



# UNION PACIFIC CORPORATION

---

May 2020





## 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 resource productivity; enhancing the customer experience; implementing corporate strategies; and providing excellent service to its customers, returns to its shareholders and potential impacts of the Covid-19 pandemic. These statements are, or will be, forward-looking statements as defined within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of 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 2019, which was filed with the SEC on February 7, 2020. 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.

2



## CURRENT OVERVIEW / BUSINESS UPDATE

---

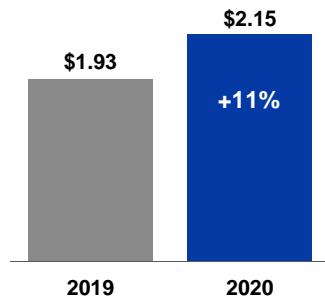
May 2020

3

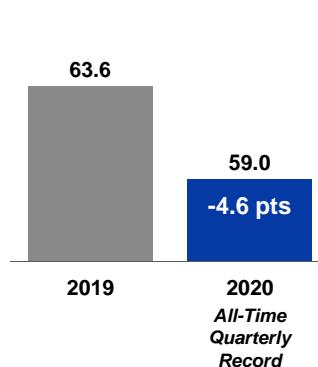


## First Quarter 2020 Results

Earnings Per Share



Operating Ratio

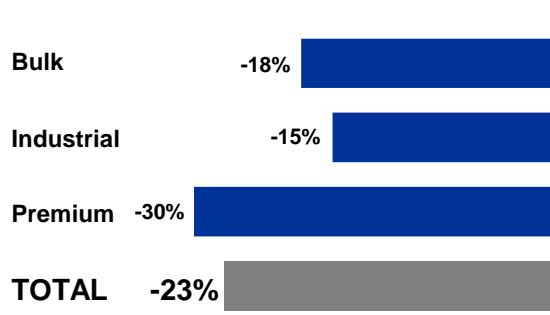


4

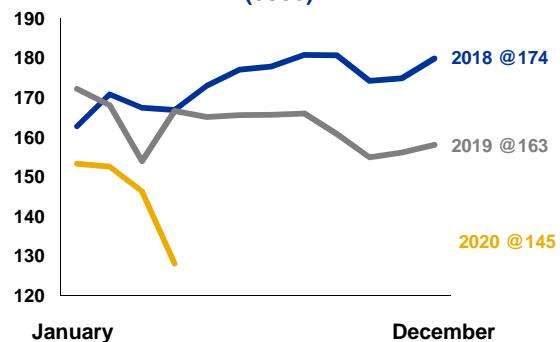


## 2020 Business Trends

Second Quarter Volume\*



7-Day Monthly Carloadings (000s)



5

\*Through May 5, 2020



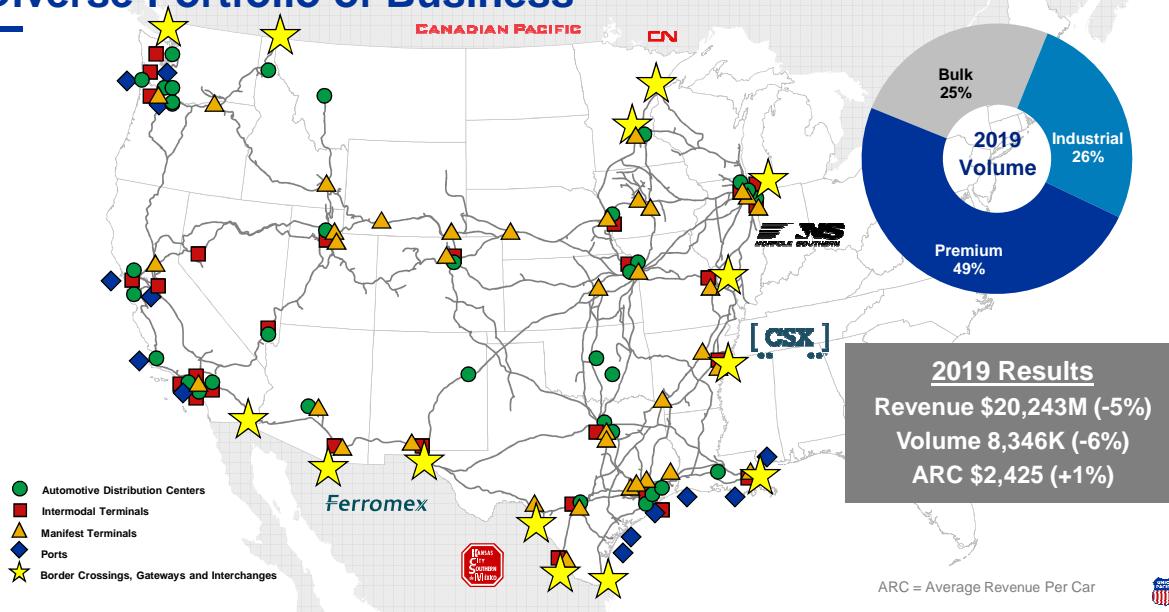
# BUSINESS TEAM REVIEW

May 2020

6



## Diverse Portfolio of Business



## Economic Indicators



	Industrial Production	GDP	Housing Starts (MM)	Light Vehicle Sales (MM)	Imports of Goods	Exports of Goods
2019	0.9%	2.3%	1.30	16.9	0.3%	0.2%
<b>2020</b>	<b>-12.2%</b>	<b>-5.4%</b>	<b>1.08</b>	<b>13.2</b>	<b>-14.2%</b>	<b>-5.3%</b>
2021	0.3%	6.3%	1.12	15.1	14.3%	8.4%

8

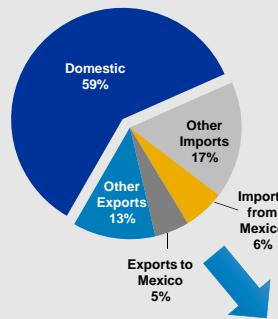
Source: IHS Markit U.S. Economic Outlook, April 2020



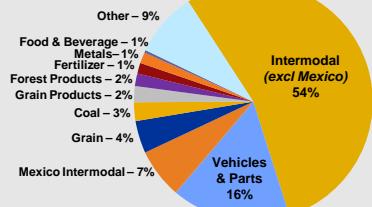
## International Trade

- Diverse franchise creates opportunity
- Off-shoring/near-shoring of U.S. manufacturing
- Demand for grain and food

