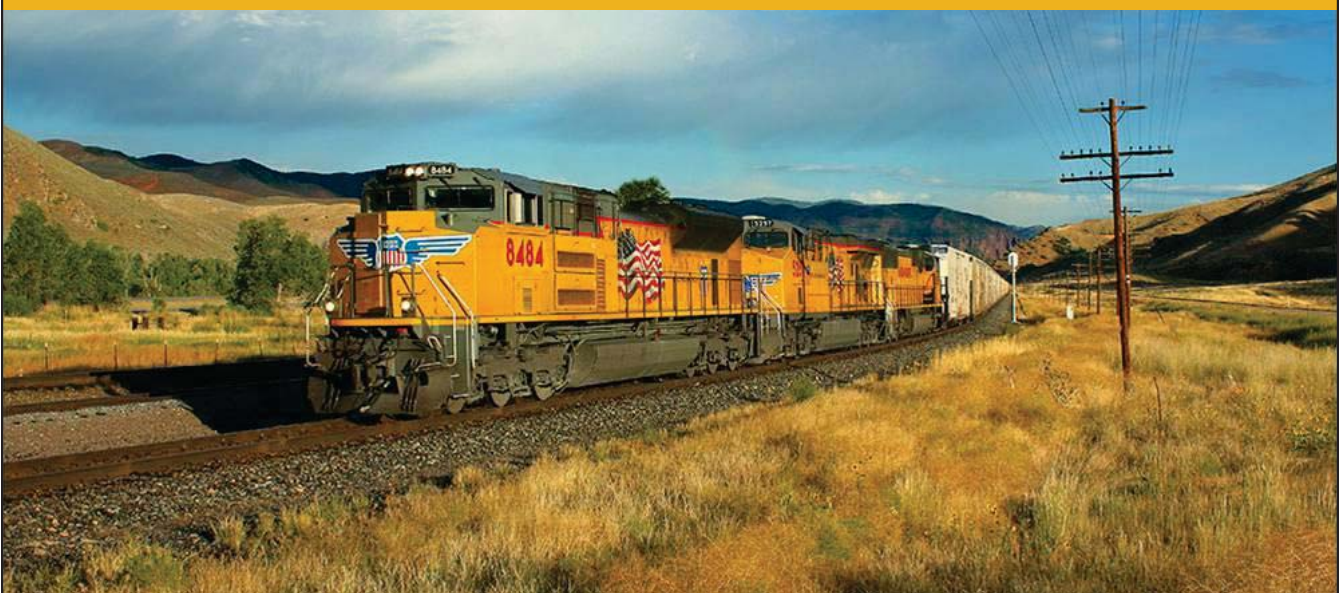
- + Domestic Highway Conversions
- + International



First Quarter 2014 Operations Review

April 17, 2014

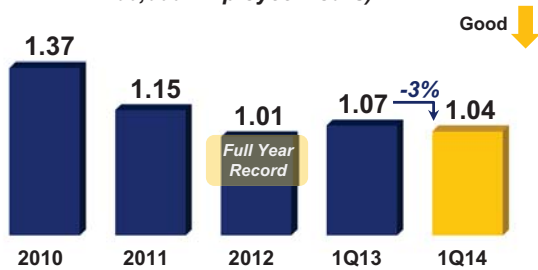
Lance Fritz, President & COO



Operating Foundation, Safety Focus

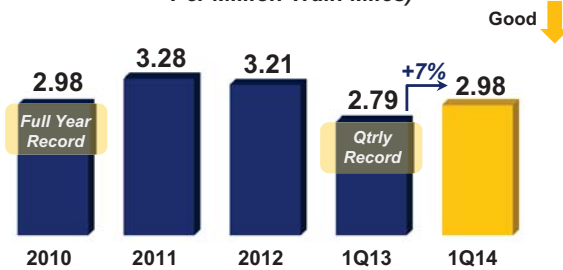
Employee

(Reportable Personal Injury Incidents Per 200,000 Employee-Hours)



