



October 22, 2015

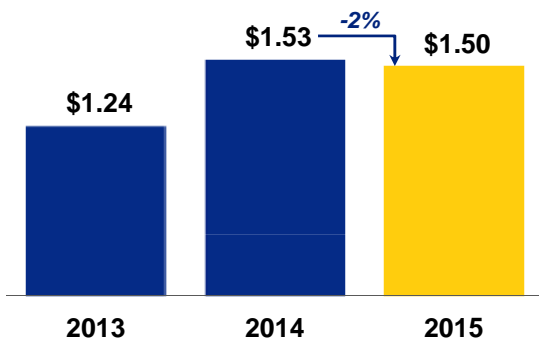
Third Quarter 2015 Earnings Release

Lance Fritz
Chairman, President & CEO

Third Quarter 2015 Results



Earnings Per Share Third Quarter



- Earnings Per Share Down 2%
- Softness in Demand
- Solid Core Pricing
- Record Operating Ratio



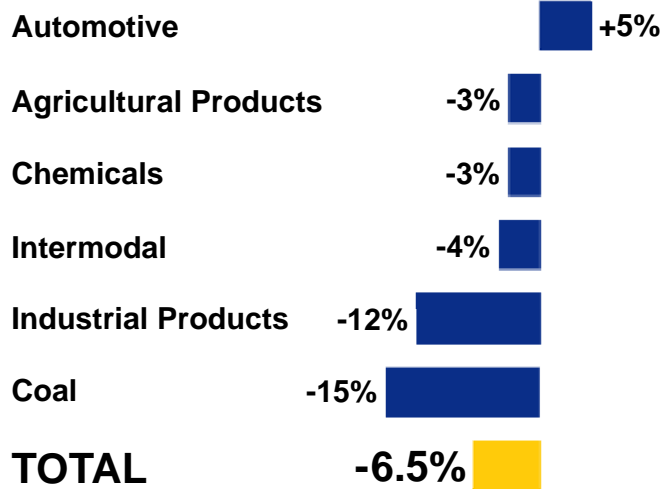
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Third Quarter 2015 Marketing & Sales Review

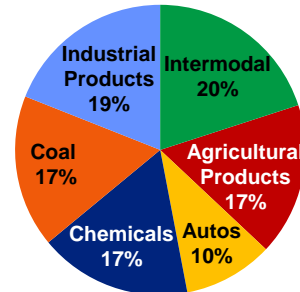
Eric Butler
Executive VP - Marketing & Sales

Third Quarter 2015 Recap

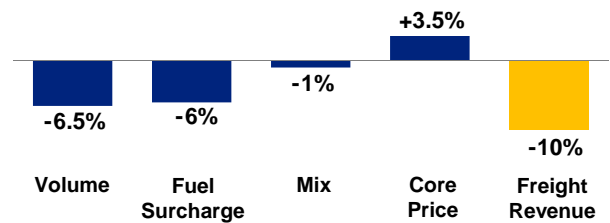
Volume Growth



Freight Revenue Mix

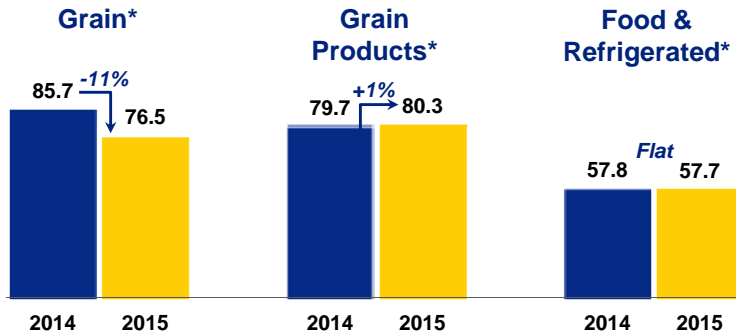


Freight Revenue Performance (Year-Over-Year Change)

