



October 26, 2017

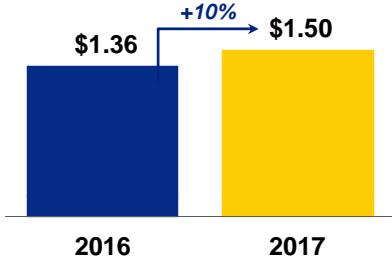
Third Quarter 2017 Earnings Release

Lance Fritz
Chairman, President & CEO

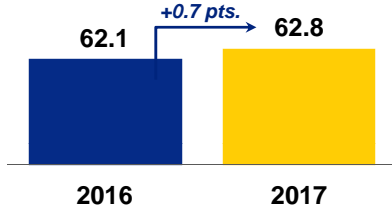
Third Quarter 2017 Results



Earnings Per Share Third Quarter



Operating Ratio Third Quarter





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Third Quarter 2017 Marketing & Sales Review

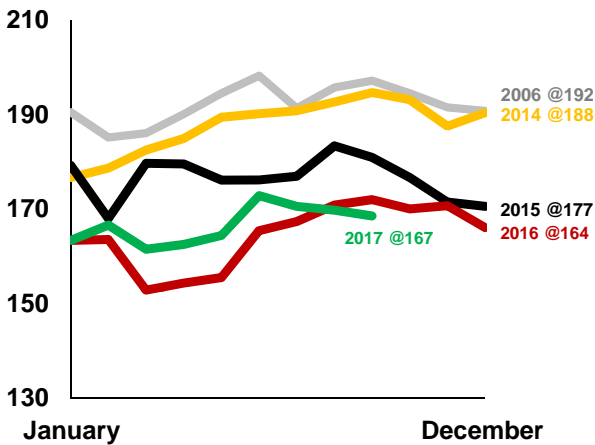
Beth Whited
Executive VP & Chief Marketing Officer

Third Quarter 2017 Recap

Volume Growth

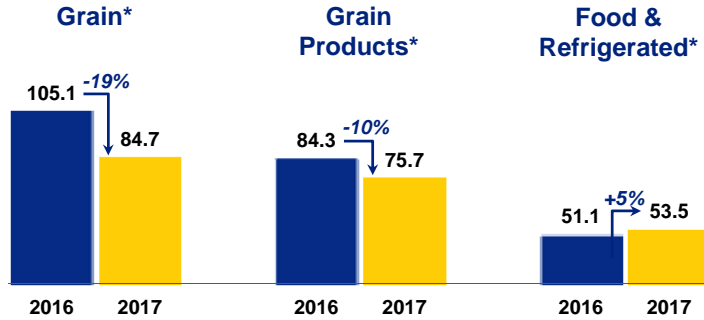
Industrial Products	+15%
Intermodal	Flat
Coal	-3%
Automotive	-5%
Chemicals	-5%
Agricultural Products	-10%
TOTAL	-1%

7-Day Monthly Carloadings (000s)

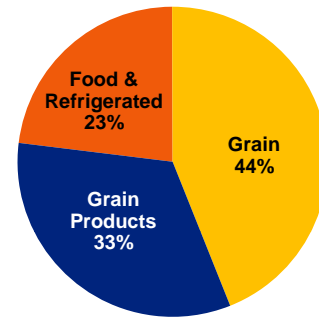


Agricultural Products

Revenue \$914M (-2%) Volume 232K (-10%) ARC \$3,951 (+9%)



