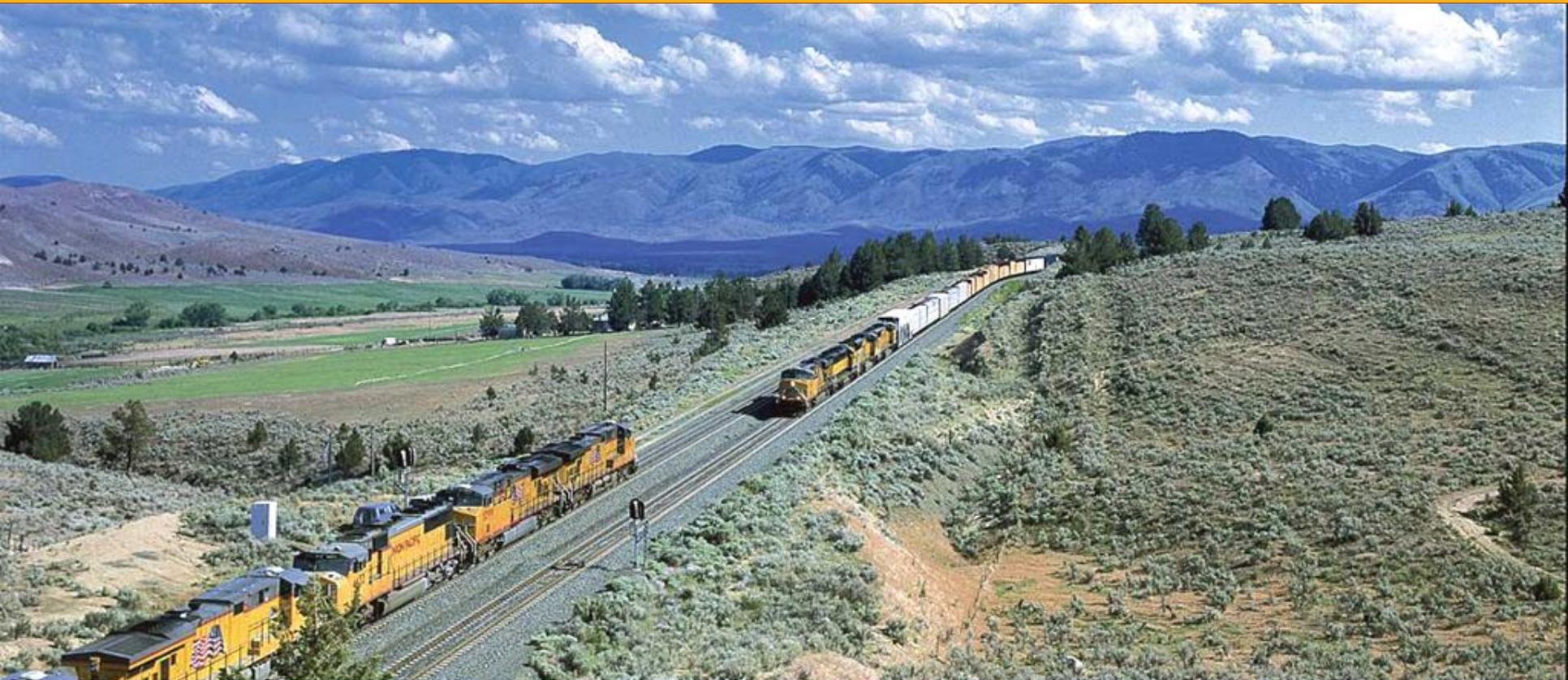


Railroad Update - Union Pacific *US Clay Producers Traffic Association*

Kenny Rucker, AVP Industrial Products— March 18, 2014



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Agenda

- **Economic Outlook**
- **The Role of Railroads**
- **Union Pacific Update**
- **Clay Markets**
- **Questions**



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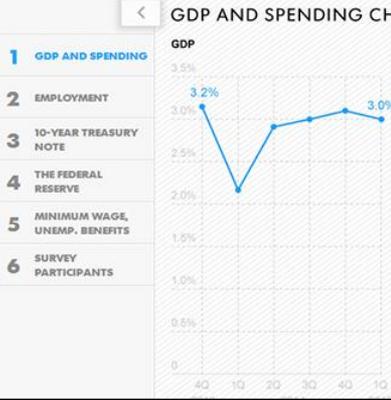
Headed for Growth?



