



# UNION PACIFIC CORPORATION

August 2020





## 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, its results of operations, and potential impacts of the Covid-19 pandemic. 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 2019, which was filed with the SEC on February 7, 2020 and the Company's Quarterly Report on Form 10-Q which was filed with the SEC on April 23, 2020. 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.



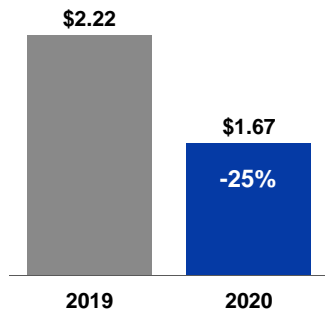
## CURRENT OVERVIEW / BUSINESS UPDATE

August 2020

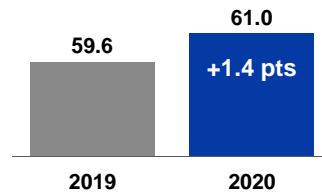


## Second Quarter 2020 Results

Earnings Per Share

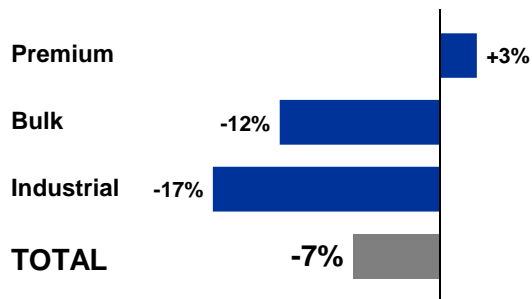


Operating Ratio

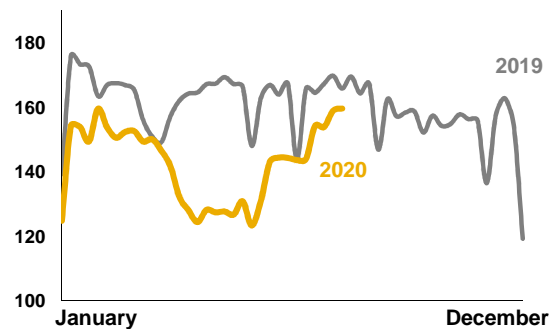


## Third Quarter Volume & Outlook

Third Quarter Volume To Date\*



7-Day Weekly Carloadings (000s)



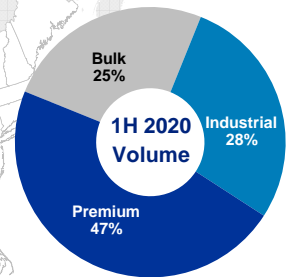
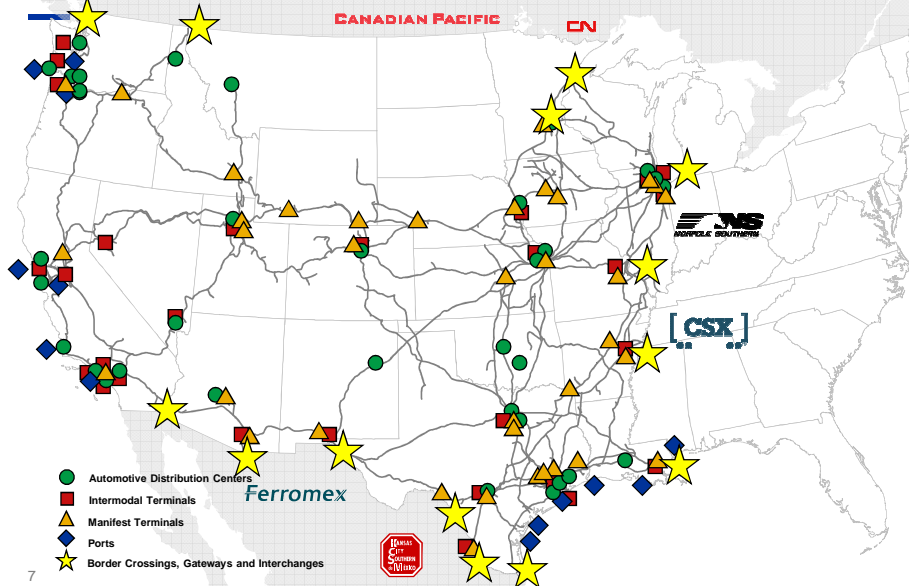
# BUSINESS TEAM REVIEW

August 2020

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## Diverse Portfolio of Business



2019 Full Year Volume:  
Bulk 25%, Industrial 26%, Premium 49%


**1H 2020 Results**  
Revenue \$8,852M (-14%)  
Volume 3,658K (-13%)  
ARC \$2,420 (Flat)

ARC = Average Revenue Per Car



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## Economic Indicators

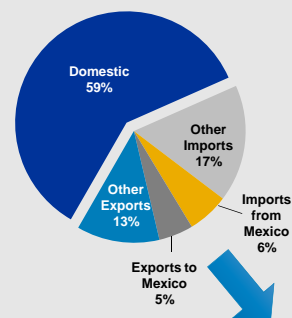
						
	Industrial Production	GDP	Housing Starts (MM)	Light Vehicle Sales (MM)	Imports of Goods	Exports of Goods
2019	0.9%	2.3%	1.30	16.9	0.3%	0.2%
<b>2020</b>	<b>-8.6%</b>	<b>-6.1%</b>	<b>1.25</b>	<b>13.2</b>	<b>-17.7%</b>	<b>-20.0%</b>
2021	6.4%	3.7%	1.29	14.6	12.3%	21.7%



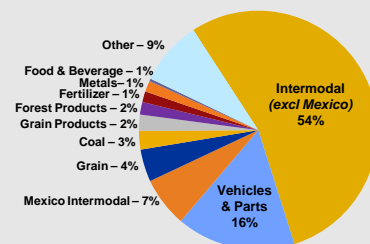
## International Trade

- Diverse franchise creates opportunity
- Off-shoring/near-shoring of U.S. manufacturing
- Demand for grain and food