2019 Freight Volumes



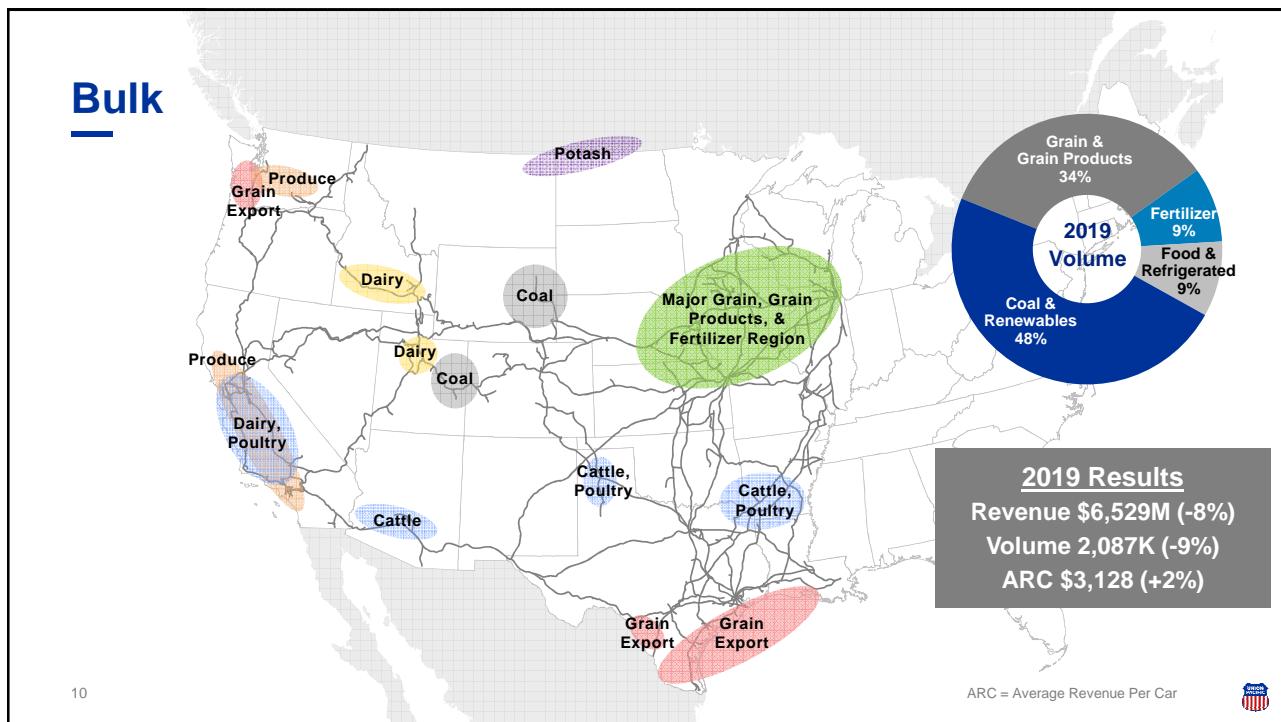
International Volumes



9



## Bulk

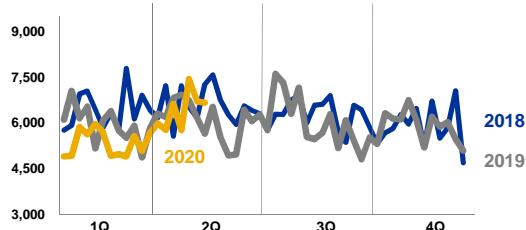


## Grain

- Grain drivers
  - Grain inventory management
  - Export market fundamentals
  - Food & beverage shipment demand

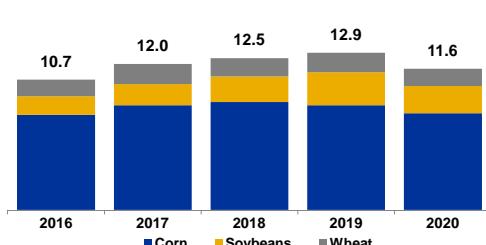


**UNP Weekly Grain Carloads\***  
(As reported to the AAR)



\*Through May 9, 2020

**U.S. Grain Stocks\*\***  
(Bushels in Billions)



\*\*Source: USDA; As of March 1, 2020



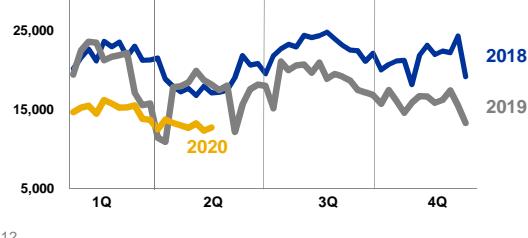
## Coal

- Coal drivers
  - Weather impacts demand
  - Natural gas prices
  - Coal inventory levels



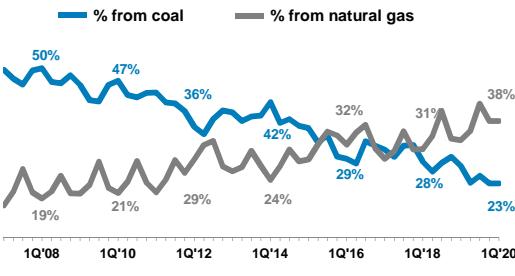
UNP Weekly Coal Carloads\*

(As reported to the AAR)



