



April 18, 2019

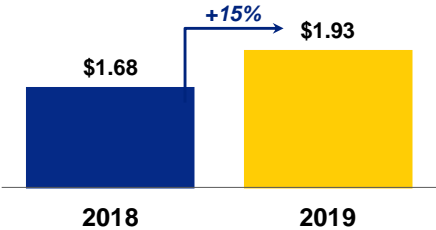
First Quarter 2019 Earnings Release

Lance Fritz
Chairman, President & CEO

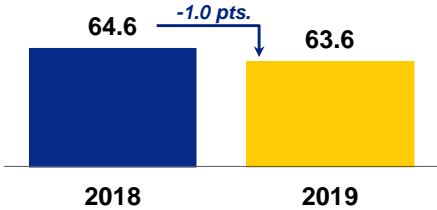
First Quarter 2019 Results



Earnings Per Share
First Quarter



Operating Ratio
First Quarter





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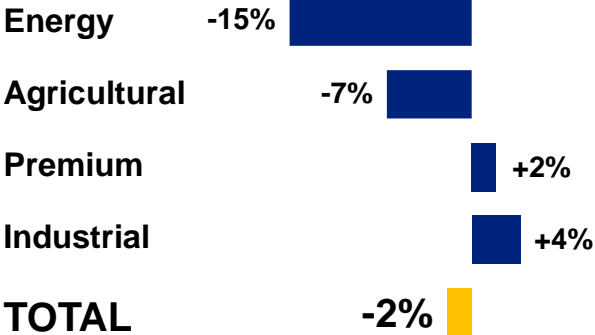
First Quarter 2019 Marketing & Sales Review

Kenny Rocker
Executive Vice President – Marketing & Sales

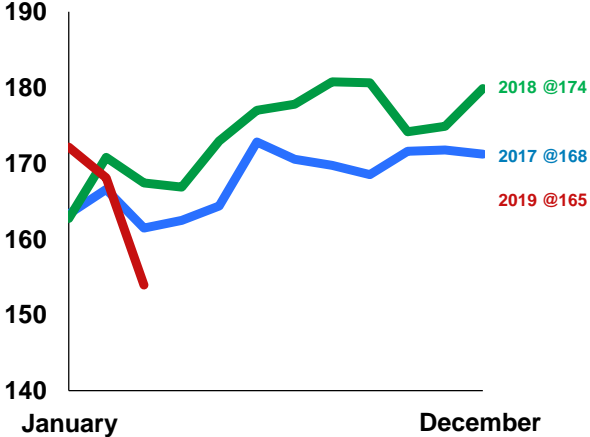
First Quarter 2019 Recap



Volume Growth



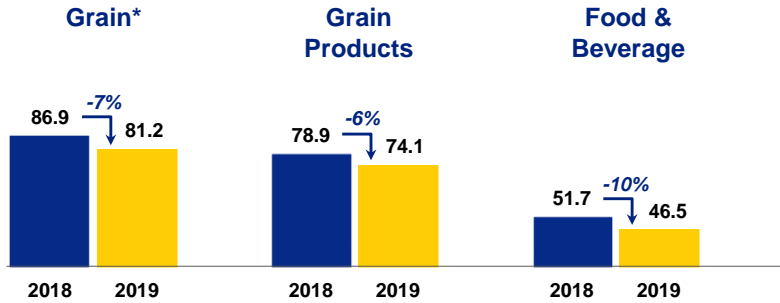
7-Day Monthly Carloadings (000s)



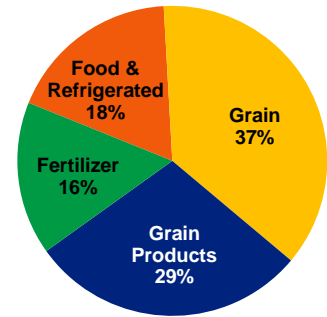


Agricultural Products

Revenue \$1,067M (-3%) Volume 259K (-7%) ARC \$4,123 (+5%)