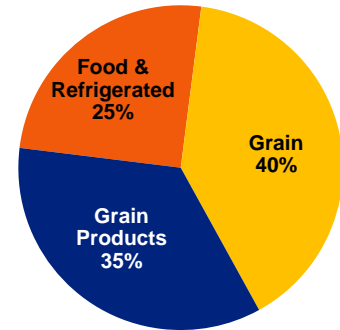


Agricultural Products

Revenue \$880M (-4%) Volume 232K (-3%) ARC \$3,793 (-1%)



Volume Mix



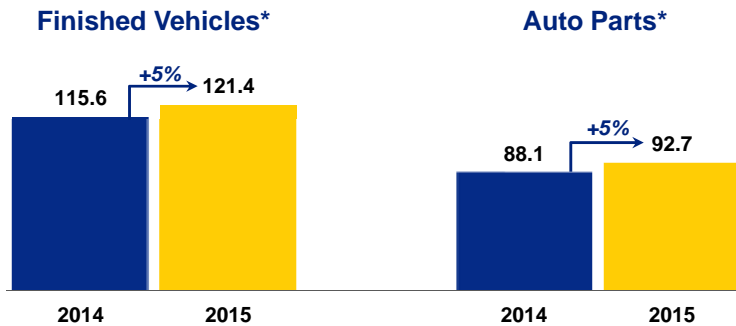
Quarterly Drivers

- Soft Export Grain Demand
- Record Soybean Meal Crush
- Refrigerated Market Headwinds

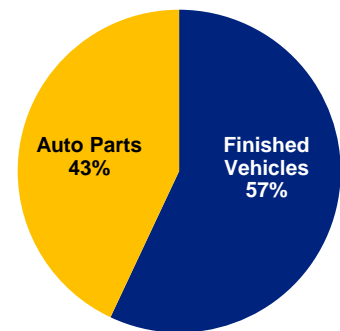
*Volume in thousands of carloads and excludes equipment shipments

Automotive

Revenue \$529M (Flat) Volume 214K (+5%) ARC \$2,469 (-5%)



Volume Mix



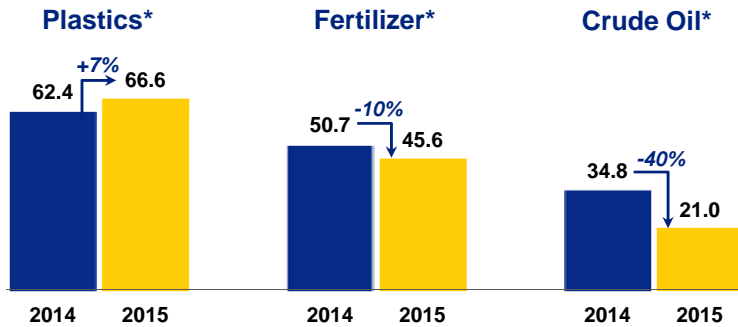
Quarterly Drivers

- Consumer Demand Remains Strong
- Strength in Production Drives Parts

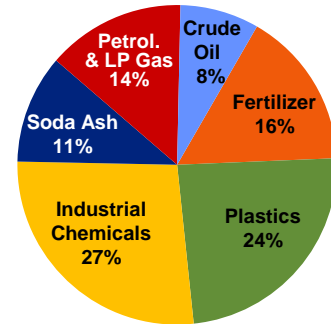
*Volume in thousands of carloads

Chemicals

Revenue \$882M (-6%) Volume 278K (-3%) ARC \$3,165 (-3%)



Volume Mix



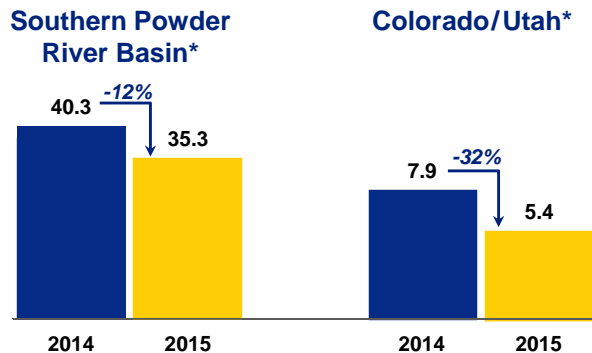
Quarterly Drivers

- Stable Resin Pricing and Export Growth Drives Plastics
- Delayed Fertilizer Demand
- Low Crude Oil Prices & Unfavorable Spreads