2019 Freight Volumes

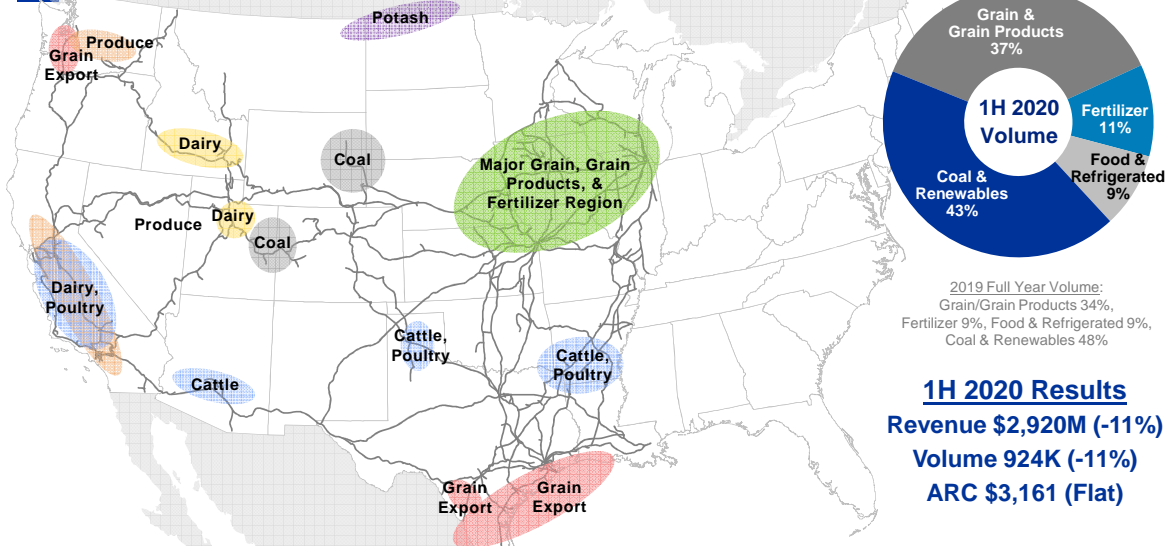


International Volumes





## Bulk



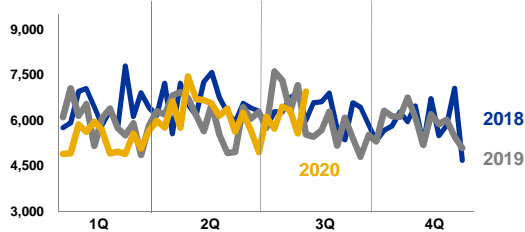
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## Grain

- Volume drivers
  - Grain inventory management
  - Export market fundamentals
  - Food & beverage shipment demand



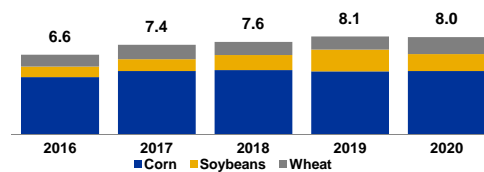
**UNP Weekly Grain Carloads\***  
 (As reported to the AAR)



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\*Through August 8, 2020

**U.S. Grain Stocks\*\***  
 (Bushels in Billions)



\*\*Source: USDA; As of June 1, 2020

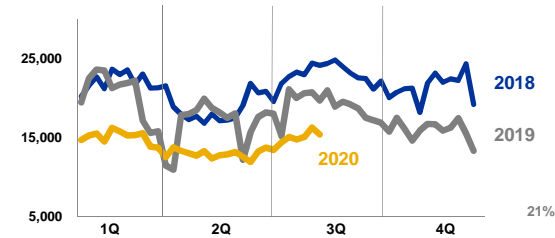


## Coal

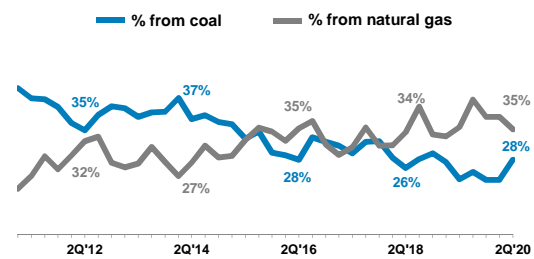
- Volume Drivers
  - Weather impacts demand
  - Natural gas prices
  - Coal inventory levels



**UNP Weekly Coal Carloads\***  
(As reported to the AAR)



**Electricity Generation Market Share\*\***



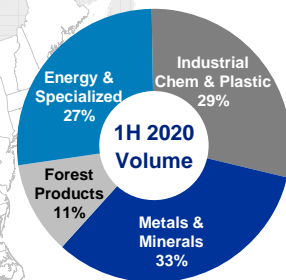
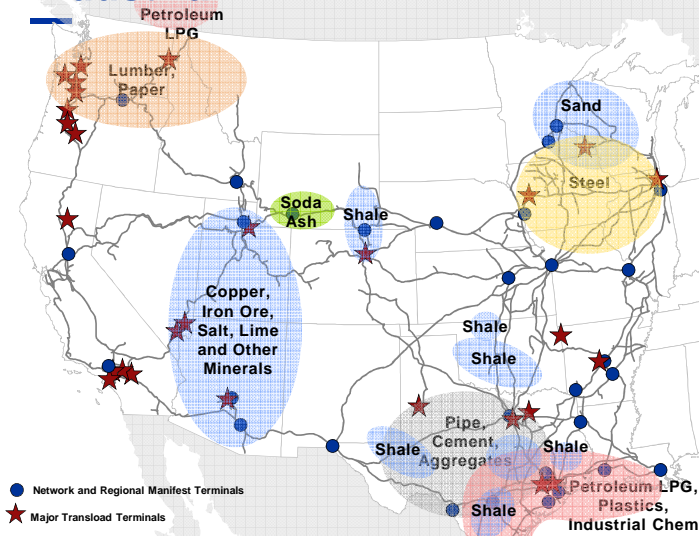
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\*Through August 8, 2020

\*\*Source: U.S. Energy Information Administration (EIA)



## Industrial



2019 Full Year Volume:  
Energy & Specialized 28%,  
Industrial Chem & Plastic 28%, Metals & Minerals 34%,  
Forest Products 10%

**1H 2020 Results**  
Revenue \$3,394M (-10%)  
Volume 1,014K (-8%)  
ARC \$3,345 (-3%)

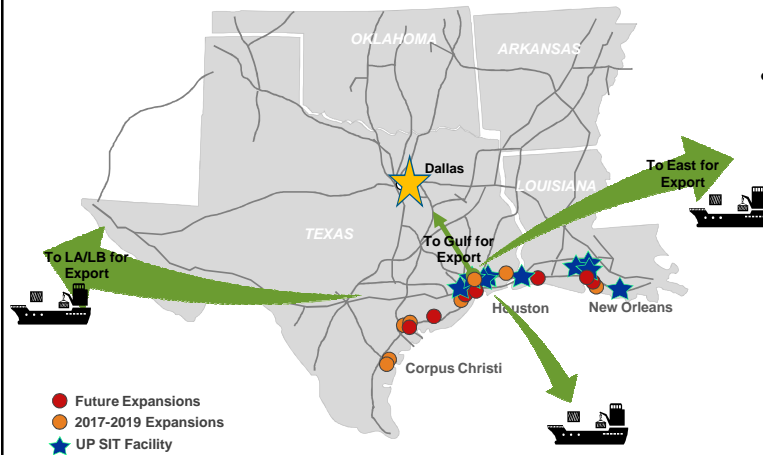
ARC = Average Revenue Per Car



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## Plastics



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\*Source: American Chemistry Council, June 2019