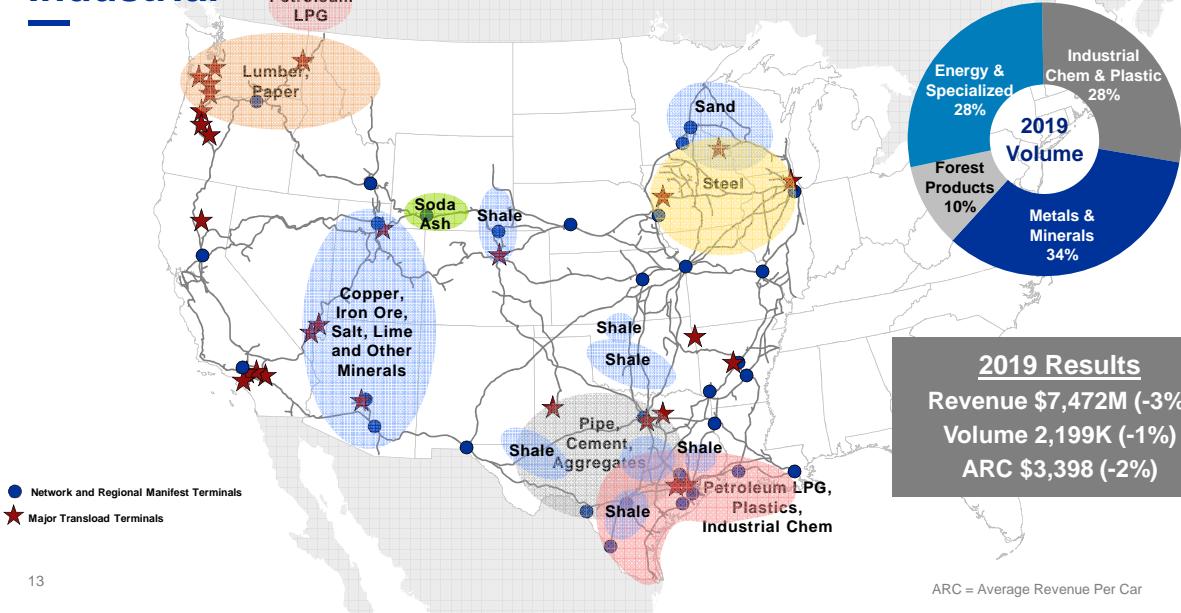
\*Through May 9, 2020

Electricity Generation Market Share\*\*

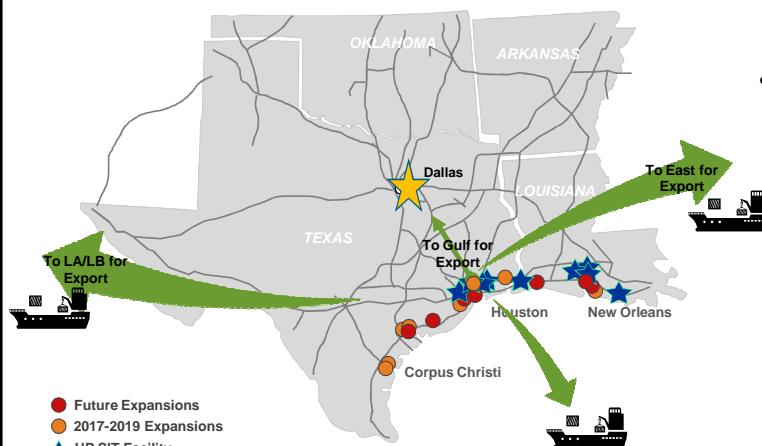


\*\*Source: U.S. Energy Information Administration (EIA)

## Industrial



## Plastics



14

\*Source: American Chemistry Council, June 2019

- \$204 billion petrochemical investment in Gulf\*
- Comprehensive product offerings & service excellence
- Dallas to Dock service solution for export plastics
  - Plastic pellets travel in hopper cars from Gulf region to Dallas
  - Pellets are packaged and transferred into intermodal containers for export
  - Katoen Natie expanding their Dallas packaging facility to double capacity to 500,000+ square feet by Q4 2020
  - KTN has the ability to grow to 2.5 million square feet



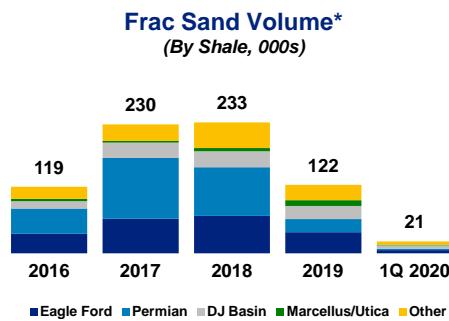
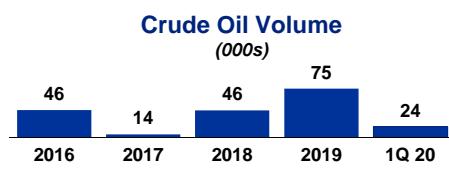
## Shale Related Volumes

First Quarter 2020*	Volume (000s)	% Incr (vs 2019)	% of Total UP Volume
Crude	24	68%	1.2%
Frac Sand**	21	(41%)	1.1%

\* Exclude pipe related to shale activity

\*\*Includes Barites

- Crude oil drivers
  - Crude oil price spreads
  - Production & demand
  - Pipeline capacity
- Frac sand drivers
  - Energy prices
  - Rig counts
  - Enhanced fracing technology
  - White / brown sand mix



15



## Housing Trends

- Housing market still well below historical averages
- UP lumber, stone & glass business correlates with housing starts
- Housing also drives appliances, roofing, rebar, aggregates, and cement demand
- Housing related shipments represent ~ 5 - 10% of current UP volumes