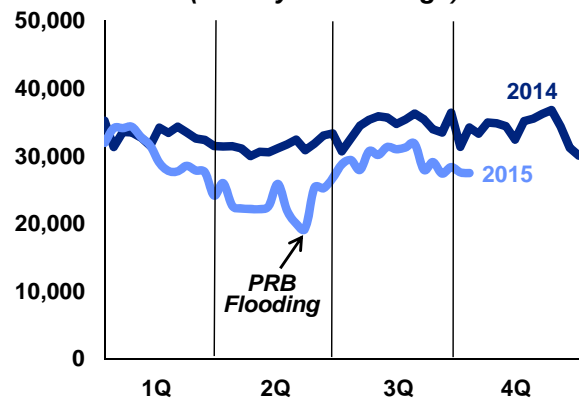
*Volume in thousands of carloads

Coal

Revenue \$898M (-18%) Volume 398K (-15%) ARC \$2,259 (-4%)



Volume Impact (Weekly Carloadings)



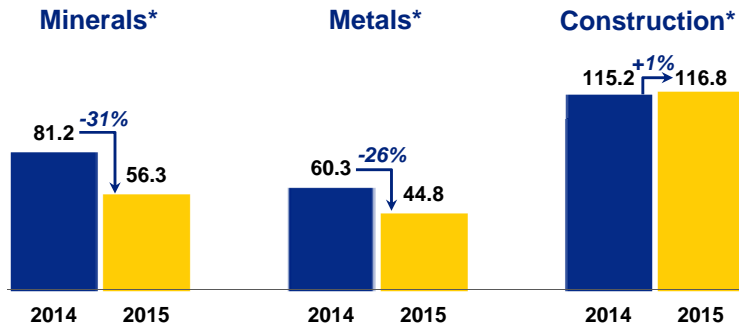
Quarterly Drivers

- Natural Gas Market Share
- Higher Coal Inventories
- Soft Export Demand

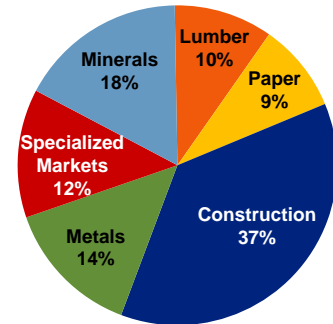
*Tons in Millions

Industrial Products

Revenue \$979M (-16%) Volume 319K (-12%) ARC \$3,073 (-4%)



Volume Mix**



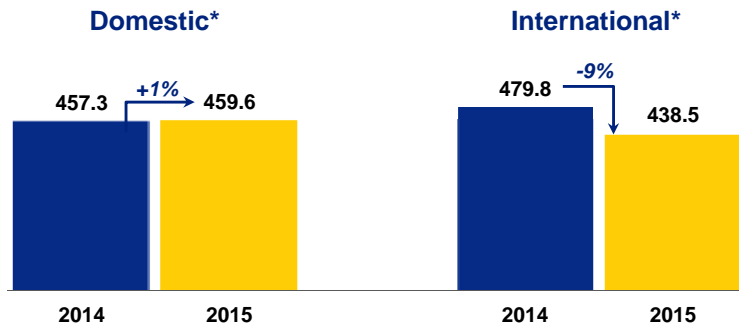
Quarterly Drivers

- Reduction in Drilling Activity
- Low Commodity Prices & Strong U.S. Dollar
- Solid Demand for Construction Products

