First Quarter Earnings Release

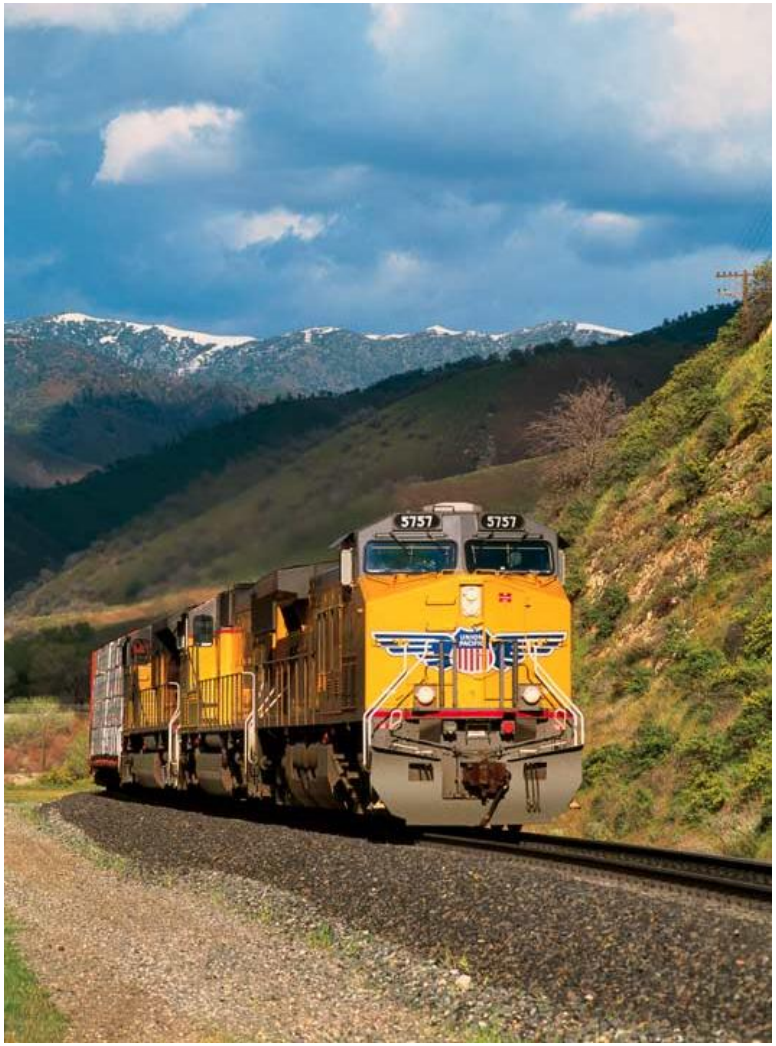
April 23, 2009

Jim Young, Chairman and CEO

BUILDING AMERICA®

First Quarter 2009 Results

- EPS = $0.72
  - Down 15% versus 2008
- Record Operating Ratio
- Quarterly Safety “Bests”
- Excellent Service
- Strong Balance Sheet



UNION PACIFIC
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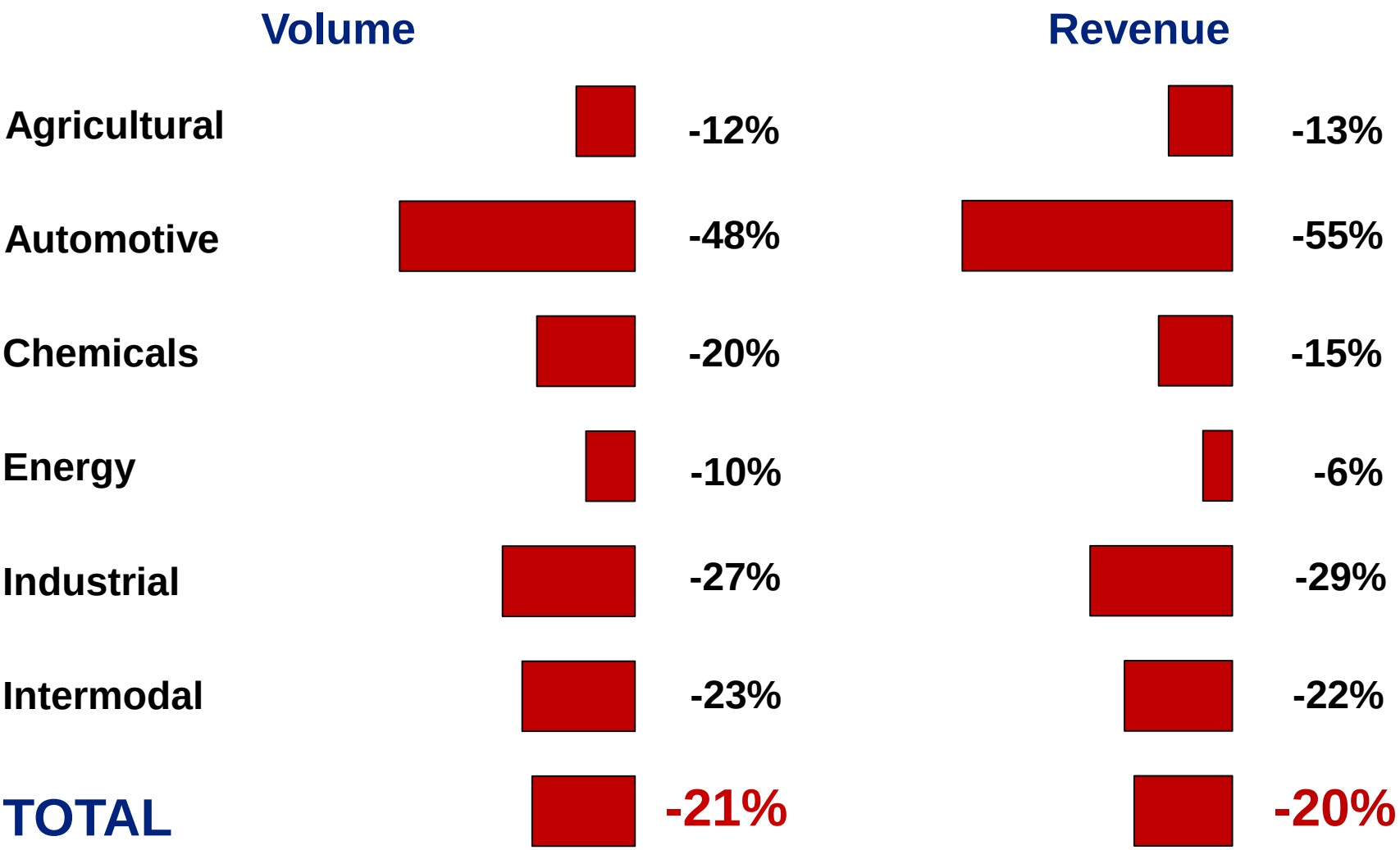
First Quarter Marketing & Sales Review

April 23, 2009

Jack Koraleski, Executive VP – Marketing & Sales

BUILDING AMERICA®

First Quarter Recap



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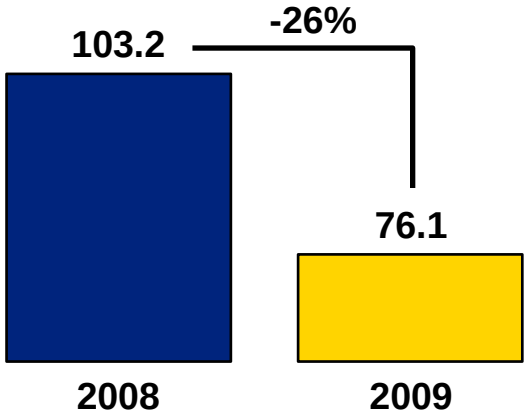
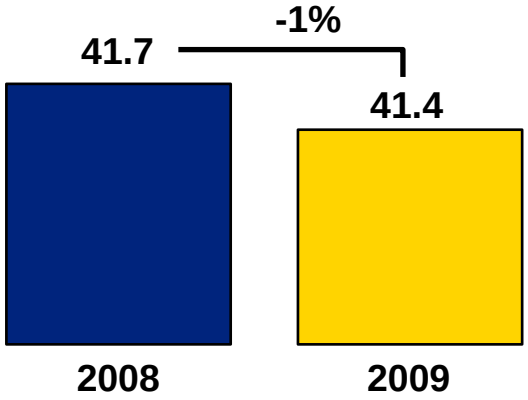
Agricultural
First Quarter 2009

