

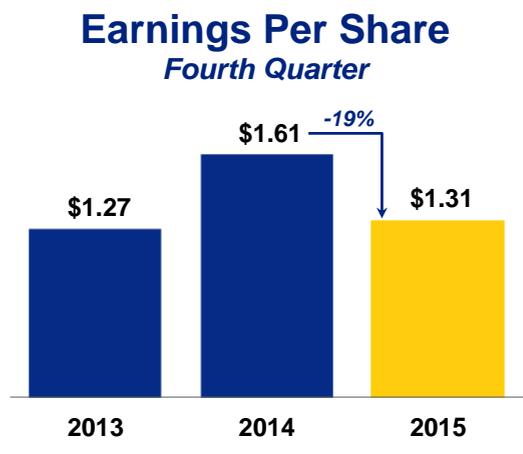


January 21, 2016

Fourth Quarter 2015 Earnings Release

Lance Fritz
Chairman, President & CEO

Fourth Quarter 2015 Results



- Earnings Per Share Down 19%
- Softness in Demand
- Solid Core Pricing



January 21, 2016

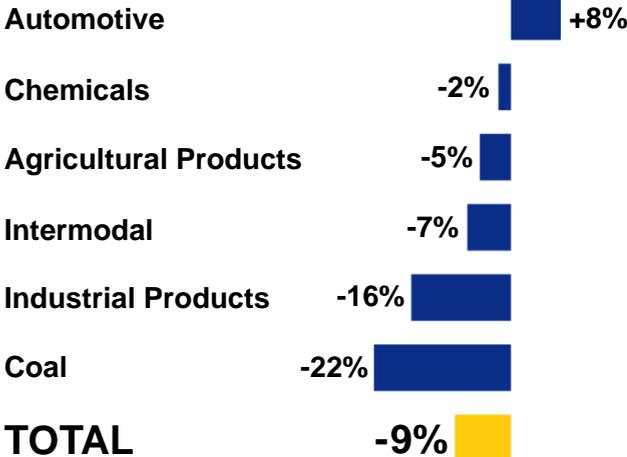
Fourth Quarter 2015 Marketing & Sales Review

Eric Butler
Executive VP - Marketing & Sales

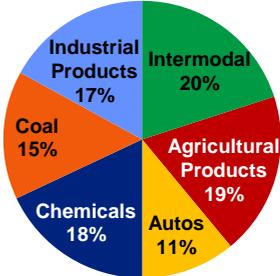
Fourth Quarter 2015 Recap



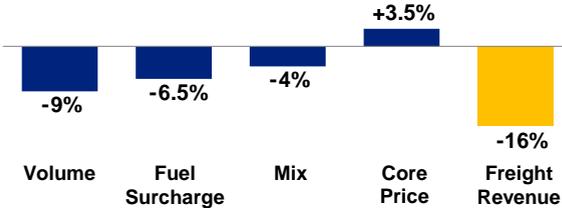
Volume Growth



Freight Revenue Mix

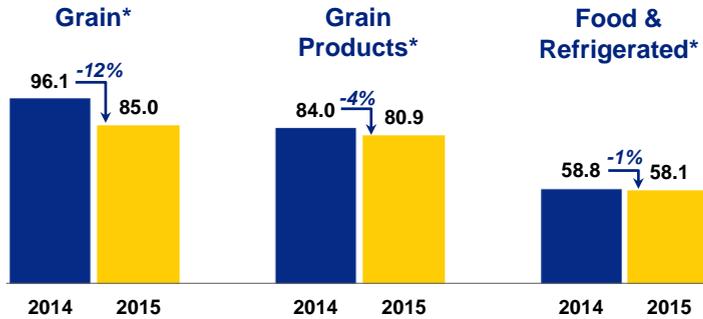


Freight Revenue Performance (Year-Over-Year Change)

