



October 25, 2018

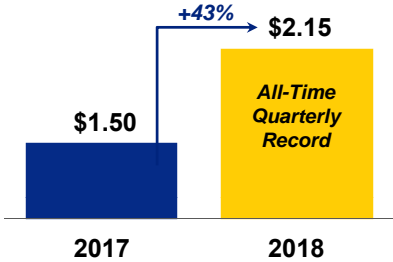
Third Quarter 2018 Earnings Release

Lance Fritz
Chairman, President & CEO

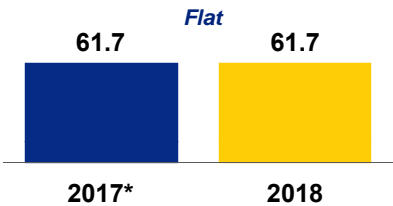
Third Quarter 2018 Results



Earnings Per Share
Third Quarter



Operating Ratio
Third 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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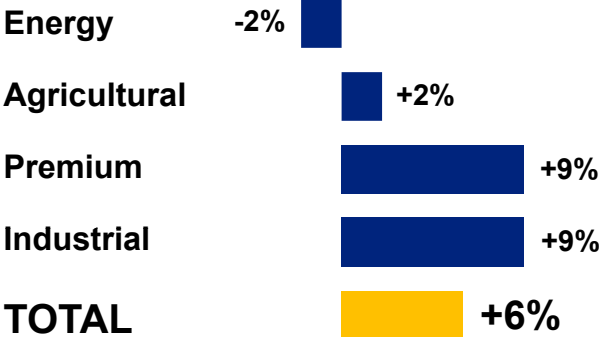
Third Quarter 2018 Marketing & Sales Review

Kenny Rocker
Executive Vice President – Marketing & Sales

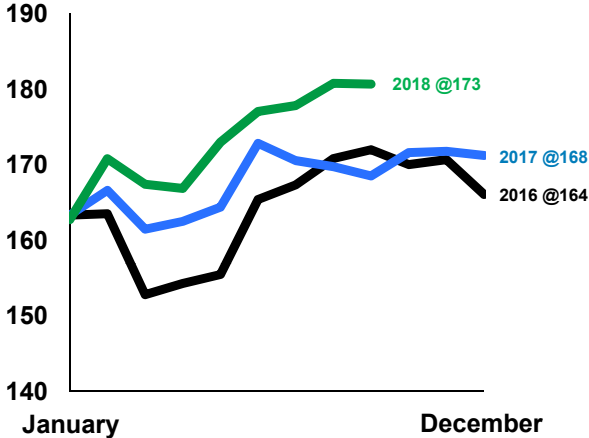
Third Quarter 2018 Recap



Volume Growth

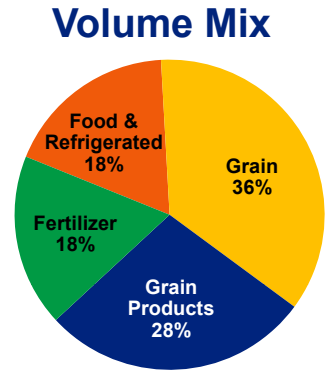
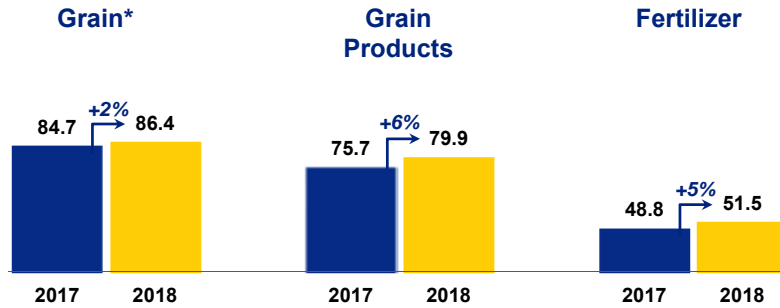


7-Day Monthly Carloadings (000s)



Agricultural Products

Revenue \$1,133M (+6%) Volume 285K (+2%) ARC \$3,973 (+4%)



