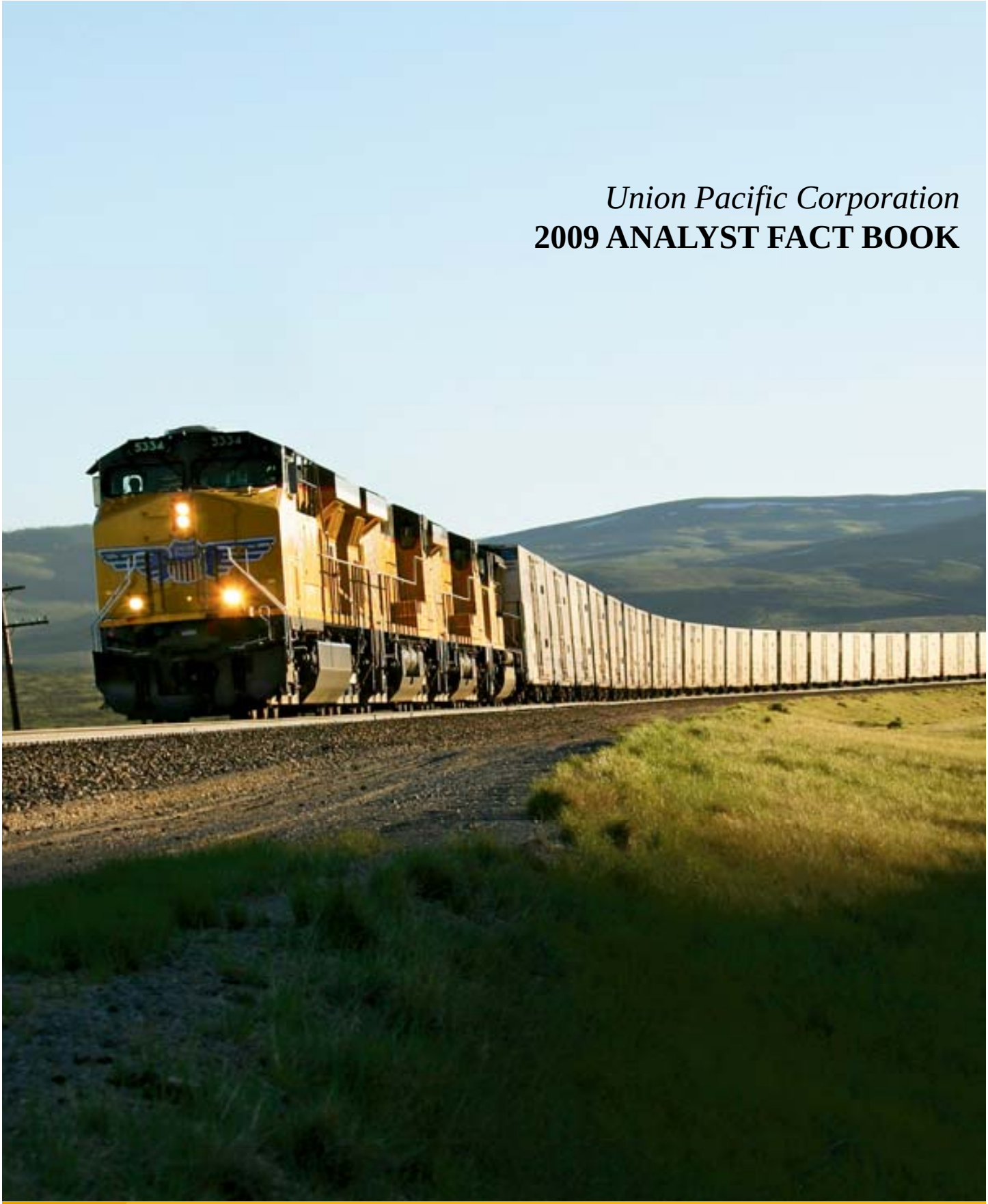
Union Pacific Corporation

2009 ANALYST FACT BOOK



BUILDING AMERICA®

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Company Vision/Mission Statement

VISION
Building America
Our vision symbolizes the Union Pacific experience for all the people whose lives we touch. It connects the importance of UP's rail transportation to America's economy, honors the generations that preceded us and is the promise for the generations that will follow us.

MISSION
The Men and Women of Union Pacific Are Dedicated to Serve.
Union Pacific works for the good of our customers, our shareholders and one another. Our commitment defines us and drives the economic strength of our company and our country.

VALUES
Focus on Performance.
Our concentration and determination will drive our safety, customer satisfaction and quality results.

Ensure High Ethical Standards.
Our reputation will always be a source of pride for our employees and a bond with our customers, shareholders and community partners.

Work as a Team.
We are all part of the same team, and working together to reach our common goals is one of our strengths. Communication and respect are the foundation of great teamwork.

Company Overview

Union Pacific Corporation (NYSE:UNP) is one of America's leading transportation companies. Its principal operating company, Union Pacific Railroad, links 23 states in the western two-thirds of the United States.

Investor Inquiries

Union Pacific's investor relations are coordinated through the Corporate Treasurer. Requests for interviews, investor packages and general information should be directed to:
(402) 544-4227 or (877) 547-7261 or investor.relations@up.com

Website Information

For immediate receipt of new information as it becomes available, we invite you to regularly visit www.up.com. In the Investors section, you can view on-line or download a variety of informative documents, including SEC filings, annual reports, proxy statements, quarterly earnings, press releases, company presentations and corporate governance information. For automatic updates, please subscribe to the Company's RSS (Really Simple Syndication) feed which provides links to new headlines and summaries through your news reader.

Overview

Operations & Productivity

Markets

Financials

System Map and Facts

2009 Facts

Route Miles (As of 12/31/09)	**32,094**
Other Main Line	6,584
Passing Lines and Turnouts	3,040
Switching and Classification Yard Lines	9,167
Total Track Miles	50,885

Track Miles of Rail Installed and Replaced *	
New	639
Used	264
Total	903
Track Miles of Continuous Welded Rail	28,161
Track Miles Under Centralized Traffic-Control	22,144
Track Miles Ballasted	15,128
Ties Installed and Replaced (thousands) *	4,925

** Represent "all-in" numbers, which include engineering replacement programs, commercial facility and capacity work, and other miscellaneous rail and tie projects.*

Rail Equipment (As of 12/31/09)	
Road Locomotives	7,735
Switching Locomotives	463
Other Locomotives	152
Total	8,350
Covered Hoppers	32,788
Open Hoppers	17,551
Gondolas	13,104
Boxcars	8,203
Refrigerated Cars	7,114
Flat Cars	3,835
Other	602
Total	83,197

Average Age of Equipment (Years)	
Road Locomotives	15.1
Switching Locomotives	30.6
Other Locomotives	22.4
Covered Hoppers	30.1
Open Hoppers	30.2
Gondolas	27.3
Boxcars	27.1
Refrigerated Cars	21.6
Flat Cars	32.0

Company Overview

Union Pacific Railroad Company, the principal operating subsidiary of Union Pacific Corporation, is one of America's leading transportation companies (Company, UP or Railroad). The Railroad links 23 states in the western two-thirds of the country and serves many of the fastest-growing U.S. population centers, providing a fuel-efficient, environmentally responsible and safe mode of freight transportation. The Company maintains coordinated schedules with other rail carriers to move freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. The Railroad serves eastern markets through major gateways in Chicago, St. Louis, Memphis and New Orleans. In addition, UP is the only railroad serving all six major Mexican gateways and operates key north/south corridors for interchange traffic with the Canadian and Mexican rail systems. UP reaches north into Canada through the Eastport gateway in Idaho, as well as through exchange points in Minnesota, Wisconsin and Illinois. This network, combined with a well-balanced and diverse traffic mix, makes UP the premier rail franchise in North America. UP generated freight revenue of $13.4 billion in 2009.

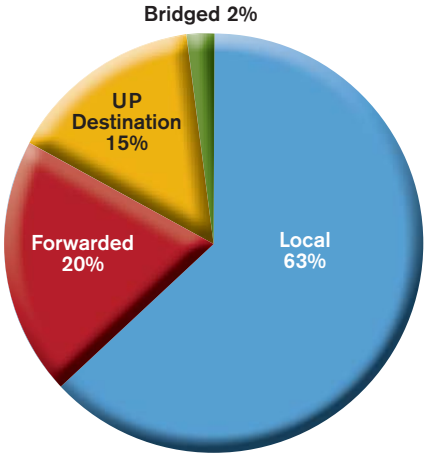
Union Pacific's freight traffic consists of bulk, manifest and premium business. Bulk traffic is primarily the shipment of coal, grain, rock and soda ash in unit trains – trains transporting a single commodity from one origin to one destination. Access to the Southern Powder River Basin (SPRB) coal fields of northeastern Wyoming is a key franchise strength. UP also provides direct routes from major grain-producing areas in the Midwest to domestic markets, Mexico and export ports in the Gulf Coast and Pacific Northwest (PNW).

Manifest traffic is comprised of individual carload or less-than-trainload business, including commodities such as lumber, steel, paper and food, transported from thousands of locations on Union Pacific's vast network. Union Pacific also accesses the large chemical-producing areas along the Gulf Coast.

The Railroad's premium business covers the transportation of finished vehicles, intermodal containers and truck trailers. Union Pacific is the largest automotive carrier west of the Mississippi River. The Railroad also serves the international import market with its competitive long-haul routes connecting the West Coast ports and eastern gateways, particularly along the Sunset Corridor from Los Angeles to El Paso. Additionally, domestic intermodal shippers benefit from the ramp-to-ramp and door-to-door service UP provides across its network.

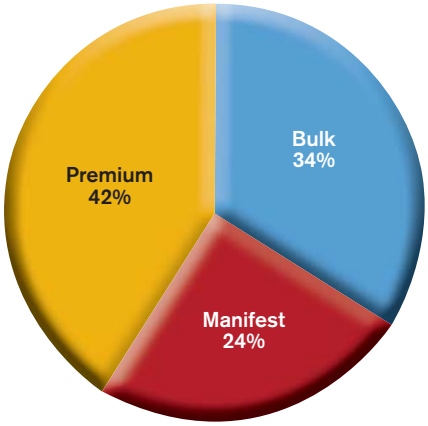
The strength of UP's diverse franchise, its efficient asset utilization, strong pricing opportunities and solid network infrastructure enable it to provide customers with excellent service and shareholders with higher returns.

Traffic Classification - 2009 Carloads

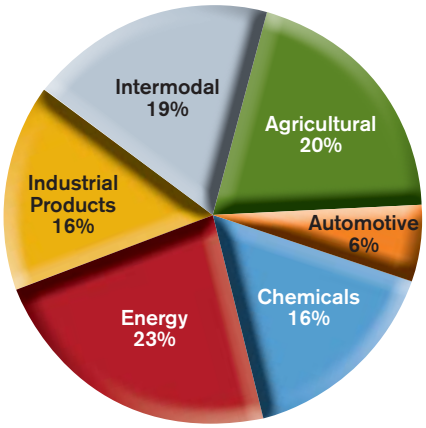


Local = UP Origin + UP Destination
Forwarded = UP Origin + Other Destination
UP Destination = Other Origin + UP Destination
Bridged = Other Origin + UP Intermediate + Other Destination

Freight Traffic - 2009 Carloads

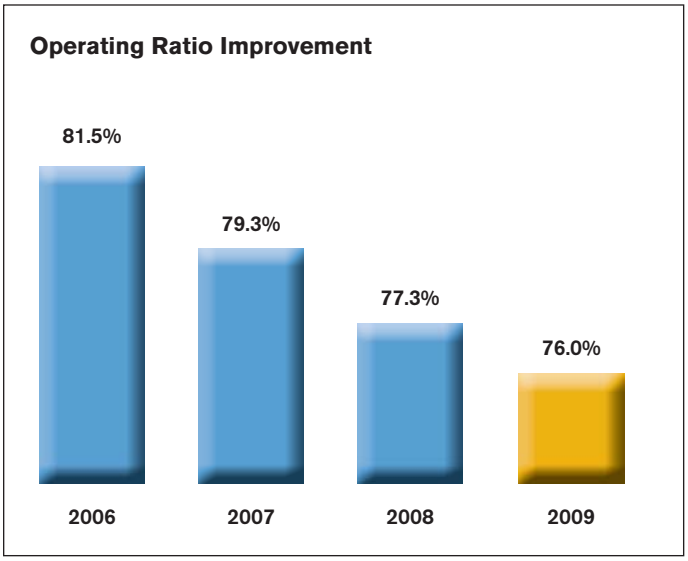


Business Mix - 2009 Freight Revenue



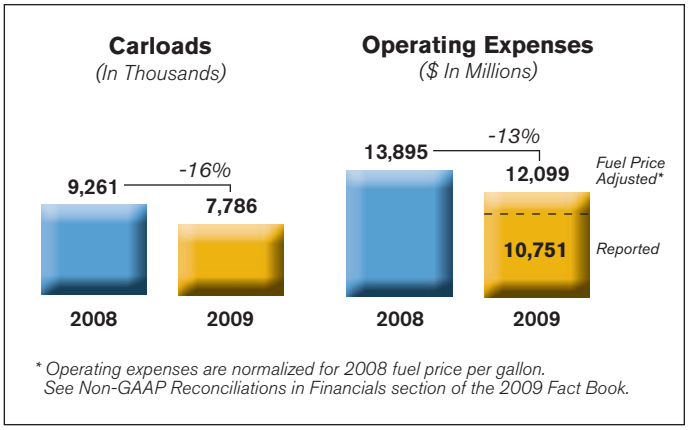
The Year in Review - Financial Results

Despite ongoing core price improvements, Union Pacific reported operating revenue of $14.1 billion, a 21 percent decline from 2008 due to significantly lower year-over-year volumes and reduced fuel surcharge revenue. Net income decreased 19 percent to $1.9 billion. Earnings per share dropped 17 percent from 2008 to $3.75. Return on invested capital was 2.0 points lower than in 2008 at 8.2 percent. These financial results demonstrate the negative impact of the recession, with carloads down 16 percent for the year. Decreases in auto and overall industrial production, lower consumer spending and reduced international intermodal volumes at West Coast ports all contributed to the volume decline.



