



January 19, 2017

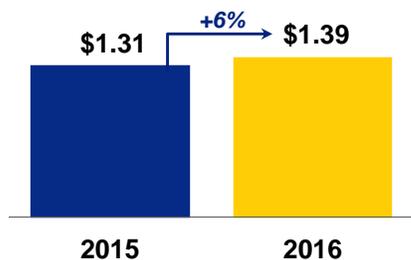
Fourth Quarter 2016 Earnings Release

Lance Fritz
Chairman, President & CEO

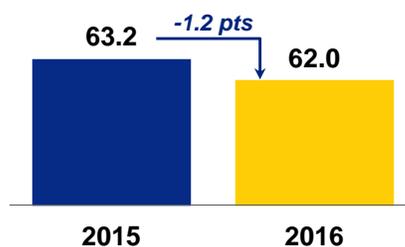
Fourth Quarter 2016 Results



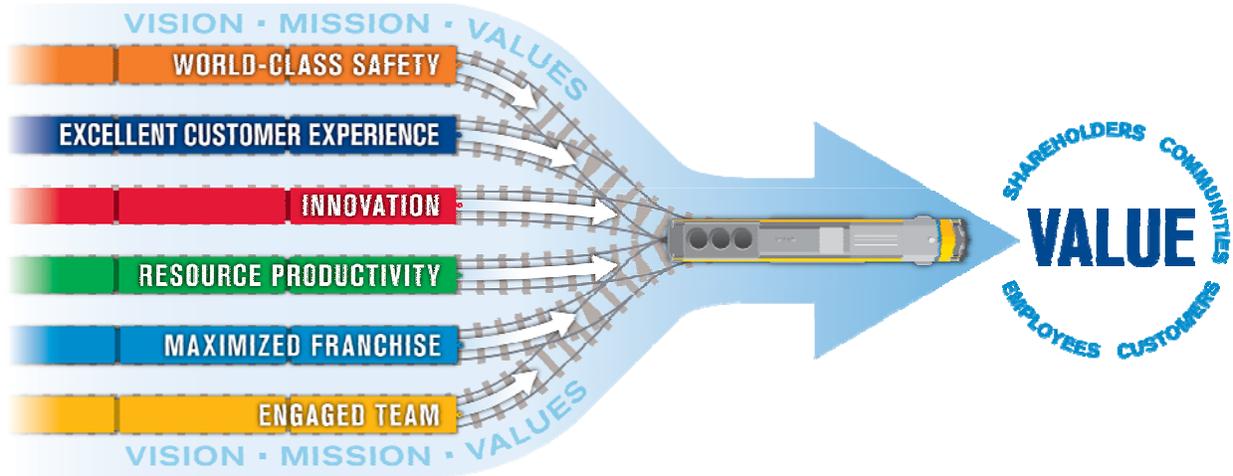
Earnings Per Share
Fourth Quarter



Operating Ratio
Fourth Quarter



Creating Value the UP Way



January 19, 2017

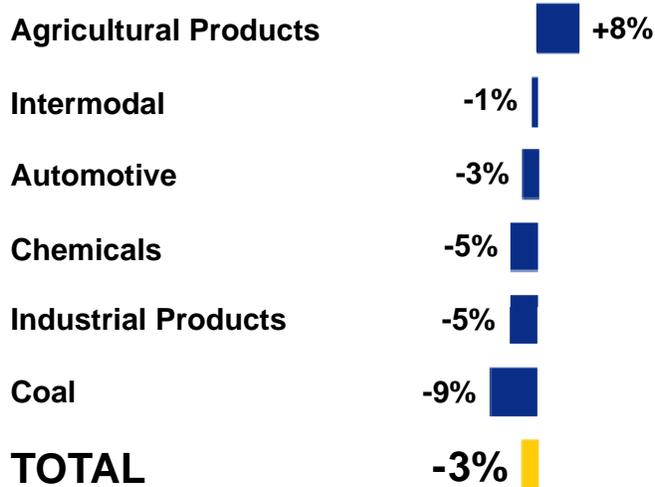
Fourth Quarter 2016 Marketing & Sales Review

