



April 27, 2017

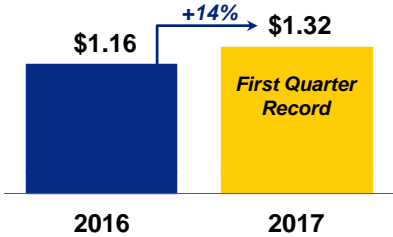
First Quarter 2017 Earnings Release

Lance Fritz
Chairman, President & CEO

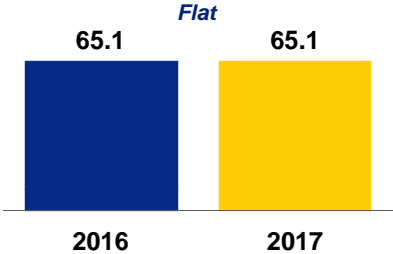
First Quarter 2017 Results



Earnings Per Share First Quarter



Operating Ratio First Quarter





April 27, 2017

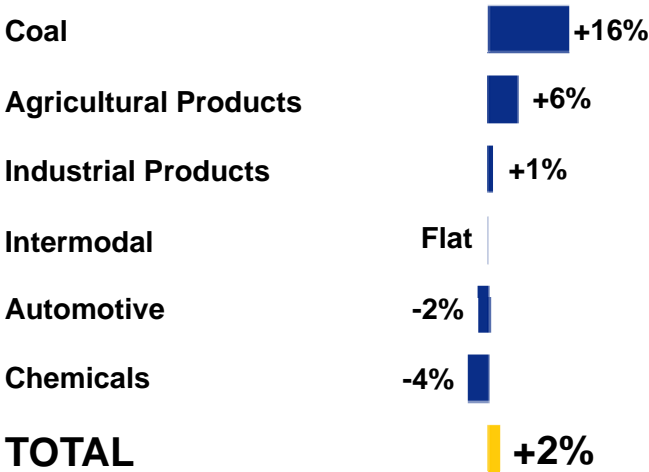
First Quarter 2017 Marketing & Sales Review

Beth Whited
Executive VP & Chief Marketing Officer

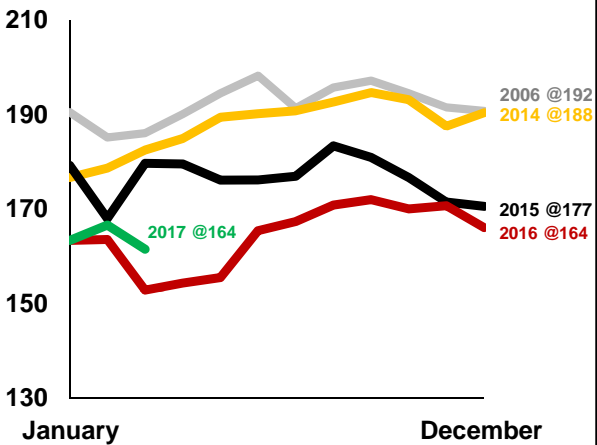
First Quarter 2017 Recap



Volume Growth

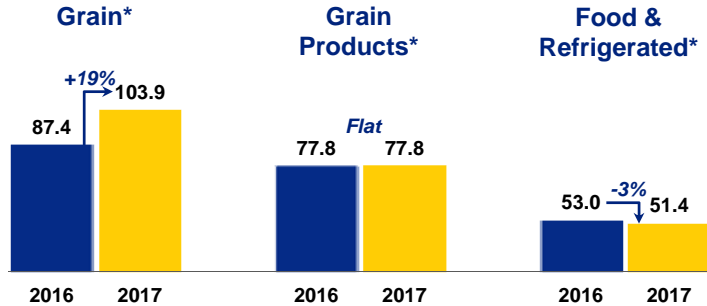


7-Day Monthly Carloadings (000s)

