



January 24, 2019

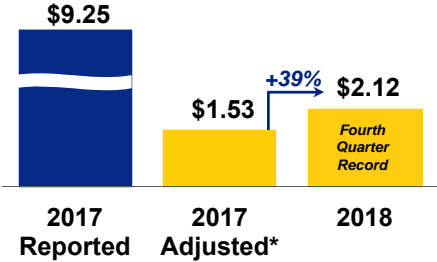
Fourth Quarter 2018 Earnings Release

Lance Fritz
Chairman, President & CEO

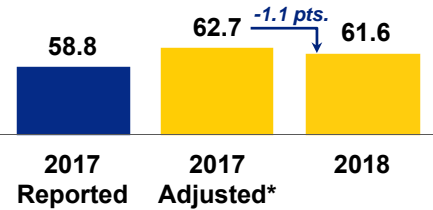
Fourth Quarter 2018 Results



Earnings Per Share Fourth Quarter



Operating Ratio Fourth Quarter



*Adjusted to exclude the impact of Corporate Tax Reform. See Union Pacific website under Investors for a reconciliation to GAAP.



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Fourth Quarter 2018 Earnings Release

Jim Vena
Chief Operating Officer



January 24, 2019

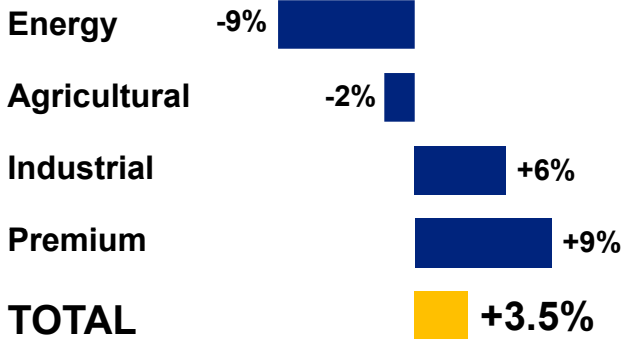
Fourth Quarter 2018 Marketing & Sales Review

Kenny Roker
Executive Vice President –
Marketing & Sales

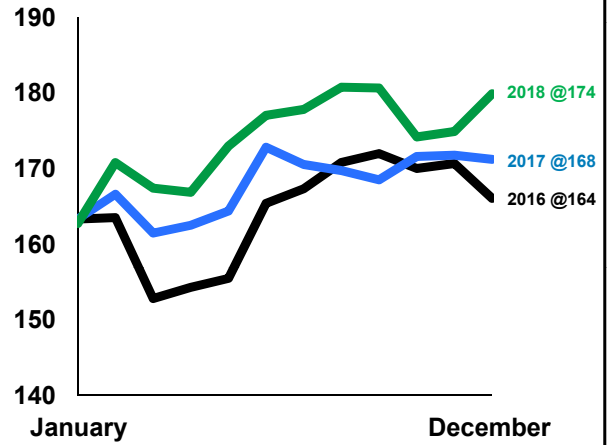
Fourth Quarter 2018 Recap



Volume Growth



7-Day Monthly Carloadings (000s)

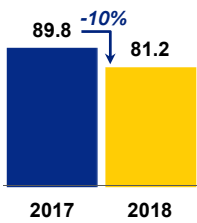


Agricultural Products

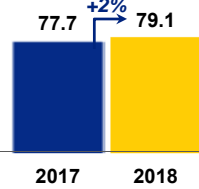
Revenue \$1,124M (+5%) Volume 275K (-2%) ARC \$4,079 (+7%)