Volume Mix



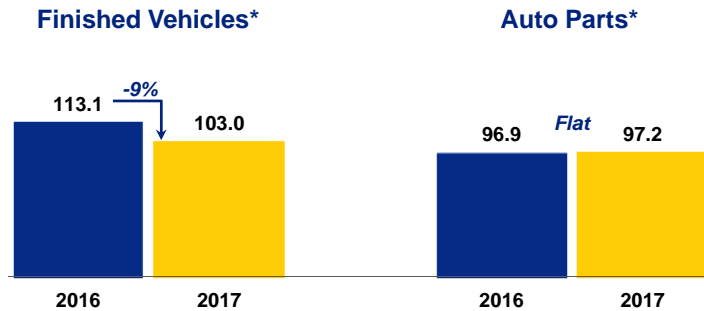
Quarterly Drivers

- Reduced Grain and Grain Products Exports
- Strong Sugar and Beverage Demand

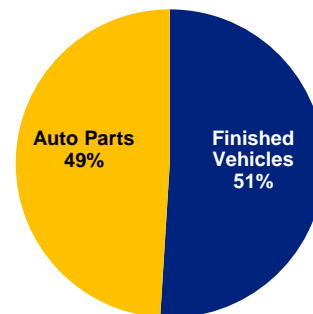
*Volume in thousands of carloads and excludes equipment shipments

Automotive

Revenue \$469M (-3%) Volume 200K (-5%) ARC \$2,341 (+1%)



Volume Mix



Quarterly Drivers

- Declining Production and Mix Shifts
- Stable Parts Demand

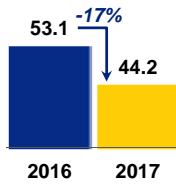
*Volume in thousands of carloads

Chemicals

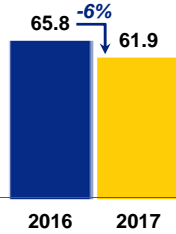
Revenue \$896M (+2%) Volume 259K (-5%) ARC \$3,457 (+8%)



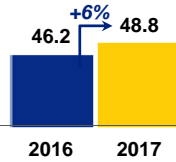
Petroleum & LPG*



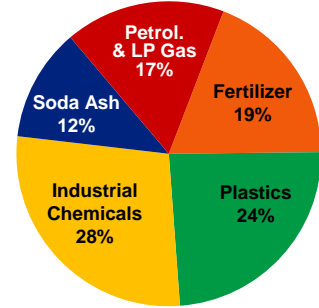
Plastics*



Fertilizer*



Volume Mix



Quarterly Drivers

- Continued Crude Oil Declines
- Hurricane Harvey Impacts
- Potash Export Growth

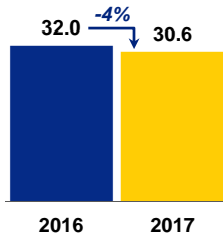
*Volume in thousands of carloads

Coal

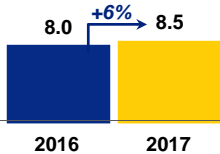
Revenue \$711M (-2%) Volume 331K (-3%) ARC \$2,143 (Flat)



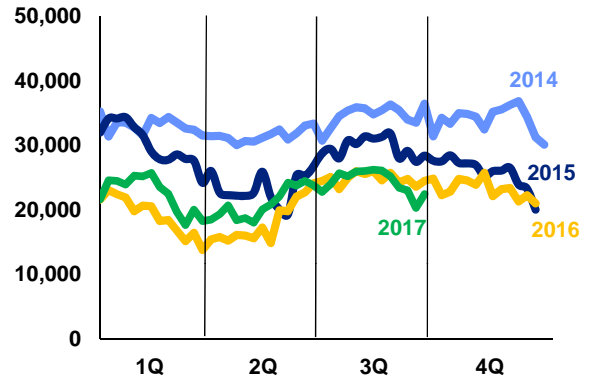
Powder River Basin* (Tons in MM)



Other (Tons in MM)



Volume Impact (Weekly Carloadings)



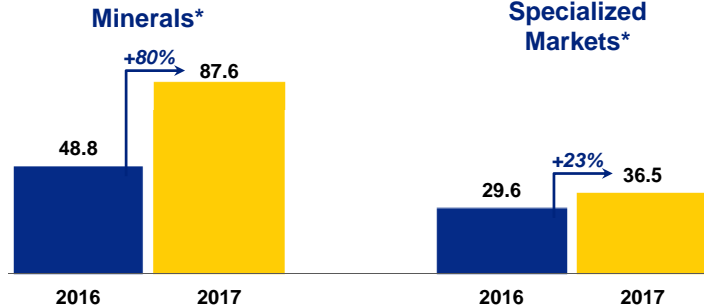
Quarterly Drivers

- Utility Outages
- Increased Exports

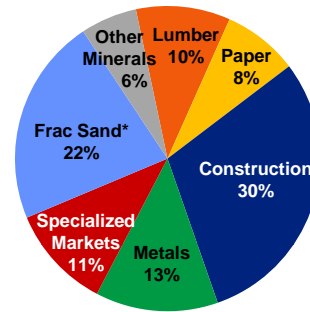
*PRB includes SPRB and NPRB

Industrial Products

Revenue \$1,079M (+26%) Volume 325K (+15%) ARC \$3,325 (+10%)