Beth Whited
Executive VP & Chief Marketing
Officer

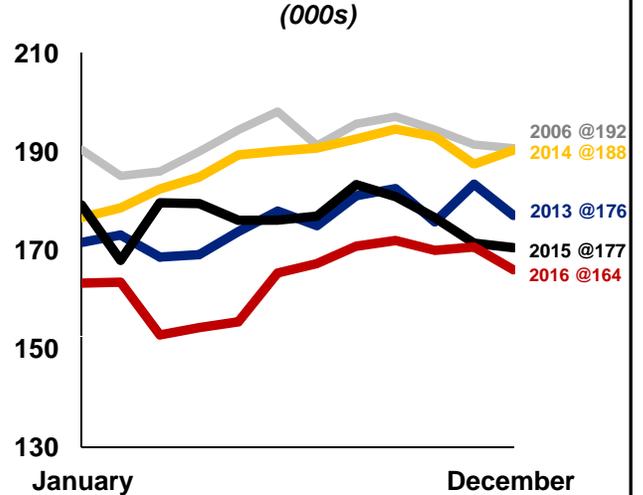
Fourth Quarter 2016 Recap



Volume Growth

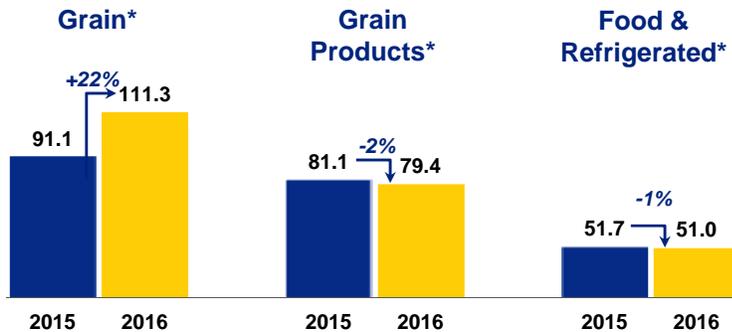


7-Day Monthly Carloadings

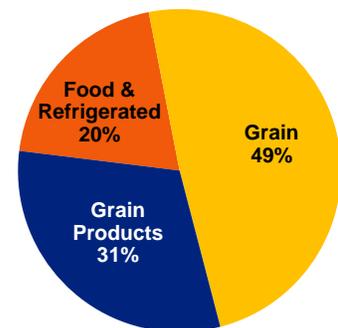


Agricultural Products

Revenue \$961M (+7%) Volume 258K (+8%) ARC \$3,732 (Flat)



Volume Mix



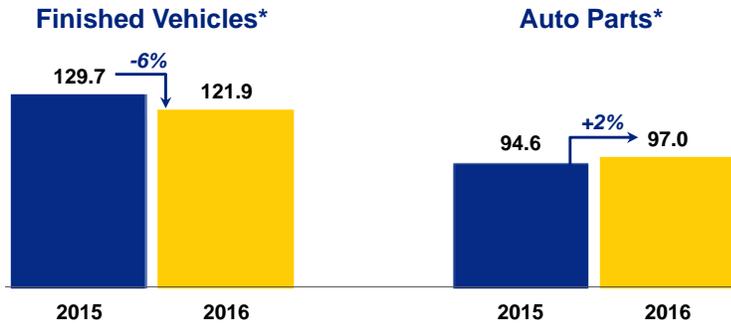
Quarterly Drivers

- Record Export Grain Volumes
- Soft Meal Demand
- Import Beer Strength

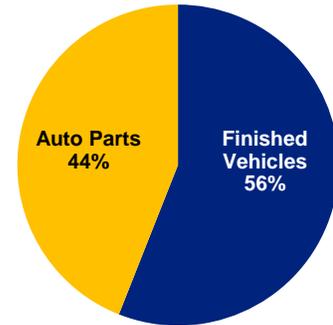
*Volume in thousands of carloads and excludes equipment shipments
*Prior periods have been adjusted for the re-categorization of commodities

Automotive

Revenue \$517M (-6%) Volume 219K (-3%) ARC \$2,362 (-3%)