- \$204 billion petrochemical investment in Gulf\*
- Comprehensive product offerings & service excellence
- Dallas to Dock service solution for export plastics
  - Plastic pellets travel in hopper cars from Gulf region to Dallas
  - Pellets are packaged and transferred into intermodal containers for export
  - Katoen Natie expanding their Dallas packaging facility to double capacity to 500,000+ square feet by fourth quarter 2020
  - KTN has the ability to grow to 2.5 million square feet

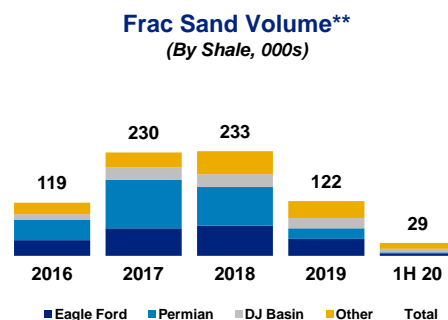
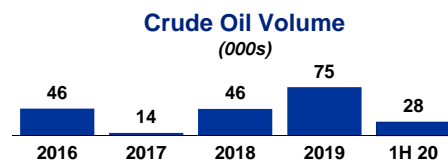


## Shale Related Volumes

First Half 2020*	Volume (000s)	% Change (vs 2019)	% of Total UP Volume
Crude	28	(12%)	0.8%
Frac Sand**	29	(62%)	0.8%

\* Excludes pipe related to shale activity  
 \*\* Includes Barites

- Crude oil drivers
  - Crude oil price spreads
  - Production & demand
  - Pipeline capacity
- Frac sand drivers
  - Energy prices
  - Rig counts
  - Enhanced fracing technology
  - White / brown sand mix



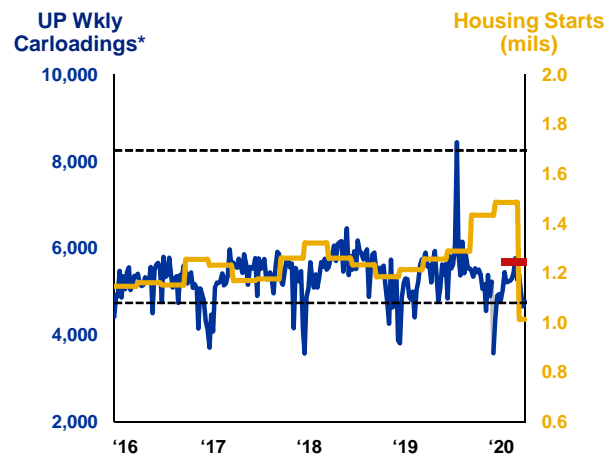
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## Housing Trends

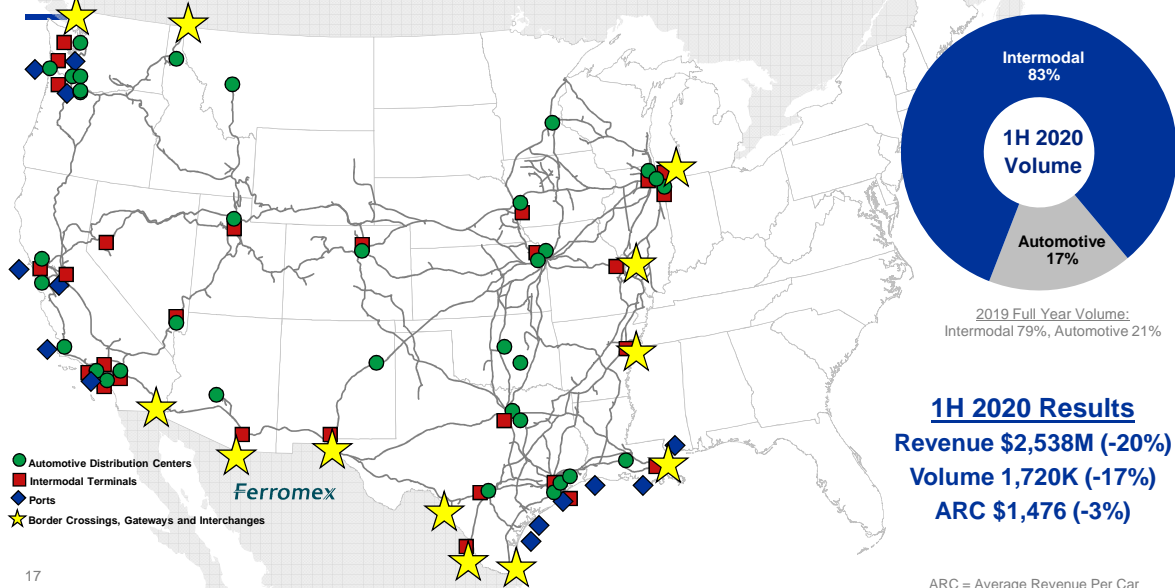
- Housing market still well below historical averages
- UP lumber, stone & glass business correlates with housing starts
- Housing also drives appliances, roofing, rebar, aggregates, and cement demand
- Housing related shipments represent ~ 5 - 10% of current UP volumes

## Lumber, Stone & Glass



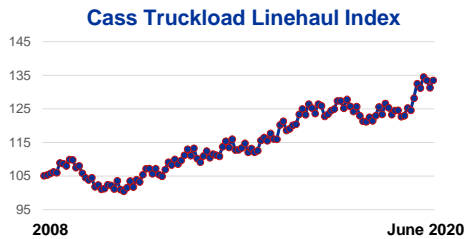
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## Premium

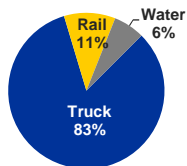


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## Highway Conversion Growth Opportunities



**Transportation Mode  
(By Tonnage)**



- Highway conversion opportunities in all business groups
- High insurance costs
- Drug & alcohol testing
- Truck capacity
- LOUP



