



March 13, 2018

## J.P. Morgan Aviation, Transportation & Industrials Conference

**Rob Knight**  
CFO

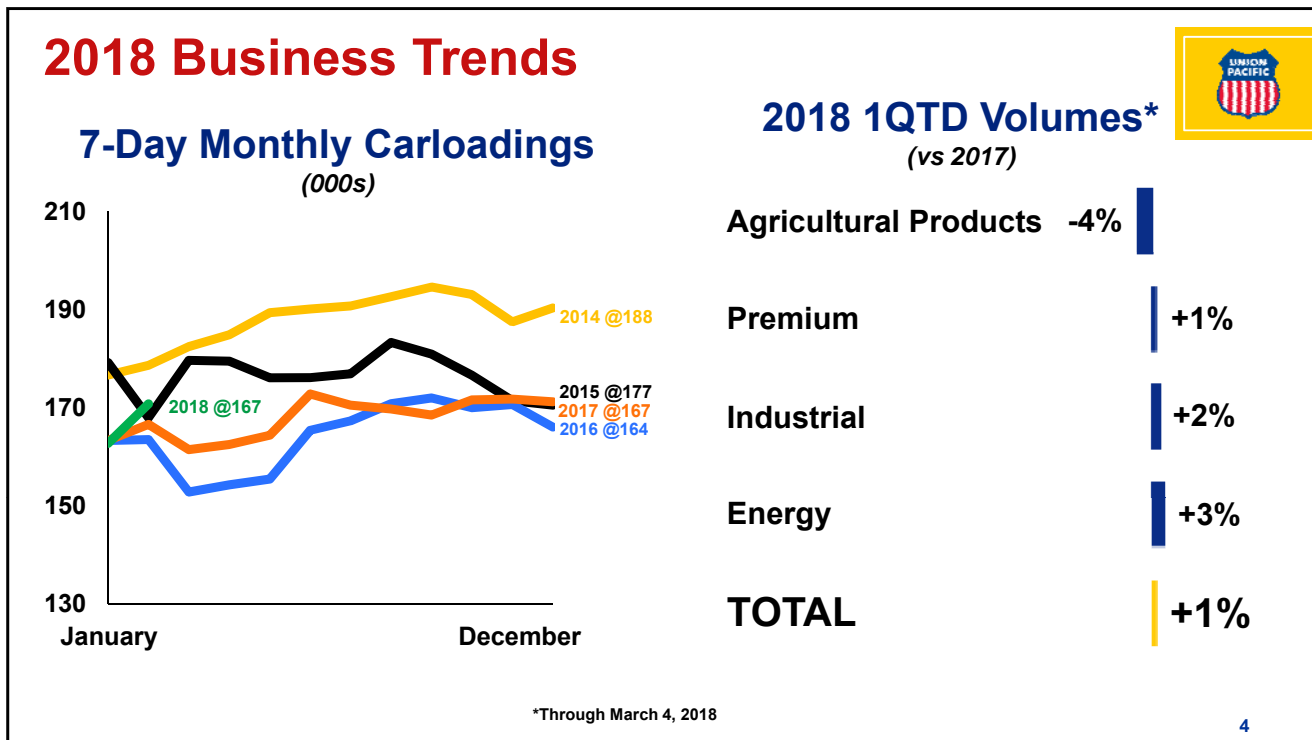
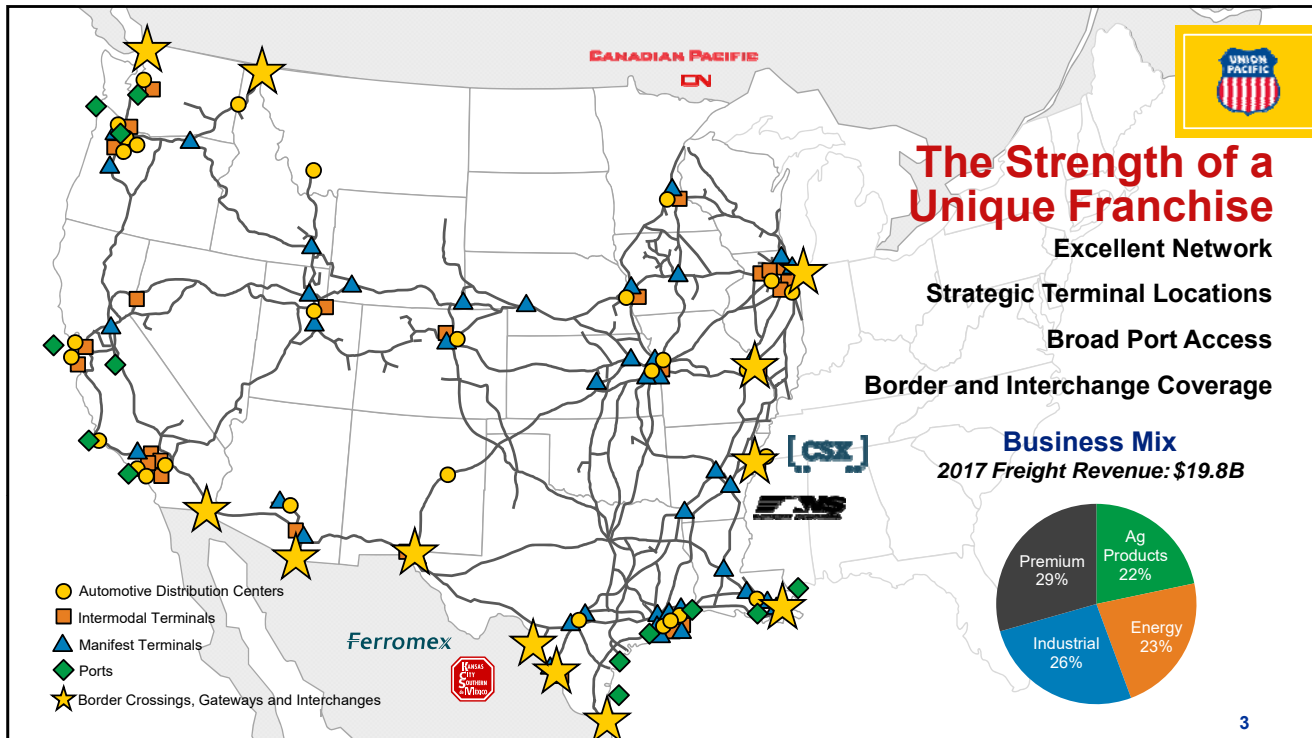
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This presentation and related materials contain statements about the Company's future that are not statements of historical fact, including specifically the statements regarding the Company's expectations with respect to economic conditions; its ability to generate financial returns, improve resource productivity and use innovation to enhance 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.