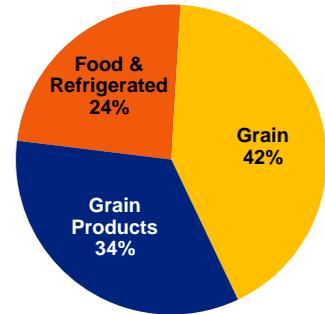


Agricultural Products

Revenue \$895M (-12%) Volume 239K (-5%) ARC \$3,745 (-7%)



Volume Mix



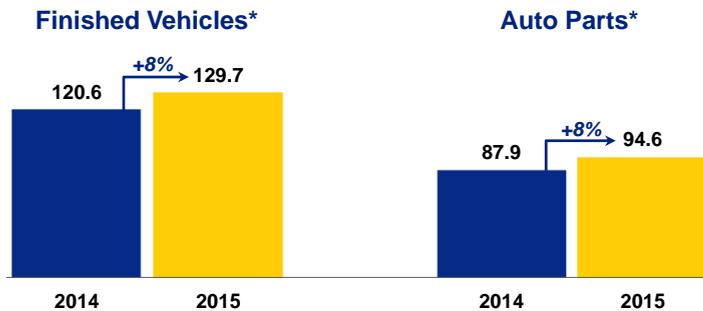
Quarterly Drivers

- High Worldwide Grain Production Impacts U.S. Exports
- Lower Ethanol Exports
- Import Beer Strength

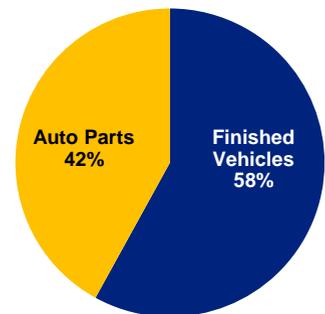
*Volume in thousands of carloads and excludes equipment shipments

Automotive

Revenue \$549M (+1%) Volume 225K (+8%) ARC \$2,447 (-6%)



Volume Mix



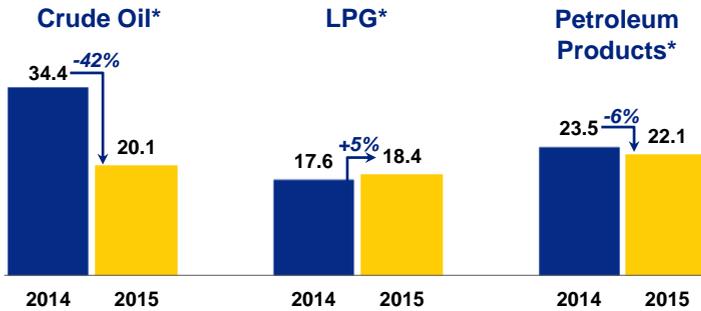
Quarterly Drivers

- Strong Consumer Demand
- Increased Production Drives Parts Strength

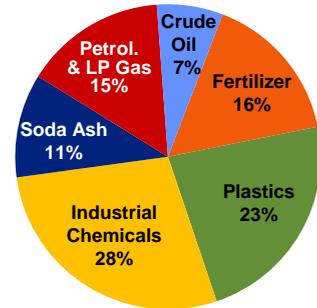
*Volume in thousands of carloads

Chemicals

Revenue \$859M (-7%) Volume 270K (-2%) ARC \$3,188 (-5%)



Volume Mix



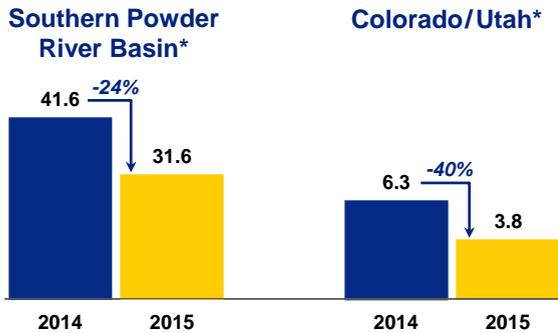
Quarterly Drivers

- Lower Crude Oil Prices & Unfavorable Spreads
- Strength in LPG Markets
- Soft Residual Fuel Oil Demand

