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Union Pacific Investor Day 2021

Tuesday, 4th May 2021

Welcome and Introduction

Brad Stock

AVP Investor Relations, Union Pacific

Hello, I am Brad Stock, Assistant Vice President of Investor Relations, and welcome to Union Pacific's 2021 Investor Day. We are so pleased you have chosen to join us today for this virtual event as we lay out our vision for Union Pacific for the next three years and beyond. Now, with a virtual event, one of the challenges is that we are a little limited on the amount of time we have to delve into detailed subjects. In an effort to supplement what you will see today, we have provided additional material to fill some of those gaps. On the platform you are watching this event from today, there will be slides that accompany the presentations in order to provide additional information. All of the slides, videos and recorded Q&A sessions will be available after the event in the Resources section. You will also find today's agenda and speaker bios. All of the slides from today's presentations are also available on the UP Investor website.

Yesterday we published our 2020 Building America Report which is our sustainability report. It now includes all of the information you previously found in our factbook. Our ESG story continues to evolve as does this report. We hope you find it to be thorough and helpful. A link to that report can be found on the platform as well. On today's agenda you will note that we have three separate Q&A sessions where sell side analysts will have the opportunity to ask live video questions of our leadership team. In addition, through the platform you have the opportunity to submit questions that we will weave into the conversation as well. With the Q&A sessions please note that all of the speakers have been fully vaccinated.

Finally, before we start today's activities, I must remind you of our safe harbour statement. Today's Investor Day presentations contain forward-looking statements within the meaning of Section 27a of the Securities Act of 1933 as amended, Section 21e of the Securities Exchange Act of 1934 as amended and the Private Securities Litigation Reform Act of 1995. In addition, management may make forward-looking statements orally or in other writing during among other things today's management presentations and question and answer sessions. These statements involve a number of risks and uncertainties. Actual results could materially differ from those anticipated by such forward-looking statements as a result of a number of factors or a combination of factors affecting the operation of the business and other risks identified in today's presentations, in Union Pacific's Annual Report on the form 10-K for the year ended 31st December 2020 and in other reports filed by Union Pacific with the Securities & Exchange Commission. Forward-looking statements reflect the information only as of the date they are made. Union Pacific does not undertake any obligation to update any forward-looking statements to reflect future events, developments or other information.

Serve, Grow, Win Together

Lance Fritz

Chairman, President & CEO, Union Pacific

Hello and welcome to Union Pacific's Investor Day. While I would much rather be doing this in person than virtually, my leadership team and I are excited to spend the next few hours sharing our plans to unleash the great potential of the UP franchise. You are going to hear

two major themes in our remarks today. First, a firm commitment to precision scheduled railroading or PSR, and second, passion and a plan to grow our business volumes. Importantly we will translate how achieving those two objectives are going to enable us to continue our long track record of delivering industry-leading cash returns to our shareholders. Some of what we will discuss today is a continuation of the great work already underway and you will also hear about some changes that we believe are critical to achieving the full potential of Union Pacific.

Delivering on our Promises

Before I lay that foundation out for you, let us step back and reflect on our journey and the great progress we have made over the last few years. At our last Investor Day in May 2018 we laid out the following objectives that we expected to achieve by 2020. Positive volume growth, pricing gains above inflation, a 60% operating ratio, capital investments of less than 15% of revenue, \$20 billion of share repurchases, a dividend pay-out ratio of between 40% and 45%, debt to EBITDA ratio 2.7x and maintaining strong investment grade credit ratings. Of course, we had no idea when we laid out those targets that we would face a global pandemic that would severely impact the global economy. The fact that we were still able to achieve six of our eight objectives is remarkable and the two where we fell short, volume growth and share repurchases, were directly and heavily impacted by the pandemic.

Delivering Significant Shareholder Returns

Our most remarkable achievement was a 58.5% adjusted operating ratio in 2020. That is 420 basis points better than 2018 with volumes down 13%. That achievement was a direct result of implementing PSR. PSR also enabled the roughly \$18 billion of share repurchases and a 56% increase in the annual dividend during the period.

People

Something that can get lost in all of those numbers is the how and that is Union Pacific's employees. The women and men of UP made those numbers happen. They used their knowledge, their skills, their determination and grit to fundamentally transform the railroad and generate exceptional performance.

Diverse Portfolio of Business

Before I get into our strategic plan, I think it is important to frame how we view the competitive landscape over the next three years. Everybody is experiencing the rapid transformation and consumerisation of our economy. Supply chain and logistics are no different. It shows up in technology platforms and ecosystems used by our customers. It shows up in the higher expectations that customers have in their user experience and it shows up in our ability to react more quickly to changes in demand. It also enables us to have greater reach into customers' supply chains. We will talk about all of that later. Any discussion of the competitive landscape begins with our network which is the strongest in the industry and a key differentiating for UP. As we will discuss over the course of today's presentation, one of the key objectives of our PSR initiatives is to enhance our efficiency and assure we are harnessing our network to better serve customers and drive growth.

The competitive landscape is shifting around us. The most obvious example is all of the attention around Kansas City Southern and their potential merger partners. As you know, we believe any proposed merger should go through the STB review process to test the merger

expectations around competition and improving service for customers. Of course, we welcome competition and we also want to be on an equal playing field. We will fully participate in the STB process to seek equitable treatment that supports a competitive environment for our industry and for our customers. Regardless of moves by our competitors we believe that our strong franchise positions us to win. Whether it is our access to the grainfields in the Midwest, the gateways to the East, the Gulf Coast petrochemical complex, the major population centres of the West or the six major border crossings in and out of Mexico, we are positioned to win.

Another area where we are seeing the competitive landscape shift is the emergence of autonomous trucks. This is a trend we have been following closely. This past December we made an investment in TuSimple as a way to both stay connected to the developments and to leverage this technology in our own operations. We are currently evaluating autonomous drays[?] as a way to expand the reach of our network. Ultimately our answer to autonomous trucks is autonomous trains. Using the positive train control platform we have already invested in, we believe the ability to reduce crew size is in our future. This provides for a safer and more sustainable method of transportation. Certainly from a public safety standpoint running an autonomous train on a fixed track seems much safer than running 18-wheelers without drivers on our highways. Although rails today have a significant environmental advantage over trucks, the transition to electric trucks could change that dynamic. Again, Union Pacific is not standing still. We are working with both US locomotive OEMs on innovative solutions which you will hear about later today. We are committed to making our low emission profile even lower.

Strategic Plan – Serve, Grow, Win Together

Now, with this as a backdrop, let us look at where we are today. Union Pacific will celebrate its 159th birthday in a couple of weeks. We are no stranger to sustainability and the need to think and plan for the long-term. As we look ahead, we see new challenges, new opportunities and the ability to leverage our enhanced agility. The strategic plan that we will discuss with you today is framed with four driving principles; Serve, Grow, Win and doing that Together. While these may be new words the essence of our strategy is unchanged. Everything we do starts with Serve and the transportation products we provide our customers.

Serve – PSR Driving World-Class Operations

Precision scheduled railroading which we first started implementing in late 2018 is the foundation for delivering customer-centred operational excellence. PSR is not just a new operating plan or philosophy for us. It is now embedded in our culture and we actually talk about it as pretty simple railroading. We are applying that mindset to everything we do. We have done the extremely hard work of reducing layers in the organisation, which reduced our administrative and management staff roughly 30% over the last three years. This has come with some real pain but it was necessary to drive decision making to where it belongs in our organisation, closer to our customers. The results speak for themselves. Since 2018 we have increased our freight car velocity 6%, our dwell times are down 21%, locomotive productivity is up 30% and workforce productivity is better by 19% despite down volumes. As we look for volume growth in 2021 and beyond, we have workstreams lined up against each of these metrics to drive further improvement.

Grow

This leads to the next tenet of our strategy, Grow. We have the best franchise in North America. We are providing one of the best service products in the industry and we have got one of the lowest cost structures in the industry. We have available capacity as we are using fewer assets to move our customers' freight. Similar to the cultural shift we have experienced with PSR, learning to grow and aggressively pursue growth requires a change in mindset. We have already taken a number of actions, particularly in our marketing and sales team to position us differently in the marketplace. However, the culture shift is not limited to our sales team. We have to push the entire organisation to have a growth mindset. A great example is a programme that we call Scouts where we are empowering local operating employees to leverage their knowledge to find business development opportunities.

We also see opportunities to grow by providing more services for our customers. Today's logistics and supply chains are complicated and they are very tough to manage. We can help by adding services for our customers using breakthrough technology which is part of the reason we hired Rahul Jalali as our CIO. Rahul comes to us from Walmart and knows all about being committed to the customer. Rahul, Kenny and the Marketing & Sales team are spending time with our customers to learn in great detail their experience with UP. That work is helping us break down the user experience barriers that keep our customers from doing more business with Union Pacific.

In addition, we expect to grow by expanding our reach. We already do this today through our Loup subsidiary. It serves as an intermodal marketing company or IMC especially in the service-sensitive auto parts sectors as well as a transload provider for carload customers. As we have reduced car touches through PSR we have curtailed a number of smaller yards. Beyond providing efficiency and service gains, emptying those yards creates opportunities for new transload locations, for storage in transit tracks and yards, for customer lease tracks. We are always looking for opportunities to better serve customers and win competitive business. If there is an opportunity to accelerate growth, either organically or inorganically by helping solve a customer's problem or by filling a supply chain gap, we are going to pursue it.

Win

Successful execution of our plans to both serve and grow lead to winning. Our ultimate goal is to be the best. We are a logistics leader today and we plan to continue to be one going forward. In the past, that leadership has manifested itself in our safety performance, our operating ratio and our cash flows. Going forward we will continue to focus on driving all of those metrics while turbo-charging our results by increasing our share of new and existing customers' transportation spend. Jennifer is going to wrap things up today with our financial targets which are a clear win for our shareholders; but let me give you a quick spoiler alert, we will achieve a 55% operating ratio in 2022. Let me repeat that. We are going to achieve a 55% operating ratio in 2022.

Together

Our definition of winning extends to each of UP's four stakeholder groups, which is the final piece of the strategy, Together. For our communities it is about being a responsible corporate citizen that cares about the environment, working to protect the waterways, air and other

natural resources. It is also about being a leader in diversity and inclusion and setting and achieving goals to make our workforce reflect the communities that we serve. For our customers it is about being the best for them day-in and day-out, helping them easily find transportation solutions that make them more competitive. It is also about delivering their freight safely and damage-free.

For our employees it starts and ends with safety. We want every employee to go home safely every day. When it comes to employee injuries, the goal is zero and nothing matters more. We also want to be an employer that supports its workforce and provides a work environment where each employee can be his or her full and authentic self. We believe employees are more productive when their financial success is aligned with the company's success. Right now shareholders are voting on an employee stock purchase plan which would be available to all employees and include a matching company contribution.

For shareholders it is about bringing together all the elements I have spoken about today to create sustainable, long-term value. It is an exciting time to be at Union Pacific and we are confident that the great track record we have established over the last several years will be even better going forward. The team at Union Pacific is motivated to succeed. We are developing a culture around Serve, Grow, Win Together and I am looking forward to putting our talent, our plans and our goals on display for you today.

Together – Building a Sustainable Future 2030

Lance Fritz

Chairman, President & CEO, Union Pacific

Building a Sustainable Future 2030

It is a phrase we hear more and more, ESG, but what does it mean? At Union Pacific our approach to environmental, social and governance is woven into our DNA. Our railroad has had a front seat to some of the biggest cultural events of the last 160 years and our ability to quickly adapt and keep America moving has made us successful. That resiliency will continue to serve us well as we reinforce our commitment by introducing a more comprehensive approach to ESG issues. Our approach addresses the evolving needs of our stakeholder groups over the next decade. We could not be more excited to share with you what is coming.

Diversity & Inclusion

Beth Whited (EVP & CHRO, Union Pacific): The key to our success is always going to be our people, so we are really committed to fostering a diverse and inclusive environment. If you have a workforce that comes from different backgrounds and different perspectives, you are going to get more challenge to decision making. You are going to get more different thinking about how you approach problem solving and you are going to get more creativity. Recognising we still have work to do, in 2020 we set goals to reach new much higher representation levels in our organisation by 2030 for both women and minorities. A target of 11% female representation which is a doubling and 40% for minorities.

Expanding Educational Opportunities

We are implementing a lot of new tools to make sure that we have an inclusive environment, particularly in the areas of professional development. We have created a wonderful programme with the University of Nebraska at Omaha for employees to be able to earn a degree, either undergraduate or graduate, with no out-of-pocket expenses. Additionally, we have created training to help our team understand, how do I welcome diversity in the environment? How do I make people included? We are implementing a new programme called Embracing our Differences which really helps us take it to the next level and create the kind of psychological safety for our employees that makes them be able to bring their very best self to work. For me this is one of the most important things that we can do. We want to make sure that Union Pacific is that welcoming environment where everybody can be their best.

Working with customers to Reduce Emissions

Speaker: Union Pacific is proud of the role it plays supporting the transition to a more sustainable future. One that provides innovative economic solutions. By transporting goods via rail our customers are reducing their own carbon footprints by up to 75%. We developed an online Carbon Emissions Estimator in 2011 to help customers understand their emissions savings from shipping by rail versus truck. In 2020 alone our customers eliminated an estimated 21.9 million metric tonnes of greenhouse gas emissions.

Moving Environmentally Responsible Products

We are proud to move environmentally responsive products such as renewable fuels and the parts to build wind turbines. Over the past ten years we have moved more than 80,000 carloads of wind components. As we work to further reduce emissions, we are proud to provide our supply chain partners solutions that reduce their own carbon footprints.

Innovations Conserve Fuel

Speaker: Earlier this year, the science-based targets initiative approved our targets to reduce absolute Scope 1 and 2 greenhouse gas emissions from our operations 26% by 2030 against a 2018 baseline. We are examining every aspect of our operations to look for innovative solutions. Let me give you a few examples. We have already reduced our locomotive fleet through efficiencies gained with precision scheduled railroading and we are leveraging our energy management system to identify fuel saving opportunities. EMS works like cruise control. It is either being installed or we are doing software updates on high horsepower locomotives with the goal of equipping the entire fleet by year's end. At Union Pacific we recycle as many wood ties as possible and we are working to keep even more out of landfills. One project we are investigating is burning used ties whilst sequestering the carbon to create energy that feeds directly into the power grid. It is an opportunity to power communities our railroad operates in.

Growth in Diverse Supplier Spending

Speaker: Union Pacific has the longest-running supplier diversity programme in the rail industry. Since its launch in 1982, we have made significant progress but we can do more and we are. Last year about \$423 million in goods and services were purchased from more than 275 diverse suppliers in 35 states. That is an increase of 29% from 2019. We are also driving our suppliers to play an active role. Currently 89% of our strategic suppliers reported

purchasing goods and services from diverse suppliers, demonstrating their own support for our communities. For 2021 we have set yet another aggressive goal to increase our year-over-year diverse spend by 25%. To help us accomplish this goal we have added two additional employees who focus on identification and outreach and we have joined additional regional diversity councils to broaden our reach. Finally, we are thrilled to announce a new partnership with Hightowers Petroleum, a black-owned business in Ohio that will handle our fuel card programme. Under that programme we anticipate spending approximately \$50 million annually, representing a tenfold increase in Union Pacific spend with black-owned businesses. I am super-excited about the progress we have made and I am even more excited about our opportunities ahead.