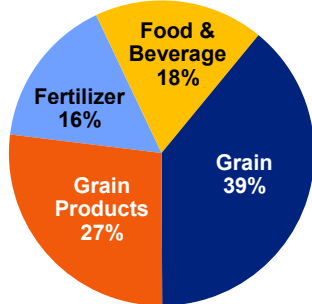
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Forward-looking statements speak only as of, and are based only upon information available on, the date the statements were made. The Company assumes no obligation to update forward-looking information to reflect actual results, changes in assumptions 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.



# Agricultural Products

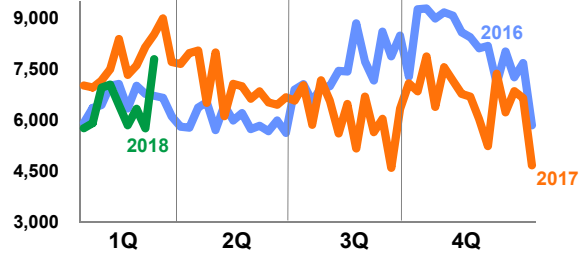
2017 Volume Mix



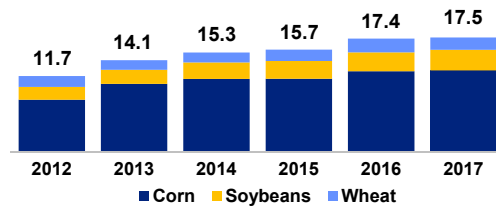
- High Global Supplies
- Ethanol Export Demand
- Growth in Food & Refrigerated

\*Through March 3, 2018

UNP Weekly Grain Carloads\*  
(As reported to the AAR)



U.S. Grain Stocks\*\*  
(Bushels in Billions)