*Volume in thousands of carloads

Coal

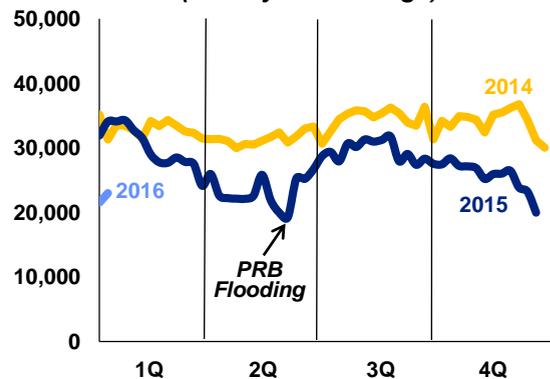
Revenue \$745M (-31%) Volume 353K (-22%) ARC \$2,107 (-11%)



Quarterly Drivers

- Mild Start to Winter
- Record Inventory Levels
- Natural Gas Market Share Increase

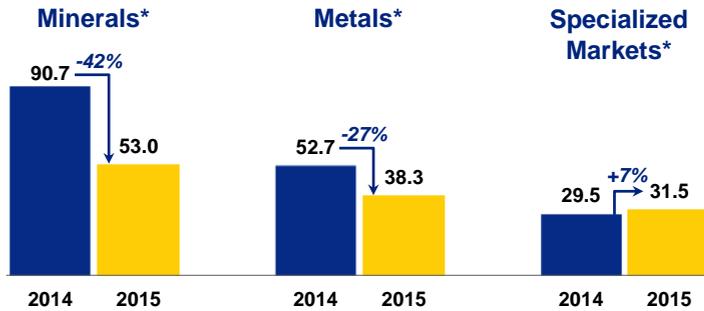
Volume Impact (Weekly Carloadings)



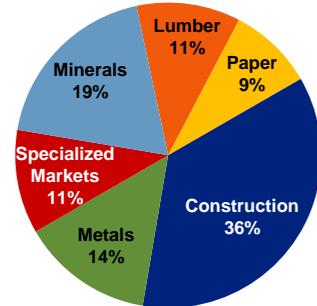
*Tons in Millions

Industrial Products

Revenue \$842M (-23%) Volume 280K (-16%) ARC \$3,004 (-8%)



Volume Mix



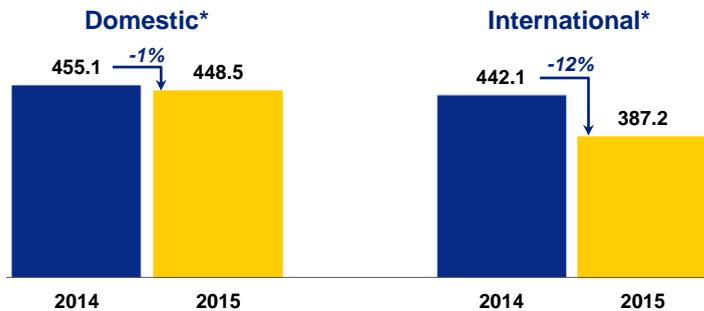
Quarterly Drivers

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

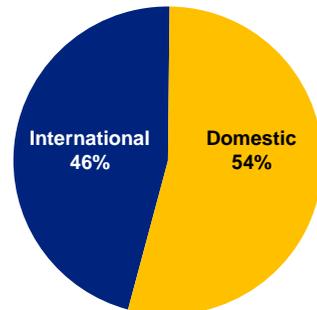
*Volume in thousands of carloads
*Prior periods have been adjusted for the re-categorization of commodities

Intermodal

Revenue \$973M (-14%) Volume 836K (-7%) ARC \$1,165 (-8%)



Volume Mix



Quarterly Drivers

- Highway Conversions
- Decline in Premium Shipments
- Record High Inventory-to-Sales Ratio

*Volume in thousands of carloads

2016 Volume Outlook



Agricultural Products
- Global Grain Supply
+ Import Beer



Chemicals
+ Strong LPGs
- Low Crude Oil Prices
and Unfavorable Spreads
? Fertilizer



