



April 21, 2016

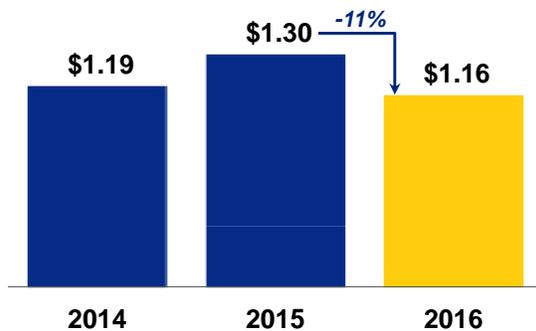
First Quarter 2016 Earnings Release

Lance Fritz
Chairman, President & CEO

First Quarter 2016 Results



Earnings Per Share First Quarter



- Earnings Per Share Down 11%
- Softness in Demand
- Solid Core Pricing
- Focus on Productivity



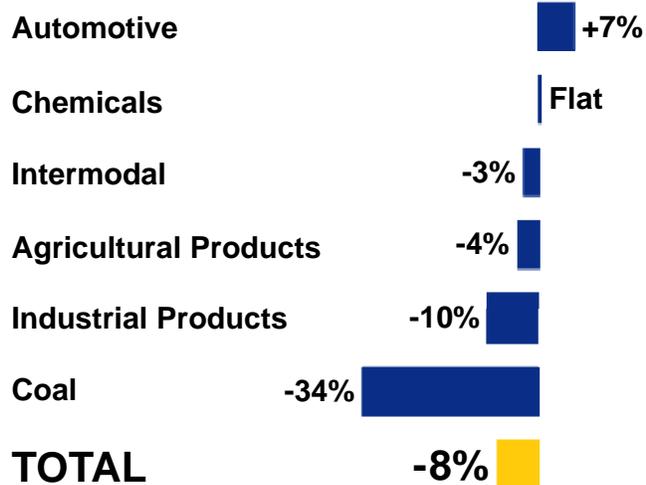
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First Quarter 2016 Marketing & Sales Review

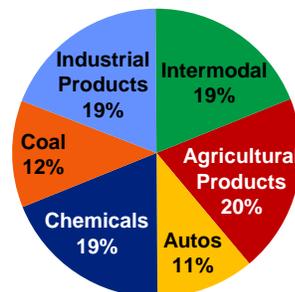
Eric Butler
Executive VP - Marketing & Sales

First Quarter 2016 Recap

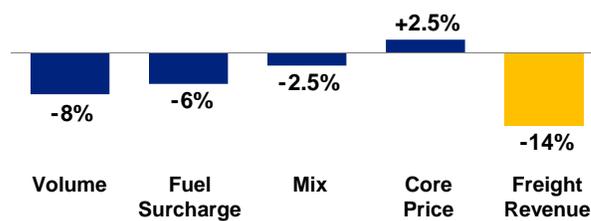
Volume Growth



Freight Revenue Mix

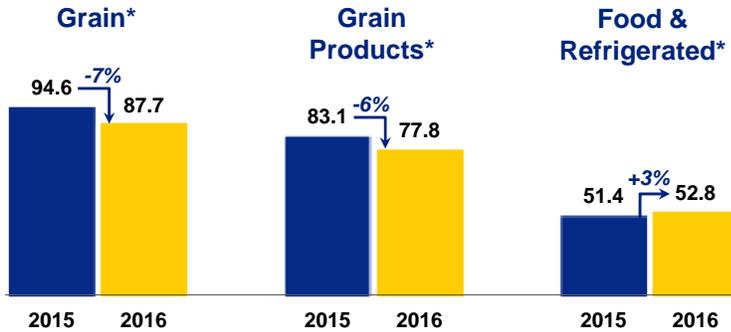


Freight Revenue Performance (Year-Over-Year Change)

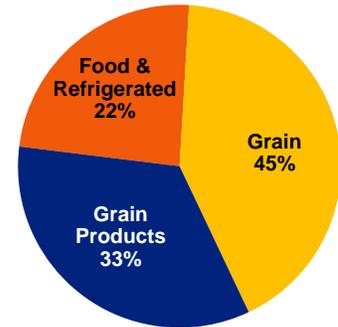


Agricultural Products

Revenue \$882M (-6%) Volume 235K (-4%) ARC \$3,749 (-2%)