Volume Mix



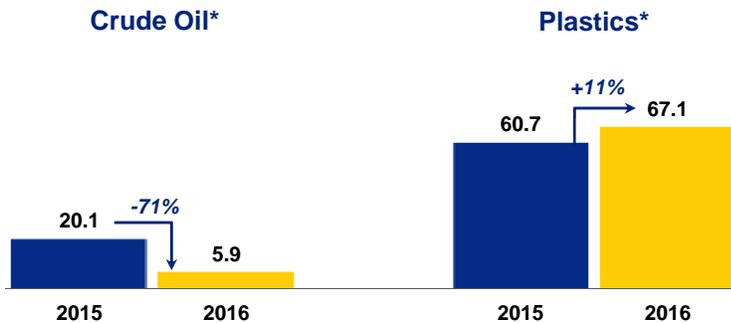
Quarterly Drivers

- Contract Changes
- Strong Year End Vehicle Demand
- Continued Parts Strength

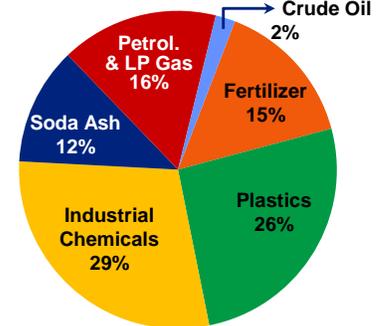
*Volume in thousands of carloads

Chemicals

Revenue \$857M (Flat) Volume 257K (-5%) ARC \$3,323 (+4%)



Volume Mix



Quarterly Drivers

- Continued Crude Oil Headwinds
- Low Commodity Prices for Plastics

*Volume in thousands of carloads

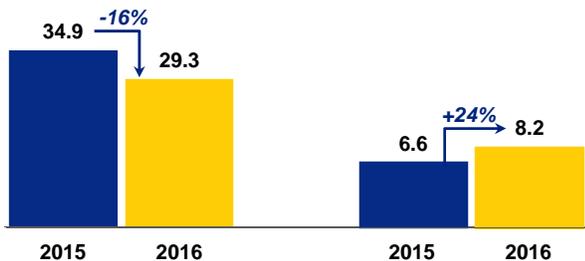
Coal

Revenue \$699M (-6%) Volume 320K (-9%) ARC \$2,183 (+4%)

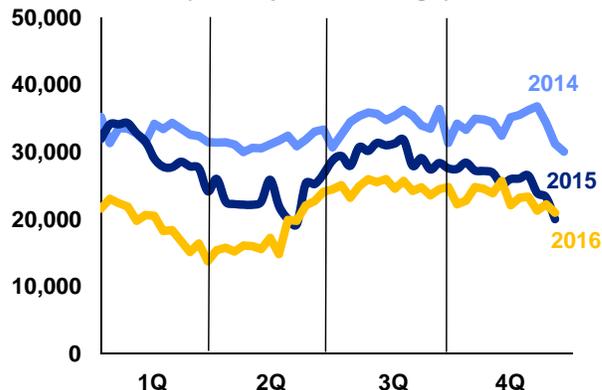


Powder River Basin*
(Tons in MM)

Other Regions
(Tons in MM)



Volume Impact (Weekly Carloadings)



Quarterly Drivers

- Mild Start to Winter
- PRB Inventories Above Average
- Increasing Exports

*PRB includes SPRB and NPRB
9

Industrial Products

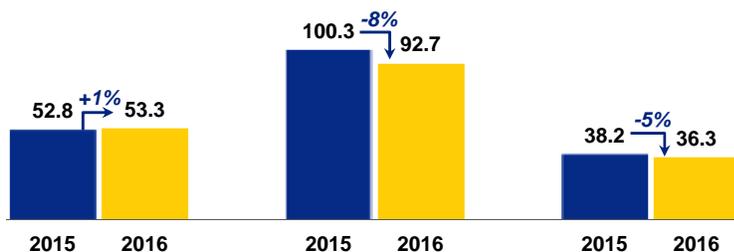
Revenue \$829M (-2%) Volume 265K (-5%) ARC \$3,123 (+4%)