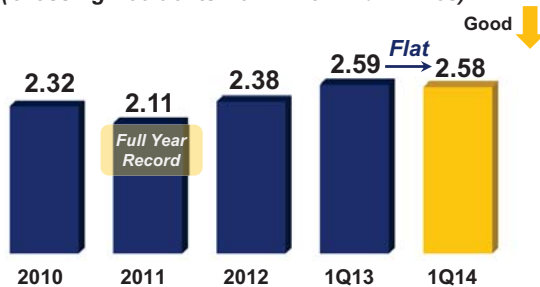
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)



Public

(Crossing Accidents Per Million Train Miles)



- Record Low Number of Severe Injuries
- Infrastructure Investment & Focus on Human Factor Incidents
- Grade Crossing Improvement Process



Winter Weather Challenges First Quarter 2014

Severe Weather Impacts

- Train size limitations
- Switching operations
- Asset utilization
- Fuel consumption
- Interchange bottlenecks

UP's Response

- Leverage UP Franchise
- Adjust transportation plans
- Resource agility & surge capacity
- Maximize windows of opportunity

Chicago

- Record # of days <= zero
- 3rd most snowfall on record

Minneapolis

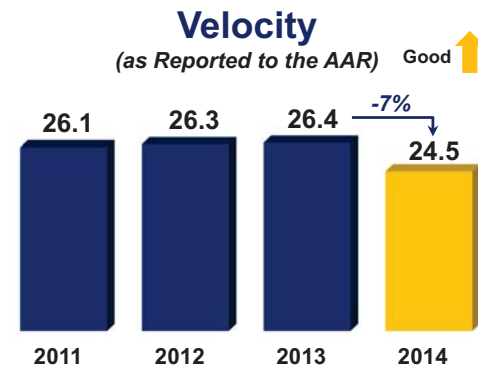
- 5th most days <= zero
- Snowfall well above average



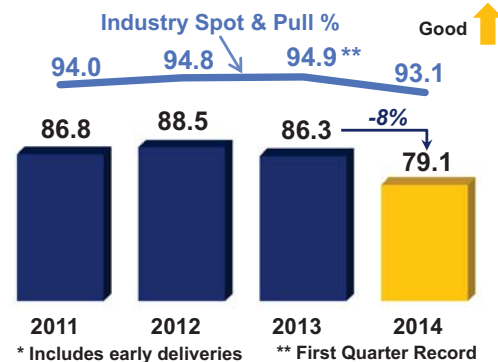
Network Performance

First Quarter

- Weather Interruptions
 - Adverse Winter Conditions
- Agility & Resiliency Demonstrated with Resources & Service Plan
- Strategic Investments & Surge Resources Aid in Recovery
- Positioned for Growth



Service Delivery* and IS&P



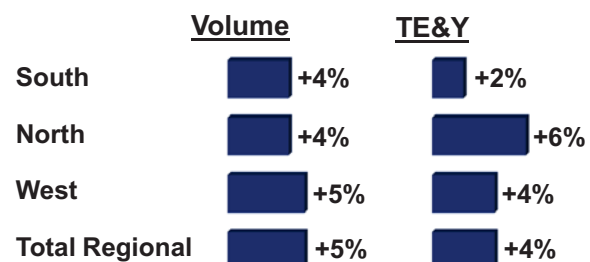
Network Productivity

First Quarter

- Solid Growth in Each Region
- Net Productivity Improved
- Leveraged Volume Growth
- Record First Quarter Operating Ratio

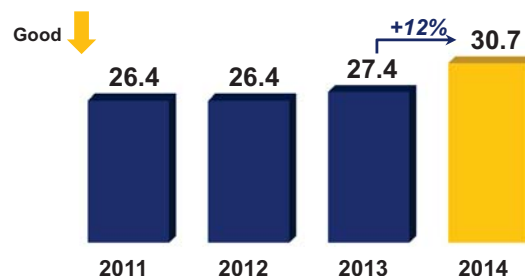
Operating Leverage

(vs 1Q 13)



