



July 23, 2015

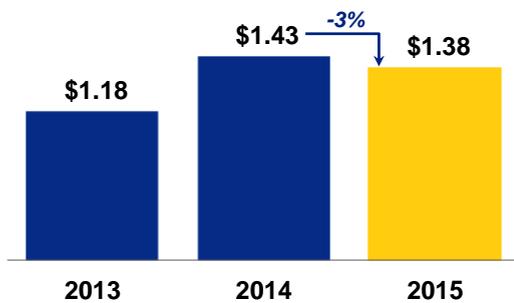
Second Quarter 2015 Earnings Release

Lance Fritz
President & CEO

Second Quarter 2015 Results



Earnings Per Share *Second Quarter*



- Earnings Per Share Down 3%
- Solid Core Pricing
- Softness in Demand
- Resource Agility



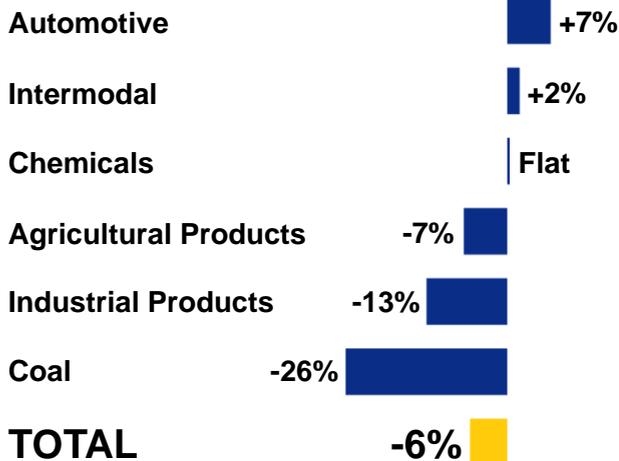
July 23, 2015

Second Quarter 2015 Marketing & Sales Review

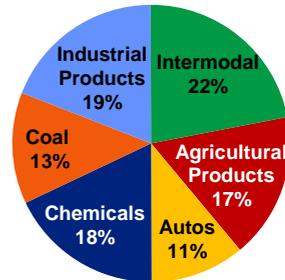
Eric Butler
Executive VP - Marketing & Sales

Second Quarter 2015 Recap

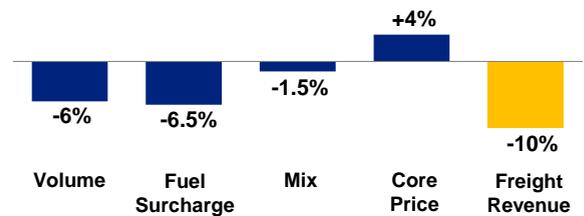
Volume Growth



Freight Revenue Mix

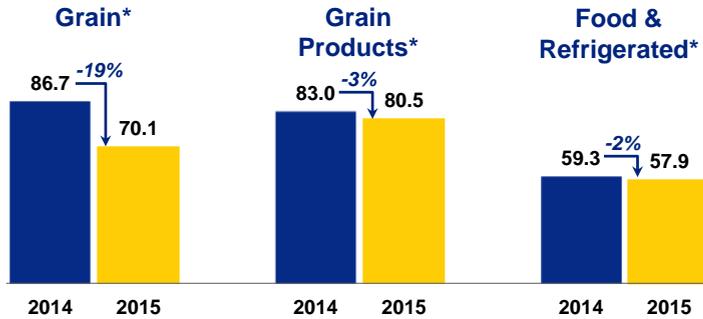


Freight Revenue Performance (Year-Over-Year Change)

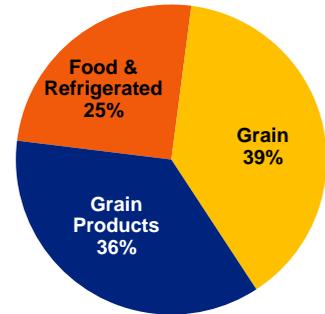


Agricultural Products

Revenue \$867M (-7%) Volume 225K (-7%) ARC \$3,844 (Flat)