Volume Mix



*Includes Barites

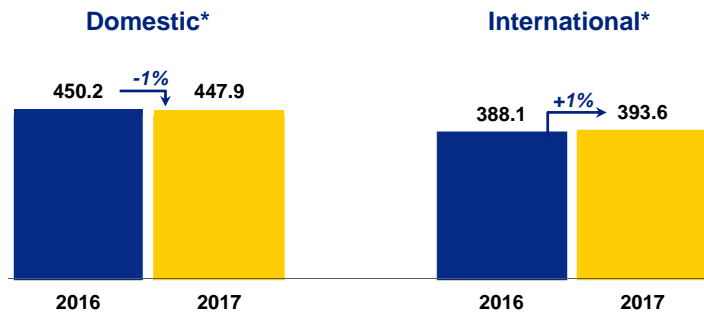
Quarterly Drivers

- Improved Shale Drilling Activity
- Increased Waste and Military Volume

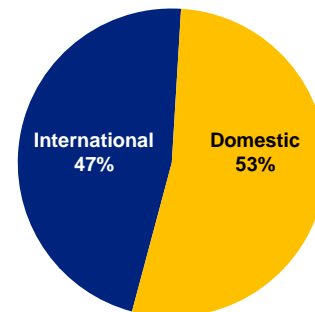
*Volume in thousands of carloads

Intermodal

Revenue \$981M (+3%) Volume 841K (Flat) ARC \$1,166 (+2%)



Volume Mix



Quarterly Drivers

- Competitive Pressures
- Parcel Growth
- Stronger International Demand

*Volume in thousands of loads

2017 Volume Outlook



Agricultural Products
+ Food and Refrigerated
- Grain



Coal
+ Exports
? Natural Gas Prices



Automotive
+ Over-the-Road Conversions
? Consumer Demand



Industrial Products
+ Frac Sand
- Construction Products



Chemicals
+ Plastics
+ Fertilizer



Intermodal
+ Over-the-Road Conversions
? International Intermodal



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Third Quarter 2017 Operations Review

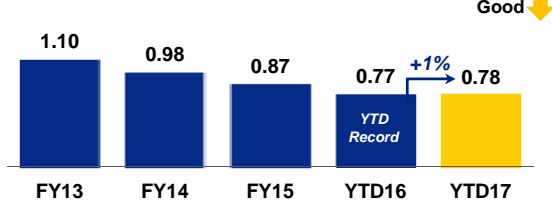
Cameron Scott
Executive VP & Chief Operating
Officer

Safety



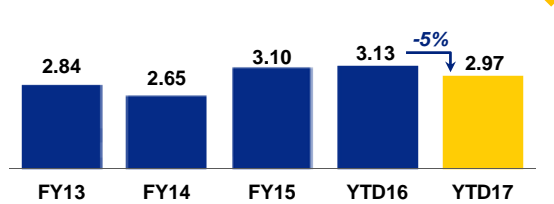
Employee

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



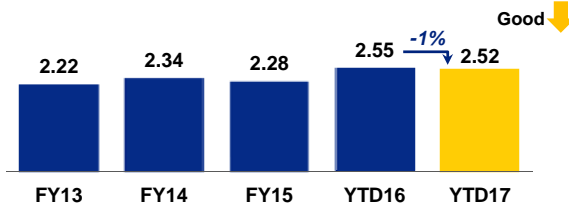
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles*)



Public

(Crossing Accidents Per Million Train Miles)



- Goal of Zero Incidents
- Improving Crossings with the Most Public Safety Impact