Economists: U.S. will see better growth in '14

USA TODAY QUARTERLY ECONOMIC SURVEY

Forecasts based on a USA TODAY survey of 40 top economists conducted Feb 10-13, 2014



New home sales hit five-and-a-half year high in January

BY LUCIA MUTIKANI
WASHINGTON Wed Feb 26, 2014 11:03am EST
31 COMMENTS | [Tweet](#) 64 | [Share](#)



Cold weather slams U.S. factory output, spurs growth fears

BY LUCIA MUTIKANI
WASHINGTON Fri Feb 14, 2014 1:32pm EST
22 COMMENTS | [Tweet](#) 77 | [Share](#)



Steel coils at the ThyssenKrupp Steel USA factory in 2013.
CREDIT: REUTERS/LYLE RATLIFF



US consumer sentiment rises, defying cold weather and bad news

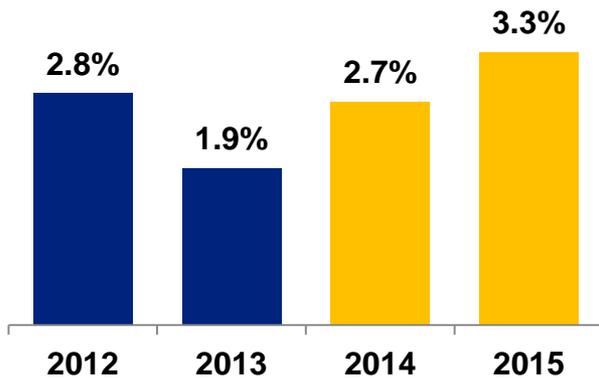
REUTERS
Published: Friday, 28 Feb 2014 | 9:55 AM ET
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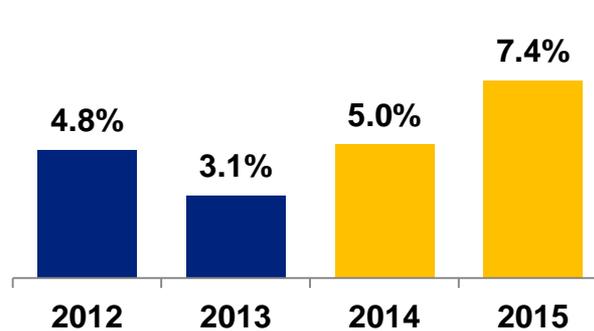
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A Slowly Strengthening Economy in 2014