Freight Car Dwell

(As reported to the AAR, in hours)



2014 Operating Outlook

Safety, Service, and Value

- Restore Network Performance
- Drive Record Safety Results
- Leverage Growth Opportunities & Realize Productivity
- Capital Effectiveness
- Create Value with Excellent Service
- Increase Returns for Shareholders



17

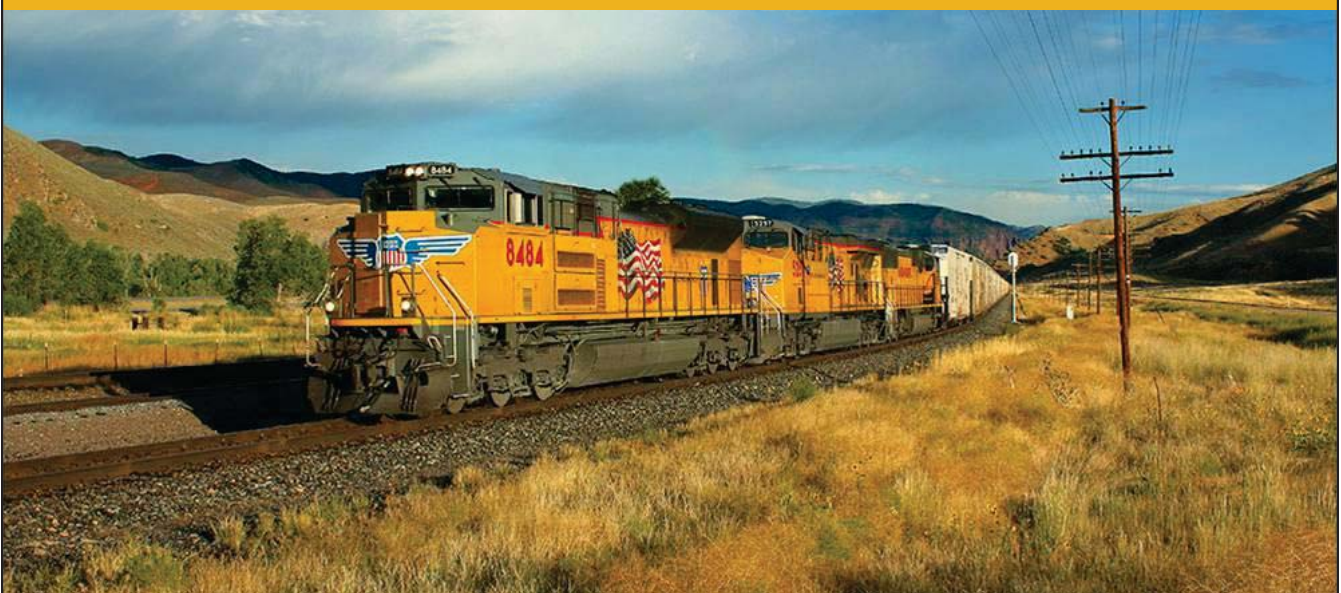


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First Quarter 2014 Financial Review

April 17, 2014

Rob Knight, CFO



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First Quarter Income Statement

