Fourth Quarter 2018 Results

Earnings Per Share
Fourth Quarter

<table>
<thead>
<tr>
<th>Year</th>
<th>Reported</th>
<th>Adjusted</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$9.25</td>
<td>$1.53</td>
<td>+39%</td>
</tr>
</tbody>
</table>

Operating Ratio
Fourth Quarter

<table>
<thead>
<tr>
<th>Year</th>
<th>Reported</th>
<th>Adjusted</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>58.8</td>
<td>62.7</td>
<td>-1.1 pts</td>
</tr>
<tr>
<td>2018</td>
<td>61.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Adjusted to exclude the impact of Corporate Tax Reform. See Union Pacific website under Investors for a reconciliation to GAAP.
Fourth Quarter 2018 Earnings Release

Jim Vena
Chief Operating Officer

Fourth Quarter 2018 Marketing & Sales Review

Kenny Rocker
Executive Vice President – Marketing & Sales
Fourth Quarter 2018 Recap

Volume Growth

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>-9%</td>
</tr>
<tr>
<td>Agricultural</td>
<td>-2%</td>
</tr>
<tr>
<td>Industrial</td>
<td>+6%</td>
</tr>
<tr>
<td>Premium</td>
<td>+9%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>+3.5%</td>
</tr>
</tbody>
</table>

7-Day Monthly Carloadings (000s)

Agricultural Products

Revenue $1,124M (+5%) Volume 275K (-2%) ARC $4,079 (+7%)

Volume Mix

Quarterly Drivers
- Reduced Soybean Exports
- Strong Demand for Biofuels
- Increased Fertilizer Shipments

Volume in thousands of carloads
*Excludes equipment shipments
Energy
Revenue $1,110M (-8%) Volume 404K (-9%) ARC $2,748 (Flat)

Volume Mix

Quarterly Drivers
- Continued Coal Headwinds
- More Local Sourcing for Sand
- Crude Oil Growth

Industrial
Revenue $1,405M (+10%) Volume 431K (+6%) ARC $3,258 (+3%)

Volume Mix

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

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

*Revenue $1,748M (+15%) Volume 1,132K (+9%) ARC $1,546 (+6%)*

- **Domestic***
  - 2017: 545.0
  - 2018: 561.7
  - +3%

- **International Intermodal**
  - 2017: 369.7
  - 2018: 446.7
  - +21%

- **Finished Vehicles**
  - 2017: 115.4
  - 2018: 115.8
  - Flat

**Volume Mix**

- International Intermodal: 39%
- Domestic*: 50%
- Finished Vehicles: 10%
- Other**: 1%

**Quarterly Drivers**

- New International Business and Tariff Pull Ahead
- Another Strong Peak Season
- Positive Vehicle Mix

* 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

- **Energy**
  - + Petroleum Products
  - – Frac Sand
  - – Coal Headwinds

- **Industrial**
  - + Plastics
  - + Industrial Production

- **Premium**
  - + Light Truck / SUV Sales
  - + Over the Road Conversions
  - ? Trade & Economy
Safety

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

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year Record</td>
<td>0.79</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Good

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

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.65</td>
<td>3.10</td>
<td>3.02</td>
<td>2.94</td>
<td>3.28</td>
</tr>
</tbody>
</table>

- +12%

**Public**
(Crossing Accidents Per Million Train Miles)

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.34</td>
<td>2.28</td>
<td>2.43</td>
<td>2.55</td>
<td>2.69</td>
</tr>
</tbody>
</table>

- +5%

- Good

- Continued Focus on Safety
- Goal of Zero Incidents
Unified Plan 2020 Update

- Phase I Implementation Began October 1st
- Implementation Underway for Phase 2
- Phase 3 Planning to Begin January 28th
- Full Implementation by Mid-2019

Unified Plan 2020 Phases

- Phase 1: Mid-America
- Phase 2: Sunset & LA-Chicago
- Phase 3: PNW, Nor Cal & I5

Unified Plan 2020 Key Performance Indicators

- Freight Car Velocity
  - Good
  - Sep 2018: 174
  - Current*: 189
  - 2019 Year-End Goal Range\(^*: +10\% \text{ +/-}\)

- Operating Inventory
  - Sep 2018: 206
  - Current*: 177
  - 2019 Year-End Goal Range\(^*: -10\% \text{ +/-}\)