Volume Mix



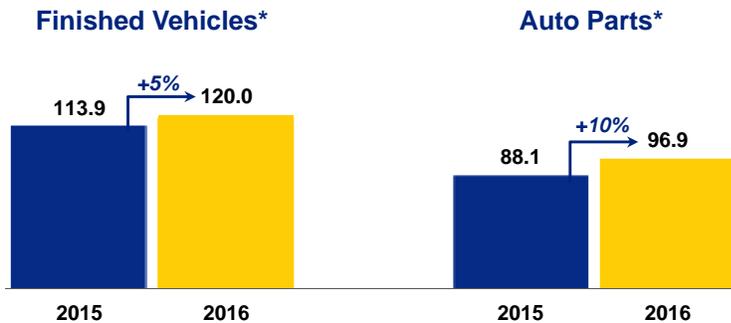
Quarterly Drivers

- High Global Grain Inventories
- Declines in DDG and Soybean Meal Exports
- Import Beer Demand Drives Growth

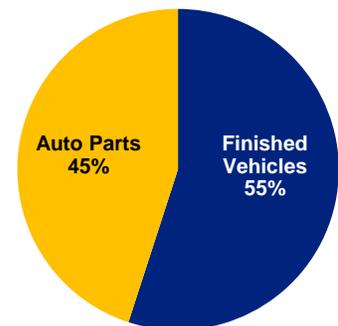
*Volume in thousands of carloads and excludes equipment shipments
*Prior periods have been adjusted for the re-categorization of commodities

Automotive

Revenue \$510M (-1%) Volume 217K (+7%) ARC \$2,350 (-8%)



Volume Mix



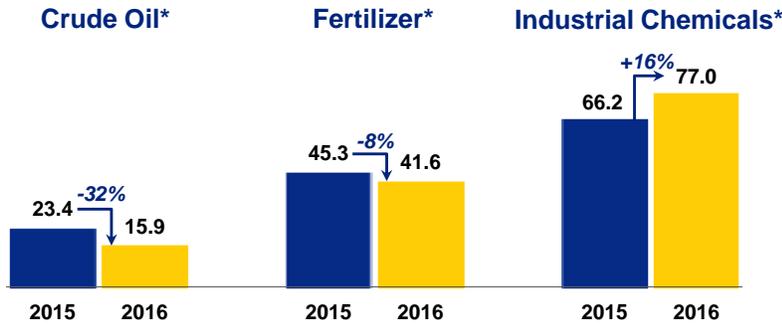
Quarterly Drivers

- Solid Consumer Demand
- Truck & SUV Sales Outpace Passenger Vehicles
- Parts OTR Conversions

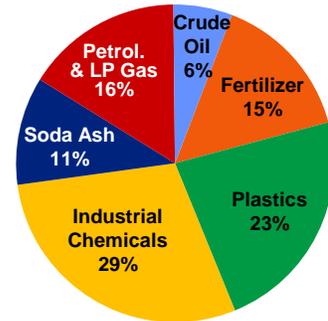
*Volume in thousands of carloads

Chemicals

Revenue \$878M (-2%) Volume 268K (Flat) ARC \$3,272 (-3%)



Volume Mix



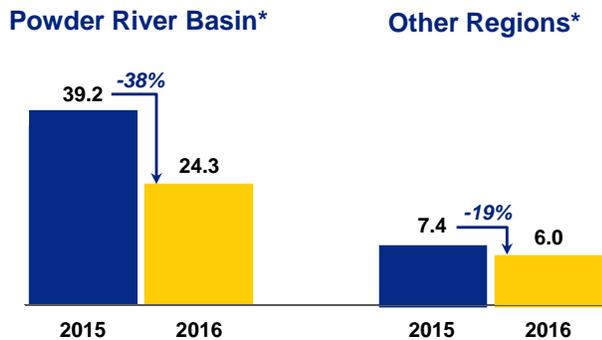
Quarterly Drivers

- Continued Low Crude Oil Prices & Unfavorable Spreads
- Weak Potash Exports
- Strong Industrial Chemicals & LPGs

