Third Quarter Earnings Release

October 20, 2011

Jim Young, Chairman & CEO

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Third Quarter Results

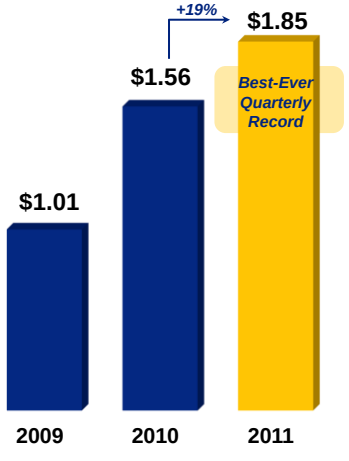
Positives

- **Best-Ever Quarter**
  - **Revenue**
  - **Operating Income**
  - **Earnings**
- **Record YTD Free Cash Flow**
- **Franchise Diversity**

Challenges

- **Texas Drought**
- **International Intermodal**

Earnings Per Share



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Third Quarter Marketing & Sales Review

October 20, 2011

Jack Koraleski, Executive VP – Marketing & Sales

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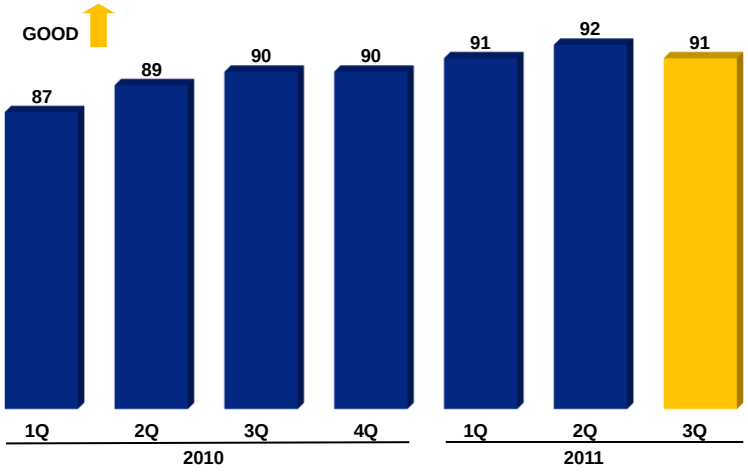
Customer Satisfaction

Overall Satisfaction



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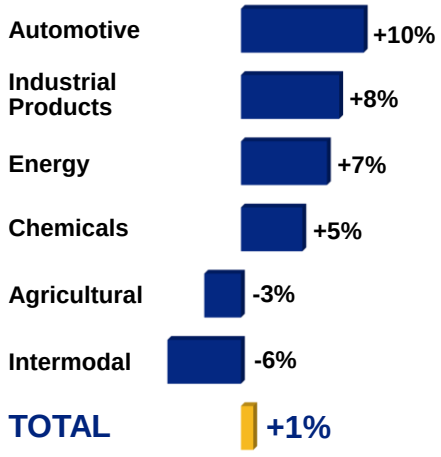
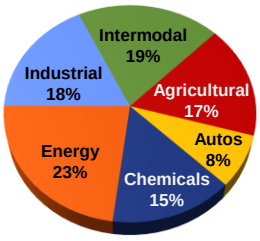
Third Quarter Recap

Volume Growth

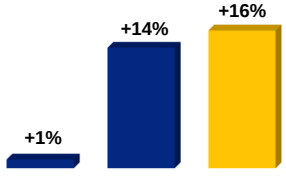


Revenue Mix



Performance Improvement

(Year-Over-Year Change)



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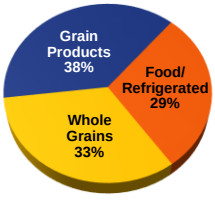
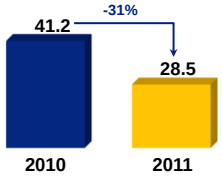
Agricultural Products

Revenue $814M (+9%) Volume 223K (-3%) ARC $3,655 (+12%)

Revenue Mix



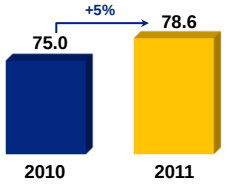
Export Whole Grains*



Quarterly Drivers

- **Whole Grain Exports Weaken**
- **Growth in Grain Products**

Grain Products*



*Volume in thousands of carloads

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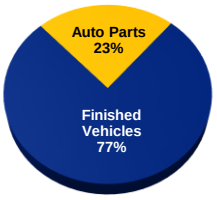
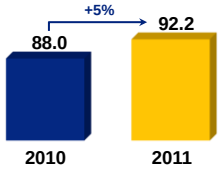
Automotive