Volume Mix



Quarterly Drivers

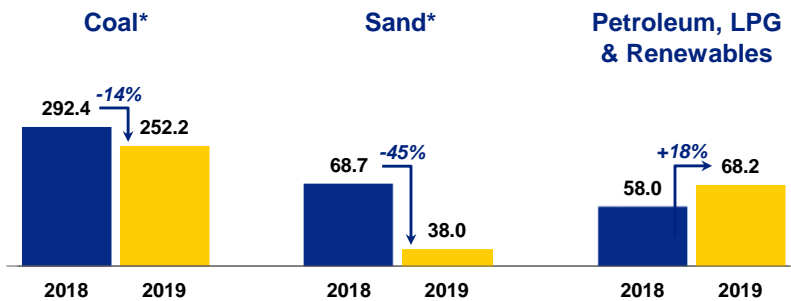
- Reduced Grain Exports
- Weather-Related Challenges
- Strong Demand for Biofuels

Volume in thousands of carloads
*Excludes equipment shipments

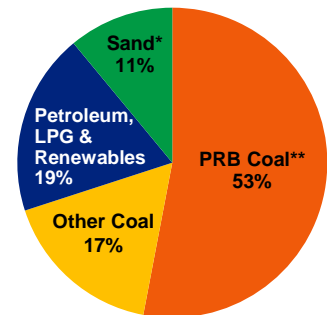


Energy

Revenue \$982M (-16%) Volume 358K (-15%) ARC \$2,740 (-2%)



Volume Mix



Quarterly Drivers

- Nebraska Flooding Impact
- Local Sourcing for Sand
- Crude Oil Growth

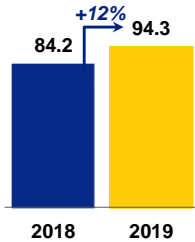
Volume in thousands of carloads
* Coal includes Coke; Sand includes Barites
** PRB includes SPRB and NPRB



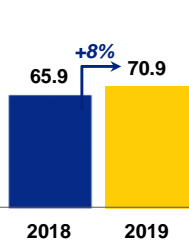
Industrial

Revenue \$1,410M (+5%) Volume 429K (+4%) ARC \$3,292 (+1%)

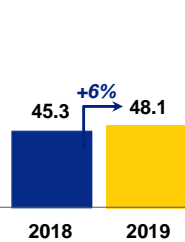
Construction



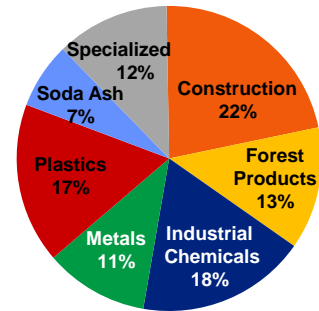
Plastics



Metals



Volume Mix



Quarterly Drivers

- Strong Construction Market Demand
- Plastics Production Growth
- Solid Pipe Demand

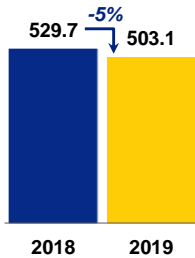
Volume in thousands of carloads



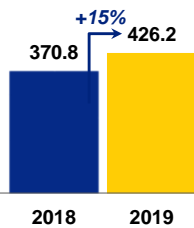
Premium

Revenue \$1,551M (+3%) Volume 1,041K (+2%) ARC \$1,489 (Flat)

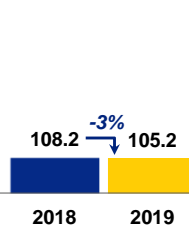
Domestic*



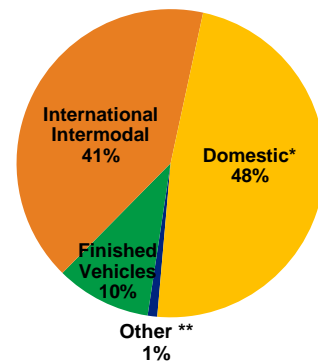
International Intermodal



Finished Vehicles



Volume Mix



Quarterly Drivers

- New International Business and Tariff Pull Ahead
- Weather-Related Challenges
- Reduced Auto Sales

Volume in thousands of carloads

* Domestic includes domestic intermodal and auto parts moved in intermodal containers

** Includes non-intermodal auto parts

2019 Volume Outlook



Agricultural Products

- + Biofuels
- + Food and Beverage
- ? Grain



Industrial

- + Plastics
- + Industrial Production



Energy

- + Petroleum Products
- Sand
- Coal Headwinds



Premium

- + Light Truck / SUV Sales
- ? International
- ? Trade & Economy



April 18, 2019

First Quarter 2019 Operations Review

Jim Vena
Chief Operating Officer

Significant Weather Impact



- Heavy Snowfall in the Midwest & PNW, Followed by Catastrophic Flooding
- Significant Track Outages, Including East/West Mainline for 13 Days
- Network Fluidity Negatively Impacted
- Team Worked Around the Clock to Safely and Efficiently Restore Operations
- Terminals Current and We Are Moving Traffic as Presented