Volume Mix



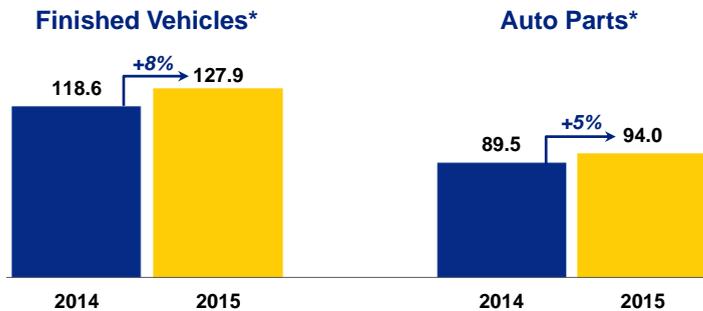
Quarterly Drivers

- Weak Global Demand for U.S. Grain
- Extended Ethanol Plant Downtime
- Refrigerated Market Challenges

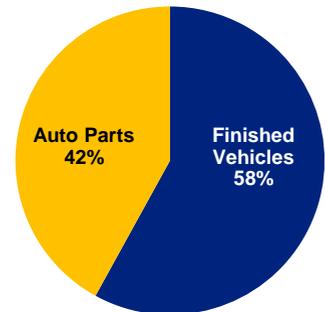
*Volume in thousands of carloads and excludes equipment shipments

Automotive

Revenue \$560M (+3%) Volume 222K (+7%) ARC \$2,528 (-3%)



Volume Mix



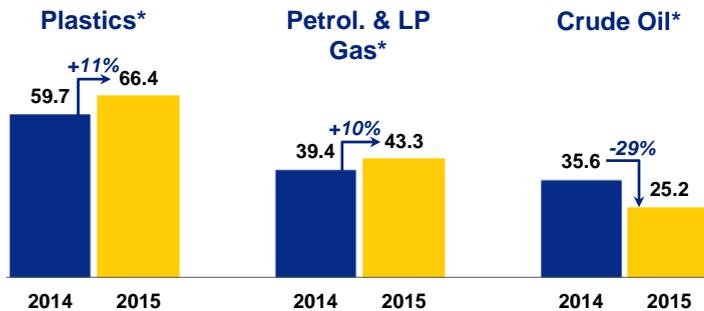
Quarterly Drivers

- Strong Consumer Demand
- Production Strength Drives Parts

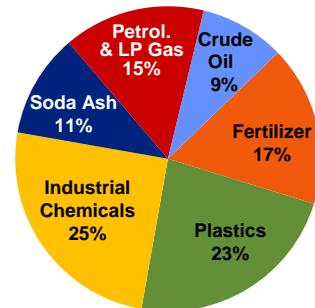
*Volume in thousands of carloads

Chemicals

Revenue \$905M (-1%) Volume 283K (Flat) ARC \$3,197 (-1%)



Volume Mix



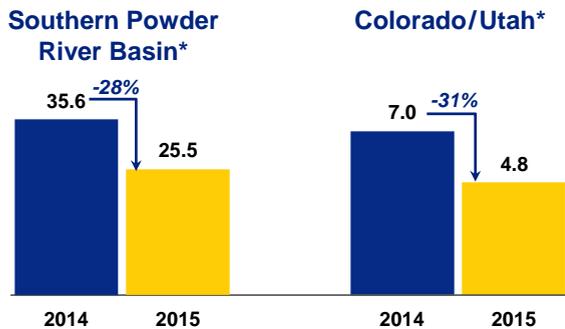
Quarterly Drivers

- Stable Resin Pricing and Export Growth Drives Plastics
- Strong LPG Movements
- Crude Oil Prices & Spreads

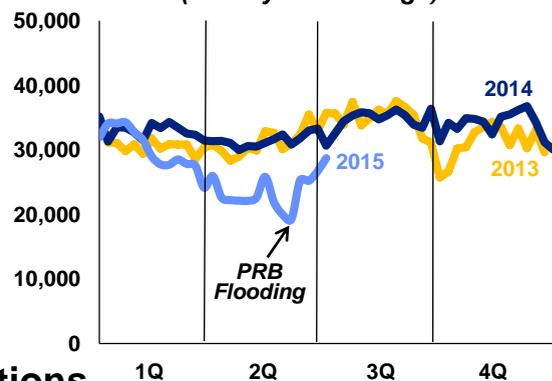
*Volume in thousands of carloads

Coal

Revenue \$679M (-31%) Volume 309K (-26%) ARC \$2,197 (-7%)



Volume Impact (Weekly Carloadings)