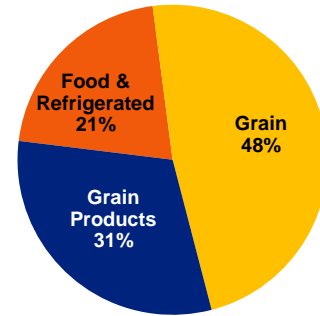


Agricultural Products

Revenue \$942M (+7%) Volume 250K (+6%) ARC \$3,773 (+1%)



Volume Mix



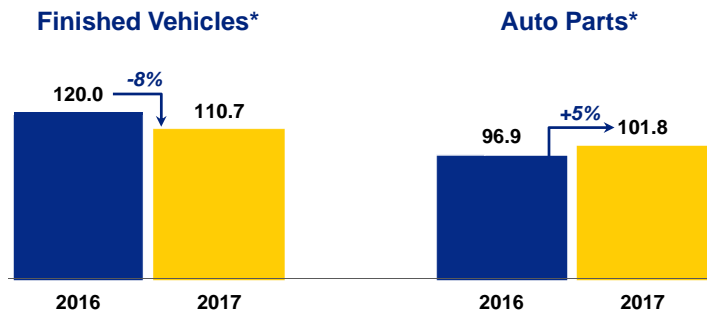
Quarterly Drivers

- Strong Grain Exports
- Reduced Canned Goods
- Weather Challenges

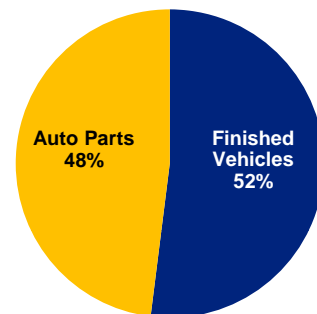
*Volume in thousands of carloads and excludes equipment shipments

Automotive

Revenue \$504M (-1%) Volume 212K (-2%) ARC \$2,373 (+1%)



Volume Mix



Quarterly Drivers

- Production Levels & Contract Changes
- Vehicle Sales Moderating
- Continued Parts Strength

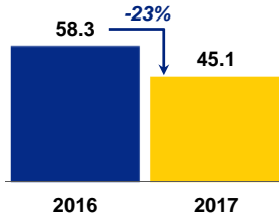
*Volume in thousands of carloads

Chemicals

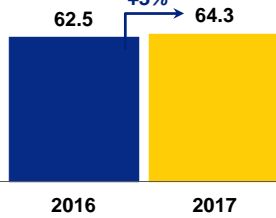
Revenue \$885M (+1%) Volume 257K (-4%) ARC \$3,448 (+5%)



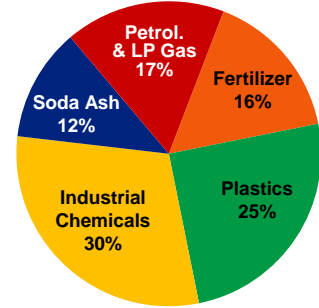
Petroleum & LPG*



Plastics*



Volume Mix



Quarterly Drivers

- Continued Crude Oil Declines
- Strength in Plastics

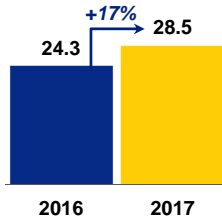
*Volume in thousands of carloads

Coal

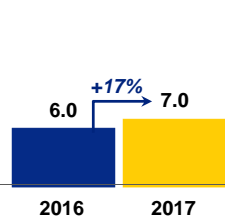
Revenue \$648M (+25%) Volume 304K (+16%) ARC \$2,134 (+8%)



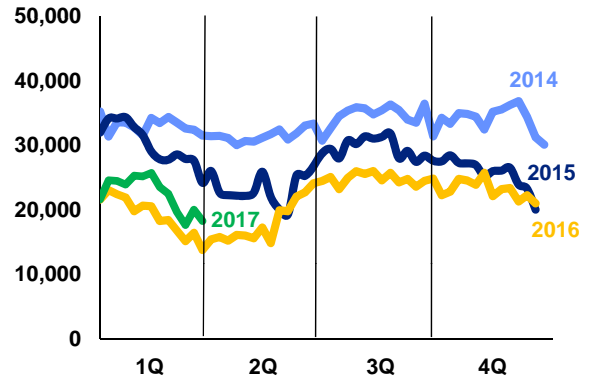
Powder River Basin*[^]
(Tons in MM)



