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Union Pacific Reports Second Quarter 2023 Results

July 26, 2023

Second Quarter Results

- Earnings per diluted share of \$2.57
- Operating revenue down 5%
- Reportable derailment rate improved 9%

Union Pacific Corporation (NYSE: UNP) today reported 2023 second quarter net income of \$1.6 billion, or \$2.57 per diluted share. These results include the previously disclosed \$67 million labor expense and \$73 million income tax benefit. This compares to 2022 second quarter net income of \$1.8 billion, or \$2.93 per diluted share.

“The results this quarter were impacted by softening consumer markets, inflation, a one-time labor expense, and increased workforce levels,” said Lance Fritz, Union Pacific chairman, president, and chief executive officer. “The entire team remains focused on maintaining a solid service product while taking steps to recapture lost productivity and lay a strong foundation for sustainable future success. We took actions throughout the second quarter to drive greater network fluidity and provide our customers with better service. We finished the quarter with resource levels more aligned with demand, as we stored excess locomotives, improved recrew rates, and reduced borrowed-out employees.”

Financial Results: Core Pricing Gains Offset by Reduced Fuel Surcharge Revenue, Lower Volumes, and an Unfavorable Business Mix Second Quarter 2023 Compared to Second Quarter 2022

- Operating revenue of \$6 billion was down 5% driven by reduced fuel surcharge revenue, lower volumes, and an unfavorable business mix, partially offset by core pricing gains.
- Business volumes, as measured by total revenue carloads, were down 2%.
- Operating ratio was 63.0%, up 280 basis points. This includes an unfavorable 110 basis point impact from a one-time labor agreement payment and a 200 basis point benefit from falling fuel prices.
- Operating income of \$2.2 billion declined 12%.
- The company repurchased 600,000 shares in second quarter 2023 at an aggregate cost of \$120 million.

Operating Performance: Improved Service Performance Supported by Larger Crew Base Second Quarter 2023 Compared to Second Quarter 2022

- Quarterly freight car velocity was 202 daily miles per car, an 8% improvement.
- Quarterly locomotive productivity was 126 gross ton-miles (GTMs) per horsepower day, a 2% improvement.
- Average maximum train length was 9,316 feet, a 1% decline.
- Quarterly workforce productivity decreased 5% to 983 car miles per employee.
- Fuel consumption rate of 1.086, measured in gallons of fuel per thousand GTMs, deteriorated 1%.
- Union Pacific’s first half reportable derailment rate improved 9% to 2.45 per million train miles compared to 2.68 for 2022.

2023 Outlook Pressured by Challenging Demand and Cost Environment

- • Consumer-related volumes likely drive full year volume expectations below Industrial Production (Current forecast: +0.1%)
- • Pricing dollars in excess of inflation dollars
- • Forecasting \$50 to \$70 million in labor expense from new agreements in second half of 2023
- • 2023 Capital Allocation:
 - ◦ Capital plan of \$3.6 billion
 - ◦ Maintain dividend of \$1.30/quarter
 - ◦ No further 2023 share repurchases planned

Leadership and Board Updates

In separate press releases issued today, the Company appointed [Jim Vena as chief executive officer](#), named [Beth Whited as president](#), elected [Mike McCarthy as chairman](#) and appointed two new independent directors, [Doyle Simons](#), and [John Wiehoff](#), to the Board.

Second Quarter 2023 Earnings Conference Call

Union Pacific will webcast its second quarter 2023 earnings release presentation live at www.up.com/investor and via teleconference on Wednesday, July 26, 2023, at 8:45 a.m. Eastern Time. Participants may join the conference call by dialing 877-407-8293 (or for international participants, 201-689-8349).

About Union Pacific

Union Pacific (NYSE: UNP) delivers the goods families and businesses use every day with safe, reliable, and efficient service. Operating in 23 western

states, the company connects its customers and communities to the global economy. Trains are the most environmentally responsible way to move freight, helping Union Pacific protect future generations. More information about Union Pacific is available at www.up.com.

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- [Supplemental financial information is attached.](#)

This news release and related materials contain statements about the Company's future that are not statements of historical fact, including specifically the statements regarding the potential impacts of public health crises, including pandemics, epidemics and the outbreak of other contagious diseases, such as the coronavirus and its variant strains (COVID); the Russia-Ukraine conflict and its impact on our business operations, financial results, liquidity, and financial position, and on the world economy (including customers, employees, and supply chains), including as a result of fluctuations in volume and carloadings; expectations as to general macroeconomic conditions, including slowdowns and recessions, domestically or internationally, and future volatility in interest rates and fuel prices; closing of customer manufacturing, distribution, or production facilities; expectations as to operational or service improvements; expectations as to hiring challenges; availability of employees; expectations regarding the effectiveness of steps taken or to be taken to improve operations, service, infrastructure improvements, and transportation plan modifications; expectations as to cost savings, revenue growth, and earnings; the time by which goals, targets, or objectives will be achieved; projections, predictions, expectations, estimates, or forecasts as to business, financial, and operational results, future economic performance, and planned capital investments; proposed new products and services; estimates of costs relating to environmental remediation and restoration; estimates and expectations regarding tax matters; expectations that claims, litigation, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, cyberattacks or other matters. These statements are, or will be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements also generally include, without limitation, information, or statements regarding: projections, predictions, expectations, estimates, or forecasts as to the Company's and its subsidiaries' business, financial, and operational results, and future economic performance; and management's beliefs, expectations, goals, and objectives and other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information, including expectations regarding operational and financial improvements and the Company's future performance or results are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statement. Important factors, including risk factors, could affect the Company's and its subsidiaries' future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. Information regarding risk factors and other cautionary information are available in the Company's Annual Report on Form 10-K for 2022, which was filed with the SEC on February 10, 2023. The Company updates information regarding risk factors if circumstances require such updates in its periodic reports on Form 10-Q and its subsequent Annual Reports on Form 10-K (or such other reports that may be filed with the SEC).

Forward-looking statements speak only as of, and are based only upon information available on, the date the statements were made. The Company assumes no obligation to update forward-looking information to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information. If the Company does update one or more forward-looking statements, no inference should be drawn that the Company will make additional updates with respect thereto or with respect to other forward-looking statements. References to the Company's website are provided for convenience and, therefore, information on or available through the website is not, and should not be deemed to be, incorporated by reference herein.

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