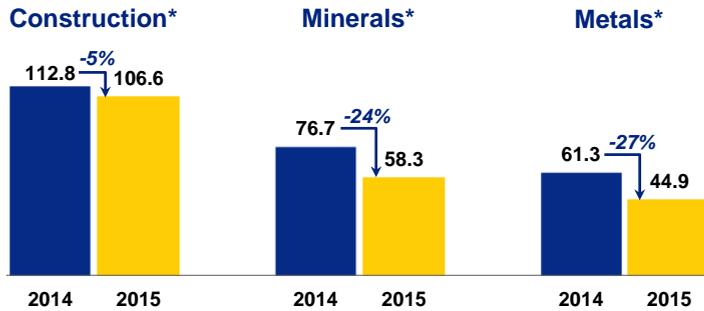
Quarterly Drivers

- Natural Gas Prices
- Mild Weather & Flooding Disruptions
- Soft Export Demand

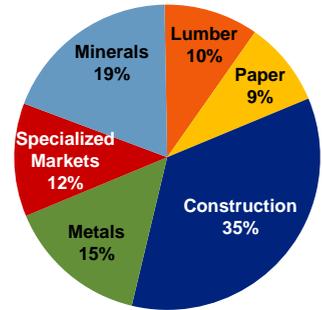
*Tons in Millions

Industrial Products

Revenue \$970M (-14%) Volume 308K (-13%) ARC \$3,144 (-1%)



Volume Mix**



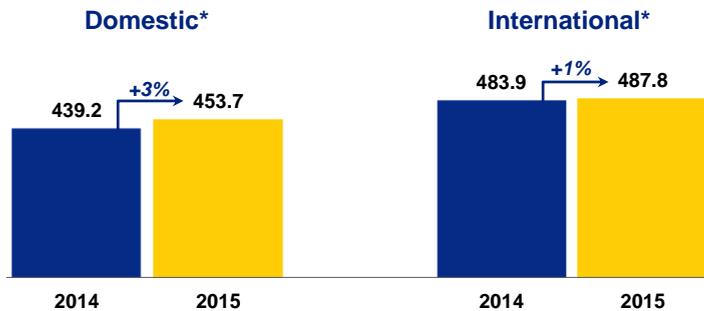
Quarterly Drivers

- Weather Impact on Aggregate Shipments
- Reduction in Drilling Activity
- Low Commodity Prices and Strength of U.S. Dollar

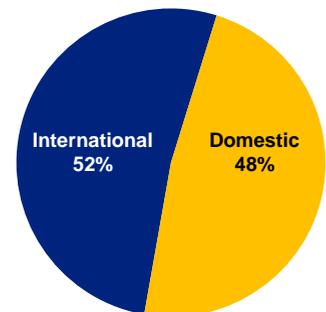
*Volume in thousands of carloads
**Specialized Markets includes Government, Hazardous, and Consumer

Intermodal

Revenue \$1,087M (-5%) Volume 942K (+2%) ARC \$1,154 (-7%)



Volume Mix



Quarterly Drivers

- Broad Based Growth in Domestic
- Recovery from West Coast Port Labor Dispute Against Strong Comparison

*Volume in thousands of carloads

2015 Volume Outlook



Agricultural Products
? Grain
+ Ethanol Production



Chemicals
+ Core Markets Solid
- Crude Oil Prices and Spreads



Automotive
+ Strong Industry Sales Continue



Industrial Products
- Shale Drilling
? Housing Impact
+ Construction Products



Coal
? Weather
- Price of Natural Gas
- Exports



Intermodal
? Retail Inventory Levels
+ Domestic Highway Conversions



July 23, 2015

Second Quarter 2015 Operations Review

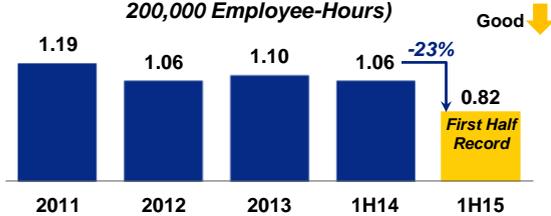
Cameron Scott
Executive VP - Operations

Safety



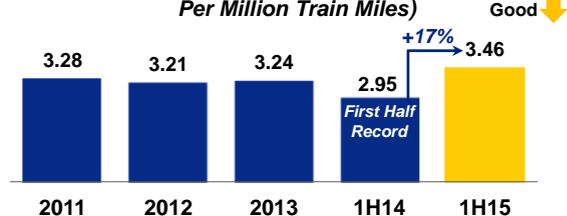
Employee

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



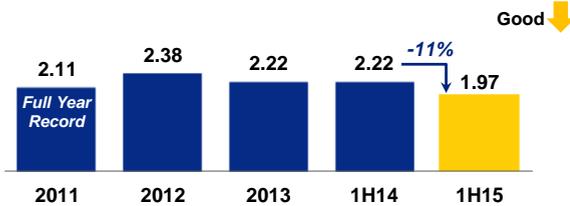
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)