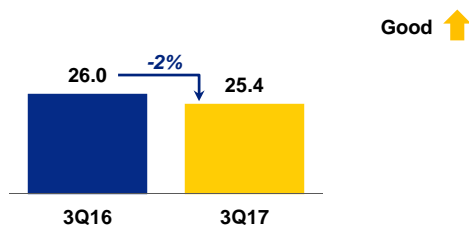
*Starting in August 2016, crossing collisions were excluded from rail equipment incidents per FRA methodology. Prior periods have been adjusted to reflect the change. ¹³

Network Performance



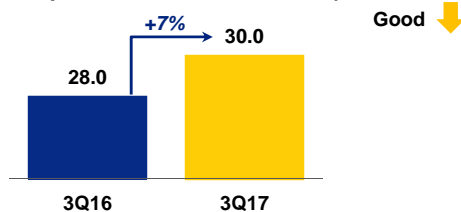
Velocity

(As Reported to the AAR, in mph)



Terminal Dwell

(As Reported to the AAR, in hours)



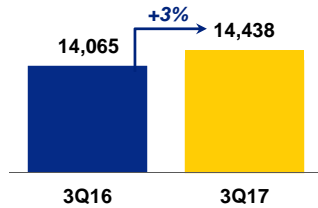
- Hurricane Harvey
- PTC Implementation & Testing
- Transportation Plan Opportunities

Resources



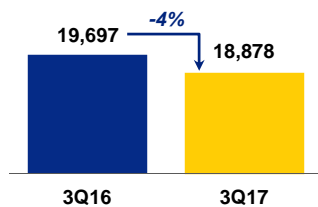
TE&Y

(Full-Time Equivalent)



Mechanical & Engineering

(Full-Time Equivalent)



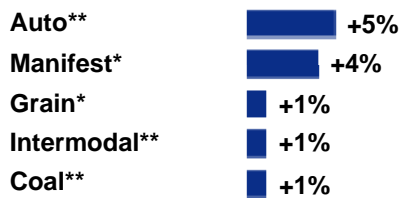
- Total Operating Workforce Down Nearly 550
- Increase in TE&Y Training
- Fewer Capital Employees Driven by Productivity

Productivity



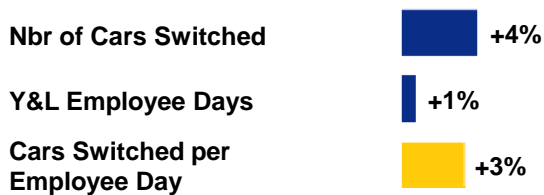
Train Size Performance

(vs 3Q16)



Terminal Productivity

(vs 3Q16)



- Record Train Size Performance
- Terminal Productivity Gains

Operating Outlook



- **Generate Positive Safety Results in 2017**
- **Solid Productivity Gains**
- **Continue Running a Safe, Reliable and Efficient Network**



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Third Quarter 2017 Financial Review

Rob Knight
Executive VP & Chief Financial
Officer

Third Quarter Income Statement

\$ in Millions (except EPS)



	<u>2017</u>	<u>2016</u>	<u>%</u>
Operating Revenues	\$5,408	\$5,174	5
Operating Expenses	3,396	3,214	6
Operating Income	<u>2,012</u>	<u>1,960</u>	3
Other Income	151	29	F
Interest Expense	(180)	(184)	(2)
Income Taxes	<u>(789)</u>	<u>(674)</u>	17
Net Income	<u>\$1,194</u>	<u>\$1,131</u>	6
Weighted Average Diluted Shares	797.6	832.2	(4)
Diluted EPS	<u>\$1.50</u>	<u>\$1.36</u>	10

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Third Quarter One-Time Items

Favorable / (Unfavorable)