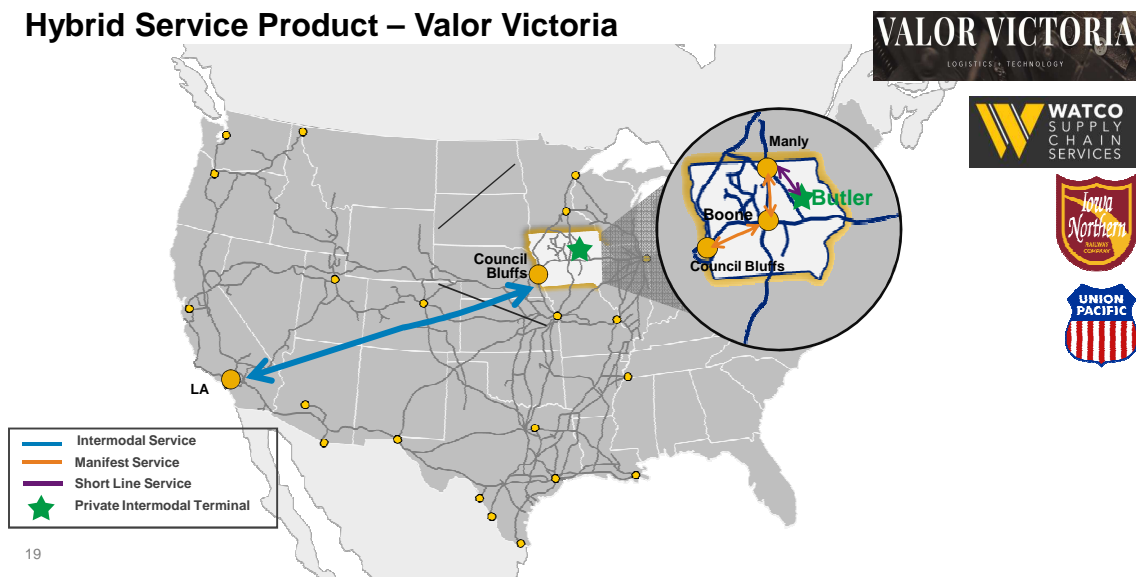
18

Source: Cass Information Systems, Index uses January 2005 as its base month, U.S DOT Bureau of Transportation Statistics



## Butler Intermodal Terminal

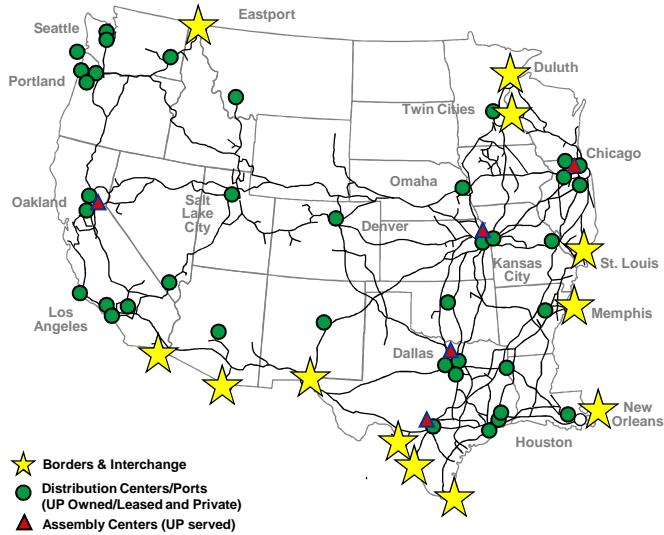
### Hybrid Service Product – Valor Victoria



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## Finished Vehicles

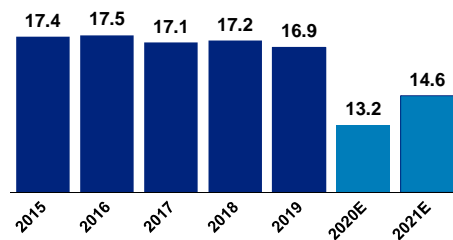


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\*Source: Global Insight

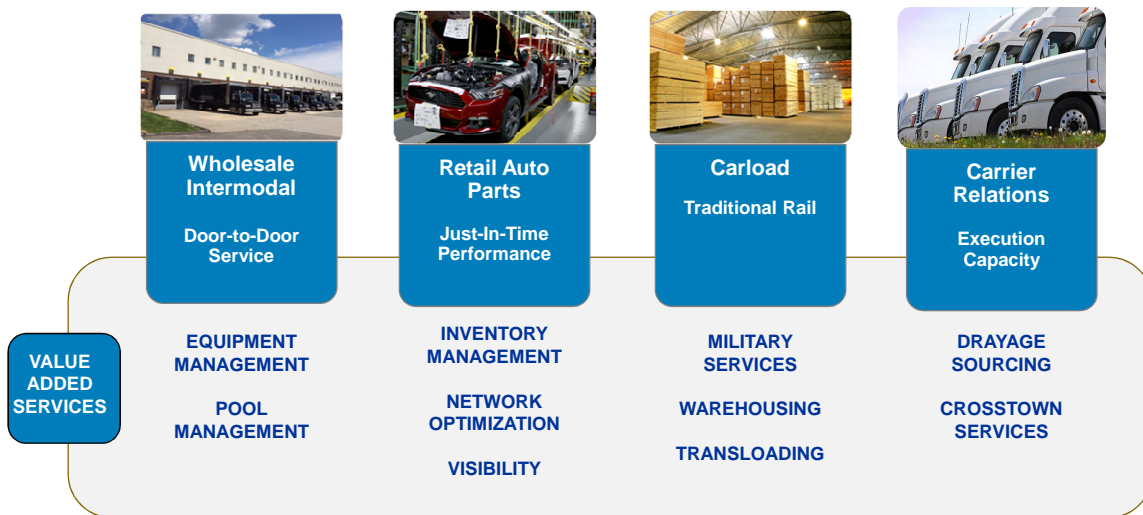


### U.S. Light Vehicle SAAR\*



Full-Service Expertise For Almost Any Commodity

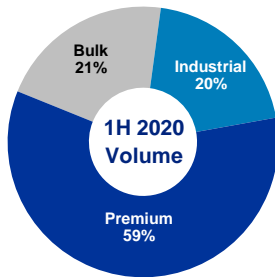
## Loup Total Supply Chain Logistics



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## Mexico



2019 Full Year Volume:  
Bulk 18%, Industrial 17%, Premium 65%

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## OPERATIONS OVERVIEW

August 2020

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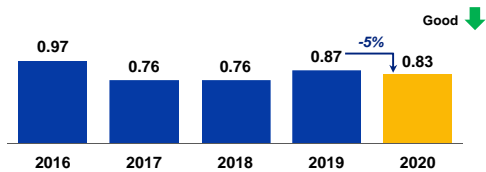