## Lumber, Stone & Glass

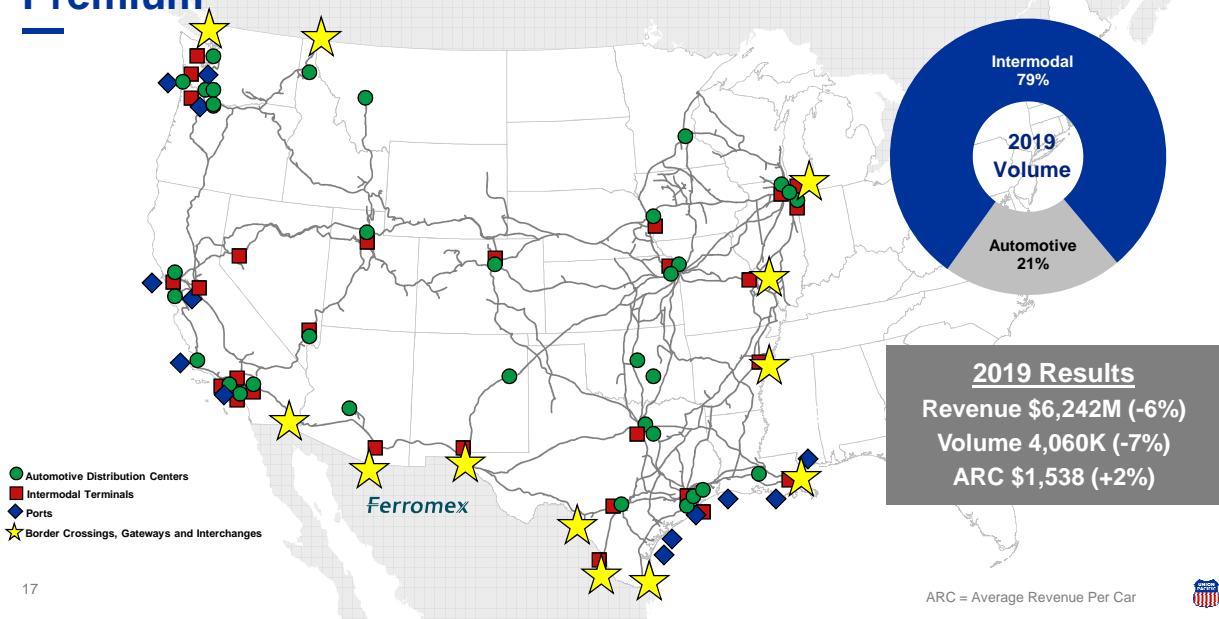


16

\*Through May 9, 2020



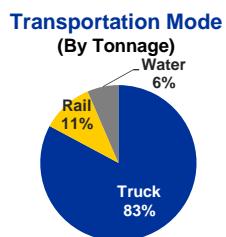
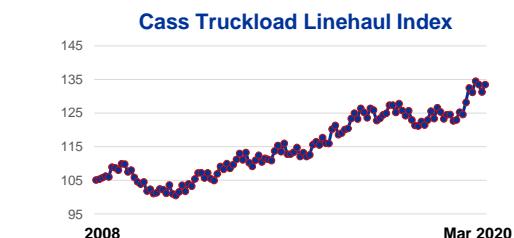
## Premium



17



## Highway Conversion Growth Opportunities



18

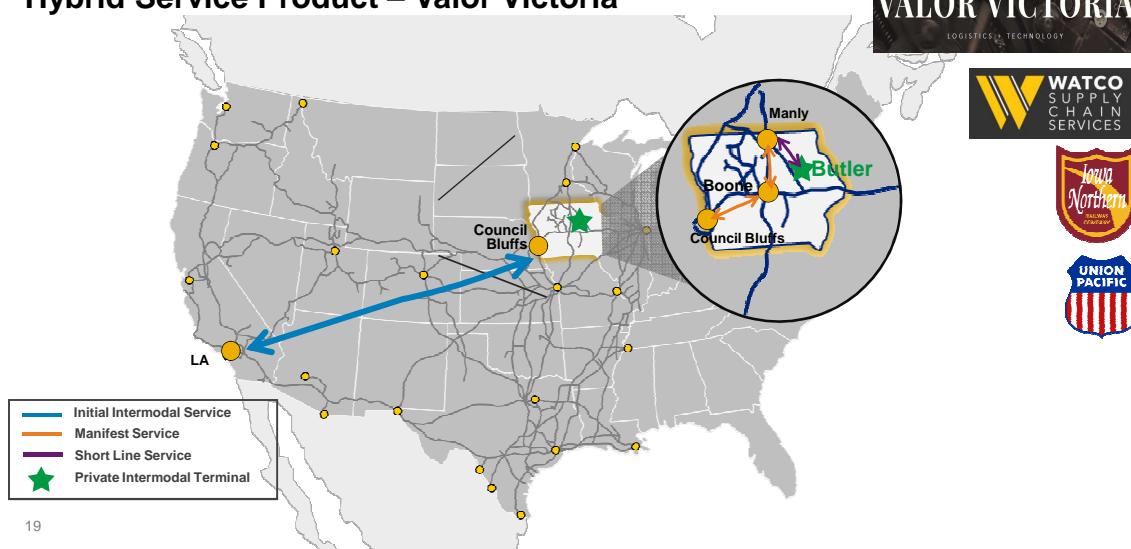
Source: Cass Information Systems, Index uses January 2005 as its base month, U.S. DOT Bureau of Transportation Statistics



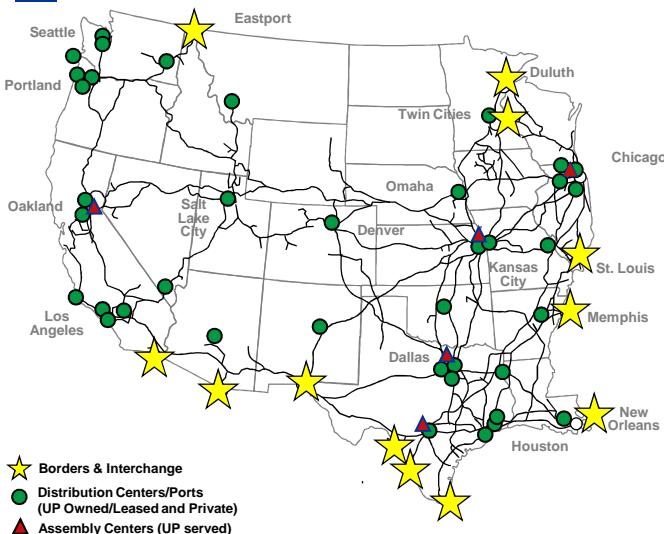
- Highway conversion opportunities in all business groups
- High insurance costs
- Drug & alcohol testing
- Truck capacity
- LOUP

## Butler Intermodal Terminal

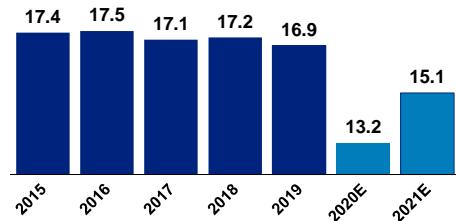
### Hybrid Service Product – Valor Victoria