Revenue $379M (+23%) Volume 160K (+10%) ARC $2,364 (+12%)

Revenue Mix



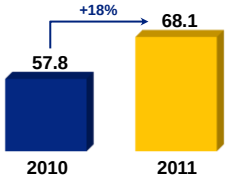
Finished Vehicles*



Quarterly Drivers

- **U.S. Auto Sales Up 6%**
- **Continued Recovery from Disaster in Japan**

Auto Parts*

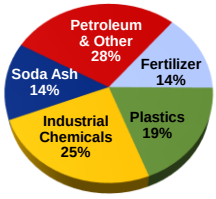


*Volume in thousands of carloads

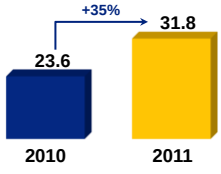
Chemicals

Revenue $720M (+14%) Volume 233K (+5%) ARC $3,087 (+8%)

Revenue Mix



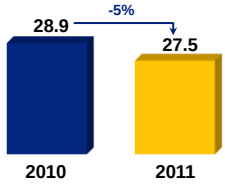
Petroleum Products*



Quarterly Drivers

- **Continued Growth in Crude Oil**
- **Stability Across Most Major Market Segments**

Fertilizer*

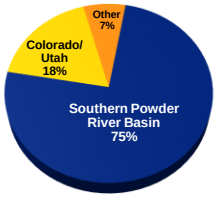


*Volume in thousands of carloads

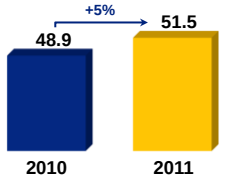
Energy

Revenue $1,112M (+21%) Volume 572K (+7%) ARC $1,945 (+13%)

Revenue Mix



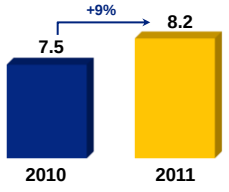
Southern Powder River Basin*



Quarterly Drivers

- New Business Drives SPRB Growth
- Improved Production and Export Demand Produces CO/UT Gains

Colorado/Utah*



*Tons in millions

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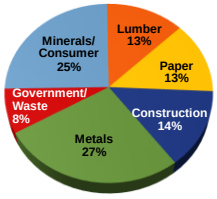
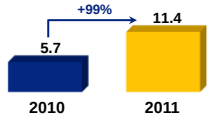
Industrial Products

Revenue $863M (+24%) Volume 305K (+8%) ARC $2,832 (+15%)

Revenue Mix



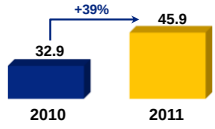
Metallic Minerals*



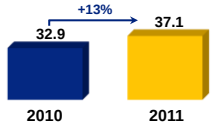
Quarterly Drivers

- Ramp-up of Iron Ore Exports to China
- Drilling Demand Drives Non-Metallic Minerals and Steel

Non-Metallic Minerals*



Steel*



*Volume in thousands of carloads

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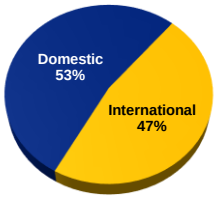
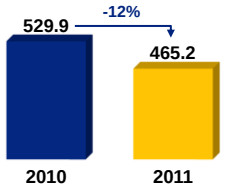
Intermodal

Revenue $948M (+8%) Volume 848K (-6%) ARC $1,119 (+15%)

Revenue Mix



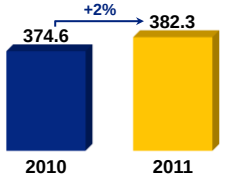
International*



Quarterly Drivers

- **Weak Imports and 2Q Contract Loss Impact International**
- **Domestic Volume Strengthens as Quarter Progresses**