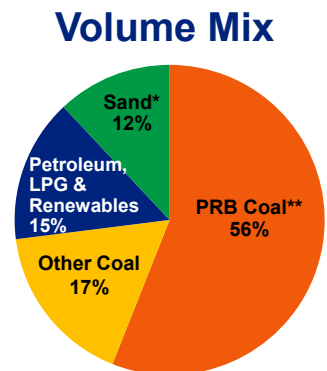
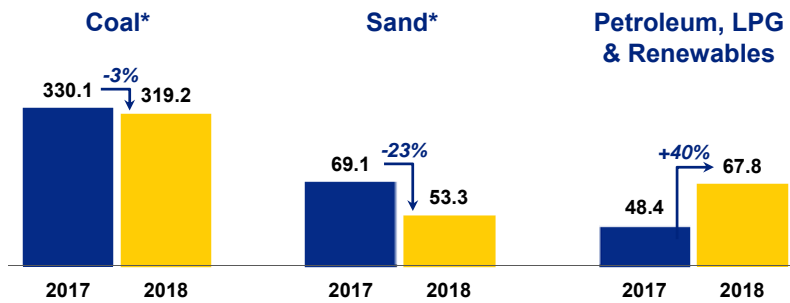
Quarterly Drivers

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

Volume in thousands of carloads
*Excludes equipment shipments

Energy

Revenue \$1,214M (+1%) Volume 440K (-2%) ARC \$2,757 (+2%)



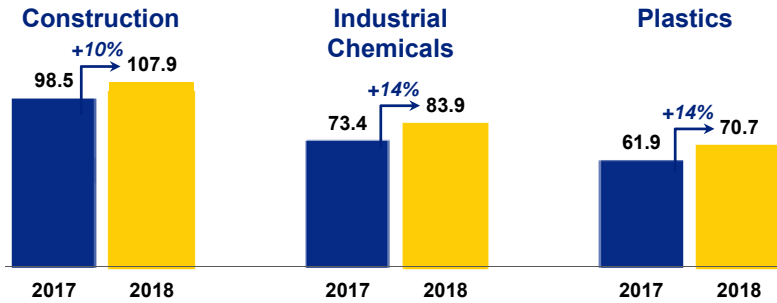
Quarterly Drivers

- Continued Coal Headwinds
- Sand Market Decline and More Local Sourcing
- Crude Oil Growth

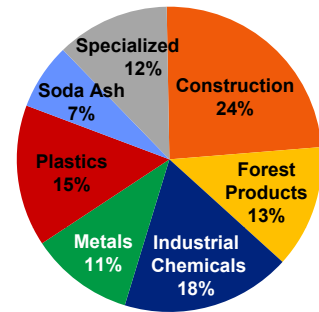
Volume in thousands of carloads
* Coal includes Coke; Sand includes Barites
** PRB includes SPRB and NPRB

Industrial

Revenue \$1,497M (+13%) Volume 458K (+9%) ARC \$3,269 (+3%)



Volume Mix



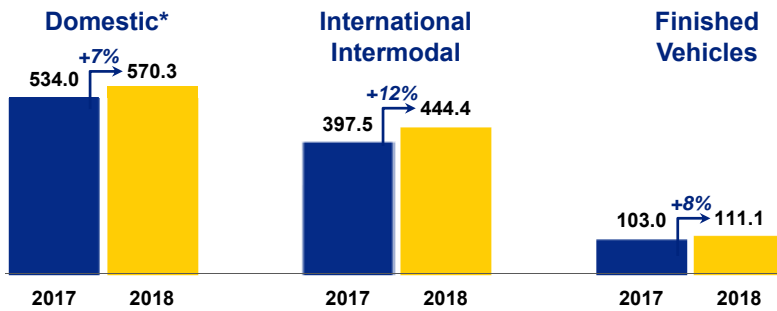
Quarterly Drivers

- Strong Construction Market Demand
- Increased Plastics Shipments
- Solid Industrial Production Growth

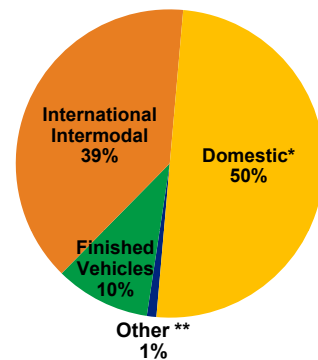
Volume in thousands of carloads

Premium

Revenue \$1,714M (+18%) Volume 1,133K (+9%) ARC \$1,513 (+9%)