Public

(Crossing Accidents Per Million Train Miles)



- Finding & Addressing Risk in the Workplace
- Reducing Variability with Infrastructure Investments
- Public Safety Campaigns & Community Partnerships

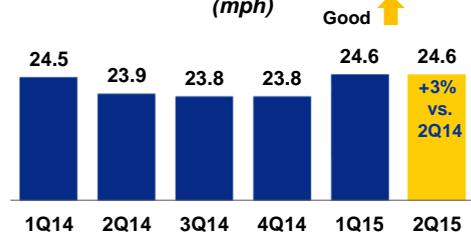
Network Performance



- Dynamic Environment
- Weather Impacts
- Leverage Franchise Strengths
- Focus on Improving Service & Costs

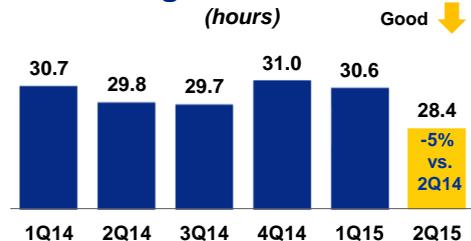
Velocity*

(mph)



Freight Car Dwell*

(hours)



*As reported to the AAR

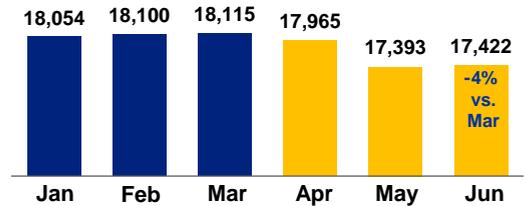
Resourcing to Demand

Progress Throughout 2015

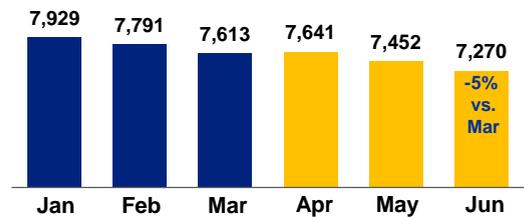


- **TE&Y Workforce**
 - **June Down 4% vs March**
 - Reduction in Training
 - Furlough/AWTS: 1,200*
- **Locomotives**
 - Storage: 900*
- **Remain Agile**

Total TE&Y**



Active Locomotive Fleet



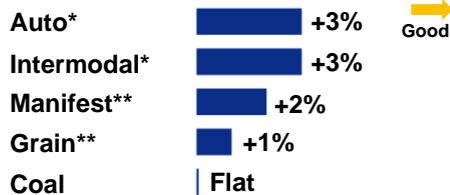
* As of June 30, 2015

** Full-time Equivalent

Network Productivity



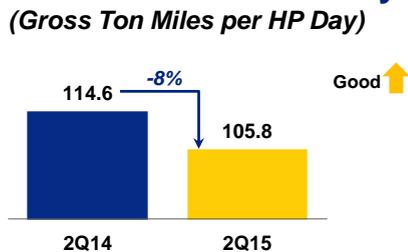
Train Size Performance (vs 2Q14)



Terminal Productivity (vs 2Q14)



Locomotive Productivity (Gross Ton Miles per HP Day)



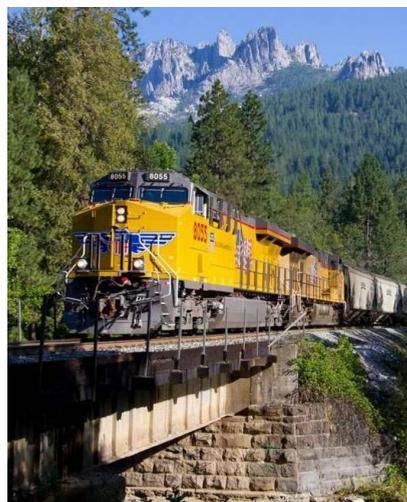
- Record Train Size Performance
- Record Terminal Productivity
- Resource Opportunities