- Cars per Carload
  - Good
  - Sep 2018: 8.0
  - Current*: 7.3
  - 2019 Year-End Goal Range\(^*: -10\% \text{ +/-}\)

- Faster Car Cycle Time
- Fewer Cars Online
- Reduced Terminal Dwell

* 7-day average through January 22, 2019
^ Based on October 24, 2018. 7-day averages as reported during 3Q 2018 earnings release
Unified Plan 2020

Key Performance Indicators

**Locomotive Productivity**
(GTMs per Horsepower Day)

<table>
<thead>
<tr>
<th></th>
<th>Sep 2018</th>
<th>Current*</th>
<th>2019 Year-End Goal Range^</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>107</td>
<td>114</td>
<td>+5% - 10%</td>
</tr>
</tbody>
</table>

**Car Trip Plan Compliance**
(% Cars On Time)

<table>
<thead>
<tr>
<th></th>
<th>Sep 2018</th>
<th>Current*</th>
<th>2019 Year-End Goal Range^</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>61%</td>
<td>75%</td>
<td>+15 +/- pts.</td>
</tr>
</tbody>
</table>

**Workforce Productivity**
(Daily Car Miles per FTE)

<table>
<thead>
<tr>
<th></th>
<th>Sep 2018</th>
<th>Current**</th>
<th>2019 Year-End Goal Range^</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>858</td>
<td>841</td>
<td>+10% +/-</td>
</tr>
</tbody>
</table>

- 1,200+ Locomotives Stored Since August 2018
- Fewer Manifest Service Issues
- Seasonality Affecting Workforce Productivity

* 7-day average through January 22, 2019
** December 2018
^ Based on October 24, 2018 7-day averages as reported during 3Q 2018 earnings release

Strengthening the Franchise
Replacement, Growth & Productivity, and PTC

2019 Capital Plan: ~$3.2 Billion*
($ in Millions)

- Capacity/ Commercial Facilities $585
- Technology/ Other $300
- Locomotives/ Equipment $345
- PTC $115
- Infrastructure Replacement $1,880

- Safe & Resilient Infrastructure
- Equipment Acquisitions
  - Locomotive Modernizations
  - Targeted Freight Car Acquisitions
- Capacity & Commercial
  - Targeted Opportunities
  - Intermodal Growth
- Lower PTC Spending

*Pending UP Board of Directors final approval.
Operating Outlook

• Great Start to Unified Plan 2020
• Key Metrics Improving

• Focused On:
  • Safety
  • Service Reliability
  • Network Efficiency

Fourth Quarter 2018
Financial Review

Rob Knight
Executive Vice President &
Chief Financial Officer
### Fourth Quarter Income Statement

$ in Millions (except EPS)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$5,757</td>
<td>$5,450</td>
<td>6</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>3,547</td>
<td>3,415</td>
<td>4</td>
</tr>
<tr>
<td>Operating Income</td>
<td>2,210</td>
<td>2,035</td>
<td>9</td>
</tr>
<tr>
<td>Other Income</td>
<td>46</td>
<td>33</td>
<td>39</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(240)</td>
<td>(188)</td>
<td>28</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>(462)</td>
<td>(676)</td>
<td>(32)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>$1,554</strong></td>
<td><strong>$1,204</strong></td>
<td><strong>29</strong></td>
</tr>
<tr>
<td>Weighted Average Diluted Shares</td>
<td>732.9</td>
<td>787.0</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>Diluted EPS</strong></td>
<td><strong>$2.12</strong></td>
<td><strong>$1.53</strong></td>
<td><strong>39</strong></td>
</tr>
</tbody>
</table>

---

### Fourth Quarter Freight Revenue

($ in Millions)

- Volume: +3.5%
- Fuel Surcharge: +3.5%
- Mix: -3.5%
- Core Price: +2.5%

2017: $5,087

2018: $5,387

Adjusted to exclude the impact of Corporate Tax Reform and includes the retrospective adoption of Accounting Standard Update 2017-07. See Union Pacific website under Investors for a reconciliation to GAAP.
# Fourth Quarter Operating Expenses

## $ In Millions

### Compensation & Benefits

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$1,236</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$1,280</td>
<td>+4%</td>
</tr>
</tbody>
</table>

### Fuel

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$547</td>
<td>+17%</td>
</tr>
<tr>
<td>2018</td>
<td>$640</td>
<td></td>
</tr>
</tbody>
</table>

