



**BUILDING AMERICA®**

January 13, 2016

# Midwest Association of Rail Shippers

**Lance Fritz**

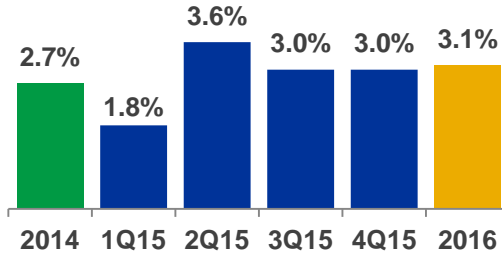
Chairman and CEO  
Union Pacific

# 2015 Economic Results

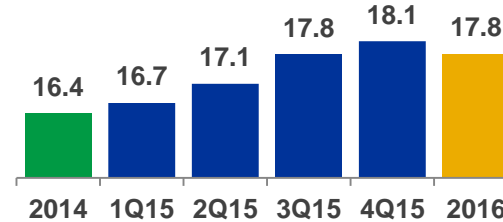
## Consumer-driven growth



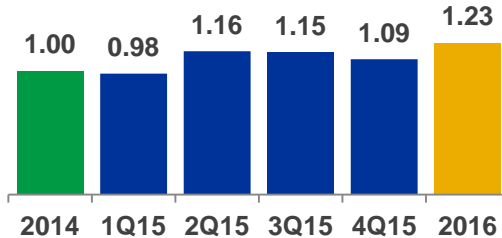
### 1 Consumer Spending



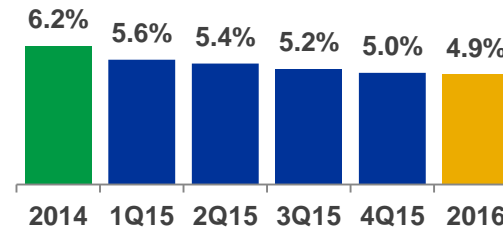
### 2 Light Vehicle Sales



### 3 Housing Starts



### 4 Unemployment



1 Consumers cautious, but growth is gaining momentum