* Best-ever quarter

**Second quarter record

2015 Operating Outlook

- **Generate Record Safety Results on the Way Towards Zero**
- **Leverage Franchise to Drive Operational Performance**
- **Realize Productivity to Improve Cost Performance**
- **Create Value for Customers & Increase Returns for Shareholders**



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Second Quarter 2015 Financial Review

Rob Knight
CFO

Second Quarter Income Statement

In Millions (except EPS)

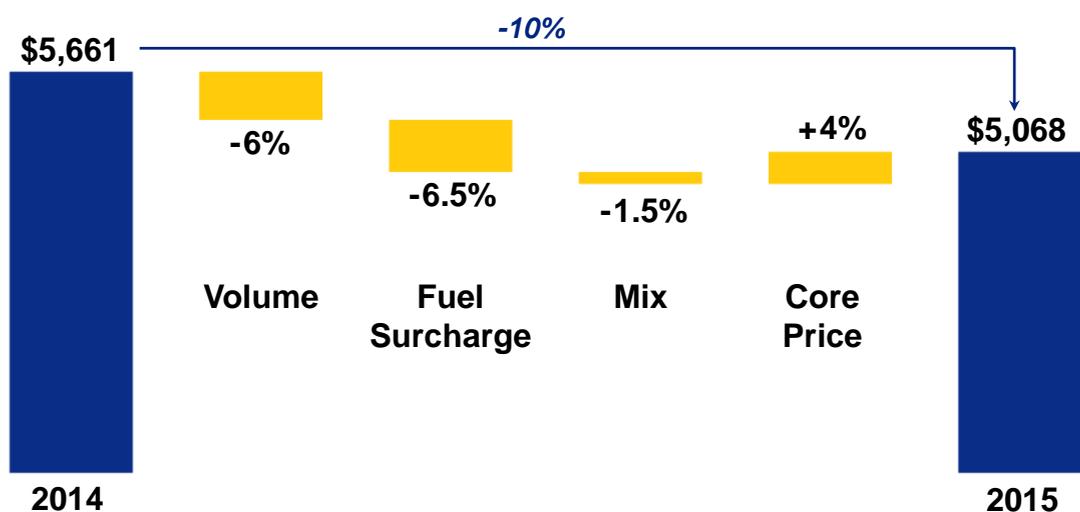


	<u>2015</u>	<u>2014</u>	<u>%</u>
Operating Revenues	\$5,429	\$6,015	(10)
Operating Expenses	3,480	3,819	(9)
Operating Income	1,949	2,196	(11)
Other Income	142	22	F
Interest Expense	(153)	(138)	11
Income Taxes	(734)	(789)	(7)
Net Income	<u>\$1,204</u>	<u>\$1,291</u>	(7)
Weighted Average Diluted Shares	875.2	905.0	(3)
Diluted EPS	<u>\$1.38</u>	<u>\$1.43</u>	(3)

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Freight Revenue

Second Quarter (In Millions)



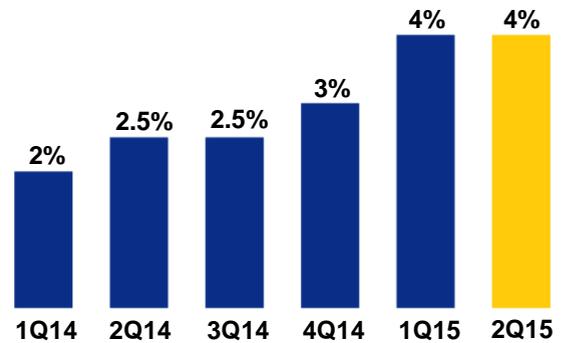
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Core Pricing Trends



- Core Pricing Above Inflation
- Pricing to the Value Proposition
- Legacy Benefit

2014-15 Core Pricing Gains



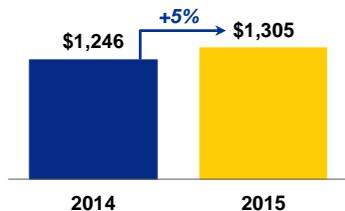
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Compensation & Benefits Expense