Strengthening Our Communities

Speaker: When I think about communities it is about how we aid and support them. We connect small towns and thriving cities of the globe, providing them with access and opportunities to both grow and prosper. The key component of being a community partner is being present. Our equipment and property must be clean. All our employees must be professional and we must show up to help communities solve problems and answer their questions. One of the key tools to help us engage is Union Pacific's Community Ties Giving Programme, dedicated to building and fostering those communities. Four years ago we redefined and focused our philanthropic giving on the premise that a successful community must be safe, have a strong workforce pipeline and have vibrant community spaces. Last year alone we provided \$26.8 million serving more than 3,000 organisations with a significant portion providing direct assistance to those impacted by the pandemic. When you add up the data from the past four years, we have impacted 40 million people with over 18 million of those coming from underserved communities. We know our philanthropic giving has the potential to change a life. The decisions we make as a company can still change the arc of a community. Such a combination is humbling yet incredibly powerful and some of the most important work that we do here at Union Pacific.

Lance Fritz: The work we are doing to forge a brighter, cleaner future is built around our ESG goals and initiatives and layered into our corporate strategy. Together we will deliver value to each and every stakeholder.

Serve – PSR Driving Operational Excellence

Eric Gehringer

EVP Operations, Union Pacific

Safety – Foundation of Operational Excellence

Hello everyone. I am excited to be here with you today to dive into our first pillar of our strategy, Serve. Union Pacific's Operating Department is on a journey. It is a bold journey inspired by our desire for productive, sustainable growth fuelled by our deep conviction to serve as we build America through operational excellence. Operational excellence focuses on empowering those closest to the work to leverage the unconstrained potential of our collective team. The foundation of operational excellence is safety. We will continue to leverage our ever-evolving safety programmes that empower our team members to own all facets of risk identification and mitigation. One of the many examples is our work this year to leverage

advanced modelling and our system-wide network of weather sensors to reduce the risks of derailments caused by weather events. Another example John Turner will discuss is Union Pacific's proprietary precision train builder software. These and many other examples are delivering on our safety commitment not only to our team but also to the communities we operate within.

Train Length – Demonstrated Results

Now let us turn to PSR. As you heard from Lance, PSR has been our guiding force over the last two and a half years and has enabled us to make significant improvements to our service product and efficiency. While we are proud of our progress so far, there is no end in sight in terms of what PSR can do. With every accomplishment, we see new opportunities to redefine what is possible. What are some of those strategic productivity initiatives we will deliver over the next three years? Let us start with train length. Growing train length will remain critical to delivering continued productivity. We are laser focused on leveraging process enhancements and capital investments to drive gains in train length and John will discuss more details in a few moments.

Lean Locomotive Fleet – Ready for Growth

Next is locomotive productivity. We have delivered significant locomotive productivity over the past two years by storing excess units. The work to operate a lean locomotive fleet will never end but those efforts are expanding to further focus on variability. We will deliver a 20%-plus reduction in locomotive variability to drive even more productivity. This aggressive goal we will accomplish through our modernisation programmes, implementation of technologies like rail cleaner and maintenance component overhauls that target repeat failure modes.

Simplify the Network

March 2021 Houston Terminal Complex Example

To reduce the amount of touches required to move a car, we will continue to deliver on our commitment to simplify the network. For example, just last month we implemented new transportation plans that curtailed four yards in Houston and one in Council Bluffs. Other curtailment opportunities remain and each curtailed facility provides a new opportunity for our sales team to profitably grow the business.

Strong Core, Investing for Future

Finally, capital investment. Our journey is not focused on transportation alone. It has and will continue to include our mechanical and engineering departments as well. We will continue to be judicious with our capital investments as we leverage process improvement and technology to reduce our total cost of ownership. That includes but is not limited to active initiatives to automate material unloading, consolidation of material warehouses and leveraging machine learning for items ranging from automated track inspection to automated work equipment. Shane Keller will review a wide range of productivity initiatives within those departments.

PSR Foundation to Grow

As you heard Lance lay out, operational excellence includes a customer-centric approach to growth. The customer-centric approach reinforces our commitment to the service product we provide. What are some of those strategic service and growth initiatives we will deliver over

the next three years? First and foremost, we are continuing to leverage our low cost structure to secure new growth opportunities. Kenny and his team will share numerous examples later today. Next, we are implementing new technologies that not only improve the customer experience but also allow customers to optimise their business as well. Third, and a question we often get is how we are positioned to handle growth. We will demonstrate the capacity we are generating in line of road, terminals and assets to efficiently handle growth our sales team plans to deliver. Finally, we will be agile in our ability to enter new markets with speed. Our new Twin Cities Intermodal Terminal is a perfect example. By being flexible with our transportation plan and willing to take more calculated risks, we can meet market demands quickly. As you will hear later today, there are more opportunities on the horizon.

Technology is prominent across all of these efforts, so our CIO Rahul Jalali will provide insight into how technology is supporting our efforts to serve our customers. Now I would like to turn it over to my leadership team who will lay out additional service and productivity initiatives that include our drive to be more fuel efficient, benefitting our cost structure and reducing our carbon footprint. Let us start by hearing how operational excellence is driving opportunities on the transportation side.

Technology: Mobile Work Order

John Turner (VP network Planning & Operations, Union Pacific): Today I want to talk about service and productivity and how that ultimately turns into growth. Almost 23 years ago I excitedly started my career as a brakeman. In my career I have held every operating position except locomotive engineer and I can tell you so much has changed since I switched cars and rode trains for a living. I vividly remember carrying all the paperwork, rulebooks, timetables, hazmat guide and work orders. A work order is how a train person reports cars into and out of our customers' facilities. I lugged around so much paperwork I can still feel the weight of it in my memory. In addition to the weight technology did not allow us to report car movements until the end of our shift. This latency sometimes could lead to headaches for the railroad and our customers.

Thanks to mobile work order reporting devices, we have been able to address these issues by eliminating paperwork and reporting near real-time, making life better for our employees and our customers. Future enhancements will allow us the device to align designated yard switches, improving service, productivity and ultimately safety.

Technology: Terminal Planner & Precision Train Builder

Another position I held was as an agreement supervisor called a yardmaster. One way we are expediting the learning curve for yardmasters is through an initiative to develop a terminal planning tool. Using inhouse technology that utilises algorithms to maximise car connections and throughput to improve service for our customers. This system allows the supervisor to focus on executing the plan and leading people. As Eric mentioned earlier, Union Pacific's proprietary train building software is a decision tool that helps the team build complex train profiles, reducing the time it takes to complete work events and makes building longer trains easier and more efficient.

Productivity: Train Length

Our productivity related to building longer trains has been a significant driver of our success and will continue to be in the future. Train length reduces demand for resources and the

number of trains on the network. This generates capacity while improving service. The point of it all is that we need to be an 'and' company. We are constantly balancing productivity and our customers' needs. To achieve our train length goals we will leverage three key strategies. First we will leverage our previous investments. Our central corridor between Chicago and Green River, Wyoming has multiple mainline tracks. The team developed a combo tool to identify opportunities to leverage these investments by combining manifests, bulk and intermodal where it makes sense.

Second, our strategic transportation plan adjustments is where we schedule train meets to take advantage of long sidings or multiple mainline segments. A train meet is a location where passing tracks are located for opposing trains to pass each other. Third, we will continue to make strategic investments to extend sidings on specific corridors. We have already added over 40 sidings with another 60 siding extensions planned for the future. We are poised for growth with our primary corridors operating at 60-70% of fluid capacity.

Productivity: Terminal Capacity

In order to get the most of our franchise, we must match over-the-road capability with terminal capability. Utilising PSR principles we have reduced car dwell by around 20% since implementation. This has created headroom at busy facilities and allowed us to repurpose other facilities for future growth. From a terminal perspective we are in fantastic shape to grow with our terminals operating around 70% of fluid capacity.

Meeting Evolving Customer Needs

In my career I have seen huge market changes in coal, ethanol, frack sand, crude oil and even our intermodal franchise. These changes make being nimble paramount to our ability to enter new markets. One way we are being responsive is by repurposing facilities to meet current market demand, enhancing our ability to grow and enter new markets. I have three great examples to share. First in Chicago we are repurposing a portion of the Proviso hump yard to expand our Global II intermodal ramp. This allows us to consolidate operations in Chicago, simplifying our network, increasing density for our intermodal franchise, which creates productivity and sets the stage for growth.

In Houston with projected carload growth in the Gulf Coast we modified the infrastructure to support manifest growth for Englewood hump yard, creating additional processing capability, again creating growth opportunities. As we looked around the network, we saw an opportunity in our ramp portfolio specifically in Minneapolis. As a result, we are being nimble and creative by entering the market with a pop-up facility. This is our first step before making a more permanent investment. We are employing a similar process in other markets which we are extremely excited about. We continue to look for the best ways to utilise our franchise as our customers' transportation needs evolve over time. We wake up every day with a relentless drive to improve service and productivity, ultimately leveraging both to grow our franchise.

Mechanical Productivity

Optimised Fleet Size & Maintenance Resources

Shane Keller (SVP Engineering & Mechanical, Union Pacific): Sweating the assets is about getting the most out of equipment and increasing productivity. This is done through minimising downtime and increasing reliability through predictive maintenance and upgrades.

I will highlight some of our initiatives that are generating increased workforce productivity, better equipment reliability and lowering our cost structure. Our locomotive initiatives have reduced the size of our locomotive fleet. To see workforce productivity, we need to normalise to an employee per active locomotive look. Said differently, the number of employees needed to maintain each locomotive. We have increased our productivity by 28% over the last five years. On the freight car side, reduced car dwell and increased car velocity have resulted in fewer cars in inventory. Like the locomotive side, when you normalise the number of employees per active car you can see an almost 45% increase in workforce productivity. PSR is about working smarter, not necessarily working harder.

Mechanical Technology

We have a variety of technology that supports these smarter work processes. Let me highlight a suite of sensing technology that helps us identify and fix our rolling stock before they fail on line. Hot Box Detector measures the temperature of the wheel bearing. We collect this data on individual cars to proactively fix and prevent online failures. Hot wheel detectors measure the temperature of wheels as they roll through on trains. This gives us a real-time view of the health of the cars' braking system. Wheel impact detectors measure the impact load the wheel is putting on the rail. All three of these examples collect rolling and trending data on the health of the running gear. In the past six years bearing derailments are down by 50%. Similarly, wheel-caused derailments are down 70% over the last ten years.

Rethinking Our Future

Jenks Locomotive Shop, N. Little Rock

During the pandemic slowdown we closed several shops in both the Engineering and Mechanical side. As the demand for these facilities came back, we were very intentional and deliberate about the facility we wanted when we brought them back on line. We took this opportunity to transform the culture of these work units. If we reopen the facility, they had to be world-class in safety, best-in-industry in productivity and cost competitive, not only with other roads but the independent contract facilities as well. Our Jenks locomotive rebuild facility in North Little Rock is a perfect example of this. It is safer, more productive and cost-efficient. Our Jenks 2.0 facility has 50% fewer employees. It is 22% more productive and has lowered its cost by 40%. Today the facility is 450 days injury-free. Our De Soto car and Denver maintenance facilities have experienced similar results towards becoming world-class.

Engineering Technology – Rail Sensor

Improving Reliability, Performance and Efficiency

Similar to the car side, we use an array of sensing technology that allows us to collect information on the health of our track and rail. Our current geometry cars are rolling labs of sensors and computer equipment. They require a locomotive, a train crew and two operators to operate the geometry car. We are currently partnering in the development of unmanned operations on both the locomotive and freight car. Each of these are in service today. We plan to have three locomotives and two auto-boxes in service this year. An auto-box can operate 24/7 at a fraction of the cost of our current systems. The geometry equipment I spoke about is not unique to UP. We do have equipment in design and production that is unique to our railroad that we are confident will produce excellent productivity gains.

Wood Tie Unloading Automation

Let me highlight a couple of examples. We currently have patent-pending equipment we refer to as autonomous tie unloading. We have been developing this car over the last two years and are in our final design. The car that you see on the video is being tested in production today. By the end of the summer, we will have five cars in service. This design can distribute ties 3-4 times faster and requires 80% less labour than the conventional method.

Tie Plate Distribution Automation

We have partnered with some local firms to develop a tie plate distribution machine. This machine alleviates some of the safety risks of our current operation and shows promise for significant labour savings. We plan on field testing next month here in Omaha. On the locomotive side we continue to develop and enhance our energy management systems from both a fuel savings and train handling perspective. We are exploring alternate fuels where it makes sense. We are finalising our strategy to test and deploy battery electric locomotives in our yard and local operations in California. In summary we will continue to challenge the team to be smarter, use technology, automate where we can and increase efficiencies. We will get there by fully incorporating PSR thinking into every facet of our Engineering & Mechanical teams.

Foundational Platform Enabling a Connected Future

Eric Gehringer: Woven throughout the message you heard from both John and Shane was the importance that technology plays in our pursuit for operational excellence. Our operating and technology groups have always closely partnered to look for innovative approaches to meet and exceed our ever-changing customer needs while improving safety and efficiency. Our CIO Rahul Jalali will now lay out his vision for how technology at Union Pacific will drive improvements and how we serve our customers into the future.

Rahul Jalali (SVP & CIO, Union Pacific): Technology has always played a crucial role at Union Pacific. Our job is to make sure that our teams and customers can engage in the fast, easy, most efficient way. I have been with UP for about six months and I have spent a lot of time learning the business by walking our yards, talking to customers and the mission is clear. Reduce friction by better enabling our internal teams to serve our customers in the most effective way possible. We are going to make some major strides on this in this coming year. Let me tell you about this.

When I joined UP one ahas I heard right off the bat was to see how much of an advanced platform company we are. The most advanced companies on this planet are platform companies. In the past you have heard about our development of an industry-leading logistics management platform which I like to think of as an air traffic control and transportation management system rolled into one. Internally we call it NetControl. It is the centrally-connected brain of our complex business and has also an adoptive function to meet tomorrow's challenges.

I am happy to announce that NetControl is poised to go fully live over the upcoming year. This home-built platform connects many of our systems such as train, locomotive, dispatching, crew and many more, allowing us to leverage our connected data to develop innovative products with speed and agility. It also gives us the ability to leverage advanced

applications such as artificial intelligence, machine learning, internet of things lovingly called IoT, and produce friendly flexible customer-facing interfaces as well as deliver customer integration services with APIs.

To give you a sense of the complexity, this platform includes 94 million lines of code. That makes it bigger than some of the leading social media companies and the code base that they have. It is also created in a very modern microservices architecture designed to be highly scalable and flexible. As a result, faster solutions for our customers, lower operational costs and enabling us to be ready for the future such a server-less world and really a cloud native deployment going forward.

We are also seeing some early returns from this platform that we have already implemented from the impact it is having. We are delivering AI based tools which augment human decisions, such as terminal optimisation which provides intelligent classification cards in the yards for inbound trains. This has shown to reduce dwell time in some cases by as much as an hour every day. Second example, Movement Planner. It is a module of our dispatch system and we are putting intelligence into it for signals for a dispatcher for the meet and passes of the trains on the network, allowing our dispatchers to focus on more important tasks while assets to be forward deployed faster.