Automotive
+ Low Interest Rates and
Gasoline Prices
? Sustained Demand



Industrial Products
- Shale Drilling
+ Construction



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



Intermodal
+ Domestic Highway
Conversions
- Sluggish Retail Sales



January 21, 2016

Fourth Quarter 2015 Operations Review

Cameron Scott
Executive VP - Operations

Safety



Employee

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



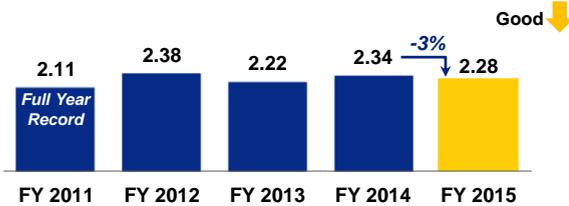
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)



Public

(Crossing Accidents Per Million Train Miles)



- Finding & Addressing Risk Drives Record Employee Safety
- Focus on Human Factor Incidents & Infrastructure Investment
- Community Partnerships and Public Safety Campaigns

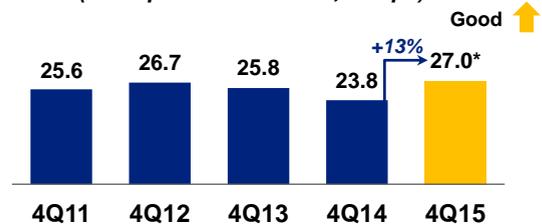
Network & Service Performance



- Record Velocity at 4Q Volume Levels
- Weather Events Generate Variability
- Leverage Franchise Strengths
- Focus on Further Improving Service & Costs

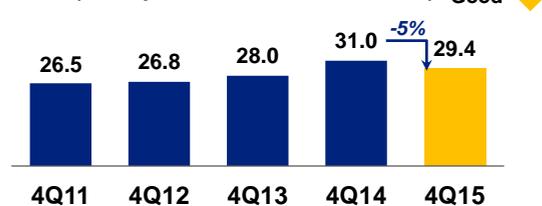
Velocity

(As Reported to the AAR, in mph)



Terminal Dwell

(As Reported to the AAR, in hours)



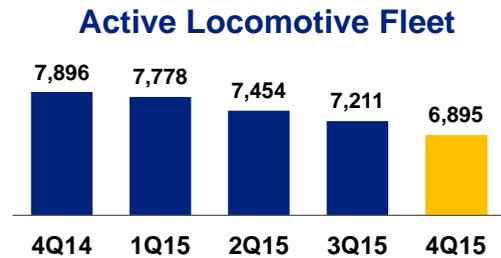
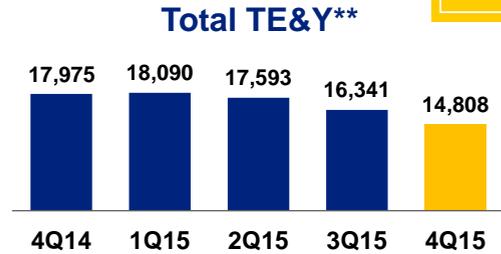
*Best fourth quarter

Resourcing to Demand

Remaining Agile in a Dynamic Environment



- **TE&Y Workforce**
 - Furlough / AWTs: ~ 3,900*
 - 4Q15 Down 18% vs 4Q14
- **Locomotives**
 - Storage: ~ 1,400*
 - 4Q15 Down 13% vs 4Q14
- **Aligning Other Resources**



* As of December 31, 2015

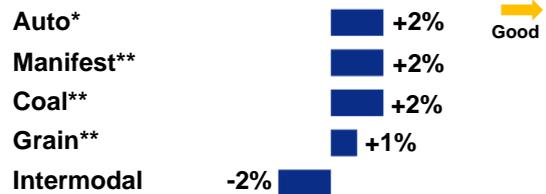
** Full-time Equivalent

Network Productivity

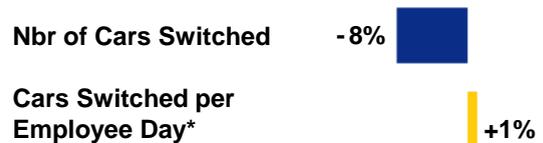
- **Record Train Size Performance**
- **Record Terminal Productivity**
- **Improving Resource Efficiencies**