*Volume in thousands of carloads

Coal

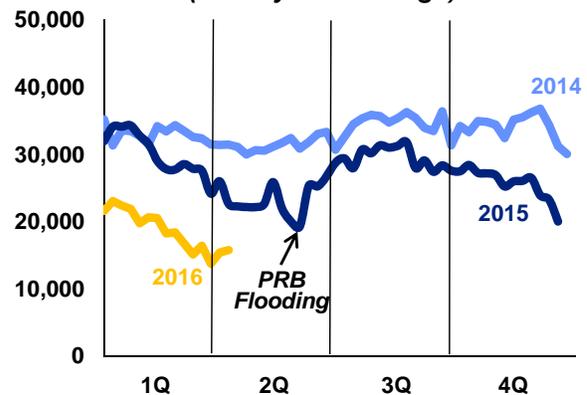
Revenue \$519M (-43%) Volume 262K (-34%) ARC \$1,985 (-13%)



Quarterly Drivers

- Warmest Winter on Record
- Low Natural Gas Prices
- PRB Inventories 41 Days Above 5-Year Average

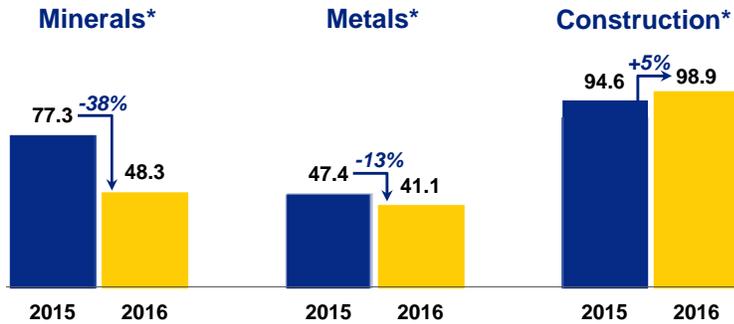
Volume Impact (Weekly Carloadings)



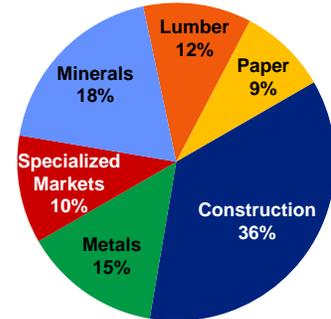
*Tons in Millions
*PRB includes SPRB and NPRB

Industrial Products

Revenue \$834M (-18%) Volume 274K (-10%) ARC \$3,041 (-9%)



Volume Mix



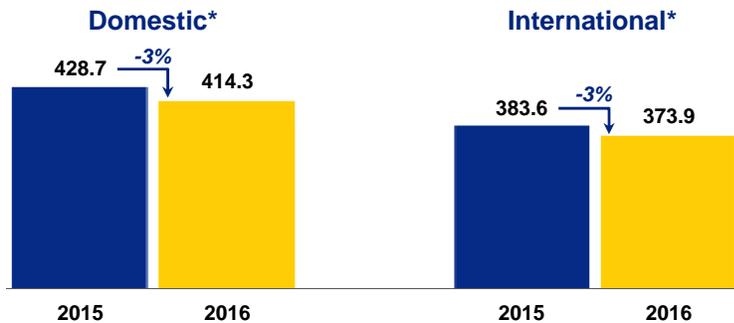
Quarterly Drivers

- Reduction in Drilling Activity
- Low Commodity Prices & Strong U.S. Dollar
- Increased Construction Shipments

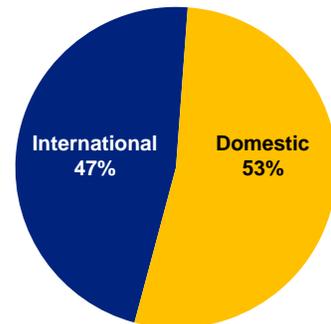
*Volume in thousands of carloads
*Prior periods have been adjusted for the re-categorization of commodities

Intermodal

Revenue \$879M (-9%) Volume 788K (-3%) ARC \$1,116 (-6%)