In closing I would say net-net, the NetControl platform helps us modernise our operations to be running a better, safer and more connected railroad today. However, what I am really excited about is what it will allow us to do in the future. This gives us the ability to quickly adapt and deliver for the fast-changing needs of our operations and ultimately our customers.

Eric Gehringer: The Operating Department has an abundance of projects and initiatives that will propel our railroad to new heights as we strive for operational excellence. We will leverage technology to improve safety, provide a better service product to our customers and reduce our carbon footprint. We have the right team of leaders in place and a motivated team that is ready to deliver on those commitments. We are excited to grow with our customers offering them new and exciting rail products as we convert more traffic to rail. Our network is ready for growth and to be leveraged to deliver strong financial results. With that, we are ready to answer your questions.

Serve Q&A

Lance Fritz: Welcome to the Serve panel. I am Lance Fritz. On my right I have got John Turner, on my left I have got Eric Gehringer and Shane Keller. We are veery excited to answer your questions.

Scott Group (Wolfe Research): Good afternoon. We clearly heard a focus that you want to grow. We heard a lot about productivity. Can you help us think about the balance and what this means for headcount going forward over the next few years? Then Lance, you were talking about crew size. Maybe you could give us an update on labour negotiations and potential to reduce crew size going forward. Thank you.

Lance Fritz: Great Scott, thank you. I will start with labour and crews. Then I am going to kick it to Eric to button up on what our workforce looks like into the future. We are in about year two of the labour negotiation. It is slow going. Covid had a lot to do with that. Labour is postured to get into negotiation with us following the win by management in court saying

that crew size is something that needs to be negotiated. We have got our arbitration that has kicked off ready to go on that topic. Scott, it is way early innings still to figure out what kind of progress we are going to be making, but we are committed to at least engaging seriously in the conversation about getting to a crew-conscious deal where when we are prepared on the right territory, we can reduce the number of people in the cab of the locomotive to match the work.

Eric Gehringer: On the headcount Scott, you saw in the presentation at least five different examples of strategic initiatives that are all aimed at being able to continue to drive our productivity. I am not going to guide to a specific number today but when we think about growing train length and automating technology, those are all efforts to be able to get a smaller footprint, be more efficient and with that, be more productive.

Brian Ossenbeck (J.P. Morgan): Good afternoon, thanks for taking the question. A follow-up on the technology, leveraging it across the network. Lance, you just mentioned the crew size. Putting that aside, do you have line of sight to implementing PTC in a productive way now that it has been fully operational in testing? How does that apply to this advanced platform for control and visibility that you mentioned earlier?

Lance Fritz: Brian, thank you, great question. PTC is basically the platform that much of the technology we have talked about that either can enhance service product or can reduce costs is built on. I will turn it over, Eric, maybe for you to start and you can punt it to anybody you want.

Eric Gehringer: Sure. With PTC as the backbone for that, you are really seeing the communication network at its very best. When you think about projects like quasi-moving blocks that would redefine in a large part how we operate, all with an eye towards safe and efficient operations, those are the types of examples you would see us build off that. Right now, the future is pretty endless because although we have had it in place and we are completely compliant, we see lots of opportunities probably some of which we will not see until we start capitalising even further on the ones right in front of us.

Lance Fritz: Yes Brian, I am just going to close that up quickly. Fundamentally what PTC gave us was a lot more computing power on the locomotive and a very wide net of communication. When you think about the remote control for locomotives that we talked about before, cruise control if you will for fuel savings and a better trip, that is all built on the platform from PTC. So is our operating processes command centre where we communicate directly real-time with trains from this building to help them get over difficult territory. There is application after application. Thanks for that question.

Let us go to one on the website. The question is you mentioned truck automation threat. Can you maybe outline the three key things Union Pacific and rail industry need to get right to ensure maintaining a strong cost advantage? Absolutely. Those three things are, A, we have got to get the cab consensus right. How many people do we need in the cab of a locomotive? We mentioned before our direct response to truck automation is train automation. There is a clear path for that. We have got to get that path right. Second thing is we have got to continue to get our C-rate right, get our fuel consumption down and we can go over a number of those ways maybe in subsequent questions. Then third we have got to make sure that our network plan, our transportation plan continues to be as efficient as it possibly can be. We

have shown that over the last handful of years in PSR. All three of those are going to keep us in front of trucks. Thanks for that question.

Tom Wadewitz (UBS Securities): Great, thanks for the presentations. I wanted to see if you could offer some thoughts on the structural change at the railroad. I think there had been a lot of changes as you were implementing PSR over the last few years and looking at how the yards were set up, how many hump yards you have and the train schedule. Where do you think you are at in terms of what you ultimately get to? Are you halfway there? Are you 90% there in terms of some of the more structural changes in the network? Whether that is yards, terminals or train schedule. Thank you.

Eric Gehringer: We have mentioned in the past, even in the last quarter that when you look at where we are, I know we have used different analogies but I am going to say right now we are at about 70%. However, I think it is really important as we think about that number we all recognise that every time our team takes one step forward and sees opportunities, they are turning over more rocks to see even more opportunities. I will let John mention a couple of those.

John Turner: I think you have heard in the last earnings release where we mentioned a few of the smaller terminals that we have been working on and had reduced in Council Bluffs and in the Houston area. I can tell you as time goes on though and Eric hit it exactly right, over time what you really want to do is continue to refine that T Plan and as more opportunities present themselves continue to tighten that up and create more density and more productivity over time.

Lance Fritz: Yes Tom, we have got plenty of opportunity. Thanks for that question. We mentioned it in the video, four yards as recently as in the last month in Houston, one in Council Bluffs, it is more frequently than every month that you are looking at opportunity.

Eric Gehringer: Even this week we have been talking about another one, so we are constantly working on that topic.

Lance Fritz: Thanks for that question Tom. Let us go online. We have got another question here. Outside of costs, what other factors do you consider when deciding if you should outsource portions of the locomotive and/or car maintenance operation?

Shane Keller: Obviously, cost is a big one so if you are going from outside a cost it is really safety, service and value. Our facilities most of those are on the railroad. They are close. Our cycle times are quite a bit better. I have got to tell you, our workforce is extremely engaged in understanding how they are competitive both inside and external. Jenks has done an outstanding job and we have a couple of other facilities that are running 30% under market when it comes to outsourcing. Our employees are extremely engaged on that. They are really happy to be able to make that difference.

Lance Fritz: You have done a tremendous job. The team has. When you took Jenks and shuttered it temporarily, you did the same thing with the construction shop in Denver, when you brought those back, they are even more competitive, they are more productive than they were when you put them down.

Shane Keller: Absolutely.

Lance Fritz: That is really impressive.

Justin Long (Stephens): Good afternoon. I wanted to follow up with a question on technology. Is there any way to help us think about the pace of technology investments going forward and the return or the hurdle rate you are expecting on those investments when you think about the cost benefits you could see and the benefit to growth from a better service product?

Lance Fritz: Yes, that is a great question, Justin. Let us talk a little bit about pace and then what we can get in cost justification, that is in return rate. Then I would love an example or two from you guys. In terms of pace, a great example is we just literally launched NetControl. We started really turning it live about the middle of last year, maybe a little earlier. Right now we have 48 APIs that customers are using at thousands of pings a day to connect their system to our system. We can introduce those APIs now at a clip of a handful a week or a dozen a month, whatever the demand level is. That is a very, very tiny example Justin but it is a really good example of how we can use our services-based platform that Rahul talked about, plug customers into it and the pace at which we can do that. It is helping us win business. Part of the return of that kind of technology is the fact that we have recently landed a large electric vehicle manufacturer in Northern California who was using truck almost exclusively. When we started talking to them about the rail programme, they learned we could help them with their carbon intensity, but even better we can get them connected visibility in their supply chain that they could not get from their current supplier through our APIs. That is just a small snapshot and from a return perspective technology has some of the best return on the railroad because investment tends to be in millions of dollars and maybe a \$10 million number. It can generate really outsized efficiency returns and growth returns. Let us have an example or two that you guys have for technology.

John Turner: I will go ahead and start. I think one of them I mentioned in the presentation is the proprietary software using the Train Builder. It is something I am extremely excited about and here is why. It is a tool that allows us to not only be safer but to be more productive in the long run. We have a lot of mountain grades and that creates train makeup restrictions and things like that in order for us to maintain a safe operation. As a result, being able to see the dynamics inside of that train has allowed us to do things in terms of our train build to build on larger trains over a period of time. As we work through that, that is something we are extremely excited about.

Shane Keller: A large portion of our track structure, the government requires us to inspect that and we have traditionally done that with a set of eyes. If you think about going from a set of eyes to developing to a manned computer controlling lab like our geometry cars to what we have today which is a box car that has got equipment in it that is solar-powered that is able to run 24/7. That actually can see things better than what you can see with a human eye and it is rolling all the time. It is a huge benefit from technology.

Lance Fritz: You get more inspections, better quality inspections and –

Shane Keller: At a fraction of the cost.

Lance Fritz: Yes, it is basically attached to a train. Thanks for the question Justin. The sky is almost the limit when it comes to technology deployment and the benefit of it.

Ken Hoexter (Bank of America Securities): Great, thanks for taking the question. Love the autonomous train unless I am standing next to that tie frame throwing out the ties. My

question is on the capital thoughts going forward given those siding projects, tech investments and yard upgrades. Maybe you could talk about your capital plans going forward given the acceleration.

Eric Gehringer: We still stay with our normal guidance at 15%. You know this year we have got that at \$2.9 billion. When you break that down between the renewal work that Shane's team does versus the work John's team does on the capacity expansion and commercial facilities, the siding extension programme is very important. It is actually a relatively small percentage of the total spend. We are always going to put the first dollar in ensuring that we have a safe and reliable infrastructure of what we currently have. Then we make those investments for growth and productivity drivers whether again it is in a siding extension, maybe a brand-new siding, building a commercial facility, or even expanding an existing commercial facility. I am very comfortable with our level of spend and you will see us continue to be at that same level.

Lance Fritz: I think we mentioned this, if not I will be really explicit, all of what you heard discussed in terms of forward-looking capital investment it is all baked into our long-range plan and thinking about the capital guidance we gave. It is all in there.

Let us take a question online. The question is can you discuss the breadth of the locomotive modernisation programme? Will you purchase any new locomotives in the foreseeable future?

Shane Keller: The first question is the locomotive modernisation and this is actually really cool. Before, what we used to do was we used to overhaul locomotives which essentially says you are changing parts with newer components of the exact same thing that was in there. However, with modernisation we have gotten a lot more smart with that. The components that do not need to be changed, we leave them. The components that need to be overhauled we go ahead and change them in kind. However, more importantly the ones that need to be upgraded or give us a better value product coming out the other end, typically that is a control system now. These units have come out, the ones that we have seen here recently, they are 2x more reliable on a mean mile between failure than even a new locomotive that comes out today. They have been outstanding in their performance and that is probably going to be our strategy going forward.

Lance Fritz: That is awesome. We do not plan on buying any new locomotives unless it is battery electric locomotives for testing out that concept, in which case I think we will be on top of that in the very near future.

Jason Seidl (Cowen & Co): Hey Lance and team, thanks for doing this today. Lance, I wanted to ask a question about growth and I was very happy to hear you say that is the focus. What are the top-three things that you think you really need to do to grow volumes on the UP network aside from any macro trends that may be helping or hurting you?

Lance Fritz: Great. Jason, I am going to answer this quickly because I am going to problem table the guts of that question for the next panel which is a Grow panel. You have asked for three things we have to get right. First, we have to have customer-centred operational excellence. That is a no-BS sentence. That means we have got to be much easier to do business with for our customers. We have got to leverage our market expertise and knowledge to more deeply understand their business and solve their problems and to look at

our business through their eyes with much greater frequency and more aggression. That is number one.

Number two is we have got to have a culture inside the building, inside the railroad that is oriented towards growth. That is not just words. That means incentive systems. That means getting rid of some KPIs that might get in the way that are a little bit deeper in the weeds and make our team make bad decisions when it comes to growth. Then the third things is we have got to make sure we have got the right people pointed at the customer in terms of those customer-facing jobs. They have got to have a front foot forward posture. They have got to be armed with the right technology and they have got to follow through with that. However, I know Kenny and team are going to get into that in much greater detail, Jason. Thanks for the question.

Allison Landry (Credit Suisse): You guys have spent a lot of time talking through the different productivity improvements to help you get to a 55% OR by 2022 which maybe some people might view as a little bit conservative. You did 58.5% in 2020 in a down volume environment, and from what we have heard there seems to be a lot of runway for productivity going forward, whether it is train length or weight or fuel efficiency or technology. We have really have not touched upon the share gain. So maybe from a longer-term perspective, even you do not want to talk about where you could get to from an OR perspective longer-term, could you speak to or address what the structural advantages are of the UP network that might help you guys achieve a better structural OR than your peers longer-term? Thank you.

Lance Fritz: Sure. By the way when Jennifer is up later in the day, she will be very specific about our long-range plan guidance and what to expect. However, structurally you have got it just right Allison. Our franchise is the best in the industry. It is the best in the industry first in where it serves. We serve the Gulf Coast petrochemical franchise which is really second-to-none in the world. We serve the breadbasket of the United States. We serve the largest growth centres for population in the Western two-thirds of the United States. We serve all six major gateways to and from Mexico by freight rail. We have good connectivity to Canada and we go through some of the best territory from an industry perspective in the United States. We serve more endpoints than I think any of our competition by far. We have also got the best intermodal ramp infrastructure. We have got the best auto ramp infrastructure. From an infrastructure franchise perspective, it is really as good as it gets. I will put our team against anybody in terms of what we have been able to accomplish the last couple of years.

If you think into a 55% operating ratio is easy, you are probably not running an outdoor factory with 32,000 miles of railroad. There is a lot of work that goes into that. We are not done when we achieve that. We have never had a governor on what we are trying to accomplish. However, you will hear from Jennifer where we are going. Then we can really get deeper into those kinds of questions at the end of the day. I appreciate your question Allison, it is spot on.

With wraps up our Q&A time for the Serve part of our session today. I want to thank John, Eric and Shane for joining me. You have done a really good job of explaining what we are up to and answering questions. We are now going to move to the Grow part of our strategy next. Thank you.

Grow – Outperforming Our Markets through Service and Customer Focus

Kenny Rocker

EVP Marketing & Sales, Union Pacific

Premier North American Rail Franchise

Hello, I am here to talk to you today about profitably growing the business. Everyone at Union Pacific is excited for the opportunities we have to grow Union Pacific now and into the future. We have a strong customer base that serves a diverse yet balanced business mix with a strong franchise stretching across 23 states, serving over 7,000 communities. We play an essential role in global trade with roughly 40% of our business moving internationally. Union Pacific has the premier franchise with Mexico, the only railroad with access to all six gateways to Mexico. The strength in our diverse business mix gives us stability through the economic ups and downs in our various markets.

Economic Outlook

When we look towards the next three years, here are the economic indicators that correlate closely with our business. You see that industrial production is forecast to average 2.8% annually. We also recognise that we will face continued challenges in our energy-related markets; but despite those hurdles we have a solid strategy that you are going to hear about today, that enables us to outperform the markets with our reliable service and our continued focus on enhancing the customer experience.