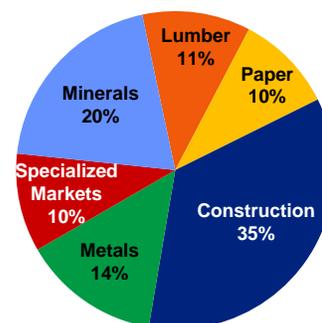
Minerals*

Construction*

Metals*



Volume Mix



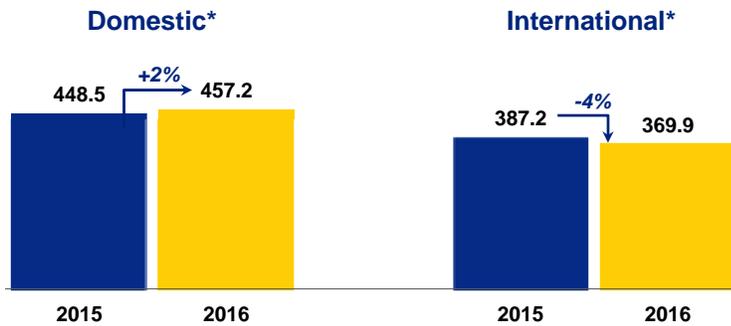
Quarterly Drivers

- Improved Shale Drilling Activity
- Low Commodity Prices & Strong U.S. Dollar

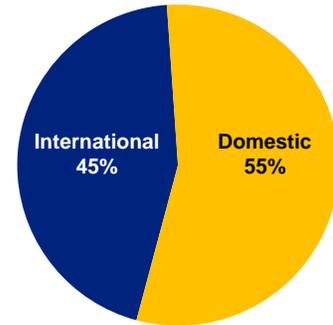
*Volume in thousands of carloads
*Prior periods have been adjusted for the re-categorization of commodities

Intermodal

Revenue \$969M (Flat) Volume 827K (-1%) ARC \$1,172 (+1%)



Volume Mix



Quarterly Drivers

- Increased Retail Sales Supports Domestic Growth
- Continued Effects of Ocean Carrier Challenges

*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



Chemicals

- + Plastics
- Crude Oil



Intermodal

- International Intermodal
- + Consumer Confidence



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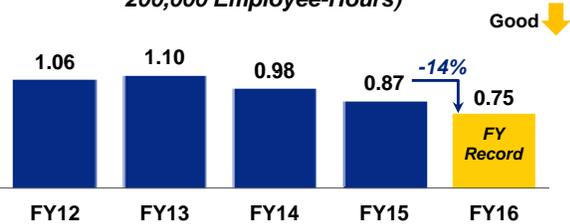
Fourth Quarter 2016 Operations Review

Cameron Scott
Executive VP & Chief Operating Officer

Safety

Employee

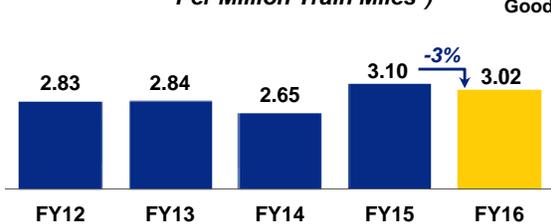
(Reportable Personal Injury Incidents Per 200,000 Employee-Hours)



Good ↓

Rail Equipment

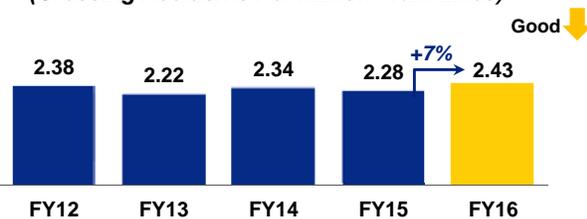
(Reportable Derailment Incidents Per Million Train Miles*)



Good ↓

Public

(Crossing Accidents Per Million Train Miles)



Good ↓

- Continue to Find and Address Risk
- Enhanced Training & Infrastructure Investment
- Community Partnerships and Public Safety Campaigns

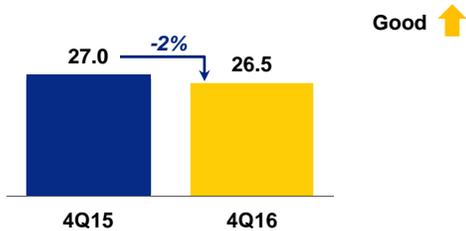
*Starting in August 2016, crossing collisions were excluded from rail equipment incidents per FRA methodology. Prior periods have been adjusted to reflect the change. 14

Network Performance



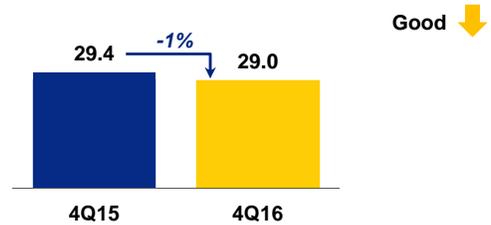
Velocity

(As Reported to the AAR, in mph)