Train Size Performance (vs 4Q14)



Terminal Productivity (vs 4Q14)



*Fourth quarter record

**Best-ever quarter

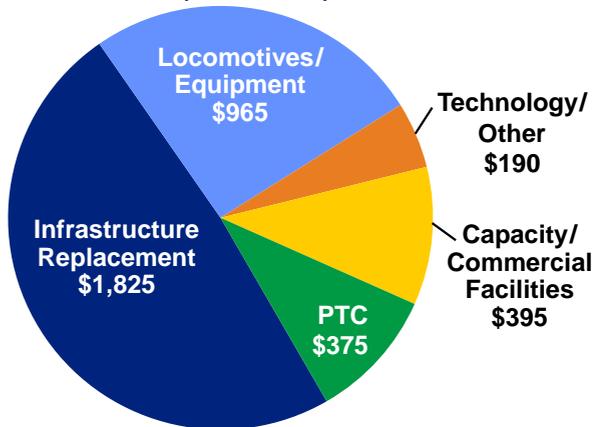
Strengthening the Franchise

Replacement, Growth & Productivity, and PTC



2016 Capital Plan: ~\$3.75 Billion*

(\$ in Millions)



*Includes cash capital, leases and other non-cash capital.
*Pending final UP Board of Director approval.

- Safe & Resilient Infrastructure
- Capacity Investments
 - Southern Region
 - Network Strategies
- Equipment Acquisitions
 - 230 New Locomotives
 - 450 Freight Cars
- Positive Train Control

Operating Outlook



- Generate Record Safety Results on Way Toward Zero
- Remain Agile
- Realize Productivity to Improve Cost Performance
- Create Value with Excellent Customer Experience





January 21, 2016

Fourth Quarter 2015 Financial Review

Rob Knight
CFO

Fourth Quarter Income Statement

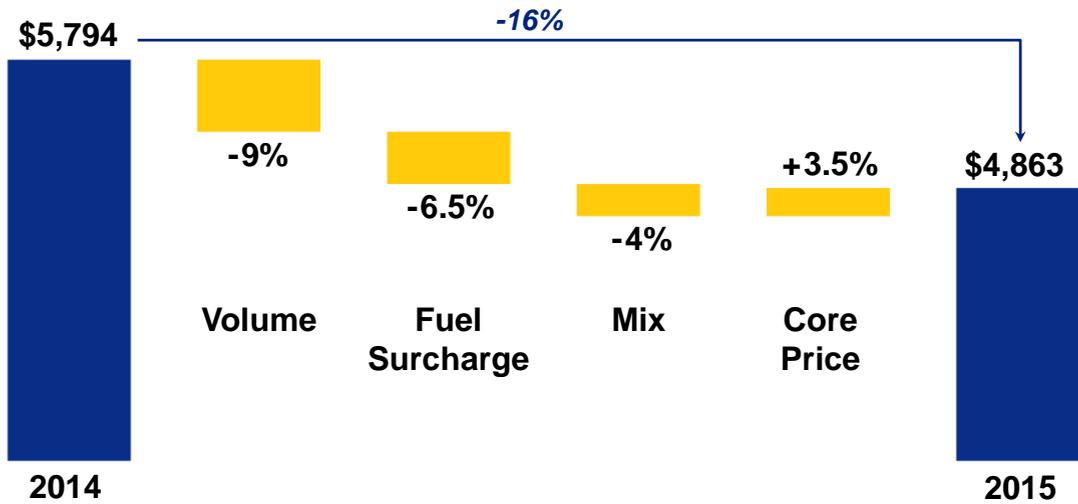
In Millions (except EPS)



