



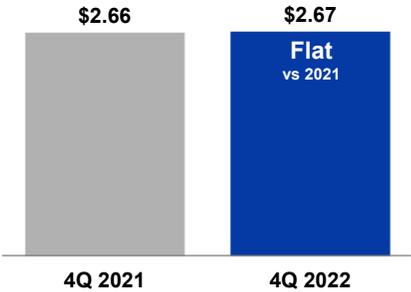
# FOURTH QUARTER 2022 EARNINGS RELEASE

Lance Fritz, Chairman, President, & CEO

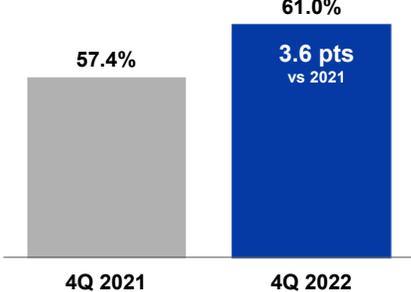
January 24, 2023

## Fourth Quarter 2022 Results

Earnings Per Share



Operating Ratio



Key Themes

Network Inefficiencies and Extreme Winter Weather

Higher Fuel Price and Surcharges

Softer Demand Environment





# FOURTH QUARTER 2022 MARKETING & SALES REVIEW

Kenny Rocker

Executive Vice President – Marketing & Sales

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FOURTH QUARTER 2022

## Bulk

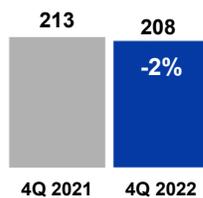
Revenue \$1,933 (+7%)

Volume 508K (-3%)

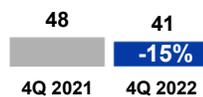
ARC \$3,799 (+10%)

### Major Markets

#### Grain & Grain Products



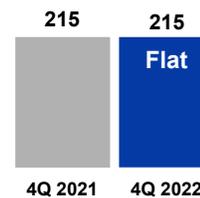
#### Fertilizer



#### Food & Refrigerated



#### Coal & Renewables



### Quarterly Drivers

Service and Weather Challenges

Weaker Potash Shipments

Increased Coal Demand

<sup>4</sup> Volume in thousands of carloads.



FOURTH QUARTER 2022

## Industrial

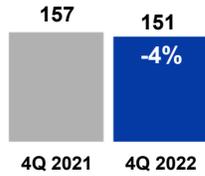
Revenue \$1,999 (+5%)

Volume 539K (Flat)

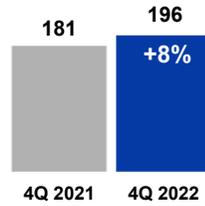
ARC \$3,711 (+5%)

### Major Markets

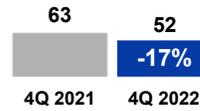
#### Industrial Chemicals & Plastics



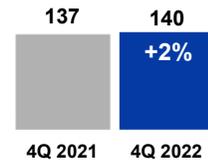
#### Metals & Minerals



#### Forest Products



#### Energy & Specialized



### Quarterly Drivers

Lower Industrial Chemicals Demand

Construction Growth

Weaker Housing and Corrugated Box Demand

<sup>5</sup> Volume in thousands of carloads.



FOURTH QUARTER 2022

## Premium

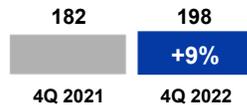
Revenue \$1,836 (+15%)

Volume 941K (+3%)

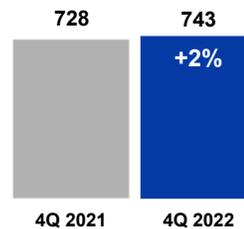
ARC \$1,953 (+12%)

### Major Markets

#### Automotive



#### Intermodal



### Quarterly Drivers

Autos Inventory Replenishment

Increased International Shipments

Softening Domestic Demand

<sup>6</sup> Volume in thousands of carloads.