## Finished Vehicles



U.S. Light Vehicle SAAR\*



20

\*Source: Global Insight



Full-Service Expertise For Almost Any Commodity

## Loup Total Supply Chain Logistics



**Wholesale  
Intermodal**  
Door-to-Door Service



**Retail Auto Parts**  
Just-In-Time Performance



**Carload  
Traditional Rail**



**Carrier Relations**  
Execution Capacity

**VALUE  
ADDED  
SERVICES**

EQUIPMENT  
MANAGEMENT  
POOL  
MANAGEMENT

INVENTORY  
MANAGEMENT  
NETWORK  
OPTIMIZATION  
VISIBILITY

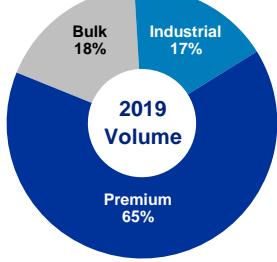
MILITARY  
SERVICES  
WAREHOUSING  
TRANSLOADING

DRAYAGE  
SOURCING  
CROSSTOWN  
SERVICES

21



## Mexico



22



## OPERATIONS OVERVIEW

May 2020

23

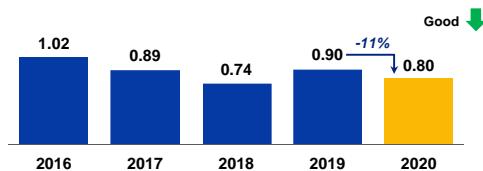


## FIRST QUARTER RESULTS

### Safety

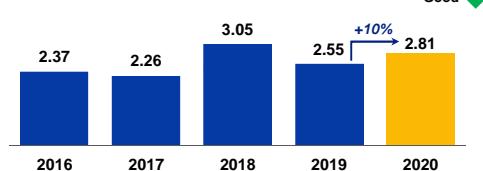
#### Employee

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



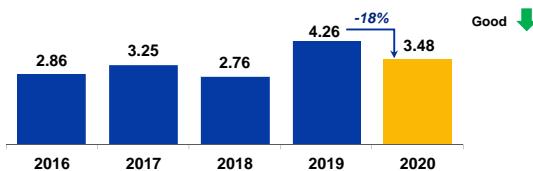
#### Public

(Crossing Accidents Per Million Train Miles) Good ↓



#### Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)



- Continued Focus on Safety
- Goal of Zero Incidents



### Unified Plan 2020

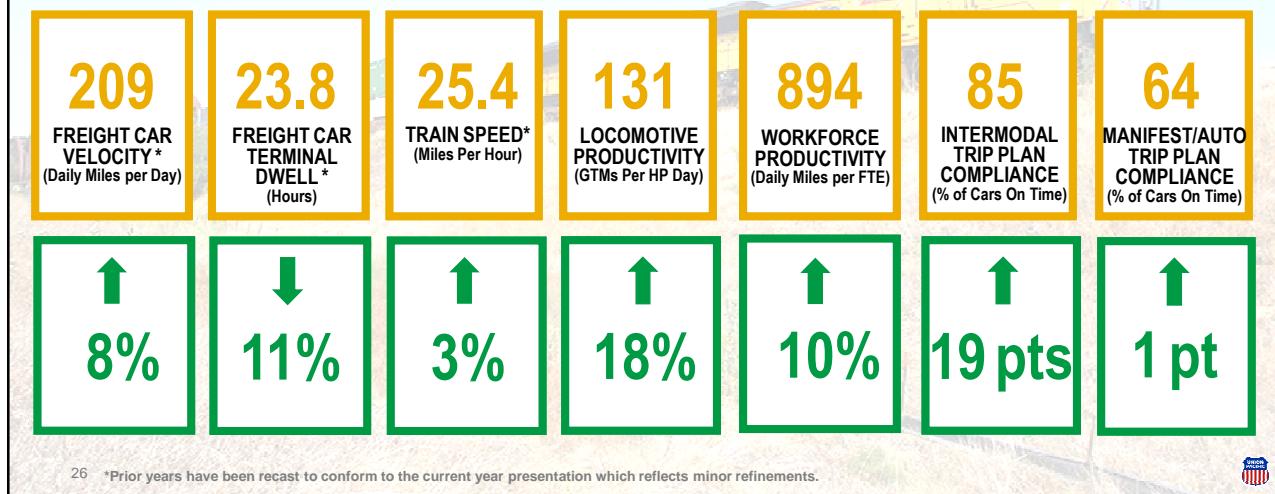
#### Precision Scheduled Railroading Tenets

- Shifting the focus of operations from moving trains to moving cars
- Minimizing car dwell, car classification events and locomotive requirements
- Utilizing general-purpose trains by blending train services
- Balancing train movements to improve the utilization of crews and rail assets



## Unified Plan 2020

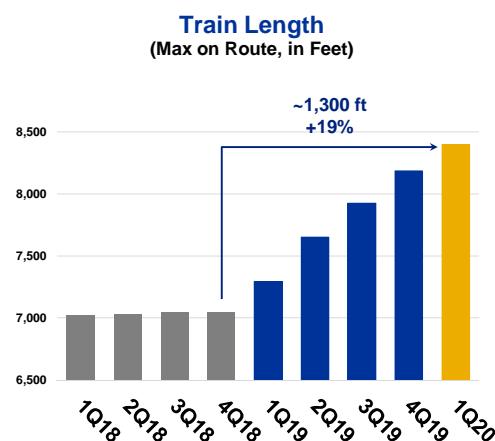
### Key Performance Metrics – 1Q 2020 vs. 1Q 2019



## Unified Plan 2020 Update

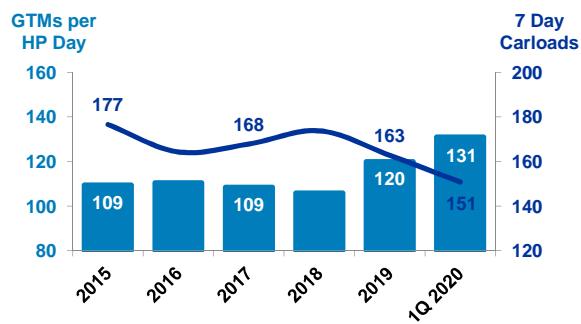
### Terminal Rationalization & Network Changes

- Consolidated Mechanical shops
- Santa Teresa Block Swap Facility In Service
- Completed Eight 15,000 Foot Sidings
- Continued Improvement in Train Length