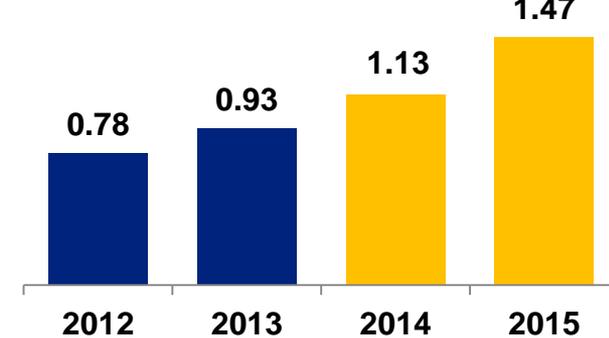
Gross Domestic Product



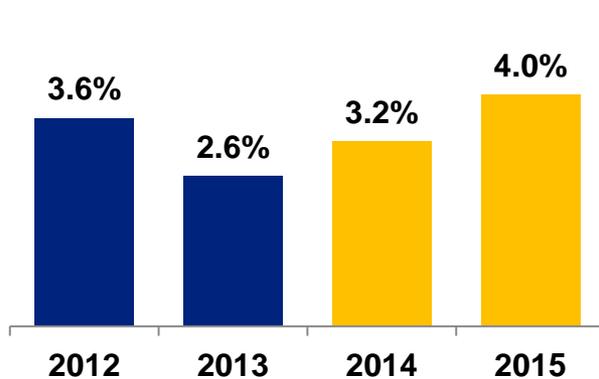
Imports of Goods Less Petroleum



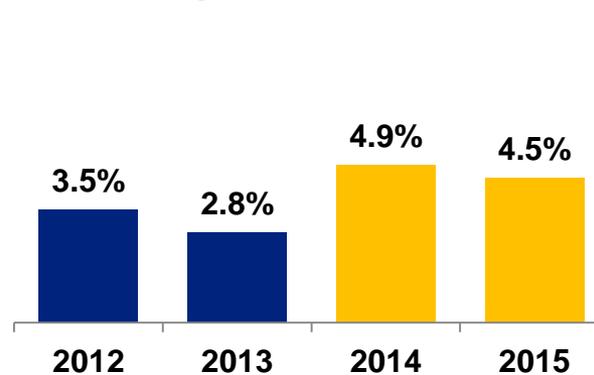
Housing Starts (millions)



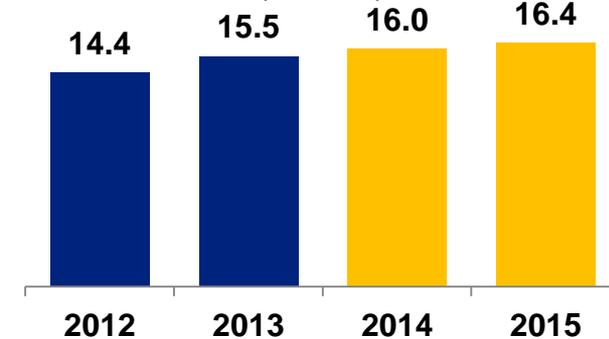
Industrial Production



Export of Goods



Light Vehicle Sales (millions)