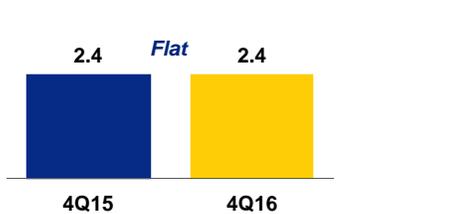
Terminal Dwell

(As Reported to the AAR, in hours)



Recrew Rate

(%)



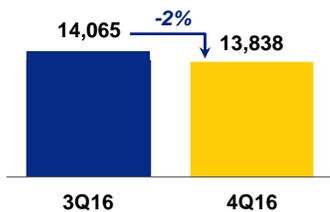
- Solid Operating Results
- FY 2016 Record Recrew Rate

Volume & Performance Drive Resources



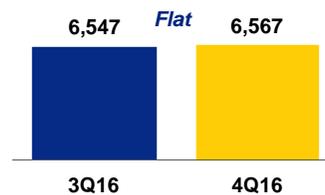
Total TE&Y

(Full-Time Equivalent)



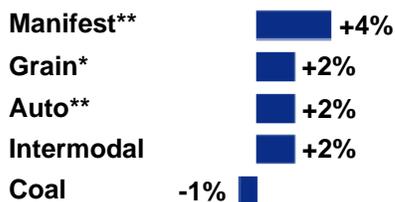
Active Locomotive

Fleet



Train Size Performance

(vs 4Q15)



- Resources Balanced
- Continually Adjust to Volume and Network Performance
- Relentless Focus on Productivity

* Best-Ever Quarter

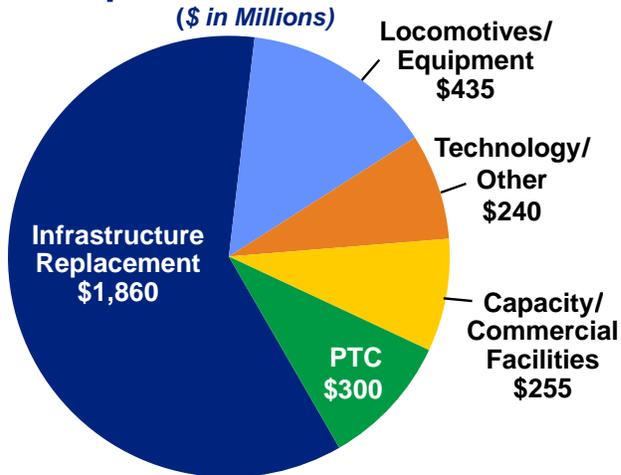
**Fourth-Quarter Record

Strengthening the Franchise

Replacement, Growth & Productivity, and PTC



2017 Capital Plan: ~\$3.1 Billion*



*Includes cash capital, leases and other non-cash capital.
*Pending final UP Board of Director approval.

- Safe & Resilient Infrastructure
- Capacity Investments
 - Southern Region
 - Network Strategies
- Equipment Acquisitions
 - ~60 New Locomotives
 - 430 Freight Cars
- Positive Train Control

Operating Outlook



- Continue to Generate Positive Safety Results
- Remain Agile
- Maintain Focus on Customer Experience & Productivity





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Fourth Quarter 2016 Financial Review

Rob Knight
Executive VP & Chief Financial
Officer

Fourth Quarter Income Statement

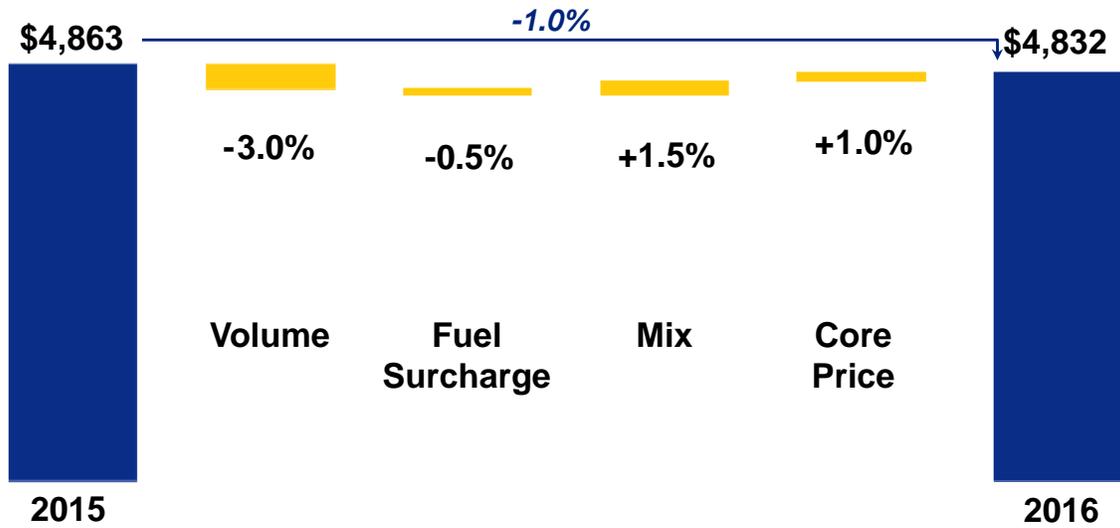
\$ in Millions (except EPS)