## FIRST HALF RESULTS

### Safety

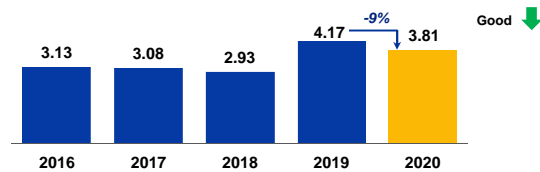
#### Employee

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



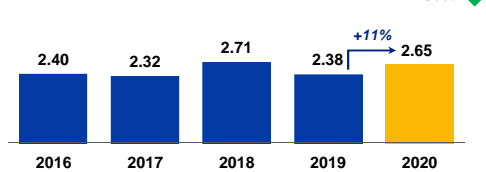
#### Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)



#### Public

(Crossing Accidents Per Million Train Miles)



- Continued Focus on Safety
- Goal of Zero Incidents

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## Unified Plan 2020

### Precision Scheduled Railroading Tenets

- Shifting the focus of operations from moving trains to moving cars
- Minimizing car dwell, car classification events and locomotive requirements
- Utilizing general-purpose trains by blending train services
- Balancing train movements to improve the utilization of crews and rail assets

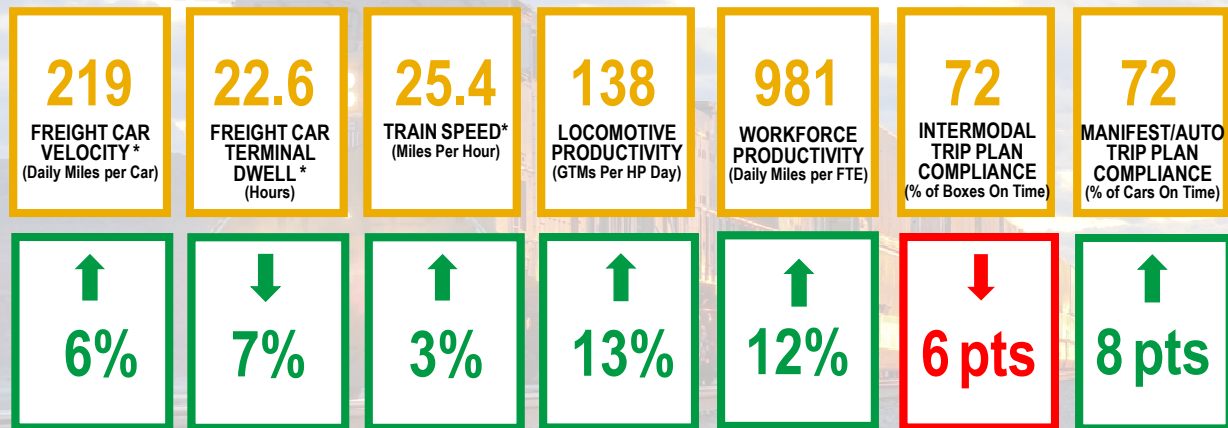


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## Unified Plan 2020

### Key Performance Metrics – July 2020 vs. July 2019

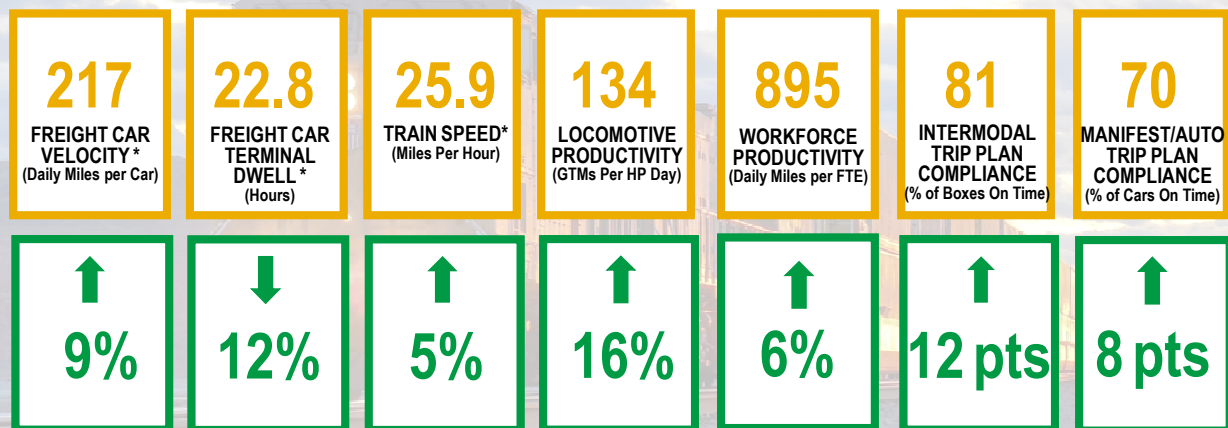


26 \*Prior years have been recast to conform to the current year presentation which reflects minor refinements.



## Unified Plan 2020

### Key Performance Metrics – July YTD 2020 vs. July YTD 2019



27 \*Prior years have been recast to conform to the current year presentation which reflects minor refinements.

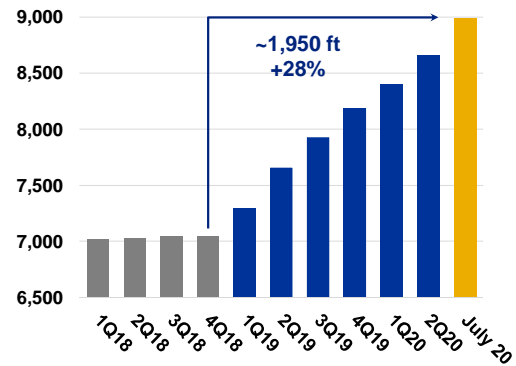


## Unified Plan 2020 Update

### Terminal Rationalization & Network Changes

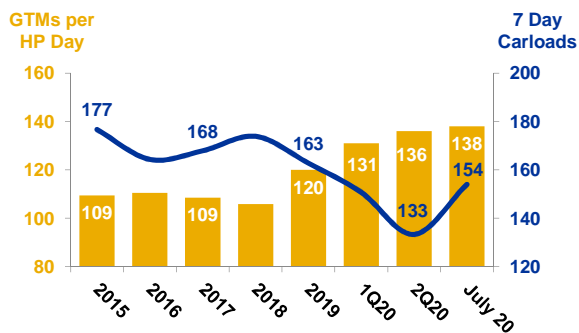
- Completed Sixteen 15,000 Foot Sidings
- Redesigning Yard and Local Transportation Plan
- Intermodal Network Changes
  - Chicago Global 3
  - Houston Settegast
- Initiated Construction of Englewood Yard Improvements