2 Most noticeable in Automotive sales

3 Housing growth slow, but expected to strengthen

4 Economy approaching full employment

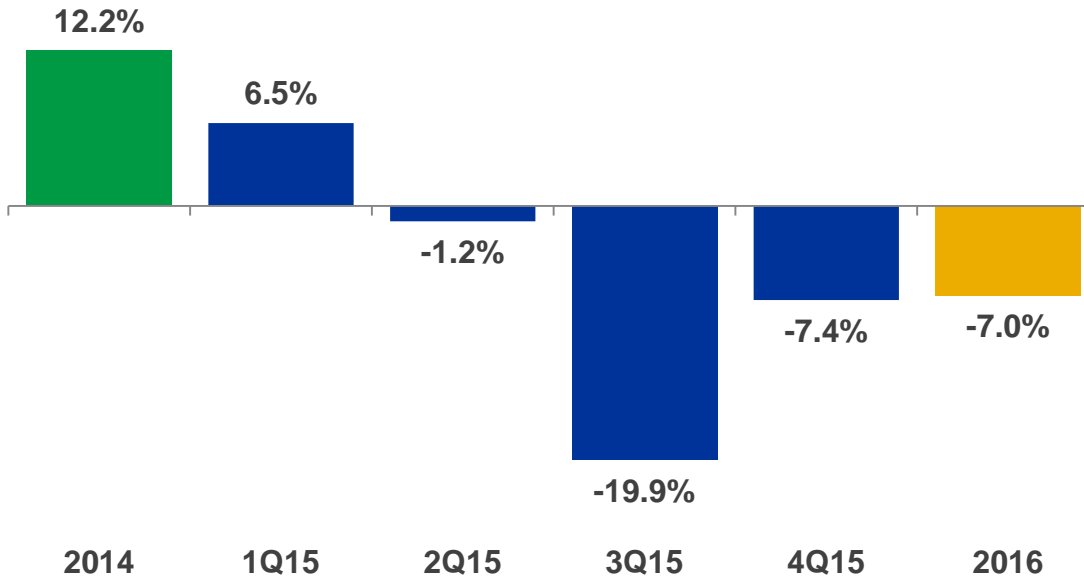
# 2015 Economic Results

## Drilling and exports disappointing



### Industrial Production

Oil & Gas Extraction & Drilling



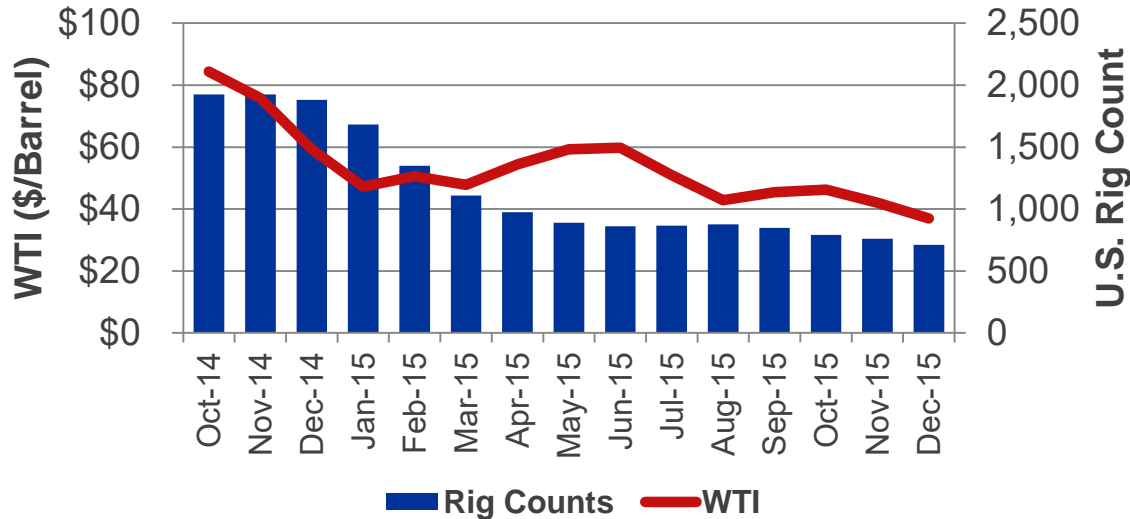
- 1 Overall economy (GDP) improved at same rate as 2014
- 2 Exports soft on strong dollar and international economies (EU, China)
- 3 Industrial Production did not rebound
- 4 Continued drilling headwind