Volume Mix



Quarterly Drivers

- New International Business
- Tight Truck Market
- Strong Truck and SUV Sales

Volume in thousands of carloads

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

2018 Volume Outlook



Agricultural Products

- ? Grain
- + Biofuels
- + Food and Beverage



Industrial

- + Plastics
- + Metals
- + Industrial Production



Energy

- + Petroleum Products
- Frac Sand
- Coal Headwinds



Premium

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



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Third Quarter 2018 Operations Review

Tom Lischer
Executive Vice President -
Operations

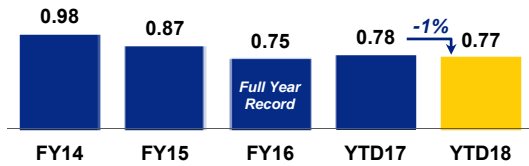
Safety



Employee

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

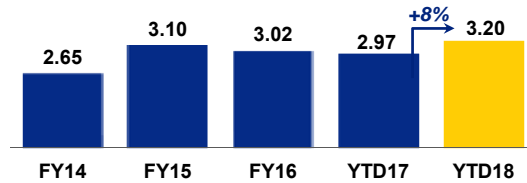
Good ↓



Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)

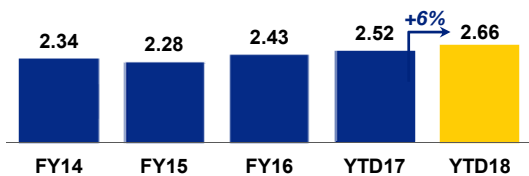
Good ↓



Public

(Crossing Accidents Per Million Train Miles)

Good ↓



- Continued Focus on Safety
- Goal of Zero Incidents

Unified Plan 2020

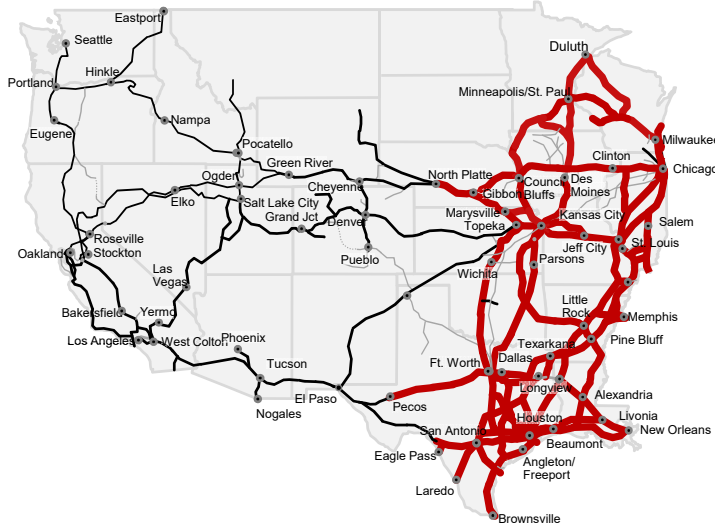
Precision Scheduled Railroading Tenets



- Shifting the focus of operations from moving trains to moving cars
- Minimizing car dwell, car classification events and locomotive requirements
- Utilizing general-purpose trains by blending train services
- Balancing train movements to improve the utilization of crews and rail assets



Mid-America Corridor Update



- ~50% of Carloads Touch the Corridor
- >150 T-Plan Changes
- Improving Operational Efficiency & Service Reliability

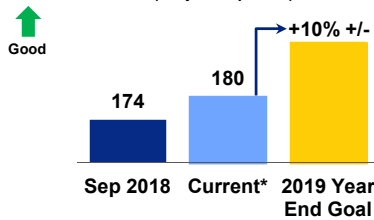
Key Performance Indicators

* 7-day averages, as of October 24, 2018



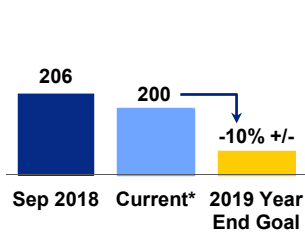
Freight Car Velocity

(Daily Miles per Car)