Domestic*



*Volume in thousands of units

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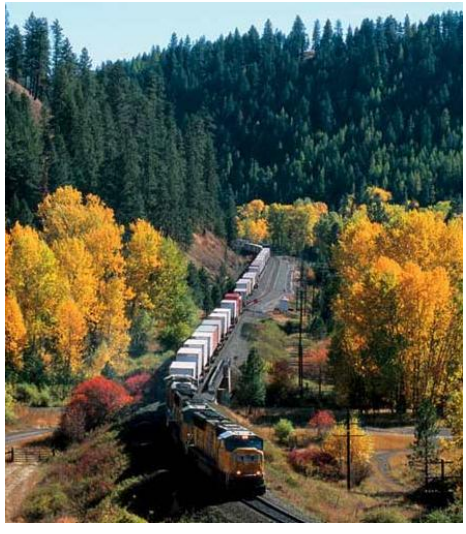
Fourth Quarter Volume Drivers

- **Challenges**
  - **World Grain Supply Softens U.S. Export Demand**
  - **Weak Container Imports**
- **Opportunities**
  - **Continued Momentum in Automotive**
  - **Energy-related Demand**
  - **Strengthening Domestic Intermodal**
  - **Diverse Franchise**
  - **Strong Value Proposition**



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Third Quarter Operations Review
October 20, 2011

Lance Fritz, Executive VP – Operations

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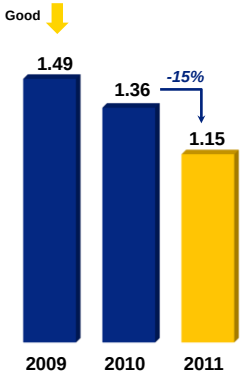
Operating Foundation, Safety Focus
3rd Quarter YTD

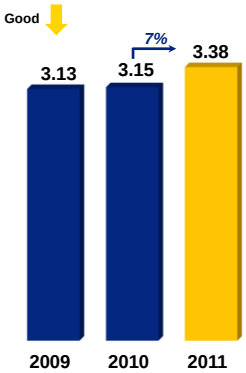
Employee

(Reportable Personal Injury Incidents Per 200,000 Man-Hours)



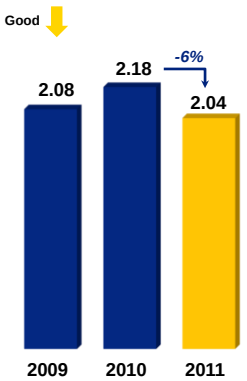
Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)



Public

(Crossing Accidents Per Million Train Miles)



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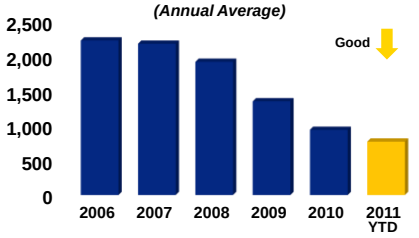
Weather Challenges

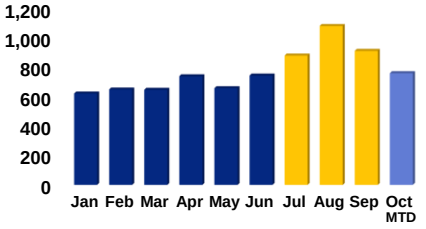
- Recovery from Midwest Flooding
- Severe Drought and Heat in Texas
  - Speed Restrictions
  - Maintenance Curfews
  - Returning to Normal Operations

Historical Slow Order Miles

(Annual Average)



2011 Slow Order Miles



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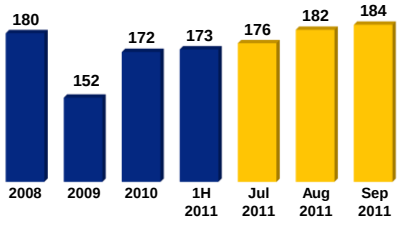
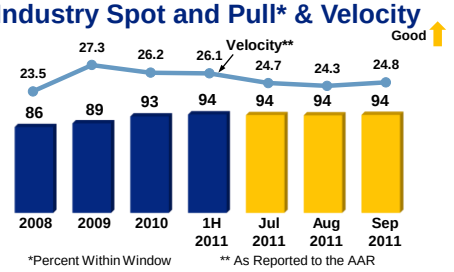
Network Performance

- Strong Service Levels as Volumes Increase
- Surge Resources and Network Resiliency
- Service Supports Efficiency

7-Day Volumes



Industry Spot and Pull* & Velocity



*Percent Within Window

** As Reported to the AAR

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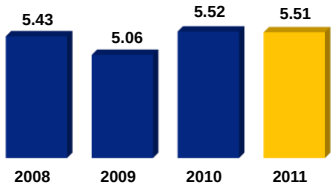
Operational Efficiency