## Unified Plan 2020

### Locomotive Productivity



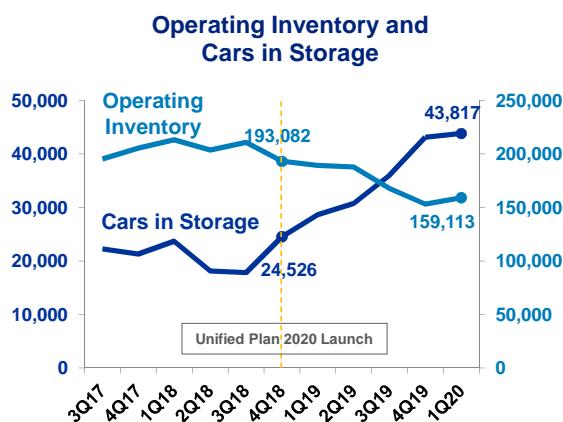
- Result of using the locomotive fleet more efficiently
- First quarter GTMs per horsepower day increased 18% compared to first quarter 2019
- Driven by less units, increased train length and reduced dwell

28



## Unified Plan 2020

### Inventory Management



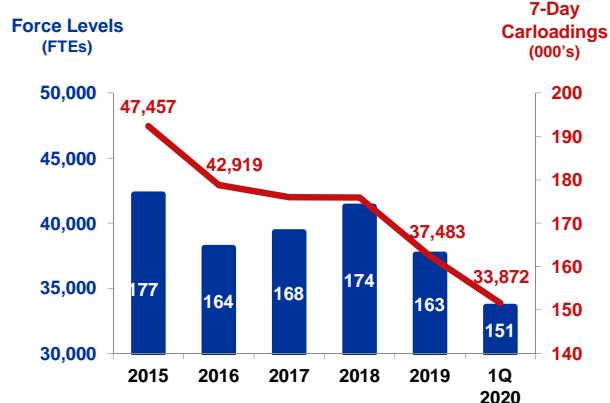
- Operating inventory reduced with Unified Plan 2020
  - Excludes cars in storage and cars placed at customer
  - Change driven by improved freight car velocity and terminal dwell
- Cars in storage on the rise
  - Increased more than 80% since fourth quarter 2018

29



## Unified Plan 2020

### Employee Force Levels



- Unified Plan 2020 driving a significant reduction in FTEs
  - Down ~15% or about 6,200 FTEs in first quarter 2020 from first quarter 2019
  - Lowest number of FTEs in the last 15 years
  - Driven by asset utilization and process improvements
- Additional opportunity exists

30

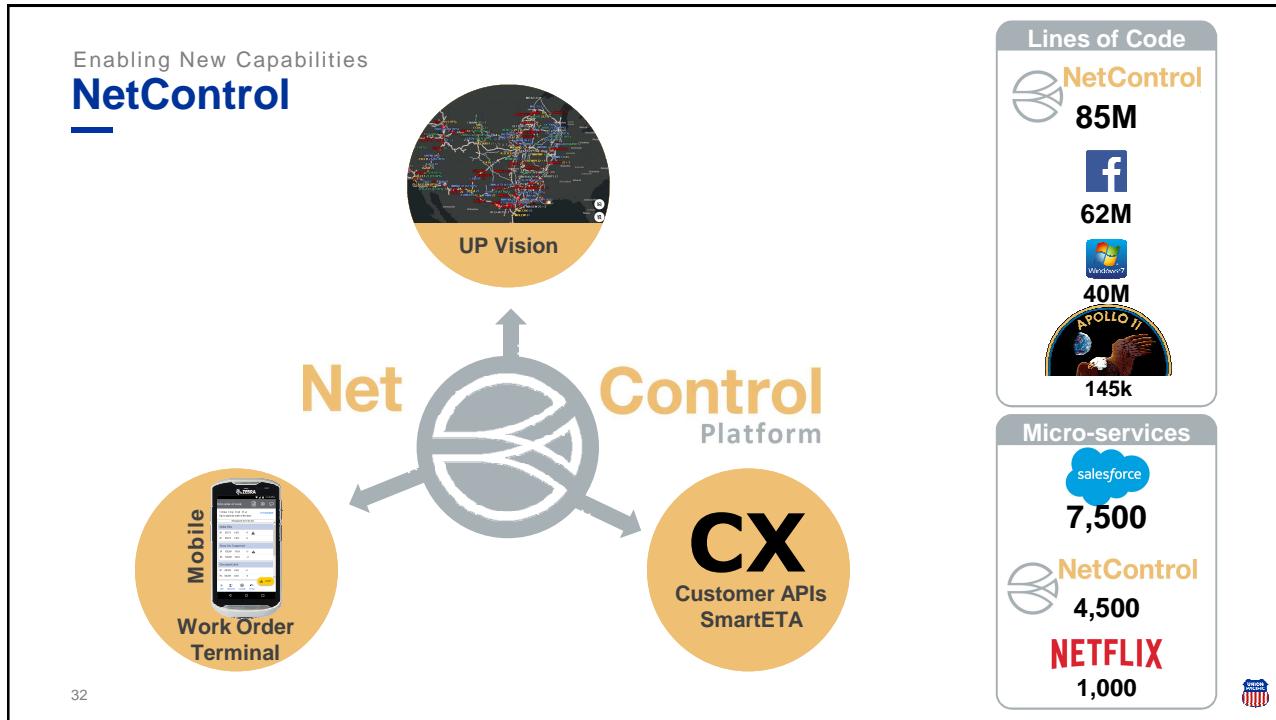


## Positive Train Control (PTC)

- Approximately \$2.9 billion invested through 2019
- Total estimated investment ~ \$2.9 billion
- Field testing since October 2013
- Installed on 100% of required rail lines
- Implemented on 100% of required rail lines
- Testing and refining PTC interoperability in 2020 and enhance the Energy Management Systems



31



32

## Improving the Customer Experience Through APIs

- 13 API services in 2019 with additional services in 2020
- Real-time access to data between applications and devices
- Streamline and automate workflows
- Enables customer to take action on their shipments from their interfaces
- Expands visibility into the supply chain



33

## Protecting the Environment

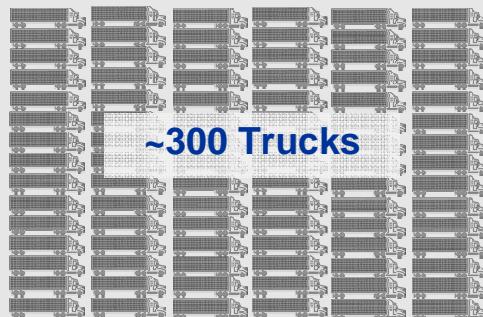
### Fuel Efficiency

- Union Pacific can move one ton of freight 444 miles on a single gallon of diesel fuel
- Our customers eliminate GHG emissions by choosing rail over truck
- Innovative locomotive software to help save fuel installed on the majority of high horsepower units