However, the combination of significant productivity gains, pricing and lower fuel prices led to an operating ratio of 76.0 percent, an improvement of 1.3 points and a post-merger record. Operating expenses declined 23 percent, including the impact of lower year-over-year fuel expenses. Union Pacific's average diesel fuel price for 2009 was $1.75 per gallon, down 44 percent from $3.15 per gallon in 2008. This price decrease saved the Company over $1.3 billion in fuel expense year-over-year.

Excluding the impact of lower fuel prices, operating expenses in 2009 decreased approximately 13 percent from 2008, which translated into an expense variability level of 80 percent for the year. Lower volumes, strong efficiency gains and cost management all combined to create permanent change in the Company's cost structure.

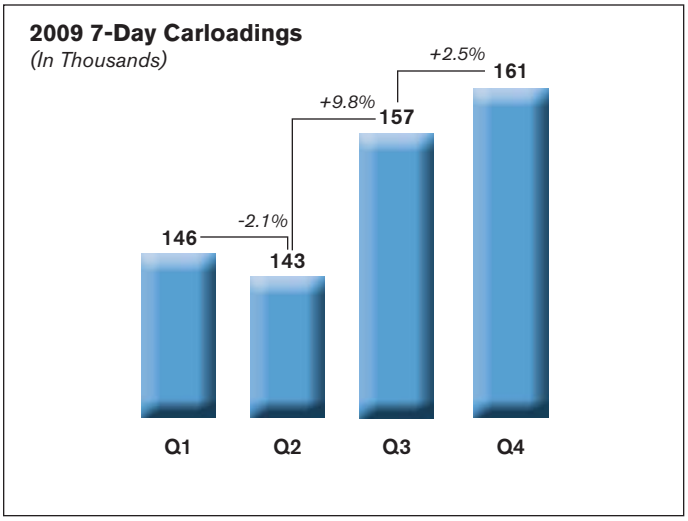


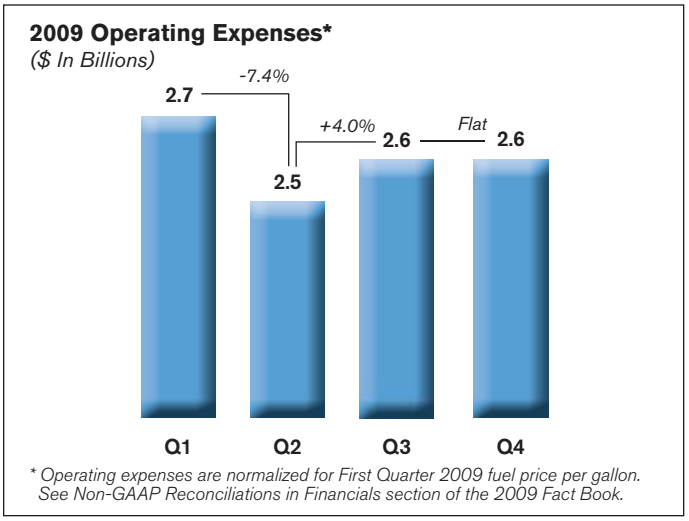
Financial Summary

Union Pacific Corporation	2009	2008	2007
Operating Revenues *(millions)*	$14,143	$17,970	$16,283
Operating Income *(millions)*	$3,392	$4,075	$3,375
Operating Ratio	76.0%	77.3%	79.3%
Operating Margin	24.0%	22.7%	20.7%
Employees *(average)*	43,531	48,242	50,089
Average Fuel Price Per Gallon Consumed	$1.75	$3.15	$2.27
Cash Capital Expenditures *(millions)*	$2,384	$2,780	$2,496
Long-Term Leases *(millions) (a)*	$100	$353	$516

(a) Represents the net present value of long-term operating and/or capital leases for new equipment.

Approximately two-thirds of the expense reduction in 2009 resulted from lower volumes, while one-third came from productivity and cost control. These costs are not expected to return on a one-for-one basis with volumes. As illustrated in the charts below, volumes were very low in the first and second quarters of 2009, and the Company took steps to reduce costs and drive efficiency across the organization. Then, as volumes improved sequentially in the third and fourth quarters of the year, operating costs increased, but did so at a lower rate than volumes.





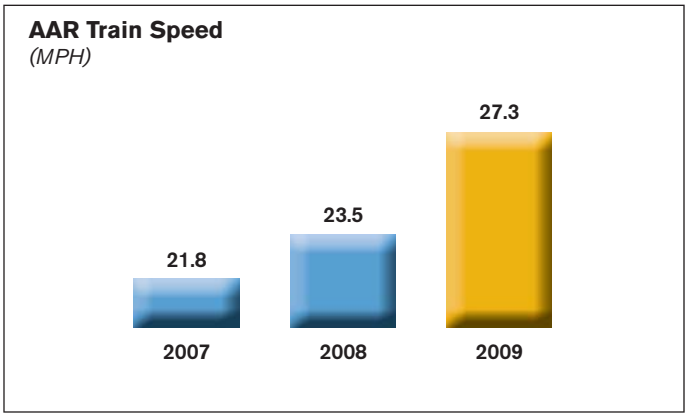
The Year in Review - Operations

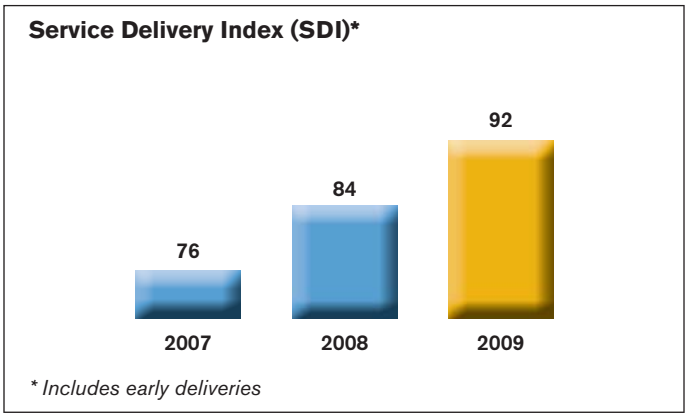
Improving operational efficiency is vital for the Company to reach its financial and performance goals, especially in a challenging economic environment. Simplifying and streamlining rail operations and using resources efficiently create the foundation upon which customer service and shareholder value increase.

In 2009, system velocity increased 16 percent over the prior year. In addition, the Company's service delivery index (a composite metric of all customer commitments), rose 8 points from 2008. These improvements resulted from the implementation of enhanced operational processes, advanced technology and capacity investment. Lower volumes also contributed to these results during the year.

Lower volumes required the Company to idle a significant number of assets, peaking during the second quarter of 2009 with approximately 2,100 locomotives stored, 71,000 freight cars parked and 5,300 employees furloughed. These critical resources position Union Pacific to efficiently handle volume increases as freight demand recovers.

Technology enables the Company to continually focus on improving all aspects of its operations. An example is the use of distributed power locomotives (DPU), which increased from 26 percent of gross ton-miles (GTMs) in 2007 to 63 percent in 2009. DPU implementation adds to the efficiency of locomotive and crew resources and saves fuel by increasing train length without jeopardizing performance.





Operations Summary

Union Pacific Corporation	2009	2008	2007
Revenue Carloads *(thousands)*	7,786	9,261	9,733
Revenue Ton-Miles *(billions)*	479	563	562
Gross Ton-Miles *(billions)*	846	1,020	1,052
Average Train Speed *(miles per hour) (a)*	27.3	23.5	21.8
Average System Dwell *(hours) (a)*	24.8	24.9	25.1
Average Rail Car Inventory *(a)*	283,102	300,692	309,912
Fuel Consumed *(millions of gallons)*	979	1,229	1,326
GTMs per Employee *(millions)*	19.44	21.15	21.01

(a) As reported to the Association of American Railroads.

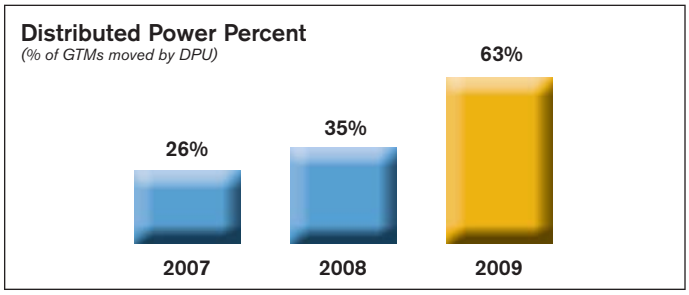
The Company's Unified Plan creates operational efficiencies by generating capacity through better utilization of resources. In 2009, GTMs declined 17 percent versus 2008. However, through Unified Plan initiatives (such as managing train length), train starts decreased 20 percent. UP closed or significantly reduced operations at 30 of its 114 principal rail yards, routing traffic to larger, more efficient yards.

Freight car utilization improved during the year, with cycle time decreasing to an all-time best of 8.6 days. Faster asset turns enable the Railroad to transport more freight with fewer assets. UP is also implementing better locomotive assignment practices to take advantage of technology and optimize train movements across the system. These efficiency improvements all contribute to a fluid network, positioning Union Pacific to realize strong productivity gains and produce upside leverage as volumes return.

Train Operation Illustration

Conventional Train Operations

Distributed Power Train Operations



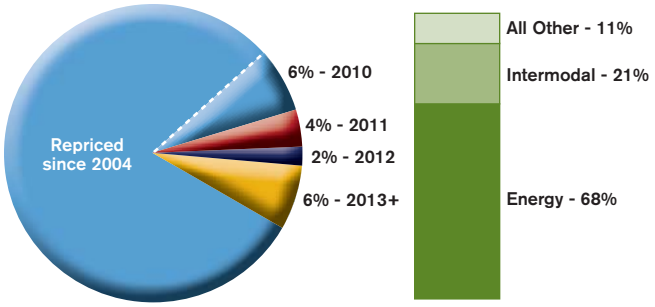
Coal Train with DPU

Union Pacific made significant progress in providing value to customers in 2009, even as the economic recession dramatically reduced volume and freight revenue.

The Railroad's unique franchise, along with targeted capital investments and record service levels, create real value for customers. The Company is committed to developing and strengthening customer relationships, and UP's record customer satisfaction levels, new business and pricing gains demonstrate the value proposition offered by Union Pacific.

During 2009, each of the Company's six business teams felt the impact of the economic recession, with overall volume down 16 percent. Because of the economic difficulties, many companies carried high inventories, and transportation demand declined as companies focused on de-stocking. Volume in UP's automotive business declined 30 percent from 2008. Industrial Products shipments fell 28 percent as the decrease in construction and housing markets reduced demand for steel, rock, cement, lumber and other related products. However, the hazardous waste segment of Industrial Products saw shipments double versus 2008, largely driven by new uranium tailings business in Utah. In addition, shipments of wind energy components increased nearly 60 percent in 2009. Reduced industrial production and lower fertilizer shipments led to a 14 percent decline for Chemicals. Energy volume decreased 14 percent from 2008's record levels. Approximately one-third of the decline in Energy carloads came from contract losses. High coal inventories stemming from strong prior period shipments and a decline in industrial demand due to economic conditions exerted further downward pressure on 2009 loadings. Mine production problems in Colorado and Utah also curtailed shipments. Intermodal volume fell 12 percent overall. A drop in West Coast imports led to a 24 percent reduction in international intermodal volume, partially offset by an 8 percent volume increase in domestic intermodal due to truck-competitive service products attracting new business. Agricultural Products shipments declined 9 percent as continued growth in ethanol and DDGS (dried distillers grain with soluables, a co-product of ethanol production that is used for animal feeding) only partially offset weaker export volumes and reduced livestock feeding.

Pricing Opportunities
(Percentage of revenue as of April 1, 2010)



The decreased volume and lower fuel surcharge revenue, as a result of year-over-year declines in diesel fuel prices, reduced freight revenue by 22 percent to $13.4 billion. The revenue decline masked core price improvement of 4.5 percent. Strong pricing gains are key to the Company's ability to earn an adequate return on investment. Renegotiating legacy contracts, which comprised 12 percent of UP's revenue as of April 1, 2010, remains a significant opportunity for yield improvement.

The Company is making solid margin gains through cost control and continued pricing strength. Additionally, improvements in network fluidity and asset utilization create a highly reliable service, enabling UP to enter new markets and increase the value of rail transportation for customers.

