



July 19, 2018

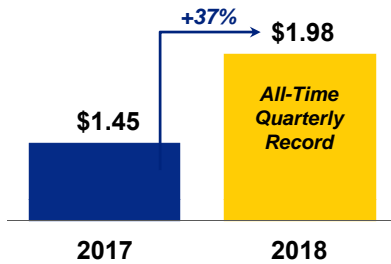
Second Quarter 2018 Earnings Release

Lance Fritz
Chairman, President & CEO

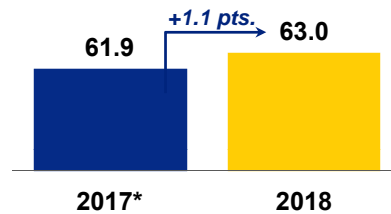
Second Quarter 2018 Results



Earnings Per Share Second Quarter



Operating Ratio Second Quarter



* Certain prior period amounts have been adjusted for the retrospective adoption of Accounting Standard Update 2017-07 related to the presentation of the components of net periodic pension and other postretirement benefit costs. See Union Pacific website under Investors for the adoption impact.



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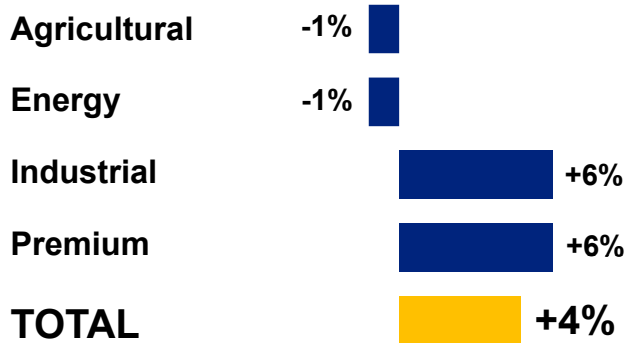
Second Quarter 2018 Marketing & Sales Review

Beth Whited
Executive VP & Chief Marketing
Officer

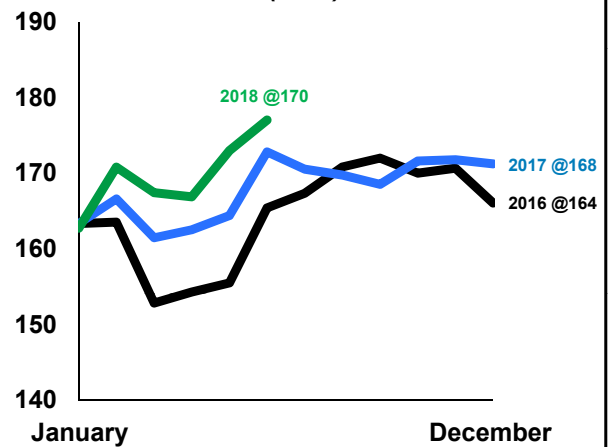
2nd Quarter 2018 Recap



Volume Growth

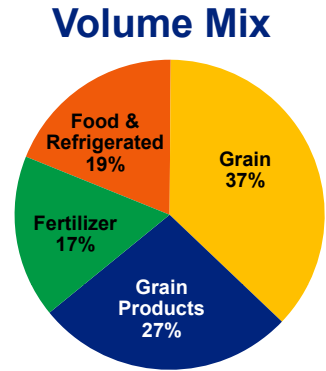
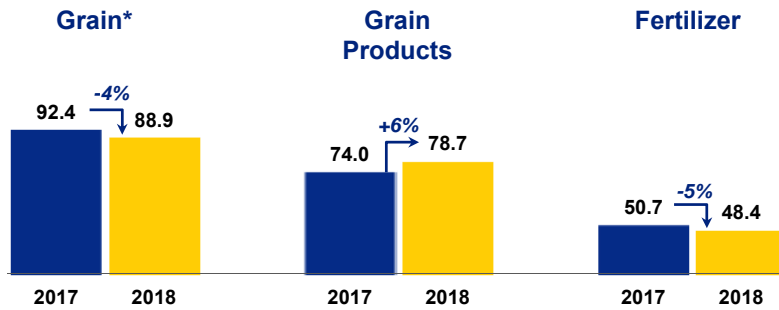


7-Day Monthly Carloadings (000s)



Agricultural Products

Revenue \$1,114M (+5%) Volume 285K (-1%) ARC \$3,903 (+6%)