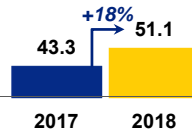
Grain*



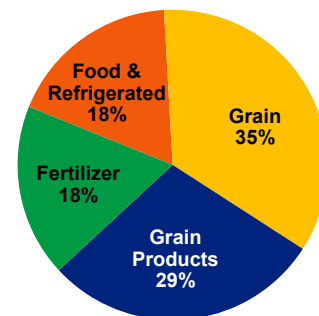
Grain Products



Fertilizer



Volume Mix



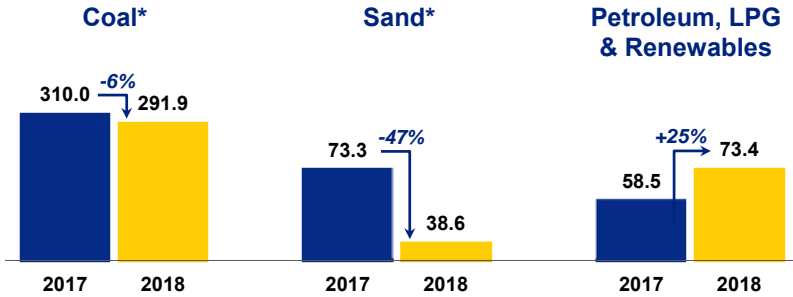
Quarterly Drivers

- Reduced Soybean Exports
- Strong Demand for Biofuels
- Increased Fertilizer Shipments

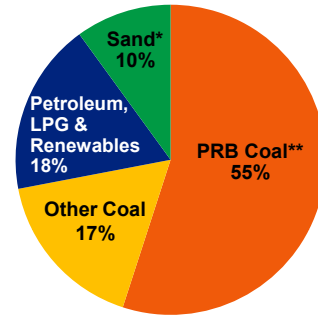
Volume in thousands of carloads
*Excludes equipment shipments

Energy

Revenue \$1,110M (-8%) Volume 404K (-9%) ARC \$2,748 (Flat)



Volume Mix



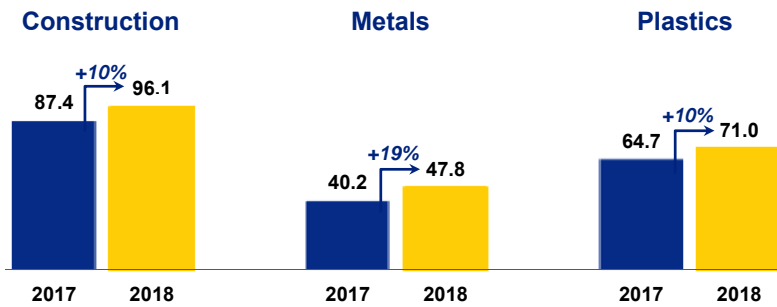
Quarterly Drivers

- Continued Coal Headwinds
- More Local Sourcing for Sand
- Crude Oil Growth

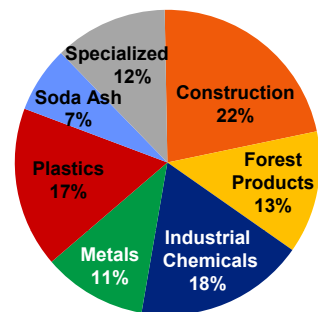
Volume in thousands of carloads
 * Coal includes Coke; Sand includes Barites
 ** PRB includes SPRB and NPRB

Industrial

Revenue \$1,405M (+10%) Volume 431K (+6%) ARC \$3,258 (+3%)



Volume Mix



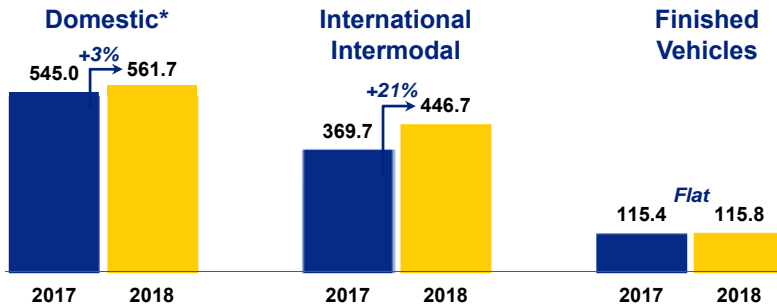
Quarterly Drivers

- Strong Construction Market Demand
- Solid Pipe Demand
- Plastics Production Growth