Volume Mix



Quarterly Drivers

- High Retail Inventory Levels
- Transpacific Market Challenges

*Volume in thousands of loads

2016 Volume Outlook



Agricultural Products
- Global Grain Supply
+ Domestic Grain Demand
+ Import Beer



Chemicals
+ LPGs
+ Industrial Chemicals
? Fertilizer
- Crude Oil



Automotive
? Sustained Consumer Demand
+ Parts OTR Conversion



Industrial Products
- Minerals
+ Construction
+ Lumber
? Metals



Coal
- Price of Natural Gas
- High Inventory Levels
? Weather



Intermodal
+ Domestic Highway Conversions
- Retail Inventories
- Transpacific Market



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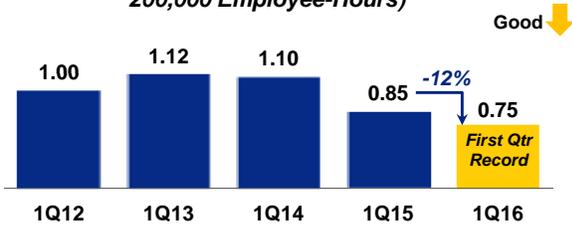
First Quarter 2016 Operations Review

Cameron Scott
Executive VP - Operations

Safety

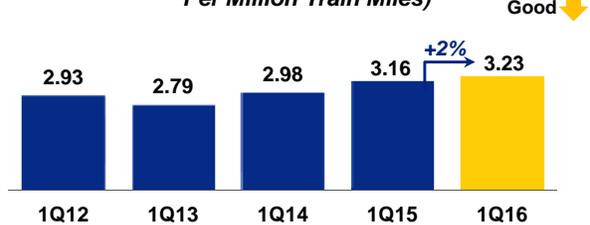
Employee

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



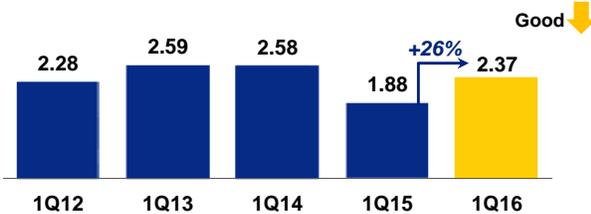
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)



Public

(Crossing Accidents Per Million Train Miles)



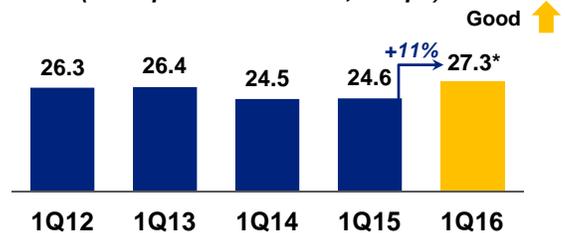
- Successfully Finding and Addressing Risk
- Focus on Human Factor Incidents & Infrastructure Investment
- Reinforcing Public Awareness to Drive Future Improvement

Network & Service Performance

- Record Velocity at 1Q Volume Levels
- Weather Events Generate Variability
- Network Strength & Resiliency
- Focus on Further Improvement

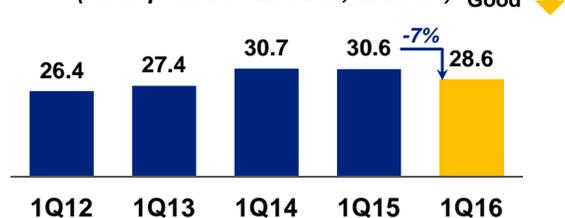
Velocity

(As Reported to the AAR, in mph)



Terminal Dwell

(As Reported to the AAR, in hours)