### Purchased Services & Materials

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$585</td>
<td>-1%</td>
</tr>
<tr>
<td>2018</td>
<td>$582</td>
<td></td>
</tr>
</tbody>
</table>

- Workforce Reduction Charge and Volume Related Costs
- Higher Diesel Fuel Prices
- Lower Mechanical Repair & Joint Facility Costs

### Fourth Quarter Operating Expenses (cont)

## $ In Millions

### Depreciation

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$532</td>
<td>+4%</td>
</tr>
<tr>
<td>2018</td>
<td>$555</td>
<td></td>
</tr>
</tbody>
</table>

### Equipment & Other Rents

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$276</td>
<td>-3%</td>
</tr>
<tr>
<td>2018</td>
<td>$269</td>
<td></td>
</tr>
</tbody>
</table>

### Other Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$239</td>
<td>-8%</td>
</tr>
<tr>
<td>2018</td>
<td>$221</td>
<td></td>
</tr>
</tbody>
</table>

- Higher Depreciable Asset Base
- Lower Freight Car and Locomotive Lease Expense
- Hurricane Harvey Insurance Proceeds

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

- Productivity Gains of $65 Million, Offset by ~$20 Million of Service Related Costs in 4Q18
- Full Year Net Productivity of $90 Million
- Service Related Costs Eliminated Going Forward
- Focused on G55+0 and UP 2020 Initiatives

<table>
<thead>
<tr>
<th>4Q18</th>
<th>2018 Net Productivity by Category ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>Network and Train Ops ($55)</td>
</tr>
<tr>
<td>$20</td>
<td>Equipment (Loco and Car) ($10)</td>
</tr>
<tr>
<td>$15</td>
<td>Other Ops, Support, Sourcing, Mgmt &amp; Admins ($135)</td>
</tr>
</tbody>
</table>

$45 $90 Net Results

Full Year Income Statement

$ in Millions (except EPS)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$22,832</td>
<td>$21,240</td>
<td>7</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>14,315</td>
<td>13,346</td>
<td>7</td>
</tr>
<tr>
<td>Operating Income</td>
<td>8,517</td>
<td>7,894</td>
<td>8</td>
</tr>
<tr>
<td>Other Income</td>
<td>94</td>
<td>245</td>
<td>(62)</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(870)</td>
<td>(719)</td>
<td>21</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>(1,775)</td>
<td>(2,782)</td>
<td>(36)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$5,966</td>
<td>$4,638</td>
<td>29</td>
</tr>
<tr>
<td>Weighted Average Diluted Shares</td>
<td>754.3</td>
<td>801.7</td>
<td>(6)</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$7.91</td>
<td>$5.79</td>
<td>37</td>
</tr>
</tbody>
</table>

*Adjusted to exclude the impact of Corporate Tax Reform and includes the retrospective adoption of Accounting Standard Update 2017-07. See Union Pacific website under Investors for a reconciliation to GAAP.
Cash Flow & Debt
$ In Millions

Cash From Ops

- Higher Net Income, Lower Federal Tax Payments
- Improved ROIC
- Increased Adj. Debt $5.6 Billion since Year-End 2017
  - Includes $6 Billion Debt Offering in June 2018
- Adj Debt / EBITDA of 2.3

ROIC*

Adjusted Debt*

Adjusted Debt / EBITDA

Delivering Value to Shareholders
$ In Millions

Dividends

- Share Repurchases

- 2018 Cash Returned to Shareholders
  - Dividends:
    - $2.3 Billion
    - Two, 10% dividend increases in 2018
  - Share Repurchases:
    - $4.6 Billion of Open Market Purchases
    - $3.6 Billion Accelerated Share Repurchase Program

Cash Returned to Shareholders
($ In Billions)

* See Union Pacific website under Investors for a reconciliation to GAAP
A Look Ahead to 2019

- Volume Up Low Single Digits
- Pricing Will Exceed Inflation Dollars
- Significant Benefits 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
- Capex of ~$3.2 Billion in 2019 and Less than 15% of Revenue Longer-term
Looking Ahead

- Record Fourth Quarter Results
- Optimistic about the Economy
- Improved Margins in 2019
- Unified Plan 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; 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 2017, which was filed with the SEC on February 9, 2018. 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.