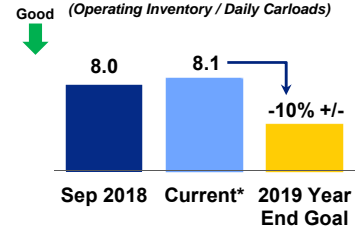
Operating Inventory

Good ↓



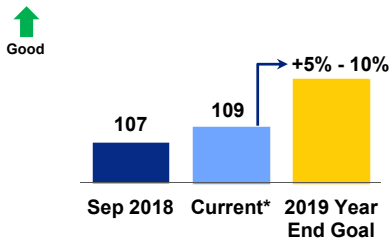
Cars per Carload

(Operating Inventory / Daily Carloads)



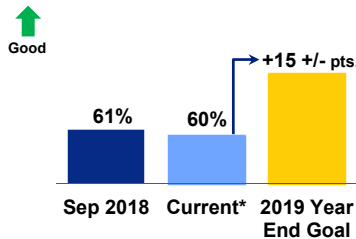
Locomotive Productivity

(GTMs per Horsepower Day)



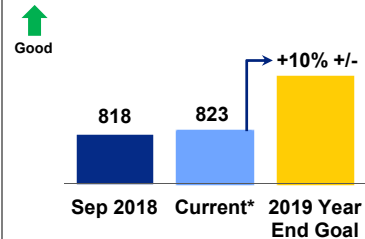
Car Trip Plan Compliance

(% Cars On Time)



Workforce Productivity

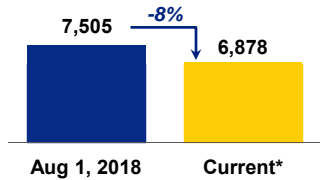
(Daily Car Miles per FTE)



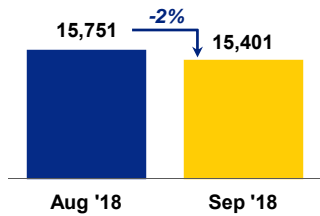
Laser Focused on Resources



Active Locomotive Fleet



TE&Y (Full-Time Equivalent)



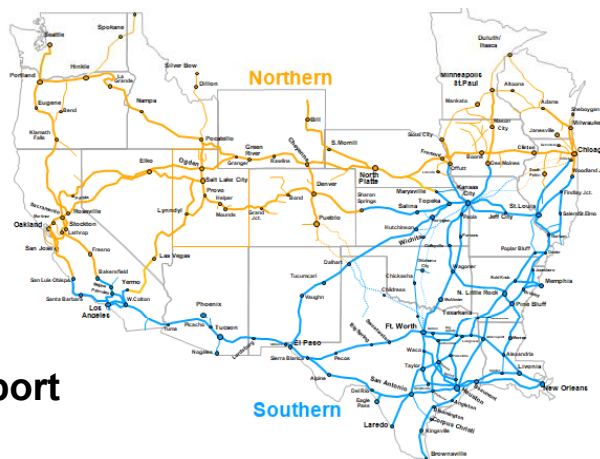
* As of October 24, 2018

- Removed Over 625 Locomotives Since August 1
- TE&Y Operating Leverage

Recent Initiatives



- Consolidating Operating Regions from Three to Two
- Reducing Service Units from 17 to 12
- Closing South Morrill Locomotive Facility
- Terminal Rationalization Review
- Realigning Customer Care & Support
- Restructuring Engineering
- Workforce Reduction



Operating Outlook



- Encouraged by Early Results
- Unified Plan 2020 Expectations:
 - A Safe, More Reliable Service Product
 - Significant Productivity Savings



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October 25, 2018

Third Quarter 2018 Financial Review

Rob Knight
Executive Vice President &
Chief Financial Officer

Third Quarter Income Statement

\$ in Millions (except EPS)