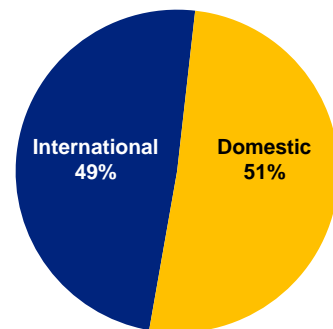
*Volume in thousands of carloads
**Specialized Markets includes Government, Hazardous, & Consumer

Intermodal

Revenue \$1,047M (-11%) Volume 898K (-4%) ARC \$1,166 (-7%)



Volume Mix



Quarterly Drivers

- Slow Recovery of West Coast Share
- Strong Prior Year Comp
- High Retail Inventory Levels

*Volume in thousands of carloads

Fourth Quarter 2015 Volume Outlook



Agricultural Products

- Global Grain Supply
- ? Refrigerated Markets



Chemicals

- + Core Markets Solid
- Crude Oil Prices and Spreads



Automotive

- + Strong Industry Sales Continue



Industrial Products

- Shale Drilling
- ? Housing Impact
- + Construction Products



Coal

- Price of Natural Gas
- Exports
- ? Weather



Intermodal

- + Domestic Highway Conversions
- Retail Sales



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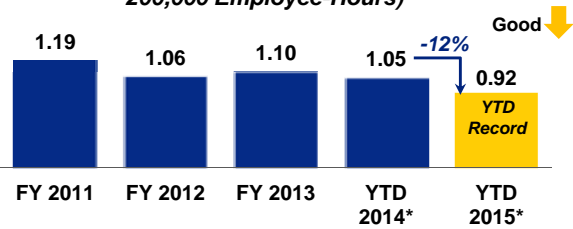
Third Quarter 2015 Operations Review

Cameron Scott
Executive VP - Operations

Safety

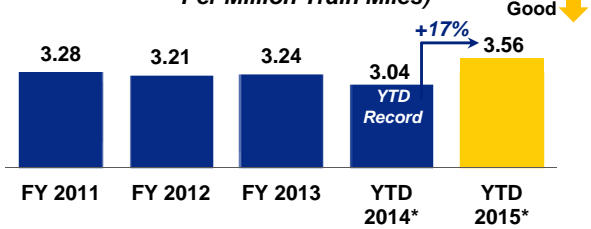
Employee

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



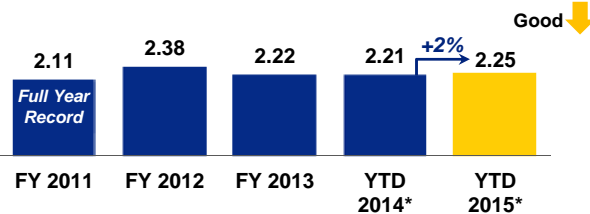
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)



Public

(Crossing Accidents Per Million Train Miles)



- Record Employee Safety Toward Goal of Zero Incidents
- Focus on Eliminating Human Factor Incidents & Invest in Infrastructure
- Public Safety Campaigns & Community Partnerships

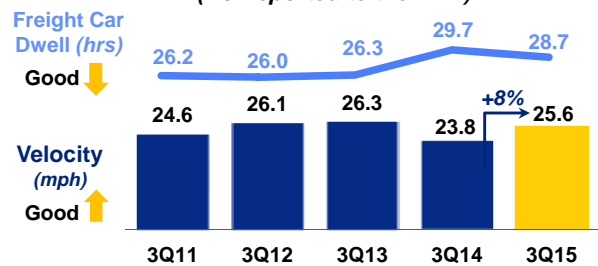
*January-September 13

Network & Service Performance

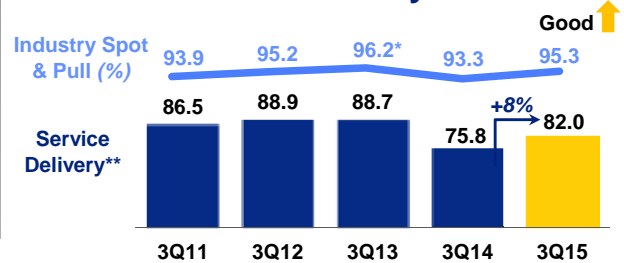
- Solid Improvement
- Dynamic Environment
- Leverage Franchise Strengths
- Focus on Further Improving Service & Costs