Other Regions*
(Tons in MM)



Volume Impact
(Weekly Carloadings)



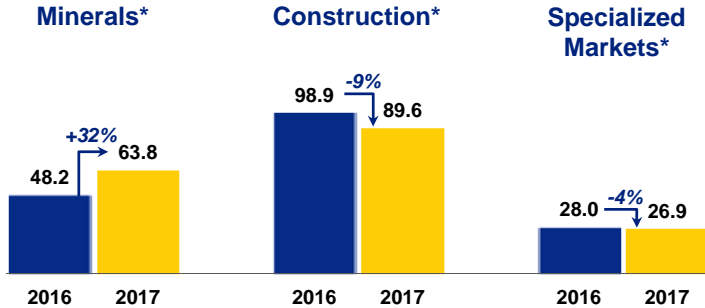
Quarterly Drivers

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

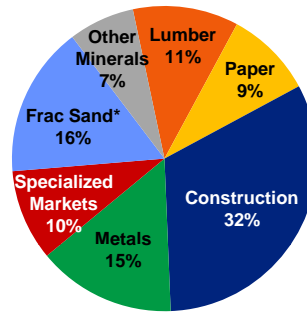
* PRB includes SPRB and NPRB
^ Figures revised from original version published on April 27, 2017

Industrial Products

Revenue \$907M (+9%) Volume 278K (+1%) ARC \$3,261 (+7%)



Volume Mix



*Includes Barites

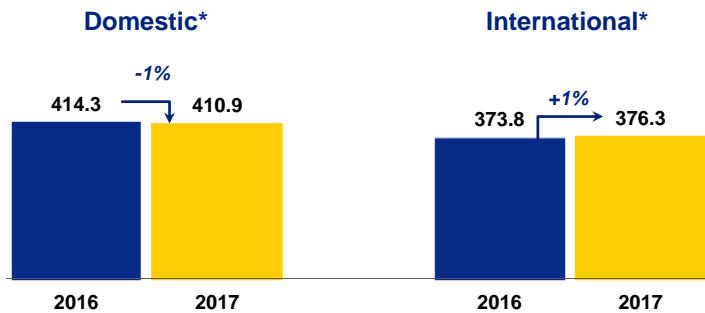
Quarterly Drivers

- Improved Shale Drilling Activity
- Decreased Rock Shipments
- Reduced Waste Volume

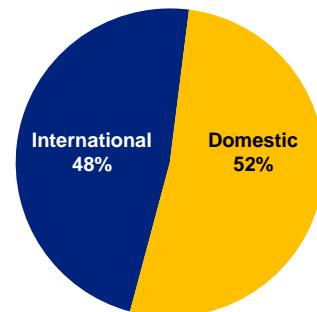
*Volume in thousands of carloads

Intermodal

Revenue \$908M (+3%) Volume 787K (Flat) ARC \$1,154 (+3%)



Volume Mix



Quarterly Drivers

- Competitive Pressures
- Improved International Shipments

*Volume in thousands of loads

2017 Volume Outlook



Agricultural Products
? Grain
+ Food and Refrigerated



Coal
+ Favorable Comps
? Price of Natural Gas



Automotive
? Consumer Demand
+ Parts Growth



Industrial Products
+ Frac Sand
? U.S. Dollar Strength



Chemicals
+ Plastics
- Crude Oil Declines



Intermodal
? International Intermodal
+ Over the Road Conversions



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First Quarter 2017 Operations Review

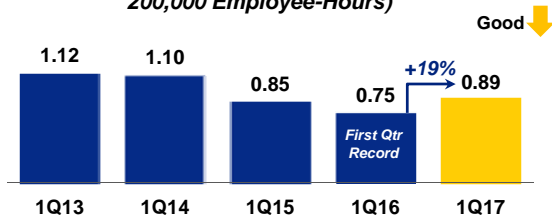
Cameron Scott
Executive VP & Chief Operating
Officer