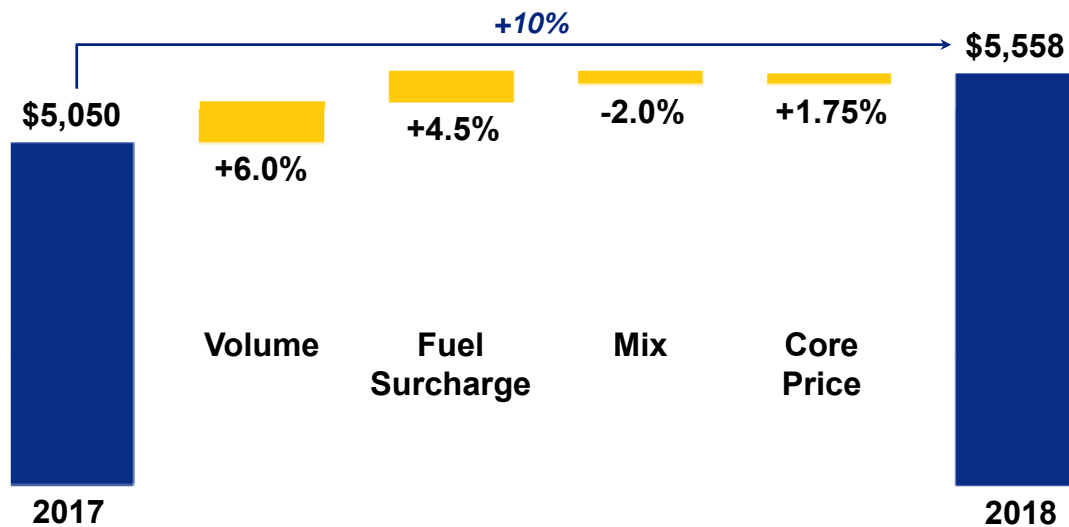
	<u>2018</u>	<u>2017</u>	<u>%</u>
Operating Revenues	\$5,928	\$5,408	10
Operating Expenses*	3,659	3,335	10
Operating Income	<u>2,269</u>	<u>2,073</u>	9
Other Income / (Expense)*	48	90	(47)
Interest Expense	(241)	(180)	34
Income Taxes	<u>(483)</u>	<u>(789)</u>	(39)
Net Income	<u>\$1,593</u>	<u>\$1,194</u>	33
Weighted Average Diluted Shares	740.9	797.6	(7)
Diluted EPS	<u>\$2.15</u>	<u>\$1.50</u>	43

* 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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Third Quarter Freight Revenue

(\$ In Millions)



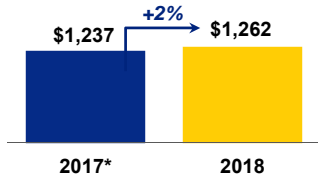
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Third Quarter Operating Expenses

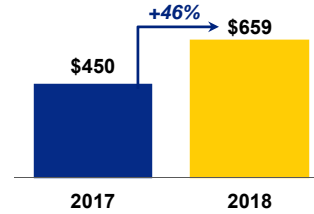
\$ In Millions



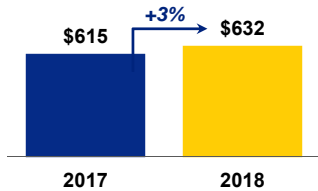
Compensation & Benefits



Fuel



Purchased Services & Materials



- Volume-Related Costs, Network Inefficiencies and TE&Y Training
- Higher Diesel Fuel Prices
- Higher Purchased Transportation and Mechanical Repair Costs

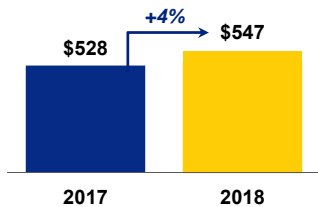
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Third Quarter Operating Expenses (cont)

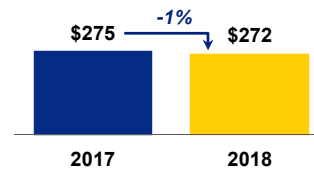
\$ In Millions



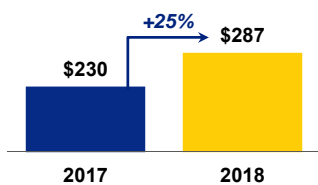
Depreciation



Equipment & Other Rents



Other Expenses



- Higher Depreciable Asset Base
- Lower Lease Expense and Higher Equity Income
- Higher State and Local Taxes