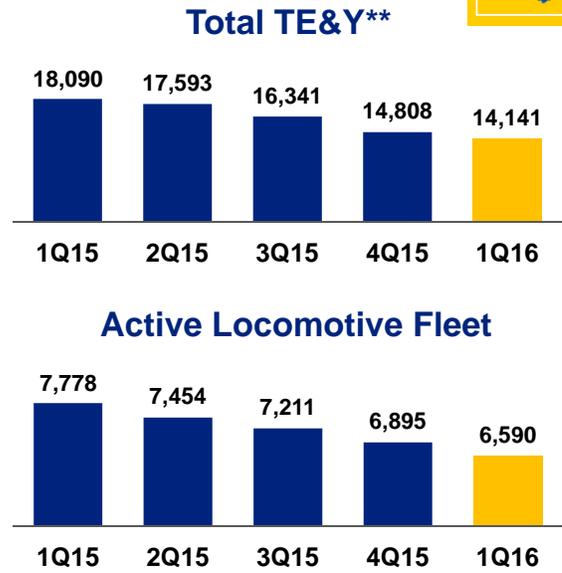
*First Quarter record

Resourcing to Demand

Remaining Agile in a Dynamic Environment



- **TE&Y Workforce**
 - 1Q16 Down 22% vs 1Q15
 - Furlough / AWTs: ~3,800*
- **Locomotives**
 - 1Q16 Down 15% vs 1Q15
 - Storage: ~1,400*
- **Aligning Other Resources**



* As of March 31, 2016

** Full-time Equivalent

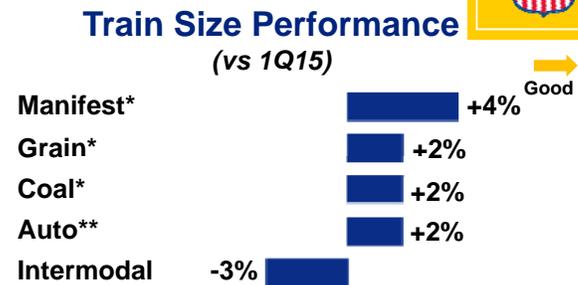
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Network Productivity

First Quarter 2016



- **Adjusting Resources to Demand**
- **Record Train Size Performance**
- **Record Terminal Productivity**
- **Intensify Focus on Costs**



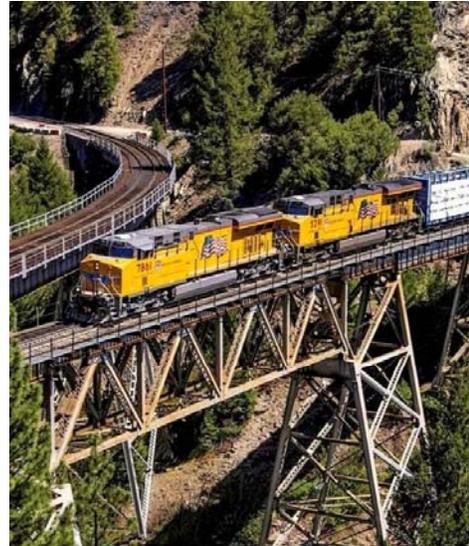
*Best-ever quarter

**First Quarter record

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Operating Outlook

- Generate Record Safety Results
- Remain Agile
- Realize Productivity to Improve Cost Performance
- Enhance Value Proposition with Excellent Customer Experience



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April 21, 2016

First Quarter 2016 Financial Review

Rob Knight
CFO

First Quarter Income Statement

In Millions (except EPS)