One Train



Equals



34



## FINANCIAL REVIEW

May 2020

35



## Updated 2020 Guidance

### Withdrawing Full Year Guidance on:

- Volume
- Headcount
- Operating Ratio
- Share Repurchases

### Second Quarter Outlook

- Volumes Down ~25%
- Aggressive Cost Control
- Volume Outlook Makes Operating Ratio Improvement Unlikely

### Full Year 2020

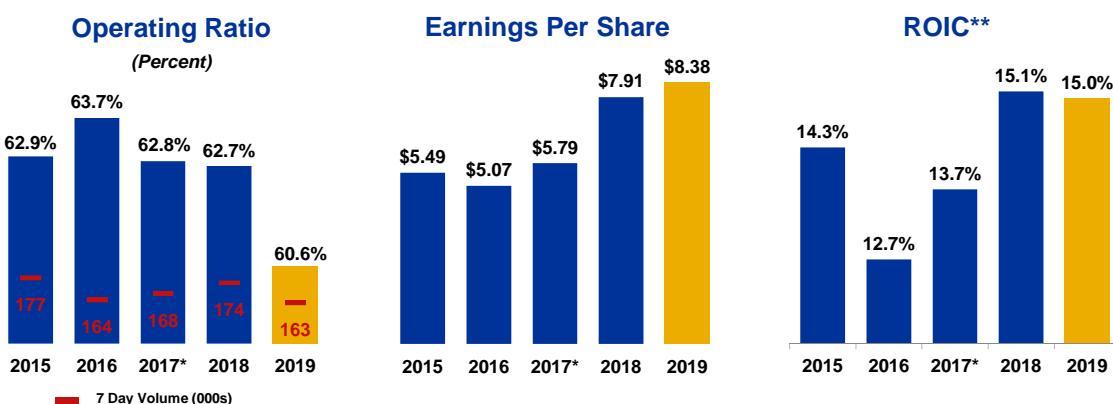
- Pricing Gains in Excess of Inflation Dollars
- \$400-500 Million of Productivity
- Solid Free Cash Flow After Dividends Under Various Scenarios
- Capital Allocation Plan Based on Scenarios:
  - Capital Spending Reduced by \$150 to \$200 Million
  - Maintain Dividend
  - Suspend Share Repurchases

36



## Financial Performance

### Expanding Margins and Driving Returns



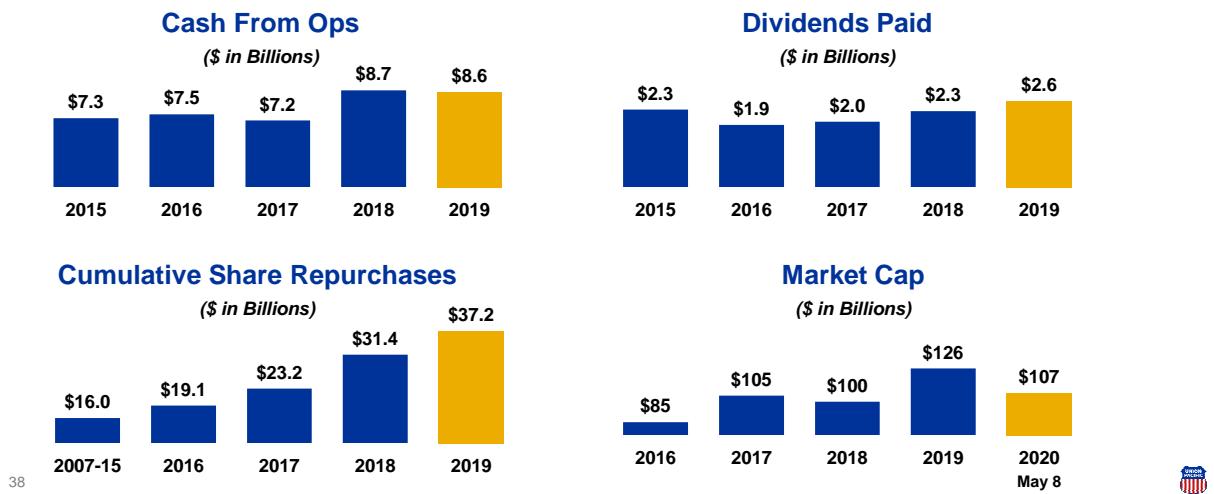
37

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



## Financial Performance

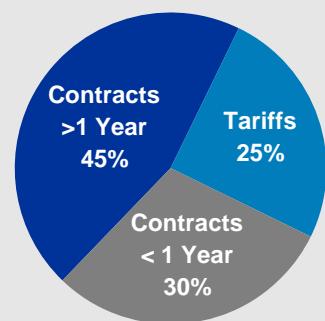
### Growing Cash Flow and Shareholder Returns



## Pricing Fundamentals

- Unified Plan 2020 service reliability drives cost savings to the customer
- Balanced portfolio provides flexibility for repricing as value grows
- Pricing above inflation

### Balanced Revenue Portfolio



FIRST QUARTER RESULTS

## Productivity Update

### Net Productivity of \$220 Million

Car Velocity & Inventory		\$35
Train Length		\$55
Locomotive Efficiency		\$70
Other Workforce Productivity		\$60

### Union Pacific is More Efficient Than During Past Recessions

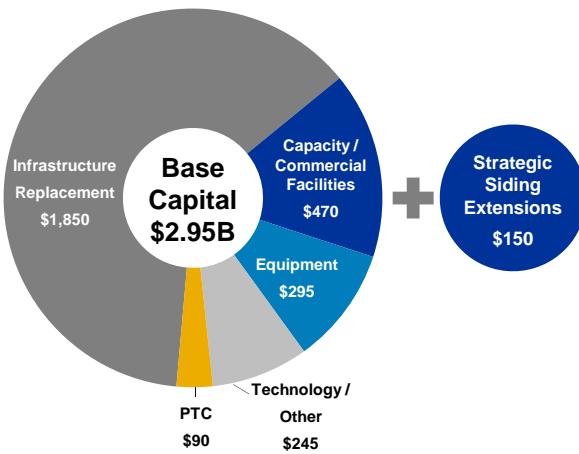
- Greater Than 100% Volume Variable in First Quarter 2020
- 1500+ Basis Points Operating Ratio Improvement Since 2008/2009