Annual Summary by Quarter

	2009					2008					2007				
	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)	3,240	3,121	3,471	3,541	13,373	4,059	4,349	4,630	4,080	17,118	3,655	3,853	3,990	3,988	15,486
Revenue Ton-Miles (millions)	118,420	113,234	124,007	123,527	479,188	140,707	140,939	145,787	135,198	562,631	135,138	139,200	144,035	143,472	561,845
Revenue Carloads (thousands)	1,847	1,852	2,035	2,052	7,786	2,335	2,371	2,398	2,157	9,261	2,334	2,433	2,522	2,444	9,733
Average Revenue Per Car (dollars)	1,755	1,685	1,706	1,726	1,718	1,738	1,835	1,931	1,891	1,848	1,566	1,584	1,582	1,632	1,591

Safety

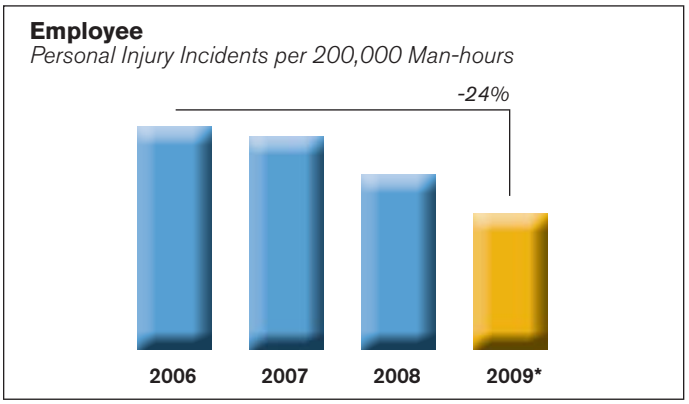
Safety is a top priority for Union Pacific, as it affects employees, customers, shareholders and the public. The Railroad strives for ongoing improvement in this critical area through the use of communication, engagement, technology, risk assessment, process improvement, engineering and investment.

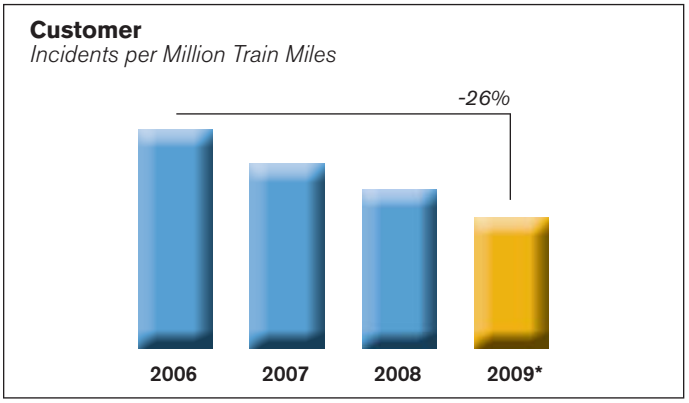
Safety continued to improve in all categories during 2009. Employee injury incident rates dropped 12 percent versus 2008 to the lowest level ever. In addition, an ongoing focus on derailment prevention helped drive down the equipment incident rate 10 percent. UP utilizes state-of-the-art technology such as lasers and ultrasound to identify rail imperfections, and monitors acoustic vibration on wheels to forecast potential failures before they occur. Also, track safety experts visually inspect track conditions across the system.

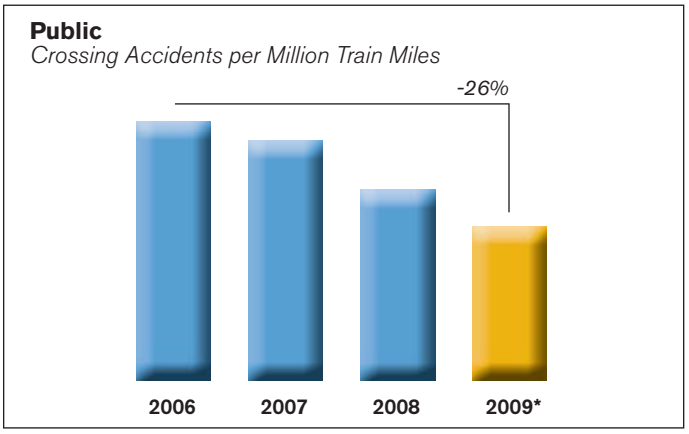
Public safety measures improved as well, with the rate of grade crossing incidents decreasing 11 percent versus 2008, to the lowest number on record. The Railroad closed a total of 353 grade crossings during the year to reduce exposure to incidents, and continued installing video cameras in its road locomotives. Over 95 percent of road trains now have camera-equipped locomotives in the lead position. These video cameras allow Union Pacific to better analyze grade crossing conditions and incidents, increasing safety for its employees and the public.

In an effort to increase public awareness about rail safety, UP employees actively participate in Operation Lifesaver, a non-profit organization dedicated to educating the public about safety at railroad crossings and around railroad property. In addition, UP held 523 Crossing Accident Reduction Enforcement (CARE) events across the country. During CARE events, law enforcement officers and media ride trains to better understand the importance of highway-rail crossing and pedestrian safety. Participants also see first-hand what train crew members experience on a daily basis.

The ongoing implementation of Total Safety Culture (TSC) across the Company further improves safety results and sustainability. TSC is a peer-to-peer observation and feedback process, empowering employees to support safe behavior and correct at-risk behaviors among co-workers. This program continues to expand across UP's 21 service units.







** Best ever safety performance*

Environment

Railroads are the most fuel-efficient, environmentally friendly mode of ground freight transportation. Freight trains are almost four times more fuel-efficient than trucks. In fact, railroad fuel efficiency is up 94 percent since 1980.

At Union Pacific, fuel efficiency continues to improve as technology and employee involvement combine with operational enhancements to increase asset utilization and network fluidity. In 2009, the Company reduced its fuel consumption rate 4 percent, saving approximately 40 million gallons of fuel versus 2008.

The Company is constantly improving operating practices to save fuel and reduce emissions. The implementation of fuel conservation speeds, automatic locomotive shutdown technology and distributed power all contribute to this effort. In addition, the Railroad's employee-driven Fuel Masters Unlimited program rewards the fuel-saving efforts of locomotive engineers.

Union Pacific owns the cleanest locomotive fleet in North America, with three-quarters of its road units Environmental Protection Agency (EPA) emission certified. Over the past nine years, the Company invested approximately $6 billion to purchase more than 3,400 new EPA-compliant fuel efficient road locomotives. UP retired approximately 2,300 older units and rebuilt or overhauled another 3,200 engines, further enhancing the fleet's emission profile. The Railroad's locomotive fleet also includes more than 180 ultra-low emitting locomotives (ULEL) like the Genset switchers (which UP helped pioneer), giving it the largest ULEL fleet in the industry.

The focus on reducing emissions extends beyond the locomotive fleet. With new emission-reduction equipment, the Railroad's entire fleet of mechanical refrigerated boxcars is compliant with California Air Resources Board standards.

Beyond the traditional rail operations, UP is looking at other ways to be a better environmental steward. Through the dedicated involvement of its employees, UP recycled more than 1.1 million pounds of electronic equipment and more than 3.5 million pounds of batteries over the past three years.

Union Pacific is committed to protecting the environment now and for future generations. Running a "green" operation demands vigilance and forward thinking to safeguard the environment. Union Pacific is up to this challenge.

Vision

Union Pacific will be recognized as being the environmentally responsible transportation leader.

Investing in Our Future

Each year, Union Pacific spends a significant amount of capital across its vast network to enhance operational safety, improve network efficiency and expand capacity to meet the transportation needs of current and future customers. Capital investments include the replacement and improvement of track and facilities, and the acquisition of new locomotives and freight cars as needed. In 2009, UP's capital investments totaled $2.5 billion, including cash spending of $2.4 billion.

The Company's capital can be broadly classified into two categories: replacement, and growth and productivity. Replacement capital is spending required to improve safety or replace current infrastructure, such as track, facilities and equipment. Growth and productivity capital supports both volume expansion and efficiency for the Company and its customers. Equipment acquisitions can be included within both of these capital categories, as new equipment can add capacity to our network or replace older, less efficient assets.

Replacement Capital

The Company spent approximately $1.7 billion replacing track and facilities under its engineering replacement program in 2009. This program included the installation of approximately 4.7 million ties and 841 track miles of rail to help provide safe and fluid operations and increase network efficiency. UP also acquired 125 high-horsepower locomotives, which represented the final tranche of a three-year purchase contract. In total, approximately $2.0 billion was spent on replacement capital during the year.

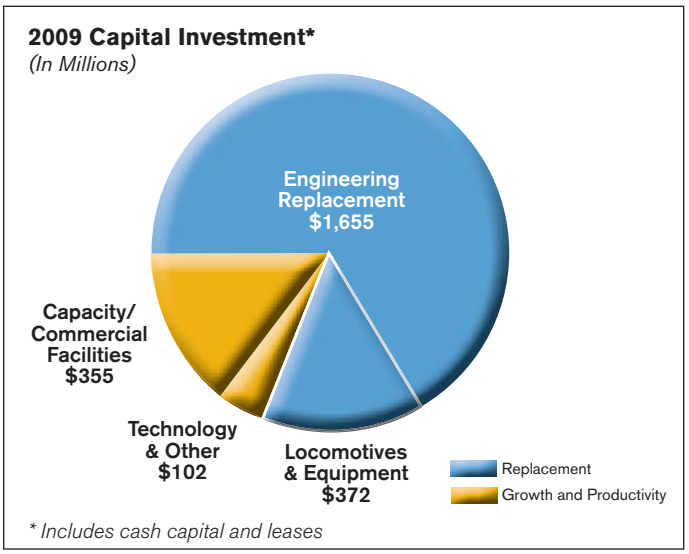
In 2010, Union Pacific expects to spend around $1.6 billion in engineering replacement, installing roughly 4.2 million ties and approximately 800 track miles of rail. Total replacement capital is estimated at $1.8 billion, including spending related to locomotives and other equipment. No new locomotives will be purchased in 2010.

Growth and Productivity Capital

The Company spent approximately $500 million in 2009 on growth and productivity initiatives. This amount included construction of a new intermodal facility in Joliet, IL. The facility will help support expected, long-term intermodal growth. Spending on technology totaled approximately $100 million, consisting of upgrades to telecommunications and mainframe software systems and a new crew dispatching system.

In 2010, Union Pacific expects to spend approximately $500 million in capital for growth and productivity. Included in this amount is nearly $150 million for the Joliet intermodal facility, with completion of the initial phase scheduled for August 2010. Spending on a variety of network efficiency projects (such as mainline double-tracking and siding extensions) throughout the system will improve fluidity and enhance service to our customers.

Additionally, in response to a legislative mandate to implement Positive Train Control (PTC) by the end of 2015, approximately $200 million is allocated for 2010, primarily for signal-related work.



Capacity & Commercial Projects

Port of Portland
New Tracks

Powder River Subdivision
Additional 3rd Mainline (15 Miles)

Columbus Subdivision
Signal Upgrade

West Chicago
Auto Facility Upgrade

Edelstein
New Siding

Joliet
New Intermodal Facility

Yoder Subdivision
New Siding

North Platte
Yard Upgrade

Donner Pass Route
Tunnel Clearances

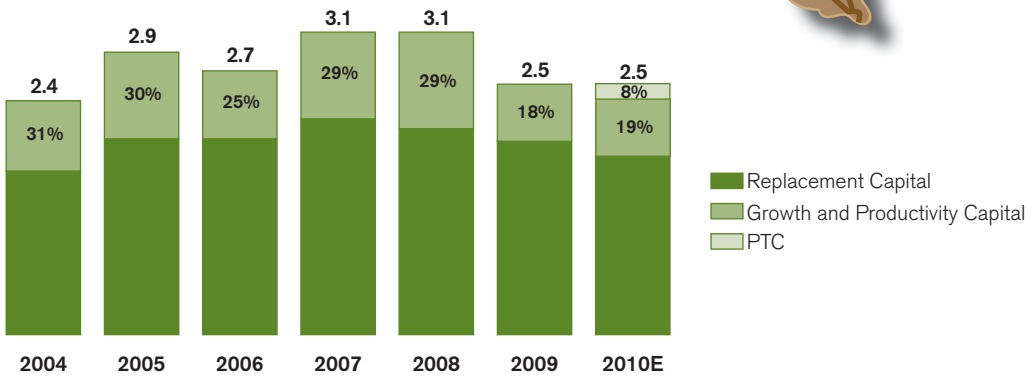
Maricopa
Double Track (11 miles)

San Antonio
New Intermodal Facility

Eagle Pass
New Tracks

2009 Capacity & Commercial Projects

Capital Spending*
($ Billions)



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

Track and Terminal Density

2009 Terminal Volumes

Major Classification Yards	Average Daily Car Volumes	Major Intermodal Terminals	Annual Lifts
North Platte, Nebraska	2,100	ICTF (Los Angeles), California	453,000
North Little Rock, Arkansas	1,300	East Los Angeles, California	372,000
Englewood (Houston), Texas	1,300	Global I (Chicago), Illinois	306,000
Proviso (Chicago), Illinois	1,200	Global II (Chicago), Illinois	284,000
Fort Worth, Texas	1,100	Marion (Memphis), Tennessee	265,000
Roseville, California	1,100	City of Industry (Los Angeles), California	254,000
Livonia, Louisiana	1,100	Lathrop (Stockton), California	250,000
West Colton, California	1,000	Dallas, Texas	233,000
Pine Bluff, Arkansas	1,000	Oakland, California	202,000
Neff (Kansas City), Missouri	900	Yard Center (Chicago), Illinois	199,000

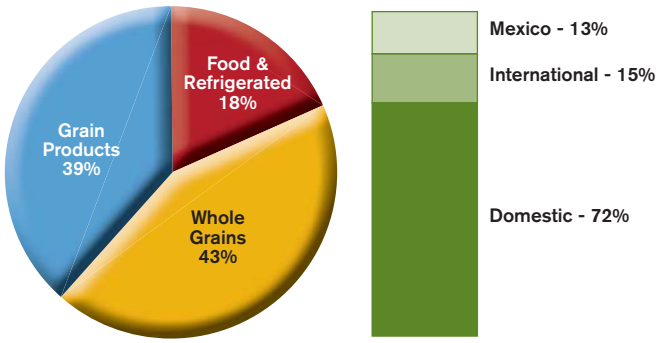
Commodity Profile

Agricultural transportation, including whole grains, commodities produced from these grains, and food and beverage products, generated 20 percent of the Railroad's 2009 freight revenue. Union Pacific accesses most major grain markets, and provides a critical link between the Midwest and western producing areas and export terminals in the PNW and Gulf Coast ports, as well as Mexico. Unit shuttle trains transport a single commodity efficiently between producers and export terminals or domestic markets. UP also serves significant domestic markets, including grain processors, animal feeders and ethanol producers in the Midwest, West, South and Rocky Mountain states.