**Train Length**  
(Max on Route, in Feet)



## Unified Plan 2020

### Locomotive Productivity

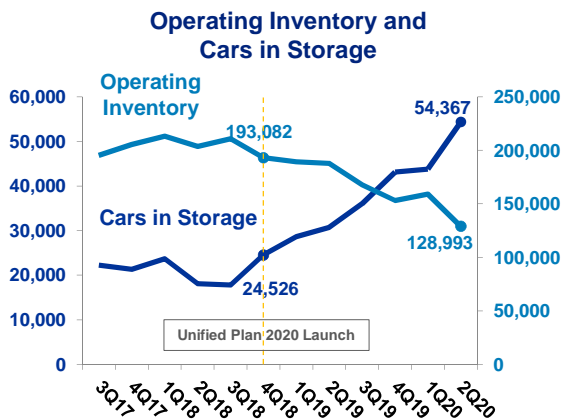


- Result of using the locomotive fleet more efficiently
- Second quarter GTMs per horsepower day increased 12% compared to second quarter 2019
- Driven by less units, increased train length and reduced dwell



## Unified Plan 2020

### Inventory Management



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- Operating inventory reduced with Unified Plan 2020

- Excludes cars in storage and cars placed at customer
- Change driven by improved freight car velocity and terminal dwell

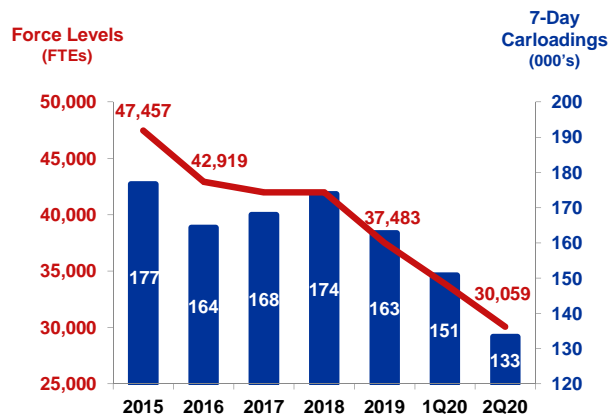
- Cars in storage on the rise

- Increased more than 80% since fourth quarter 2018



## Unified Plan 2020

### Employee Force Levels



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- Unified Plan 2020 driving a significant reduction in FTEs

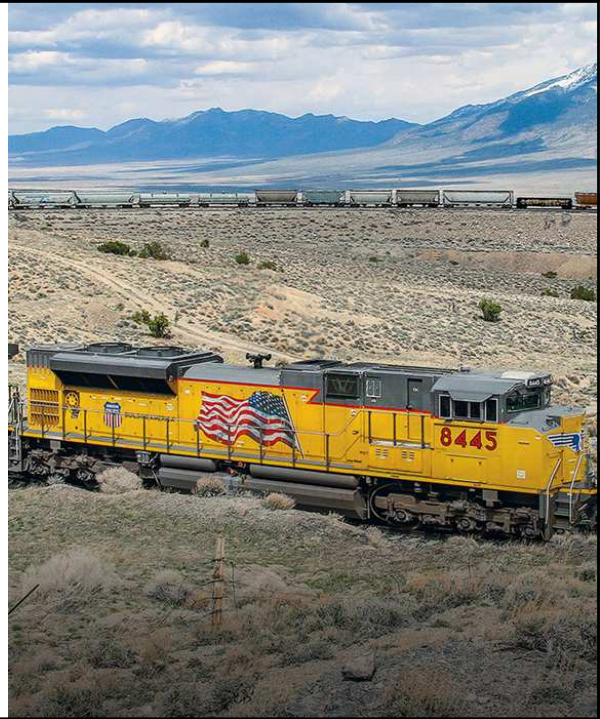
- Down ~22% or about 8,600 FTEs in second quarter 2020 from second quarter 2019
- Lowest number of FTEs in the last 15 years
- Driven by asset utilization and process improvements

- Additional opportunity exists



## Positive Train Control (PTC)

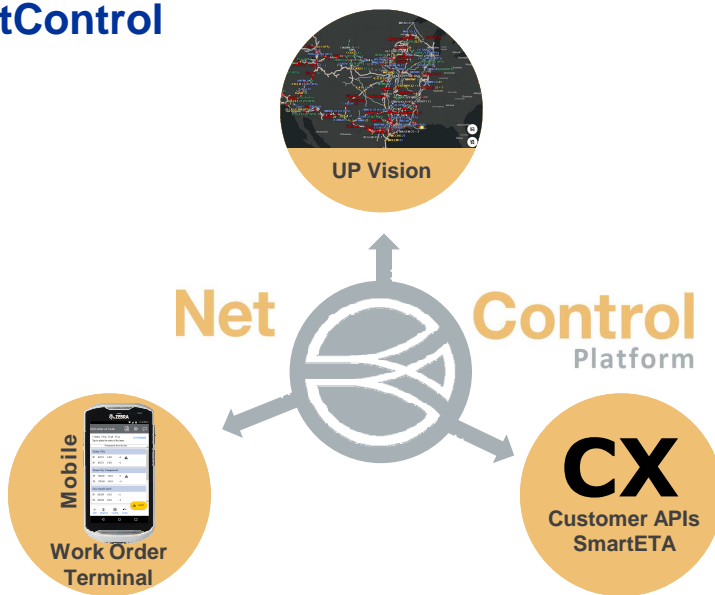
- Approximately \$2.9 billion invested through 2019
- Total estimated investment ~ \$2.9 billion
- Field testing since October 2013
- Installed on 100% of required rail lines
- Implemented on 100% of required rail lines
- Testing and refining PTC interoperability in 2020 and enhance the Energy Management Systems



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Enabling New Capabilities

## NetControl



### Lines of Code



### Micro-services



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## Improving the Customer Experience Through APIs

- Launched over 30 external customer APIs since 2019, with more on the way
- Real-time access to data between applications and devices
- Streamline and automate workflows
- Enables customer to take action on their shipments from their interfaces
- Expands visibility into the supply chain