3rd Quarter

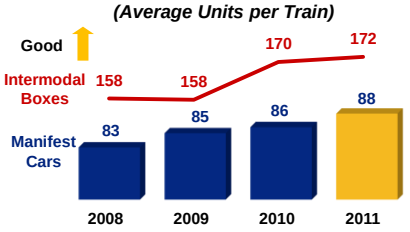
GTMs per Employee

(In Millions)



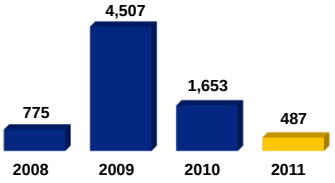
Train Size

(Average Units per Train)



TE&Y Furloughs

(Quarterly Average)



- **Maintained Productivity Emphasis**
  - **Workforce Flexibility**
  - **Train Size**
- **Leverage Existing Resources**

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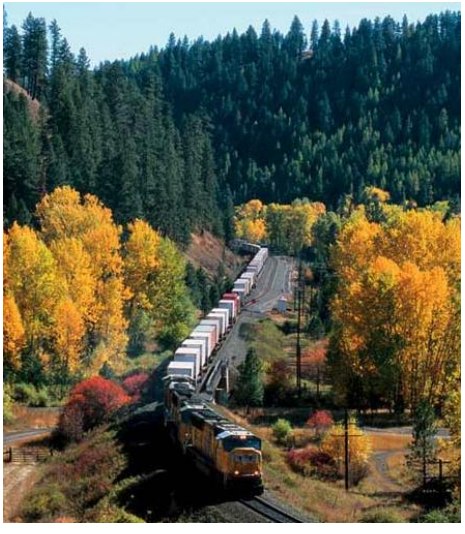
Operating Outlook

- **World Class Safety Results**
- **Complete Service Recovery**
- **Leveraging Network Productivity**
- **Positioned for Growth**



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Third Quarter Financial Review

October 20, 2011

Rob Knight, CFO

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Third Quarter Earnings Summary

In Millions (except EPS)

	2011	2010	%
Operating Revenues	$5,101	$4,408	16
Operating Expenses	3,523	3,007	17
Operating Income	1,578	1,401	13
Other Income	17	25	(32)
Interest Expense	(142)	(153)	(7)
Income Taxes	(549)	(495)	11
Net Income	$904	$778	16
Weighted Average Diluted Shares	488.1	497.7	(2)
Diluted EPS	$1.85	$1.56	19

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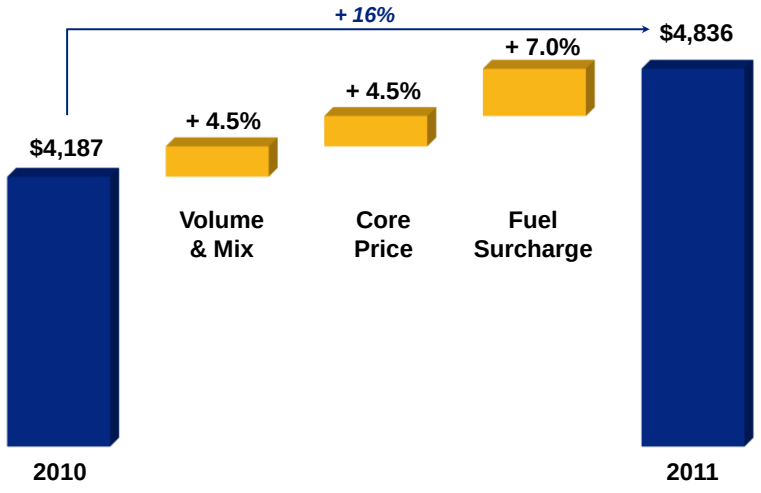
Freight Revenue

Third Quarter (In Millions)