Productivity Update



- **Productivity Gains of ~\$60 Million, Offset by ~\$50 Million of Service Related Costs**
- **Focused on Eliminating Network Cost Inefficiencies**

3Q18 Net Productivity by Category

(\$ in millions)

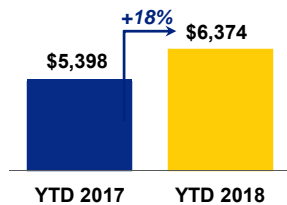
(\$20)	Network and Train Ops	<i>Slower velocity, TE&Y recrew, Limos & Lodging, Overtime, and Higher fuel consumption rate</i>
\$0	Equipment (Loco and Car)	<i>Lease savings, offset by active loco fleet and car cycle time</i>
\$30	Other Ops, Support, Sourcing, Mgmt & Admins	<i>Engineering, Safety, Support, Supply, Joint Facilities</i>
\$10	Net Results	

Cash Flow & Debt

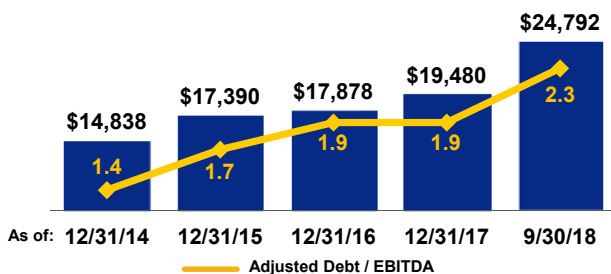
\$ In Millions



Cash From Ops



Adjusted Debt*

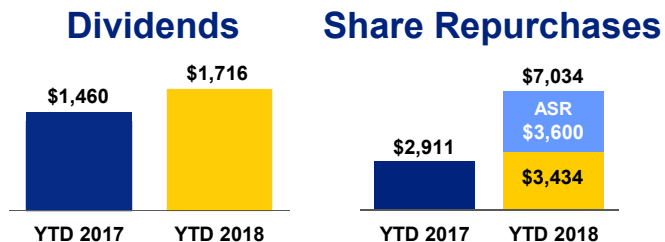


- **Higher Net Income, Lower Federal Tax Payments**
- **Increased Adj. Debt \$5.3 Billion since Year-End 2017**
 - Includes \$6 Billion Debt Offering in June 2018
- **Adj Debt / EBITDA of 2.3**

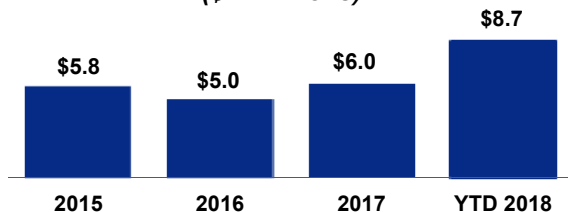
* See Union Pacific website under Investors for a reconciliation to GAAP 24

Delivering Value to Shareholders

\$ In Millions



Cash Returned to Shareholders (\$ In Billions)



YTD 2018 Cash Returned to Shareholders

- **Dividends:**
 - \$1.7 Billion
 - Three, 10% dividend increases in the past year
- **Share Repurchases:**
 - \$3.4 Billion of Open Market Purchases
 - \$3.6 Billion Accelerated Share Repurchase Program

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Financial Outlook



2018 Full Year

- Low to Mid Single Digit Volume Growth
- Price Above Inflation
- Capex Reduction of \$100 Million to ~ \$3.2 Billion
- Risk to Improved Operating Ratio Target

2019

- Volume and Pricing Gains
- Significant Benefits from G55 + 0, Including Unified Plan 2020
 - At Least \$500 Million of Productivity in 2019
- Operating Ratio Target of 60% by 2020
- Capex Less Than 15% of Revenue

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October 25, 2018

Third Quarter 2018 Earnings Release

Lance Fritz
Chairman, President & CEO

Looking Ahead



- **Record Third Quarter Results**
- **Strong Business Environment**
- **Regain Productivity Momentum**
- **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.

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Third Quarter 2018 Earnings Release

Question & Answer
Session