IHS Global Insight: February 2014 Forecast

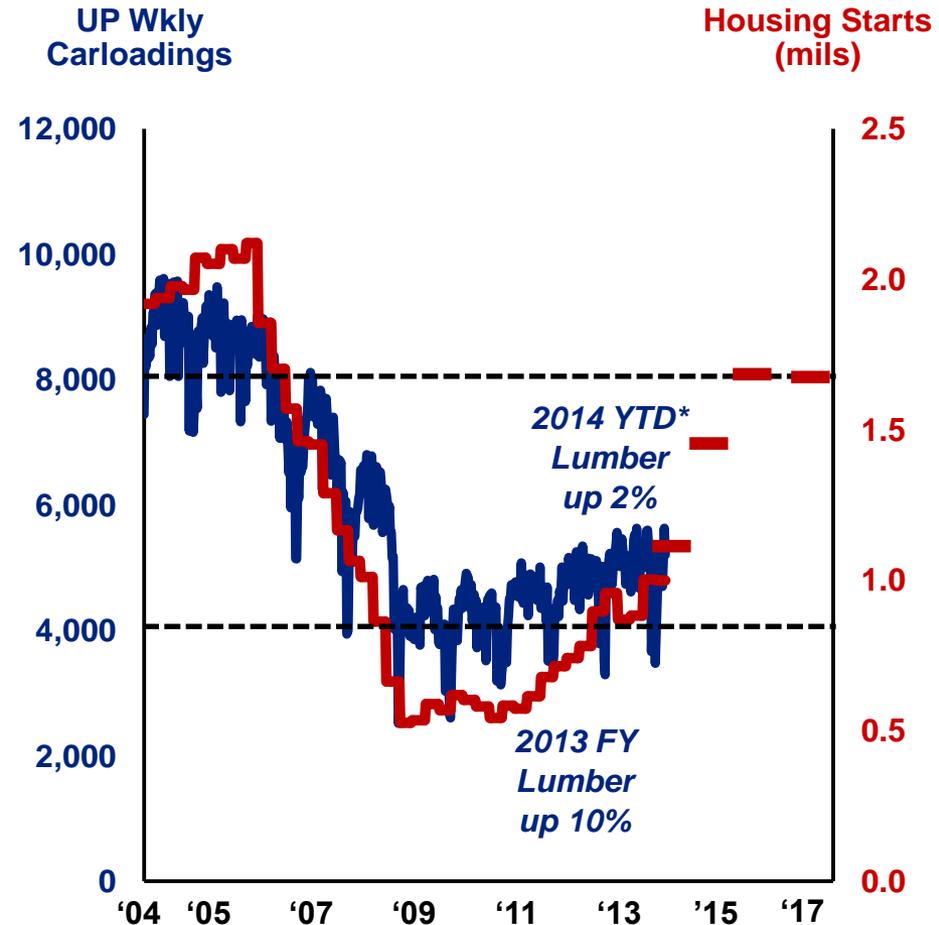


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Housing Trends

- Housing represents ~ 8 - 9% of current UP volumes
- Lumber, Stone & Glass down 3,000 carloads a week
- Housing also drives appliances, roofing, rebar, aggregates, and cement demand
- Including IP, Chemicals & Intermodal, return to normal could add volume growth opportunity of 4 - 5%

Lumber, Stone & Glass



*Through March 8, 2014

Mar 2014 IHS Global Insight forecast

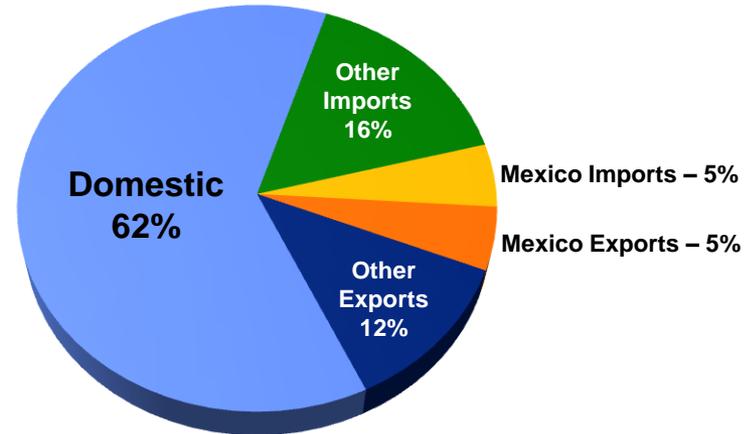


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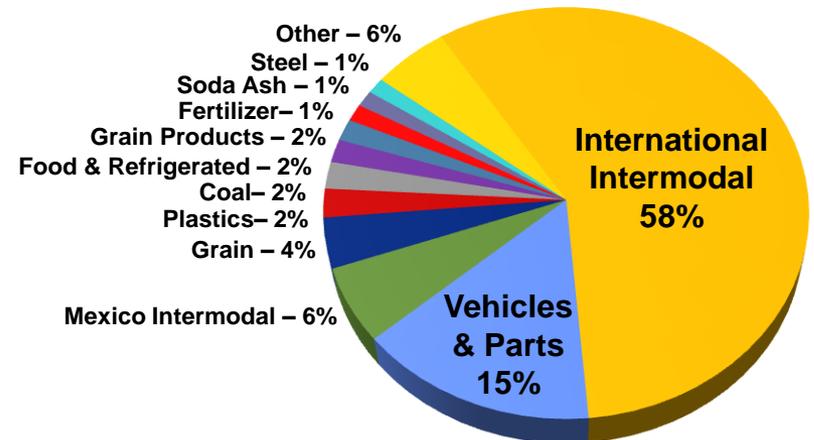
Global Trade

- Diverse franchise creates opportunity
- Off-shoring/near-shoring of U.S. manufacturing
- Demand for grain and food
- Low natural gas prices favor U.S. plastics production
- Demand for U.S. raw materials