	<u>2016</u>	<u>2015</u>	<u>%</u>
Operating Revenues	\$5,168	\$5,208	(1)
Operating Expenses	3,203	3,290	(3)
Operating Income	<u>1,965</u>	<u>1,918</u>	2
Other Income	40	28	43
Interest Expense	(174)	(164)	6
Income Taxes	<u>(687)</u>	<u>(665)</u>	3
Net Income	<u>\$1,144</u>	<u>\$1,117</u>	2
Weighted Average Diluted Shares	822.7	853.7	(4)
Diluted EPS	<u>\$1.39</u>	<u>\$1.31</u>	6

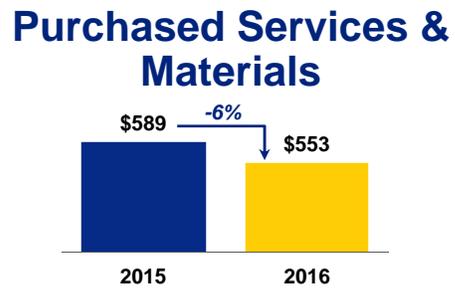
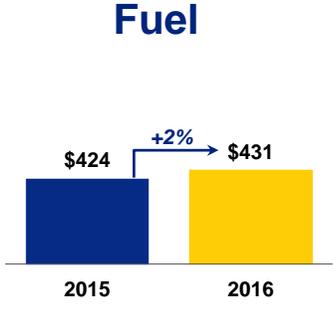
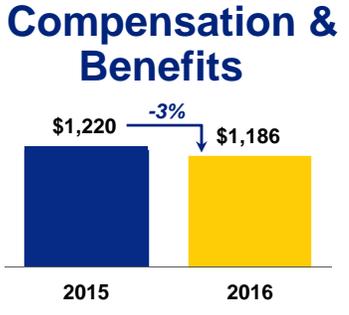
Freight Revenue

Fourth Quarter (\$ In Millions)



Fourth Quarter Operating Expenses

\$ In Millions



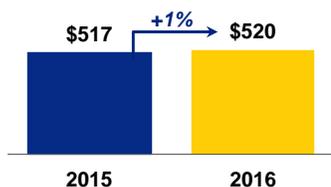
- Full Year Inflation of ~1.5%
- Higher Diesel Fuel Prices
- Lower Volume-Related Expenses

Fourth Quarter Operating Expenses (cont)

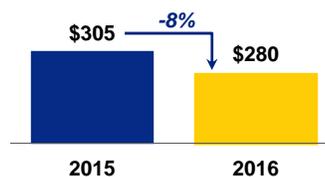
\$ In Millions



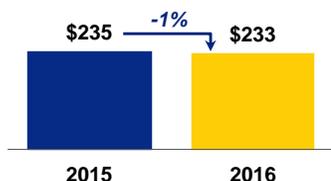
Depreciation



Equipment & Other Rents



Other Expenses



2017 Outlook:

- Depreciation up ~ 4% to 5%
- Other Expenses up slightly

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Full Year Income Statement

\$ in Millions (except EPS)



	<u>2016</u>	<u>2015</u>	<u>%</u>
Operating Revenues	\$19,941	\$21,813	(9)
Operating Expenses	12,669	13,761	(8)
Operating Income	<u>7,272</u>	<u>8,052</u>	(10)
Other Income	192	226	(15)
Interest Expense	(698)	(622)	12
Income Taxes	<u>(2,533)</u>	<u>(2,884)</u>	(12)
Net Income	<u>\$4,233</u>	<u>\$4,772</u>	(11)
Weighted Average Diluted Shares	835.4	869.4	(4)
Diluted EPS	<u>\$5.07</u>	<u>\$5.49</u>	(8)