Whole Grains*



Food & Refrigerated*



*Volume in (000s) of carloads

Quarterly Results

- $661M, -13%
- -12% Carloadings
- $3,116 ARC, -1%

Quarterly Drivers

- Lower Grain Demand
- Reduction in Soybean Crush and Ethanol Production
- Produce Railexpress Growth

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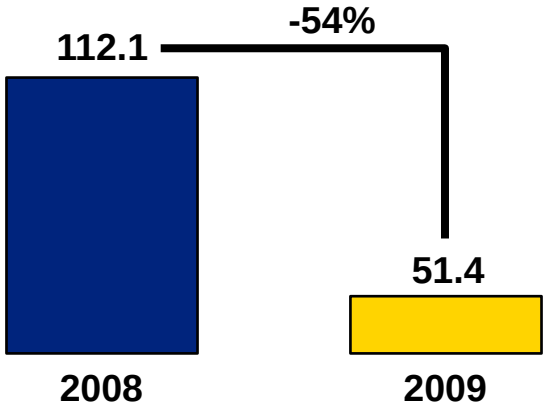
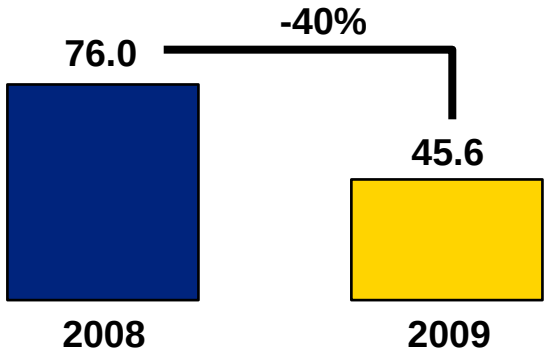
Autos

First Quarter 2009

Finished Vehicles*



Vehicle Parts*



*Volume in (000s) of carloads

Quarterly Results

- $162M, -55%
- -48% Carloadings
- $1,675 ARC, -13%

Quarterly Drivers

- U.S. Light Vehicle Sales Down 38% Year-Over-Year
- Extended Auto Shutdowns

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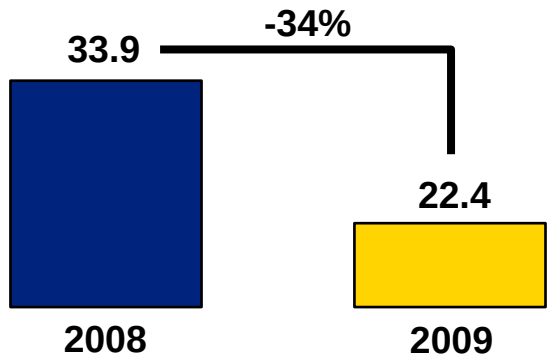
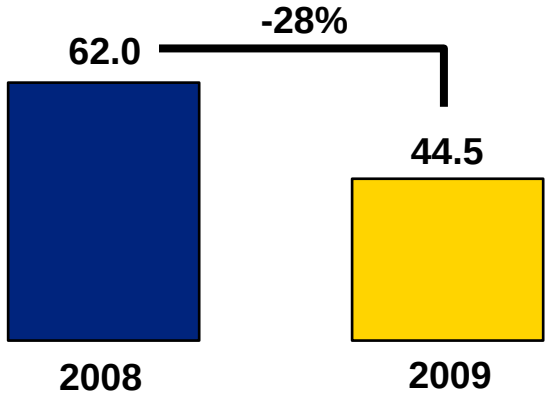
Chemicals
First Quarter 2009

Fertilizer*



Liquid and Dry*



*Volume in (000s) of carloads

Quarterly Results

- **$513M, -15%**
- **-20% Carloadings**
- **$2,843 ARC, +6%**

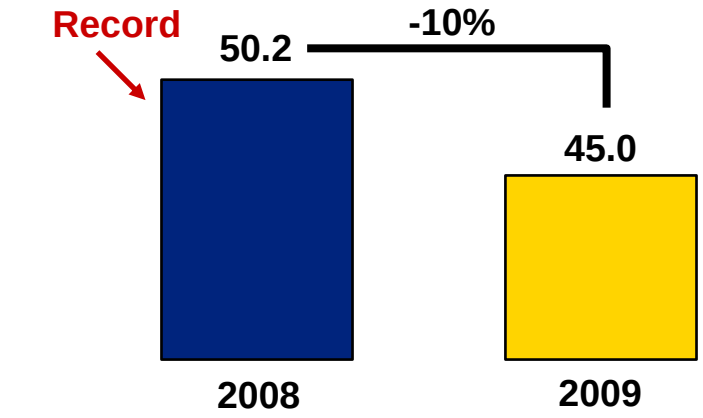
Quarterly Drivers

- **Weak Demand Across Major Market Segments**

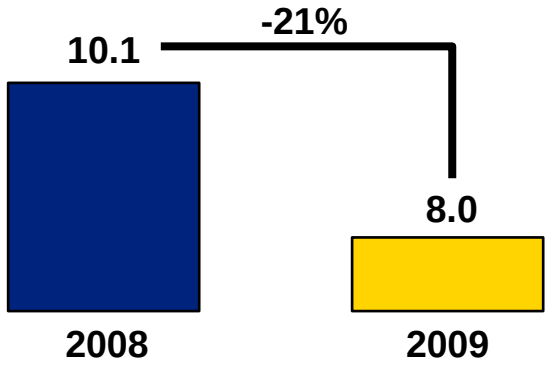
UNION PACIFIC BUILDING AMERICA®

Energy
First Quarter 2009

SPRB Tonnage*



CO/UT Tonnage*



*Millions of Tons

Quarterly Results

- $807M, -6%
- -10% Carloadings
- $1,550 ARC, +5%

Quarterly Drivers

- SPRB Contract Losses
- Higher-than-Normal Coal Stockpiles
- CO/UT Production Issues
  - Loaded 205 Fewer CO/UT Trains Year-Over-Year

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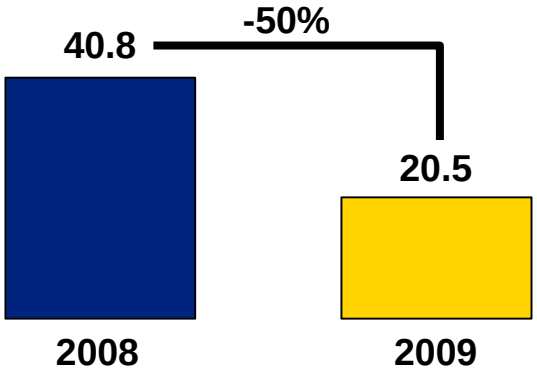
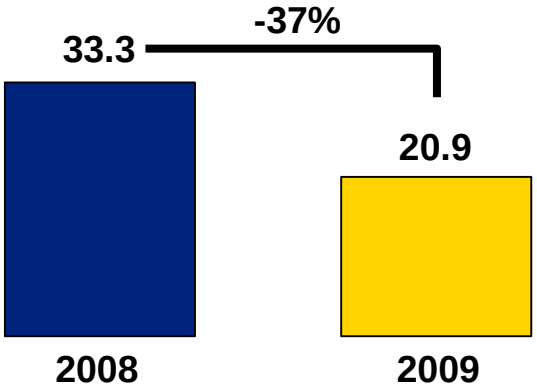
Industrial Products

First Quarter 2009

Steel*



Lumber & Building Materials*



*Volume in (000s) of carloads

Quarterly Results

- **$546M, -29%**
- **-27% Carloadings**
- **$2,459 ARC, -3%**

Quarterly Drivers

- **Sharp Downturn in Steel Market**
- **Continued Softness in Housing & Construction**
- **High Inventories and Reduced Production of Paper**

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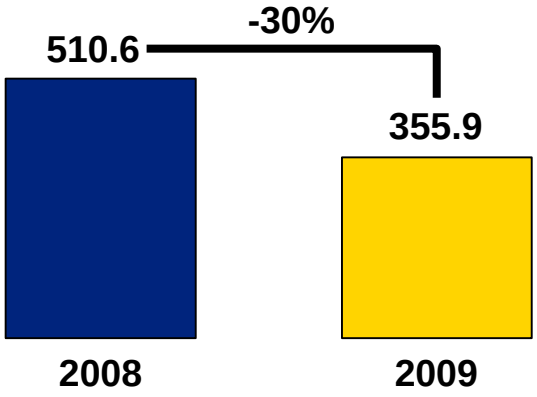
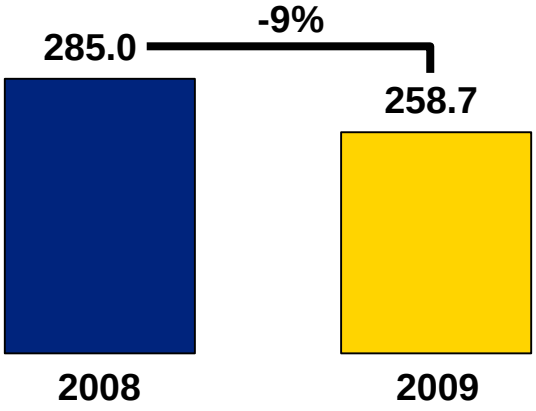
Intermodal