Velocity & Dwell

(As Reported to the AAR)



Service Delivery & IS&P



*Best-ever quarter

**Includes early deliveries 14

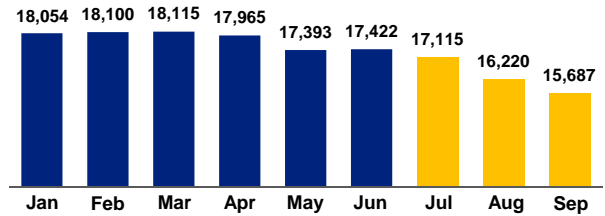
Resourcing to Demand

Significant Progress in Third Quarter

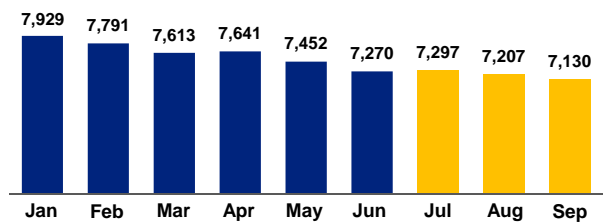


- **TE&Y Workforce**
 - Furlough / AWTS: ~2,700*
 - September Down 10% vs June
- **Locomotives**
 - Storage: ~950*
- **Aligning Other Resources**

Total TE&Y**



Active Locomotive Fleet



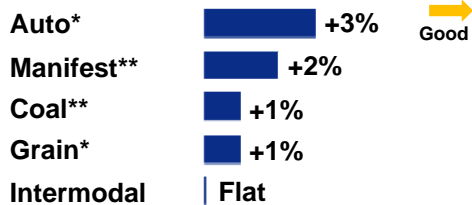
* As of September 30, 2015

** Full-time Equivalent

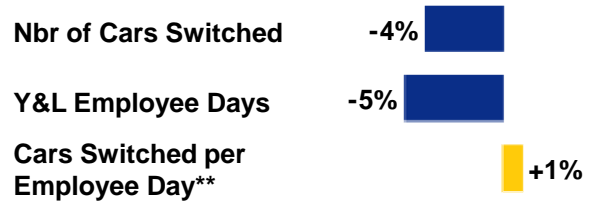
Network Productivity



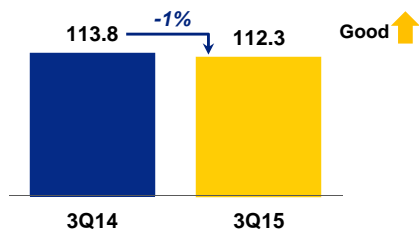
Train Size Performance (vs 3Q14)



Terminal Productivity (vs 3Q14)



Locomotive Productivity (Gross Ton Miles per HP Day)



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

*Third quarter record

**Best-ever quarter

Operating Outlook

- Generate Record Safety Results on the Way Toward Incident Free Environment
- Leverage Franchise to Drive Operational Performance
- Realize Productivity to Improve Cost Performance
- Create Value for Customers & Increase Returns for Shareholders



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Third Quarter 2015 Financial Review

Rob Knight
CFO

Third Quarter Income Statement

In Millions (except EPS)