Safety



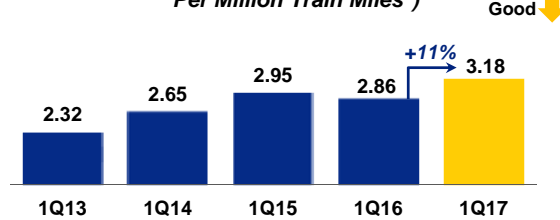
Employee

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



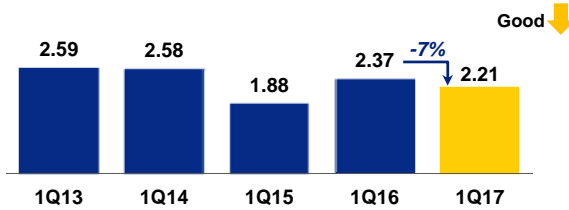
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles*)



Public

(Crossing Accidents Per Million Train Miles)



- Goal of Zero Incidents
- Enhanced Training & Infrastructure Investment
- Crossing Assessment Process

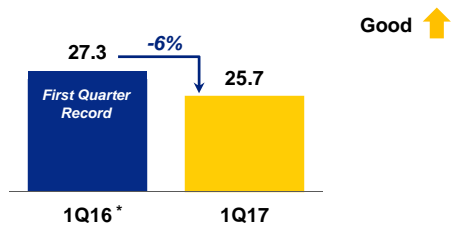
*Starting in August 2016, crossing collisions were excluded from rail equipment incidents per FRA methodology. Prior periods have been adjusted to reflect the change. ¹³

Network Performance



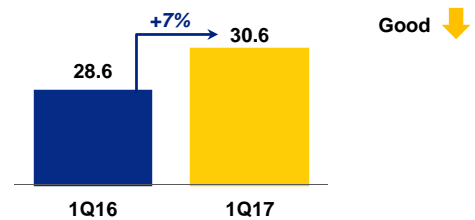
Velocity

(As Reported to the AAR, in mph)



Terminal Dwell

(As Reported to the AAR, in hours)



Terminal Productivity

(vs 1Q16)

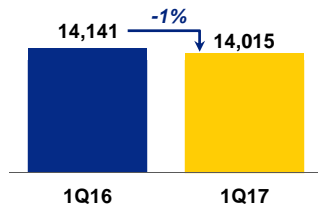


- Western Region Weather Challenges
- Improved Terminal Productivity

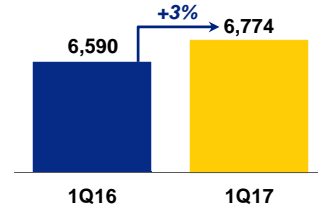
Volume & Performance Drive Resources



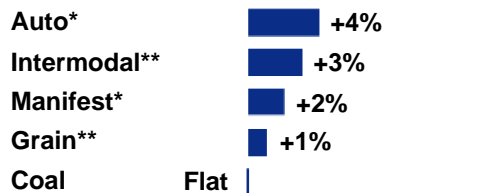
Total TE&Y (Full-Time Equivalent)



Active Locomotive Fleet



Train Size Performance (vs 1Q16)



- **Balanced Resource Base**
 - TE&Y Furloughs[^]: ~1,650
 - Stored Locomotives[^]: ~1,400
- **Adjust with Volume and Network Performance**

* Best-Ever Quarter **First-Quarter Record ^As of March 31, 2017 15

Operating Outlook



- **Continue to Generate Positive Safety Results**
- **Resource Agility**
- **Maintain Focus on Productivity & Efficiency**





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First Quarter 2017 Financial Review