# Negative Shift from 2014 to 2015



## Oil Price and Rig Count History

October 2014 – December 2015



Oil prices and  
drilling rig counts  
**DOWN**

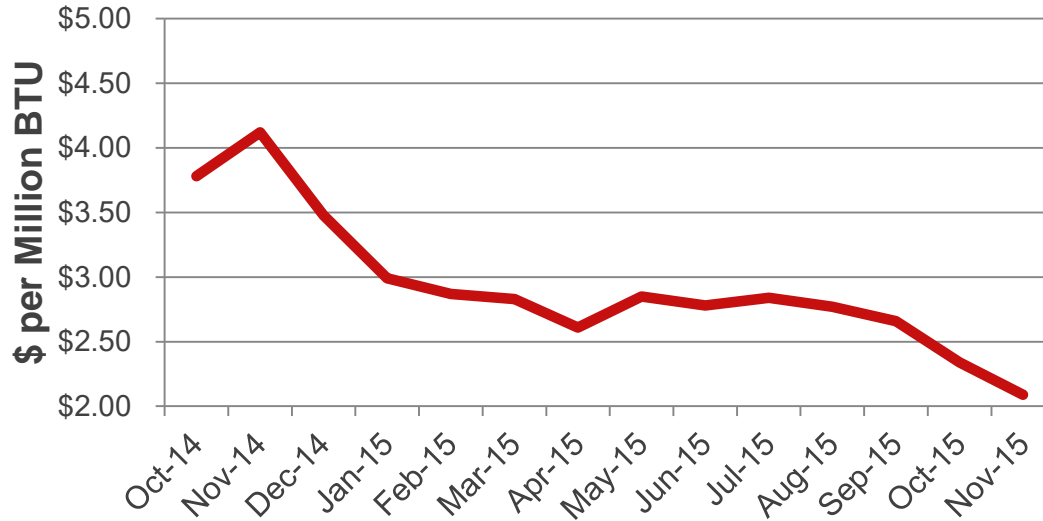
Impacts crude,  
frac sand, steel

# Lower Demand for Coal



## Henry Hub Natural Gas Spot Price

October 2014 – November 2015



**Lower**  
**NATURAL GAS**

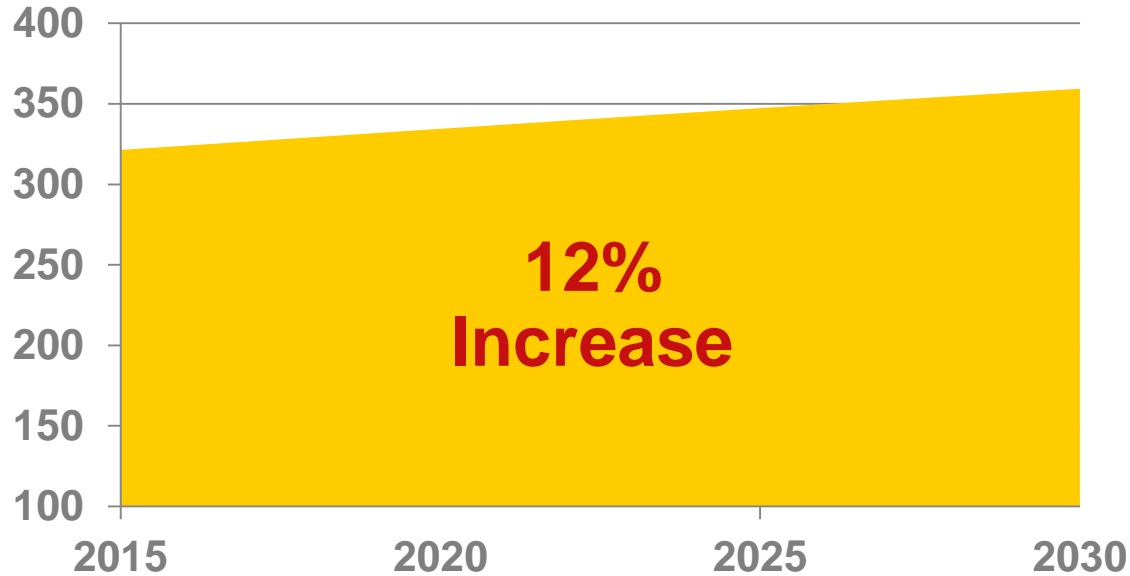
**Milder**  
**TEMPERATURES**

**High**  
**INVENTORIES**

# Long-term Economic Drivers



U.S. Population  
(in millions)



