Third Quarter 2016 Results

- Earnings Per Share Down 9%
- Volume Challenges
- Positive Core Pricing
- Productivity Gains

Earnings Per Share
Third Quarter

2014: $1.53
2015: $1.50
2016: $1.36

-9%
### Third Quarter 2016 Recap

#### Volume Growth

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Products</td>
<td>+11%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>-1%</td>
</tr>
<tr>
<td>Automotive</td>
<td>-2%</td>
</tr>
<tr>
<td>Intermodal</td>
<td>-7%</td>
</tr>
<tr>
<td>Industrial Products</td>
<td>-11%</td>
</tr>
<tr>
<td>Coal</td>
<td>-14%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>-6%</td>
</tr>
</tbody>
</table>

#### Freight Revenue Mix

- Industrial Products: 18%
- Intermodal: 20%
- Coal: 15%
- Agricultural Products: 19%
- Chemicals: 18%
- Autos: 10%

#### Freight Revenue Performance

- Volume: -6%
- Fuel Surcharge: -2.5%
- Mix: Flat
- Core Price: +1.5%
- Freight Revenue: -7%
**Agricultural Products**  
Revenue $937M (+6%) Volume 258K (+11%) ARC $3,637 (-4%)

- **Grain**
  - 2015: 82.8
  - 2016: 105.1  (+27%)

- **Grain Products**
  - 2015: 80.5
  - 2016: 84.3  (+5%)

- **Food & Refrigerated**
  - 2015: 51.2
  - 2016: 51.1  (Flat)

**Quarterly Drivers**
- Near Record Grain Volumes
- Ethanol & Biodiesel Growth
- Strength in Import Beer

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

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**Automotive**  
Revenue $485M (-8%) Volume 210K (-2%) ARC $2,310 (-6%)

- **Finished Vehicles**
  - 2015: 121.4
  - 2016: 113.1  (-7%)

- **Auto Parts**
  - 2015: 92.7
  - 2016: 96.9  (+5%)

**Quarterly Drivers**
- Production Levels & Contract Changes
- Auto Parts OTR Conversions

*Volume in thousands of carloads
**Chemicals**

Revenue $875M (-1%) Volume 274K (-1%) ARC $3,201 (+1%)

- Crude Oil* 21.0% → 11.0% (-48%)
- Industrial Chemicals* 75.7% → 77.9% (+3%)

Quarterly Drivers

- Crude Oil Headwinds
- Industrial Chemicals Strength

*Volume in thousands of carloads

**Coal**

Revenue $728M (-19%) Volume 341K (-14%) ARC $2,134 (-6%)

- Powder River Basin* (Tons in MM) 38.5 → 32.0 (-17%)
- Other Regions (Tons in MM) 8.3 → 8.0 (-4%)

Quarterly Drivers

- Warm Summer Increased Demand
- PRB Inventories Above Average

*PRB includes SPRB and NPRB
Industrial Products
Revenue $855M (-13%) Volume 283K (-11%) ARC $3,019 (-2%)

**Minerals**
- 2015: 62.9, 2016: 48.8
- Volume Mix: 22%

**Construction**
- 2015: 116.4, 2016: 107.4
- Volume Mix: 8%

**Metals**
- 2015: 44.8, 2016: 38.8
- Volume Mix: 13%

Quarterly Drivers
- Reduced Shale Drilling Activity
- Low Commodity Prices & Strong U.S. Dollar

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

Intermodal
Revenue $957M (-9%) Volume 838K (-7%) ARC $1,141 (-2%)

**Domestic**
- 2015: 459.6, 2016: 450.2
- Volume Mix: 54%

**International**
- 2015: 438.5, 2016: 388.2
- Volume Mix: 46%

Quarterly Drivers
- High Retail Inventory Levels
- Ocean Carrier Industry Challenges

*Volume in thousands of loads
2016 Volume Outlook

**Agricultural Products**
- Grain
- Ethanol
- Import Beer

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

**Automotive**
  ? Consumer Demand
  + Parts Highway Conversions

**Industrial Products**
- Minerals
- Metals
  + Lumber

**Chemicals**
- LPG
- Industrial Chemicals
  - Crude Oil

**Intermodal**
- Ocean Carrier Challenges
  + Highway Conversions

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Third Quarter 2016 Operations Review