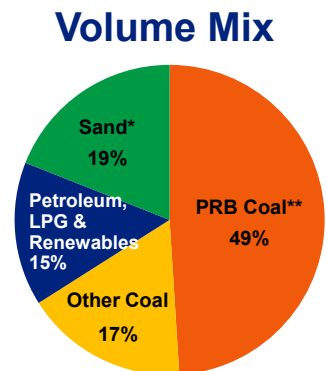
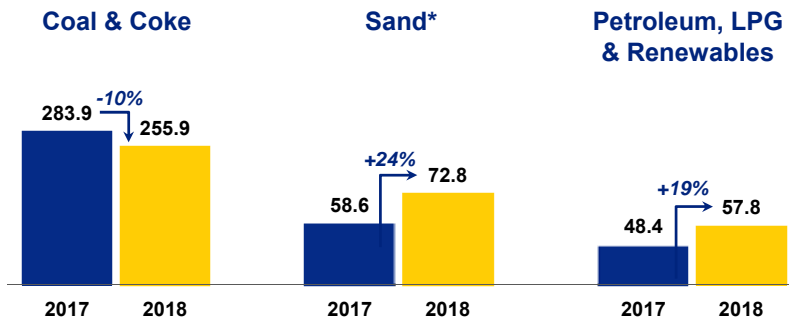
Quarterly Drivers

- Reduced Wheat Exports
- Feed Grain Strength
- Strong Demand for Ethanol Exports

Volume in thousands of carloads
*Excludes equipment shipments

Energy

Revenue \$1,111M (+5%) Volume 387K (-1%) ARC \$2,874 (+6%)



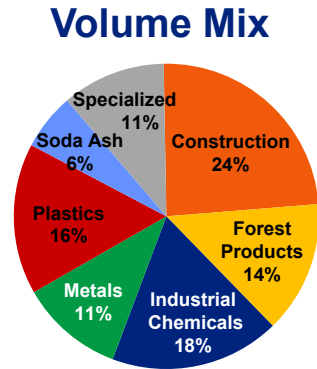
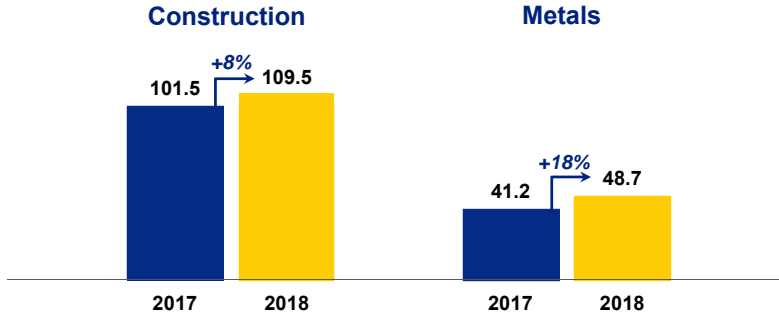
Quarterly Drivers

- Increased Shale Drilling Activity
- Strong Demand for Petroleum Products
- Continued Coal Headwinds

Volume in thousands of carloads
* Sand includes Barites
** PRB includes SPRB and NPRB

Industrial

Revenue \$1,437M (+8%) Volume 452K (+6%) ARC \$3,178 (+2%)



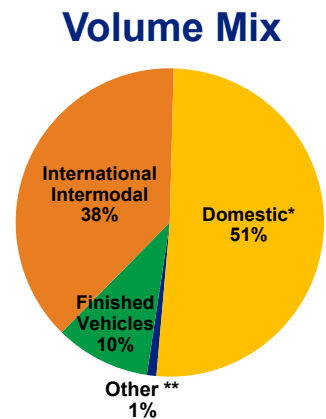
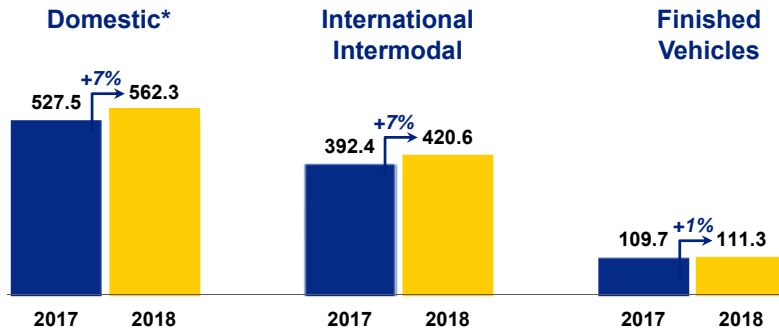
Quarterly Drivers