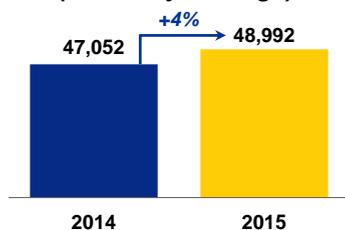
Second Quarter 2015 \$1,305M, +5%



Compensation & Benefits (in Millions)



Workforce Levels (Quarterly Average)



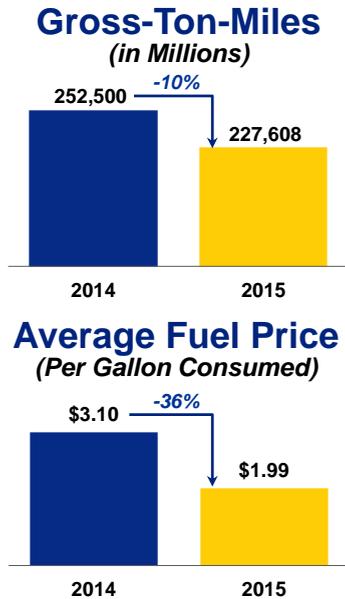
Quarterly Drivers

- Inflation Costs
- Training Pipeline
- Operational Inefficiencies
- Increase in Capital Labor
- TE&Y Training

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Fuel Expense

Second Quarter 2015 \$541M, -41%



Quarterly Drivers

- Decrease in GTMs Driven by Lower Volumes
- Consumption Rate Deteriorated 2%
- Lower Average Diesel Fuel Price

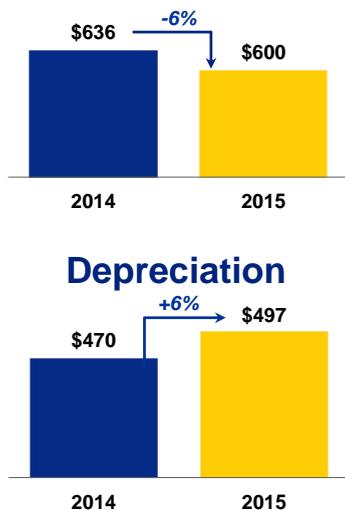
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Second Quarter 2015 Expense Review

In Millions



Purchased Services & Materials



Quarterly Drivers

- Lower Subsidiary-Related Expenses
- Increased Locomotive Material Costs
- Higher Depreciable Asset Base

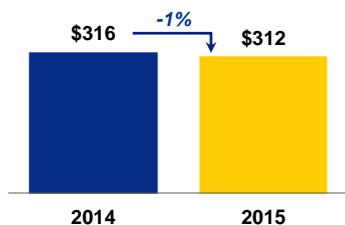
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Second Quarter 2015 Expense Review (cont)

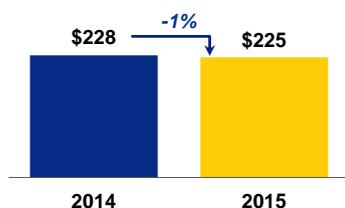
In Millions



Equipment & Other Rents



Other



Quarterly Drivers

- Lower Locomotive Lease & Freight Car Rental Expense

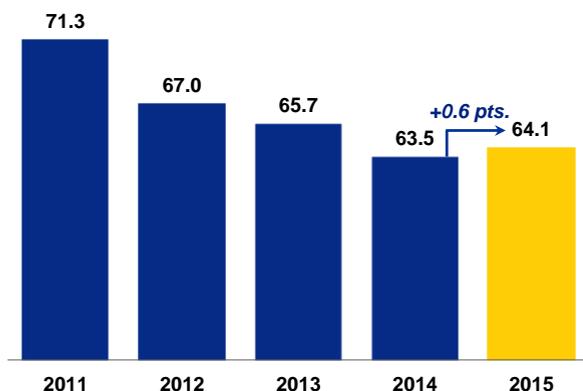
- Lower Personal Injury Expense
- Higher State & Local Taxes

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Operating Ratio Performance



Second Quarter (Percent)



- Softer Volumes
- Operational Inefficiencies
- Pricing Above Inflation
- Fuel Benefit