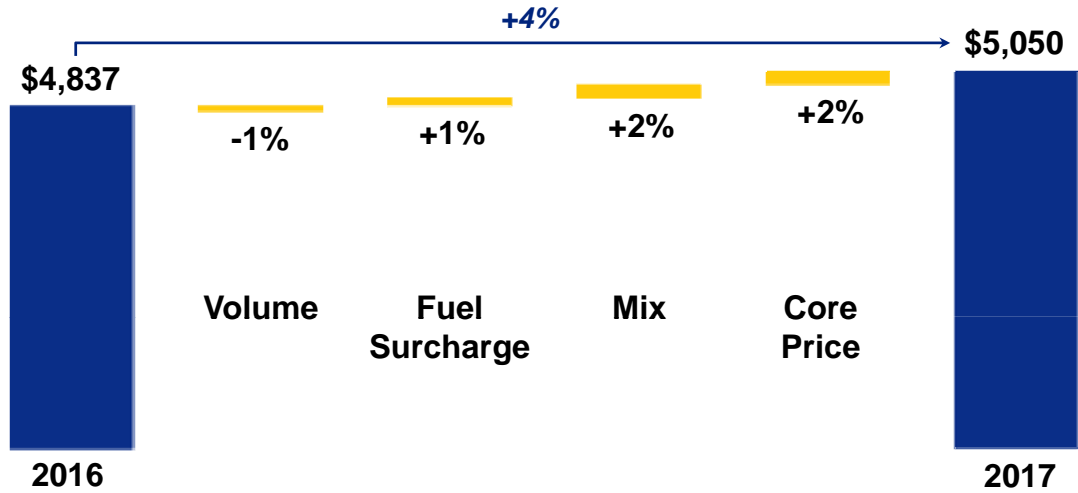
<u>One-Time Items</u>	<u>EPS Impact</u>	<u>OR Impact</u>
Workforce Reduction Charge	(\$0.06)	(1.55) pts
Hurricane Harvey Impact	(\$0.04)	(0.75) pts
Illinois State Income Tax Adjustment	(\$0.04)	N/A
Land Sale	\$0.04	N/A
Resolution of a Litigation Matter	<u>\$0.05</u>	<u>N/A</u>
Total	(\$0.06)*	(2.30) pts

* Total reflects rounding of individual line items

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Freight Revenue

Third Quarter (\$ In Millions)

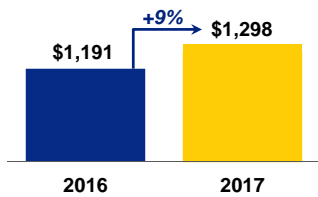


Third Quarter Operating Expenses

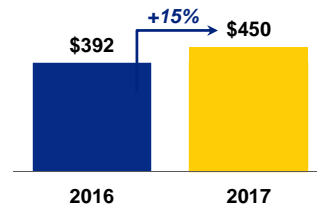
\$ In Millions



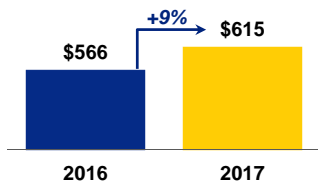
Compensation & Benefits



Fuel



Purchased Services & Materials



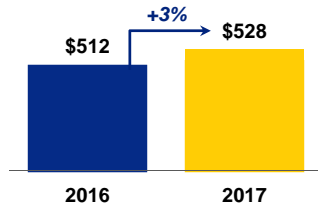
- Workforce Reduction Charge and Productivity Gains
- Higher Diesel Fuel Prices
- Increased Freight Car Repair Expenses

Third Quarter Operating Expenses (cont)

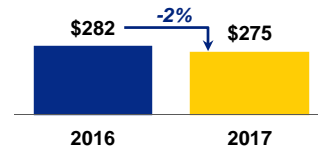
\$ In Millions



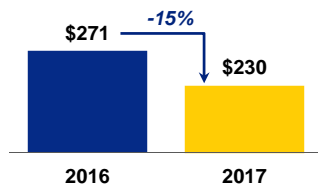
Depreciation



Equipment & Other Rents



Other Expenses



- Higher Depreciable Base
- Lower Locomotive and Freight Car Lease Expense
- Lower State & Local Taxes, Easier Bad Debt Comparison

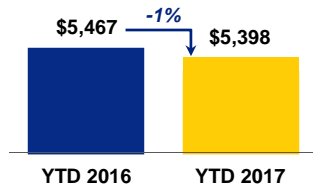
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Cash Flow & Debt