- Increased Rock Shipments
- Strong Pipe Demand
- Solid Industrial Production Growth

Volume in thousands of carloads

Premium

Revenue \$1,655M (+14%) Volume 1,101K (+6%) ARC \$1,503 (+8%)



Quarterly Drivers

- Tight Truck Market
- Auto Parts Strength
- Increased Vehicle Sales

Volume in thousands of carloads

* Domestic includes domestic intermodal and auto parts moved in intermodal containers
 ** Includes non-intermodal auto parts

2018 Second Half Volume Outlook



Agricultural Products
+ Ethanol Exports
+ Food and Beverage
? Grain



Industrial
+ Plastics
+ Industrial Production



Energy
+ Petroleum Products
? Frac Sand
- Coal Headwinds



Premium
+ Over the Road Conversions
+ New International Business
? Automotive Sales



July 19, 2018

Second Quarter 2018 Operations Review

Cameron Scott
Executive VP & Chief Operating
Officer

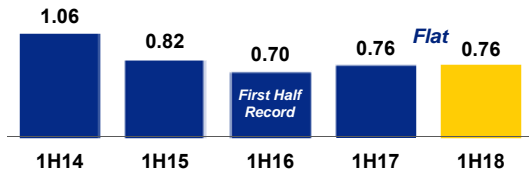
Safety



Employee

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

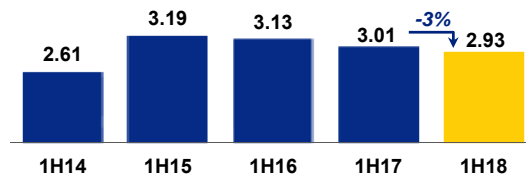
Good ↓



Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)

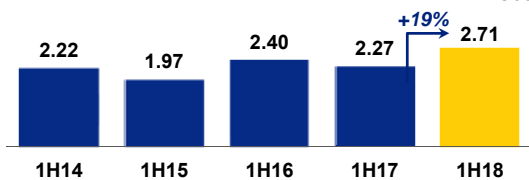
Good ↓



Public

(Crossing Accidents Per Million Train Miles)

Good ↓



- Goal of Zero Incidents
- Continue Partnering with Communities to Improve Public Safety

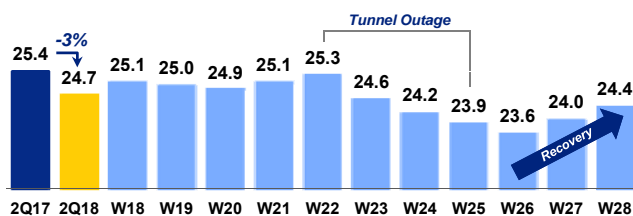
Network Performance



Velocity

(As Reported to the AAR, in mph)

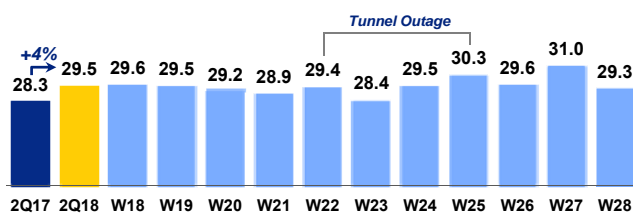
Good ↑



Terminal Dwell

(As Reported to the AAR, in hours)

Good ↓

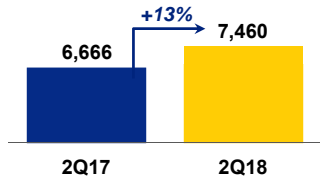


- Tunnel Collapse, Out of Service from May 29 to June 20
- Continued Focus on Operating Improvement Initiatives

Volume & Performance Drive Resources

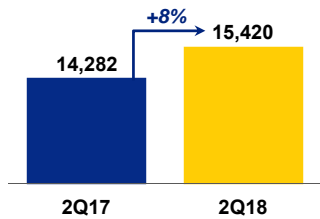


Active Locomotive Fleet



TE&Y

(Full-Time Equivalent)



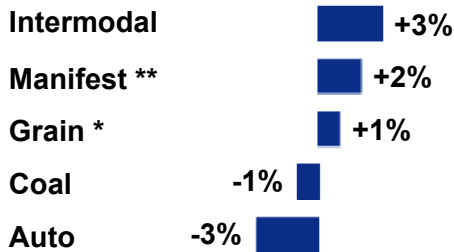
- Locomotive Surge Capacity Provides Flexibility
- ~200 HHP Units in Storage
- Maintain Strong TE&Y Recruiting Pipeline
- Improving Crew Supply