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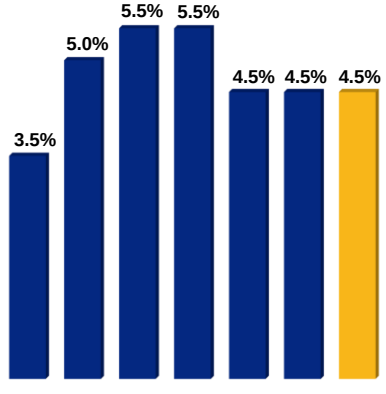
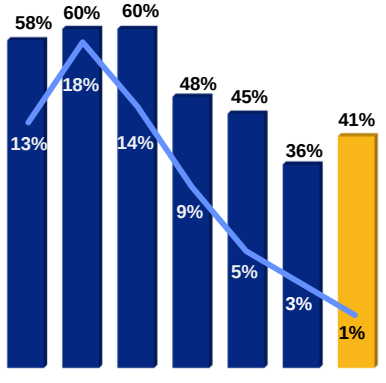
Pricing Gains & Leverage

Core Pricing



Incremental Margins*



* 2011 adjusted for fuel price & one-time items. See Union Pacific website under Investors for a reconciliation to GAAP.

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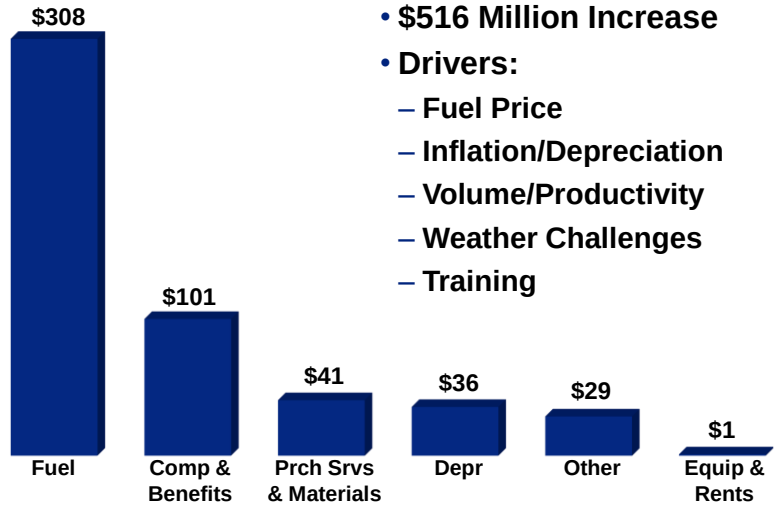
Operating Expense Recap

Third Quarter 2011 vs. 2010 ($ Increase in Millions)



- **$516 Million Increase**
- **Drivers:**
  - **Fuel Price**
  - **Inflation/Depreciation**
  - **Volume/Productivity**
  - **Weather Challenges**
  - **Training**

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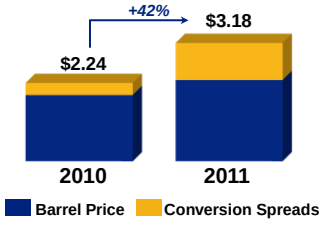
Fuel Expense

Third Quarter 2011 $916M, +51%

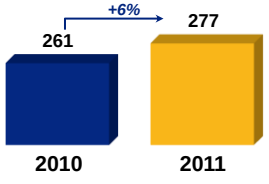
Average Fuel Price

(Per Gallon Consumed)



Fuel Consumption

(Million Gallons)



- **Higher Diesel Fuel Prices Added $260 Million to Costs**
- **Conversion Spreads Tripled Versus 2010**
- **Year-Over-Year Negative Fuel Price Impact of 1.7 Points**
- **GTMs Increased 5%**