Population  
**GROWTH**

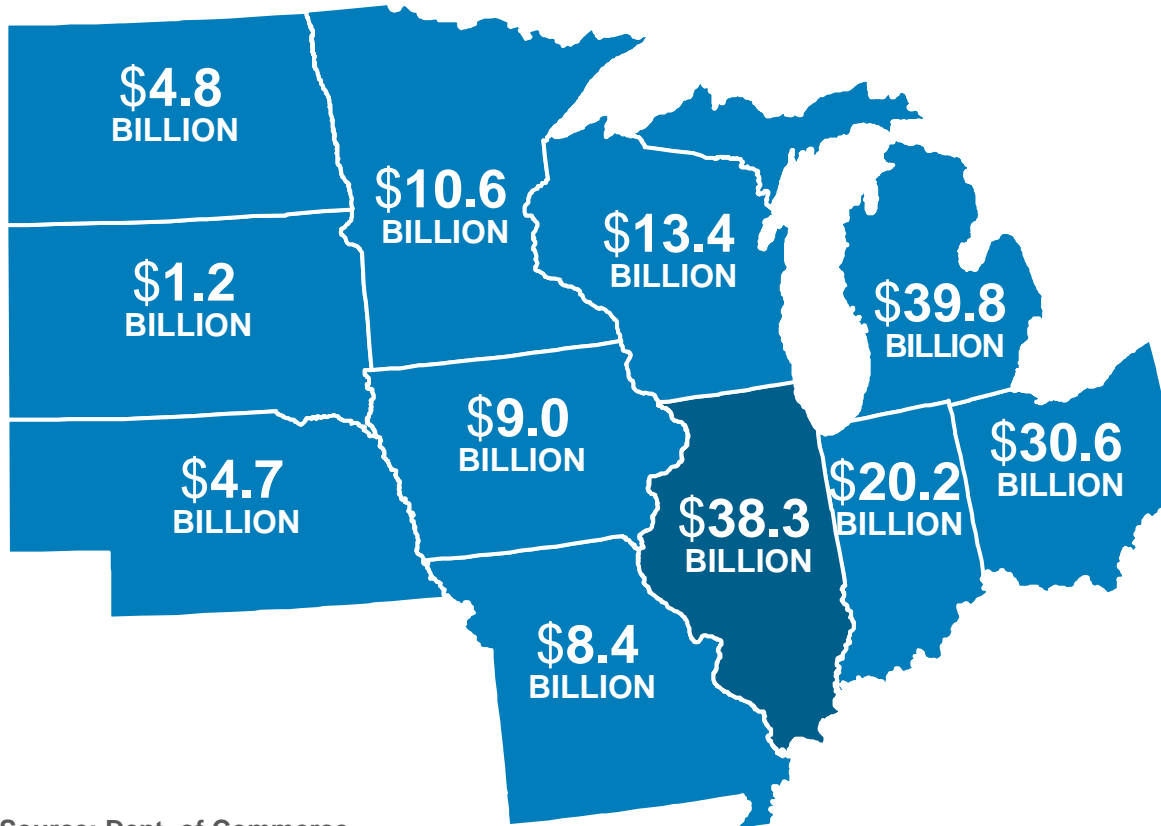
Continued market  
**RECOVERY**

Highway  
**CONVERSIONS**

Global  
**TRADE**

# Trans-Pacific Partnership

## Exports to TPP countries in 2014

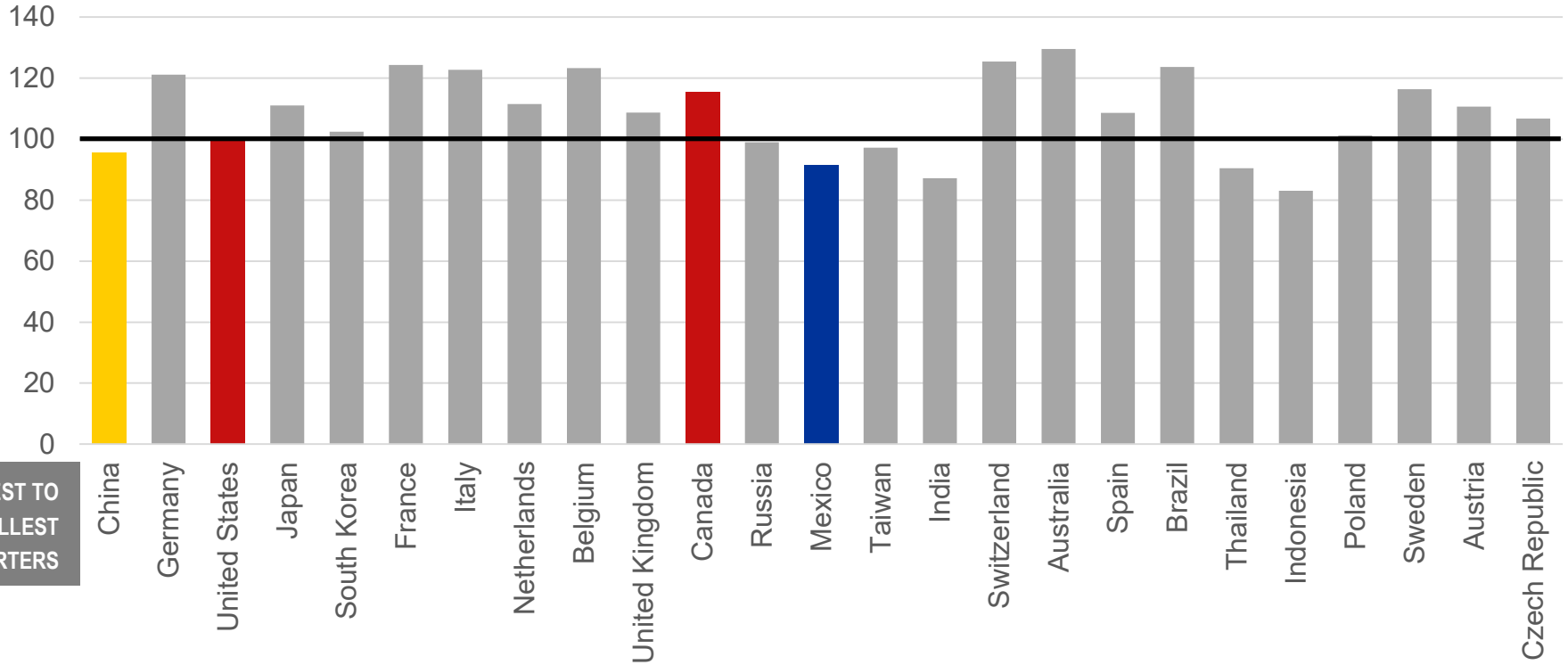


### Illinois Top Export Sectors



# Global Manufacturing Cost-Competitiveness

## 2014, U.S. = 100 Index



LARGEST TO  
SMALLEST  
EXPORTERS





## OUR MISSION

The men and women of Union Pacific are dedicated to serve.