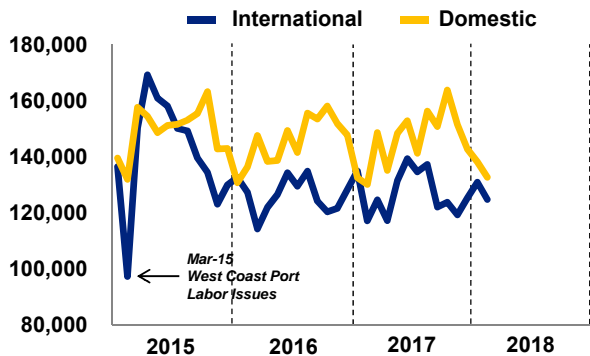


\*\*Source: USDA; As of Dec 1<sup>st</sup>

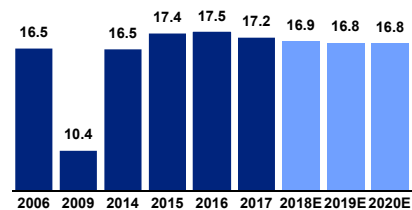
# Premium



UNP Monthly Intermodal Volume



U.S. Light Vehicle SAAR\*



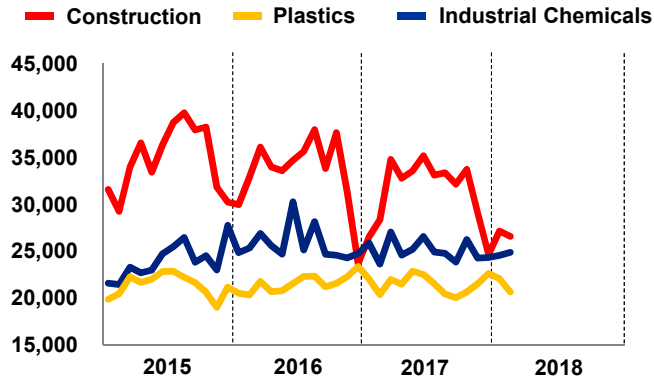
- Tightening Truck Market
- Over the Road Conversions
- Auto Production Shifts

\*Source: February 2018 IHS Global Insight forecast

# Industrial



## UNP Monthly Volumes



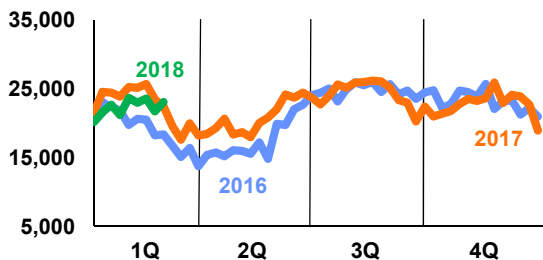
- Industrial Volume Up 2% 1QTD\*
- Anticipated Strength in Rock, Cement and Plastics

\*Through March 4, 2018

# Energy



## UNP Weekly Coal Carloads\* (As reported to the AAR)

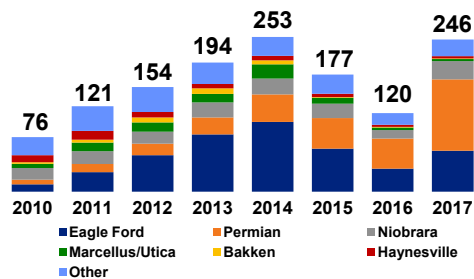


- Strength in Frac Sand
- Coal Inventory Levels
- Weather is a Key Factor of Coal Demand