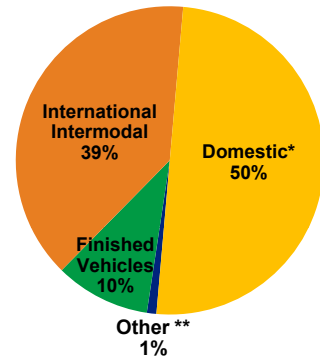
Volume in thousands of carloads

Premium

Revenue \$1,748M (+15%) Volume 1,132K (+9%) ARC \$1,546 (+6%)



Volume Mix



Quarterly Drivers

- New International Business and Tariff Pull Ahead
- Another Strong Peak Season
- Positive Vehicle Mix

Volume in thousands of carloads
 * Domestic includes domestic intermodal and auto parts moved in intermodal containers
 ** Includes non-intermodal auto parts

2019 Volume Outlook



Agricultural Products

- + Biofuels
- + Food and Beverage
- ? Grain



Industrial

- + Plastics
- + Industrial Production



Energy

- + Petroleum Products
- Frac Sand
- Coal Headwinds



Premium

- + Light Truck / SUV Sales
- + Over the Road Conversions
- ? Trade & Economy



January 24, 2019

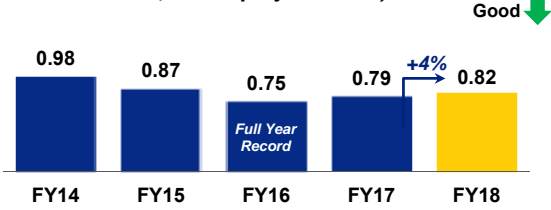
Fourth Quarter 2018 Operations Review

Tom Lischer
Executive Vice President - Operations

Safety

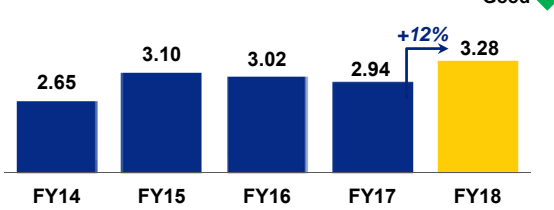
Employee

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



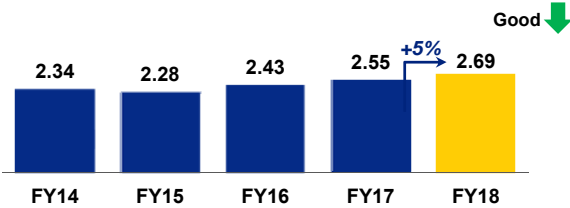
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)



Public

(Crossing Accidents Per Million Train Miles)



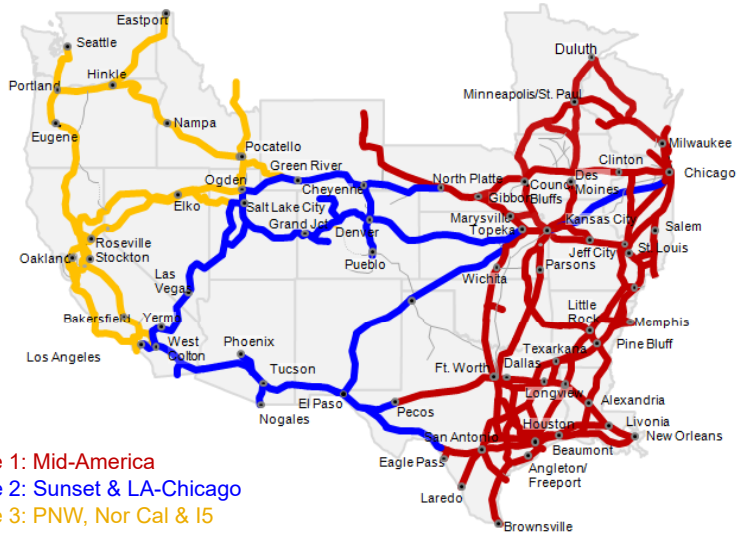
- Continued Focus on Safety
- Goal of Zero Incidents