	<u>2015</u>	<u>2014</u>	<u>%</u>
Operating Revenues	\$5,208	\$6,153	(15)
Operating Expenses	3,290	3,780	(13)
Operating Income	<u>1,918</u>	<u>2,373</u>	(19)
Other Income	28	71	(61)
Interest Expense	(164)	(146)	12
Income Taxes	<u>(665)</u>	<u>(867)</u>	(23)
Net Income	<u>\$1,117</u>	<u>\$1,431</u>	(22)
Weighted Average Diluted Shares	853.7	889.8	(4)
Diluted EPS	<u>\$1.31</u>	<u>\$1.61</u>	(19)

Freight Revenue

Fourth Quarter (In Millions)

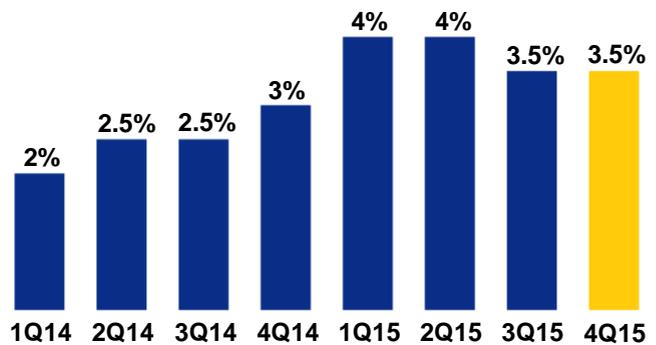


Core Pricing Trends



- Solid Core Pricing
- Pricing to the Value Proposition
- Legacy Benefit

Core Pricing Gains

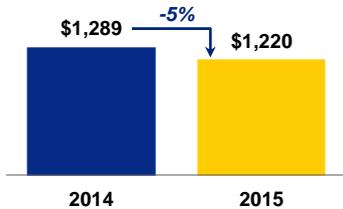


Compensation & Benefits Expense

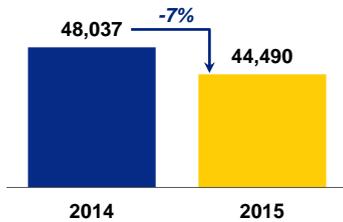
Fourth Quarter 2015 \$1,220M, -5%



Compensation & Benefits (in Millions)



Workforce Levels (Quarterly Average)



Quarterly Drivers

- Aligning Workforce with Demand
- Inflation Costs

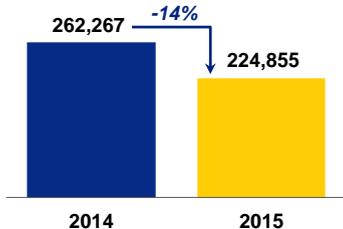
- Volume & Productivity Related Reductions

Fuel Expense

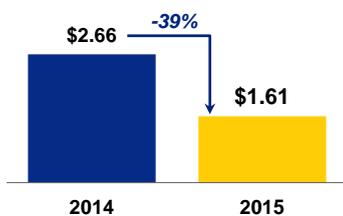
Fourth Quarter 2015 \$424M, -48%



Gross-Ton-Miles (in Millions)



Average Fuel Price (Per Gallon Consumed)



Quarterly Drivers

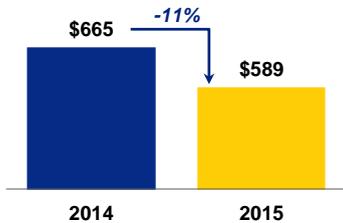
- Decrease in GTMs Driven by Lower Volumes & Mix
- Consumption Rate Increased 1% Driven By Negative Mix
- Lower Average Diesel Fuel Price

Fourth Quarter 2015 Expense Review

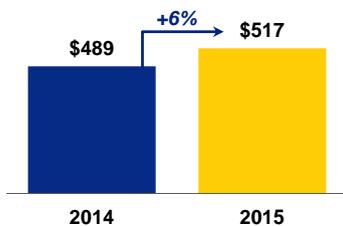
In Millions



Purchased Services & Materials



Depreciation



Quarterly Drivers

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

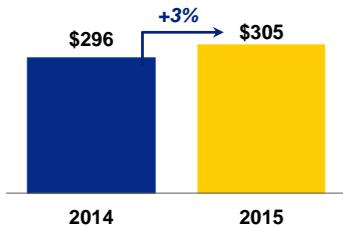
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Fourth Quarter 2015 Expense Review (cont)