*Full Year Target of 60+/-
by 2019*

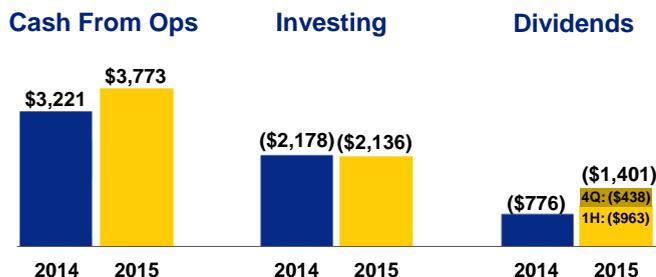
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Strong Financial Position

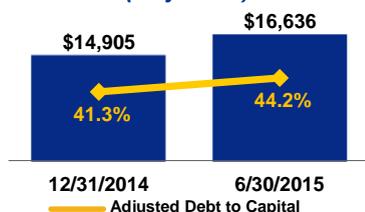
Six Month Period Ending June 30 (\$ In Millions)



Free Cash Flow*



Total Debt* (Adjusted)



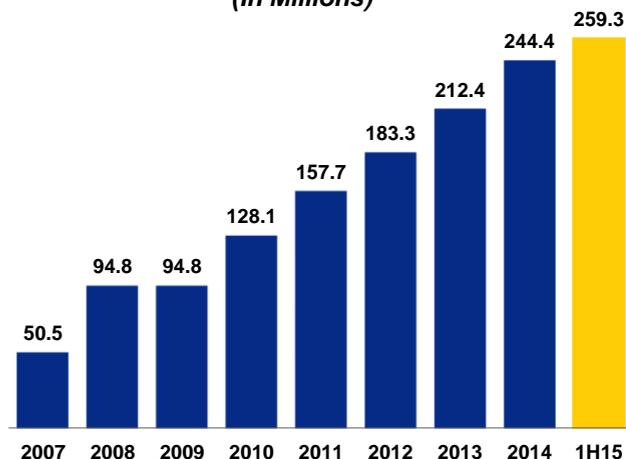
* See Union Pacific website under Investors for a reconciliation to GAAP. 27

- Timing of Tax Payments
- Capital Investments
- Dividends
 - Payment Date Adjustment in First Quarter
- \$2.25 Billion YTD Debt Issuance

Driving Strong Shareholder Value



Cumulative Share Repurchases (In Millions)



First Half 2015 Activity

- 15 Million Shares
- Repurchases Totaling \$1.6 Billion

Repurchases Since 2007

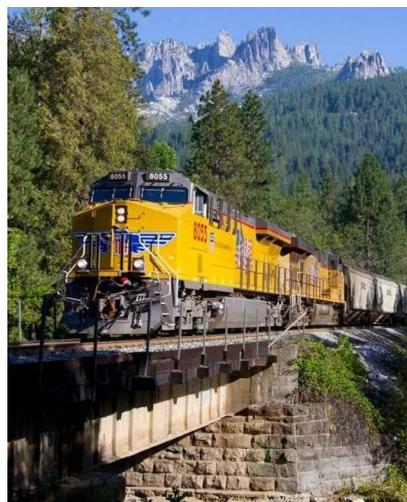
- 259 Million Shares
- Avg Price: \$54.80

Current Program

- About 73 Million Shares Remain

2015 Second Half Outlook

- Focus on Core Pricing
- Lower Year-over-Year Volumes
- Business Mix Headwinds
- Productivity / Cost Improvement



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July 23, 2015

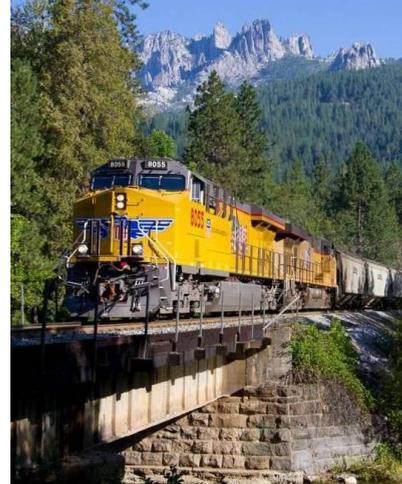
Second Quarter 2015 Earnings Release

Lance Fritz
President & CEO

Looking Ahead



- Challenging Markets
- Remain Agile with Resources
- Improve Operating Performance
- Focus on Safety, Service & Returns



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Cautionary Information



This presentation 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 demand levels; and its ability to generate financial returns, improve network performance and cost efficiency, and provide 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 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 2014, which was filed with the SEC on February 6, 2015. 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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July 23, 2015

Second Quarter 2015 Earnings Release

Question & Answer Session