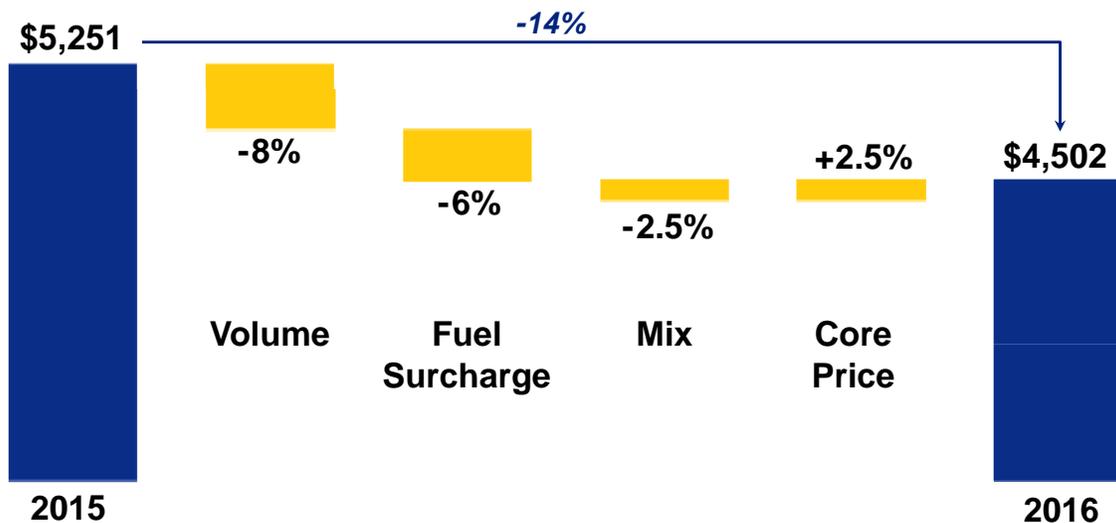


	<u>2016</u>	<u>2015</u>	<u>%</u>
Operating Revenues	\$4,829	\$5,614	(14)
Operating Expenses	3,142	3,637	(14)
Operating Income	1,687	1,977	(15)
Other Income	46	26	77
Interest Expense	(167)	(148)	13
Income Taxes	(587)	(704)	(17)
Net Income	\$979	\$1,151	(15)
Weighted Average Diluted Shares	846.7	882.8	(4)
Diluted EPS	\$1.16	\$1.30	(11)

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Freight Revenue

First Quarter (In Millions)



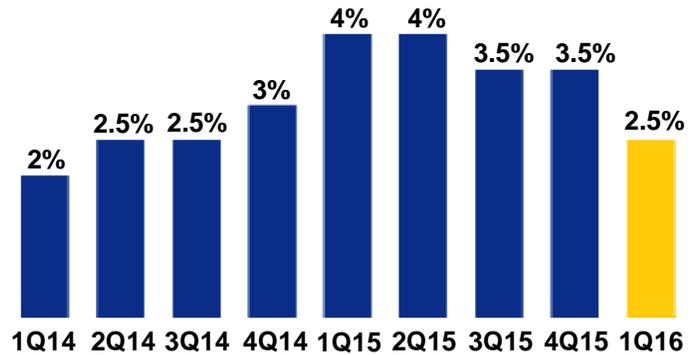
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Core Pricing Trends



- Solid Core Pricing
- Pricing to a Strong Value Proposition

Core Pricing Gains



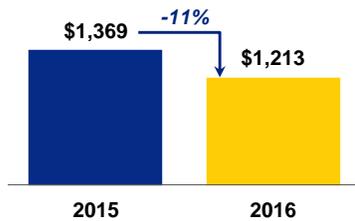
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Compensation & Benefits Expense

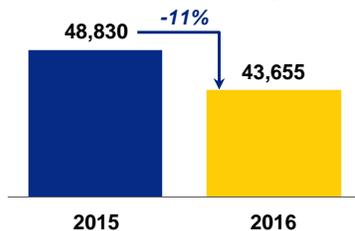
First Quarter 2016 \$1,213M, -11%



Compensation & Benefits (in Millions)



Workforce Levels (Quarterly Average)



Quarterly Drivers

- Aligning Workforce with Demand
- Lower Pension Expense
- Inflation Costs
- Volume & Productivity Related Reductions

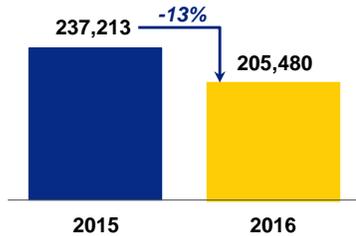
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Fuel Expense

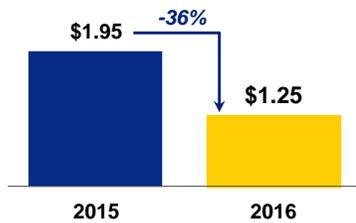
First Quarter 2016 \$320M, -43%



Gross-Ton-Miles (in Millions)



Average Fuel Price (Per Gallon Consumed)



Quarterly Drivers

- Decrease in GTMs Driven by Lower Volumes & Mix
- Consumption Rate Increased 1% Driven By Negative Mix
- Lower Average Diesel Fuel Price

