



July 20, 2017

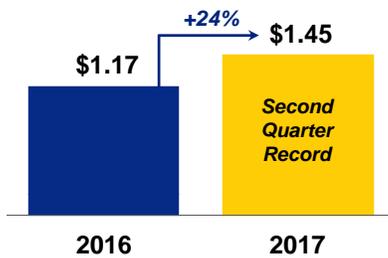
Second Quarter 2017 Earnings Release

Lance Fritz
Chairman, President & CEO

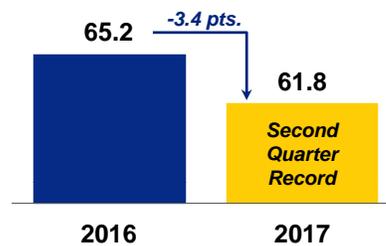
Second Quarter 2017 Results



Earnings Per Share Second Quarter



Operating Ratio Second Quarter





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Second Quarter 2017 Marketing & Sales Review

Beth Whited
Executive VP & Chief Marketing Officer

Second Quarter 2017 Recap

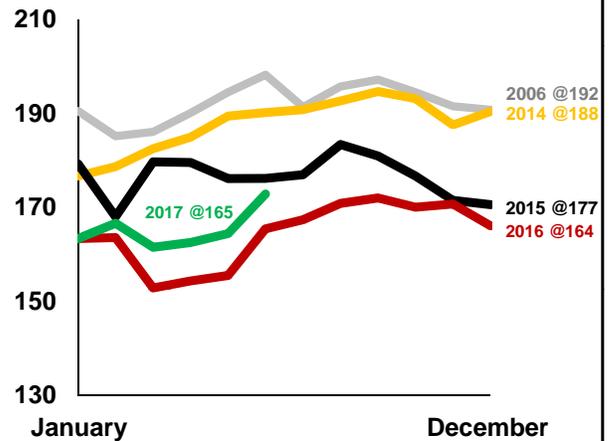


Volume Growth

Coal		+17%
Industrial Products		+15%
Agricultural Products		+3%
Intermodal		+2%
Automotive		-1%
Chemicals		-2%
TOTAL		+5%

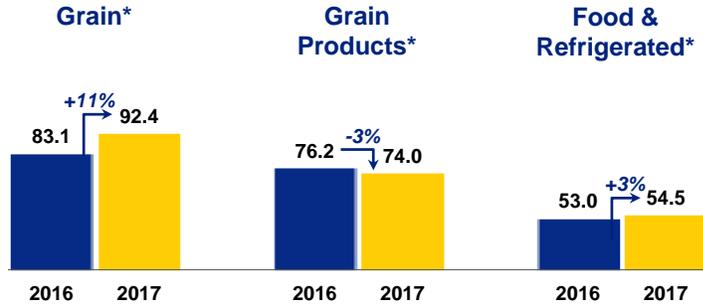
7-Day Monthly Carloadings

(000s)

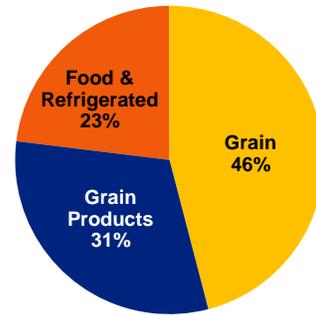


Agricultural Products

Revenue \$907M (+7%) Volume 237K (+3%) ARC \$3,813 (+3%)



Volume Mix



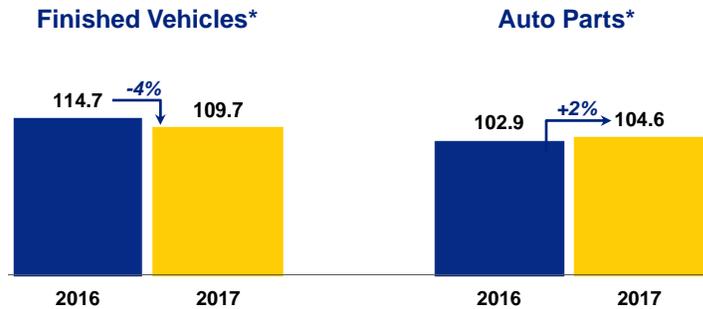
Quarterly Drivers

- Continued Wheat Export Strength
- Softer Grain Products Markets
- Strong Sugar and Beverage Demand