40



## Strengthening the Franchise

### 2020 Capital Plan (\$ In Millions)



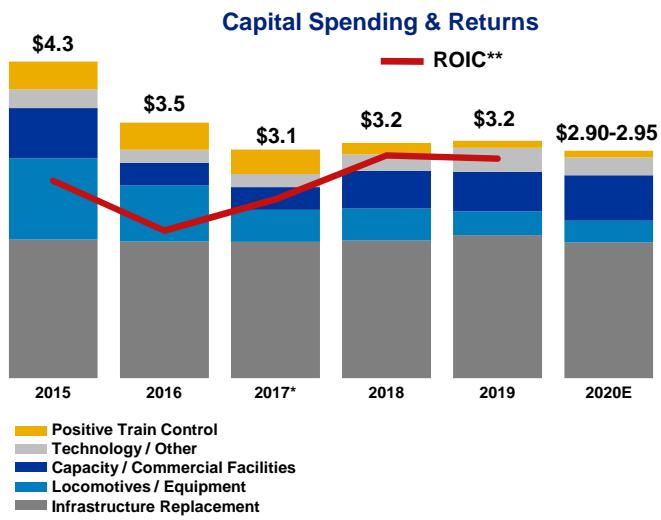
### Trimming 2020 Capital by \$150-200 million (April 2020)

- 2020 Capital Plan:
  - Base capital of \$2.95 billion, plus
  - \$150 million for siding extensions
- Safe & resilient infrastructure
- Equipment acquisitions:
  - Locomotive modernizations
  - Targeted freight car purchases
- Capacity & commercial facilities
- PTC spending

41



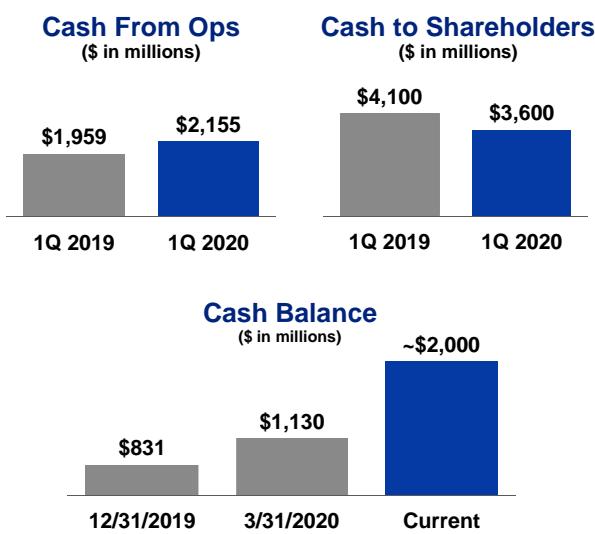
## Capital Program



- Return-focused capital program
- Productivity through G55+0 initiatives
- Capex less than 15% of revenue longer-term



## Managing Returns & Liquidity



### First Quarter Year-to-Date

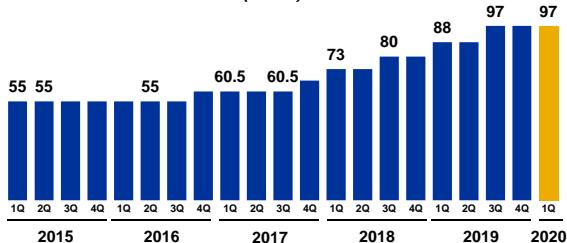
- Cash Flow Conversion Rate Equal to 91% of Net Income
- Repurchased 14 million Shares for a 5% Reduction in the Average Share Balance
- Adjusted Debt Increased \$2.5 Billion since Year-End 2019
- Adjusted Debt / EBITDA of 2.7x



## Shareholder Returns

- Dividend payout target of 40% to 45%
- Five dividend increases in the past ten quarters
- Repurchased ~40% of shares since 2007
- Share repurchase authorization three years beginning April 1, 2019
- Up to 150 million shares
- *Suspended share repurchase program as of April 2020*

Declared Dividend Per Share  
(cents)



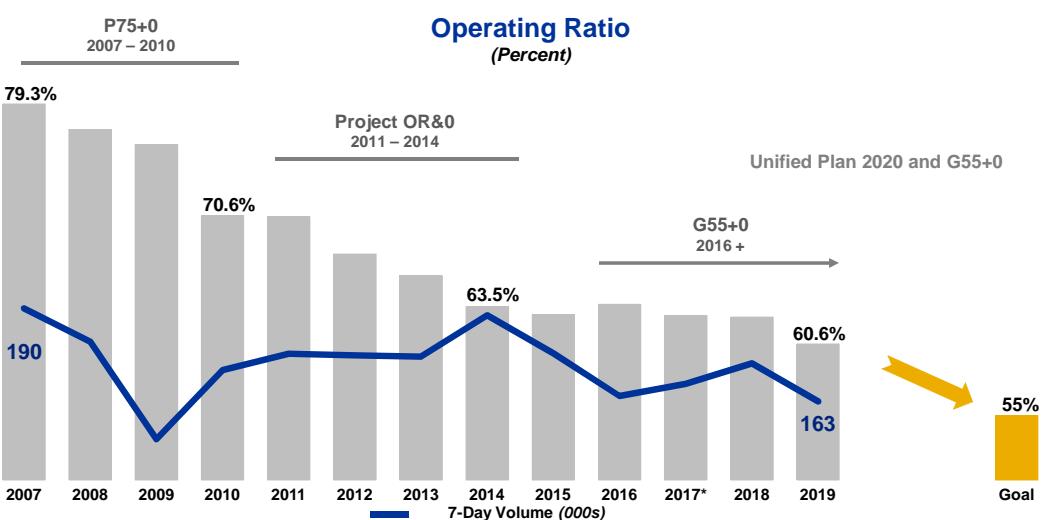
Cumulative Share Repurchases  
(\$ In Billions, Shares in Millions)



44



## Growing Margins



45

\* Adjusted to exclude the impact of Corporate Tax Reform