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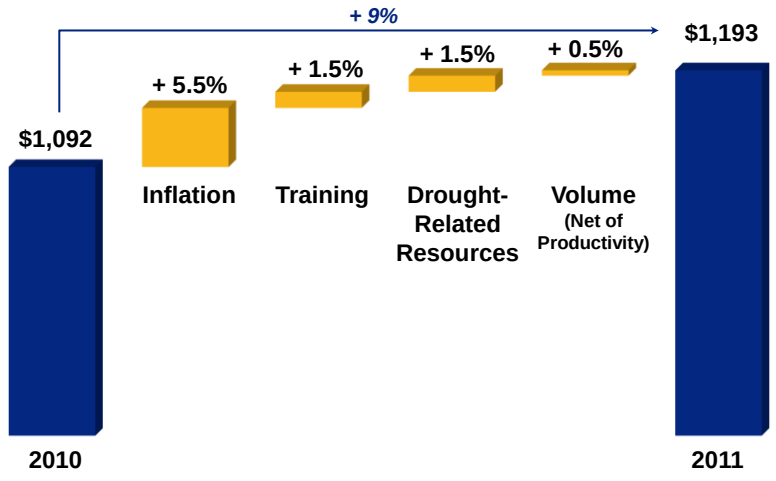
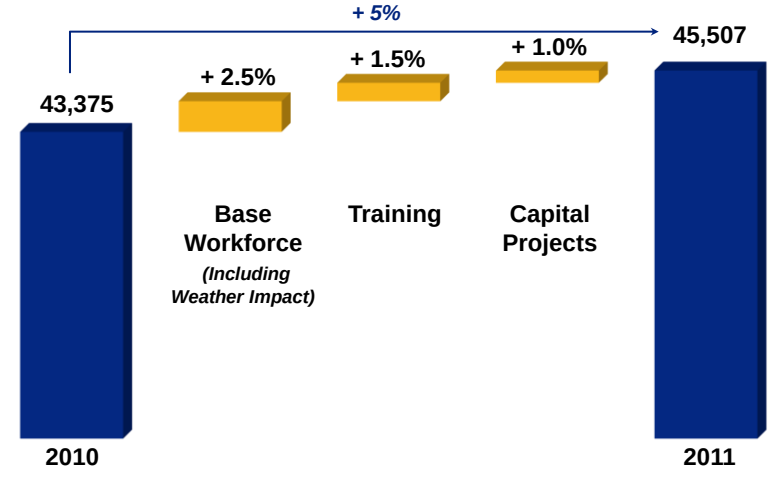
Compensation & Benefits
Third Quarter

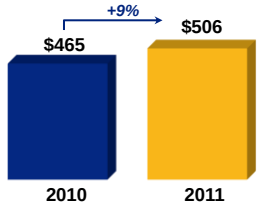


Workforce Levels
Third Quarter



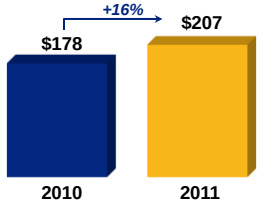
Third Quarter 2011 Expense Review
In Millions

Purchased Services & Materials



- Increased Contract Services
- Locomotive & Freight Car Materials Usage
- Crew Lodging & Transportation Costs

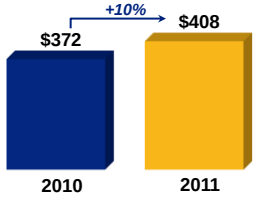
Other



- Higher Property Taxes
- Increased Costs for Damaged Freight and Equipment

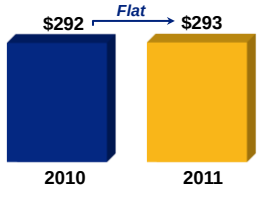
Third Quarter 2011 Expense Review (cont)
In Millions

Depreciation



- Ongoing Capital Spending
- Volume Driven - Higher Expense

Equipment & Other Rents

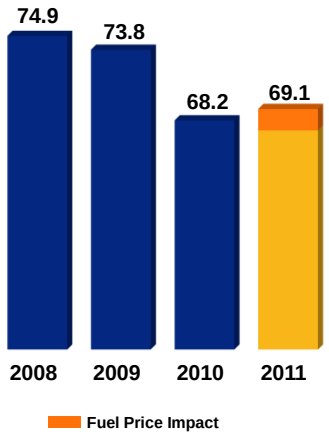


- Higher Container Lease and Short-Term Car Rental Expenses
- Lower Locomotive Lease Expense

Operating Ratio Performance

Third Quarter

Operating Ratio *(Pct)*



Third Quarter

- Solid Pricing
- Modest Volume Growth & Leverage
- Year-Over-Year Negative Fuel Price Impact of 1.7 Points

Full Year

- Improvement Excluding Fuel Price Impact

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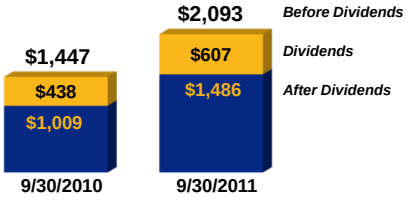
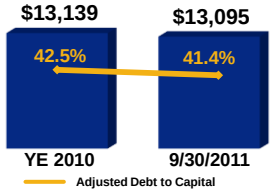
Solid Financial Position

Nine-Month Period Ending September 30 ($ In Millions)

Free Cash Flow*



Total Debt*
(Adjusted)



- Record Cash from Operations and Free Cash Flow
- 39% Cash Dividend Increase YTD
- Targeted Dividend Payout Ratio of 30%
- Maintain Solid Investment Grade Rating

* See Union Pacific website under Investors for a reconciliation to GAAP.