**Shipment**  
Learn about your shipment(s) including their locations, events, product, status and ETA



**Location/Tracks**  
Display information about tracks at your facility



**Order In**  
Request rail car if you are an *Order In* customer



**Release**  
Identify rail cars to be released to/from an industry track



**Equipment**  
Display details and characteristics of specific equipment IDs



**Cases (Service Issues)**  
Retrieve case (service issue) status, details and responses



**Gate Reservation**  
Provides intermodal specific services, like create and view gate reservations



**Accounts/Contacts**  
Retrieve information associated with your business(s) and people



**UPGo - Intermodal**  
Provides intermodal driver services to expedite the intermodal terminal experience

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## Protecting the Environment

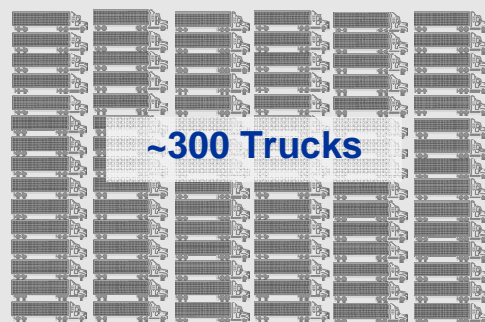
### Fuel Efficiency

- Union Pacific can move one ton of freight 444 miles on a single gallon of diesel fuel
- Our customers eliminate GHG emissions by choosing rail over truck
- Innovative locomotive software to help save fuel installed on the majority of high horsepower units

### One Train



### Equals



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# FINANCIAL REVIEW

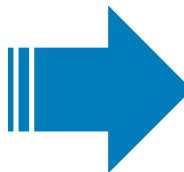
August 2020

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## Updated 2020 Guidance

- Volume Down 10% or so for Full Year 2020
- Productivity Exceeding \$500 Million
- Pricing Gains in Excess of Inflation Dollars



Full Year  
Operating Ratio  
Improvement

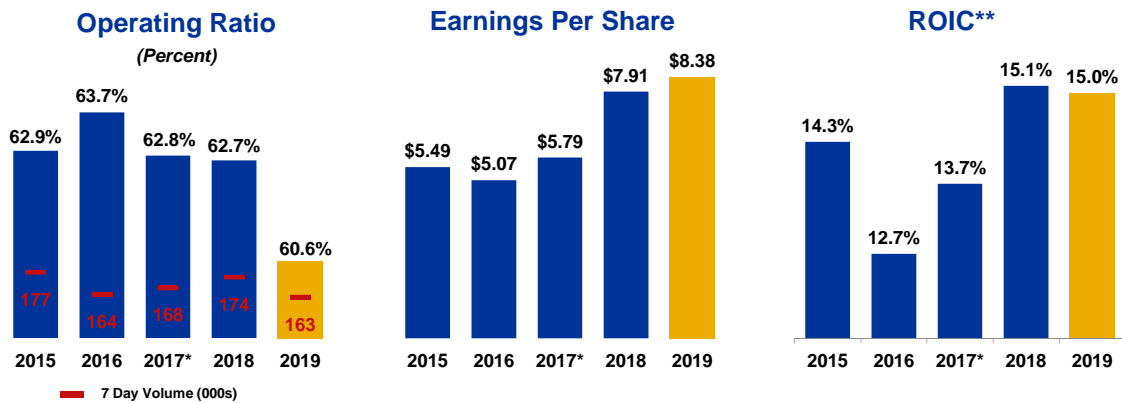
- 
- Strong Cash Generation and Cash Conversion Expected
    - Capital Spend of ~\$2.9 Billion
    - Maintain Dividend

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## Financial Performance

### Expanding Margins and Driving Returns



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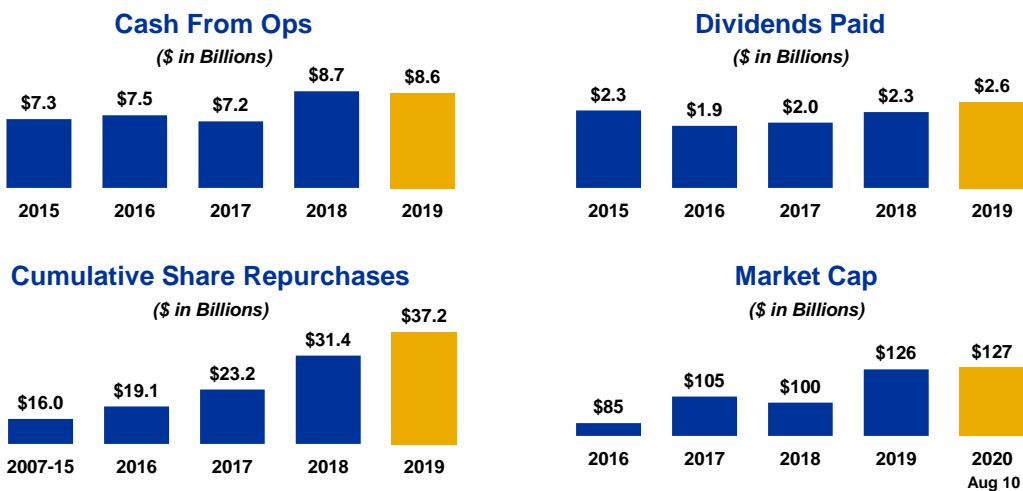
\*Adjusted to exclude the impact of Corporate Tax Reform

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



## Financial Performance

### Growing Cash Flow and Shareholder Returns



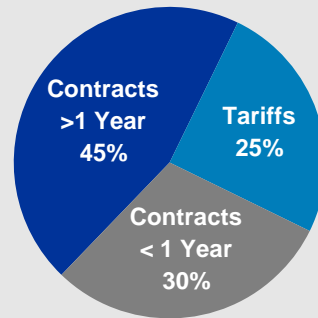
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## Pricing Fundamentals

- Unified Plan 2020 service reliability drives cost savings to the customer
- Balanced portfolio provides flexibility for repricing as value grows
- Pricing above inflation