Commercial Focus – It is All About Growth

Earlier Lance talked about Union Pacific's strategy; Serve, Grow, Win Together. For our Commercial team it is all about growth. What we want to hit very hard today is how, how we are going to grow. We are going to do that four ways; grow with PSR, transform our sales culture, advance the customer experience and expand our network reach to serve new markets. These four areas will give us long-term and sustainable growth into the future.

Growing with PSR, growth starts first with having a solid service product that meets the needs of our customers. Since the start of our PSR effort we are moving cars faster and utilising both our assets and our customers' assets more efficiently, as Lance mentioned earlier. Our focus on faster transit times and improved reliability is opening doors for us to convert more truck business to rail, which is the most environmentally responsible mode of ground transportation. With the growing trend towards ESG, we also support moving a variety of sustainable commodities. From renewable energy, like wind turbines and biofuels, to renewable products like recycled paper and plastics. Let us hear from the commercial leaders as they give you some very specific examples of how we are leveraging our PSR service product to grow into these markets.

Capitalise on ESG through Renewable Diesel

Speaker: Our reliable manifest network puts us in prime position to capitalise on the emerging markets supporting ESG. ESG has become increasingly important for UP, our customers and our stakeholders. One market in particular with a strong growth potential is renewable diesel. Renewable diesel is a direct replacement for regular diesel and it can reduce CO2 emissions by 80% compared to petroleum diesel. That is helping UP and our

customers reduce our carbon footprint. A push towards ESG is continuing to increase demand for this environmentally-beneficial product. In fact, annual announced production which UP would have access to has a potential to grow from 455 million gallons today to over 4.5 billion gallons by 2025. This gives our customers the ability to ship to growing markets like California where demand is expected to double to over two billion gallons. To capture this outstanding opportunity, we are working proactively with existing producers as well as new market entrants to build out an end-to-end supply chain product that is the best in the industry.

Another great opportunity for UP as a result of the increased renewable diesel production is the opportunity to handle the inbound feedstocks into these plants through our extensive network of soybean oil production, ethanol plants and other feedstock sources. This provides our customers with many options and a consistent supply of feedstocks no other railroad can provide. These products naturally fit into our existing manifest network as they are consolidated and supplied from smaller facilities throughout our network and this allows our customers to avoid millions in capital costs of bulk storage and track infrastructure by facilitating their shipments that are continuously produced and consumed. Phillips 66 is a good example of a valued partner in this space. They are expected to begin production of renewable diesel at the Rodeo California refinery this year, supporting their sustainability programmes. Union Pacific and Phillips 66 have collaborated to develop a supply chain that will deliver consistent and reliable source of feedstocks for this new lower carbon intensity fuel. Our team has an aggressive strategy to continue to grow renewable diesel production on our network so we can participate in both the inbound feedstock and outbound product.

Bulk

Through this and the business we have already secured, we are anticipating this market to be a growth driver for UP for the next several years. Our efficiency gains from PSR have also translated to a lower cost structure which has allowed us to more effectively compete versus truck. We have not been traditionally able to compete. Improved car velocity has also supported this penetration. We have examples all over our business that demonstrate this. For instance, in the fertiliser space, we have partnered with smaller co-ops and we are now handling incremental carloads to 20 additional destinations. Our improved manifest service also provides optionality to customers alongside our unit train model. Customers are able to ship and receive their products in a consistent and reliable manner, ultimately integrating with their supply chain and improving speed to market.

Grain

We recently won brand new business with a grain products customer by selling these advantages. UP's reliable manifest solution actually reduced overall cycle time when taking into account dwell at origin and destination. This improves equipment utilisation, thus requiring the customer to have a smaller fleet to maintain and reduces expenses that come with it, like leases, maintenance and storage. In addition, choosing a manifest option eliminated the customer's needs to invest in new track and storage infrastructure. Our consistent and reliable service matches the consistent production and consumption of the product. Lastly, we were able to show the customer that UP's network and service product provides supply chain flexibility. This customer is able to optimise their production and supply their customers from multiple plants versus having to ship all the product from a single origin.

Overall, PSR has been a game-changer, not only for productivity but also by revealing previously untapped levers to accelerate growth.

Supporting Sustainability Efforts

Shipping Eco-Friendly and Recyclable Products

Kari Kirchhoefer (VP M&S Premium, Union Pacific): As Kenny shared, our team is intensely focused on growing our carload business and as consumers and manufacturers respond to cultural and environmental shifts to use recycled products, we are seeing more interest in developing supply chains to move those products by rail. Our service offerings fit well here. Not only are we directly supporting ESG initiatives by participating in the recycled goods supply chain, but there is the added benefit of moving the freight in an environmentally preferable way. These recycled products are typically very low value so for us to be able to move them profitably we have to have a low-cost structure, which is a benefit we have seen from PSR.

Cullet is a good example of where we have seen this work. Cullet is recycled glass that is collected and then reused in the manufacturing process. It gets added to new material and is smelted in the furnace to produce new bottles, jars and other glass products. We have worked with several of our cullet customers to re-look at lanes where we were not successful in the past and our new lower cost structure is allowing us to win the business. We have even partnered with Loup using transloads to win shipments of cullet from Oregon into California. Historically, cullet has been a smaller market for us but it is growing. In 2020, we grew our cullet shipments by over 40% as we continued to find more opportunities to grow. We are using the cullet sales model to widen our approach to other recycled commodities like paper, plastic and even carpet.

As ESG becomes more prominent, we are excited to insert our low-cost rail product as a solution. Beyond recyclables PSR is helping us grow in other industrial markets. Our ability to attract new customers to Union Pacific and grow our core business is demonstrating success. We are seeing it from thousands of new forest[?] product shipments previously moved in Truck to our sales team developing creative solutions to grow, utilising our Loup subsidiary or latent capacity. Our team is energised and I am looking forward to what is to come.

Finished Vehicles

Personal vehicles are evolving from internal combustion engines to electrification; but within this is a second evolution where electric vehicle manufacturers, which I will refer to as EV, are the first of their kind to market direct to consumers. Direct to consumers mean that EV manufacturers have different requirements. For example, they require speed to market and Union Pacific through PSR has been successful in delivering EVs to the market faster, more efficiently and reliably.

Premium

The proof is in Union Pacific's premier finished vehicle network and the success that we are already realising in the EV space. Both with existing name brands and new emerging ones. Keep in mind that for every carload of EVs we handle, we take an average of 1.2 trucks off the highway. In 2020 we took nearly 9,600 trucks off the highway, and in 2021 we will exceed 31,000. That is a 322% increase in just a year in the number of trucks we are taking

off our nation's congested for the EV market alone. If you step back and you look at the potential we have to convert other automotive and intermodal freight to rail, we can make a big difference on the sustainability initiatives for our customers. Simply put, Union Pacific is the rail transportation leader in the EV market; and as a result of our PSR efforts and our intense focus on meeting EV direct-to-consumer requirements, we are poised to realise significant growth in this segment.

A new level of B2B supply chain execution has arrived with the rapid change in consumer online purchasing. This change requires us to rethink how we deliver freight for redistribution. There is of course speed to market but there is also frequency to market. Consumers are buying every day of the week with the expectation that shipping happens every day of the week as well. Take myself for example, when I place an online order on a Sunday morning, I expect by that afternoon to receive a notification that says, 'Your shipment is on its way.' PSR has been a critical part of our evolution into serving the B2B e-commerce market. As Jason has referenced earlier, through PSR we continuously review our network in order to provide a safe reliable and efficient service. However, what we do not talk about as much is how PSR allows us to increase the frequency of our service across the week; and as a result, we have been able to evolve and meet the needs of this growing market. We have won in a big way with multiple small package shippers and retailers, and that is why e-commerce is an important part of our growth strategy. We are strategically positioned for long-term growth in the e-commerce sector and look forward to continuing to grow with the industry leaders.

Transforming the Sales Culture

Kenny Rocker: Now I want to move to the next area of growth, transforming our sales culture as it takes the sales team to get business development wins over the finish line. When I say transform our sales culture, what I mean is that we are focusing on these three things; people, technology and processes. First, let us start out with people. There has been a lot that has happened with our sales team over the past two years. We made changes to remove layers in the organisation and increase our response time to our customers. We have consolidated our sales model to be more simplified and easier for us to support our customers.

Second, when we talk about technology, here is what we have done. We have better tools to make it easier for our sales team to do their job so they can spend more time hunting. We have invested in new technology to be faster on price quotes by almost 30%. We have integrated more data within our sales management tools to get a full 360-degree picture of our customers.

Lastly when it comes to processes, we have changed our selling approach with more players throughout the supply chain. We are prospecting more in new markets that have opened up for us and going after more targeted campaigns to win new business by reconnecting with customers who may have moved away from our railroad. One more example is our Locals with Capacity campaign which is a collaboration with operating to identify pockets in the manifest network where we can grow our volume by putting more density on local trains. These types of wins are base hits, but we are finding ways to optimise the network and grow with our customers. This is the right type of business that we want to go after. More importantly, we are marketing our improved service product to win with larger customers too,

like Hyundai Merchant Marine and the Hub Group. They are recognising the value that we are bringing to their companies as a reliable transportation provider.

Finally, with the strong drive towards growth, we established a new incentive programme to motivate and reward our sales team that supports the hunter mentality. You have heard Lance say that we are transforming the culture for the entire organisation. It is not just the sales team. The whole organisation is changing and focused on growing the business.

Enhancing the customer experience enables us to grow faster. The world is changing and we are investing in technology to make sure we are providing a competitive, cost-effective service product to help our customers grow. We are optimising our customers' journey as they do business with us, and this is how we are delivering a strong customer experience that sets us apart in our industry. We recognise the need for technology to help grow our business for both our intermodal and carload markets.

Working Differently to Deliver for Our Customers

Continuous Customer Experience Delivery Loop

Rahul Jalali: Lance highlighted my previous experience in retail and leading technology with a customer mindset. As I joined UP literally on day one Kenny challenged me to have a maniacal focus on solving real customer needs. This is what I like to call customer obsession which for technology is really enabling our Marketing and Sales teams to deliver experiences and service offerings which become a differentiator for our business. We are taking several steps to do this; and as Kenny spoke about the culture earlier, we are also changing the way within technology to work with our internal and external customers differently.

We have a new customer experience initiative underway which brings the customer's needs to a heightened level of visibility by directly feeding customer insights into our cross-functional, agile development teams who quickly deliver solutions to the pain points within 30-90 days and not years. Just in the few months we have co-interviewed with Kenny's team around 40-plus customers which has resulted in 25-plus enhancements, updates and new initiatives underway within our systems and processes.

Driving Customer Value with Data Integration

Another key item that I want to highlight is the success we are seeing with our application programming interfaces or APIs, as they are lovingly called, powered by our NetControl platform that I spoke to you about earlier. Union Pacific has really been a leader in this space to develop the customer APIs to integrate directly with the customers' supply chains, allowing customers to gain real-time visibility using their own systems without having to interact with ours, which is saving them time by reducing previously manual processes and steps in order to reduce friction in using the UP services.

To-date we have developed close to 40-plus integration services for our customers based on their needs in areas such as enhanced supply chain visibility, equipment, waybill details and case management. Let me cite an example of multiple integrations we have provided to a large EV company from Northern California really allowing them to gain visibility on their product flow, such as advance shipment notifications, bay updates which shows location on origin and destination ramps, and shipment ETA notifications. For this leading manufacturer, it was an absolute must-have for their service providers so they could participate in delivery execution, giving them the ability to better plan their business operations. Due to our

continued investment in the foundational technology platforms, we can meet these types of customer integration requirements for customers in a matter of weeks, enabling us to quickly expand our book of business. Taking care of our customers so that they can take care of their customers. All around it works out better.

In closing I would say our technology expertise and mindset of customer obsession will be both a catalyst and a driver that will transform us from having reactionary customer interactions to being an automated, integrated ecosystem player. Our relentless focus is to reduce friction throughout the customer journey.

Technology Driving Intermodal Excellence

Jon Panzer (SVP Intermodal Excellence, Union Pacific): The strain that we are seeing in today's supply chains demonstrates the need for new uses of technology to connect shippers, carriers and 3PL companies. At Union Pacific we are launching a number of new initiatives we are calling Intermodal Excellence. These initiatives will leverage technology and improve business processes to create efficiencies needed to deliver greater capacity, service quality and growth. A strength of our intermodal franchise is the broad relationships we have with shippers, intermodal marketing companies, motor carriers and ocean carriers. We are making this diverse channel of customers more efficient by integrating our transportation management systems with customers' systems and with other supply chain partners.

For example, obtaining early notification of upcoming shipments enables us to ensure we have the terminal and train capacity available. We can give the most time-sensitive loads priority while less urgent freight is deferred to days with lower demand. This method of operation is consistent with PSR principles of running regular balanced train schedules while also ensuring service commitments are made. Increasing the capacity of our intermodal terminals is critical to enable growth and improved profitability and asset utilisation.

One way of doing this is to speed up the flow of trucks and containers through our ramps. We are currently modernising the gate systems at our intermodal terminals. Technology will enable dray drivers to pre-clear loads that come into the gate. After an inspection portal automatically confirms the identity of the load and documents the physical condition of the equipment, the driver will be able to enter the gate without stopping. Gate transactions will go from minutes to seconds.

Further enhancements such as a real-time yard inventory system and a train load planning optimiser will quickly guide the dray carriers to the optimal location in the yard to either pick up or drop off a load. We are also creating better tools for our intermodal operations managers. We are giving them better real-time insights into current and potential problem areas. For example, we are creating a system that helps monitor and manage the flow of assets across our network, including locomotives, well cars, chassis and containers. It will compare resource availability with projected demand and train schedules to predict where and when constraints may occur and with enough foresight to correct problems before they affect service.

We are using technology, better business processes and deeper integration with our customers to enhance the competitiveness of Union Pacific's intermodal product, to ensure it remains a long-term growth engine for the company.

Growth in Emerging Beverage Markets

Kenny Rocker: The last area for our growth strategy is expanding our network reach to integrate deeper within our customer supply chains and grow our geographical footprint. UP has a great franchise. We want to unleash this franchise strength along with our improved service product to reach more customers.

Jason Hess (VP M&S Bulk, Union Pacific): In all our markets the Bulk team is intently focused on expanding our network reach to meaningfully grow carloads. We constantly pursue increasing our physical footprint through locating new facilities or reactivating or expanding existing access. We also strategically target industries and customers to extend broader across and integrate deeper within the supply chain.

Growth in Emerging Beverage Markets

An example of these pursuits in action is our expanding participation in the beverage market. We have experienced great success with this business, primarily through aligning with a large winner in this space, Constellation.

With the strategic partner, we have achieved and expect to continue year-over-year growth. Two examples of how we are doing this. Number one, a focus on product development and our ability to insert them into the rail supply chain. As an example, seltzers have become increasingly popular beverage choice. The industry is expected to grow 35% in 2021 alone with case demand more than doubling in the next five years. Recognising this, we recently worked with Constellation to convert seltzer moving in truck into the rail network.

The second thing we did is network alignment and investment with the breweries and destination facilities to continue handling projected rail growth. Our team is now actively employing this market leadership and expertise that can bring new beverage market participants into a rail-centric distribution model that is proved successful. In addition to beer, wine and seltzers, this also includes capturing energy drinks, teas, juices, milk alternatives and other evolving consumer trends.