Cameron Scott
Executive VP & Chief Operating Officer
Safety

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

<table>
<thead>
<tr>
<th>Year</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>YTD15*</th>
<th>YTD16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1.06</td>
<td>1.10</td>
<td>0.98</td>
<td>0.92</td>
<td>0.77</td>
</tr>
</tbody>
</table>

Rail Equipment
(Reportable Derailment Incidents Per Million Train Miles**)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>YTD15*</th>
<th>YTD16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.83</td>
<td>2.84</td>
<td>2.65</td>
<td>3.26</td>
<td>3.13</td>
</tr>
</tbody>
</table>

Public
(Crossing Accidents Per Million Train Miles)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>YTD15*</th>
<th>YTD16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.38</td>
<td>2.22</td>
<td>2.34</td>
<td>2.25</td>
<td>2.55</td>
</tr>
</tbody>
</table>

- Continue to Find and Address Risk
- Enhanced Training & Infrastructure Investment
- Community Partnerships and Public Safety Campaigns

*January - September

**Starting in August 2016, crossing collisions were excluded from rail equipment incidents per FRA methodology. Prior periods have been adjusted to reflect the change.

Network & Service Performance

- Weather Events Generate Variability
- Solid Operating Performance
- Effective use of Surge Resources

Velocity
(As Reported to the AAR, in mph)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>3Q12</th>
<th>3Q13</th>
<th>3Q14</th>
<th>3Q15</th>
<th>3Q16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Velocity</td>
<td>26.1</td>
<td>26.3</td>
<td>23.8</td>
<td>25.6</td>
<td>26.0</td>
</tr>
</tbody>
</table>

Terminal Dwell
(As Reported to the AAR, in hours)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>3Q12</th>
<th>3Q13</th>
<th>3Q14</th>
<th>3Q15</th>
<th>3Q16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dwell</td>
<td>26.0</td>
<td>26.3</td>
<td>29.7</td>
<td>28.7</td>
<td>28.0</td>
</tr>
</tbody>
</table>
Volume and Performance Drive Resources
Remaining Agile in a Dynamic Environment

- TE&Y Workforce
  - 3Q16 Down 14% vs 3Q15
  - Furlough / AWTS: ~2,700*
- Adjusting Other Segments of Workforce
- Locomotives
  - 3Q16 Down 9% vs 3Q15
  - Storage: ~1,500*

Network Productivity
Third Quarter 2016

- Effectively Balancing Resources
- Record Train Size & Recrew Rate
- Continued Focus on Productivity & Costs
Operating Outlook

• Continue to Generate Positive Safety Results

• Leverage Growth Opportunities

• Maintain Focus on Customer Experience & Productivity
### Third Quarter Income Statement

*In Millions (except EPS)*

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$5,174</td>
<td>$5,562</td>
<td>(7)</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>3,214</td>
<td>3,354</td>
<td>(4)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1,960</td>
<td>2,208</td>
<td>(11)</td>
</tr>
<tr>
<td>Other Income</td>
<td>29</td>
<td>30</td>
<td>(3)</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(184)</td>
<td>(157)</td>
<td>17</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>(674)</td>
<td>(781)</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$1,131</td>
<td>$1,300</td>
<td>(13)</td>
</tr>
<tr>
<td>Weighted Average Diluted Shares</td>
<td>832.2</td>
<td>865.8</td>
<td>(4)</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$1.36</td>
<td>$1.50</td>
<td>(9)</td>
</tr>
</tbody>
</table>

### Freight Revenue

*Third Quarter (In Millions)*

- **2015**: $5,215
- **2016**: $4,837

- **Volume**: -6%
- **Fuel Surcharge**: -2.5%
- **Mix**: Flat
- **Core Price**: +1.5%

**Total Change**: -7%
Core Pricing Trends

- Positive Core Pricing
- Challenging Market Environment
- Pricing to a Strong Value Proposition
- Committed to Returns

Compensation & Benefits Expense
Third Quarter 2016 $1,191M, -6%

Compensation & Benefits Expense (in Millions)

- 2015: $1,267
- 2016: $1,191

Quarterly Drivers
- Aligning Workforce with Demand
- General Wage and H&W Increases

Workforce Levels (Quarterly Average)

- 2015: 47,515
- 2016: 42,756

- Volume & Productivity Related Reductions
- Smaller Capital Workforce
**Fuel Expense**
*Third Quarter 2016 $392M, -19%*