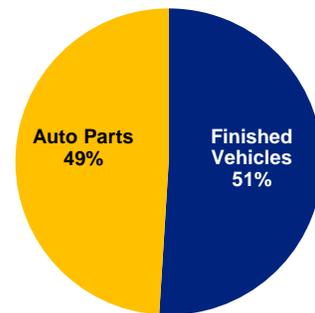
*Volume in thousands of carloads and excludes equipment shipments

Automotive

Revenue \$513M (+5%) Volume 215K (-1%) ARC \$2,393 (+6%)



Volume Mix



Quarterly Drivers

- Softening Vehicle Sales
- Production Shifts
- Continued Parts Strength

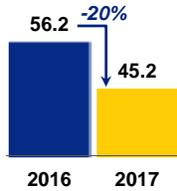
*Volume in thousands of carloads

Chemicals

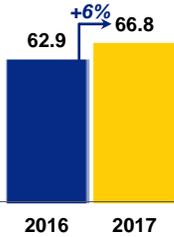
Revenue \$898M (+4%) Volume 269K (-2%) ARC \$3,334 (+6%)



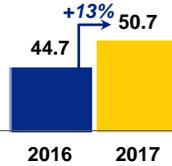
Petroleum & LPG*



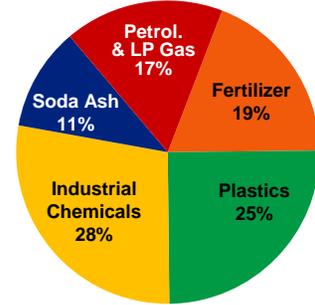
Plastics*



Fertilizer*



Volume Mix



Quarterly Drivers

- Continued Crude Oil Declines
- Strength in Plastics
- Potash Export Growth

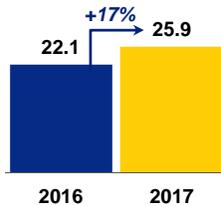
*Volume in thousands of carloads

Coal

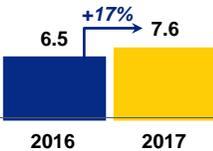
Revenue \$619M (+25%) Volume 285K (+17%) ARC \$2,173 (+7%)



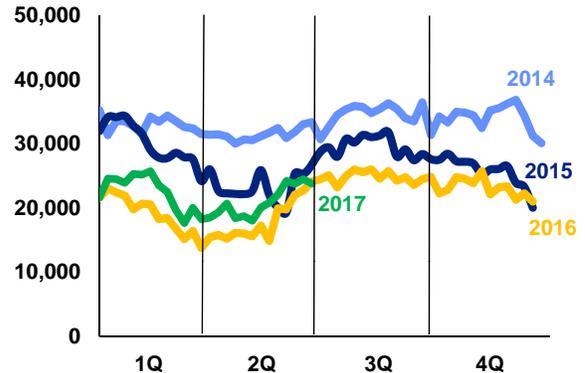
Powder River Basin* (Tons in MM)



Other (Tons in MM)



Volume Impact (Weekly Carloadings)