Union Pacific owns and operates the largest refrigerated boxcar fleet in the industry, creating a competitive advantage that leverages the Company's unique franchise. Produce Railexpress and Express Lane are UP's premium perishables service offerings. Produce Railexpress carries fresh produce from the West Coast to New York. Express Lane moves dairy products, canned goods, wine, frozen foods and some fresh produce from the West Coast to destinations in the East and Southeast. California and Washington, the states directly served by these products, provide over 60 percent of the nation's fresh fruits and vegetables. Additionally, the Railroad transports frozen meat and poultry from the Midwest and Mid-South to the West Coast for export.

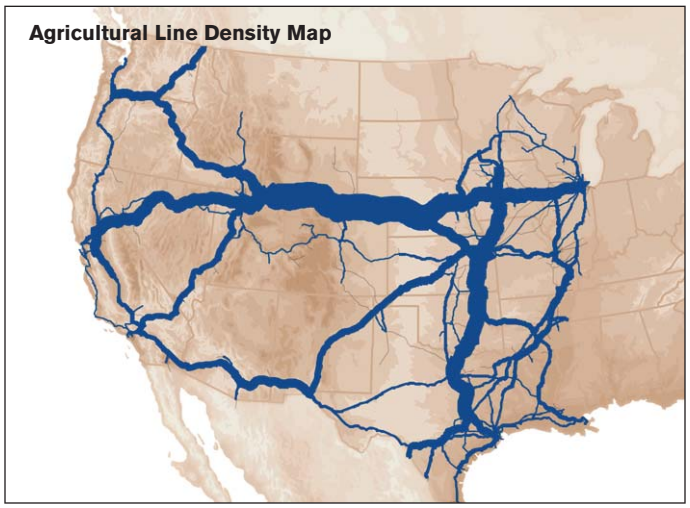
Through alliances with other railroads, UP considers Canada and Mexico important extensions of its domestic markets. Southbound shipments of feed grains, wheat, soybean meal, DDGS and rice comprise nearly 70 percent of Agricultural carloads to and from Mexico. Shipments of beer account for most of the northbound traffic into the U.S. Southbound shipments of soybeans, wheat, corn and canola meal make up nearly 50 percent of Agricultural traffic to and from Canada. Most of the northbound Agricultural carloads into Canada contain soybean meal and soybean oil.

2009 Carloads



Whole Grains	**43%**
Domestic Feed Grains	22%
Wheat & Food Grains	11%
Export Feed Grains	10%
Grain Products	**39%**
Meals & Oils	15%
Feed Ingredients	10%
Corn Refining & Ethanol	9%
Flour & Rice	5%
Food & Refrigerated	**18%**
Food & Beverage	13%
Refrigerated Products	5%

Agricultural Line Density Map



Lane density based on carloadings. Line thickness depicts traffic density.

2010 Market Drivers

Agricultural Products saw volume and revenue declines in 2009 due primarily to reduced soybean crush, and lower animal feeding and grain exports. Record crop production and growth in ethanol demand, combined with an exceptional manifest network should lead to volume and revenue growth in 2010.

U.S. corn and soybean production is expected to be up roughly 10 percent for the current crop year, driven largely by record crop yields. Animal feeding in the current crop year is projected to be slightly higher than last year but remain below the five year average due to declining market trends. Corn and soybean exports should remain fairly flat year-over-year, due primarily to South American crop production. The soybean crush, which is the key indicator of soybean meal and oil production, is predicted to grow over the prior crop year.

Agricultural

Ethanol is expected to deliver continued volume growth in 2010. Production will grow from 10.5 to 12 billion gallons in 2010, as mandated by The Energy Independence and Security Act of 2007 (EISA). California and Texas are viewed as the largest growth areas for this product. California recently increased its ethanol blend from 5.7 percent to 10 percent. Growth in Central Texas is also forecast to continue as a result of ethanol blending conversion in late 2009. New unit train terminals in both Central Texas and California will aid distribution to these areas. Corn shipments to forward ethanol plants (production facilities located closer to ethanol consumptive areas) are also forecast to grow in 2010, to help producers meet higher demand.

Union Pacific leveraged the truck-like service offered by the Produce Railexpress, moving nearly 5,500 refrigerated boxcars of produce from the West Coast to the East Coast in 2009. This volume represented a 65 percent increase versus 2008 with added service out of California. This business is expected to grow in 2010 as faster and more reliable rail transit times enable further truck market penetration.

More than half of the business in the Agricultural Products group moves via Union Pacific's manifest network. The value-added service provided to customers through this network allows the Railroad to effectively compete for food and grain products business. In addition, adding cars to existing manifest trains as volumes increase generates strong operating leverage.

Paul Hammes,
VP & GM Agricultural

How did your team work with customers in the recessionary freight environment to reduce costs while enhancing service?

Through Produce Railexpress and Express Lane, we provided truck-competitive service for perishable products at lower costs, which reduced our customer's supply chain costs. Additionally, this service removes less fuel efficient trucks from the road, benefitting the environment and reducing congestion on U.S. roadways.

We worked jointly with our customers and the UP operating team to modify the route taken by loaded wheat unit trains out of Kansas. The new route increased velocity and reduced unit train cycle times, allowing Union Pacific and our customers to remain competitive in the Gulf export market.

Union Pacific also engaged our customers in developing unit train strategies for soybean meal, ethanol and DDGS. Transportation in unit trains offers cost advantages to both Union Pacific and our customers. Competitive rates provide an incentive for customers to invest in unit train facilities on Union Pacific's network.

What opportunities do you see for your business group over the next couple of years?

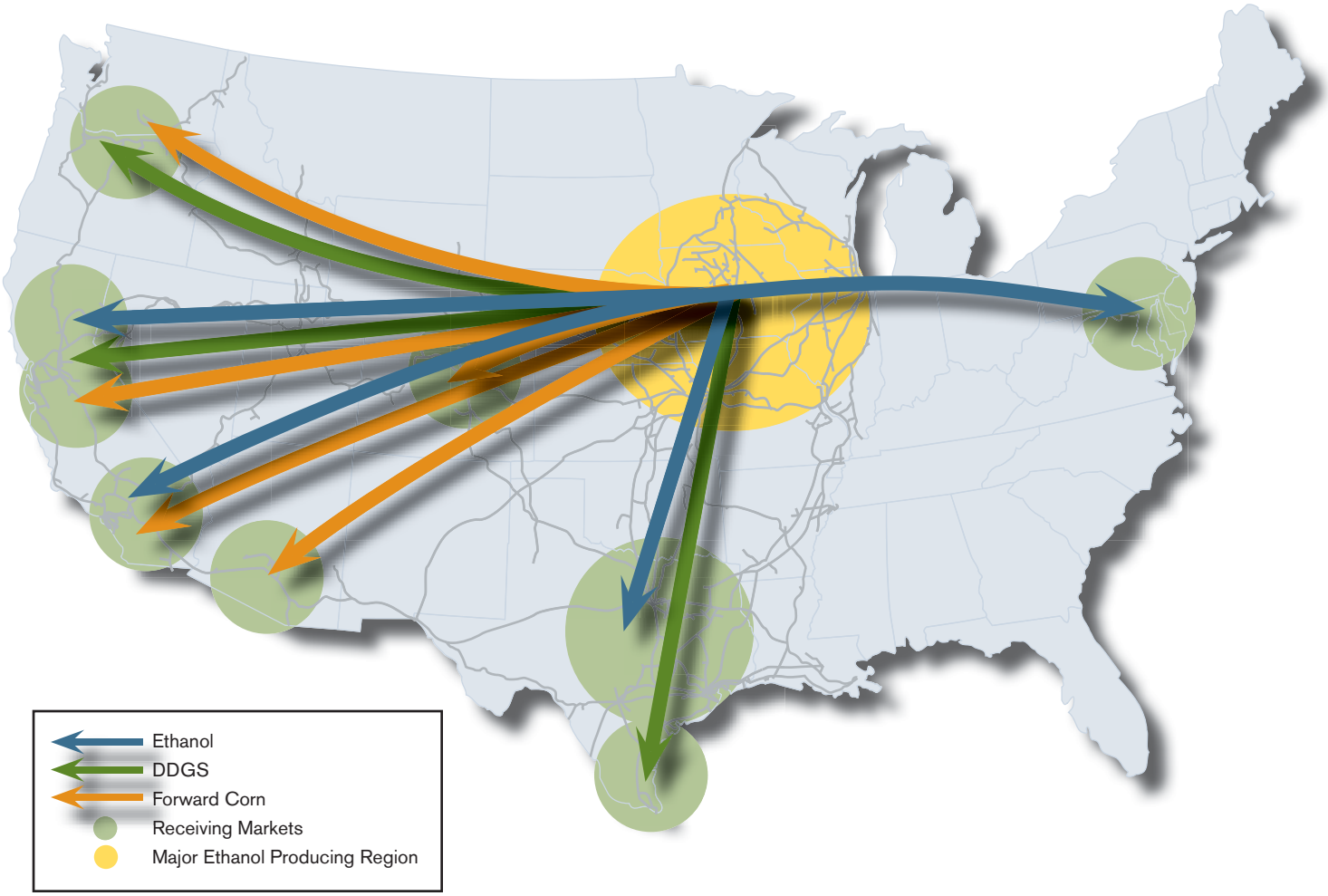
The forecasted increase in planted acres, along with improving trends in corn and bean yields, are expected to create more domestic, export and processing opportunities for U.S. agriculture.

Ethanol should continue to offer growth opportunities. Annual corn-based ethanol production is mandated to grow from 12 to 15 billion gallons by 2015. In addition to corn-based ethanol, cellulosic ethanol (derived from crop residue and other plant waste) is expected to grow steadily over the next 10 years. The EPA revised the Renewable Fuel Standard program (RFS) as required by the EISA, mandating that cellulosic ethanol production increase from 100 million gallons per year in 2010 to 16 billion gallons per year in 2022. As this technology emerges, production should develop near existing ethanol facilities. Union Pacific's network is positioned to take full advantage of this opportunity.

Increased corn-based ethanol production also brings additional demand into the market. As supply continues to grow, export opportunities are beginning to emerge. Growth into export markets is expected to be greater than domestic markets.

Union Pacific serves a large portion of the food producing states along the West Coast, and with these products moving to the large population centers in the East and Midwest, we are in an ideal situation to offer a long haul, low cost rail solution.

Ethanol Traffic Flows



Annual Summary by Quarter - Agricultural

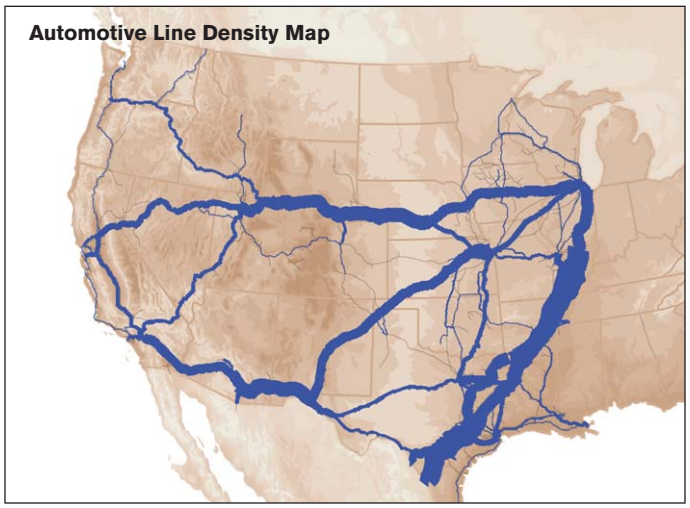
2009					2008					2007				
1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)														
661	618	649	738	2,666	756	778	848	792	3,174	611	605	670	719	2,605
Revenue Ton-Miles (millions)														
20,067	18,854	19,563	22,723	81,207	22,485	22,111	22,431	21,560	88,588	19,249	18,935	20,613	21,735	80,532
Revenue Carloads (thousands)														
212	203	215	235	865	240	236	243	228	947	219	212	232	239	902
Average Revenue Per Car (dollars)														
3,116	3,045	3,026	3,129	3,080	3,151	3,301	3,486	3,472	3,352	2,793	2,855	2,888	3,006	2,888

Commodity Profile

Shipments of finished vehicles and automotive parts and materials generated 6 percent of Union Pacific's 2009 freight revenue. Finished vehicles accounted for 76 percent of this revenue, with the balance coming from the movement of automotive parts and materials.

Union Pacific's unique franchise provides excellent accessibility to all major markets west of the Mississippi River for delivery of finished vehicles to the manufacturers' dealer networks. UP is the largest automotive carrier in the U.S., directly serving six vehicle assembly plants and providing service to 38 automotive distribution facilities directly or through short line railroads. Additionally, the Railroad distributes imported vehicles from six West Coast ports and the Port of Houston. Union Pacific also receives and delivers a significant number of vehicles and automotive parts through interchange with railroads in Mexico, Canada and the U.S.