Productivity



Train Size Performance

(vs 2Q17)



- Solid Progress on Train Size Performance
- Continued Focus on Productivity Improvement

Operating Outlook



- Service Improvements
- Network Optimization
- Resource Adjustments



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July 19, 2018

Second Quarter 2018 Financial Review

Rob Knight
Executive VP & Chief Financial
Officer

Second Quarter Income Statement

\$ in Millions (except EPS)



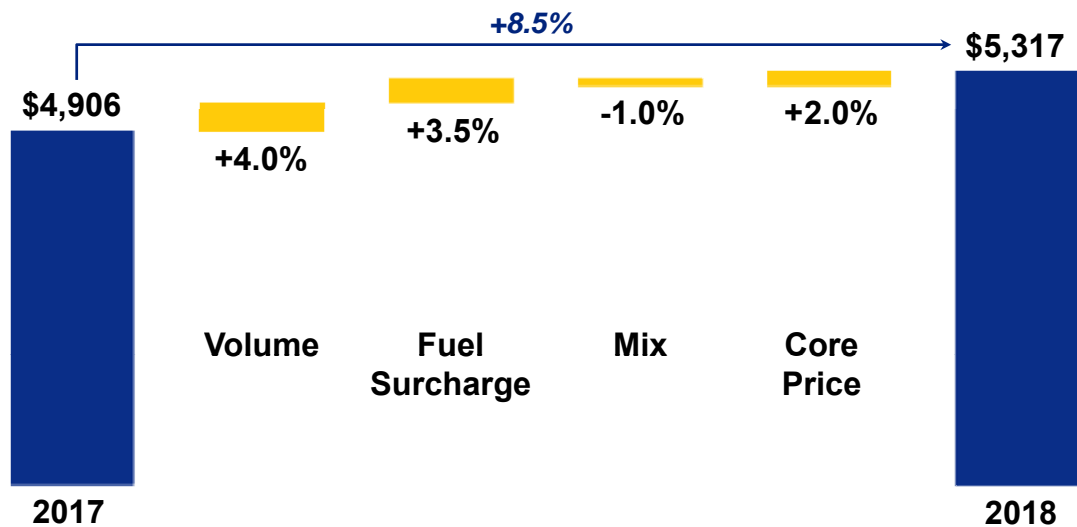
	<u>2018</u>	<u>2017</u>	<u>%</u>
Operating Revenues	\$5,672	\$5,250	8
Operating Expenses*	<u>3,573</u>	<u>3,252</u>	10
Operating Income	<u>2,099</u>	<u>1,998</u>	5
Other Income / (Expense)*	42	50	(16)
Interest Expense	(203)	(179)	13
Income Taxes	<u>(429)</u>	<u>(701)</u>	(39)
Net Income	<u>\$1,509</u>	<u>\$1,168</u>	29
Weighted Average Diluted Shares	763.7	807.2	(5)
Diluted EPS	<u>\$1.98</u>	<u>\$1.45</u>	37

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Freight Revenue

Second Quarter (\$ In Millions)



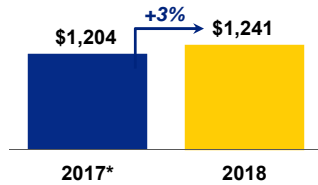
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Second Quarter Operating Expenses

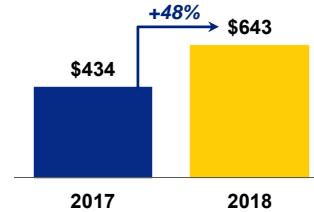
\$ In Millions



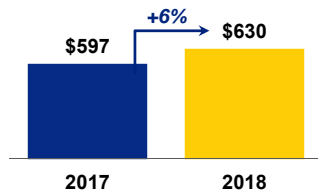
Compensation & Benefits



Fuel



Purchased Services & Materials



- Volume-Related Costs, Network Inefficiencies & Increased TE&Y Training
- Higher Diesel Fuel Prices
- Higher Freight Car and Locomotive Repair Costs

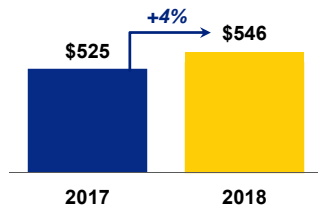
* Certain prior period amounts have been adjusted for the retrospective adoption of Accounting Standard Update 2017-07 related to the presentation of the components of net periodic pension and other postretirement benefit costs. See Union Pacific website under Investors for the adoption impact.