Rob Knight
Executive VP & Chief Financial
Officer

First Quarter Income Statement

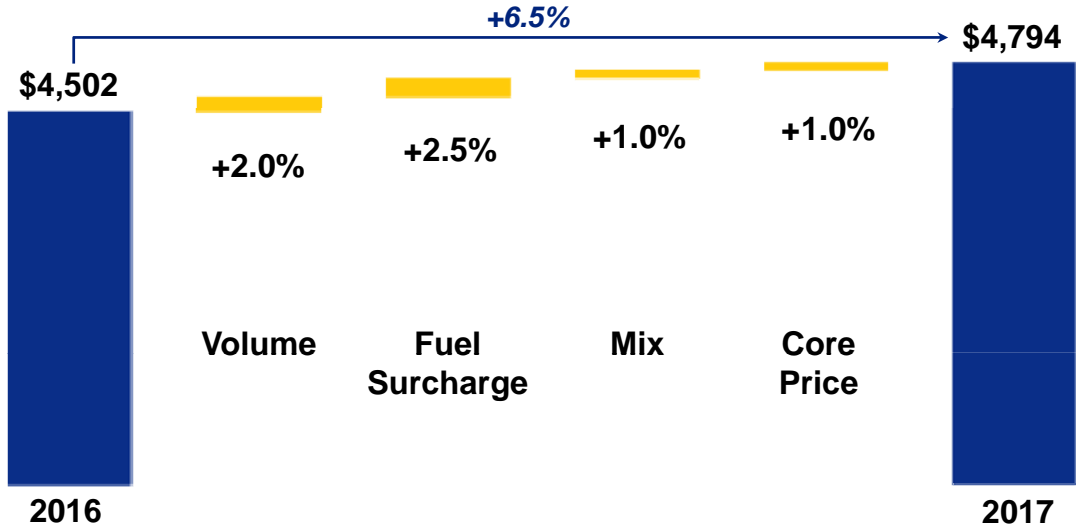
\$ in Millions (except EPS)



	<u>2017</u>	<u>2016</u>	<u>%</u>
Operating Revenues	\$5,132	\$4,829	6
Operating Expenses	3,339	3,142	6
Operating Income	<u>1,793</u>	<u>1,687</u>	6
Other Income	67	46	46
Interest Expense	(172)	(167)	3
Income Taxes	<u>(616)</u>	<u>(587)</u>	5
Net Income	<u>\$1,072</u>	<u>\$979</u>	9
Weighted Average Diluted Shares	814.8	846.7	(4)
Diluted EPS	<u>\$1.32</u>	<u>\$1.16</u>	14

Freight Revenue

First Quarter (\$ In Millions)



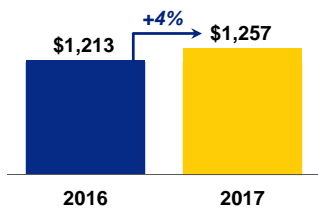
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First Quarter Operating Expenses

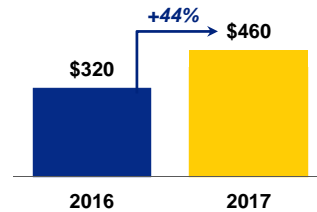
\$ In Millions



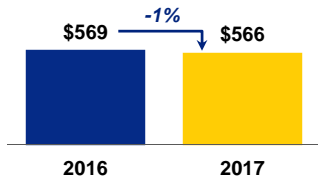
Compensation & Benefits



Fuel



Purchased Services & Materials



- Inflation and Volume Increases
- Higher Diesel Fuel Prices
- Weather and Incident Related Expenses

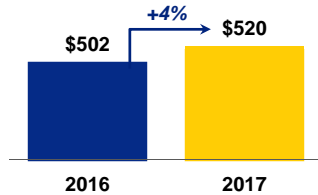
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First Quarter Operating Expenses (cont)