New light vehicle sales in the U.S. declined to 10.3 million vehicles in 2009, down 22 percent from 2008 levels. North American light vehicle production was down 34 percent for the year, to 5.6 million units. UP's revenue from finished vehicle shipments declined 38 percent, as carloads were off nearly 35 percent in 2009. Revenue from auto parts and materials decreased 33 percent, with volumes down 24 percent from 2008. The declines in freight revenue due to lower volume and reduced fuel surcharge revenue were only partially offset by pricing improvements.



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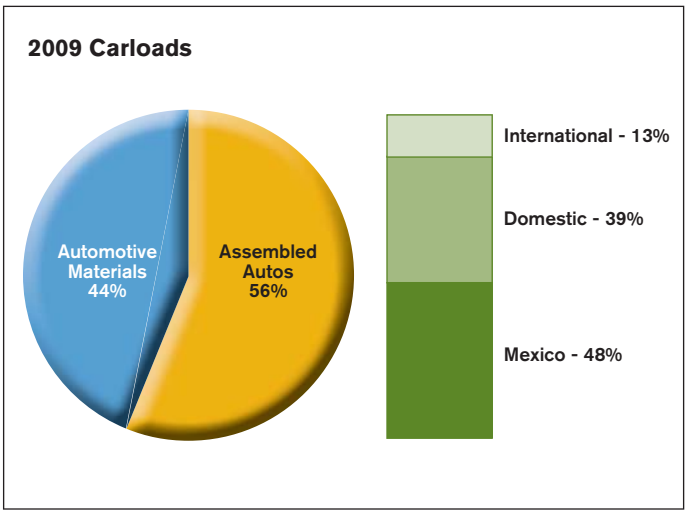


The economic recession led to lower vehicle sales and reduced vehicle production. Production levels were also affected by the bankruptcy of two major domestic automotive manufacturers in the second quarter of 2009. The 2009 federal Car Allowance Rebate System (the "cash for clunkers" program) helped stimulate vehicle sales and shipments in the third quarter, although the benefits of this program could not completely offset the impact of production cuts, bankruptcies, and weak demand overall.

Union Pacific handled more than 75 percent of the automotive carload business in the western U.S. in each of the last three years. Changing dynamics among manufacturers in the industry are expected to affect finished vehicle shipments as the manufacturers work to keep or gain market share. The Detroit Big Three incurred a market share loss during 2009, collectively holding about 45 percent of the new light vehicle market share in the U.S., down from 48 percent in 2008. Non-Detroit manufacturers have domestic manufacturing capabilities and import a significant number of vehicles via West Coast ports. Union Pacific faces competition from trucks for the finished vehicles imported through these ports and destined for western automotive dealerships.

Approximately 48 percent of UP's automotive shipments move either to or from Mexico, and include finished vehicles as well as parts and materials moving in intermodal or boxcar service. Union Pacific handles more than 90 percent of all automotive rail traffic into and out of Mexico. Consistent with the overall automotive

industry downturn, Mexico parts and materials shipments decreased 22 percent while finished vehicle moves declined 27 percent in 2009.

UP's subsidiary Insight Network Logistics launched ShipCarsNow (SCN) in 2006 to offer a suite of transportation services for the used car market. SCN provides online buy-and-sell opportunities for fleet managers and auto remarketers, and leverages UP's network by integrating rail and truck transportation. SCN opened an e-store in August 2009 and will incorporate enhanced functionalities over the next couple of years to enable further penetration into the used car market. SCN expects to manage approximately 90,000 vehicles in 2010, more than double the 2009 volume.

2010 Market Drivers

Improving economic conditions are expected to drive a 15 percent increase in U.S. light vehicle sales and a 27 percent increase in U.S. light vehicle production during 2010. Traffic to and from Mexico is also expected to improve as the global economy recovers. Union Pacific transports finished vehicles primarily to destination locations (rather than from origin facilities) and has a broad customer base that includes import and transplant manufacturers. This diverse business mix helps the Company mitigate the effects of production and consumer preference changes in the automotive industry.

Union Pacific continues to expand import auto business destined for West Coast ports. The Railroad is engaged in the development of distribution plans for imports from China and India. In March 2009, the Company established a sales office in Shanghai, China to further cultivate relationships with Chinese automotive original equipment manufacturers (OEMs) and suppliers in anticipation of increasing import parts and vehicle volume.

Union Pacific's strategic infrastructure improvements across its system enhance current operations and ensure the Company efficiently handles profitable traffic as volumes return. Ongoing improvements at Benicia, CA to support automotive business position UP for growth opportunities and create operational efficiencies. In addition, the continued implementation of UP's vehicle inventory dwell system helps to increase inventory accuracy and improve asset utilization.

Julie Krehbiel,
VP & GM Automotive

How did your team work with customers in the recessionary freight environment to reduce costs while enhancing service?

In a weak economic environment, it is very important to strengthen the automotive service network by improving transit times, ensuring consistency, and incorporating transportation efficiencies into the delivered product. In 2009, we changed gateways and shifted some service to more strategically located auto distribution facilities. In addition, we incorporated network modeling software to increase efficiency while balancing velocity and density. We also leveraged our intermodal network to maintain customer service despite lower volumes, and achieved record service levels in several lanes.

We looked for innovative ways to speed the product to market while further penetrating the truck market. Co-load capabilities were expanded to transport vehicles from multiple shippers on a single railcar and also to combine new and used vehicles. These approaches reduce vehicle dwell time at the load and unload facilities and give the customer more flexibility.

What is the biggest opportunity in your business group over the next 2 to 3 years?

Union Pacific's opportunities consist primarily in growing the existing traffic base by leveraging our 38 automotive distribution facilities that are located in some of the fastest growing U.S. states. Opportunities also exist to capitalize on UP's strong interline carrier alliances to convert parts shipments from over-the-road to intermodal and boxcar rail service. Additionally, in 2009 we strategically placed additional sales resources to focus on non-traditional markets such as service parts, mini-cars and European manufacturers. Further, the co-load capability launched in 2008 is expected to expand our reach into the used car market through collaboration with SCN. Longer term, we continue to see significant opportunities from new vehicle production in China and India.

Additional growth opportunities exist with the Railroad subsidiaries: Insight Network Logistics, Insight Network Transportation (SCN) and Union Pacific Distribution Services (UPDS). These companies offer supply chain logistic services for major automotive manufacturers. SCN is making inroads into the used car remarketing area by providing management and coordination services for vehicle auction companies and rental car firms. Marketed jointly with UP's rail services, these subsidiaries can assist manufacturers in meeting customers' changing inventory needs and provide continued growth opportunities. Extending UP's reach beyond the Railroad's physical boundaries to customers that are not rail-served promotes vertical integration and new market development.

Automotive Facilities and Assembly Centers

Annual Summary by Quarter - Automotive

	2009					2008					2007				
	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)															
	162	163	227	302	854	363	352	324	305	1,344	354	387	348	369	1,458
Revenue Ton-Miles (millions)															
	1,952	1,995	2,619	3,174	9,740	3,890	3,646	3,278	3,169	13,983	4,330	4,685	4,250	4,217	17,482
Revenue Carloads (thousands)															
	97	93	124	151	465	188	176	153	150	667	201	221	201	203	826
Average Revenue Per Car (dollars)															
	1,675	1,755	1,827	2,004	1,838	1,930	2,005	2,114	2,040	2,017	1,759	1,754	1,729	1,823	1,766

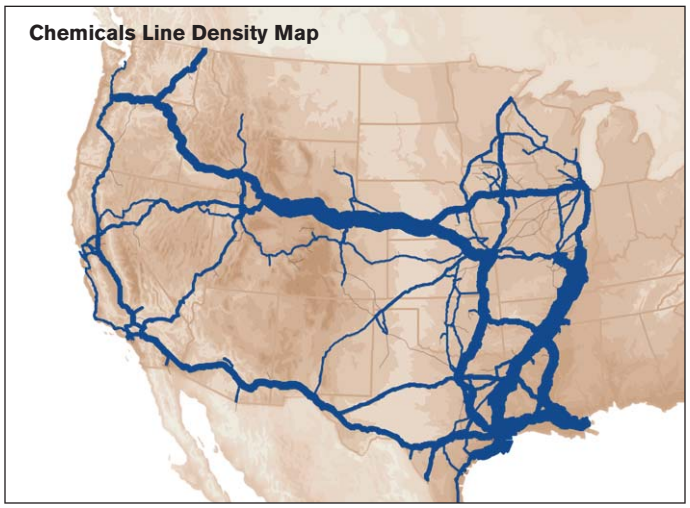
Chemicals

Commodity Profile

The transportation of chemicals generated 16 percent of Union Pacific's freight revenue in 2009. UP's franchise serves the large chemical megaplex along the Gulf Coast, and roughly two-thirds of the Company's chemical business originates, terminates or travels through this area. The Railroad's chemical franchise also accesses chemical producers in the Rocky Mountains and on the West Coast. The Company's chemical shipments can be classified into three broad categories: Petrochemicals, Fertilizer and Soda Ash.

Petrochemicals includes industrial chemicals, plastics, petroleum products and liquid petroleum gases, and constitutes 68 percent of UP's chemical business. These products move primarily to and from the Gulf Coast region. Barges, pipelines, and to a lesser extent trucks, provide transportation alternatives for some of these commodities.

The industrial chemicals market consists of several dozen segments of basic, intermediate and specialty chemicals produced by, and shipped to, both large and small customers. Strong demand from industrial manufacturers is key to this market segment. Plastics shipments support many vital sectors of the U.S. economy, including the automotive, housing, and durable and disposable consumer goods markets. UP is an important link in the plastics supply-chain through its ownership and operation of storage-in-transit (SIT) facilities. Plastics customers utilize railroad SIT yards for intermediate storage of plastic resins, and UP's SIT capacity exceeds that of any other railroad.



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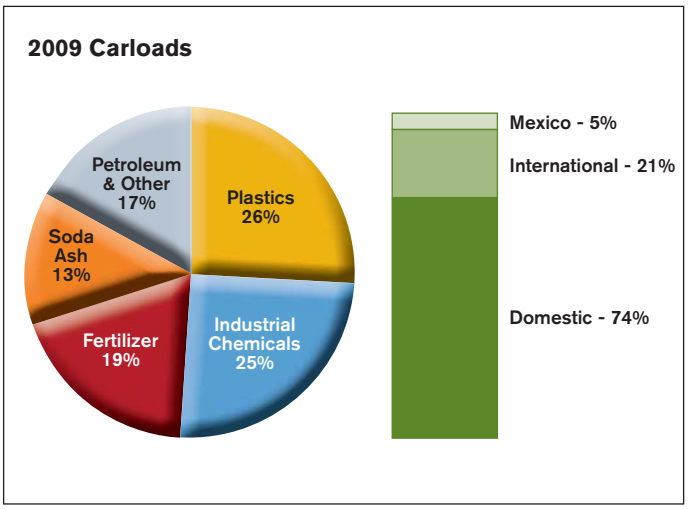


The economic recession reduced UP's petrochemicals volume 11 percent year-over-year and contributed to a 14 percent decline in revenue. Average revenue per car decreased 3 percent in 2009, driven by product mix changes (including an increase in shipments of short haul export plastics) and lower fuel surcharge revenue, partially offset by price improvements. The recession affected this group more significantly during the first half of 2009, as key markets showed signs of stability in the second half of the year against a lower 2008 hurricane-impacted comparison.

Fertilizer movements originate in the Gulf Coast region, the western part of the U.S. and Canada. Shipments are bound for major agricultural users in the Midwest, western U.S. and abroad. Fertilizer accounted for 19 percent of the Railroad's chemical business in 2009. High inventories, delayed purchases and a late harvest combined to reduce fertilizer shipments 22 percent. Price improvements and a favorable change in business mix more than offset lower fuel surcharge revenue, yielding a 7 percent increase in average revenue per car.

Soda ash represented 13 percent of chemical business in 2009. Shipments of this product originate in southwestern Wyoming and California, destined for chemical and glass producing markets in North America and abroad. UP directly serves the world's largest natural soda ash reserve and production region at Green River, Wyoming. During 2009, soda ash revenue declined 19 percent driven by a 16 percent decrease in volume and lower fuel surcharge revenue. Volume declined in all business segments,

both export and domestic. The U.S. recession negatively impacted the glass industry, decreasing domestic demand, and the weak world economy and increased competition from China reduced export demand.

2010 Market Drivers

The ongoing North American and global economic difficulties continue to challenge the chemical industry in general, although some areas show signs of recovery. It is anticipated that a gradual economic recovery should generate increased demand due to inventory replenishment and modest growth in industrial production and fertilizer markets. Demand will likely be affected by a continued focus on tighter inventories and cost management, although some benefit is expected from government stimulus spending. The degree to which the housing, automotive and consumer products segments of the U.S. economy recover will impact the rebound of the plastics and industrial chemicals markets. New sources of world polyethylene and polypropylene production are anticipated to ramp up, which will likely challenge year-over-year export demand growth. Shipments of domestic soda ash are driven by demand in the construction and automotive markets, and export soda ash demand is dependent upon the global economy and rational global production.

Fertilizer demand is expected to increase in 2010, as projected strong plantings and the need to replenish nutrients to support crop yields should drive carload growth.

Diane Duren,
VP & GM Chemicals

How did your team work with customers in the recessionary freight environment to reduce costs while enhancing service?