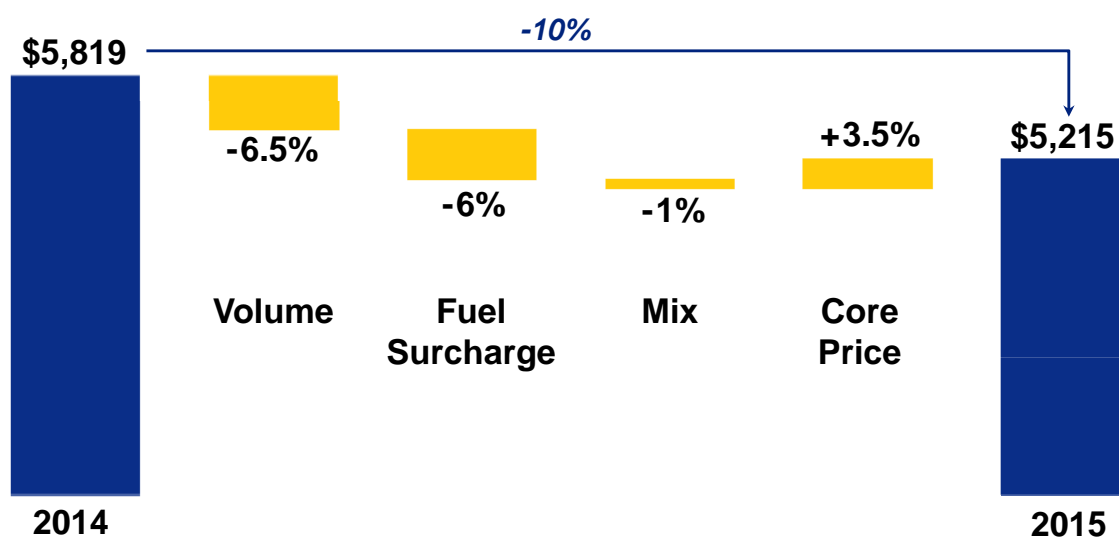


	<u>2015</u>	<u>2014</u>	<u>%</u>
Operating Revenues	\$5,562	\$6,182	(10)
Operating Expenses	3,354	3,852	(13)
Operating Income	<u>2,208</u>	<u>2,330</u>	(5)
Other Income	30	20	50
Interest Expense	(157)	(144)	9
Income Taxes	<u>(781)</u>	<u>(836)</u>	(7)
Net Income	<u>\$1,300</u>	<u>\$1,370</u>	(5)
Weighted Average Diluted Shares	865.8	896.9	(3)
Diluted EPS	<u>\$1.50</u>	<u>\$1.53</u>	(2)

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Freight Revenue

Third Quarter (In Millions)



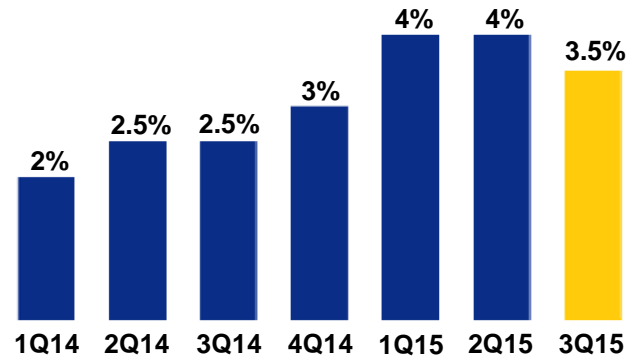
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Core Pricing Trends



- Core Pricing Above Inflation
- Pricing to the Value Proposition
- Legacy Benefit

Core Pricing Gains

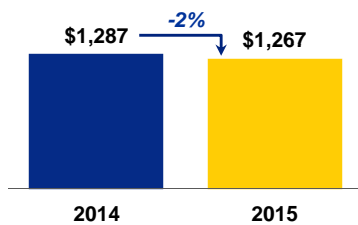


Compensation & Benefits Expense

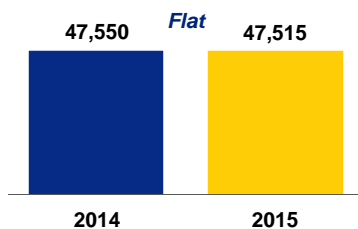
Third Quarter 2015 \$1,267M, -2%



Compensation & Benefits (in Millions)