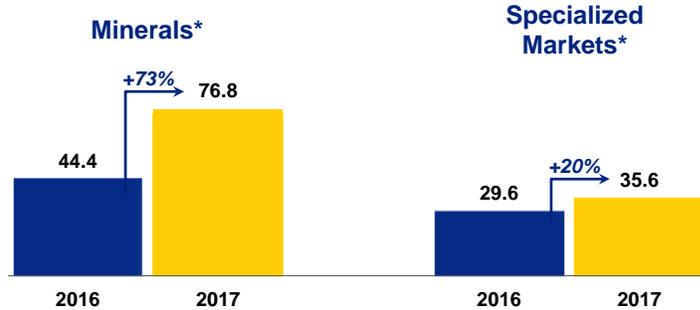
Quarterly Drivers

- Higher Natural Gas Prices
- Increased Exports
- Coal Stockpile Reduction

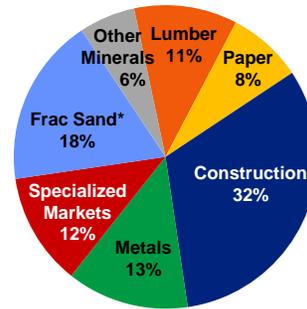
*PRB includes SPRB and NPRB

Industrial Products

Revenue \$1,030M (+24%) Volume 315K (+15%) ARC \$3,271 (+8%)



Volume Mix



*Includes Barites

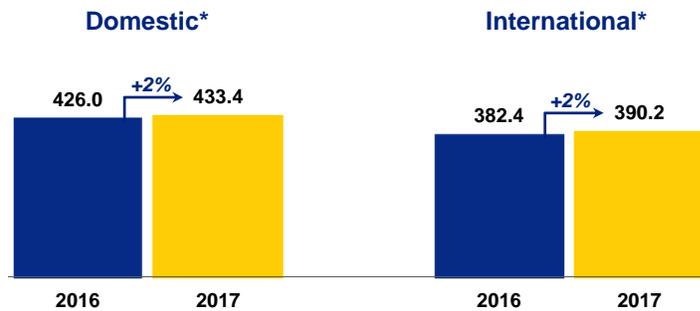
Quarterly Drivers

- Improved Shale Drilling Activity
- Increased Waste Volume

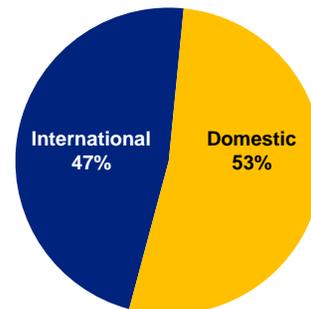
*Volume in thousands of carloads

Intermodal

Revenue \$939M (+3%) Volume 824K (+2%) ARC \$1,140 (+1%)



Volume Mix



Quarterly Drivers

- Parcel Growth
- Improved Domestic Demand
- Stronger International Shipments

*Volume in thousands of loads

2017 Volume Outlook



Agricultural Products
+ Food and Refrigerated
? Grain



Coal
? Price of Natural Gas
- Year Over Year Comparisons



Automotive
+ Over the Road Conversions
- Consumer Demand



Industrial Products
+ Frac Sand
- Construction Products



Chemicals
+ Plastics
- Crude Oil Declines



Intermodal
+ Over the Road Conversions
? International Intermodal



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Second Quarter 2017 Operations Review

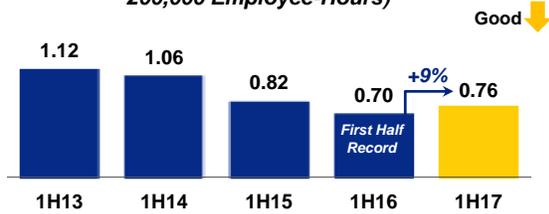
Cameron Scott
Executive VP & Chief Operating
Officer

Safety



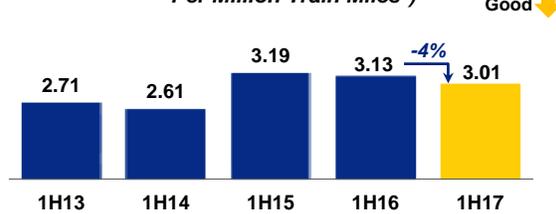
Employee

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



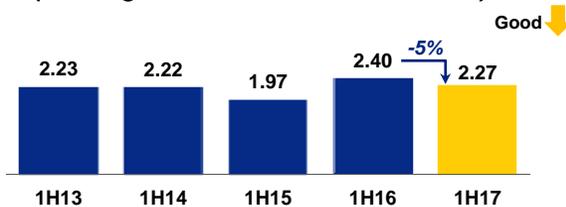
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles*)