Throughout 2009, we focused on providing consistent, reliable service to our customers and adapting to a changing business environment. As volumes fluctuated, we worked closely with our Operating department to evaluate potential service changes and communicate them to our customers prior to implementation. This effort led to a number of terminal consolidations, particularly in the Gulf Coast, enabling us to manage traffic flows more efficiently. Improvements in network velocity, train performance and resource availability demonstrated our ability to adjust the transportation plan and maintain consistent performance.

Improvements in network velocity, coupled with our intensified effort to reduce car dwell time, reduced the fleet requirements for many of our customers. We worked closely with them to identify opportunities to reduce the quantity of freight cars required to support their business. Smaller car fleets not only lower customers' operating costs, they also help maintain network fluidity, allowing UP to provide a more reliable service product. Right-sizing equipment levels is clearly a win-win for UP and our customers.

What opportunities do you see for your business group over the next couple of years?

We expect North American chemical production to further rationalize and consolidate, particularly into the Gulf Coast region, and international import and export markets to continue developing over the next several years. Through investments in Union Pacific's chemical franchise, the Company is positioned to capitalize on new business opportunities created by these changes.

Beyond investments, our service offerings address existing and emerging markets. Union Pacific can efficiently handle our customers' volumes as markets recover, as well as support their long term global competitiveness through supply chain efficiencies.

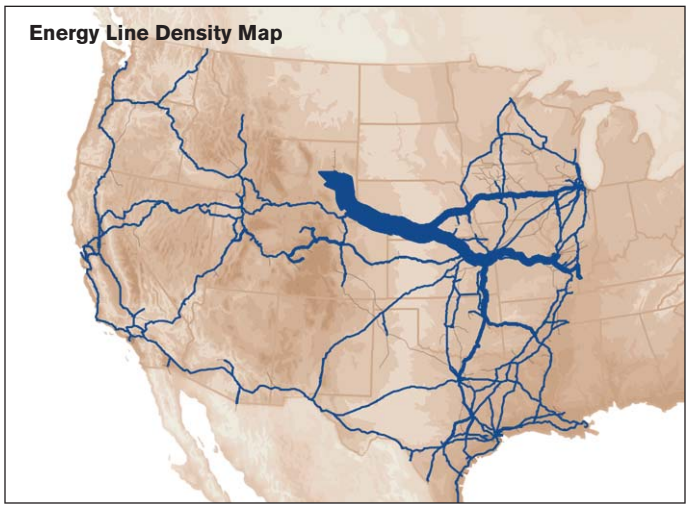
Annual Summary by Quarter - Chemicals

	2009					2008					2007				
	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)															
	513	499	551	539	2,102	603	654	659	578	2,494	544	574	586	583	2,287
Revenue Ton-Miles (millions)															
	11,999	11,481	12,544	12,031	48,055	13,939	14,559	13,668	12,641	54,807	14,044	14,406	14,107	13,964	56,521
Revenue Carloads (thousands)															
	180	188	202	191	761	225	241	224	195	885	224	239	238	227	928
Average Revenue Per Car (dollars)															
	2,843	2,659	2,730	2,815	2,761	2,676	2,714	2,951	2,957	2,818	2,430	2,395	2,469	2,564	2,464

Commodity Profile

Coal and petroleum coke transportation accounted for 23 percent of Union Pacific's freight revenue in 2009, the largest share of revenue among UP's six business teams for the third consecutive year. The Railroad's franchise supports the transportation of coal and coke to utilities, industrial facilities, interchange points and water terminals. The water terminals support domestic shipments to eastern utilities and industrial facilities via the Mississippi and Ohio Rivers, as well as the Great Lakes. Union Pacific also utilizes the river network to support European export coal moving to the Gulf, while the West Coast ports facilitate export coal to Asia.

SPRB coal traffic represents the largest segment of UP's energy business, comprising 74 percent of 2009 volume. Surface-mined SPRB coal is attractive to utilities due to reliable production, low mining costs, and low sulfur content relative to coal mined in other parts of the U.S. The second largest source of UP coal loadings is the Uinta Basin located in Colorado and Utah. This sub-surface coal is relatively high in BTUs (British Thermal Unit) and has low sulfur content. In 2009, coal from Colorado and Utah represented 14 percent of UP coal volume. The remaining volume consists of coke shipments and coal traffic originating from southern Wyoming's Hanna Basin and southern Illinois mines, as well as coal forwarded to UP markets from other producing regions and carriers. A significant portion of the coal forwarded to UP originates from the Powder River Basin (PRB).



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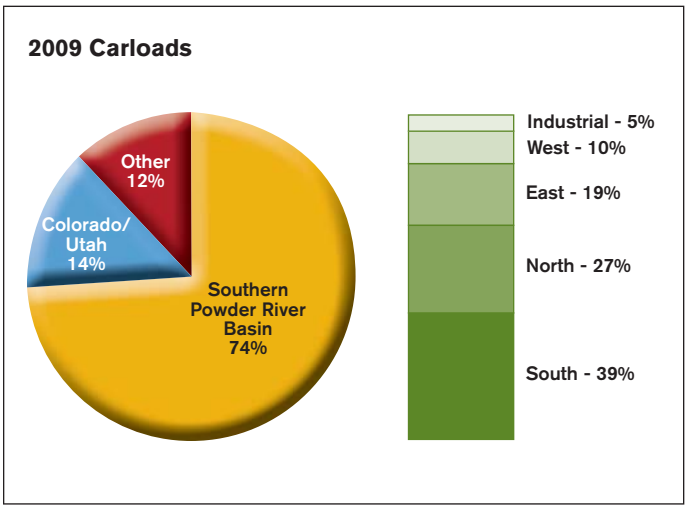


Overall coal volume declined 14 percent in 2009 as the dramatic drop in U.S. industrial production and low natural gas prices decreased demand for coal-fired electricity generation. As a result, record high coal inventories accumulated at utility plants, further reducing coal demand. SPRB shipments slipped 14 percent for the year, including the loss of three accounts, which accounted for nearly 30 percent of the overall decline.

During 2009, average train size out of the SPRB increased 1.3 percent to a record 15,687 tons per train. A record 132.3 cars per train, coupled with a record 118.6 tons per car drove this improvement. UP ran longer coal trains due to improved yard operations in North Platte and expanded train handling facilities at various customer locations.

Colorado and Utah shipments fell 25 percent versus 2008, resulting from lower demand, coal quality issues, and mine production problems such as high methane gas levels, significant geological shifts, and production delays caused by regulatory safety concerns. Many of these same challenges occurred in 2008. In spite of these difficulties, UP still achieved train size productivity records with 11,094 tons per train, up 1 percent from 2008. A record 111.9 tons per car, offset by a slight reduction in cars per train, drove this productivity improvement.

Petroleum coke, a by-product of the oil refining process, is a source of high sulfur fuel for electricity generation and is used by industrial customers in the production of aluminum, steel and

cement. In 2009, petroleum coke shipments decreased 17 percent versus 2008, driven by a decline in oil refining as well as reduced aluminum, steel, and cement production. Petroleum coke traffic originates mainly on the Gulf Coast, although other key areas include Oklahoma, Kansas, Wyoming and California. The primary destination for petroleum coke is Texas, but shipments also move to the Midwest, California and Louisiana.

Other energy business segments increased versus 2008, as Hanna Basin volume grew 19 percent and southern Illinois carloads increased 11 percent. The Hanna Basin improvement related to utilities backfilling lower than expected production from Colorado and Utah mines. Southern Illinois benefitted from eastern coal customers shifting coal sources.

2010 Market Drivers

Overall coal volume is expected to grow in 2010 versus low 2009 levels, as industrial production slowly recovers and coal inventory levels continue to decline. SPRB traffic should increase, as improving economic conditions drive up electricity demand. Reduced production at one Colorado mine due to the relocation of mining equipment to other coal deposits is expected to offset slightly higher demand for Colorado and Utah coal. Export demand also appears to be showing signs of life, with Japanese and Korean thermal coal markets seeking alternatives to Australian and South African sources. Other energy business segments should benefit from additional carloads of eastern coal through Chicago to the Midwest and a projected year-over-year increase in coke shipments.

Doug Glass,
VP & GM Energy

How did your team work with customers in the recessionary freight environment to reduce costs while enhancing service?

We emphasized productivity, train size, unloading and service. As a result, our velocity increased 28 percent over the past two years. Productivity, defined as tons per train, increased 2.4 percent for SPRB trains between 2007 and 2009. These performance improvements benefit our customers through more consistent and expedited transit times and the potential opportunity to move more coal with fewer assets.

What opportunities do you see for your business group over the next couple of years?

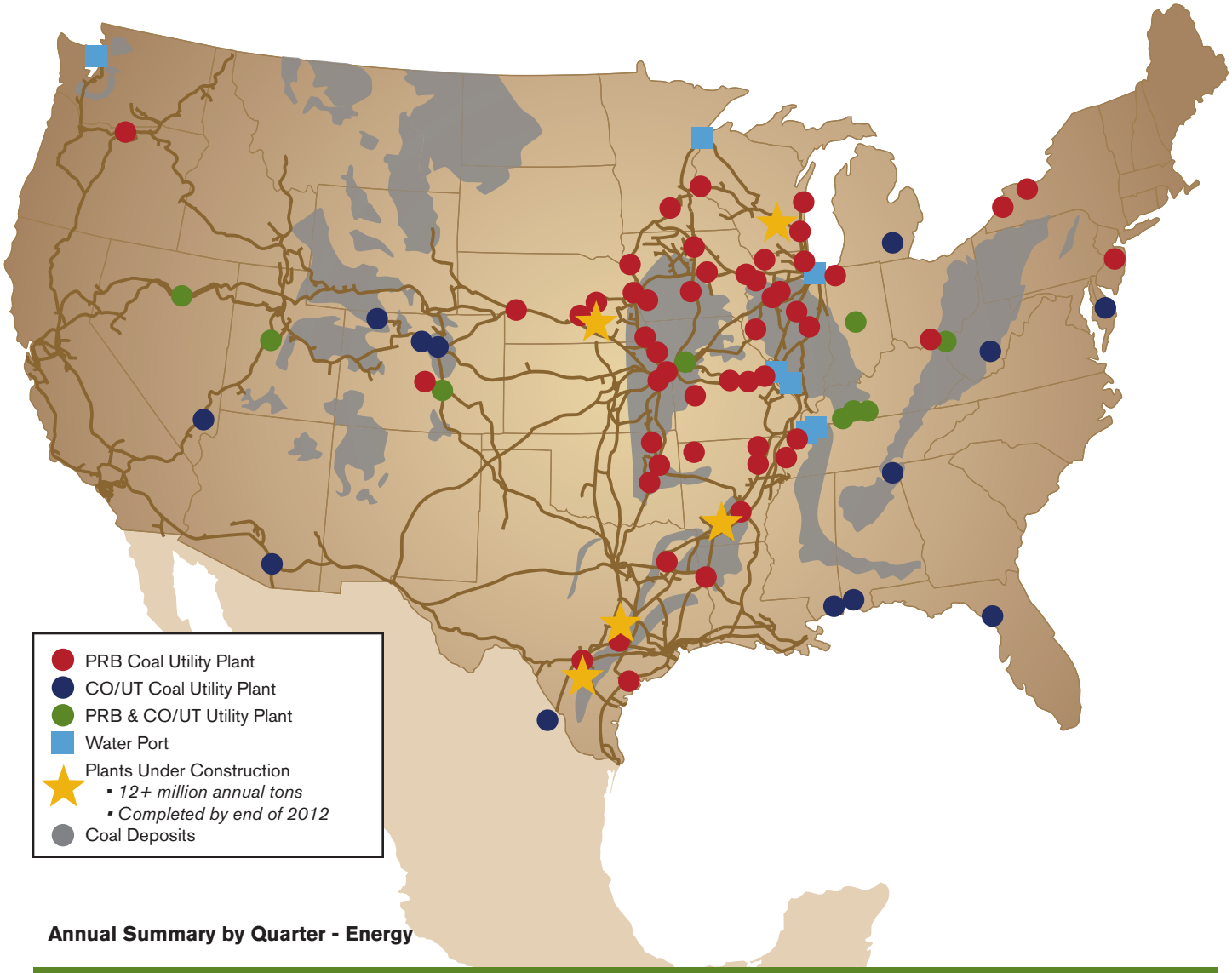
The most significant revenue opportunity for the Energy team is the ability to reprice legacy contracts expiring over the next couple of years at levels that support reinvestment in the Railroad's energy business. Contracts on approximately 28 percent of the railroad's coal business will expire by the end of 2012.

We are also developing new business. Five new coal plants served by UP will be completed before the end of 2012, representing more than 12 million tons of incremental annual coal volume. Additionally, a new coal-fired plant is expected to break ground in Texas during the second half of this year, with completion scheduled for 2014. This plant will employ carbon capture and sequestration technology, which allows more than 90 percent of the CO2 to be captured and used in secondary oil recovery or eventually sequestered in safe, underground caverns. Union Pacific is also working with customers to haul chemicals used to make coal-fired power plants even cleaner than those built years ago. Further, the Railroad may someday haul the CO2 outbound in specially designed unit trains for industrial use or safe storage in other parts of the country.

We will also continue to focus on our base business, as the economic recovery should yield greater demand for electricity generation and more demand for coal. Resources that are currently idled will be returned to the coal network at the appropriate pace to maintain fluidity as volumes improve. The continuing decline of eastern coal sources in Central Appalachia likely will make western coal a more attractive fuel alternative.