## Economic Indicators



	Industrial Production	GDP	Housing Starts (MM)	Light Vehicle Sales (MM)	Imports of Goods	Exports of Goods
2022	4.1%	2.0%	1.56	13.7	8.4%	7.0%
<b>2023</b>	<b>(0.5%)</b>	<b>0.5%</b>	<b>1.19</b>	<b>14.8</b>	<b>(0.7%)</b>	<b>3.2%</b>
2024	1.0%	1.8%	1.26	15.9	2.4%	5.2%

7 Source: IHS Markit U.S. Economic Outlook, January 2023



## 2023 Volume Outlook

### Bulk



- − Grain
- + Coal
- + Biofuels

### Industrial



- − Industrial Production
- − Forest Products
- + Metals

### Premium



- + Domestic Intermodal
- ↔ International Intermodal
- + Automotive

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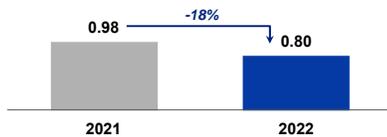
# FOURTH QUARTER 2022 OPERATIONS REVIEW

Eric Gehringer  
Executive Vice President – Operating

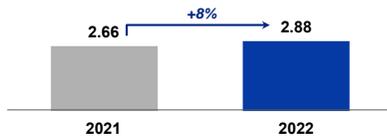


## Safety Culture Drives Personal Injury Improvement

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

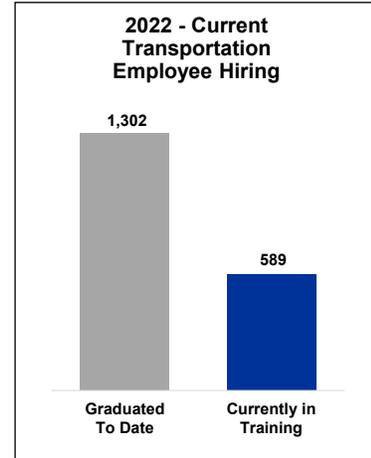
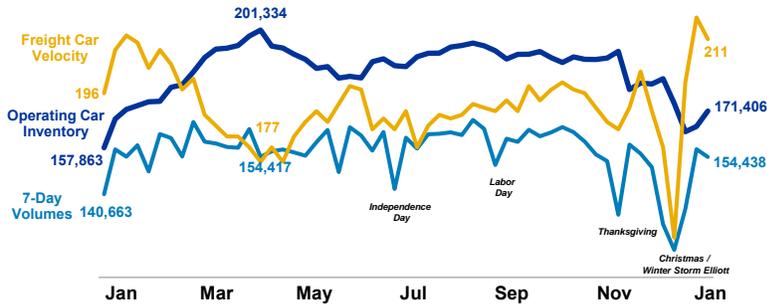


**Derailments**  
(Reportable Derailment Incidents  
Per Million Train Miles)



# Building Network Resiliency

Operating Inventory, Volume, and Freight Car Velocity\*



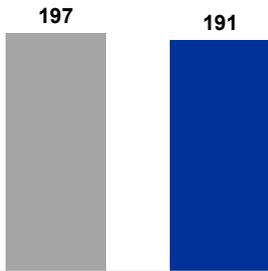
11 \* As reported weekly. See Union Pacific website under Investors for definitions of the metrics.