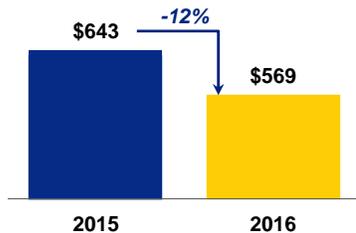
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First Quarter 2016 Expense Review

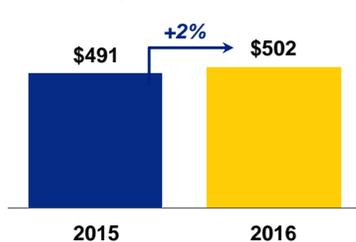
In Millions



Purchased Services & Materials



Depreciation



Quarterly Drivers

- Lower Volume-Related Costs
- Reduced Locomotive & Freight Car Repair Costs
- Higher Depreciable Asset Base

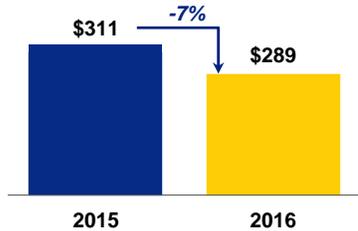
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First Quarter 2016 Expense Review (cont)

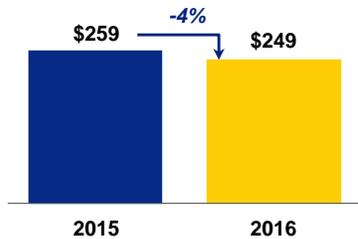
In Millions



Equipment & Other Rents



Other



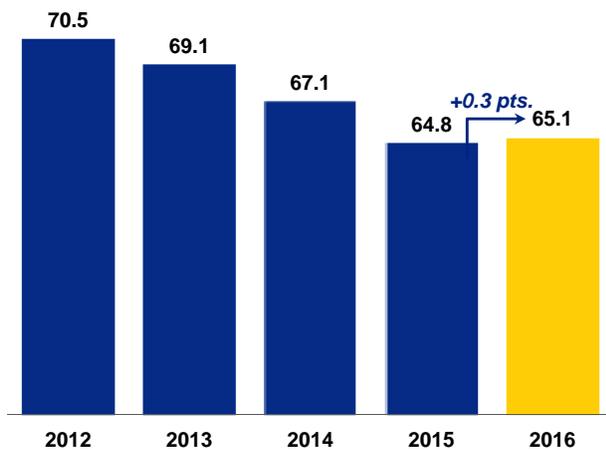
Quarterly Drivers

- Lower Volumes & Improved Cycle Times
- Decrease in Locomotive Lease Expense
- Lower Personal Injury & Casualty Expenses
- Higher State & Local Taxes

Operating Ratio Performance



First Quarter (Percent)



- Focus on Aligning Resources
- Productivity Initiatives
- Solid Core Pricing
- Volume Declines

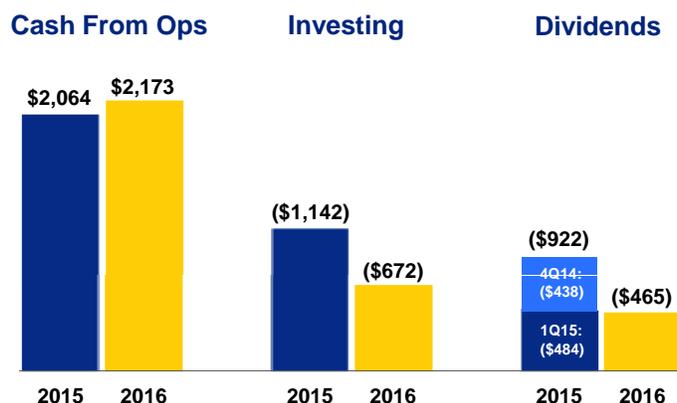
Full Year Target of 60+/- by 2019

Free Cash Flow

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



Free Cash Flow*



- Bonus Depreciation
- Capital Investments
- Dividends
 - Payment Date Adjustment in First Quarter 2015

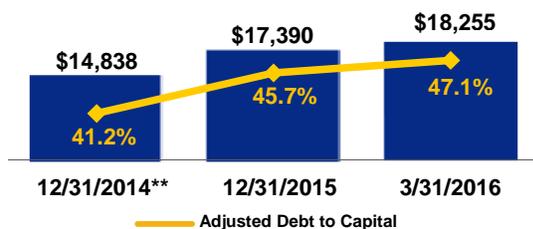
* See Union Pacific website under Investors for a reconciliation to GAAP.