Second Quarter Operating Expenses (cont)

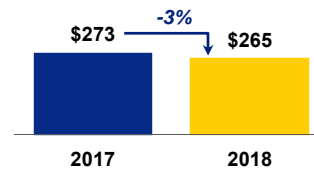
\$ In Millions



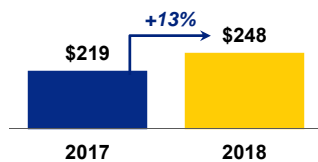
Depreciation



Equipment & Other Rents



Other Expenses



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

Productivity Update



- **Productivity Gains of ~\$65 Million, Offset by ~\$65 Million of Service Related Costs**
- **Focused on Eliminating Network Cost Inefficiencies**

2Q18 Net Productivity by Category

(\$ in millions)

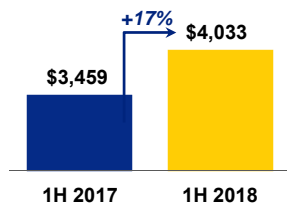
(\$25)	Network and Train Ops	<i>Slower velocity, TE&Y crew, Overtime, and Higher fuel consumption rate</i>
(\$5)	Equipment (Loco and Car)	<i>Active loco fleet, Car repair & rents, offset by lease savings</i>
\$30	Other Ops, Support, Sourcing, Mgmt & Admins	<i>Support, Safety, Engineering, Supply, Joint Facilities</i>
\$0	Net Results	

Cash Flow & Debt

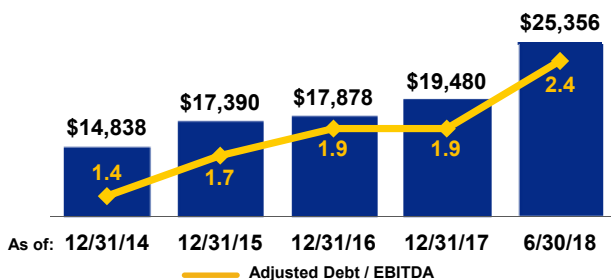
\$ In Millions



Cash From Ops



Adjusted Debt*

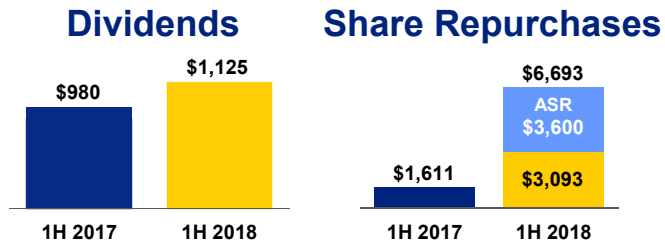


- **Higher Net Income, Lower Federal Tax Payments**
- **Increased Adj. Debt \$5.9 Billion since Year-End 2017**
 - Includes \$6 Billion Debt Offering in June 2018
- **Adj Debt / EBITDA of 2.4**

* See Union Pacific website under Investors for a reconciliation to GAAP 22

Delivering Value to Shareholders

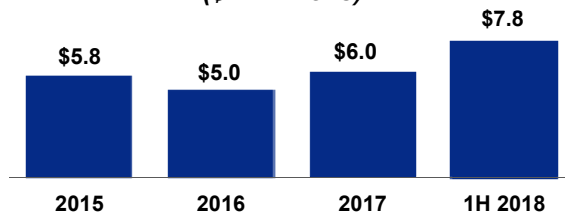
\$ In Millions



First Half Cash Returned to Shareholders

- **Dividends:**
 - \$1.1 Billion
 - 21% Increase in Dividend Per Share vs 1H 2017
- **Share Repurchases:**
 - \$3.1 Billion of Open Market Purchases
 - \$3.6 Billion Accelerated Share Repurchase Program

Cash Returned to Shareholders (\$ In Billions)



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2018 Outlook



Full Year

- Low to Mid Single Digit Volume Growth
- Price Above Inflation
- Improved Operating Ratio

Continued Focus on G55+0



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July 19, 2018

Second Quarter 2018 Earnings Release

Lance Fritz
Chairman, President & CEO

Looking Ahead

- **Record Second Quarter Results**
- **Strong Business Environment**
- **Regain Productivity Momentum**



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 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.

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.

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Second Quarter 2018 Earnings Release

Question & Answer
Session