FOURTH QUARTER 2022

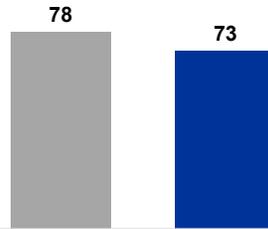
## Key Performance Metrics

**FREIGHT CAR VELOCITY**  
(Daily Miles per Car)



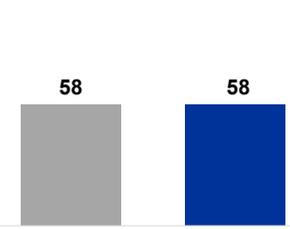
3Q 2022: 191

**INTERMODAL TRIP PLAN COMPLIANCE**  
(% of Boxes On Time)



3Q 2022: 62

**MANIFEST/AUTO TRIP PLAN COMPLIANCE**  
(% of Cars On Time)



3Q 2022: 58

### Quarterly Drivers

Network Inefficiencies and Extreme Winter Weather

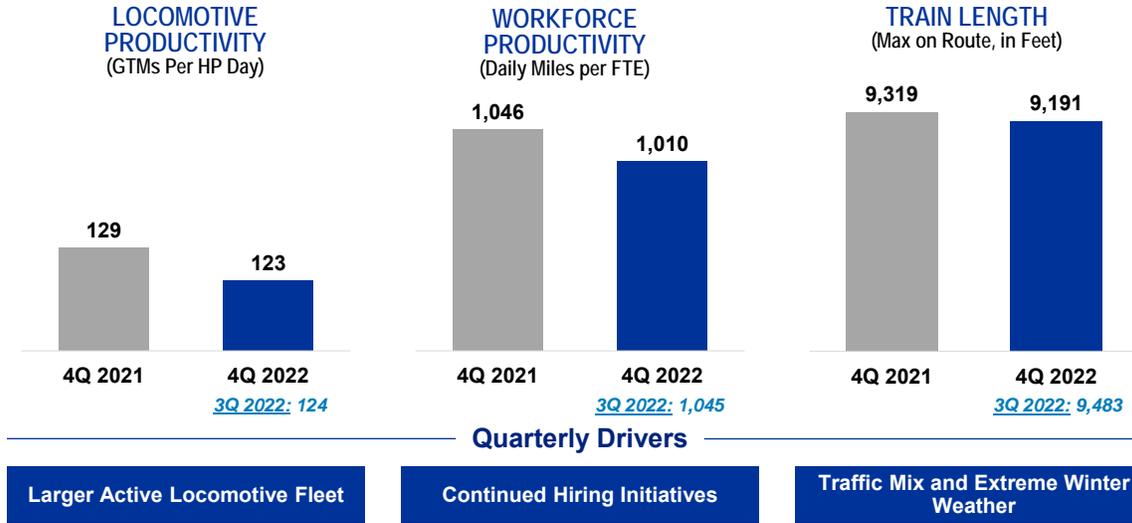
Alleviating Supply Chain Congestion

Elevated Operating Inventory



FOURTH QUARTER 2022

## Key Performance Metrics

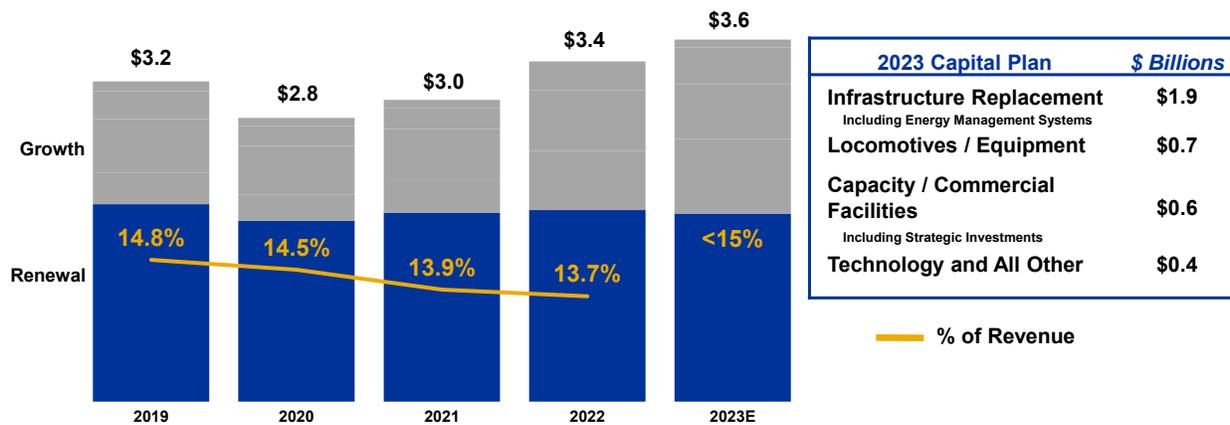


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## Increased Capital Plan Targets Growth Initiatives