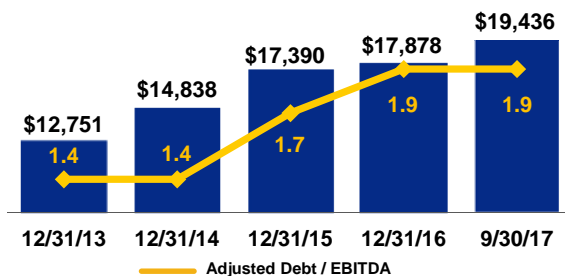
\$ In Millions



Cash From Operations



Adjusted Debt*

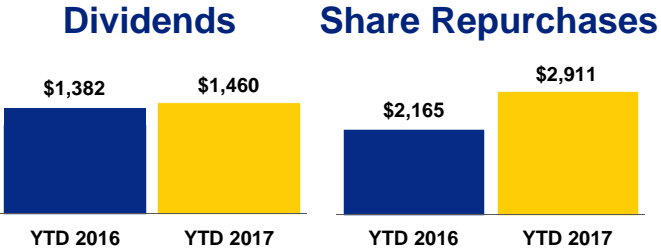


- Higher Net Income
- 2016 Bonus Depreciation Benefit
- Increased Adj. Debt ~\$1.6 Billion since 2016 Year-End

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

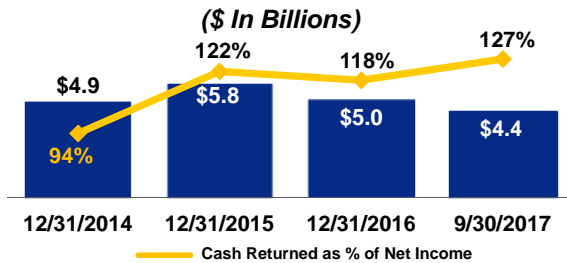
Delivering Value to Shareholders

\$ In Millions



- Repurchased 27.1 Million Shares Totaling Over \$2.9 Billion in 2017
 - Increased ~34% from 2016
 - ~32% of Outstanding Shares Since 2007
- 2017 YTD Cash Returns to Shareholders: 127% of Net Income

Cash Returned to Shareholders



Productivity

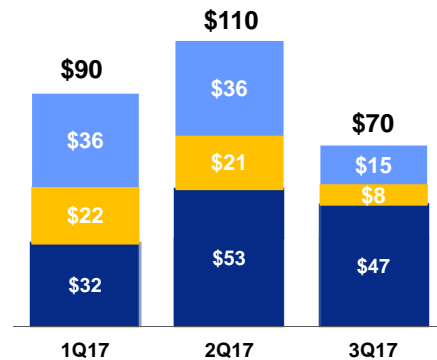


Initiatives:

Network and Train Ops	<i>TE&Y / Train length / Intermodal & Premium Ops / Joint facility</i>
Equipment (Loco and Car)	<i>Active fleet / Car repair / Equip rental costs</i>
Other Ops, Support, Sourcing and Safety	<i>Engineering / Fuel conservation / Admin / Supply Chain / Sourcing / Safety performance</i>

2017 YTD Results

(\$ in millions)



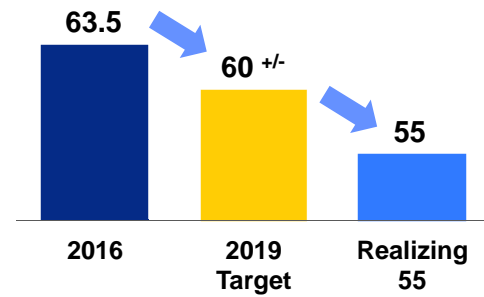
2017 Full Year Productivity Target: \$350 - \$400 M

Looking Ahead

- 4Q Volume Slightly Positive
- Full Year Volume Up Low Single Digits
- Continued Focus on “G55 + 0” Initiatives



Operating Ratio (%)



Improved OR in 2017

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Third Quarter 2017 Earnings Release

Lance Fritz
Chairman, President & CEO

Closing Out the Year



- Focus on Executing Our Value Strategy
- Build Upon Our Recent Success
- Create Value for Our Stakeholders



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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 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 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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Third Quarter 2017 Earnings Release

Question & Answer
Session