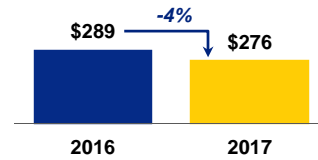
\$ In Millions



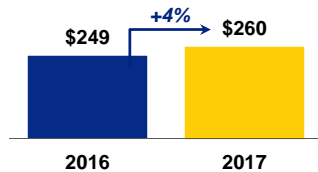
Depreciation



Equipment & Other Rents



Other Expenses



- Higher Depreciable Base
- Lower Locomotive Lease Expense

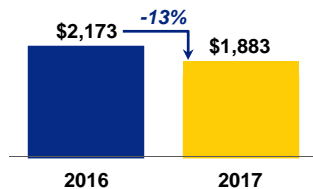
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Cash Flow & Debt

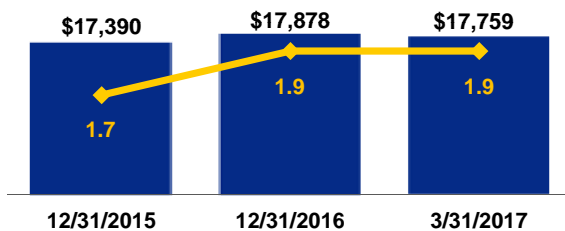
\$ In Millions



Cash From Operations



Adjusted Debt*



Adjusted Debt / EBITDA*

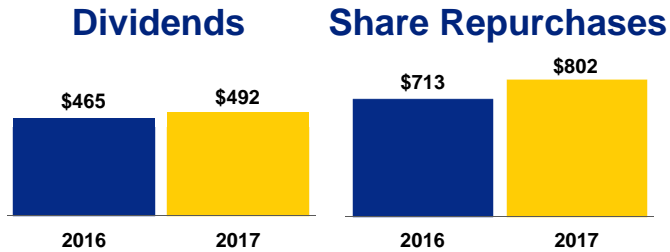
- Bonus Depreciation
- Capital Investments
- Increased Adj. Debt over \$5 Billion since 2013

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

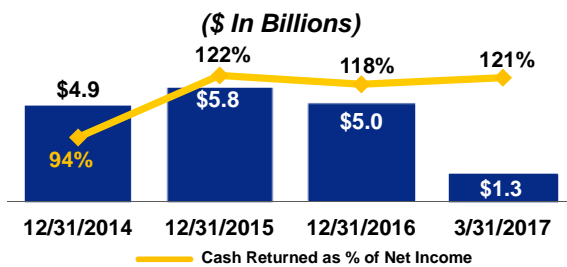
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Delivering Value to Shareholders

\$ In Millions



Cash Returned to Shareholders



- Four Year, 120 Million Share Repurchase Program Beginning January 1, 2017
- Repurchased 7.5 Million Shares Totaling \$802 Million in 2017
 - ~30% of Outstanding Shares Since 2007
- 2017 YTD Cash Returns to Shareholders: 121% of Net Income

Productivity Update

First Quarter Results:
~\$90 Million of Savings

- Leveraged Volume Growth
- Reduced Locomotive Costs
- Lease Turnbacks
- Support Function Initiatives



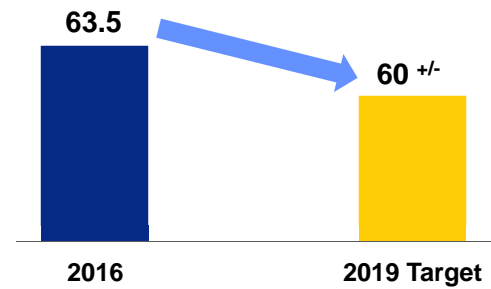
2017 Outlook



Full Year

- Low Single Digit Volume Growth
- Price Above Inflation
- Productivity \$350 to \$400 Million
- Improved Operating Ratio

Operating Ratio (%)



Continued Focus on G55+0



April 27, 2017

First Quarter 2017 Earnings Release

Lance Fritz
Chairman, President & CEO

Looking Ahead



- **Solid First Quarter Results**
- **Continued Focus on Pricing & Productivity**
- **Gradual Improvement in the Economy**
- **Value Tracks Have us Well Positioned**



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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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April 27, 2017

First Quarter 2017 Earnings Release

Question & Answer
Session