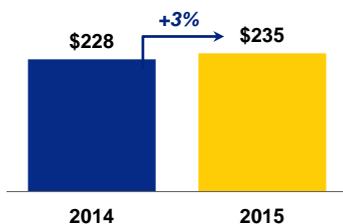
In Millions



Equipment & Other Rents



Other



Quarterly Drivers

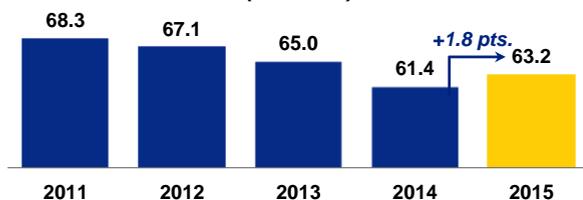
- Lower Volumes & Improved Cycle Times
- Favorable One-Time Item in 2014
- Higher State & Local Taxes
- Increased Personal Injury Expense

26

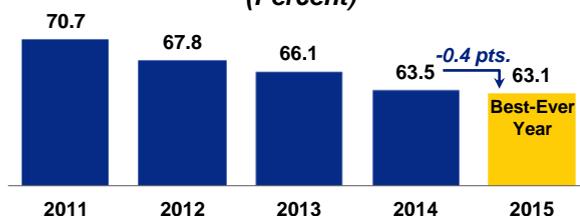
Operating Ratio Performance



Fourth Quarter (Percent)



Full Year (Percent)



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

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

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Full Year Income Statement

In Millions (except EPS)



	<u>2015</u>	<u>2014</u>	<u>%</u>
Operating Revenues	\$21,813	\$23,988	(9)
Operating Expenses	13,761	15,235	(10)
Operating Income	<u>8,052</u>	<u>8,753</u>	(8)
Other Income	226	151	50
Interest Expense	(622)	(561)	11
Income Taxes	<u>(2,884)</u>	<u>(3,163)</u>	(9)
Net Income	<u>\$4,772</u>	<u>\$5,180</u>	(8)
Weighted Average Diluted Shares	869.4	901.1	(4)
Diluted EPS	<u>\$5.49</u>	<u>\$5.75</u>	(5)

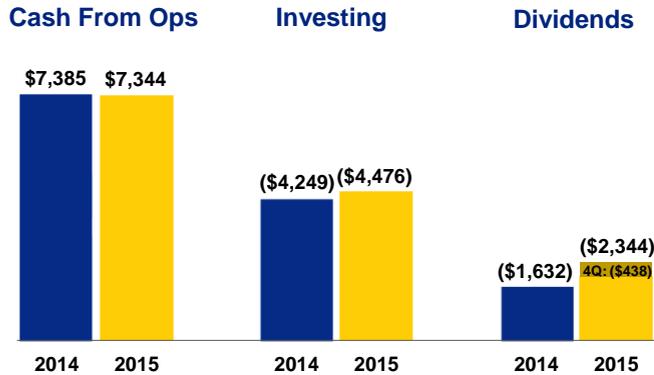
28

Free Cash Flow

Twelve Month Period Ended December 31 (\$ In Millions)



Free Cash Flow*



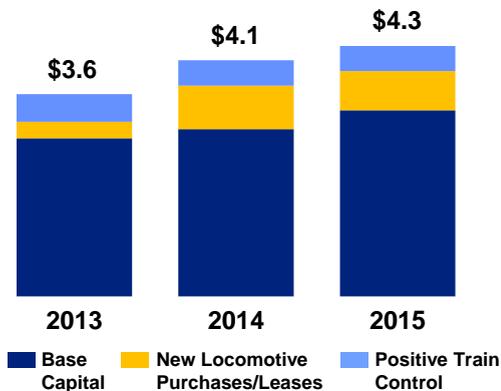
- Solid Cash From Ops
- Capital Investments
- Dividends
- Payment Date Adjustment in First Quarter 2015