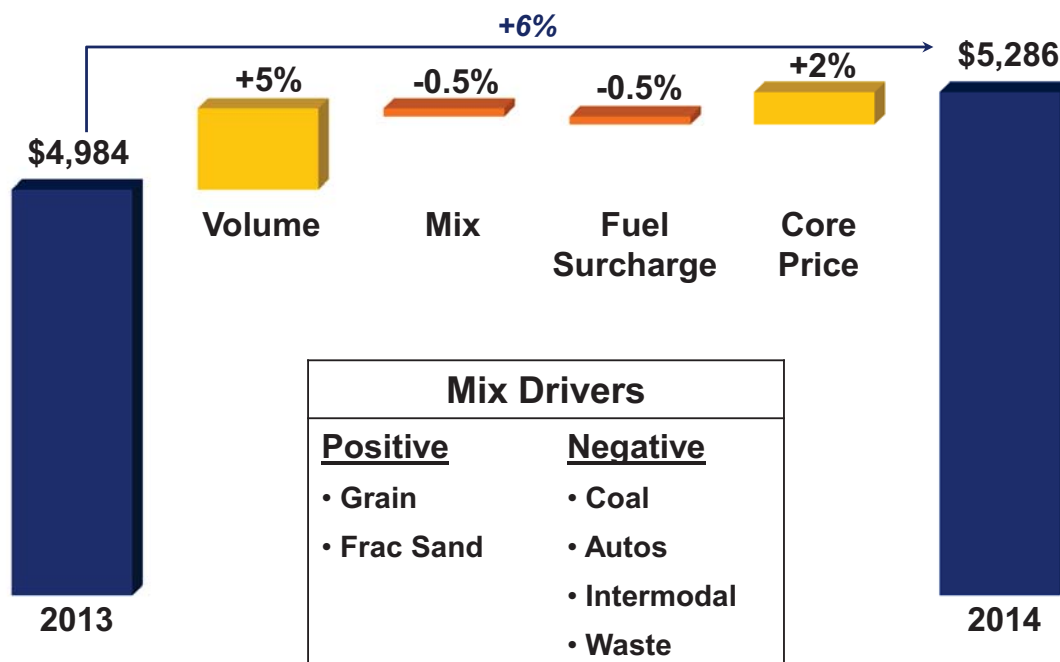
In Millions (except EPS)

	<u>2014</u>	<u>2013</u>	<u>%</u>
Operating Revenues	\$5,638	\$5,290	7
Operating Expenses	<u>3,784</u>	<u>3,657</u>	3
Operating Income	<u>1,854</u>	<u>1,633</u>	14
Other Income	38	40	(5)
Interest Expense	(133)	(128)	4
Income Taxes	<u>(671)</u>	<u>(588)</u>	14
Net Income	<u>\$1,088</u>	<u>\$957</u>	14
Weighted Average Diluted Shares	456.2	470.5	(3)
Diluted EPS	<u>\$2.38</u>	<u>\$2.03</u>	17

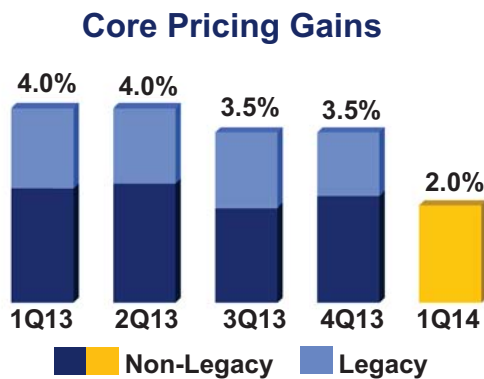


Freight Revenue

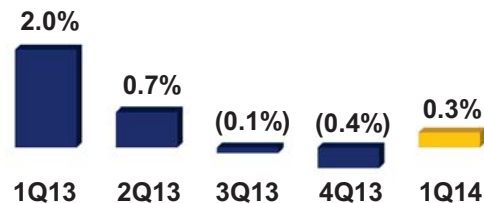
First Quarter (In Millions)



Core Pricing Trends



Rail Cost Escalator (All-LF) (excludes Fuel)



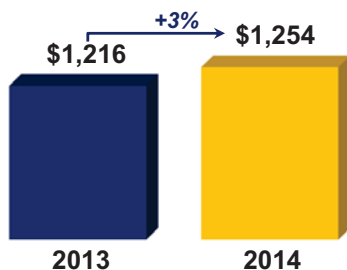
- Core Pricing Above Inflation
- 2014 Legacy “Light”
- Inflation Escalators Moderating
- Pricing for Reinvestibility