Unified Plan 2020

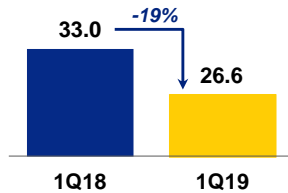
Key Performance Indicators



Freight Car Terminal Dwell

(As reported to the AAR, in Hours)

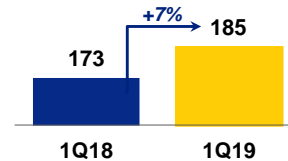
Good
↓



Freight Car Velocity*

(Daily Miles per Car)

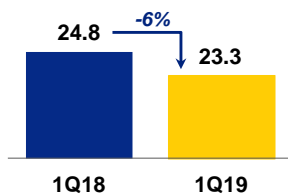
Good
↑



Train Speed

(As reported to the AAR, in MPH)

Good
↑



- Year-over-Year Improvement
- Continued Focus on Asset Utilization and Minimizing Car Classifications

* Calculation revised to remove certain cars placed in hold status as a result of customer or interchanging carrier actions. Prior periods have been adjusted to reflect the change.

Unified Plan 2020

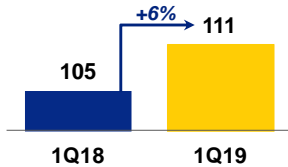
Key Performance Indicators



Locomotive Productivity

(GTM per Horsepower Day)

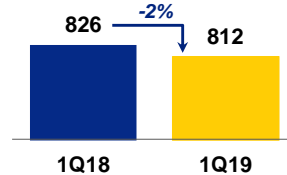
↑
Good



Workforce Productivity

(Daily Car Miles per FTE)

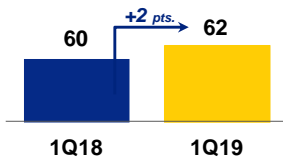
↑
Good



Car Trip Plan Compliance

(% Cars On Time)

↑
Good

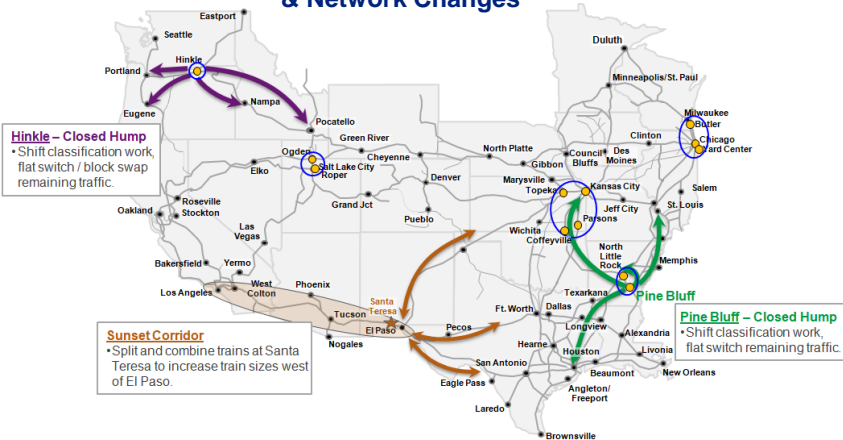


- ~1,900 Stored Locomotives as of March 31st
- Total Employees Down 4%
- Rebounding from Weather Challenges

Unified Plan 2020 Update

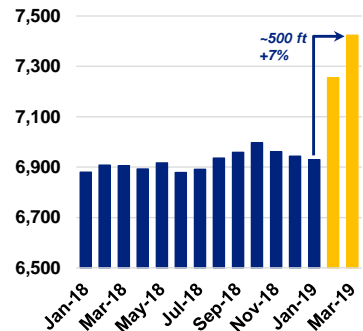


Terminal Rationalization & Network Changes



System Train Length

(Max on route, in feet)



Operating Outlook

- Resilient Network
- Key Operating Metrics Improving
- Continued Focused On:
 - Safety
 - Network Efficiency
 - Service Reliability



15



April 18, 2019

First Quarter 2019 Financial Review

Rob Knight
Executive Vice President &
Chief Financial Officer

First Quarter Operating Ratio and EPS

Favorable / (Unfavorable)