Unified Plan 2020 Update

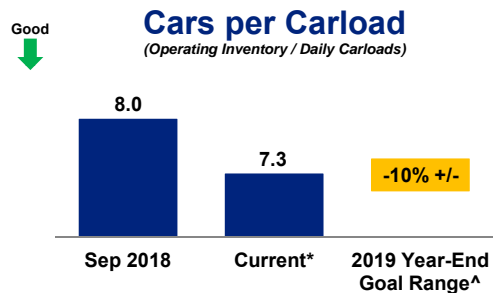
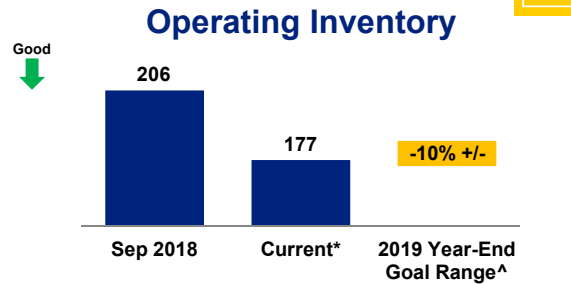
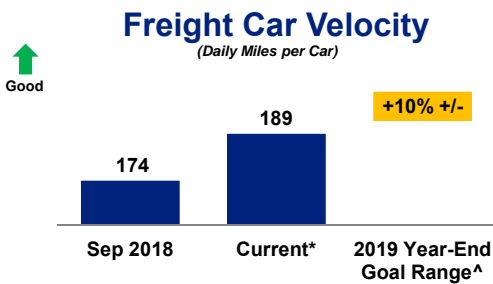


Unified Plan 2020 Phases

- Phase I Implementation Began October 1st
- Implementation Underway for Phase 2
- Phase 3 Planning to Begin January 28th
- Full Implementation by Mid-2019



Unified Plan 2020 Key Performance Indicators

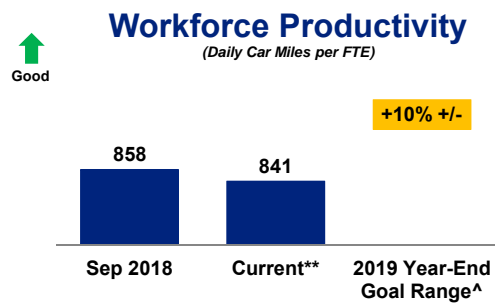
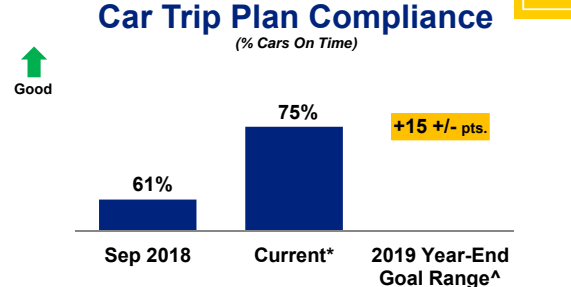
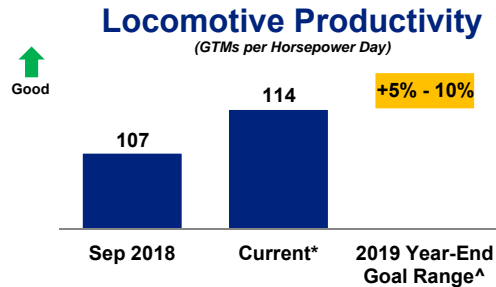


- Faster Car Cycle Time
- Fewer Cars Online
- Reduced Terminal Dwell

* 7-day average through January 22, 2019
[^] Based on October 24, 2018 7-day averages as reported during 3Q 2018 earnings release