Public

(Crossing Accidents Per Million Train Miles)



- Goal of Zero Incidents
- Training, Infrastructure Investment & Advanced Data Analytics
- Crossing Assessment Process & Collaboration with the Public

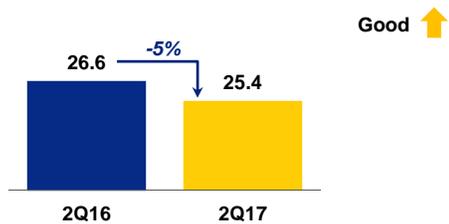
*Starting in August 2016, crossing collisions were excluded from rail equipment incidents per FRA methodology. Prior periods have been adjusted to reflect the change. ¹³

Network Performance



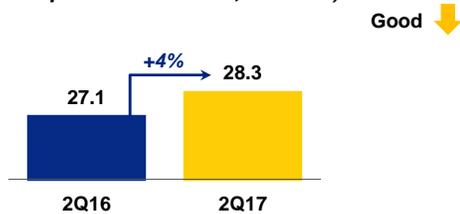
Velocity

(As Reported to the AAR, in mph)



Terminal Dwell

(As Reported to the AAR, in hours)



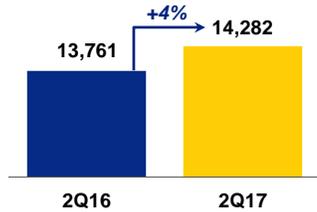
- Severe Spring Weather
- Service Interruptions & Outages

Resources



TE&Y

(Full-Time Equivalent)

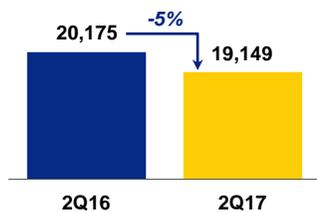


TE&Y

- Volume Increase
- Network Disruptions
- Productivity Offsets

Mechanical & Engineering

(Full-Time Equivalent)



Mechanical & Engineering

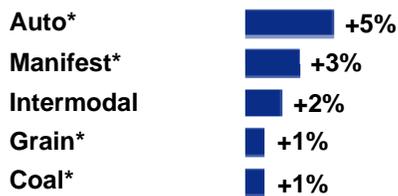
- Fewer Capital Employees Driven by Productivity

Productivity



Train Size Performance

(vs 2Q16)



- Record Train Size Performance
- Continue Balancing Customer Commitments

Terminal Productivity

(vs 2Q16)



- Terminal Productivity Gains

* Best-Ever Quarter

Operating Outlook



- **Continue Generating Positive Safety Results**
- **Leverage Franchise Strengths**
- **Focus on Productivity & Customer Experience**



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Second Quarter 2017 Financial Review

Rob Knight
Executive VP & Chief Financial
Officer

Second Quarter Income Statement

\$ in Millions (except EPS)