## OUR VALUES

Passion for performance  
High ethical standards  
Work as a team

# Creating Value The UP Way

CUSTOMERS – EMPLOYEES – SHAREHOLDERS – COMMUNITIES



- World-class safety
- Excellent customer experience
- Resource productivity
- Maximized franchise
- Innovation
- Engaged team



# World-class Safety

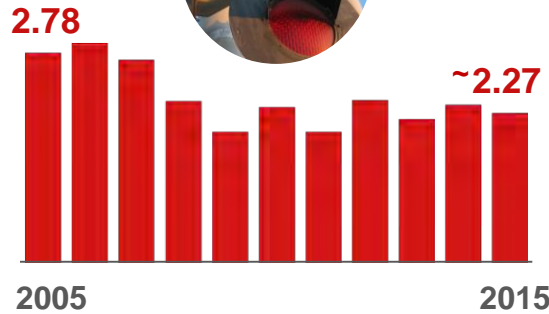


**↓ 52%**  
EMPLOYEE



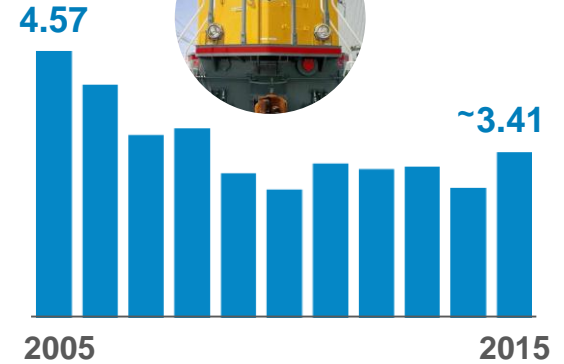
Reportable Injuries  
Per 200,000 Employee Hours