First Quarter 2009

International Volume*



Domestic Volume*



*Volume in (000s) of units

Quarterly Results

- **$551M, -22%**
- **-23% Carloadings**
- **$897 ARC, +1%**

Quarterly Drivers

- **Weak Economy Impacts International and Domestic**
- **Lapping 2008 Contract Loss**
- **Service-Driven Product Offerings**

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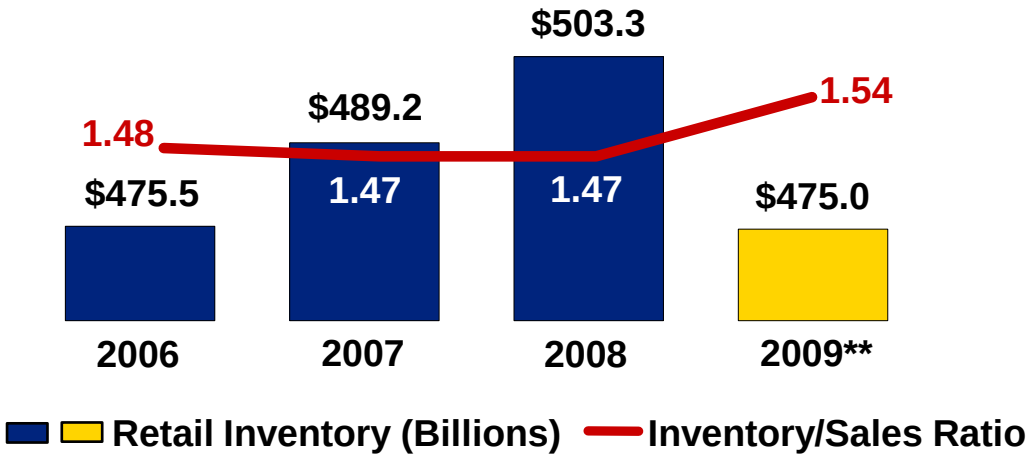
Inventories Working Against Rail Volume*

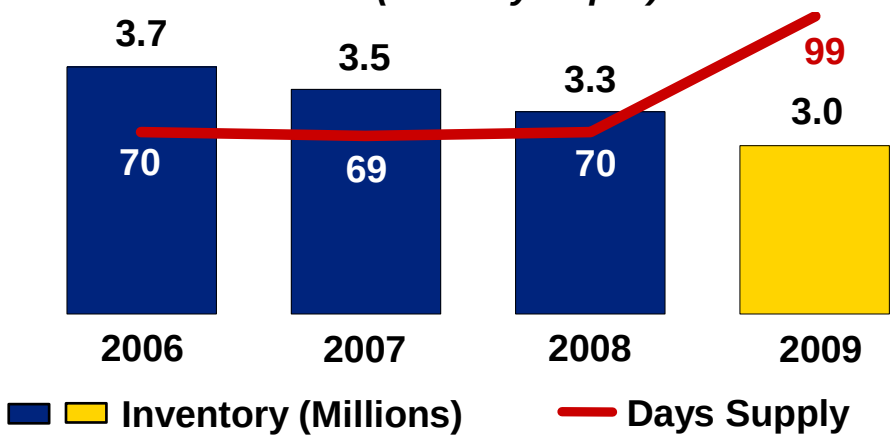
Average Retail Trade Inventories

(First Quarter)



Average U.S. Car & Light Truck Inventories

(January - April)



- **Inventory Levels Down, But Not Enough**
- **Consumer Confidence at All-Time Lows**
- **Consumer Patterns Must Change to Break the Cycle**

** Inventory data taken from U.S. Census Bureau and industry reports*

*** January and February 2009*

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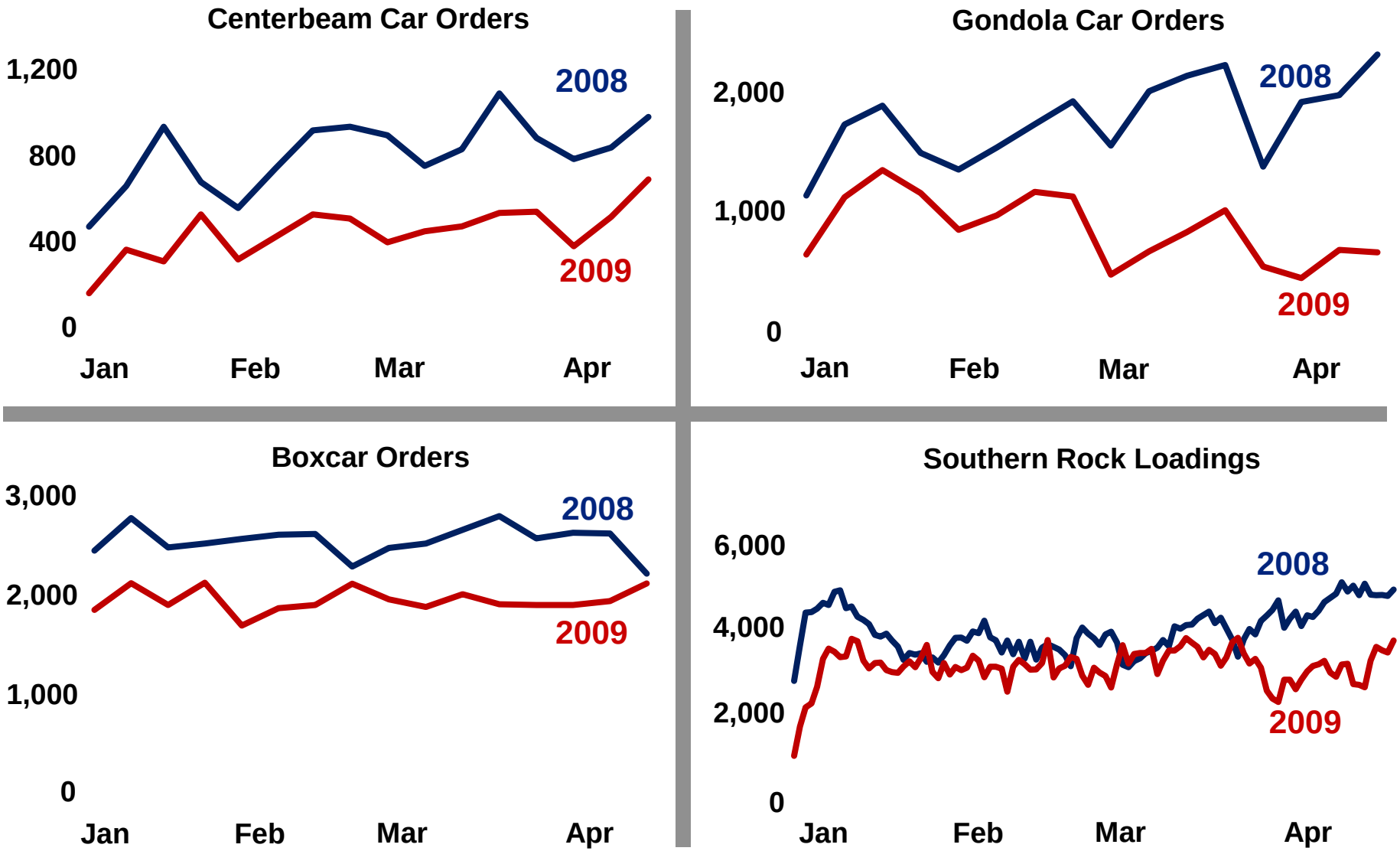
Leading Indicators