Workforce Levels (Quarterly Average)



Quarterly Drivers

- Aligning Workforce with Demand
- Inflation Costs

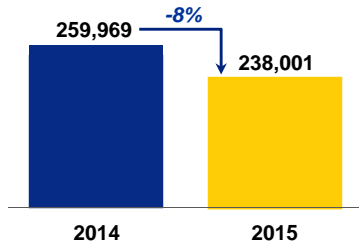
- Increase in Capital Labor Offset by 3% OE Workforce Reduction

Fuel Expense

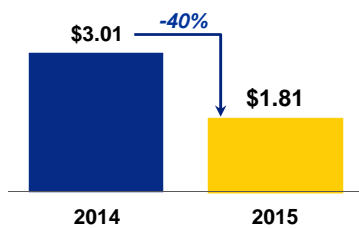
Third Quarter 2015 \$484M, -45%



Gross-Ton-Miles (in Millions)



Average Fuel Price (Per Gallon Consumed)



Quarterly Drivers

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

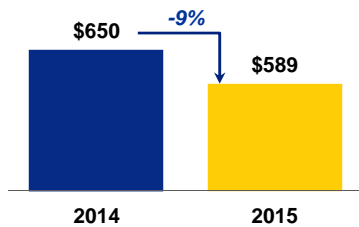
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Third Quarter 2015 Expense Review

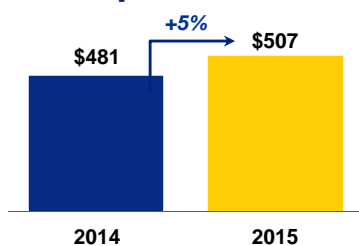
In Millions



Purchased Services & Materials



Depreciation



Quarterly Drivers

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

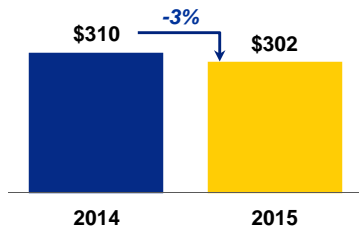
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Third Quarter 2015 Expense Review (cont)

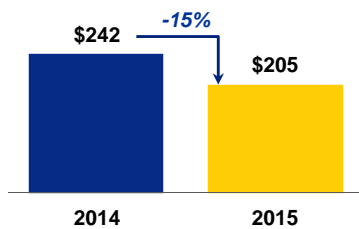
In Millions



Equipment & Other Rents



Other



Quarterly Drivers

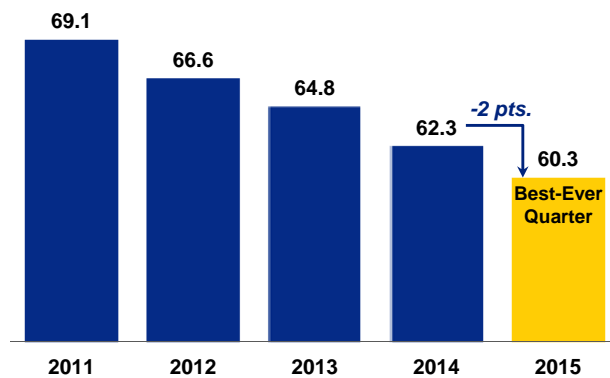
- Lower Locomotive Lease & Volume-Related Expense
- Decreased Freight, Equipment, & Property Damage Costs
- Reduction in General Expense

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Operating Ratio Performance



Third Quarter (Percent)