We continue to leverage data and our relationships to convert prospects to rail, whether they are new production players or on the other side of the supply chain. As a result, additional destination capacity continues to be added on UP to support the growing beverage network. All of these actions and partnerships set us up for a bright future to win in this market.

Loup – Providing Total Supply Chain Logistics

Speaker: We are seeing a huge opportunity in the world of transporting auto parts and finished vehicles. And Loup is playing a key role in that growth. As you know, Loup is a wholly-owned subsidiary of Union Pacific Railroad and we are entrenched in the automotive industry. We serve the auto parts market through our door-to-door intermodal service product. And we provide auto manufacturers or OEMs shipment tracking visibility for their finished vehicles at the WIN[?] level via our shipment vision suite.

We are digging deeper into the auto parts supply chain converting business from truck to intermodal and transitioning shipments away from congested highways into a more efficient and environmentally responsible rail solution.

So how do we do it? Our team leverages the strength of the UP franchise, which provides access to the largest intermodal network in North America. Reliable service product with the

most truck competitive lanes and an excellent customer experience due in part to our full-service door-to-door premium solutions.

Through our automotive expertise and the trusted relationships we have with OEMs and their suppliers, we build optimise supply chains. With a proven track record of value creation, Loup continues to find opportunities to grow in the marketplace, inclusive of even the most time-sensitive materials needed for the production of new vehicle models.

To give you an example, late last year, Loup was awarded a significant share of inbound transportation of auto parts for General Motors restyled 2021 Tahoe and Suburban in Arlington Texas. To highlight a current example, Ford recently awarded us the opportunity to move inbound auto parts for the launch of the new 2022 Bronco at the Michigan assembly plant. We are honoured to support this key new product and we will continue to provide a consistent and reliable service.

In addition to established OEMs, we are actively working with parts suppliers and emerging manufacturers. Every piece of business we convert to intermodal lowers the overall cost of a vehicle and reduces the impact on our environment. We are proud to play a part in helping our customers streamline their supply chains while also achieving their ESG goals.

Union Pacific has by far the best service product to support the auto parts market and to move shipments between Mexico and the US efficiently and safely. As we look forward, we are excited to build on this growth momentum continuing to help our customers win in the marketplace now and well into the future.

Prime Pointe Industry Park

Kenny Rocker

EVP Marketing & Sales, United Pacific

Expanding our reach also means developing new locations on UP to serve our customers. Over the past three years, we have constructed close to 200 track projects with customers that support over 325,000 annual carloads of sustainable economic growth. We have an experienced network and economic industrial development team to help customers find optimal locations to build their facilities to be well served.

Our industrial development team works closely with local municipalities on economic development to utilise focus sites programmes. Today, this programme features over 25 shovel-ready sites on our rail network. These are large-scale development areas, over 125 acres per site that have already been pre-approved for rail access. They are strategically located, with prime access to roads and highways. And these sites are assessable to utilities, which make it easier and quicker for companies to get a new facility up and running.

One premier site that I'd like to highlight is Prime Pointe Industrial Park, a 3,000-acre site located just south of Dallas to support manufacturing, distribution, refrigeration, cold storage and bulk transloading. It is strategically located close to major real estate and sits adjacent to our Dallas Intermodal Terminal.

For the past few years, we have been able to attract new customers to this site like KTN and the Biagi Brothers. Currently, we have over 15 sites ready for development with either direct

rail service or short freight to our intermodal facility. We are excited to feature Prime Pointe as a great speed to market solution for our customers, including Mexico.

Strong Franchise to Support Plastics Growth

Kari Kirchhoefer

VP M&S Premium, Union Pacific

Chemical production in the United States, especially in the Gulf Coast continues to expand. Since 2010, completed, under construction or planned investments total over \$200 billion. Since the first plastic expansion in 2017, we have grown our market share by serving nearly 90% of the expansions that have come online. And that does not happen by accident. It takes innovation, creativity and a passion to win.

We are the industry leader in the rail transportation of plastics with our superior Gulf Coast franchise, best access to the nearby Mexico markets, export optionality and our best-in-class storage and transit infrastructure, we have built the premier rail transportation for product for plastics.

Let me share an example of how we approach product development to support our plastics to customers. Early on, we recognise that there was a supply-chain constraint for producers to get their products to the global markets and we designed the Dallas to Dock product. Since launched in late 2018, Dallas to Dock has taken off. In 2020, during the global COVID pandemic, we saw volumes increase 25%. And due to size of the product, KTN, our Dallas to Dock partner, recently completed an expansion of warehouse space and additional packaging lines doubling its capacity.

Dallas to Dock at Prime Pointe is providing industry leaders with supply chain optionality for the expert products. Looking forward, we are committing to developing solutions that will help us continue to win business and grow our market share in plastics.

Global IV Grain Transload

Kenny Rocker

EVP Marketing & Sales, Union Pacific

Dallas to Dock is a great example of one of the service offerings we have developed for our plastics market. But we have additional creative transportation and solutions that we are bring to other markets to help extend our reach.

Take our export grain facility in Chicago for example. We announce this new service offering last week. This is one creative solution, where we utilise an existing facility to co-locate with shippers and receivers to meet demand.

Global IV Grain Transload

Kari Kirchhoefer

VP M&S Premium, Union Pacific

Expanding our network reach, includes our co-location strategy. One area of focus is in Chicago at our Global IV Intermodal facility with our G4 transload initiative. Global IV's grain export strategy, which is anticipated to begin early in the fourth quarter of this year is our initiative to increase the competitiveness of our international intermodal market segment.

In short, we are creating a more efficient containerised supply chain. Historically, much of the grain exports moved bulk and then containerisation started to happen. But there is still an opportunity to have a more fully defined containerised strategy. Our belief is that finding and developing opportunities for exports will increase our overall international competitiveness, providing better economics for our customer base.

Success with our Global 4 Transload Initiative is creating the most competitive export programme in the Chicago marketplace. With co-location, we create efficiencies within the supply chain. Effectively, we eliminate one dray from the bulk containerised loading taking place directly in our terminal.

This dray savings is material to the exporter and makes Union Pacific more competitive for the intact import move.

Twin Cities Intermodal Terminal

Kenny Rocker

EVP Marketing & Sales, Union Pacific

Over the past ten years, we have invested almost \$1.8 billion to support commercial facilities, of which over 60% has been in the intermodal space. We believe intermodal is a growth engine for UP. Kari and I are very excited to share with you a couple key projects we have to expand our intermodal network, both of these investments will strategically position UP closer to the fastest growing retail markets for intermodal and has the potential for significant opportunities for truck conversions in the future.

The first project is our Twin Cities Intermodal Terminal to give the marketplace a new alternative to a faster direct and reliable intermodal service for regional shippers and receivers in the Midwest. This pop-up facility began operations on 4th January of this year. We started out with domestic service between California and the Twin Cities. And as the facility expands, we will add international traffic into it.

Now turning to the West Coast. I am very excited to share with you a game-changer for us. Today, we are announcing our new intermodal expansion into Southern California with our Inland Empire Intermodal Terminal.

Inland Empire Intermodal Terminal

Kari Kirchhoefer

VP M&S Premium, Union Pacific

Our new Inland Empire Intermodal Terminal creates a tremendous opportunity to position Union Pacific directly in the heart of this massive import distribution region. The plan is to expand our intermodal presence West Colton Yard, which will allow us to reduce dray costs, create new solutions for our customers and compete effectively for domestic freight.

Today, there are roughly two million imports trucks from the ports of LA and Long Beach to the Inland Empire. Conservatively, we estimate the Inland Empire market size to be around 1.5 million intermodal units. This area is the fastest growing region of industrial warehousing space in Southern California and continues to be a leader across the United States.

In fact, there is more than 625 million square feet of existing warehousing space just in the Inland Empire. That is equivalent to 15 million short and long-haul truck loads of freight. We are about a month away from introducing our pop-up ramp, which will be capable of 45,000 lifts within our West Colton Yard. This will bring to life our first intermodal presence in this region.

Beyond the pop-up, we will continue to increase our footprint with the goal of addressing the needs of the community including taking local truck freight off the highway. Union Pacific's expansion into this region is an exciting new development and it demonstrates our commitment intermodal and the advantage of Union Pacific's franchise to serve new markets.

Closing

Kenny Rocker

EVP Marketing & Sales, United Pacific

In closing, the team and I talked about some really great examples, surrounding how we are growing the business. I want to make it clear to all of you that we will outperform the market by:

- Growing with PSR;
- Transforming our sales culture;
- Creating a better customer experience;
- Expanding our network reach, especially with the investments we are committing to make in the intermodal space to serve new markets.

I am excited for the opportunities we have to grow Union Pacific into the future. We are now ready to take your questions.

Grow Q&A

Lance Fritz: Thank you very much, Vanessa. So this is our grow panel. With me here this afternoon are Kari Kirchhoefer, Kenny Rocker, Jason Hess and Jacque Bendon. And Vanessa, we are ready for the first question.

David Vernon (Stanford C. Bernstein): I just wanted to ask Lance and team, as you are talking a lot about growth here, one of the points pushback we get from investors often is that when you look the last seven to ten years, UP has kind of in stuck at \$20 billion, \$21 billion revenue. Could you guys address at a top-down level, what do you see as either different about the market with the company that is going to help us better believe that you are going to build breakthrough that that \$20 billion \$21 billion barrier over the next couple of years?

Lance Fritz: David, that is a very fair question. I think it all starts with culture inside the company. Markets look like they're prepared for us to grow. And Kenny, you want to get into that?

Kenny Rocker: Yeah. Thanks a lot for that question, David. I mean, first of all, you think about it we have a transformative service product. And with that, we also have a lower cost structure. That is opening up new markets for us. Jacque talked about that a little bit earlier.

The other thing that we are excited about is just the number of products and the investments that we are making into our network. You look at things like the G4 Terminal, the grain terminal, which will be at match back opportunities for us, smaller things like Pocatello. We have products on the plastic side with Dallas to Dock. And then it is just exciting that we are going to make a major investment in a place like Southern California, the Inland Empire, to grow that business. We talked about the size of that market. And boy, are we excited to take advantage of that.

Lance Fritz: Clearly, David, we've got an opportunity in front of us. We are committed to getting it in, but there is a big cultural shift we are going to have to go through to get on our front foot and grow. Thank you.

Chris Wetherbee (Citigroup Global Markets): Wanted to follow up, I guess, maybe on intermodal. Can you talk about what the intermodal opportunity is for you out West? And I am also thinking about maybe more broadly across the commodity groups. How do you think about your relative market share in the West, if you were to think about Western Car loads going forward? Is that an area, where you think you can gain ground over the next call it three to five years?

Lance Fritz: So Kari, let us start with you one intermodal in the West and market share?

Kari Kirchhoefer: Okay. All right. So on the intermodal front, we are very excited. We have got a tremendous opportunity with Inland Empire. We are going to launch that capability off at about 45,000 lifts; and as we move forward, we really do see that there is conservatively 1.5 million intermodal units that want to come out of that region alone. So we will continue to expand and grow over the next few years.

And then if you look at some of the other investments that we have made on the intermodal side, between TCIT, our Twin Cities Intermodal Terminal, we are expanding and giving our customers more optimality to be able to reach new markets.

Lance Fritz: Yeah. So whether it is international intermodal or domestic intermodal, there is opportunity for us to grow and grow share.

Kari Kirchhoefer: Correct.

Lance Fritz: And we are looking to do both. Jason and Jacque, want to give us just a quick hit in your markets on what the West looks like head-to-head?

Jason Hess: Sure. For us, when you think about our food refrigerated, they are better serviced product. We have lots of opportunities to take some of that business off the road. And we are doing that. So that is a great opportunity. In Grain & Grain Products, we have a great franchise. We have a great domestic franchise that is very consistent business whether it is California or the Mid-south that also allows us to capitalise on export.

You leverage our service product. You leverage it. Well, we done some PSRs, some specialty things like specialty grains that allow us to handle some of those new markets that we did not really generally handle in the past. Those are all great opportunities for us to grow.

Jacque Bendon: Now on the industrial side, Lance mentioned it earlier. But we have the best Gulf Coast franchise, and that allows us to have a really strong market share in plastics and our industrial chemicals. We have got great market share also on the set, where we are growing our market share. It is where we are developing new products and services, like Utah Iron for export. And then we are also going to be serving a new steel mill in the south. So as we expand, we are going to continue to take market share.

Lance Fritz: Great. Thanks for the question.

Amit Mehrotra (Deutsche Bank Securities): Just wondering if you can give us an update on trip plan compliance in terms of where it is now, what you are. I do not know if you want to take it by commodity group or maybe separate intermodal with carload. I assume the trends there are going to be a big part of winning sharing and growth. And I also appreciate all the detail around the individual growth opportunities. But I was also hoping you can just help us think about what it all means in terms of growth above market growth? I do not know if there is kind of a new business or net new business WIN[?] number that you have their terms of what you want to-date or just playing how you think about outperforming industrial production or being more resilient relative to industrial production? It would just be helpful in giving us a better sense on the non-cyclical volume opportunity.

Lance Fritz: Amit, thanks for that question. So let me start out on trip plan compliance. And I also want to note that later in the day, we are going to hear directly from Jennifer Hamann, filling a little bit of the blanks when it comes to our guidance over the next handful of years, a number that translates into what we mean when we say growing ahead of industrial production.

But let us stick on trip plan compliance. We do break it into two big pieces. We talk about intermodal and we talk about the carload world. The intermodal what we are trying to achieve is think high 80s into low 90s. Carload, think mid 70s. And in both cases, we are just right now a little shy of those numbers, working to get them into that space consistently and reliably.

We have there. We been there for long periods of time. And the good news is now when we fall out of that space, we do not fall all the way down into the 50s or 40s. we are knocking off a handful of single digits, maybe 10 points, when we hit a bad weather event and then we got to climb back in.

So we are still in the process of climbing all the way back to where we need to settle down. I am 100% convinced we are going to get there. And Kenny, you want to talk a little bit about how do you grow better than industrial production?

Kenny Rocker: Yeah. So first of all, if you look across, just take all the different commodity areas, we feel really good about our bulk segment. I mean, you think about Grain & Grain Products. There are some areas inside Grain Products like renewable diesel, like biofuels, emerging markets that we have talked about that we are expecting to accelerate.

Jason did a great job of walking through the food and refrigerated side. I will tell you, there is a lot of consolidations going on in those markets and we are seeing that we can touch distributors that we are moving truck and open up our own warehouses.

On Jackie's side, she has got a beautiful franchise when you think about the petrochem markets and our ability to win and compete. And the products that she has in those markets were her storage and transit network and we talked about Dallas To Dock. There are some areas like forest[?] we are winning and taking trucks off the road. There are some areas like construction we are winning and taking trucks off the road.

We would expect metals to be part of the growth engine. Those are things are really going to help us win and we have to do it on our own. We have to use a lower cost structure and service product to get there. And then Kari did a good job of walking us through all the different investments in our network that are going to make us competitive on the international side.

Eric and his team are doing a great job on the car velocity side, that helps us on the domestic side and with parcel. So we are clear, as a leadership team, we are all looking at service to make sure that we can grow and win.