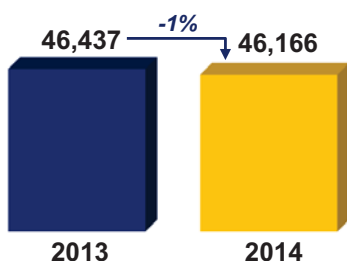
Compensation & Benefits Expense

First Quarter 2014 \$1,254M, +3%

Compensation & Benefits (in Millions)



Workforce Levels (Quarterly Average)

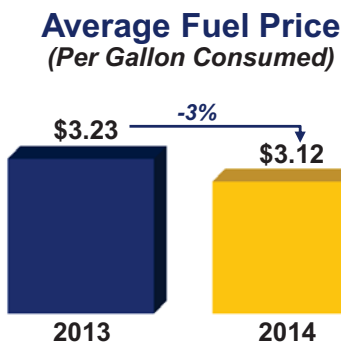
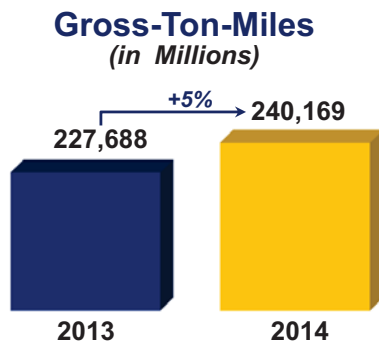


- Higher Volume
- Inflation Costs
- Weather
- Leveraging Volume Growth
- Overall Decrease in Workforce
 - Volume Related Increases Offset by Decrease in Capital Labor



Fuel Expense

First Quarter 2014 \$921M, +2%

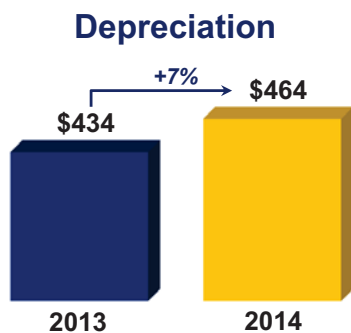
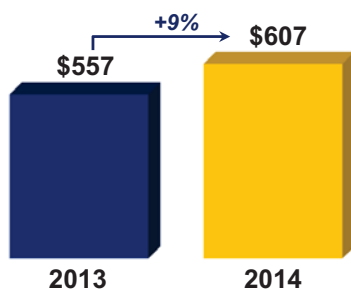


- GTMs Increased 5% driven by Higher Volumes
- Consumption Rate Flat
 - Adverse Weather Conditions
- Lower Average Diesel Fuel Price

First Quarter 2014 Expense Review

In Millions

Purchased Services & Materials

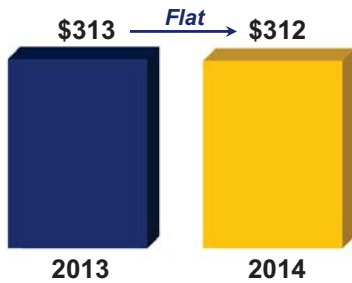


- Subsidiary Contract Expense
- Increased Locomotive & Freight Car Material Costs
- Crew Transportation & Lodging
- Higher Depreciable Asset Base from Recent Capital Spending Levels

First Quarter 2014 Expense Review (cont)