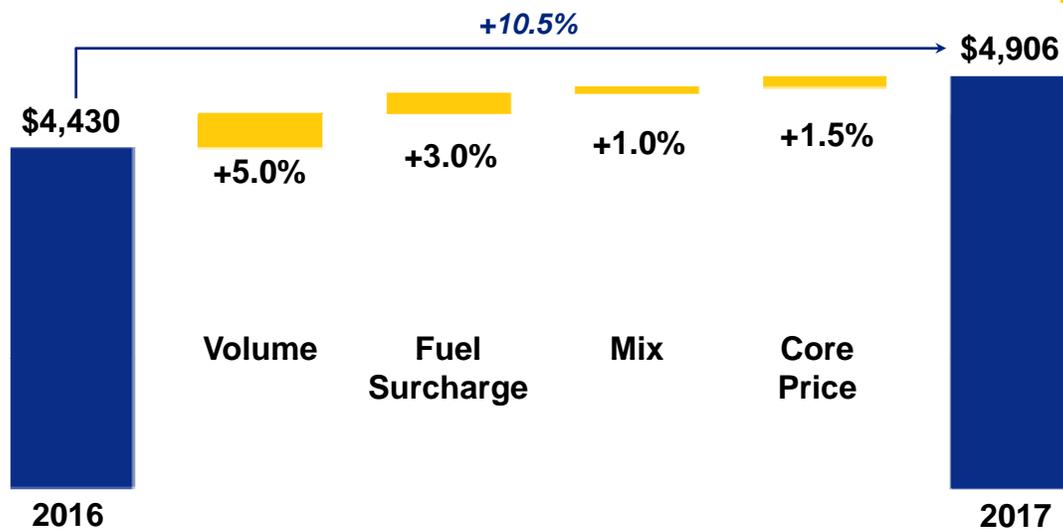


	<u>2017</u>	<u>2016</u>	<u>%</u>
Operating Revenues	\$5,250	\$4,770	10
Operating Expenses	3,245	3,110	4
Operating Income	<u>2,005</u>	<u>1,660</u>	21
Other Income	43	77	(44)
Interest Expense	(179)	(173)	3
Income Taxes	<u>(701)</u>	<u>(585)</u>	20
Net Income	<u>\$1,168</u>	<u>\$979</u>	19
Weighted Average Diluted Shares	807.2	840.1	(4)
Diluted EPS	<u>\$1.45</u>	<u>\$1.17</u>	24

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Freight Revenue

Second Quarter (\$ In Millions)



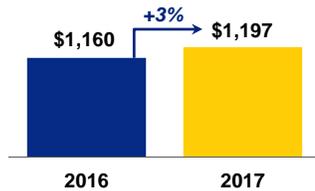
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Second Quarter Operating Expenses

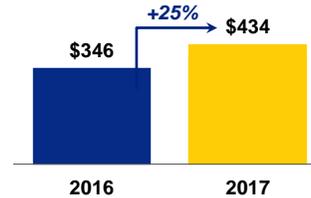
\$ In Millions



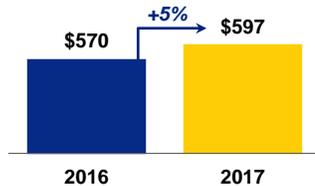
Compensation & Benefits



Fuel



Purchased Services & Materials



- Inflation and Volume Related Increases
- Solid Productivity Gains
- Higher Diesel Fuel Prices

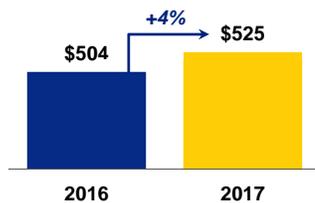
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Second Quarter Operating Expenses (cont)

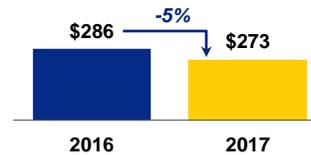
\$ In Millions



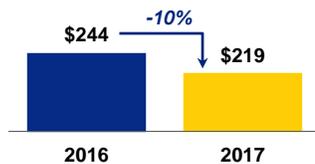
Depreciation



Equipment & Other Rents



Other Expenses



- Higher Depreciable Base
- Lower Locomotive & Freight Car Lease Expense

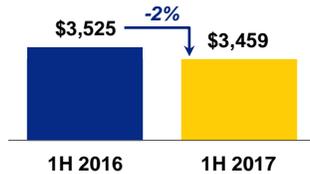
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Cash Flow & Debt