**↓ 18%**  
CROSSINGS



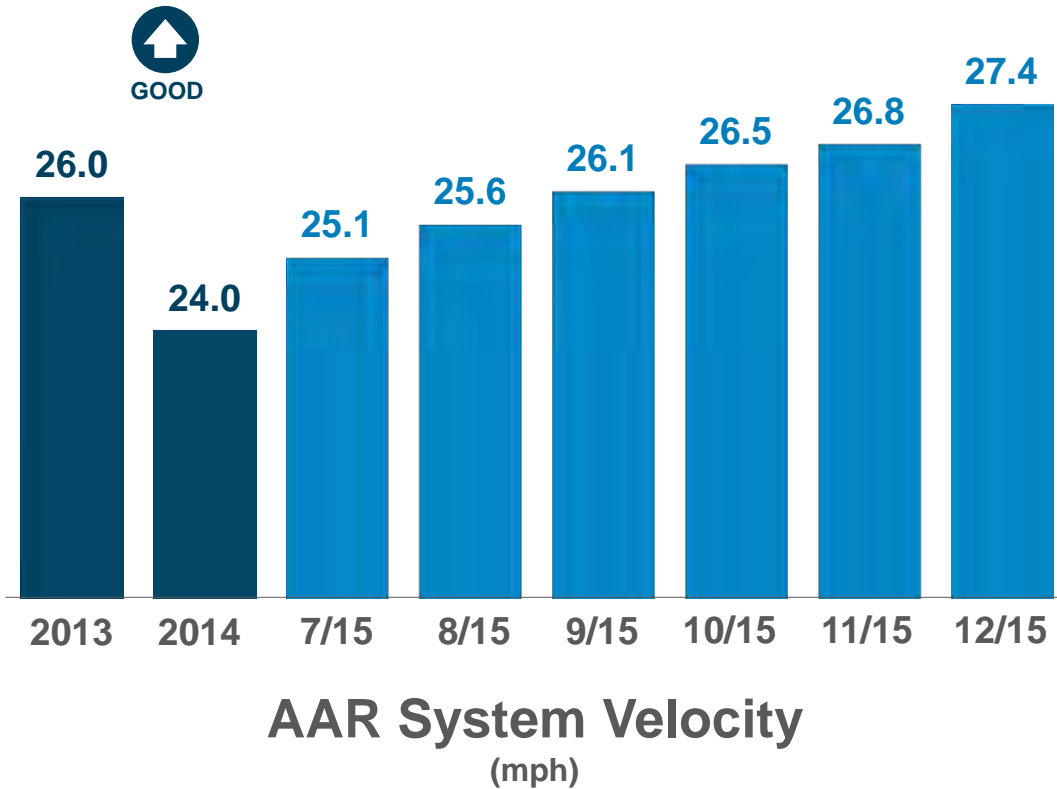
Grade Crossing Accidents  
Per Million Train Miles

**↓ 25%**  
RAIL EQUIPMENT



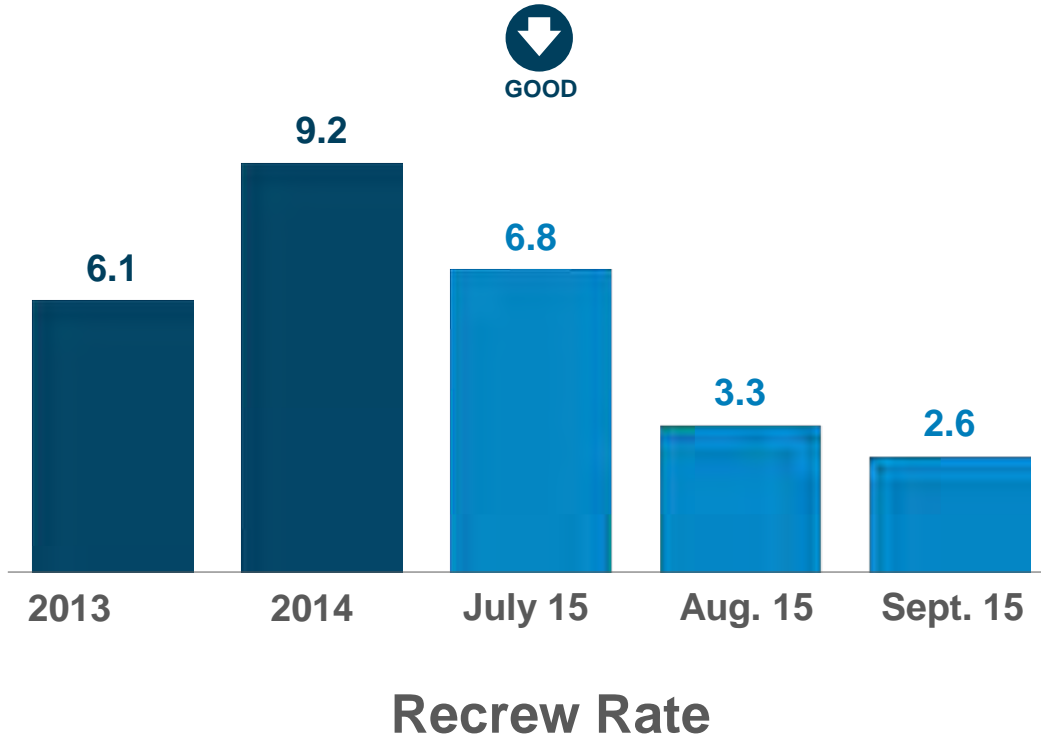
Reportable Derailments  
Per Million Train Miles