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

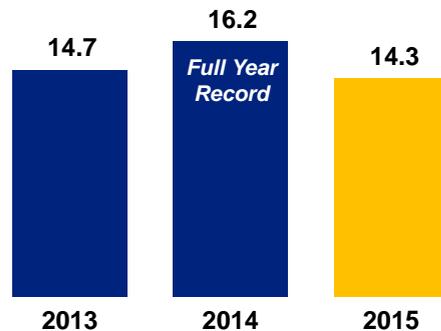
Capital Program and Returns



Capital Program* (In Billions)



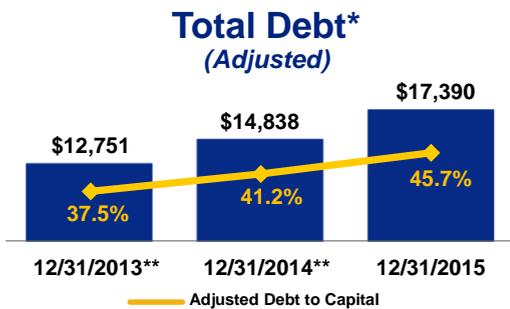
Return on Invested Capital** (Percent)



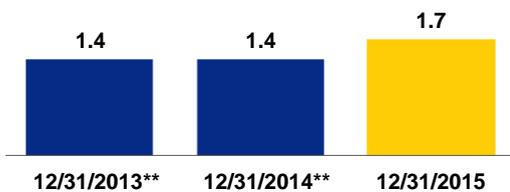
*Includes cash capital, leases and other non-cash capital (excludes buyout of lease on Headquarters building)

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

Debt & Leverage (\$ In Millions)



Adjusted Debt / Adjusted EBITDA *



- Strong Balance Sheet
- Investment Grade Credit Rating
- \$3.35 Billion Debt Issuance in 2015

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

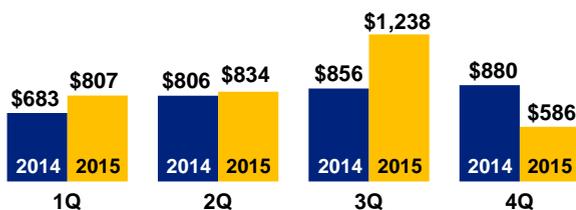
** Prior periods have been adjusted for the retrospective adoption of Accounting Standard Update 2015-03.

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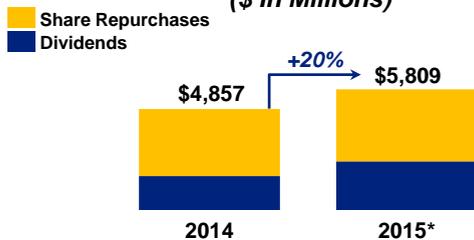
Delivering Value to Shareholders



Quarterly Share Repurchases (\$ In Millions)



Dividends & Share Repurchases (\$ In Millions)



* Includes 4Q14 dividend payment made Jan. 2, 2015

- Repurchase Activity
 - 4Q 2015: 6.6 Million Shares
 - Full Year: 35.3 Milion Shares
 - Share Repurchase Program
 - Expires Dec. 31, 2017
 - ~ 53 Million Shares Remain
- Cash Returned to Shareholders up 20%

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A Look Ahead to 2016



First Quarter

- Lower Coal and Overall Volumes
- Fuel Challenges & Mix Pressure

Full Year

- Slightly Lower Volumes & Mix Pressure
- Record Productivity
- Solid Core Pricing
- Improved Operating Ratio
- Strong Shareholder Returns



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BUILDING AMERICA[®]

January 21, 2016

Fourth Quarter 2015 Earnings Release

Lance Fritz
Chairman, President & CEO

The Year Ahead

- **Uncertain Economy & Demand Outlook**
- **Focus on Efficiency**
- **Unrelenting Focus on Safety & Service**
- **Long-Term Franchise Opportunity**



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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; 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 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 2014, which was filed with the SEC on February 6, 2015. 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.

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January 21, 2016

Fourth Quarter 2015 Earnings Release

Question & Answer
Session