2023 Capital Plan of \$3.6 Billion



14 Pending UP Board of Directors final approval.



## 2023 Operating Success Drivers



### World Class Safety

- Enhance and drive robust Safety Management Systems



### Engagement

- Improve quality of life for agreement professionals



### Service

- Consistent and reliable
- Increase resiliency



### Productivity

- Recover lost productivity
- Pursuing tech enabled process initiatives



## FOURTH QUARTER 2022 FINANCIAL REVIEW

Jennifer Hamann

Executive Vice President & Chief Financial Officer



## Fourth Quarter Income Statement

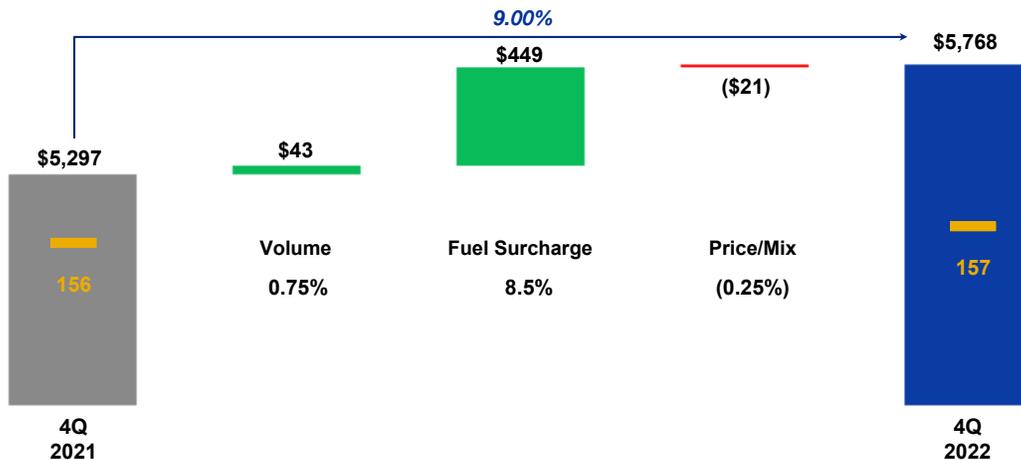
	2022	2021	2022 vs. 2021	
Operating Revenues	\$6,180	\$5,733	8	%
Operating Expenses	3,768	3,293	14	
Operating Income	2,412	2,440	(1)	
Other Income	92	83	11	
Interest Expense	(333)	(295)	13	
Income Taxes	(533)	(517)	3	
Net Income	\$1,638	\$1,711	(4)	%
Weighted Average Diluted Shares	613.7	642.1	(4)	
Diluted EPS	\$2.67	\$2.66	-	
Operating Ratio	61.0%	57.4%	3.6	pts

17 \$ in Millions, except EPS



## Negative Business Mix Offsets Solid Pricing Gains

Freight Revenues \$ in Millions

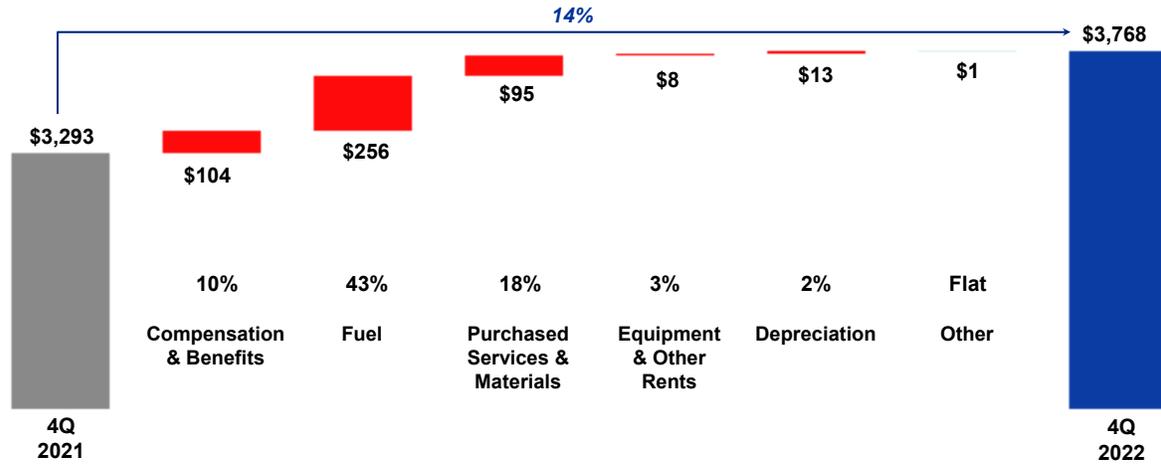


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# Cost Structure Pressured by Fuel, Inflation and Resource Utilization