**Gross-Ton-Miles (in Millions)**
- 2015: 238,001
- 2016: 224,633 (6% decrease)

**Average Fuel Price (Per Gallon Consumed)**
- 2015: $1.81
- 2016: $1.57 (13% decrease)

**Quarterly Drivers**
- Decrease in GTMs Driven by Lower Volumes
- Consumption Rate Improved 2%
- Lower Average Diesel Fuel Price

---

**Third Quarter 2016 Expense Review**
*In Millions*

**Purchased Services & Materials**
- 2015: $589
- 2016: $566 (4% decrease)

**Depreciation**
- 2015: $507
- 2016: $512 (1% increase)

**Quarterly Drivers**
- Lower Volume-Related Expenses
- Reduced Locomotive & Freight Car Repair Costs
- Higher Depreciable Asset Base
Third Quarter 2016 Expense Review (cont)

**In Millions**

### Equipment & Other Rents

- **2015**: $302
- **2016**: $282

- **Change**: -7%

### Other

- **2015**: $205
- **2016**: $271

- **Change**: +32%

### Quarterly Drivers

- **Lower Volumes**: -7%
- **Reduced Locomotive Lease Expense**
- **One-Time Items**
- **Increased State & Local Taxes and Environmental Cost**

### Operating Ratio Performance

**Third Quarter (Percent)**

- **2012**: 66.6
- **2013**: 64.8
- **2014**: 62.3
- **2015**: 60.3
- **2016**: 62.1

- **Change**: +1.8 pts

### Notes

- **Productivity Initiatives**
- **Aligning Resources with Demand**
- **Positive Core Pricing**
- **Volume Challenges**

*Full Year Target of 60 +/- by 2019*
Free Cash Flow
Nine Month Period Ended September 30 ($ In Millions)

Free Cash Flow*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash From Ops</td>
<td>$5,625</td>
<td>$5,467</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investing</td>
<td></td>
<td></td>
<td>($3,250)</td>
<td>($2,819)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>($1,877)</td>
<td>($1,382)</td>
</tr>
</tbody>
</table>

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

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

Debt & Leverage
($ In Millions)

Total Debt* (Adjusted)

<table>
<thead>
<tr>
<th></th>
<th>12/31/2014**</th>
<th>12/31/2015</th>
<th>9/30/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14,838</td>
<td>$17,390</td>
<td>$18,496</td>
<td></td>
</tr>
<tr>
<td>41.2%</td>
<td>45.7%</td>
<td>47.7%</td>
<td></td>
</tr>
</tbody>
</table>

Adjusted Debt / Adjusted EBITDA*

<table>
<thead>
<tr>
<th></th>
<th>12/31/2014**</th>
<th>12/31/2015</th>
<th>9/30/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.37</td>
<td>1.71</td>
<td>1.97</td>
<td></td>
</tr>
</tbody>
</table>

- Solid Balance Sheet
- Strong Investment Grade Rating
- $1.9 Billion Debt Issuance in 2016 YTD

* 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.
Delivering Value to Shareholders

Cumulative Share Repurchases
(In Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Repurchases (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-10</td>
<td>128.1</td>
</tr>
<tr>
<td>2011</td>
<td>157.7</td>
</tr>
<tr>
<td>2012</td>
<td>183.3</td>
</tr>
<tr>
<td>2013</td>
<td>212.4</td>
</tr>
<tr>
<td>2014</td>
<td>244.4</td>
</tr>
<tr>
<td>2015</td>
<td>279.8</td>
</tr>
<tr>
<td>YTD16</td>
<td>305.2</td>
</tr>
</tbody>
</table>

- Third Quarter Activity
  - 9 Million Shares
  - Repurchases Totaling $851 Million
- Repurchases Since 2007
  - 305 Million Shares
  - Avg Price: $59.63
- Current Program
  - About 27 Million Shares Remaining

Closing Out 2016

- 4Q Volume Down Low Single Digits
- Full Year Volume Down in the 6-8% Range
- Focus on Core Pricing
- Continued Productivity & Cost Improvement
- Reduced Capital Plan

Focus on “G55 + 0” Initiatives
Looking Ahead

- Difficult Market Environment
- Certain Business Segments Improving
- Continued Focus on Productivity & Customer Experience
- Solid Returns for Shareholders
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 positive core pricing, financial returns, improve network performance and customer service, resource productivity and cost efficiency; implementation of 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.

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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.

October 20, 2016

Third Quarter 2016
Earnings Release

Question & Answer Session