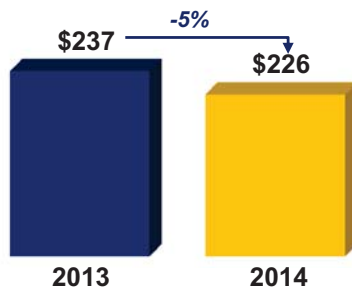
In Millions

Equipment & Other Rents



- Higher Freight Car Rental Expense
- Lower Container Lease Costs

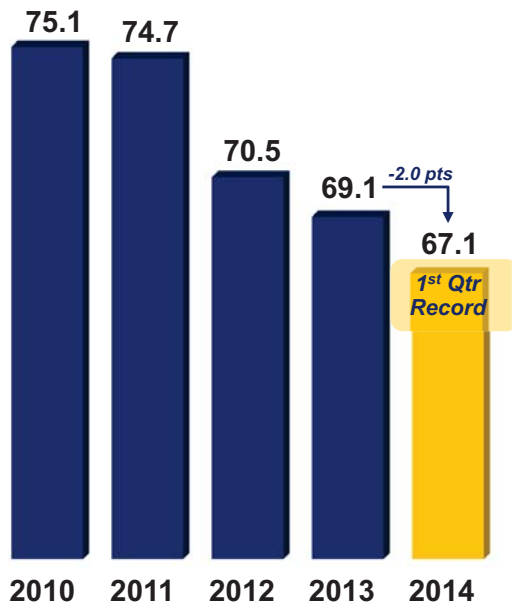
Other



- Higher Utilities Expense
- Decreased Costs for Freight & Equipment Damage
- Lower Environmental & Personal Injury

Operating Ratio Performance

First Quarter (Percent)



Record First Quarter

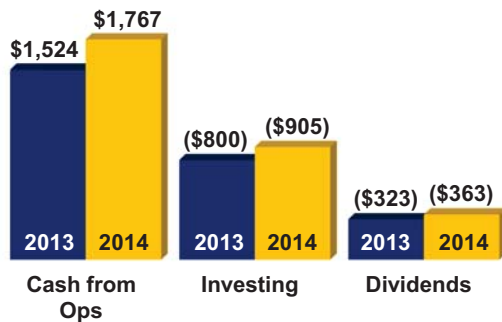
- 5% Volume Increase vs 2013
- Pricing Above Inflation
- Leveraging Volume

Reiterate Full Year Sub-65 Operating Ratio Goal before 2017

Strong Financial Position

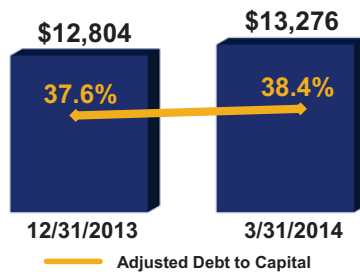
Three Month Period Ending March 31 (\$ In Millions)

Free Cash Flow*



- Solid Cash from Operations
- Increase in Capital Investment
- 32% Increase in Declared Dividends to \$0.91 per Share

Total Debt* (Adjusted)



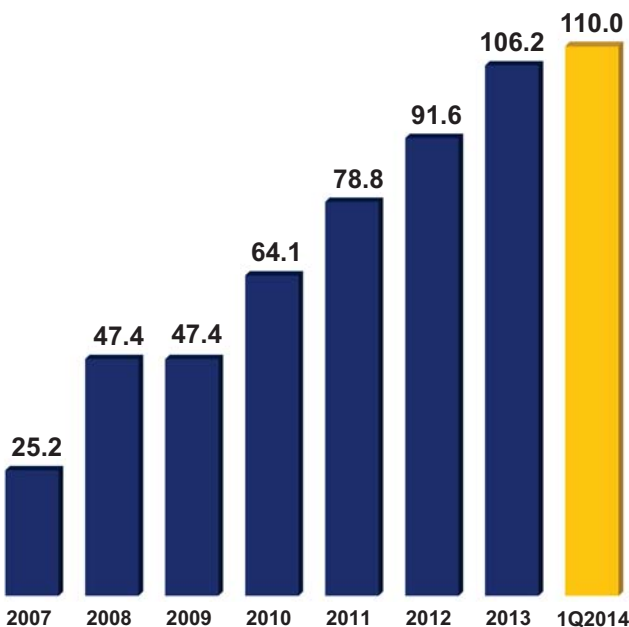
- Strong Balance Sheet
 - Investment Grade Credit Rating
 - \$1 Billion Debt Issuance in Jan '14
 - 2014 Year-End Targets:
 - ~40% Adj. Debt-to-Cap
 - ~1.5x Adj. Debt / Adj. EBITDA

* See Union Pacific website under Investors for a reconciliation to GAAP.