2013 Freight Volumes

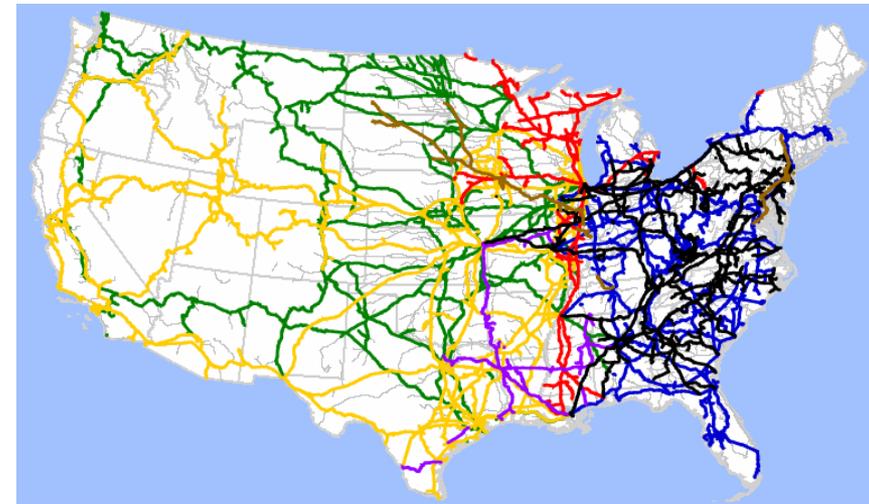


UP International Trade Volumes (3.5M carloads)



Freight Railroads Are Critical to Our Economy

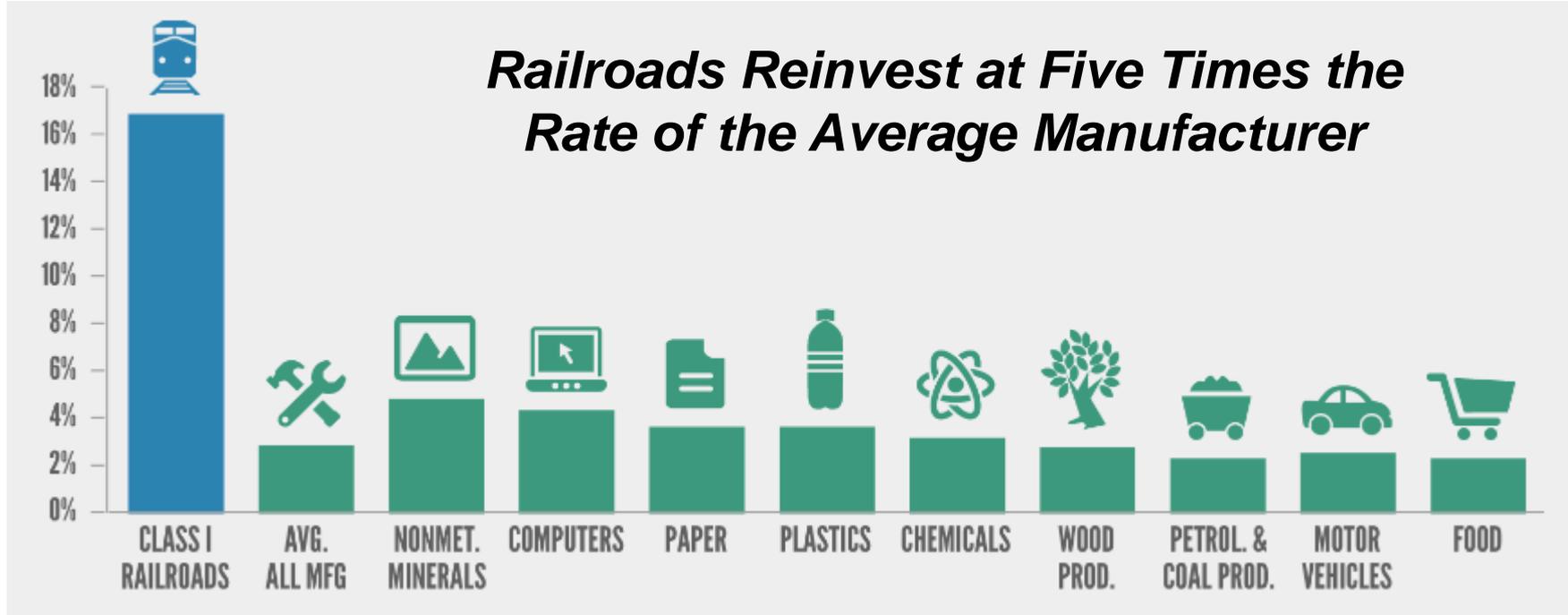
- 560 railroads
- 140,000 miles
- 1.5 million freight cars
- 175,000 employees
- Privately owned
- Taxed
- Not government subsidized