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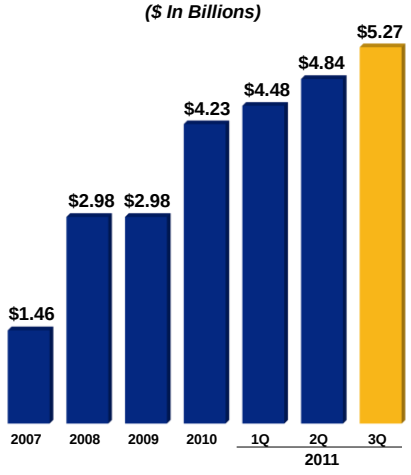
Delivering Value to Shareholders

Cumulative Share Repurchases
($ In Billions)



2011 Activity

- **Opportunistic Share Repurchases**
  - **3Q 2011 = $428 Million**
  - **YTD 2011 = $1.04 Billion**
- **31.7 Million Shares Remaining in Current Authorization**

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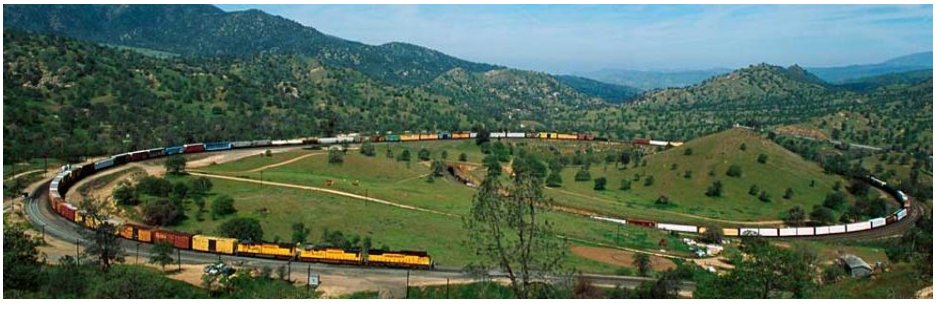
2011 Outlook

✓	✓	✓	✓	✓
Continued Volume Growth	"Real" Pricing Gains	Ongoing Productivity Focus	Record Earnings	Improved Shareholder Returns



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Third Quarter Earnings Release

October 20, 2011

Jim Young, Chairman & CEO

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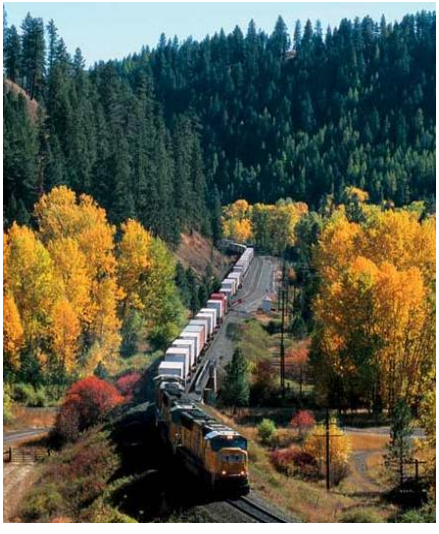
Union Pacific's Prospects Remain Positive

- **Continued Economic Uncertainties**
- **UP's Prospects Remain Positive**
- **Confidence in Fundamental Strategy**
  - **Enhance UP Franchise**
  - **Provide Increased Value to Customers**
  - **Improve Financial Returns to Shareholders**



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Cautionary Information

This press release and related materials contain statements about the Corporation's future that are not statements of historical fact, including specifically the statements regarding the Corporation's expectations with respect to its ability to generate returns for shareholders; current and future economic conditions; and its ability to enhance its franchise, provide value to its customers, and improve financial returns. These statements are, or will be, forward-looking statements as defined by the Securities Act of 1933 and 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 Corporation'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 Corporation'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 Corporation'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 Corporation's Annual Report on Form 10-K for 2010, which was filed with the SEC on February 4, 2011. The Corporation 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 Corporation 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 Corporation does update one or more forward-looking statements, no inference should be drawn that the Corporation will make additional updates with respect thereto or with respect to other forward-looking statements. References to our 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.

Third Quarter Earnings Release

October 20, 2011

Question & Answer Session