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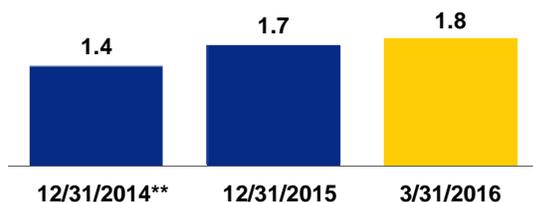
Debt & Leverage (\$ In Millions)



Total Debt* (Adjusted)



Adjusted Debt / Adjusted EBITDA*



- Strong Balance Sheet
- Investment Grade Credit Rating
- \$1.3 Billion Debt Issuance in 2016

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

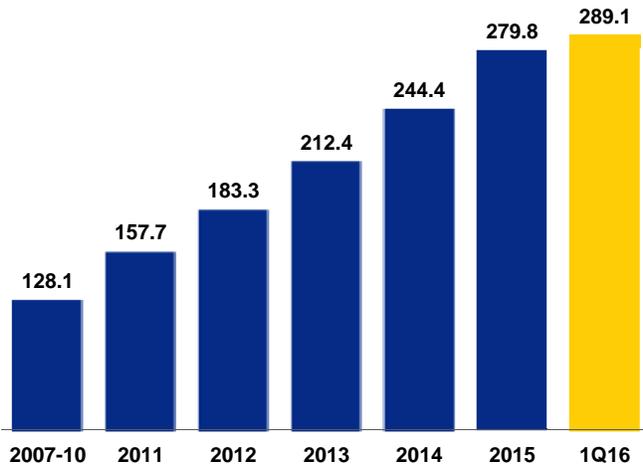
** Prior periods have been adjusted for the retrospective adoption of Accounting Standard Update 2015-03.

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Delivering Value to Shareholders



Cumulative Share Repurchases (In Millions)



- **First Quarter Activity**
 - 9.3 Million Shares
 - Repurchases Totaling \$713 Million
- **Repurchases Since 2007**
 - 289 Million Shares
 - Avg Price: \$57.93
- **Current Program**
 - About 43 Million Shares Remaining

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2016 Outlook



Second Quarter

- Lower Coal and Overall Volumes
- Fuel Headwind Begins to Moderate

Full Year

- Lower Volumes & Mix Pressure
- Record Productivity
- Solid Core Pricing
- Improved Operating Ratio

Focus on "G55+0" Initiatives



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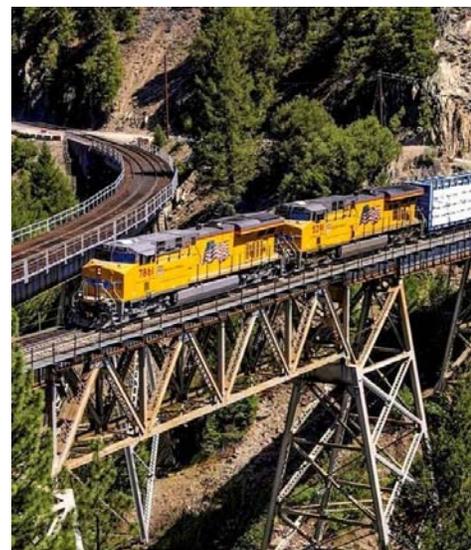
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First Quarter 2016 Earnings Release

Lance Fritz
Chairman, President & CEO

Looking Ahead to the Future

- **Uncertain Economy & Demand Outlook**
- **Efficient Network and Excellent Service**
- **Unrelenting Focus on Productivity**
- **Long-Term Franchise Opportunity**



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 generate financial returns, improve network performance, productivity and cost efficiency; capital spending plans; new business development opportunities; and providing 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 2015, which was filed with the SEC on February 5, 2016. 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.



April 21, 2016

First Quarter 2016 Earnings Release

Question & Answer
Session