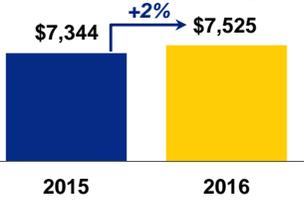
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Cash Flow & Debt

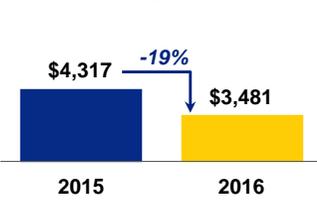
\$ In Millions



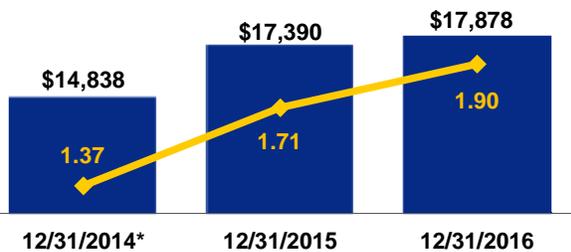
Cash From Ops



Capex



Adjusted Debt*



Adjusted Debt / EBITDA*

* See Union Pacific website under Investors for a reconciliation to GAAP 25

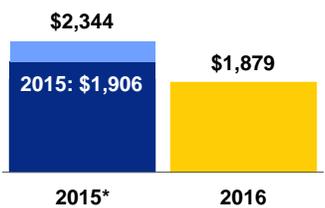
- Lower Net Income
- Bonus Depreciation
- Capital Investments
- 2016 YTD Debt Issuance: ~ \$1.9 Billion
- Increased Adj. Debt over \$5 Billion since 2013

Delivering Value to Shareholders

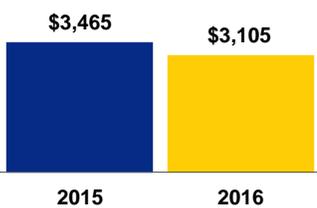
\$ In Millions



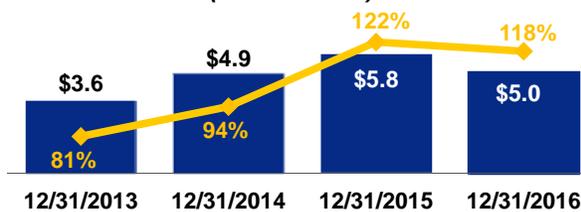
Dividends



Share Repurchases



Cash Returned to Shareholders (\$ In Billions)



Cash Returned as % of Net Income

* Includes 4Q 2014 dividend payment of \$438 million made in 1Q 2015 26

- 10% Dividend Increase in 4Q 2016
- Repurchased 35 Million Shares Totaling \$3.1 Billion in 2016
 - ~29% of Outstanding Shares Since 2007
- 2016 Cash Returns to Shareholders: 118% of Net Income

2016 Core Price, Productivity, and Rail Inflation



- Positive Core Price
- Challenging Market Environment
- Committed to Returns
- ~\$450 Million Productivity
- Low Inflation



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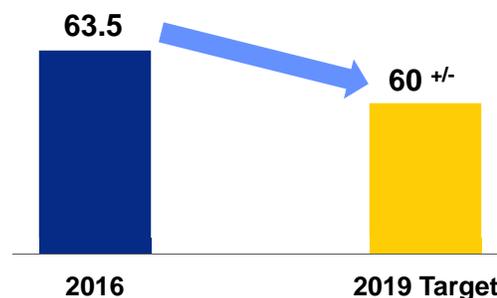
A Look Ahead to 2017

2017 Expectations

- Low Single Digit Volume Growth
- Price Above Inflation
- Rail Inflation ~ 3%
- Productivity \$350 to \$400 Million
- Improved Operating Ratio
- Continued Focus on “G55 + 0” Initiatives



Operating Ratio (%)



Improved OR in 2017

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January 19, 2017

Fourth Quarter 2016 Earnings Release

Lance Fritz
Chairman, President & CEO

Looking Ahead

- **Fairly Optimistic on Macro Economic Drivers**
- **New Year Uncertainties**
- **Well Positioned to Leverage Volume Increases**
- **Strong Returns for Shareholders**



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 2015, which was filed with the SEC on February 5, 2016. 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.



January 19, 2017

Fourth Quarter 2016 Earnings Release

Question & Answer
Session