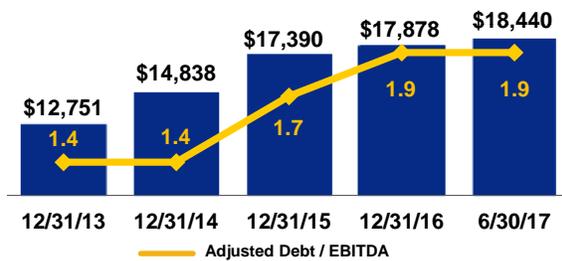
\$ In Millions



Cash From Operations



Adjusted Debt*



* See Union Pacific website under Investors for a reconciliation to GAAP 23

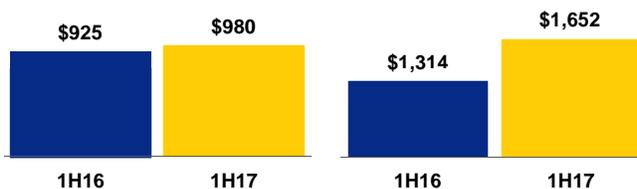
- Higher Net Income
- 2016 Bonus Depreciation Benefit
- Increased Adj. Debt ~\$5.7 Billion since 2013

Delivering Value to Shareholders

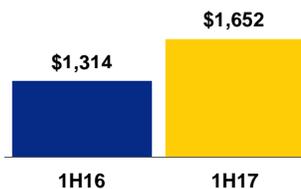
\$ In Millions



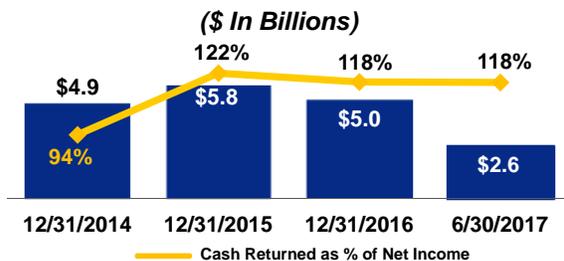
Dividends



Share Repurchases



Cash Returned to Shareholders



- Repurchased 15.3 Million Shares Totaling Over \$1.6 Billion in 2017
 - Increased ~26% from 2016
 - ~30% of Outstanding Shares Since 2007
- 2017 YTD Cash Returns to Shareholders: 118% of Net Income

Productivity



Initiatives:

Network and Train Ops	<i>TE&Y / Train length / Joint facility</i>
Equipment (Loco and Car)	<i>Active fleet / Car repair / Equip rental costs</i>
Other Ops, Support, Sourcing and Safety	<i>Engineering / Fuel conservation / Intermodal & Premium Ops / Admin / Supply Chain / Sourcing / Safety performance</i>

2017 YTD Results

(\$ in millions)



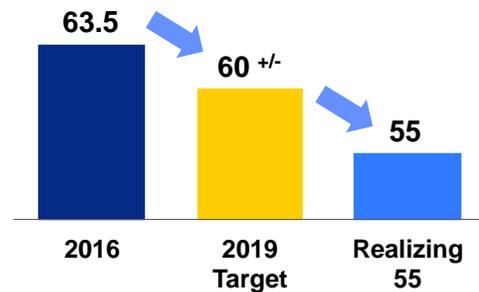
2017 Full Year Productivity Target: \$350 - \$400 M

2017 Outlook



- Full Year Volume Up Low Single Digits (Closer to Flat in 3Q)
- Price Above Rail Inflation Costs
- Productivity \$350 to \$400 Million (\$200 M YTD)
- Continued Focus on "G55 + 0" Initiatives

Operating Ratio (%)



Improved OR in 2017



July 20, 2017

Second Quarter 2017 Earnings Release

Lance Fritz
Chairman, President & CEO

Looking Ahead

Full Year:

- **Top Line Growth**
- **Margin Improvement**
- **Greater Shareholder Returns**



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 financial returns, improve network performance and customer service; 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.

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 2016, which was filed with the SEC on February 3, 2017. 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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Second Quarter 2017 Earnings Release

Question & Answer
Session