	<u>Operating Ratio</u>	<u>EPS</u>
First Quarter 2018	64.6%	\$1.68
Weather Impact	(1.6) pts	(\$0.15)
<i>Lost Revenue (Net of Volume Savings)</i>	<i>(0.8) pts</i>	<i>(\$0.11)</i>
<i>Additional Operating Costs</i>	<i>(0.8) pts</i>	<i>(\$0.04)</i>
Payroll Tax Refund	0.8 pts	\$0.07
Fuel Impact	0.9 pts	\$0.06
Core Operating Improvement	0.9 pts	\$0.27
First Quarter 2019	63.6%	\$1.93

17

First Quarter Income Statement

\$ in Millions (except EPS)

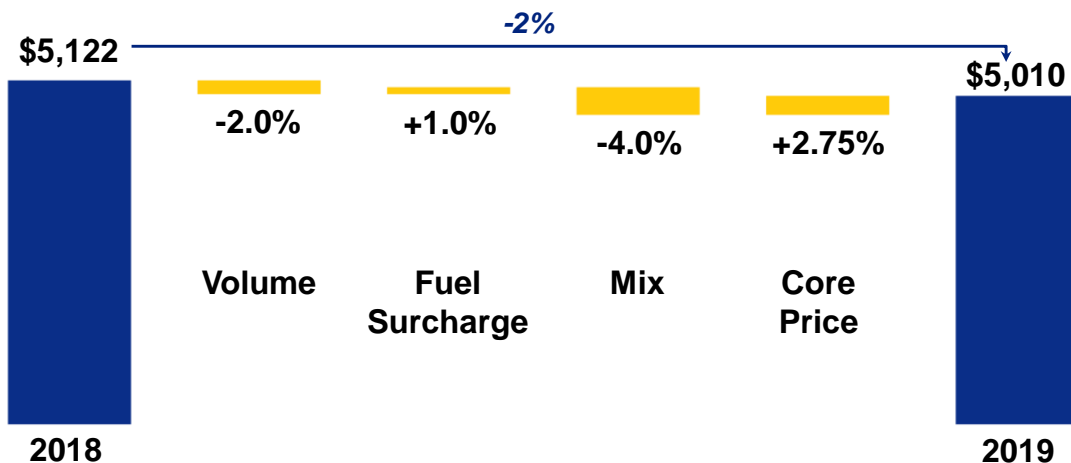


	<u>2019</u>	<u>2018</u>	<u>%</u>
Operating Revenues	\$5,384	\$5,475	(2)
Operating Expenses	3,424	3,536	(3)
Operating Income	<u>1,960</u>	<u>1,939</u>	1
Other Income / (Expense)	77	(42)	F
Interest Expense	(247)	(186)	33
Income Taxes	<u>(399)</u>	<u>(401)</u>	-
Net Income	<u>\$1,391</u>	<u>\$1,310</u>	6
Weighted Average Diluted Shares	719.5	779.6	(8)
Diluted EPS	<u>\$1.93</u>	<u>\$1.68</u>	15

18

First Quarter Freight Revenue

\$ In Millions

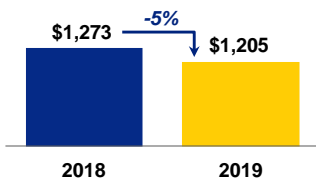


First Quarter Operating Expenses

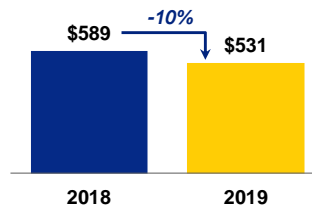
\$ In Millions



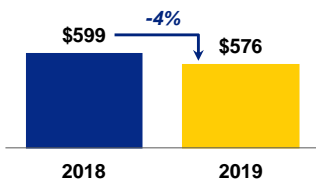
Compensation & Benefits



Fuel



Purchased Services & Materials



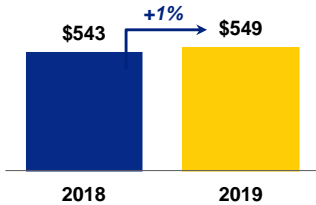
- Payroll Tax Refund, Headcount Reductions and Employee Severance
- Lower Diesel Fuel Prices and Gallons Consumed
- Reduced Mechanical Repair Costs and Contract Services