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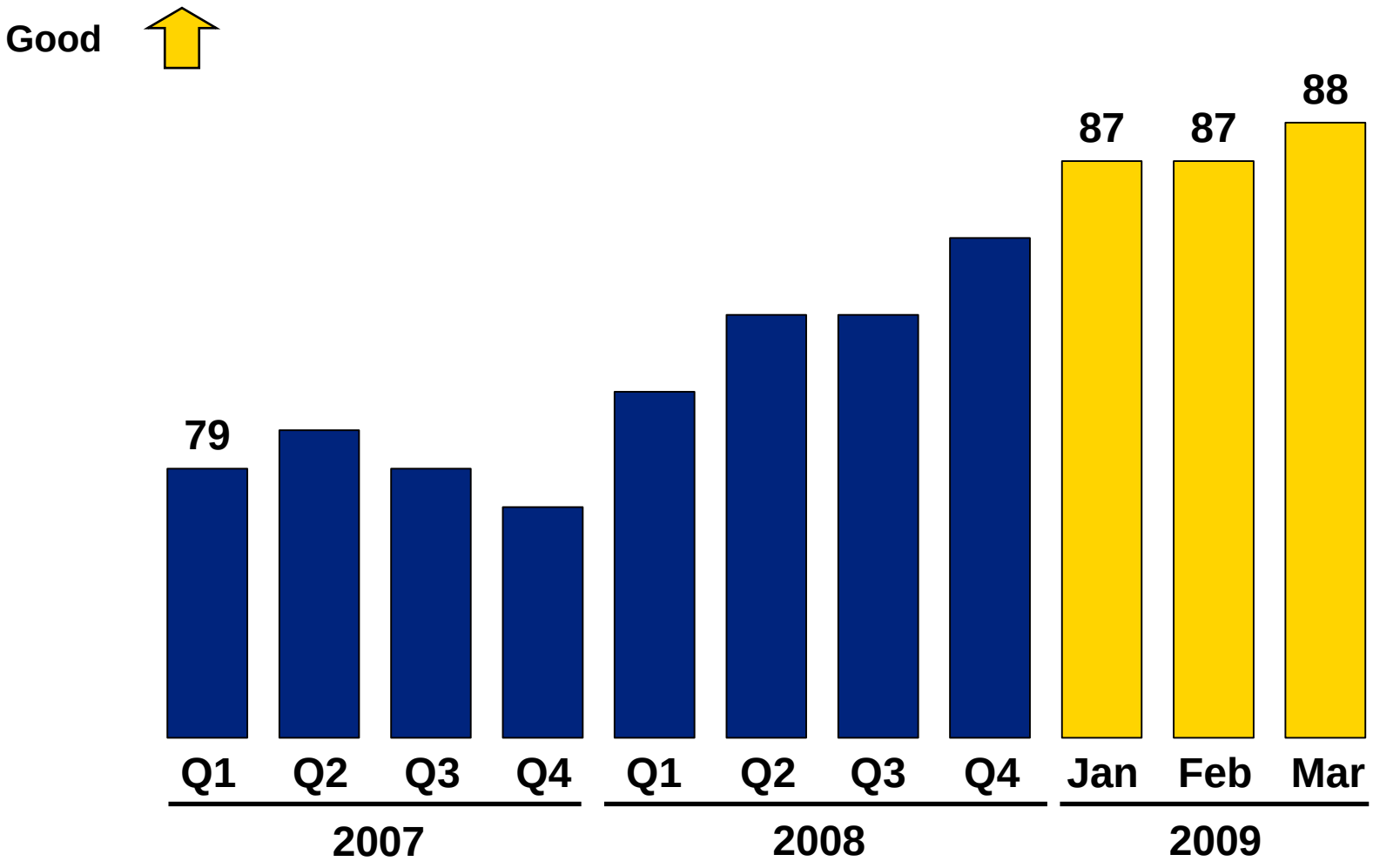
Customer Satisfaction Index



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First Quarter Operating Review

April 23, 2009

Dennis Duffy, Executive VP – Operations

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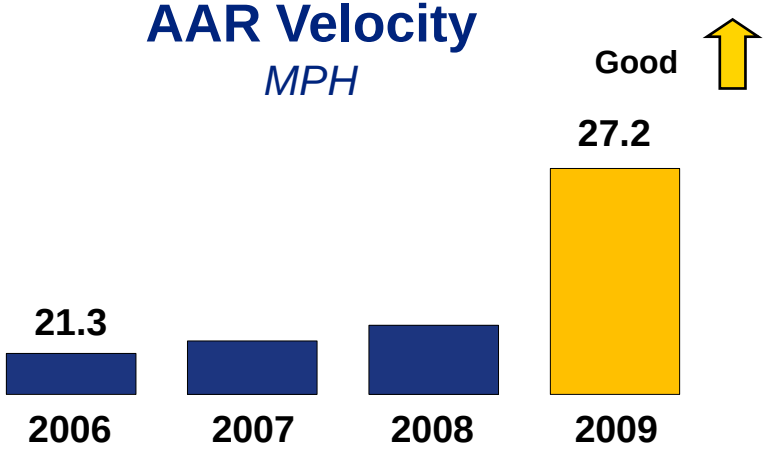
2009 Performance Records