Driving Strong Shareholder Value

Cumulative Share Repurchases (In Millions)



- First Quarter Activity
 - Repurchases totaling \$683 million
 - 3.8 million shares @ avg price of \$178.85
- Since 2007, repurchases total 110 million shares @ avg price of \$91.13
- New 60 million share authorization effective Jan 1, 2014



2014 Outlook

Full Year

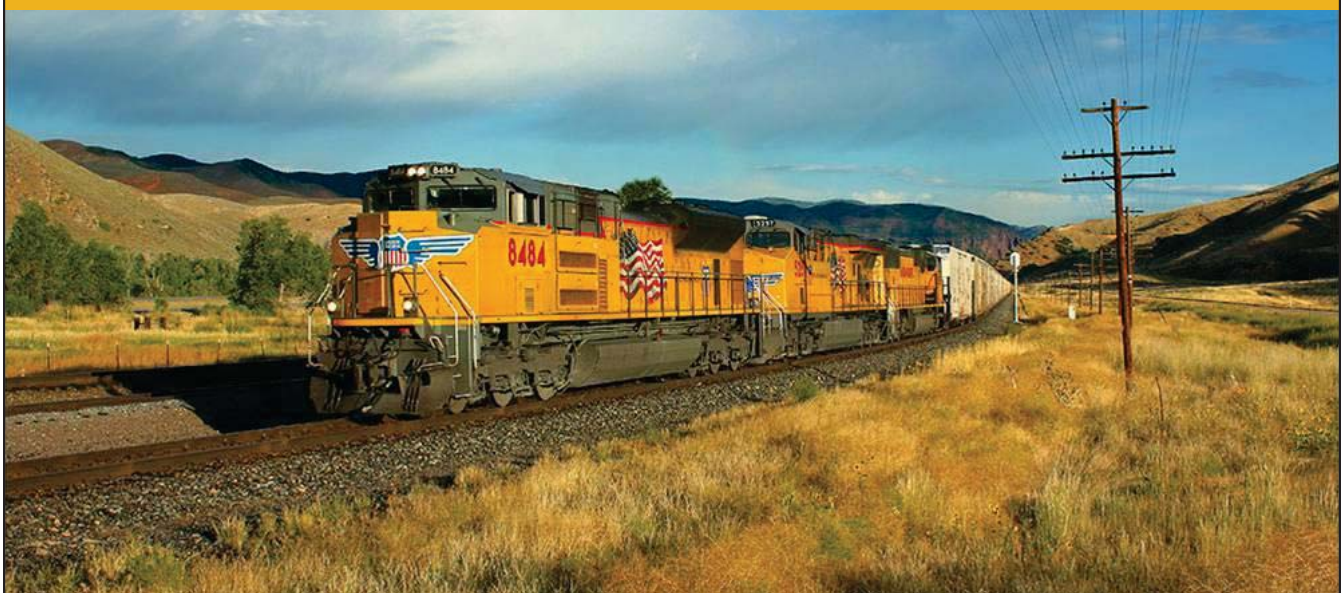
- Positive Volumes Assuming Continued Economic Growth
- Weather will be a Factor
- Continued Core Pricing Gains
- Network Efficiencies
- Record Financial Results



First Quarter 2014 Earnings Release

April 17, 2014

Jack Koraleski, CEO



Looking Ahead to the Future

- Recovery from Winter
- Growth Opportunities
- Customer Value Proposition
- Regulatory Uncertainty
- Economic Optimism
- Well Positioned for the Future