### Balanced Revenue Portfolio

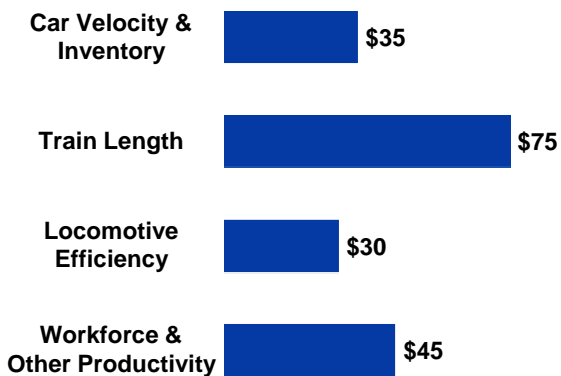


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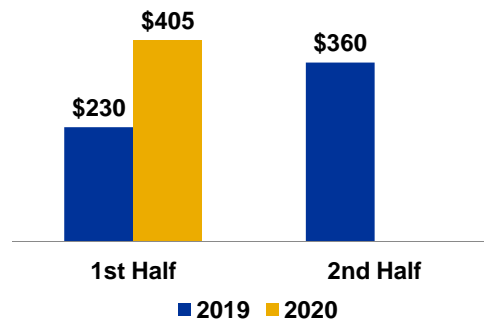


## Productivity Results

### Net Productivity of \$185 Million



### Productivity Trend (\$ in millions)

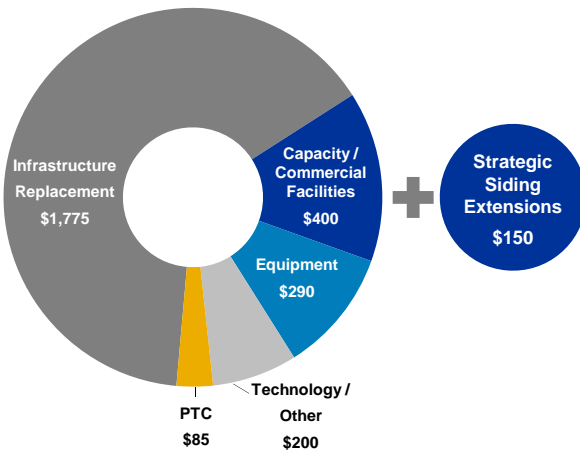


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## Strengthening the Franchise

### 2020 Capital Plan (\$ In Millions)

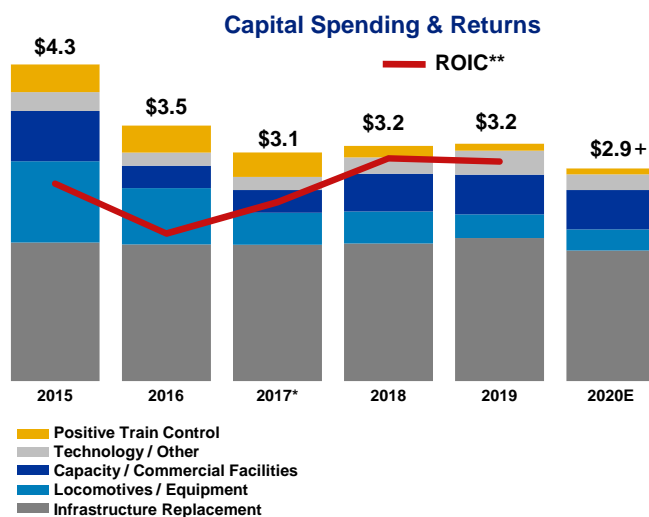


- 2020 Capital Plan ~\$2.9+ billion
- Safe & resilient infrastructure
- Capacity & commercial facilities
- \$150 million for strategic siding extensions
- Equipment acquisitions:
  - Locomotive modernizations
  - Targeted freight car purchases
- PTC spending

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## Capital Program



- Return-focused capital program
- Productivity through G55+0 initiatives
- Capex less than 15% of revenue longer-term

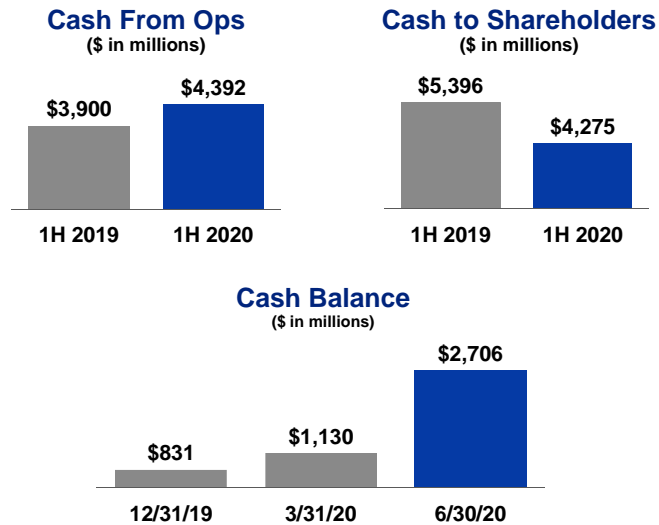
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\*Adjusted to exclude the impact of Corporate Tax Reform.  
\*\*See Union Pacific website under Investors for a reconciliation to GAAP.





## Cash Generation & Liquidity



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

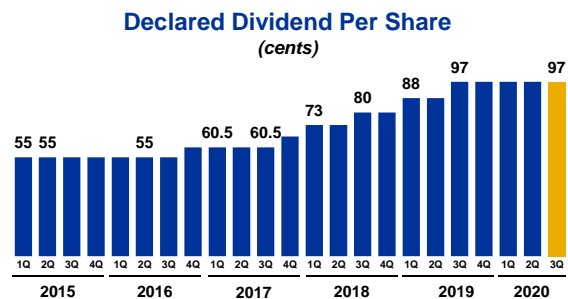
### 1<sup>st</sup> Half Year-to-Date

- Cash Flow Conversion Rate Equal to 107% of Net Income\*
- Adjusted Debt Increased \$3 Billion since Year-End 2019
- Adjusted Debt / EBITDA of 2.9x\*
- Repurchased 14 million Shares for a 4% Reduction in the Average Share Balance



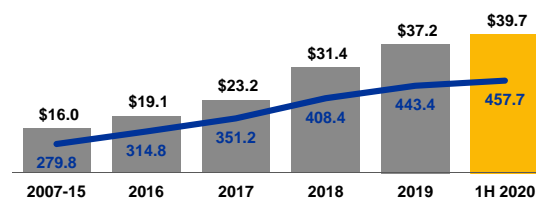
## Shareholder Returns

- Dividend payout target of 40% to 45%
- Repurchased ~40% of shares since 2007
- Share repurchase authorization three years beginning April 1, 2019
- Up to 150 million shares
- *Suspended share repurchase program as of March 2020*



### Cumulative Share Repurchases

(\$ In Billions, Shares in Millions)



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