First Quarter

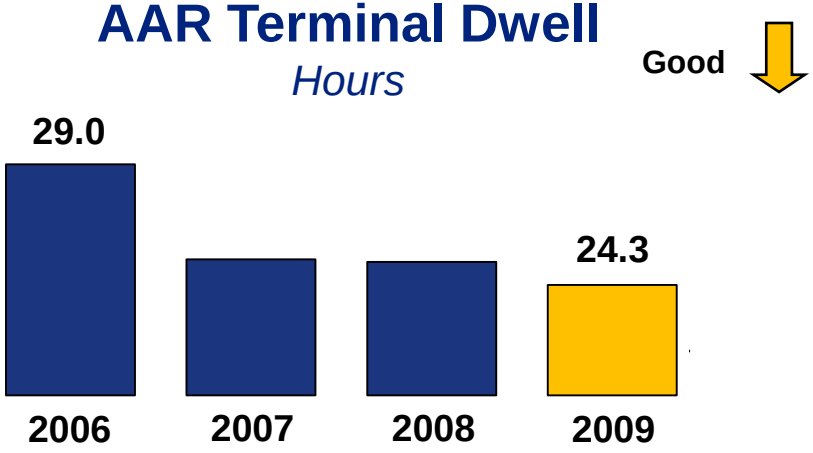
AAR Velocity

MPH



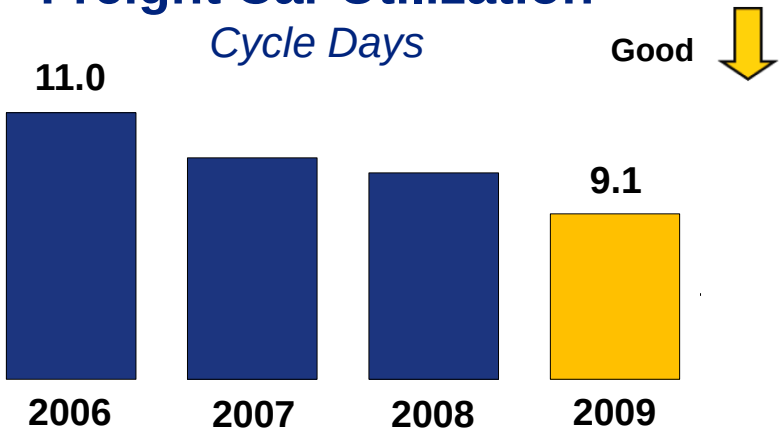
AAR Terminal Dwell

Hours

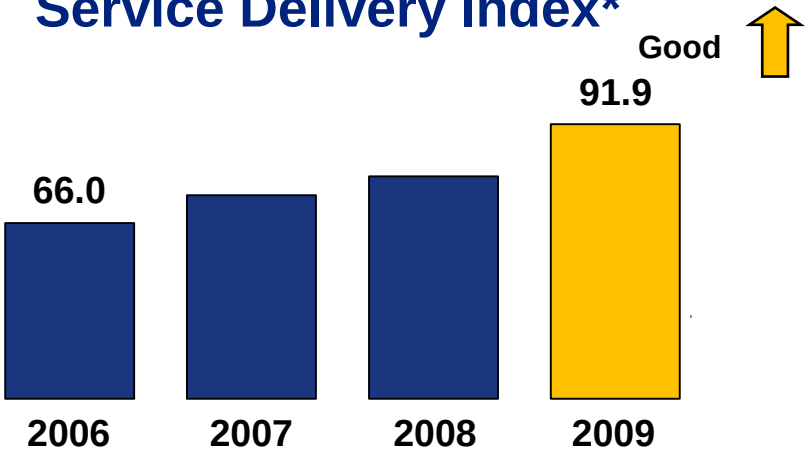


Freight Car Utilization

Cycle Days



Service Delivery Index*



*** Includes early deliveries**

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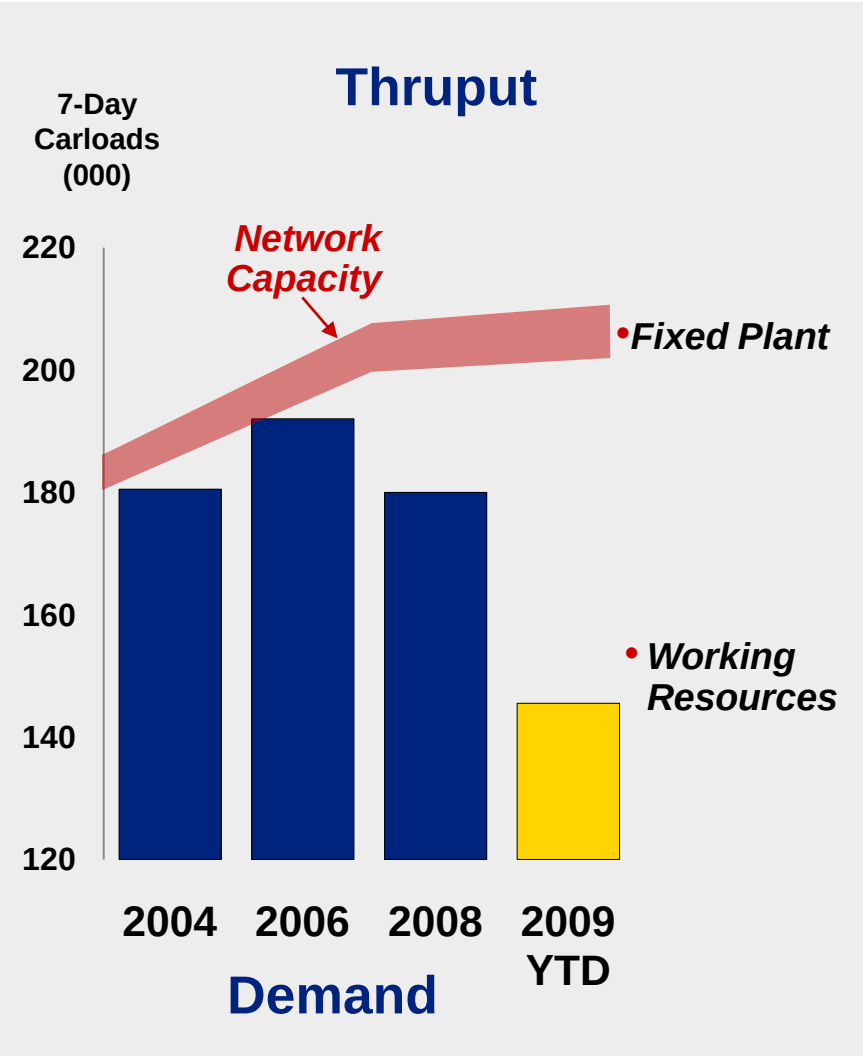
Volume Variability



Decreasing Volume

- **Crews**
  - Low Mileage Strategy
  - Cutback Engineers
  - AWTS / Furloughs
- **Locomotives & Railcars**
  - Lease Returns
  - Storage / Retirements
  - Foreign Balance
- **Train & Yard Operation**
  - Overtime / Shifts / Starts
  - Business Rules
  - Network Redesign

Increasing Volume

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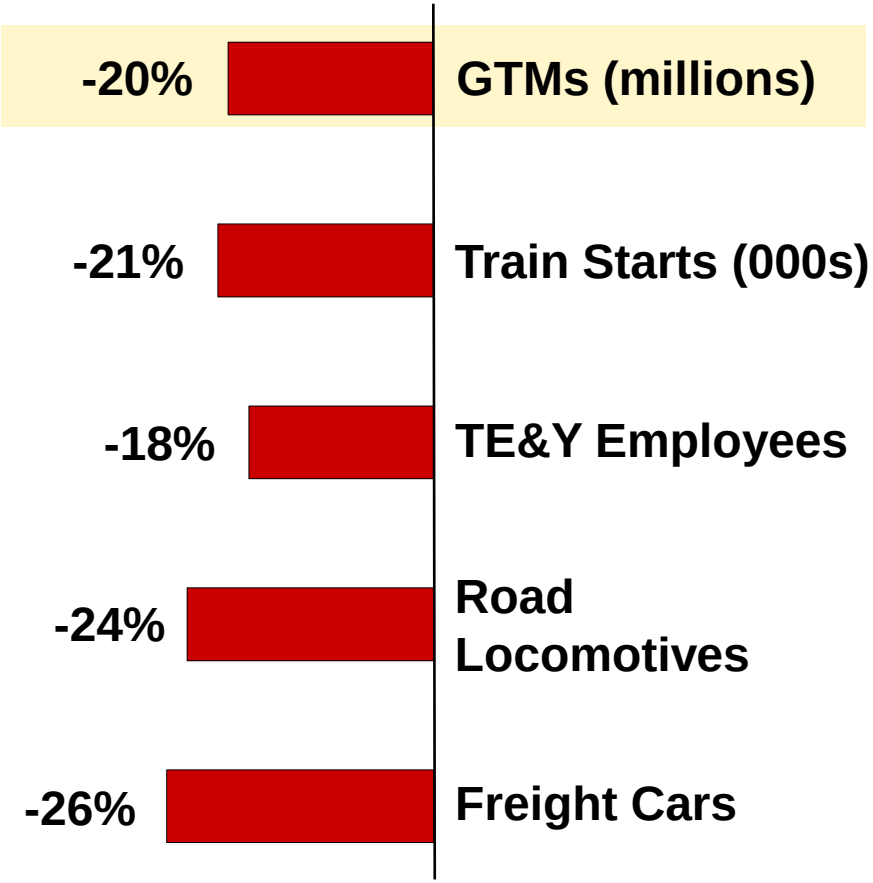
Aligning Working Resources

First Quarter Average



Resource Reductions – Current Status

- **Furloughs**
  - 26% (≈4,500) TE&Y Employees
  - ≈700 Mechanical, Engineering, and Clerical
- **Road Locomotives**
  - 31% (≈1,900) in Storage
- **Freight Cars**
  - 31% (≈66,000) Parked

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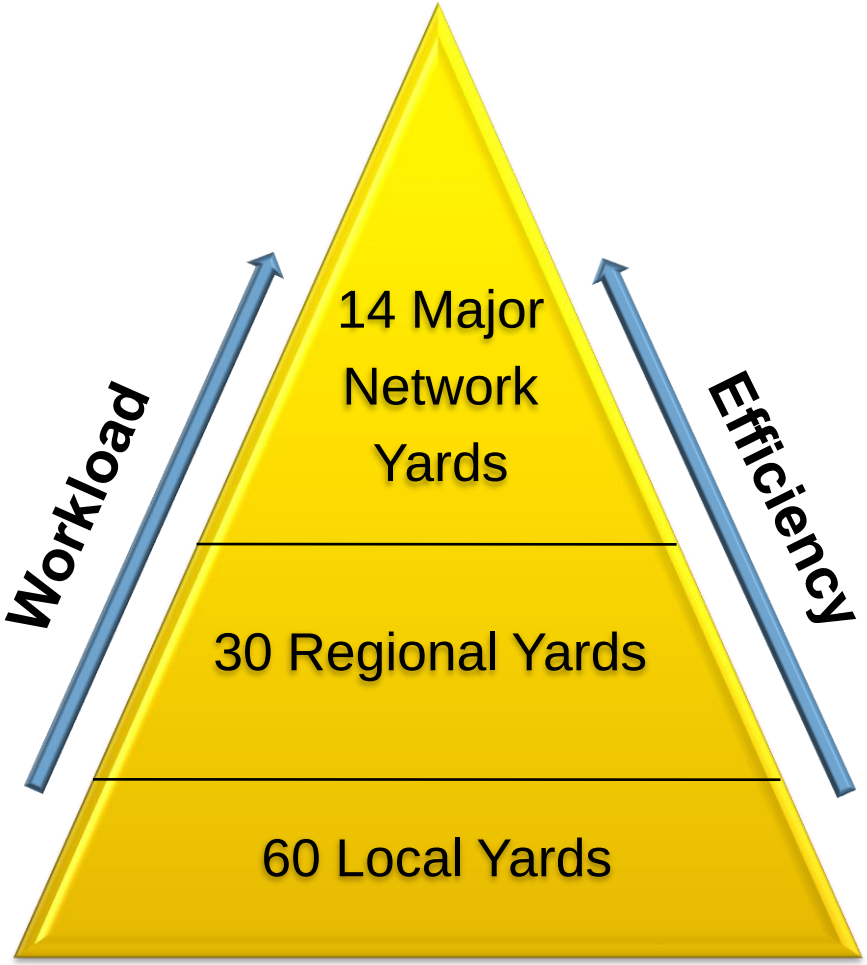
Network Productivity