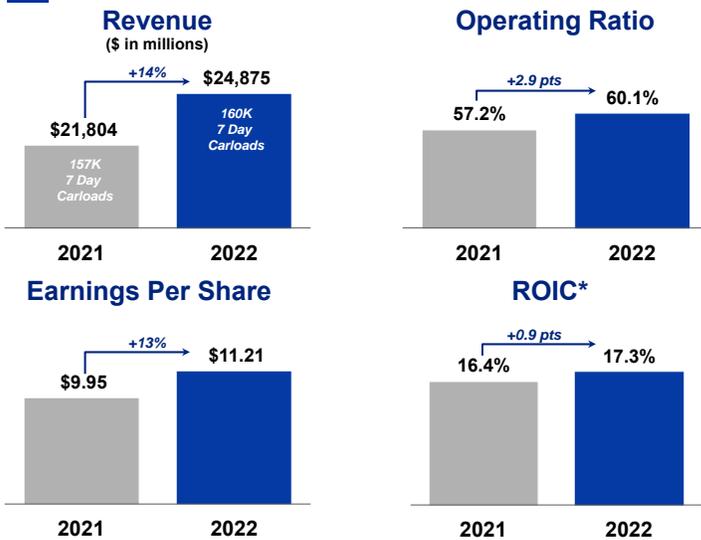
## Operating Expenses \$ in Millions



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# 2022 Full Year Reported Results



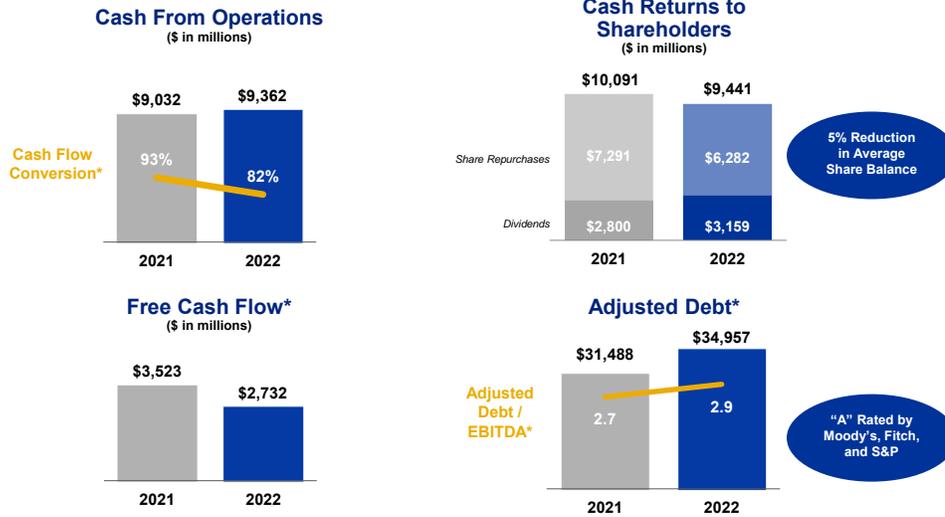
20 \*See Union Pacific website under Investors for a reconciliation to GAAP.



## 2022 Records

- Total Revenue of \$24.9 Billion, Up 14% on 2% Volume Growth
- Operating Income Up 6% to \$9.9 Billion
  - Includes \$92 million impact for a change to prior period accounting estimates related to labor agreements
- Net Income of \$7.0 Billion, Up 7%

# Solid Cash Generation Supports Strong Balance Sheet & Shareholder Returns



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



## 2023 Guidance

- Full Year Carloads to Exceed Industrial Production
  - Current Industrial Production Forecast: -0.5%
- Full Year Operating Ratio Improvement
- Pricing Dollars in Excess of Inflation Dollars
- Capital Allocation:
  - Capital Spending Less than 15% of Revenue
    - Capital Plan of \$3.6 Billion
  - Long Term Dividend Payout Target of ~45% of Earnings
  - Excess Cash to Share Repurchases



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# FOURTH QUARTER 2022

—  
Lance Fritz  
Chairman, President & CEO



## 2023 Success Drivers

Safety &  
Service  
Reliability

Rebuild &  
Engage



Right Business,  
Right Price

Invest Wisely;  
Drive Efficiency



## Cautionary Information

This presentation and related materials contain statements about the Company's future that are not statements of historical fact, including specifically the statements regarding the Company's expectations with respect to economic conditions and demand levels, its ability to improve network performance (including those in response to increased traffic), its results of operations, and potential impacts of the COVID-19 pandemic and the Russian-Ukraine conflict. These statements are, or will be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of 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 Company'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 Company'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 Company'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 Company's Annual Report on Form 10-K for 2021, which was filed with the SEC on February 4, 2022. The Company 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 Company 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 Company does update one or more forward-looking statements, no inference should be drawn that the Company 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.