Lance Fritz: That is great. Amit, one last thing I have to remind you, and that is we talked about opening up some facilities like four new yards in Houston that we have emptied cars out of. Each one of those four can turn into, again, like a miniature safe yard or a transload facility or an opportunity for a team track for customer. And those are supportive of growth. So anyway, thank you very much for that question, Amit.

Let us go to an online question. Question is, what does the change in administration mean for Union Pacific's potential export markets? Are there uniquely new opportunities either as a result of US MCA or US Southeast Asia? And Kenny, maybe I will start with you to get into that?

Kenny Rocker: Yeah. As it stands right now, we see that as a very positive posture for us and a lot of opportunities for us. Jason and his team have been able to actually win quite a bit in those Mexico markets. We are going to stay close to the customers. From a trade perspective export in the Asia, we see that being a sustainable at least in the near-term future and we have been very encouraged by the volume and the wins that we made and the turns that we have been able to make.

And I have to also say this because Jason mentioned it before. There is still really good demand also domestically. So we see those markets as really been really healthy.

Lance Fritz: Yeah. And let me point out in terms the change in administration, the Biden administration is still holding China accountable in much the same way as the Trump

administration did. But their language and posture in terms of trying to find partners in international trade and on international issues seems to be more constructive, which is helpful in and I am looking forward to that.

Last thing to note in trade is we do hear our customers talk about trying to create more resiliency in their supply chains. Usually that means a little bit more redundancy and that can also mean then reassuring or near-shoring more of their production. We have not seen that in wholesale, but we have heard conversation about that. And I would expect some of that to occur.

Brandon Oglenski (Barclays Capital): Lance or Kenny, to be fair, if I go back over numerous Union Pacific in-house meetings, it has always been the target to grow volume and economy plus or at some rate faster than what you see in the market. But for one reason or another, historically it is never really delivered and I think you guys have talked a lot about culture change here. But if we hear the responses in the past, a lot of the focus has been on pricing gain, the right price on the network. So it feels like maybe a risk-averse culture historically. What are you fundamentally changing that actually means either you can deliver on this target going ahead, especially considering the competitiveness of the Canadian franchises up north that have grown their business quite a bit, as well as even your closest competitor out list?

Lance Fritz: Great question, Brandon. Fundamentally, there is a handful of things that are different today than what they were even in the 2018 Analyst Day. Our cost structures as good as it has ever been and it is the lowest in the industry. Our service product is reliable and consistent, more so than it was historically. And we have empowered our marketing and sales team to be more thoughtful about how they meet the marketed price as opposed to trying to force price up in a market.

Market is going to represent to you what will move product. And our job is to make money at whatever that movement is and hopefully in the higher range. And Kenny, you have set up your team to think a little bit differently about that.

Kenny Rocker: So let me just talk a little bit and get in the weeds on this whole culture question, because doing a video I talked about the fact that we have streamlined our department. We have cut out layers. What that has done is made us just more decisive, has made us more responsive. We are able to jump on and pounce on opportunities quickly.

And these are small or large. We have invested a lot of technology into our commercial team, which allows them to see every part of the supply chain. They are able to talk to the shippers. They are talking to the receivers. They are talking to the transloaders. It also allows us to give some very targeted campaigns. We can campaign on emerging markets, like Jacque talked about the carload.

We can campaign for efficiency. We can be very targeted in our approach to open up new markets. The sales team directly, just candidly, they are excited because part of their compensation is based on what they win. And so we have seen that really reinvigorate the team. So a lot culturally that has taken place to really change how we approach the business.

Lance Fritz: Well, Kenny, just mentioned it. So we changed our comp structure in sales and marketing. Over half the team now basically gets a fair portion of their income predicated on

did you win the business that is in the budget or more, and did you do the activity to win the business or were just lucky. You got to do both the eat. And that is a great motivator for the team. Thanks for that question.

Ravi Shanker (Morgan Stanley): So last year ESG is a big factor in the growth plan here. So two questions. One is how do your customers resolve inherent tension, if there is intention between needing to reduce the ESG from footprint as well as need for shorter faster tighter supply chains? And how do you resolve that conflict? And second, are you confident that you can keep your ESG advantage even if long-haul trucks go electric. We spoke about trucks. How do you think of electric trucks?

Lance Fritz: Yeah. So let us start with the last part of the question first, and that is if trucks get much more efficient, whether it is through autonomy and automation that reduces fuel consumption or going electric, our response is all of the above that we have talked about. We have seen great opportunity. We have transportation network efficiency opportunity. And we are going to be going electric first in our yards as a test vehicle so about where 8% or 9% of overall diesels consumed and then moving that to line of road. We think that makes better sense for our network and for proving out the technology and its capabilities.

In terms of how do we overcome any tension between helping a customer get less carbon intensive and still being part of a supply chain that can be timely, not every aspect of a customer supply chain are we going to fit neatly into. That is not our role, but there are aspects of almost every customer supply chain that we can perform the role of moving lots of stuff that is fairly bulky at a very good cost and with very low carbon intensity.

And most of our sophisticated customers understand that, know it. And we help them plug us into the right parts of their supply chains. And by the way, the fact that our car velocity is increasing and on our most service sensitive product, that velocity is something like 760 miles a day. That helps us access to more of our customer supply chains than we have historically. So we feel pretty good about that.

Kenny Rocker: Yeah, I will tell, Ravi. Here is some observations that we are seeing. One of the things we are seeing is that with a reliable service product with our lower cost structure, if we can get into a jump ball scenario, they are going to go with Union Pacific. Some other things that we are observing is there is a lot more attention and these RFPs and RFQs to rail and the carbon footprint, which we find encouraging.

And like we have talked about before, the most critical piece is those emerging markets that are open and not light like coal, the scrap paper, like the scrap metals, like the renewable diesel.

Lance Fritz: We are going to take our next question online. What is Union Pacific's view of the need for the ports of Long Beach and LA to stabilise a reverse the gradual loss of market share to other West Coast ports and/or the East Coast?

Our view is that loss of market share is real and it needs to be addressed in discussing directly with Long Beach and LA that exact issue. We are getting pretty good traction. I mean, Long Beach and LA both realised that they don't have a god-given right to all the volume that is coming in their direction. And so they are working pretty well with us to make sure that we have got more visibility in the overall supply chain, that we are all working

towards supportive KPIs to get the whole product supply chain moving better. And probably a decent example of that is the progress we are making right now in getting rid of some of the backlog at the Port of Long Beach and LA.

Jacque Bendon: Yeah. I would say that is exactly correct, Lance. I was just out meeting with the port of LA and Long Beach. And the good news is through the visibility initiatives that we worked with them on, we have been able to really improve pushing the freight through faster. And what I mean by that is from the peak, where we were at 40 plus vessels awaiting on the harbour, where more than half of that down for that now.

We have added alone, we got all of our short wells into that service. We have put long wells in as well. And then we have also added two additional train starts.

Lance Fritz: Per day.

Jacque Bendon: Thank you. Two additional train starts per day. So we are really starting to see that volume come down. Now it is unprecedented demand, but that is a good problem to have. And we are working very closely with the ports and with our shippers to make sure that we can push that through the pipeline.

Lance Fritz: Amen. That is a great question. We are going to take our last question online. The question is, does new customer integration and new customer integration tools drive any incremental price or is the primary impact of that technology largely volume-based? Kenny?

Kenny Rocker: Yeah. If I am hearing correctly, absolutely, we have been able to win business through technology. I mean, we have been able to grow with new customers with emerging customers based on that new technology, based on the integration and being very transparent, it also makes us very sticky to the point that it helps us retention. It allows our sales team to go out there and ask for more because we are integrated and we are able to sell more visibility tools. We are able to insert the Loup product, where we need to, to get more trucks moving or more transload.

Lance Fritz: Perfect. All right. So that wraps up our grow panel. We appreciate you and your questions for this panel. We are going to take a quick break while we post our financial presentation on the UP website. And then we are going to come back afterwards for our final stretch and then we will have about a 40-minute Q&A, where you can ask any questions you want about any of the content throughout the day.

So our break is going to be about 11 minutes. And then will come back for Jennifer. Thank you.

Financial Outlook

Jennifer Hamann

EVP & CFO, United Pacific

Welcome

Good afternoon, everyone. I am Jennifer Hamann, the CFO Union Pacific. It is my privilege today to take the exciting serve and grow activities that Eric and Kenny and team just

discussed and translate that into how UP's shareholders win in terms of our financial targets over the next three years or between 2022 and 2024.

Delivering Significant Shareholder Returns

Lance kicked us off today with the scorecard for March 2018 Investor Day. I want to reiterate his point. Union Pacific produced remarkable financial results over the last three years despite the global pandemic. In particular, cash returns to shareholders totalled more than \$25 billion over the period as we increased the annual dividend more than 50% and repurchase shares representing roughly 15% of our average market cap from 2018 to 2020.

Shareholder Cash Returns Outpacing Peers

Now by itself that \$25.2 billion of cash return from UP to shareholders over the last three years is a big number and its industry-leading. UP's total cash returns to shareholders as a percent of average market cap was nearly 22% between 2018 and 2020, a full 2 percentage points higher than the next highest rail and 4.5 points above the rail average.

These results clearly demonstrate UP's leadership position in the industry and our commitment to shareholder returns.

Improving Margins vs. Rail Peers

A key driver enabling our performance was the decision to adopt PSR and the dramatic efficiency gains we realised. When we embarked on our PSR journey in late 2018, we ended that year at a 62.7% operating ratio, which put us squarely in the middle of the rail pack, fourth of seven railroads.

In 2019, our first full year of embracing PSR in changing how we do business, we reported an operating ratio of 60.6%, as move from fourth to third and narrowed the gap. Then last year, excluding Brazos, we reported a 58.5% operating ratio, moved from third to second and again narrowed the gap. Importantly, no railroad has stood still over this period.

Clear Path to Industry Leading Operating Ratio

The industry is collectively becoming more efficient. For this year, we have set a target of 150 to 200 basis points of operating ratio improvement. And we have now said, we think we are going to be closer to that 200 basis points of improvement.

Lance earlier drew a line in the sand on that 55% operating ratio goal, next year, 2022. Beyond that, Union Pacific will be an efficiency leader in the rail industry, given our route structures, our business mix, our pricing discipline and our efficient operations, we should have one of the lowest, if not the lowest operating ratio in the rail industry. That is the goal. And we are sending that target with every expectation that the industry as a whole will continue to improve, much like it has the last several years.

One driver that will help us achieve that goal is our operational efficiency or Serve. You heard Eric, John, Shane and Rahul, all talk about their productivity pipeline and plans to improve safety, leverage technology, go train length and increase capital efficiency. We expect these activities will produce a cost structure that continues to improve.

Now we have historically framed our efficiency gains in terms of productivity, given an annual productivity target and reporting our progress quarterly. Inside of UP, the number is

meaningful and actionable, but it cannot be calculated externally. So we will finish this year reporting against our \$500 million productivity target.

As we transition to growing volumes, however, a better yardstick will be incremental margins, which we expect to be in the mid-to high-60% range over the period.

Turning now to grow. In April, we revised our 2021 growth expectations to be around 6%, which factors in a full 2 percentage point drag related to lower coal and energy shipments. Going forward, we expect to outperform industrial production and achieve volume growth of 3% compounded annually or CAGR. Although, energy markets may fluctuate, coal will remain a headwind. So included in that 3% growth CAGR is a coal volume drag of roughly half point.

As Kenny and team discussed, our opportunities for growth are broad-based, but the primary growth driver will be intermodal. The ongoing shift to a larger intermodal portfolio will drive mixed pressure, but through our discipline pricing and intermodal efficiency opportunities, we are confident that we will leverage that volume and produce strong results.

We also remain committed to achieving core pricing gains in excess of our inflation dollars over the next three years, as we provide our customers with that excellent service product that is more environmentally friendly than trucks.

Driving Growth with Lower Capital Intensity

Connected to our growth expectations, our are capital plans. Over the last four years, we have averaged capital spending at a sustainable level of less than 15% of revenue. That will continue this year and we do not see that changing over the planning horizon. The investments in the Twin Cities Intermodal Terminal and in the Inland Empire Intermodal Terminal are factored into this guidance, as well as other investments in infrastructure and technology to support our growth expectations.

A key driver behind our ability to grow with less capital intensity is PSR. Our increase freight car velocity and locomotive productivity creates capacity within both in freight car and locomotive fleets. Similarly, the curtailed manifest charts and intermodal terminals represent capacity in our network for growth.

In addition, today's demonstrated efficiency gains associated with train length initiatives support growth.

Growing Return on Invested Capital

Our plans to serve and grow over the next three years positions Union Pacific to deliver higher returns on invested capital or ROIC. To grow, ROIC, the pace of our earnings growth needs to be greater than the growth of the capital base generating those earnings. Again, that is right in the sweet spot of PSR.

Specifically, we expect to deliver a low-double digit earnings CAGR, driven largely by our improved earnings and enhanced with ongoing share repurchase activity. With regard to the invested capital base, we will remain disciplined, both in the capital investments that I just described, as well as in the use of our balance sheet.

Given our split rating between Moody's and S&P, we are not drawing a bright line in terms of a single metric like debt to EBITDA as we have in the past, as it really means two different things to the different agencies. We have consistent dialogue with the rating agencies. They

understand our long-term commitment to maintain a strong investment grade credit rating, while at the same time using our balance sheet to reward shareholders and optimise our cost of capital.

We have demonstrated that mindset and practice since we announced our leverage change back in 2018 and will continue to manage accordingly.

Looking back at ROIC performance, 2014 was the company's previous high watermark for returns at 16.2%. As we look ahead, we certainly expect to make strong gains back towards that 16% range this year and then average around 17% or so between 2022 and 2024.

Strong and Growing Cash Generation Supports Shareholders Returns

Last but certainly not least, I want to talk about cash. Cash is truly king, and Union Pacific has demonstrated a remarkable ability to generate cash and be resilient in that cash generation. Over the last three years, which includes the pandemic, we generated nearly \$26 billion in cash from operations.

Over that same period, we returned almost 100% or \$25.2 billion to our shareholders in the form of dividends and share repurchases. That past performance establishes a track record of strong cash returns to shareholders and our goal is to do even more in the coming years. As we announced a couple weeks ago at our first quarter earnings release, we are targeting share repurchases in the \$6 billion range for this year. The majority of those repurchases are funded by cash from operations, as well as reducing our year-end cash balance to a more normalised level from \$1.8 billion at the end of 2020 closer to \$1 billion by the end of this year.

We also expect to get back in the mode of consistent dividend increases as we generate strong earnings growth in 2021.

WIN – Industry Leading Financial Results

Beyond that, for 2022 to 2024, we look forward to translating growing business volumes into greater cash generation and a strong cash conversion rate. As a result of our strong cash generation through the pandemic and our discipline capital deployment, we cross the threshold of 100% cash conversion for the first time ever last year, when our business volumes actually fell 7%.

As we look ahead to her financial targets for 2022 to 2024, including our capital spending plans, we expect average roughly 100% cash conversion rate over the period. In terms of how we deploy the cash, the first call will be to reinvest in the business. And as I have just discussed, we will invest for growth, but at a historically lower level of capital intensity.

Next, we prioritise our dividend. Union Pacific shareholders have received the dividend since 1899, 122 years consecutively. In 2018, we raised our dividend pay-out ratio target to 40% to 45%, the highest in the rail industry and competitive within the industrial space.