- **Network Re-Design**
  - **Shift Workload to Most Efficient Facilities**
  - **Combine Auto and Intermodal Train Networks**
- **Terminal Cost Control**
  - **Remote Control Locomotives**
  - **Shift Eliminations**
  - **Staffing Reductions**
  - **Reduced Ramp Operations**

UNION PACIFIC BUILDING AMERICA®

2009 Operating Initiatives

- Continue “Zero Tolerance” on Safety
- Volume Variability with Excellent Service
- Capital Efficiency
- Well Positioned for Upside Leverage

UNION PACIFIC
BUILDING AMERICA®

First Quarter Financial Review

April 23, 2009

Rob Knight, CFO

BUILDING AMERICA®

Income Statement Summary

First Quarter – In Millions

	2009	2008	%
Operating Revenues			
Freight Revenues	$ 3,240	$ 4,059	(20)
Other Revenues	175	211	(17)
Total Operating Revenues	$ 3,415	$ 4,270	(20)
Operating Expenses			
Compensation and Benefits	1,070	1,132	(5)
Purchased Services & Materials	399	469	(15)
Fuel	386	957	(60)
Depreciation	345	340	1
Equipment & Other Rents	317	342	(7)
Other	226	242	(7)
Total Operating Expenses	$ 2,743	$ 3,482	(21)
Operating Income	$ 672	$ 788	(15)

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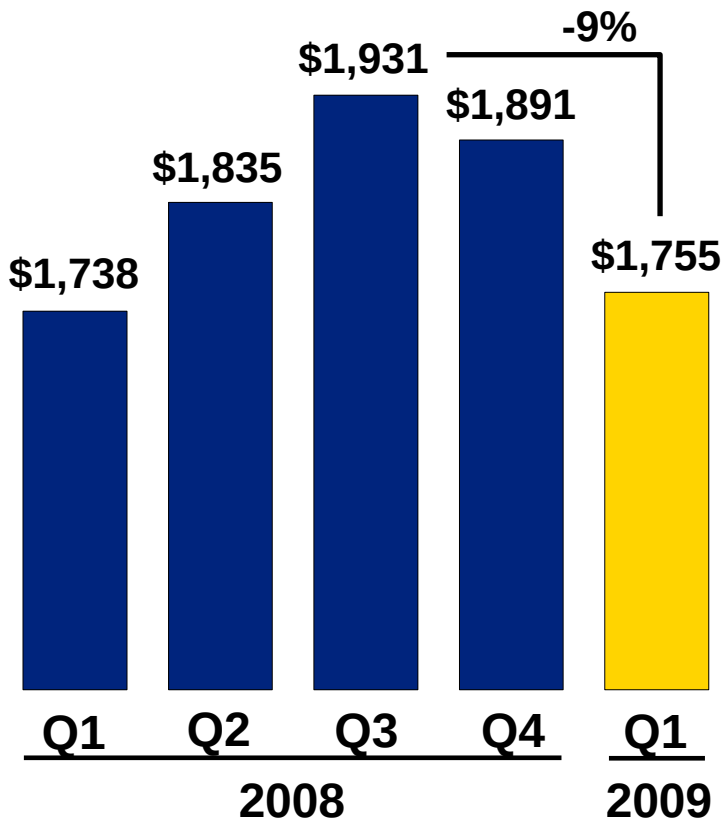
Freight Revenue Drivers

Average Revenue Per Car



- **$3.2 B Freight Revenue**
  - **20% Decline on 21% Lower Carloadings**
- **Pricing Gains Consistent with Outlook**
  - **+5 to 6% Average Core Price**
- **Reduced Fuel Surcharges Lowering Customer Freight Bills**

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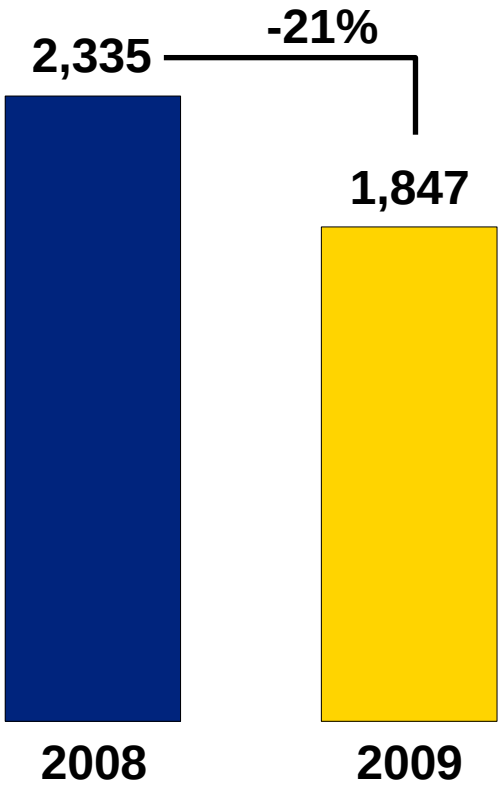
Expense Initiatives Drive Results

First Quarter

Revenue Carloads

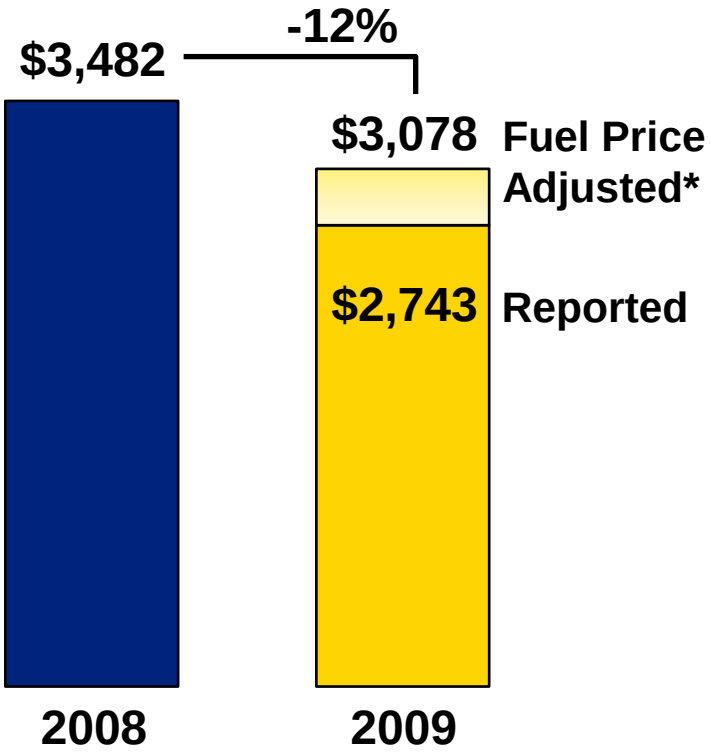
(000s)



55% Variability

Operating Expenses

In Millions



*** See Union Pacific Web site under Investor Relations for a reconciliation to GAAP.**

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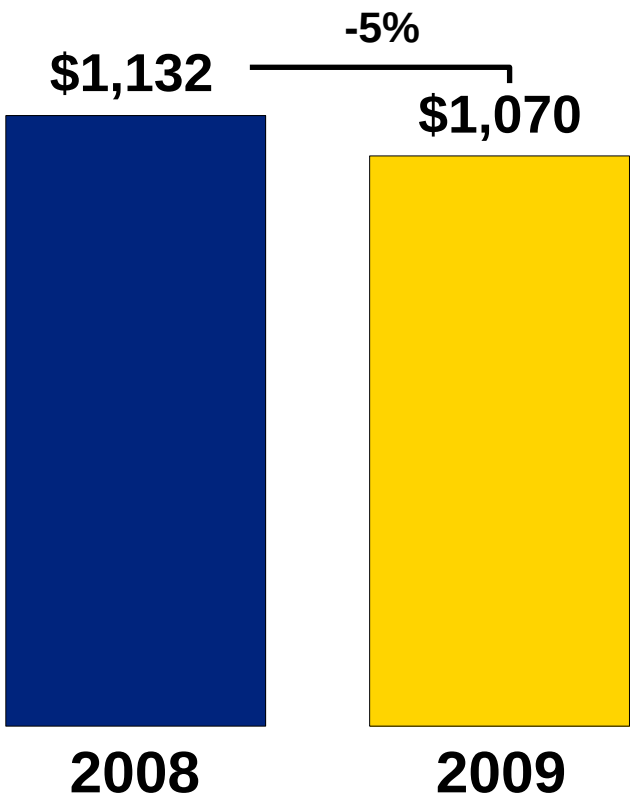
Compensation & Benefits