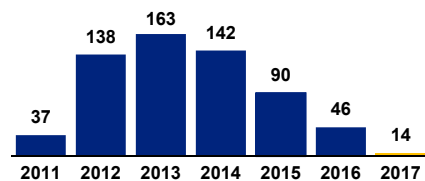
\*Through March 3, 2018

\*\*Includes Barites

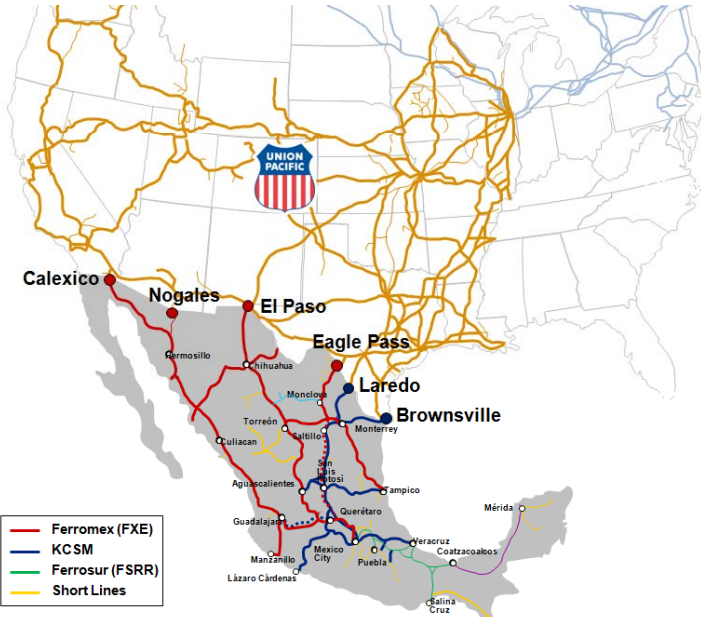
## Frac Sand Volume\*\* (By Shale, 000s)



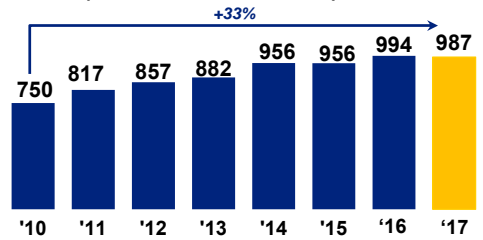
## Crude Oil Volume (000s)



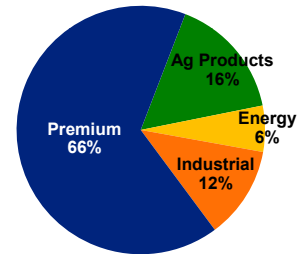
# UP Positioned for Mexico Growth



## Volume Growth (Carloads in Thousands)



## 2017 Volume Mix (In Carloads)

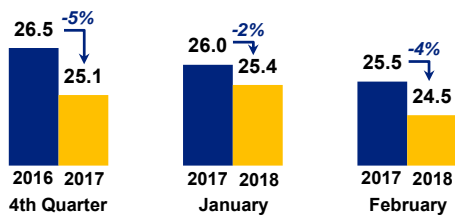


# Network Performance



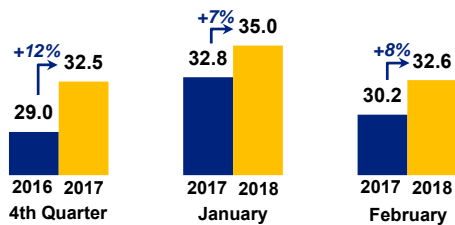
Good ↑

## UP Velocity (As reported to AAR, in mph)



Good ↓

## UP Terminal Dwell (As reported to AAR, in hours)



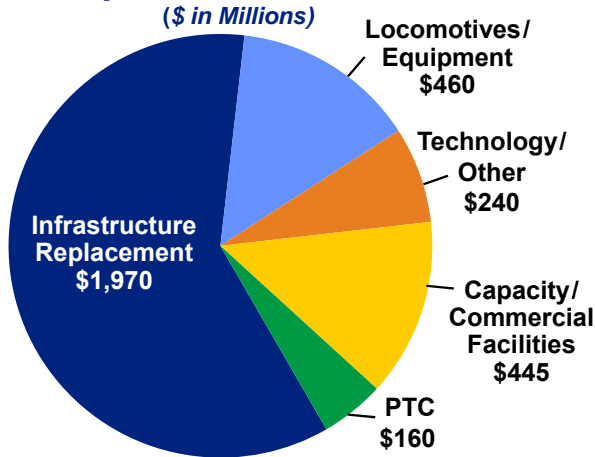
- PTC Implementation & Testing
- Transportation Plan Execution