Unified Plan 2020

Key Performance Indicators



- 1,200+ Locomotives Stored Since August 2018
- Fewer Manifest Service Issues
- Seasonality Affecting Workforce Productivity

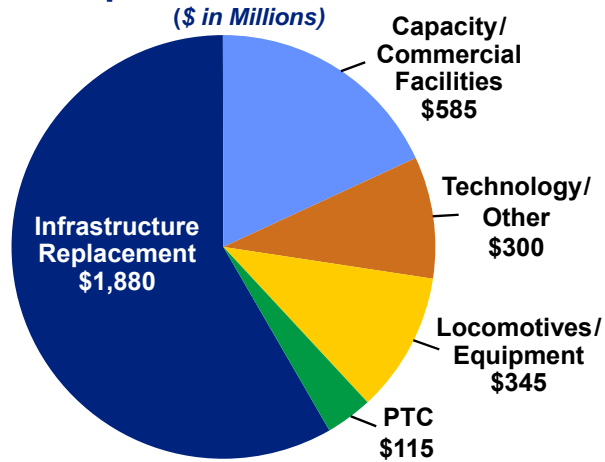
* 7-day average through January 22, 2019 ** December 2018
 ^ Based on October 24, 2018 7-day averages as reported during 3Q 2018 earnings release

Strengthening the Franchise

Replacement, Growth & Productivity, and PTC



2019 Capital Plan: ~\$3.2 Billion*



- Safe & Resilient Infrastructure
- Equipment Acquisitions
 - Locomotive Modernizations
 - Targeted Freight Car Acquisitions
- Capacity & Commercial
 - Targeted Opportunities
 - Intermodal Growth
- Lower PTC Spending

*Pending UP Board of Directors final approval.

Operating Outlook

- **Great Start to Unified Plan 2020**
- **Key Metrics Improving**
- **Focused On:**
 - **Safety**
 - **Service Reliability**
 - **Network Efficiency**



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January 24, 2019

Fourth Quarter 2018 Financial Review

Rob Knight

Executive Vice President &
Chief Financial Officer

Fourth Quarter Income Statement

\$ in Millions (except EPS)



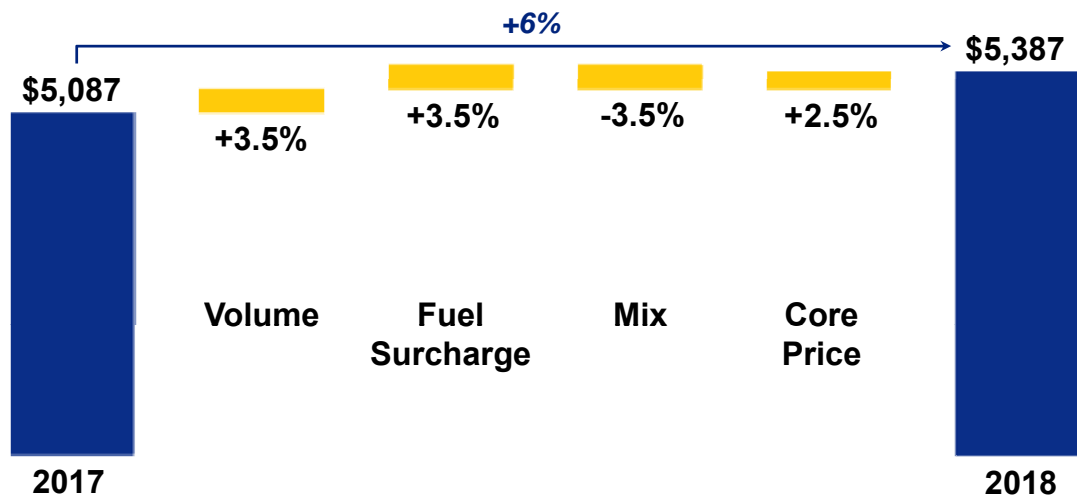
	<u>2018</u>	<u>2017*</u>	<u>%</u>
Operating Revenues	\$5,757	\$5,450	6
Operating Expenses	3,547	3,415	4
Operating Income	<u>2,210</u>	<u>2,035</u>	9
Other Income	46	33	39
Interest Expense	(240)	(188)	28
Income Taxes	<u>(462)</u>	<u>(676)</u>	(32)
Net Income	<u>\$1,554</u>	<u>\$1,204</u>	29
Weighted Average Diluted Shares	732.9	787.0	(7)
Diluted EPS	<u>\$2.12</u>	<u>\$1.53</u>	39