First Quarter – In Millions



- **8% Workforce Reduction**
  - **Labor Productivity**
  - **Lower Volume**
- **Wage & Benefit Inflation**

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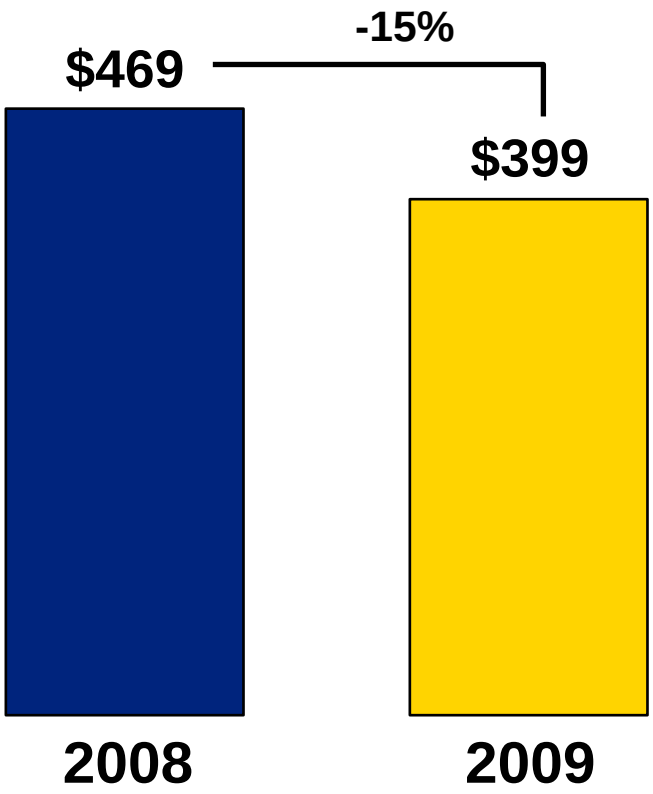
Purchased Services & Materials

First Quarter – In Millions



- **Decreased Contract Service Expense**
- **Reduced Crew Transportation & Lodging**

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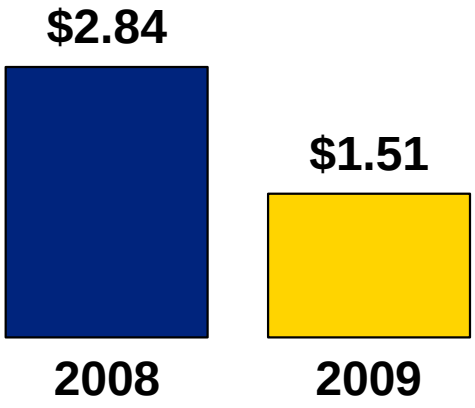
Fuel

First Quarter

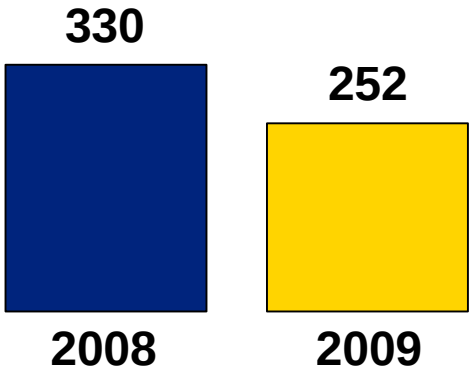
Average Fuel Price

Per Gallon Consumed



Fuel Consumption

Gallons (in millions)

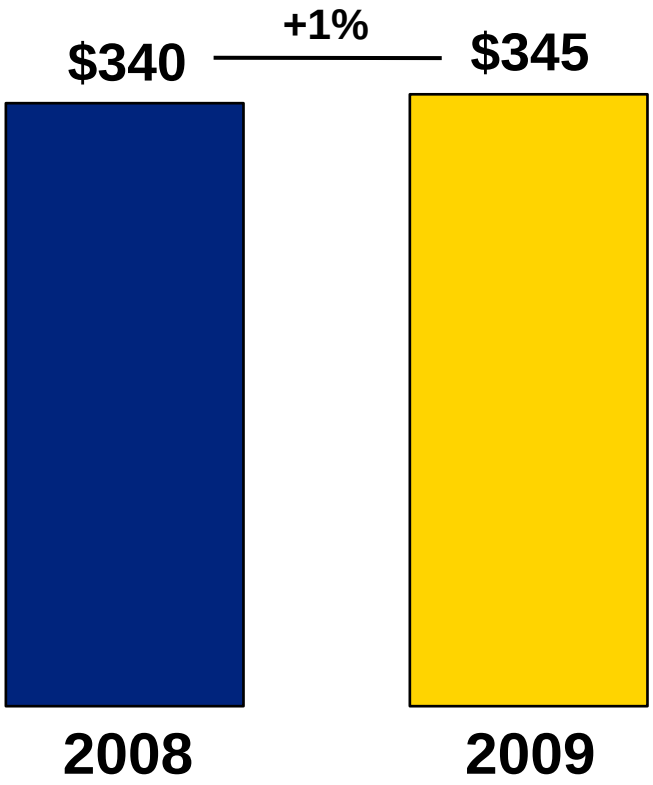


- **20% Decline in Gross Ton-Miles**
- **Improved Fuel Efficiency**
  - **Fuel Consumption Rate Better By 5%**
- **Current Diesel Spot Price ≈$1.55 per gallon**

UNION PACIFIC BUILDING AMERICA®

Depreciation

First Quarter – In Millions



- **Increased Capital Spending in 2008**
- **Lower Depreciation Rates Effective 1/1/09**

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Equipment and Other Rents

First Quarter – In Millions

- **Volume Savings**
  - **Autos**
  - **Intermodal**
  - **Industrial Products**
- **Fewer Leased Assets**

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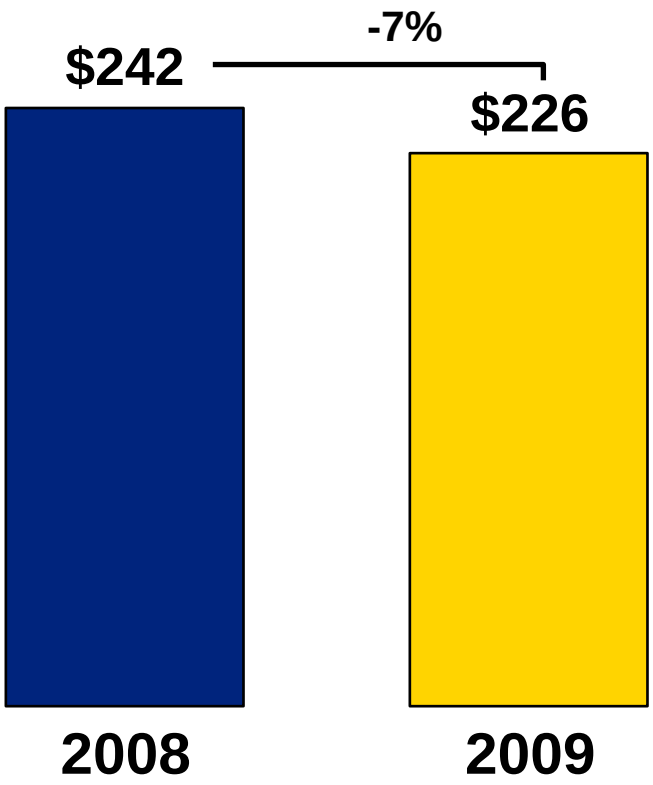
Other

First Quarter – In Millions



- **Decreased Freight & Property Damage Expense**
- **Lower Casualty Expenses**
- **Higher State & Local Taxes**
- **Increased Bad Debt Expense**