Current global demand supports some level of western bituminous coal exports. While the greatest opportunity is in Asia, Europe could represent a smaller secondary outlet for western bituminous and SPRB coal. Although these opportunities are small compared to our domestic business, they represent a growth opportunity in a profitable niche market.

UP Coal Destination Locations



Annual Summary by Quarter - Energy

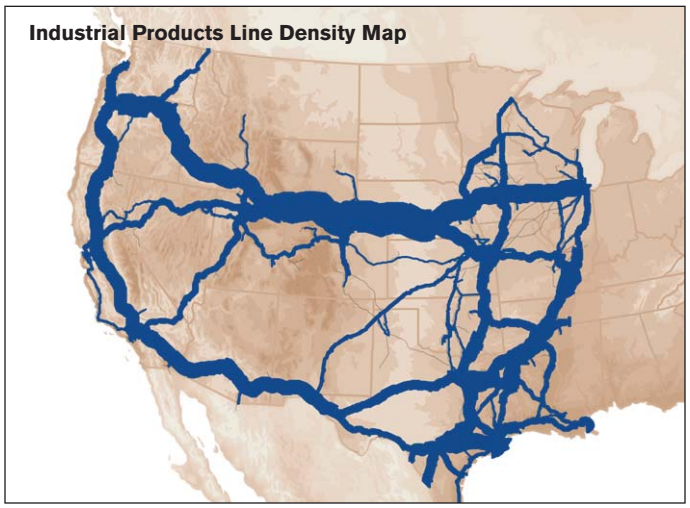
	2009					2008					2007				
	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)	807	715	831	765	3,118	857	919	1,051	983	3,810	731	761	824	818	3,134
Revenue Ton-Miles (millions)	56,003	50,740	57,391	54,093	218,227	63,334	61,748	67,887	65,393	258,362	60,005	60,657	65,133	65,613	251,408
Revenue Carloads (thousands)	521	470	531	499	2,021	582	561	615	590	2,348	551	551	600	597	2,299
Average Revenue Per Car (dollars)	1,550	1,520	1,564	1,536	1,543	1,473	1,639	1,709	1,664	1,622	1,326	1,381	1,374	1,368	1,363

Commodity Profile

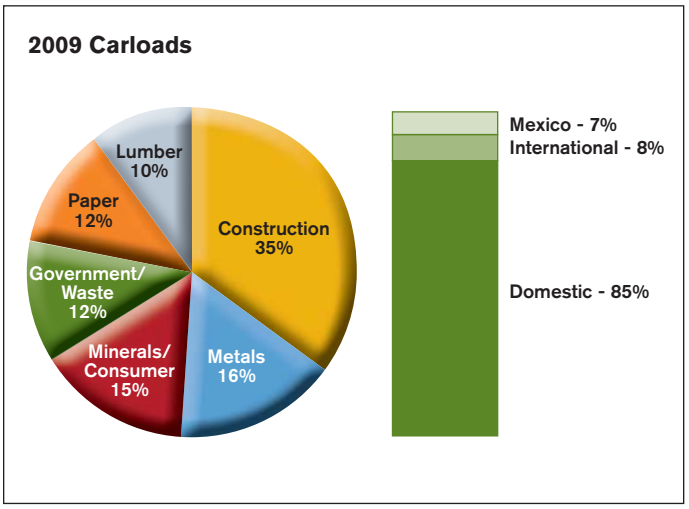
The Railroad's Industrial Products group moves numerous commodities between thousands of shippers and customers throughout North America. In 2009, the Industrial Products group generated 16 percent of Union Pacific's total freight revenue.

Lumber shipments originate primarily in the PNW and Canada and are transported throughout the U.S. for use in new home construction and repair and remodeling. Shipments of paper and consumer goods, including furniture and appliances, move to major metropolitan areas for consumers. Commercial and highway construction drive shipments of steel and construction products, consisting of rock, cement and roofing materials. Industrial manufacturing plants receive shipments of nonferrous metals and industrial minerals. In addition, the Railroad provides safe and efficient transportation for government entities and waste companies.

Demand for the Industrial Products group is driven primarily by macro-economic factors such as industrial production and housing starts. In 2009, U.S. industrial production declined 10 percent and housing starts fell 38 percent, contributing to a 28 percent decrease in carloads for the Industrial Products group. Average revenue per car declined 9 percent versus 2008, as price increases only partially offset lower fuel surcharge revenue. Total freight revenue decreased 34 percent in 2009, driven by lower volume and reduced average revenue per car.



Lane density based on carloadings. Line thickness depicts traffic density.



Lumber carloads dropped 34 percent due to fewer housing starts and surplus production capacity, which resulted in lower mill utilization, in addition to ongoing market uncertainty. Revenue fell 38 percent year-over-year.

Steel and scrap steel carloads decreased 47 percent in 2009 versus 2008. Steel mill capacity utilization and import activity declined as a result of weak market conditions, driven by demand deterioration and continued inventory de-stocking at service centers and end-users. In this environment, steel and scrap revenue fell 50 percent.

Stone volume decreased 25 percent in 2009, and revenue declined 31 percent due to ongoing softness in residential, commercial and highway construction.

Hazardous waste and government shipments showed volume increases of 103 percent and 35 percent, respectively, in 2009 versus 2008. Hazardous waste volumes increased as a result of the startup of the Moab Uranium Mill Tailings Remedial Action Project, while growth in government shipments came from increased shipments of ammunition between ammunition depots and ports.

In 2008, UP became the first railroad to offer door-to-door services for the wind industry. Wind energy components are transported in 40 to 60 car unit trains, and volume increased nearly 60 percent in 2009 versus 2008.

Industrial Products

2010 Market Drivers

A modest increase in housing and construction activity in 2010 should generate some growth for lumber, rock, cement, and steel shipments. Little incremental business resulted from government stimulus spending in 2009, although spending still has the potential to impact carload volumes in 2010.

The short haul movement of uranium tailings for the Department of Energy under the Moab Uranium Mill Tailings Remedial Action Project contributed to the year-over-year volume gains in hazardous waste shipments during 2009. It is anticipated that this project will drive growth again this year and is expected to take several years to complete.

Union Pacific transports materials used in oil and natural gas exploration, such as drill pipe, tubings and casings for drill rigs. UP also ships frac sand, barites and other drilling-related granular products. Growth opportunities exist in these areas in 2010 with greater economic activity and higher fuel prices.

Another opportunity for growth is the shipment of wind energy components, expected to increase another 60 percent in 2010 versus 2009.

Eric Butler,
VP & GM Industrial Products

How did your team work with customers in the recessionary freight environment to reduce costs while enhancing service?

Frequent and open communication was the key. By staying engaged with customers and understanding their transportation needs, we met their needs while redesigning our local transportation plans to match volumes. Network velocity coupled with service reliability enabled customers to match day of week service for departures and arrivals. Cycle times improved as we coordinated with customers to load and unload in a timely manner.

We also successfully staged empty equipment at customer facilities to capture spot business that otherwise would move via truck due to short lead time requirements at destination. And finally, with the cooperation of premium operations, service units, and network planning, we successfully designed competitive transportation solutions to further capture truck traffic.

What opportunities do you see for your business group over the next couple of years?

As the economy recovers, we expect Industrial Products volumes to show improvement from the historically low 2009 volume levels. UP's strong customer service and the favorable economics of rail are also expected to generate growth opportunities in new and existing markets.

Annual Summary by Quarter - Industrial Products

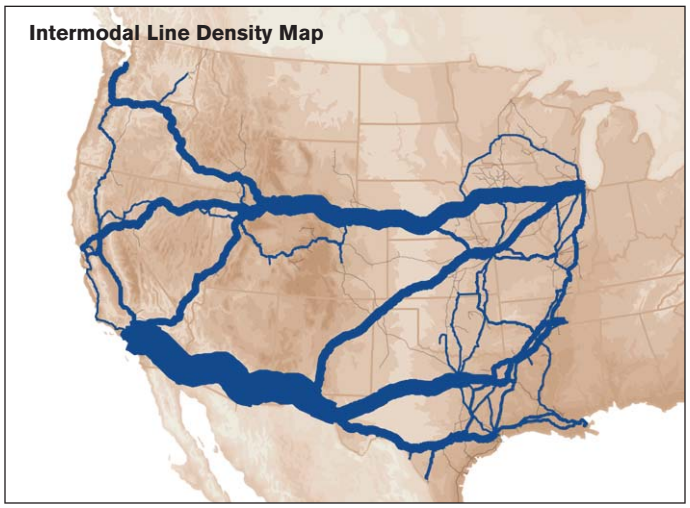
2009					2008					2007				
1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)														
546	531	557	513	2,147	773	877	906	717	3,273	741	805	789	742	3,077
Revenue Ton-Miles (millions)														
13,123	12,842	13,479	12,429	51,873	17,507	19,138	18,648	15,421	70,714	18,516	19,974	18,908	17,711	75,109
Revenue Carloads (thousands)														
222	229	235	213	899	304	346	329	270	1,249	318	349	339	319	1,325
Average Revenue Per Car (dollars)														
2,459	2,319	2,367	2,412	2,388	2,540	2,537	2,747	2,662	2,620	2,331	2,308	2,327	2,324	2,322

Commodity Profile

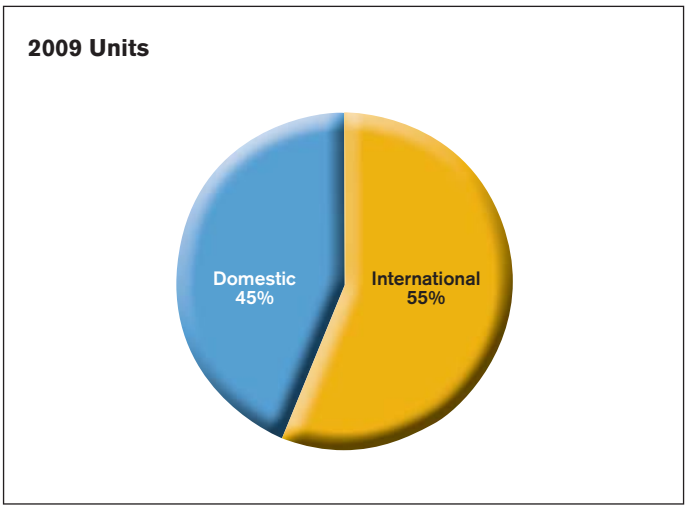
UP's Intermodal business, which includes international and domestic shipments, generated 19 percent of freight revenue in 2009. International business consists of imported and exported container traffic that mainly passes through West Coast ports served by UP's extensive terminal network. Domestic business includes container and trailer traffic picked up and delivered within North America for intermodal marketing companies (primarily shipper agents and logistics companies), as well as truckload carriers. Less-than-truckload and package carriers with time-sensitive business requirements are also an important part of domestic shipments.

International import and export traffic moves in 20, 40 or 45 foot shipping containers through ports on the West Coast. The majority of domestic shipments move in 48 or 53 foot containers or trailers to and from points within the U.S., Canada and Mexico.

Union Pacific's key east/west intermodal lanes run between the West Coast and Chicago, Texas, and interchange connections to the eastern U.S. The Company's key north/south intermodal lanes operate between Los Angeles and the Pacific Northwest, as well as Chicago and the upper Midwest and points south in Texas and Mexico. UP accesses all six Mexican gateways and serves most of the major metropolitan areas in the western two-thirds of the U.S. Nearly all routes are competitive with other railroads and are comparable to shipping distances on the highway network.



Lane density based on carloadings. Line thickness depicts traffic density.



Total Intermodal volumes declined 12 percent year-over-year due to the economic recession and its impact on global shipping. The weak volumes, combined with lower fuel surcharge revenue, drove total revenue down 18 percent. International intermodal revenue fell 27 percent on 24 percent less volume and lower fuel surcharge revenue. Domestic intermodal revenue declined 5 percent, as an 8 percent increase in volume due to highway conversions and the shift of a major rail contract was more than offset by lower fuel surcharge revenue.

Union Pacific continues to offer truck-competitive, priority rail service in key lanes to encourage the conversion of highway business to intermodal. Shippers increasingly look to rail as a competitive alternative to trucks.

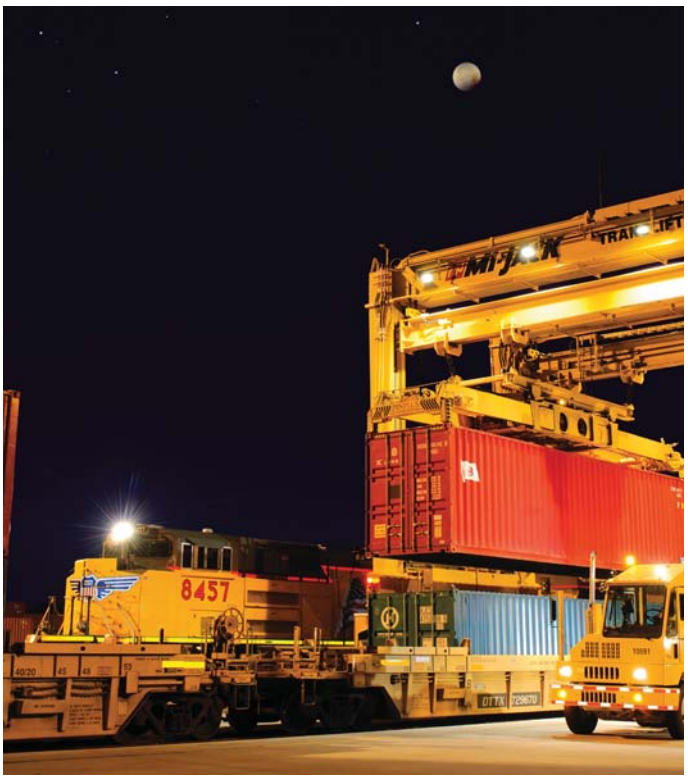
2010 Market Drivers

The magnitude of economic growth in 2010 remains uncertain. Key indicators forecast a climb above the lows of 2009 but below 2008 levels. The Railroad expects international volume to show year-over-year improvement, driven by a projected increase in import traffic. On the domestic side, the strength of UP's value proposition and conversions from truck are expected to drive growth. Continued pricing opportunities are anticipated in both markets.