Now from a practical standpoint, we have really been operating closer to the high end of that range. So today, we are officially dropping the low end and setting a dividend pay-out target at roughly 45% of earnings. The remaining cash, which includes cash from new debt will go to share repurchases. In addition to the \$6 billion in shares we plan to repurchase this year, we would look to buy back another \$18 billion to \$19 billion between 2022 and 2024.

Said another way, over the next four years, we will repurchase roughly 17% of our market cap at today's prices. And recall that is on top of the 15% of average market cap purchased for last three years.

I am proud of all that the men and women of UP have accomplished since our last investor day. And the financial targets we've established today translates into another win for our owners.

As you have heard from the entire team today, we have a strong plan to grow the top line, have margin improvement and at the same time maximise capital utilisation to again produce industry-leading returns to our owners. We will serve, grow and win together.

With that, we will move on to our final Q&A session.

Q&A

Lance Fritz: Thank you very much Vanessa, and welcome to our final Q&A panel. I have got Kenny Rucker and Jennifer Hamann with me as well as Rahul Jalali and Eric Gehringer.

Jordan Gallagher (Goldman Sachs): Question for you on intermodal and volume targets. You mentioned the 3% CAGR. Presumably that includes intermodal. So I am just wondering, how do you look at intermodal growth over this time frame from a growth percentage standpoint? And then thinking about your sales force for a bit, as you try to get the truck conversions, particularly domestically, what will you say is the biggest stumbling block that gets run into? It certainly cannot be price.

Lance Fritz: Yeah. Jordan, we are not going to deconstruct that 3% any further, at least, not today.

Jennifer Hamann: No, other than to say, when you look at our total portfolio, our premium business is about half of our portfolio today. And as we look forward, that portfolio in total as a percentage of the total buy, we are probably grow a couple of percent a year. So you can think about that from a mixed perspective. You will see that grow a couple percent a year over the time, Jordan. And maybe have Kenny talk to you about that last part of your question.

Kenny Rucker: Sure. I think the last part of the question were are there any barriers to helping us get that domestic product. And I will tell you about the service product that we have has been allowing us to grow that business. We feel really good about some key network lanes that we have, getting into Dallas further into the Southeast, getting up to the Midwest.

We have been encouraged by the amount of volume that we have been able to win here on our domestic business recently.

Lance Fritz: Cool. Thanks for the question, Jordan. Appreciate it.

Jonathan Chappell (Evercore ISI): Lance, we go through Jennifer's presentation, it checks basically every box that you want to hear, the massive improvement in the OR, the productivity gains, the cash conversion at 100%, the buybacks, the dividend growth. And then you layer that on top of Kenny's with the network and the top line growth opportunity, anybody who is new to the story we think that Union Pacific has been the best-performing rail

stock for the last several years. And unfortunately, that has not been the case. So maybe to turn it to you, why do you think that the stock has lagged a little bit, given all the positive momentum you have had, both operationally and financially? And what do you think are the two or three most important takeaways that we should take holistically from this presentation to make us think that Union Pacific will go back to that equity premium valuation that you have had prior to the last couple years?

Lance Fritz: Yeah. Jon, I am really proud of what the team has accomplished and whether you look at the last handful years or the last ten years, we are top quartile in TSR in the last 10 years. The last handful of years, we talked about 420 basis points of margin improvement. We are now industry-leading in the last two quarters and we anticipate to stay there.

When we look into the future, Jon, what makes me very confident is lowest cost structure in the industry and we are not going to sit on our laurels. We are going to keep driving that. That is new. We have got a transportation plan and network that is greatly simplified and is reliable and consistent with better service. That is new for us.

And we have got a better ability to price at market to understand our markets and to be aggressive at product development for our markets, maybe then we have been historically, where we were perhaps a little bit more cautious. If you put all that on top of the industry's best franchise, and that is why the presentation in your words ticked every box. Everything we presented today, we fully anticipate to achieve like we anticipated achieving the 2018 numbers. And the only thing that gotten away was the pandemic. So that is a great question.

Yeah. Thank you.

Allison Landry (Credit Suisse): Jennifer, you have obviously talked about a lot of free cash flow conversion, raising the dividend target. However, Kenny, one of the things that you talked about was network region and extending that. Are there any opportunities for UNP to look at, maybe, short line or regional short line systems? Or do you guys have any land holdings that are excess that perhaps you could redevelop to capitalise on either shipping supply chains or secular growth trends?

Lance Fritz: 100% to both. So, we do periodically and routinely review short lines as potential extensions. When we also talk about reach, Allison, you should be thinking about us using our current land holdings as ways to enhance our ability to reach customers. Kenny, you have a ton of opportunity there.

Kenny Rocker: Yeah, thanks Allison. We talk about Prime Pointe. One of the things that we have not talked a lot about but you heard it in the video is our focus sites. We have ten of those sites that have over 1,000 acres. All of them have at least 125 acres. We have some key wins in Iowa. We have located a customer for renewable diesel up there. We have a couple of key wins down in New Mexico; and then also up in the Midwest, in Wisconsin. So we are really taking advantage of our network and being very aggressive about doing that.

Lance Fritz: Yeah. If I recall, some of those key sites, just off the top of the list, 6,000-plus acres in the Denver-Aurora, Colorado area; 2,500 acres in the Las Vegas, Nevada area. You have them in really sweet sites around the territory.

Kenny Rocker: In fast-flowing metropolitan areas.

Lance Fritz: Yeah.

Kenny Rocker: So that is very encouraging for us.

Lance Fritz: Yeah. That is a great question, Allison. That is a turbocharger, as far as we are concerned.

Allison Landry: Thank you.

Lance Fritz: Let us take an online question at this time. 'There has been minimal discussion of price. Can you discuss price mix, looking forward, or are we talking about cost-plus and revenue growth as primarily volume dependent?' Kenny?

Kenny Rocker: Yeah. We are always a market-based pricing company. However, we also, with this service product, are able to get price in the marketplace. Clearly it is favourable now but even in the future, with this more reliable service product, the team will be very focused on making sure that the price reflects the service that we have out there.

Lance Fritz: And Jennifer?

Jennifer Hamann: Yeah, we are not a cost-plus pricer. We want to make sure and we will make sure, as we have historically, that each piece of business on our railroad earns its return. We feel very confident about that. You know our overlaying message in terms of pricing in dollars, above inflation dollars. Certainly, we see great opportunities and in tight capacity markets like we are seeing today and the great service product, we are very optimistic and we are very insistent on appropriate pricing for our business.

Lance Fritz: Amen. Let us take one more online. 'How is UP positioning itself to maximise the benefits of a more inflationary environment while minimising the costs? What operating or capital line items do expect to see the most inflationary pressures over the next 1-3 years?' Jennifer, you want to handle that?

Jennifer Hamann: Yeah. So, when we think about inflation and we think about our inflation guidance over the next three years, we are looking for inflation to be a little bit higher, so 2.25%. When you look back historically, it was maybe more like 1.5%, 1.6%. Where we see the biggest opportunity for us, going forward, is really leveraging that low-cost structure to be a bigger helper and supporter of our customers so that we can further be not just a service leader, a value leader but also help them as they are looking at inflationary pressures within their own cost structure.

When we look at what it means for us, certainly on the capital side, when you think rail ties, those are areas where we may see inflation. However, you heard Shane talk about tremendous opportunities that he has to drive productivity in the engineering space.

If you look at it on the OE side, certainly our largest cost component on the OE side is within comp and benefits. Health and welfare is inflation pressure that we continually see and we do not necessarily expect that to change, going forward, either. So those would be kind of the ways I would bracket that thinking in terms of our own internal cost pressures.

Lance Fritz: Yeah.

Ken Hoexter (Bank of America Securities): Good afternoon. If you are talking, I guess, maybe, 3% IP plus volume growth, plus pricing above inflation, about 2-3%, you are talking about 5-6% revenue growth. Or are you thinking more than that? Then, I guess, if that is what leads you to, then, double-digit EPS, within that you talked a lot about the success of PSR. Are there any other major things to be done, any other major gains, like the Inland Empire? Can you maybe talk about the scale of the benefits, or potential benefits, from the one-man crews?

Lance Fritz: Yeah. Jennifer, you want to handle revenue guidance?

Jennifer Hamann: Yeah. So, to your point, Ken, we do not have specific revenue guidance out there. It is the 3% volume growth. I think the thing that is important to note with that: that is above industrial production but that also includes a 0.5-point headwind from coal. So much like we are seeing coal and energy headwinds impact our volumes today that is in that 6% guidance for 2021. Think about, on a gross basis, we would be looking at closer to 3.5% volume growth, absent that coal headwind.

So I think what I want to point out is, on the crew question that you were asking, there is no assumption relating to one-man crews in [inaudible].

Lance Fritz: Yeah, that is great. I think part of that question was also; so, you are going to generate some revenue, then you are generating low-teens or double-digit EPS. There is probably some cost, Eric, opportunity in there and product opportunity, so why don't we talk a little bit about that?

Eric Gehringer: Sure. So, on the cost opportunity, we are going to continue to focus on our train length; we are going to grow that train length to 10,000 feet or above. We are going to stay very consistent on locomotive productivity and being able to grow that as well. Those are the two biggest ones that we have, historically, been able to capitalise on. However, then, as Jennifer pointed out, again, Shane has a tremendous number of different productivity initiatives in related engineering and mechanical. I also see us still finding additional opportunities on the automation side, as we think even more broadly, in conjunction with Rahul.

Lance Fritz: Yeah. Rahul, there is a ton of opportunity in automation, is there not?

Rahul Jalali: There is a ton. We are just starting to scratch the surface from a platform perspective. You heard me talk about all the platforms that we are launching, the amount of data that is generating and the ability to kind of help both our internal and external customers in integrating a total customer journey, as well as optimising what we can do for Eric's team here.

Lance Fritz: You bet. So all of that user experience, levered with our customers, makes it easier to grow with them, which helps the top line and also makes it so that we do not have as much churn, which helps the bottom line.

That is fantastic. Thanks for that question, Ken.

Scott Group (Wolfe Research): Thank you. So, Jennifer, I understand you are not giving revenue guidance. However, when you think about the net of price and mix, do you think revenue outpaces the volume guidance you are giving us?

Then, can you just clarify, you talked about the rating agencies wanting different things. I guess, if you have the rating agencies onboard with your thinking, do you have willingness to use more leverage on the balance sheet than your targets, if they were onboard?

Jennifer Hamann: So, I will talk to the first question there. You are basically asking is revenue, with price, going to give us positive yields? Yes, we would expect that, as we look over the horizon. Even with some mix pressure, we do expect that to be on the positive side.

In terms of your ratings question, I think it is important to point out, when we put out the specific target of the 2.7% back in 2018, we were going through a change in our capital structure. We were adding pretty significant leverage and so it was important to put a market out there in terms of where we were going to take that to. As we sit here today, we have largely gone through that process. We believe that we, not fully but pretty nearly, optimised our capital structure. We are going to continue to use our balance sheet and the capacity that we generate there as we continue to grow earnings and use that to reward shareholders. However, when you think about a bright line, measured on a quarterly basis, we think that, through our dialogue with the rating agencies, the fact that we have proven to be very disciplined in terms of our capital deployment and that we do not plan to significantly change our leverage, that bright line, on a quarterly basis, just really does not make sense for us. However, we are going to continue to reward our shareholders with our balance sheet, while maintaining a strong, investment-grade credit rating.

Lance Fritz: Yeah, thanks for the question, Scott.

Scott Group: Thank you.

Lance Fritz: Let us go to an online question. 'Does the guidance of low-double-digit EPS growth include share repurchases?' Jennifer?

Jennifer Hamann: That is an easy one. Yes, it does. It is both the growth that we are going to generate from the business, as well as share repurchases. Those are both included in that guidance.

Lance Fritz: Perfect.

Tom Wadewitz (UBS Securities): Thanks for the chance for another question. So, I have two. First, I want to get a sense of where you are at on some of the intermodal initiatives, a couple of things you mentioned, like the grain match-backs programme at Global IV and also kind of leveraging the real estate footprint. So, it seems like those are nice levers for your international intermodal growth. I am just wondering how early in that process are you; have you been doing match-backs for a long time or is that kind of the first inning of something you could do for a long time to support international growth?

Then the second question, Lance, for you, really. I guess, if I think back to prior CEOs, I think back to Jim Young. I think Jim was very much about every car has to pay its way and earn a return and it was a long period of price and really capturing a lot of price. How do you think about what you want to be, the kind of framework for your time as CEO? Is it going to be, really, transition to volume growth and volume becomes more important than price, or do you think it is about balance? Thank you.

Lance Fritz: Thank you Tom. Kenny, you want to start on match-backs and is that new to us?

Kenny Rucker: Yeah. No, not at all. Thanks for the question, Tom. It is not new to us. We have always had a number of products in the marketplace. We are excited that we have been able to turbocharge those products. So, when you think about the products that we have in Pocatello, Idaho, that is coming online this summer. We talked about the G4 grain match-back; that is coming online by the end of this year. Even that Inland Empire product, we are excited because we are going to start that up and Eric and the team are giving us a product here this summer.

So I am feeling really bullish by how quickly we have been able to bring those on and especially when we talk about the Twin Cities intermodal product too.

Lance Fritz: Yeah, fantastic. Tom, let me put my answer in the context of let us go out a few years and I am retired, or at a retirement party and I am celebrating with the leadership team. What we are celebrating is we are clearly the best damn railroad in the world. More importantly, we are clearly a logistics leader. Our safety record is second to none; we have demonstrated best margins in the industry. We have demonstrably improved our return on invested capital and we have also become more meaningful to the share of spend of our customers when it comes to their logistics and supply chain. And we did that by adding new products and services that were really meaningful to them, helped them solve problems in their markets. If we can say those five things; I am having a hell of a retirement party.

Tom Wadewitz: So volume is on the list but it is not the [inaudible]?

Lance Fritz: Volume is an enabler, right? The way we think about volume, Tom, is the market is going to present to us what is available and the more we can do, the more will become available to us. The better our cost structure, the more is available to us. The better our service product, the more is available to us. The more we remove barriers to doing business with us and make ourselves ridiculously easy to plug into, the more is available to us. I look at that and think all of that comes at a price; there is a market-clearing price. It is not one thing, it usually is a band. We want to be at the top end of that band and we want it all to pay for itself. With a lower cost structure, we make it a little easier.

Jennifer Hamann: Yeah, we do not think of those things, in terms of volume and price, as being mutually exclusive. The same way with growing versus our operating ratios. We still, very much, are in a place where we believe that we can do both of those things together.

Lance Fritz: Amen. Thanks for the question, Tom.

Tom Wadewitz: Thanks for your time.

Lance Fritz: Yeah.

Amit Mehrotra (Deutsche Bank Securities): Jennifer, I am sure you are going to miss the incremental margin questions but thank you for putting it out there.

I guess I just have a two-parter. The first question is, what does the volume CAGR of 3% assume, if anything, on the outcome of what is happening at KSU? Is there some headwind assumed; is it neutral; is there nothing assumed?

Then I just want to clarify the OR comment for next year. I think Lance said 55% OR but in the slides it is 55.x%. So, are you saying that it is going to be 55% at some point next year but the annual is going to be a little bit above 55%, if you could just clarify that? Thank you.