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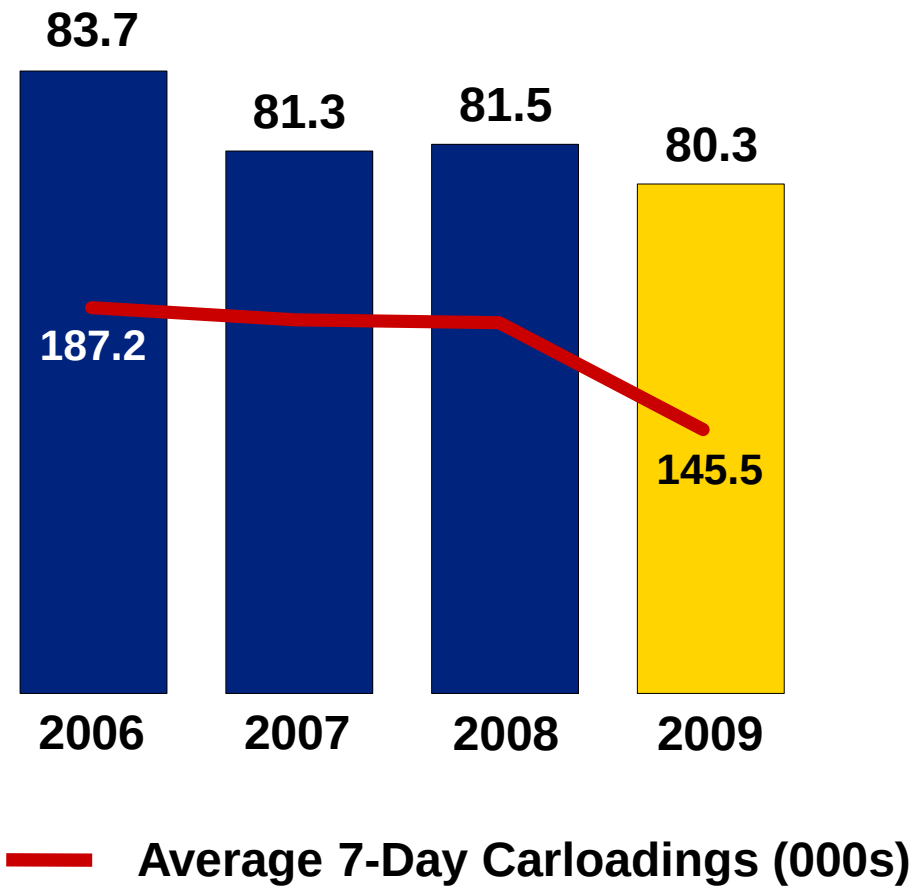
Operating Ratio Improvement

First Quarter (%)



- **Lower Fuel Prices**
- **Price Increases**
- **Improved Productivity**
- **Volume Headwind**

UNION PACIFIC BUILDING AMERICA®

Full Income Statement

First Quarter – In Millions (Except EPS)

	2009	2008	%
Operating Revenues	$ 3,415	$ 4,270	(20)
Operating Expenses	2,743	3,482	(21)
Operating Income	$ 672	$ 788	(15)
Other Income – Net	23	25	(8)
Interest Expense	(141)	(126)	12
Income Before Income Taxes	554	687	(19)
Income Tax Expense	(192)	(244)	(21)
Net Income	$ 362	$ 443	(18)
Diluted EPS	$ 0.72	$ 0.85	(15)

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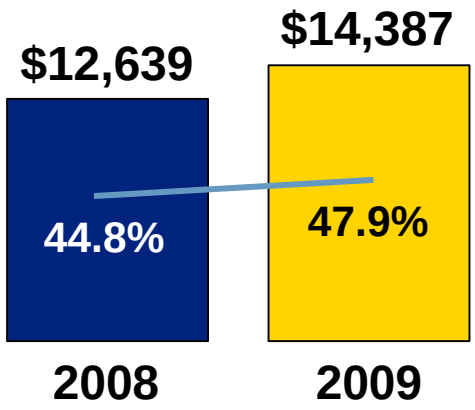
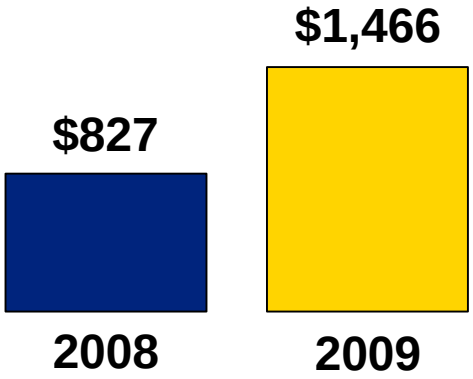
Debt & Liquidity*

First Quarter – In Millions

Total Debt**



Cash Balance



- **Retired $250M Debt on 2/15**
- **Issued $750M Debt on 2/20**
- **2009 Capital Closer to $2.6B**
  - **≈ $150 - $200M Reduction**

*** See Union Pacific Web site under Investor Relations for a reconciliation to GAAP.**

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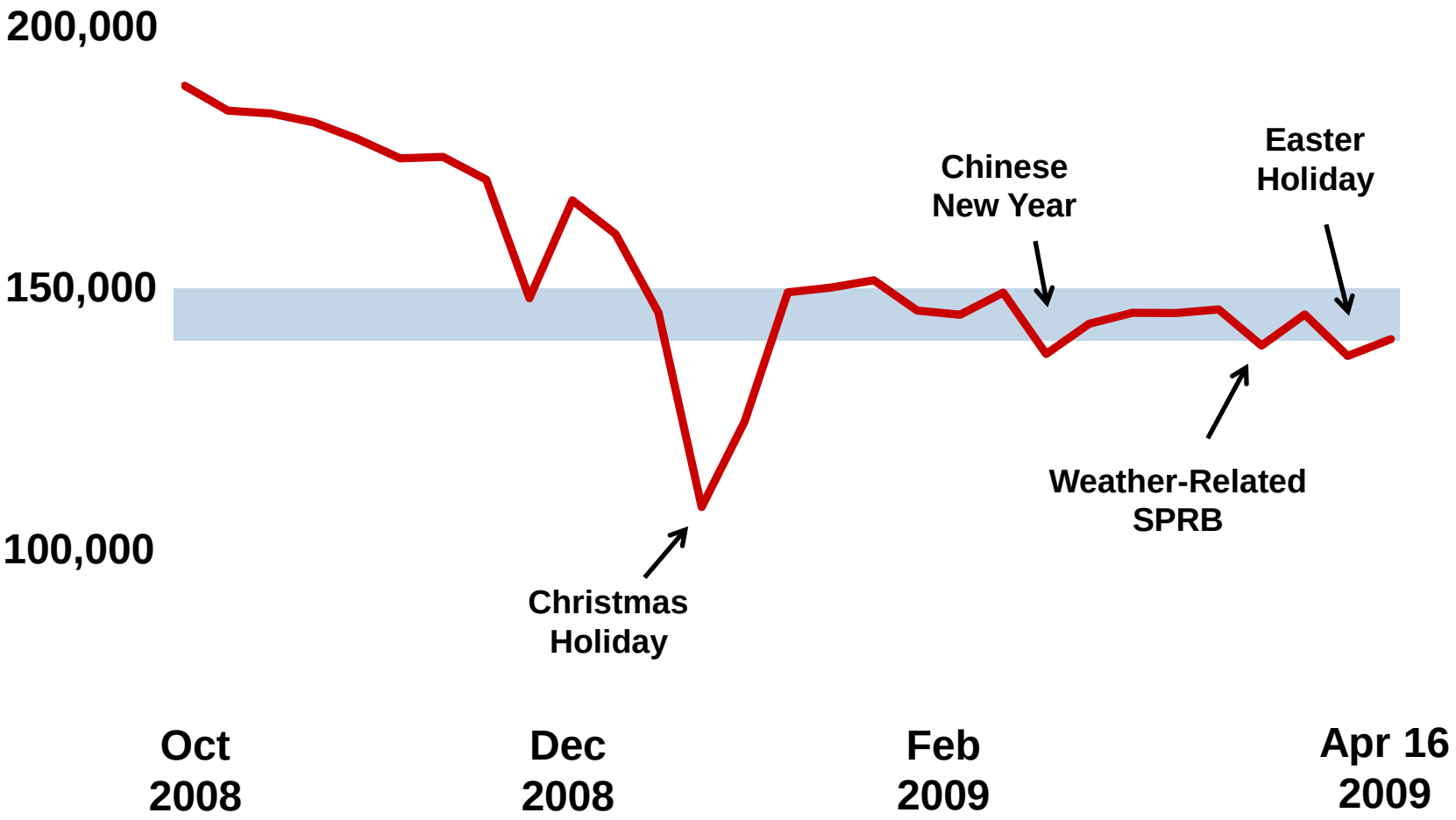
Looking Ahead

7-Day Carloadings



UNION PACIFIC BUILDING AMERICA®

First Quarter Earnings Release

April 23, 2009

Jim Young, Chairman and CEO

BUILDING AMERICA®

The Year Ahead

- Uncertain Economic Outlook
- Additional Cost and Efficiency Initiatives
- Investing for the Future
- Safety Gains
- Customer Service
- Strong Value of Rail Underscores Need for Balanced Regulation

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