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Invest for the Future

Class I Railroads Capital Investment



Capital Expenditures as a % of Revenue
Avg. 2002-2011

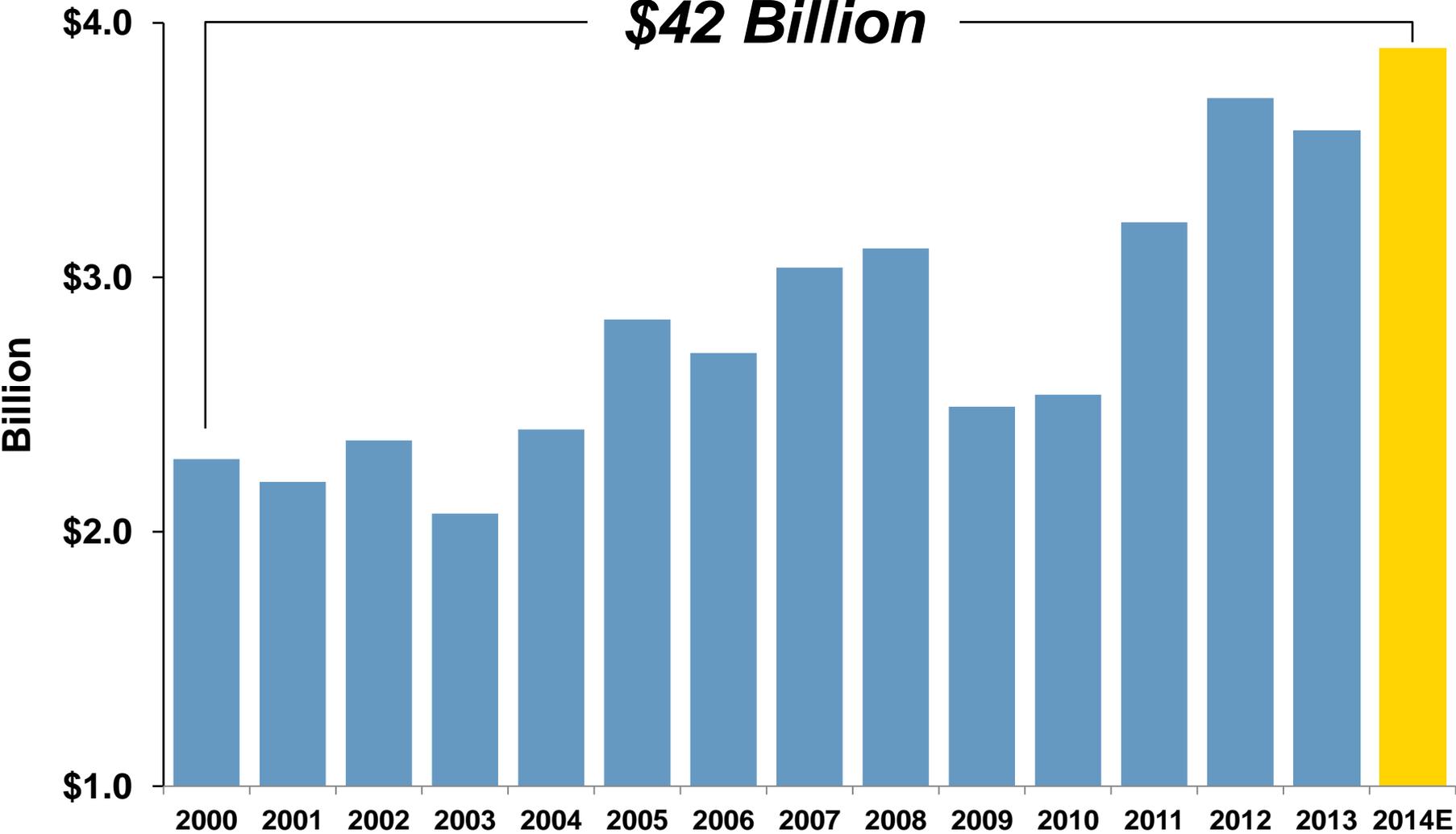
Source: U.S. Census Bureau, AAR



Invest for the Future

UP Capital Investment*

\$42 Billion



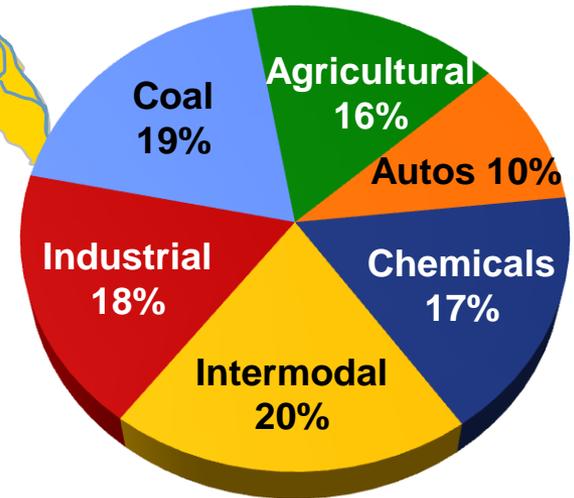
* Includes cash capital, leases and other non-cash capital.

The Strength of a Unique Franchise

- Diverse Business Mix
- Fastest Growing States
- Broad Port Access
- Interchange Traffic & Border Crossings



Freight Revenue