# Strengthening the Franchise

Replacement, Growth & Productivity, and PTC



## 2018 Capital Plan: ~\$3.3 Billion



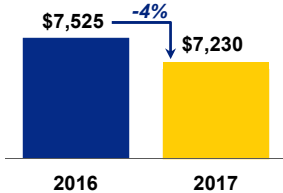
- Safe & Resilient Infrastructure
- Equipment Acquisitions
  - ~60 New Locomotives
  - ~700 Freight Cars
- Positive Train Control
- Capacity Investments
  - Brazos Yard

# Cash Flow & Debt

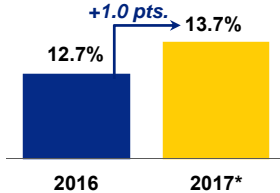
\$ In Millions



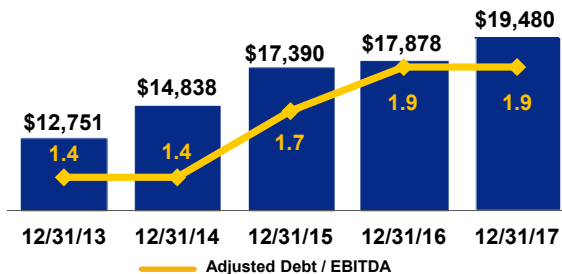
## Cash From Ops



## ROIC\*\*



## Adjusted Debt\*\*



- Higher Net Income
- 2016 Bonus Depreciation Benefit
- Improved ROIC
- Increased Adj. Debt ~\$1.6 Billion since 2016 Year-End

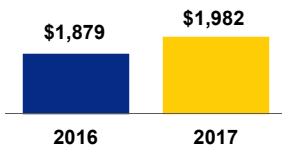
\* Adjusted to exclude the impact of Corporate Tax Reform  
 \*\* See Union Pacific website under Investors for a reconciliation to GAAP

## Delivering Value to Shareholders

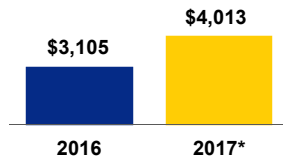
\$ In Millions



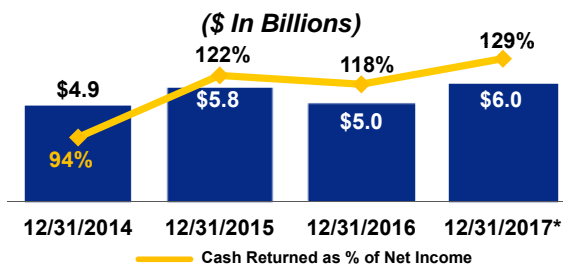
### Dividends



### Share Repurchases



### Cash Returned to Shareholders



- Repurchased 36.4 Million Shares Totaling Over \$4 Billion in 2017
  - Increased 29% from 2016
  - ~32% of Outstanding Shares Since 2007
- 2017 Cash Returns to Shareholders: 129% of Adjusted Net Income

\* Adjusted to exclude the 2017 impact of Corporate Tax Reform

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## Impacts from Tax Reform in 2018



- Taxes and Cash Flow
  - Income Tax Rate: ~25%
  - Cash Tax Rate: 17% to 18%
  - Cash Flow: +\$1 Billion
- Capital Allocation
  - Capital Spending: 6% Increase to \$3.3 Billion
  - Dividends: 10% Increase in 1Q18
  - Share Repurchases: Up vs 2017

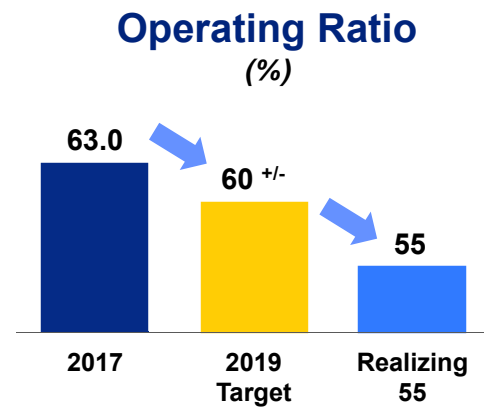


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## 2018 Outlook



- 1Q and Full-Year Volume Up Low Single Digits
- Pricing Benefits Will Exceed Rail Inflation Dollars
- Labor and Overall Inflation Under 2%
- \$300 to \$350 Million of Productivity
- Re-Evaluate Optimal Capital Structure



*Improved OR in 2018*