Jennifer Hamann: Yeah. So, in terms of the operating ratio, Amit, we are not putting a 55-dot-fill-in-the-blank. We are going to be comfortably operating in that 55% range in 2022. What the exact basis point is after that, we are not putting that because obviously we have to finish out 2021. You heard us up our guidance in the first quarter, in terms of being closer to the 200 basis points of improvement this year. So we need to get through this year to really put a finer point on 2022, but it is going to be firmly in that 55% range. That is going to be our launch point, obviously, to continue to improve from there.

In terms of your question about the merger, we believe very strongly that we have a great competitive landscape, a great competitive force, in terms of looking at our franchise. And regardless of what happens with the KCS, we feel very confident in being able to reach our operating ratio targets.

Lance Fritz: Yeah, that is exactly right, Amit. We are going to continue to compete and make sure our customers have good, fluid and competitive access to Mexico, to and from, like they do today.

Brian Ossenbeck (JP Morgan): So, two questions here, one on fuel consumption. So, Eric, you mentioned a bunch of productivity initiatives on the operating side. I did not hear fuel was one of them but, as you know, UP has been lagging peers for a while now, even though you have some new equipment, better efficiency and it sounds like maybe a new service you are putting in for fuel economy towards the end of the year. So, do you think you can close that gap? Do you assume you can close that gap? I guess, bigger picture, why has the gap been as big as it has so far?

Then, just to maybe clarify on the incremental margin range for Jennifer. Mid-to-high 60s, I would think maybe you can do a little bit better towards the high end of the range, because it sounds like you have 60-70% capacity on the network, where you have 30-40% additional. That sounds like a lot of room to run some additional trains, so thoughts on that and fuel economy, if you could? Thanks.

Eric Gehringer: Sure. So, on the fuel conservation, Brian, I will kind of do it in reverse. So, when you look across the industry, we are always very careful as we think about comparing to other railroads because no two railroads are exactly the same. We face certain challenges in the west portion of our system with grade and curvature that others do not have to.

Now, that does not mean that we do not expect to improve, year over year, in fuel consumption. The work that Shane mentioned, with the modernisation of 300 locomotives by the end of 2022, that will contribute to that. Our work in leveraging EMS and how we can turn off locomotives, or at least idle locomotives, more effectively than we can today, that will help on fuel consumption. Our overall broad strategy is around still reducing the fleet. We have often said we do not have 3,000 more locomotives to put into storage. That does not mean that we are satisfied with where our fleet is. We want to grow that but we want to do it with, still, a lean[?] base.

So there are still opportunities, even when you think about converting locomotives from DC to AC and being to run that. You are getting more attractive effort[?], which allows you to actually reduce your fleet as well.

So I guess I could kind of go on and on but it is a very long, strong portfolio of initiatives that you should continue to see us make progress on. Relative to peers, I will let you make those comparisons. I just would point out that we are a little bit different but we still need to be successful against our own mark.

Lance Fritz: But we are competitive.

Eric Gehringer: Yeah, absolutely.

Lance Fritz: So we are the best in the west and we are going to continue to improve. We have some tailwinds and some headwinds and we are going to use the tailwinds to our advantage and overcome the headwinds.

Jennifer Hamann: Yeah. In terms of your incremental margin; incremental margin, mid-to-high-60s average over the period, we think that would be very, very strong performance and it certainly gives the ability for us to take on growing volumes in a very cost-effective way.

When you heard Jon talk about some of the excess capacity, or our room to grow, I really think of that that more in terms of capital dollars. That really goes to our capital efficiency that we see going forward and why we are very confident that we can continue to grow while staying below that 15%. That means I do not need to put incremental investment into a terminal or into line of road to try to grow. That is where that capacity comment really came to, that Jon was speaking to.

Lance Fritz: All right. Thanks for those questions, Brian.

Brian Ossenbeck: All right. Thank you.

Jennifer Hamann: Thank you.

Lance Fritz: We are going to go online next. The question is, 'Are you indifferent from an ROIC or operating ratio perspective whether growth comes from intermodal or car load business?' Let me get started and then I will turn it over to either Jennifer or Kenny.

You know, we love every single one of the products on the railroad. We are like a proud parent with their children. Having said that, car load is wonderful because it is a unique aspect of the Union Pacific franchise. We have a better car load network than our primary rail competitor in the west and it allows us to convert even more traffic from highway.

It is harder because it involves local switching and some other things but it is unique to our franchise and it leverages it and we love that. We love intermodal too, though.

Jennifer Hamann: Yeah. I would say, just going back to the long-term guidance, the targets that we put out there for our ROIC growing to 17%, incremental margins mid-to-high 60s over the period, that bakes in the fact that we do see the intermodal, the premium portion of our network growing faster. I think that is just a fundamental fact. When you look at where Kenny and team are targeting, it is truck markets. While some of that may convert to car load business, a good portion of it is going to convert into intermodal business.

Lance Fritz: Yeah. I think if we could snap our fingers, I would like to double FRAXAN[?], double grain and have a whole boatload of domestic intermodal growth too. Maybe that will happen.

Justin Long (Stephens): My question actually builds on the prior question. I wanted to ask about incremental margins just because, historically, I think we have been under the impression if you ran quarter[?] things, merchandise would be well ahead of intermodal. However, after implementing PSR, could you talk about that gap today, when you look at incremental margins of merchandise versus intermodal? Are we to the point now where they are both in that range of mid-to-high 60s, or is there still a pretty meaningful gap?

Jennifer Hamann: So, there is still a gap today and that is really where you heard Jon Panzer, who talked about intermodal excellence. We recognise that because that is going to be a growth engine for us, we need to be diligent about improving the cost structure within that space. It is not on par today but we want to grow in that area. We are not going to limit growth because it is not on par because we think we can drive very strong cash returns from that business. That is very much what we are focused on doing.

Again, to Lance's point, we do not necessarily have the luxury today to wave a magic wand that is going to drive where the business is going to be. We want to be in a position to have the service product, have the capacity and have the efficiency to handle what comes to us so that we can grow and do so very profitably.

Lance Fritz: Yeah. Train length is our friend across the board, though, Justin, right? Whether we are dropping a couple of containers into an existing intermodal train or adding a car onto an existing manifest train, train length growth is our friend.

Chris Wetherbee (Citigroup Global Markets): I guess I wanted to ask a question about the operating ratio potential of the business. I guess, going back a long-time covering you guys, you have generally set sort of absolute targets around operating ratio and obviously the incremental margin targets are quite good but are not an absolute target. So, I guess, maybe conceptually, how are you thinking about where you stand today versus where you have been at several of these investor days in the past where you have felt the need to set those meaningful targets?

Then, when you think about the incremental margin opportunity, how do you sensitise that around volume? So you have a volume forecast and we will see what the economy does, particularly, maybe, as we get farther out into the forecast period. However, can you still achieve those types of incremental margins in, maybe, a softer volume environment?

Lance Fritz: Let me start and then I want to turn it over to Jennifer. It is a great question, Chris and what you are seeing is a very deliberate and specific evolution, movement away from just trying to focus solely on operating ratio and kind of feeding that beast by setting a specific target out into the future that we are going to chase down because, candidly, I think when we look at the future of our railroad, we are not giving up in any way, or saying, 'Boy, we think we are going to get slippage in operating ratio.' However, we just do not think kind of slavish focus to that one number is very productive.

Jennifer Hamann: Yeah. I think, kind of similar to when we talked about leverage targets, when we put out the 55% operating ratio target, we were not leading in the industry as we are today. We were, in fact, lagging and so we thought it was important to put that target out there to help our shareholders and people understand. We think this is the potential of our franchise. We still think there is more potential, obviously, because I said we are going to have one of the best, if not the best, operating ratio, going forward, from this point. So it is

not like we are saying we are going to take our foot off that gas. We have moved into the position where we think we need to be and we are going to maintain that. This is not going to be a one-and-done. We want to sustainably be here and hold that position. We expect people to continue to improve. We know the rail industry is very focused on improving the efficiency and so that is how we are viewing ourselves.

In terms of incrementals, if we have less than 3% volume CAGR, we will be very diligent in making sure that the volume we do bring on and the growth that we are able to generate, has very strong incrementals. I think we, again, feel very positive about our ability to grow. Kenny and team have a great plan put together and you are going to like the results that we deliver from that.

Lance Fritz: I appreciate the question, Chris. We are going to go online now. It is a question for Rahul. 'Coming from a customer of the rail industry, do you see any obvious technology improvement opportunity that the rail industry can tackle to improve service?'

Rahul Jalali: Yeah, coming from retail, it was all about taking a customer's perspective into removing the pain points that we have in our customer daily journeys. One of the ah-has I had here was the quality of the technologies that we have are top notch. However, taking a perspective of what are those folks working on, the rail industry, traditionally, has been an inward outlook. We are kind of changing the perspective a little bit, with Kenny's team of doing the outward in-look and looking at the entire customer journey map and removing the pain points in that map, via better customer touchpoints, removing the pain points, codifying, datafying the interactions and really making it easy to do business with.

That is for our external customers and that principle then applies to my friend here, Eric, for our internal customers in automating and basically putting technology in precision-scheduled railroading and really coin the word 'technology-scheduled railroading'. It is really codifying that and datafying those processes and making it better for our customers.

Lance Fritz: Yeah, fantastic. Thank you Rahul.

Fadi Chamoun (BMO Capital Markets): So, talking about growth, clearly it is a focus to you but also a focus for the entire industry. It feels like it is also driving some M&A in the industry currently. Obviously, M&A is potentially a source of friction, reduction from the rail network. It could potentially unlock a step function change in the cost structure, improve the service. However, I understand there is some reluctance for the east-west M&A story currently. What are other things that you can do; given that the growth issue is a kind of common enemy for the entire industry right now, what can the industry do in terms of tackling the opportunity to grow by developing, maybe, products that appeal to the customer that are more a direct-line service between east and west that can unlock that addressable market?

Lance Fritz: Fadi, great question. Let me touch just a moment on what you mentioned in terms of the merger potential for class-one railroads and then get into how can railroads create product that looks like it's from a single source.

So, you know that our concern with class-one mergers going forward is all about the STB's ability to regulate the industry. They are the sole determinant of approval of a merger and in doing that, their regulations say they have to look at three things. It has to enhance

competition, it has to have better outcomes, from a service perspective, for all customers, and they have to consider the downstream impacts. In that, they have full and open authority for whatever the regulations are required in order to make that happen.

In that last piece, the re-regulation of the railroad, that is the piece that we would be concerned about. In the current proposed transactions, whether it is the CP or the CN, we are going to be an active participant at the STB to make sure that, as they are going through that process, we understand that they hear our voice and what it means for our customers to continue to have good, unfettered competitive access to and from Mexico. That might inform kind of future decision-making.

So, setting that aside, what a merger does, maybe first and foremost, there are a lot of synergy opportunities, which basically means being able to get rid of cost. However, it allows the two merging railroads to create single-line service. And the reason single-line service looks attractive is it is one touchpoint for the customer, it simplifies the customer's journey and the variability at the interchange goes away.

Those are things that we can solve with our class-one partners. We do it actively today, Eric, all the time and Kenny, all the time.

Kenny Rocker: That is right.

Eric Gehringer: Correct.

Lance Fritz: So it is a great question, Fadi. However, the bottom line is we are just going to have to continue to look for opportunities to be much simpler to do business with customers. We have to make sure our interchange customers are identifying partners, or identifying the best interchange points for the service point and then making that interchange fluid and rapid. There is no magic to it, really. It is pick and shovel work and we do know how to do that.

David Vernon (Sanford C Bernstein & Co): So, Lance, having opened Pandora's box on merger questions, I figure I will just put this one out for you to consider. One of the values that is being proposed in either the CP or CN combination with KCS is the ability to compete more effectively with truck traffic, which is a very large market between Texas and Chicago where you have single-line service. What is missing in your product today that is creating that opportunity that the other railroads see? What can we expect to see you guys do to get after that opportunity to maybe accelerate growth even faster?

Lance Fritz: We see a ton of truck opportunity as well. It is in existence today. A lot of that opportunity happens at the Mercea Dores[?] just inside of Mexico. Some happens deeper in Mexico, in terms of manufacturing. Some happens in the Texas Gulf Coast, where we already serve and provide good outlets to and from those manufacturers and producers.

So I would say I do not see any magic in the CP-KCS/CN-KCS other than the thing I am most concerned about, which is KCS's market power in Mexico being projected into the United States and Canada. I.e., our customers on Union Pacific need to continue to have the kind of access they have to and from Mexico so that they can both get access to Mexican industry and also benefit from Mexican industry and economy in their own supply chains.

So that is what we are focused on in the process at the STB.

I appreciate that question, David.

David Vernon: So, absent the Mexican reach question, what about that Texas to Detroit corridor? I mean I understand you do a lot of intermodal today that actually originates in trucks over the board and comes into a yard. If that is such a large opportunity, what is stopping you from going after that today?

Lance Fritz: Nothing. We are going after it and we are generally penetrating today.

Kenny Rocker: And let me jump in. Thanks for that question. We are winning. We are winning today. We have been able to win quite a bit of auto parts business here. We talked about it publicly; a few wins that were all truck, very sizeable, up and down that north-south lane but then also coming out of Mexico heading west. So we are winning today and we want to increase on those wins.

Lance Fritz: Yeah, we have good partners into and out of Detroit, in the form of other class-one railroads that serve that area. However, we are going to keep working it, David, because there is more opportunity, as you point out. We appreciate that.

David Vernon: Definitely. [Inaudible]. Thanks a lot.

Lance Fritz: Thank you. Okay, so we are going to take our last question, which is online. The question is, 'In labour negotiations, is there any focus on greater flexibility to be able to shift crews between districts in order to react to short-term or unexpected changes in demand patterns?'

So, the short answer is yeah and we also have some of that flexibility today. In today's world, we have the ability, Eric, to borrow out crews from one area to another. Now, that is at the crew's discretion. We invite them and most times we get plenty that say yes and take advantage of it. However, in the context of national negotiations, I am not sure that is a specific thing we are asking for in this round.

Eric Gehringer: No, not in this round. But to your point, we have success with the current process and it may be something we may still enter into in further negotiations, if it becomes particularly important to us.

Lance Fritz: Right, but we do have a host of other things that are part of work rule modifications that we think could benefit the railroad that are part of this round. Some can happen at national and some can happen on property. So, as we need something to change in our labour contracts, we have the ability to get them modified, in negotiation with our labour unions. Thanks for that question online.

Okay. So, that is going to conclude our day today. We very much appreciate all of you taking the time to spend roughly three hours with us to go over what our game plan is for the next handful of years, our confidence in that game plan, how it is constructed and wired together and the team that is going to be responsible for making it happen.

You are going to be able to see a replay of this event. It will be posted in the next 24 hours. As you heard today, we are very excited about what the future holds for Union Pacific, right? Our future is exceptionally bright. I think the numbers that Jennifer shared at the tail end of the prepared comments in the video section speak for themselves. We heard somebody basically, in their question, say, 'Hey, you ticked every box.' We totally agree with them.

Our future is built on service, which is customer-centred operational excellence; growth, both in carloads, in service, in products and reach; winning, being the best in the industry and being a logistics leader and doing that together, so that all four stakeholders are moving in the right direction with us.

With that, we thank you all for spending time with us. Take care.

[END OF TRANSCRIPT]