\$20.7B in 2013



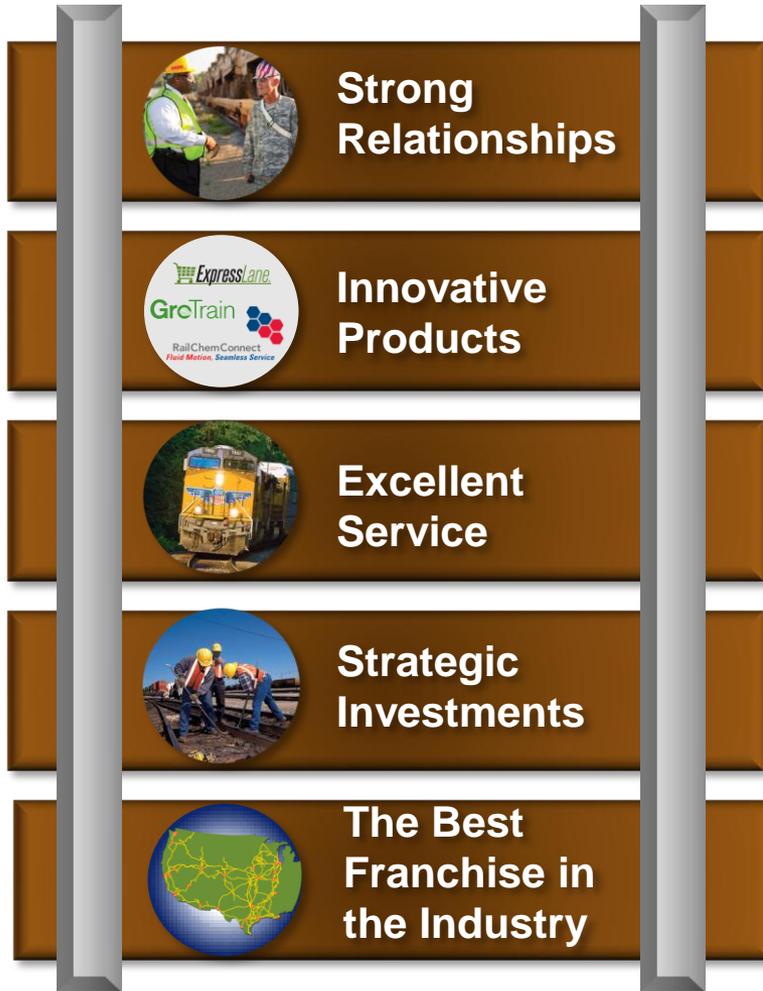
- Borders & Interchange
- Ports
- Fastest Growing States



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Focus on Creating Value for our Customers

Union Pacific's Value Proposition



- **Strong Supply Chain Partner**
- **Significant investments to support growth**
- **Access to key markets**
- **Creative and agile service solutions**
- **Providing excellent customer service**





**Union Pacific Thanks You
For Your Time And
Business!**



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