*Adjusted to exclude the impact of Corporate Tax Reform and includes the retrospective adoption of Accounting Standard Update 2017-07. See Union Pacific website under Investors for a reconciliation to GAAP.

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Fourth Quarter Freight Revenue

(\$ In Millions)



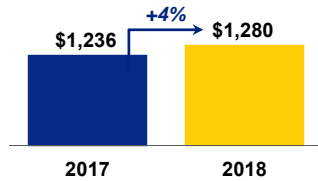
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Fourth Quarter Operating Expenses

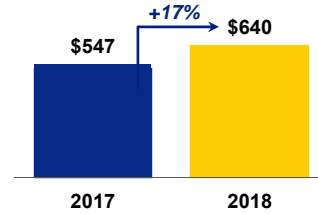
\$ In Millions



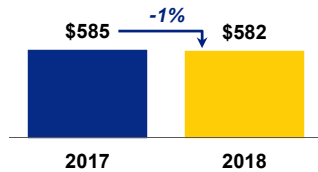
Compensation & Benefits



Fuel



Purchased Services & Materials



- Workforce Reduction Charge and Volume Related Costs
- Higher Diesel Fuel Prices
- Lower Mechanical Repair & Joint Facility Costs

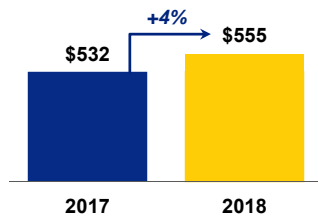
21

Fourth Quarter Operating Expenses (cont)

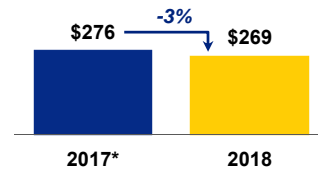
\$ In Millions



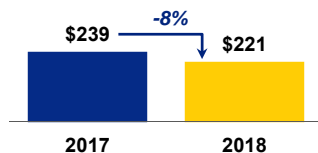
Depreciation



Equipment & Other Rents



Other Expenses



- Higher Depreciable Asset Base
- Lower Freight Car and Locomotive Lease Expense
- Hurricane Harvey Insurance Proceeds

*Adjusted to exclude the impact of Corporate Tax Reform. See Union Pacific website under investors for a reconciliation to GAAP.

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Productivity Update



- Productivity Gains of \$65 Million, Offset by ~\$20 Million of Service Related Costs in 4Q18
- Full Year Net Productivity of \$90 Million
- Service Related Costs Eliminated Going Forward
- Focused on G55+0 and UP 2020 Initiatives

4Q18	2018	Net Productivity by Category	
			<i>(\$ in millions)</i>
\$10	(\$55)	Network and Train Ops	<i>Fuel consumption, slower velocity & TE&Y recrew partially offset by HDC, volume leverage</i>
\$20	\$10	Equipment (Loco and Car)	<i>Lease savings, partially offset by car cycle times and higher active locomotive fleet</i>
\$15	\$135	Other Ops, Support, Sourcing, Mgmt & Admins	<i>Support, Engineering, Joint Facilities, Supply</i>
\$45	\$90	Net Results	

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Full Year Income Statement

\$ in Millions (except EPS)



	2018	2017*	%
Operating Revenues	\$22,832	\$21,240	7
Operating Expenses	14,315	13,346	7
Operating Income	8,517	7,894	8
Other Income	94	245	(62)
Interest Expense	(870)	(719)	21
Income Taxes	(1,775)	(2,782)	(36)
Net Income	\$5,966	\$4,638	29
Weighted Average Diluted Shares	754.3	801.7	(6)
Diluted EPS	\$7.91	\$5.79	37

*Adjusted to exclude the impact of Corporate Tax Reform and includes the retrospective adoption of Accounting Standard Update 2017-07. See Union Pacific website under Investors for a reconciliation to GAAP.