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

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

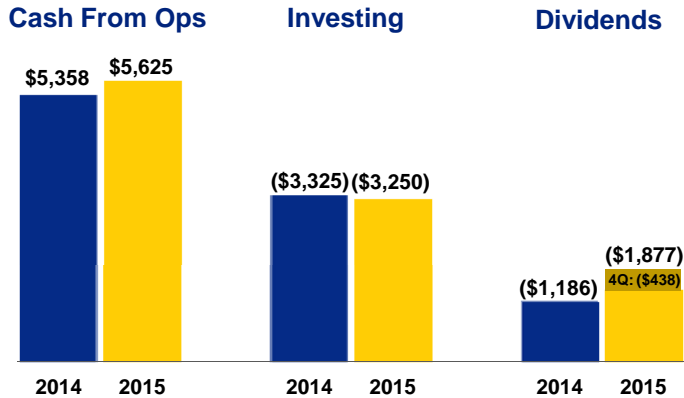
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Free Cash Flow

Nine Month Period Ended September 30 (\$ In Millions)



Free Cash Flow*



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

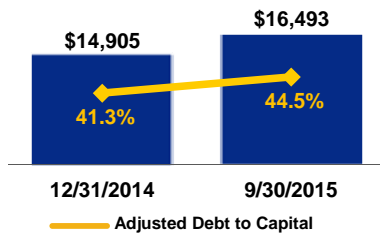
* See Union Pacific website under Investors for a reconciliation to GAAP.

Debt & Leverage

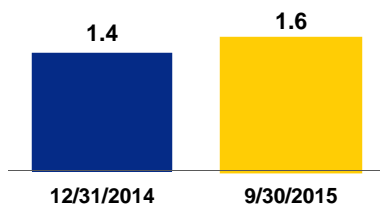
(\$ In Millions)



Total Debt* (Adjusted)



Adjusted Debt / Adjusted EBITDA*



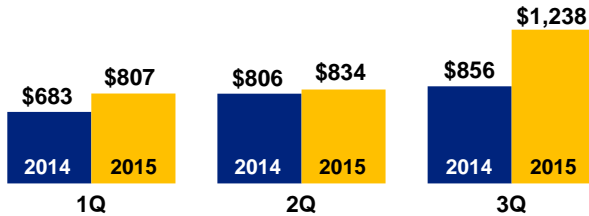
- Strong Balance Sheet
- Investment Grade Credit Rating
- \$2.25 Billion YTD Debt Issuance

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

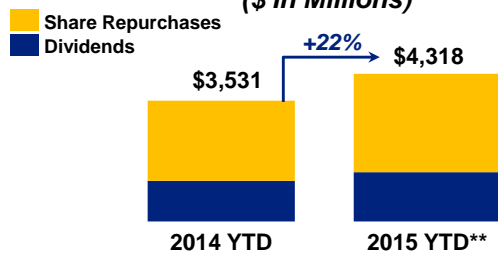
Driving Strong Shareholder Value



Quarterly Share Repurchases (\$ In Millions)



Dividends & Share Repurchases* (\$ In Millions)



* Through September ** Excludes 4Q14 dividend payment made Jan. 2, 2015

- Repurchase Activity
 - 13.8 Million Shares in 3Q
 - 28.7 Million Shares YTD
 - ~59 Million Shares Remain Under Current Authorization
- Cash Returned to Shareholders up 22%

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Closing Out 2015



- Lower Year-over-Year Volumes
- Business Mix Challenges
- Focus on Core Pricing
- Continued Productivity & Cost Improvement



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Third Quarter 2015 Earnings Release

Lance Fritz
Chairman, President & CEO

Looking Ahead

- **Further Productivity & Cost Efficiencies**
- **Unrelenting Focus on Safety & Service**
- **Uncertain Economy & Demand Outlook**
- **Long-Term Franchise Opportunity**



Cautionary Information



This presentation and related materials contain statements about the Corporation's future that are not statements of historical fact, including specifically the statements regarding the Corporation's expectations with respect to economic conditions, government regulation, 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 Corporation'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 Corporation'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 Corporation'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 Corporation's Annual Report on Form 10-K for 2014, which was filed with the SEC on February 6, 2015. The Corporation 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 Corporation 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 Corporation does update one or more forward-looking statements, no inference should be drawn that the Corporation 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.



October 22, 2015

Third Quarter 2015 Earnings Release

Question & Answer
Session