First Quarter Operating Expenses

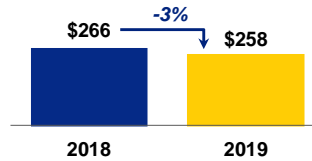
\$ In Millions



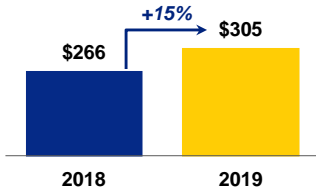
Depreciation



Equipment & Other Rents



Other Expenses



- Higher Depreciable Asset Base
- Lower Equipment Lease Expense and Volume Related Costs
- Increased Casualty Costs

Productivity Update



First Quarter Results:

~\$120 Million of Productivity

- Operational Challenges Resulted in a \$60 Million Headwind
- Net Productivity of approximately \$60 Million for the Quarter
- Full Year Productivity Still Expected to be at least \$500 Million

Initiatives & 1Q19 Results (\$ in millions)

\$5 Network and Train Operations *Unified Plan 2020, Starts, partially offset by weather*

\$45 Equipment (Locomotive and Car) *Mechanical productivity, fleet size, car hire, lease savings*

\$10 Other *Support, Supply, Engineering, Joint Facilities, partially offset by incidents and weather*

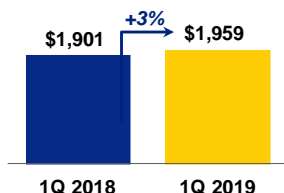
\$60 1Q19 Net Productivity

Cash Flow & Debt

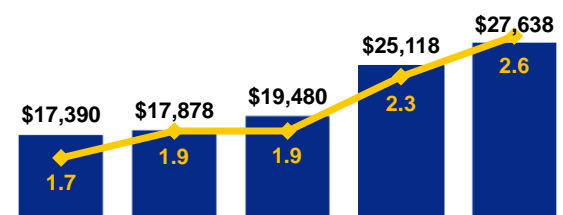
\$ In Millions



Cash From Operations



Adjusted Debt*



As of: 12/31/15 12/31/16 12/31/17 12/31/18 3/31/2019

Adjusted Debt / EBITDA

- Higher Net Income
- Free Cash Flow Conversion Rate: 84% of Net Income
- Increased Adjusted Debt \$2.5 Billion since Year-End 2018
 - Includes \$3.0 Billion Debt Offering in February 2019
- Adjusted Debt / EBITDA of 2.6

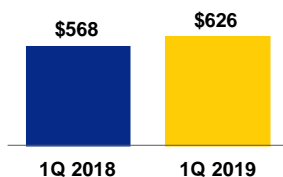
* See Union Pacific website under Investors for a reconciliation to GAAP

Delivering Value to Shareholders

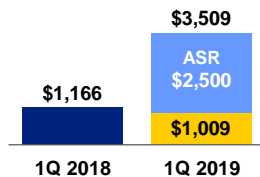
\$ In Millions



Dividends

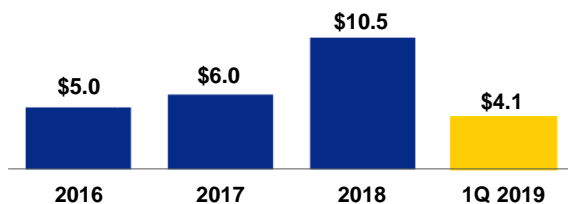


Share Repurchases



Cash Returned to Shareholders

(\$ In Billions)



- 10% Dividend Increase in First Quarter 2019
- Share Repurchases:
 - \$1.0 Billion of Open Market Purchases
 - \$2.5 Billion Accelerated Share Repurchase Program

2019 Outlook Unchanged

- Low Single Digit Volume Growth
- Continued Pricing Gains In Excess of Inflation Dollars
- Capital Expenditures of ~\$3.2 Billion
- Significant Productivity Savings from G55 + 0, Including Unified Plan 2020
 - At Least \$500 Million of Productivity in 2019
- Operating Ratio Guidance:
 - Sub-61% in 2019
 - Below 60% by 2020



25



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April 18, 2019

First Quarter 2019 Earnings Release

Lance Fritz
Chairman, President & CEO

Looking Ahead



- Record First Quarter Results
- Unified Plan 2020
- Consistent and Reliable Service
- Focus on Shareholder Returns



27

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; its ability to generate financial returns, improve resource productivity; enhancing the customer experience; implementing corporate strategies; and providing excellent service to its customers and returns to its shareholders. 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 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 2018, which was filed with the SEC on February 8, 2019. 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.

28



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First Quarter 2019 Earnings Release

Question & Answer
Session