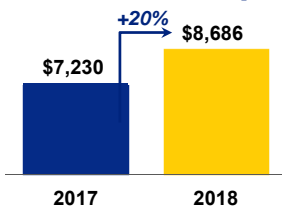
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Cash Flow & Debt

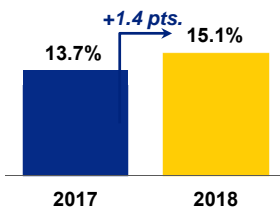
\$ In Millions



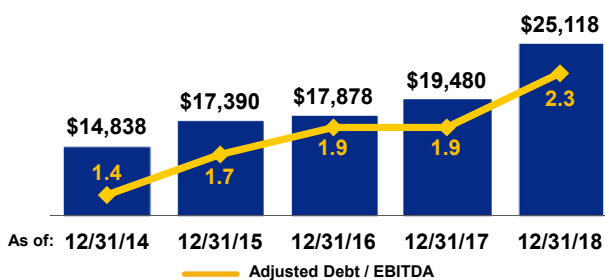
Cash From Ops



ROIC*



Adjusted Debt*



- Higher Net Income, Lower Federal Tax Payments
- Improved ROIC
- Increased Adj. Debt \$5.6 Billion since Year-End 2017
 - Includes \$6 Billion Debt Offering in June 2018
- Adj Debt / EBITDA of 2.3

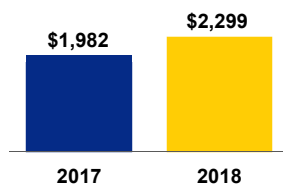
* See Union Pacific website under Investors for a reconciliation to GAAP

Delivering Value to Shareholders

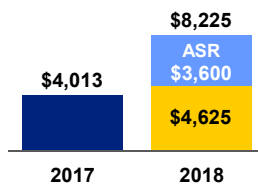
\$ In Millions



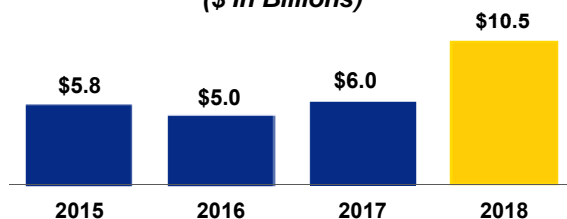
Dividends



Share Repurchases



Cash Returned to Shareholders (\$ In Billions)



2018 Cash Returned to Shareholders

- Dividends:
 - \$2.3 Billion
 - Two, 10% dividend increases in 2018
- Share Repurchases:
 - \$4.6 Billion of Open Market Purchases
 - \$3.6 Billion Accelerated Share Repurchase Program

A Look Ahead to 2019

- Volume Up Low Single Digits
- Pricing Will Exceed Inflation Dollars
- Significant Benefits from G55 + 0, Including Unified Plan 2020
 - At Least \$500 Million of Productivity in 2019
- Operating Ratio Guidance:
 - Sub-61% in 2019
 - Below 60% by 2020
- Capex of ~\$3.2 Billion in 2019 and Less than 15% of Revenue Longer-term



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January 24, 2019

Fourth Quarter 2018 Earnings Release

Lance Fritz
Chairman, President & CEO

Looking Ahead



- **Record Fourth Quarter Results**
- **Optimistic about the Economy**
- **Improved Margins in 2019**
- **Unified Plan 2020**



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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; 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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January 24, 2019

Fourth Quarter 2018 Earnings Release

Question & Answer
Session