Cautionary Information

This press release and related materials contain statements about the Corporation's future that are not statements of historical fact, including specifically the statements regarding the Corporation's expectations with respect to economic conditions and improvement, business opportunities, and its ability to improve financial performance and shareholder returns. These statements are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. Forward-looking statements also generally include, without limitation, information or statements regarding: projections, predictions, expectations, estimates or forecasts as to the Corporation's and its subsidiaries' business, financial, and operational results, and future economic performance; and management's beliefs, expectations, goals, and objectives and other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information, including expectations regarding operational and financial improvements and the Corporation's future performance or results are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statement. Important factors, including risk factors, could affect the Corporation's and its subsidiaries' future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. Information regarding risk factors and other cautionary information are available in the Corporation's Annual Report on Form 10-K for 2013, which was filed with the SEC on February 7, 2014. The Corporation updates information regarding risk factors if circumstances require such updates in its periodic reports on Form 10-Q and its subsequent Annual Reports on Form 10-K (or such other reports that may be filed with the SEC).

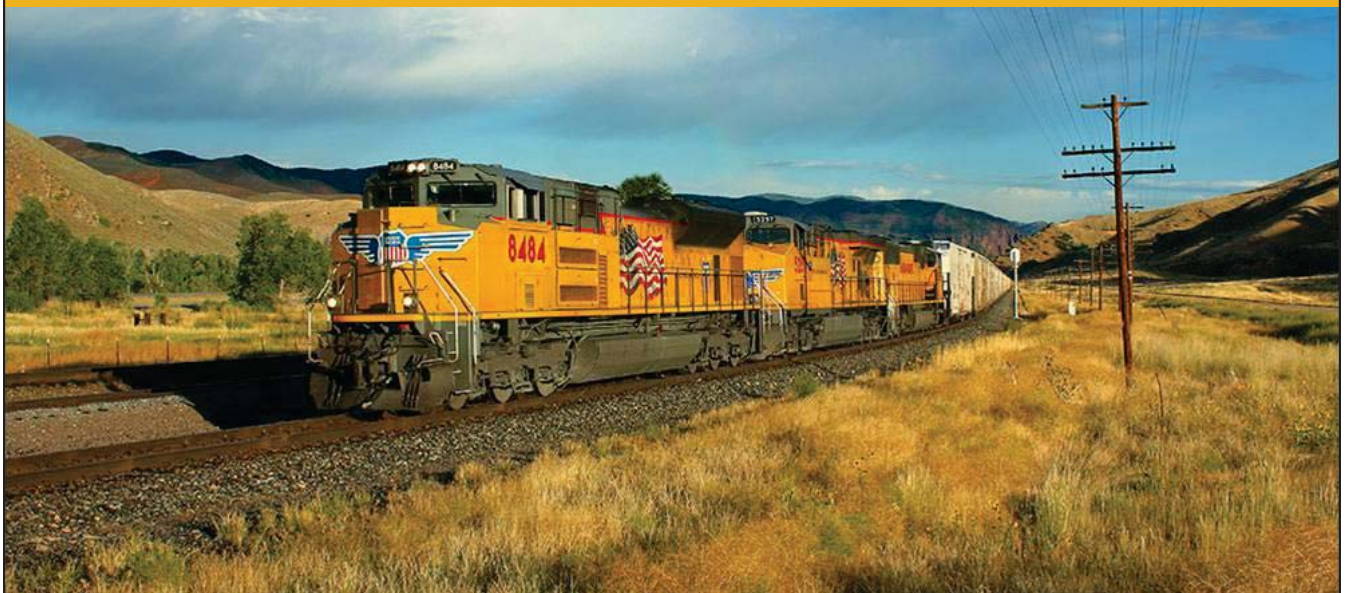
Forward-looking statements speak only as of, and are based only upon information available on, the date the statements were made. The Corporation assumes no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If the Corporation does update one or more forward-looking statements, no inference should be drawn that the Corporation will make additional updates with respect thereto or with respect to other forward-looking statements. References to our website are provided for convenience and, therefore, information on or available through the website is not, and should not be deemed to be, incorporated by reference herein.



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Question & Answer Session



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