# Excellent Customer Experience



**SPEED**  
matters

# Resource Productivity



Attacking  
**VARIABILITY**  
at every turn

# Maximized Franchise

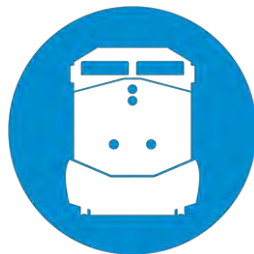


44%



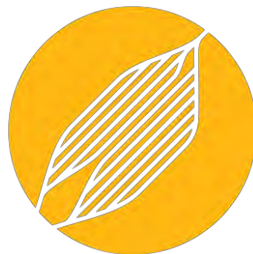
**\$1,850 M**  
Infrastructure  
Replacement

26%



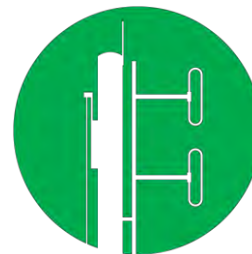
**\$1,100 M**  
Locomotives  
& Equipment

15%



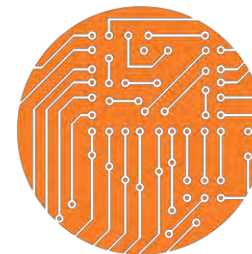
**\$650 M**  
Capacity &  
Commercial  
Facilities

10%



**\$400 M**  
Positive Train  
Control (PTC)

5%



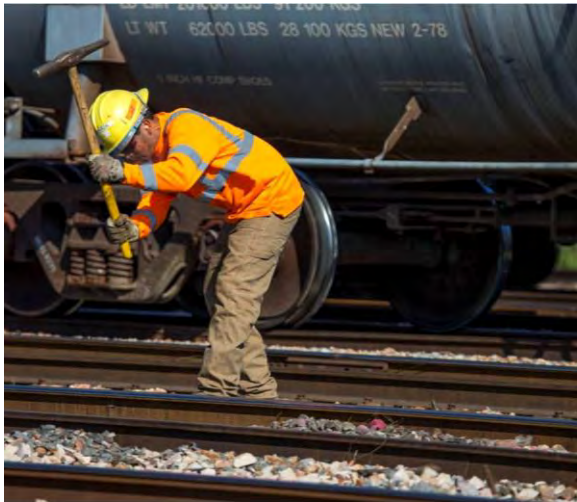
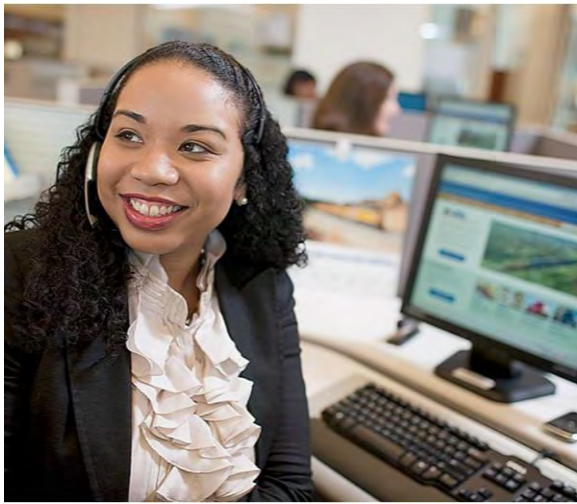
**\$200 M**  
Technology  
& Other

**2015 Capital Plan: ~\$4.2 Billion**

Includes cash capital, leases and other non-cash capital.

# Innovation





# Engaged Team





RAIL INDUSTRY

# RISKS

RAILROAD MERGERS  
STB ACTIVITY





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