The Company is moving forward with service initiatives and capital expenditures to both support current volumes and provide

for future growth. Network service improvements, additional capacity projects and close communication with ocean carriers, domestic shippers and interchange partners enable UP to operate efficiently with current volumes. An important project scheduled for completion this year is the construction of a new intermodal terminal at Joliet, IL. The network flexibility provided by this project will improve service, and the additional capacity will support future growth.

With the new Pacer agreement and UMAX program replacing old legacy domestic intermodal contracts, UP has more comprehensive control over the marketing of its domestic intermodal franchise. The Company now works directly with the majority of its intermodal customers and has expanded access to containers needed to serve the market. The UMAX program has the added benefit of establishing new service lanes between UP and CSX.



John Kaiser,
VP & GM Intermodal

How did your team work with customers in the recessionary freight environment to reduce costs while enhancing service?

We increased our focus on growing the overall intermodal market through truckload conversion. A down economy forces shippers to look for ways to reduce costs, and converting from truck to intermodal helps accomplish this objective.

Union Pacific Intermodal continues to add and expand service offerings that provide reliable, truck-competitive and environmentally friendly service. The capital investments made in our intermodal network over the past few years are paying off with best-ever service and reliability metrics. As a result of our service strength, UP expanded our agreement with Hub Group, which was a significant driver behind last year's strong domestic growth. In 2009, we improved service in 43 lanes and also created many new service lanes. We enhanced our train schedules to reduce transit times from 2008 levels and provide truck-competitive service between Los Angeles and Atlanta, Chicago, Dallas, Salt Lake, and Tacoma. In addition, we further expanded refrigerated service offerings into new lanes.

What opportunities do you see for your business group over the next couple of years?

The biggest international opportunity over the next few years will primarily involve shifting legacy contract volumes to market rates. This pricing opportunity will provide Union Pacific with the returns required to continue expanding capacity for future growth. An example of this expansion is our new Joliet, IL intermodal terminal, which is located in the warehouse district south of Chicago and expected to open in the third quarter 2010. This project supports the efficient inland handling of imported goods from Asia, as well as our plans to convert more business from highway to rail.

In our Domestic area, the new Pacer and UMAX arrangements displace domestic legacy agreements and allow UP to work more directly with its intermodal customers. In addition, we identified and are aggressively pursuing a significant number of highway conversion opportunities. This traffic will be supported by UP's investments to expand track and terminal capacity and enable us to capitalize on the fast growing markets in northern and southern California, as well as across the Sunbelt and the Southeast.

Intermodal Terminals and Traffic Flows

Annual Summary by Quarter - Intermodal

2009					2008					2007				
1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)														
551	595	656	684	2,486	707	769	842	705	3,023	674	721	773	757	2,925
Revenue Ton-Miles (millions)														
15,276	17,322	18,411	19,077	70,086	19,552	19,737	19,875	17,014	76,178	18,994	20,543	21,024	20,232	80,793
Revenue Carloads (thousands)														
615	669	728	763	2,775	796	811	834	724	3,165	821	861	912	859	3,453
Average Revenue Per Car (dollars)														
897	889	901	896	896	889	947	1,010	974	955	821	838	846	883	847

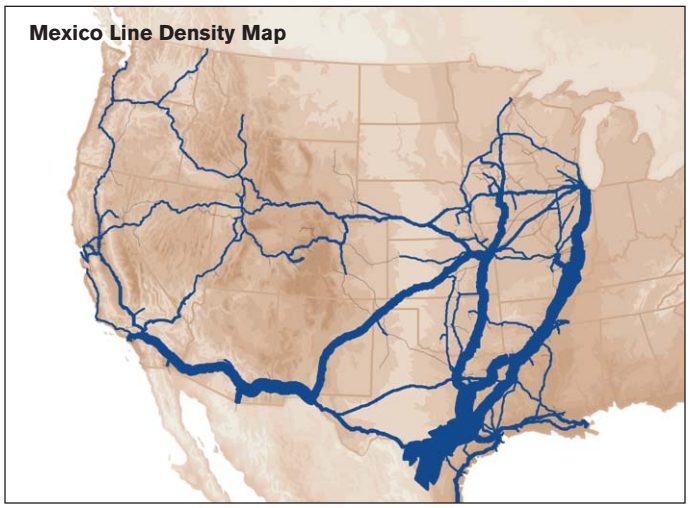
Mexico

Commodity Profile

Union Pacific's franchise provides the most efficient rail route between markets in Mexico, the U.S. and Canada, serving all six major gateways to Mexico and connecting directly to the two largest Mexican railroads. UP exchanges approximately 47 percent of shipments to and from Mexico with Kansas City Southern de Mexico (KCSM) and the remaining 53 percent with Ferrocarril Mexicano (Ferromex or FXE). Union Pacific has a 26 percent ownership interest in Ferromex. Trucks are the dominant transportation mode in Mexico's freight transportation market, which exceeds $6 billion annually.

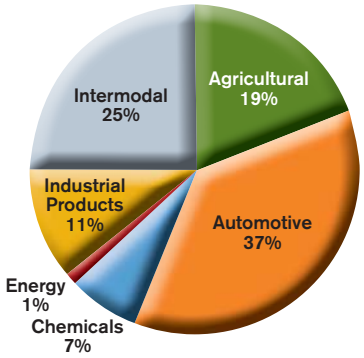
The Mexico market includes a broad range of commodities from raw materials to finished goods. Historically, Automotive was the largest commodity group by both revenue and volume. Although Automotive is still the largest group by volume, Agricultural Products generated the most revenue from Mexico traffic in 2008 and 2009. Union Pacific works primarily with FXE and KCSM to capture opportunities created by the North American Free Trade Agreement (NAFTA). The Railroad also works with Ferrocarril del Sureste (Ferrosur or FSRR) and other smaller railroads to explore new businesses. The Mexican railroads continue making substantial investments in track structure, equipment and facilities to improve service, equipment utilization, safety and damage prevention, which ultimately should enable them to capture more market share from trucks and capitalize on new business opportunities.

Mexico Line Density Map



Lane density based on carloadings. Line thickness depicts traffic density.

2009 Carloads



As a result of the economic recession, revenue from shipments to and from Mexico declined 26 percent from 2008 to $1.2 billion, while volume declined 19 percent year-over-year. All business groups reported a decline in revenue versus 2008 except the Energy group, which reported 2 percent revenue growth and 9 percent volume growth. Agricultural Products revenue decreased 22 percent, as volume declined 16 percent. While DDGS revenue increased 10 percent with a 16 percent volume increase, corn and feed grains revenue decreased 44 percent as volume declined 35 percent year-over-year. Revenue for Industrial Products decreased 37 percent, driven by a 36 percent volume decline in metallic minerals and steel. Automotive revenue decreased 32 percent from 2008, while volumes declined 24 percent. Chemicals revenue decreased 15 percent, primarily from soda ash and fertilizer, and volume declined 12 percent. Intermodal revenue decreased 15 percent with volume down 8 percent.

Historically, a majority of UP's business in this market involved southbound shipments to Mexico. However, over the last four years northbound shipments grew as a result of increased Mexican manufacturing. Northbound shipments now make up about 40 percent of revenue from Mexico operations. The largest volume of commodities shipped from Mexico in 2009 included assembled autos and auto parts, beer and food products, and intermodal. These three commodity groups represented more than 75 percent of northbound revenue. Southbound traffic from the U.S. to Mexico is much more diversified. Corn, dry feed ingredients, autos and auto parts, intermodal, meals and oils, steel, plastics, minerals, coal, soda ash, wheat and newsprint shipments make up approximately 80 percent of southbound revenue, with the remainder spread across the Company's six commodity groups.

Mexico

2010 Market Drivers

Although uncertainty remains regarding the economy, Union Pacific expects modest growth in Mexico traffic for all commodities during 2010. With U.S. auto sales projected to increase 15 percent in 2010, auto production in Mexico is expected to increase, resulting in a recovery of UP's finished vehicles and auto parts traffic. Although Mexican consumption of domestic crops is forecast to remain at levels similar to 2009, it is anticipated that southbound shipments of soybeans, DDGS and other by-products could grow. While U.S. consumption of import beer decreased 2 percent in 2009, shipments of beer are expected to grow moderately in 2010. Sugar shipments into the U.S. are also forecast to be soft, due to an announced 5 percent reduction in Mexico's sugar production for the year.

U.S. and Mexican government stimulus programs, combined with a more stable peso exchange rate and improvements in auto production and finished goods sales, are expected to benefit shipments of scrap, steel, plastics, soda ash, paper, minerals, construction materials, sands, paper, cardboard, household appliances, and other products. However, U.S. unemployment remains high, which may restrain consumer spending, a critical factor for Mexico business.

While existing economic conditions call for a conservative 2010 outlook, UP stands ready for growth. Current strategies focus on new business development, service and core price improvement. These strategies, in conjunction with maintaining an efficient and fluid network, support an expectation of retaining current business and potentially generating growth. Foreign investment in Mexico is forecast to continue throughout 2010, growing around 3 percent. The current outlook suggests that markets such as the "maquiladora" industry, food, renewable energy, steel and coal should trend upwards.

The Mexican government's ongoing campaign against drugs and drug-related crimes creates concern about the Mexican political climate. Nevertheless, rail operations across the border remain fluid. Moreover, an expected increase in hours of operation at the Eagle Pass and El Paso gateways should yield additional growth in 2010.

Bernardo Ayala,
VP Mexico Markets

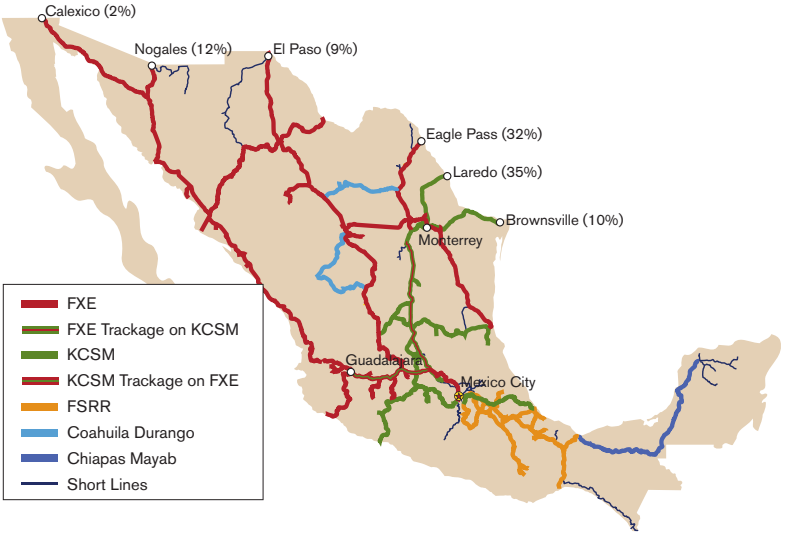
How did your team work with customers in the recessionary freight environment to reduce costs while enhancing service?

Our current product offerings and strong focus on service are seen by our customers as competitive advantages that allow them to reduce costs. Through our customer satisfaction processes, we work diligently to meet customer requirements. UP's experienced sales force is strategically located throughout Mexico and the U.S. In conjunction with our International Customer Service Center, they seek to provide our international customers with unique dedicated services that range from monitoring traffic across the border to developing tailored product offerings. A newly developed car-unloading program will be implemented during 2010 to help our grain receivers in Mexico reduce costs. In addition, efficiency improvements in our freight car interchange operations at all six Mexico gateways improved transit times, yielding inventory and other cost reductions for many customers.

What opportunities do you see for your business group over the next couple of years?

Mexico remains a strong target for Foreign Direct Investment. Mexico's proximity to the U.S. creates a competitive opportunity for several product types, such as those with high volume–to–weight or volume-to-value ratios (such as household appliances), as low logistics costs from Mexico can offset China's low labor costs. Additionally, Mexico's population continues to grow along with its demand for grain and foods high in protein. With Mexican railroads' ongoing effort to improve rail traffic handling through infrastructure investments, UP can leverage its value proposition and service offering to capture new business in developing markets.

Percent of Carloads at Border Crossings



SELECTED FINANCIAL DATA

Union Pacific Corporation and Subsidiary Companies

Millions, except per share amounts, carloads, employee statistics and ratios

For the year ended December 31,	**2009**	**2008**	**2007**	**2006**	**2005** ***(a)***
Operating revenues *[b]*	**$14,143**	$17,970	$16,283	$15,578	$13,578
Operating income	**3,392**	4,075	3,375	2,884	1,795
Net income	**1,898**	2,338	1,855	1,606	1,026
Earnings per share - basic *[c]*	**3.77**	4.58	3.49	2.98	1.95
Earnings per share - diluted *[c]*	**3.75**	4.54	3.46	2.95	1.92
Dividends declared per share *[c]*	**1.08**	0.98	0.745	0.60	0.60
Cash provided by operating activities	**3,234**	4,070	3,277	2,880	2,595
Cash used for capital investments	**(2,384)**	(2,780)	(2,496)	(2,242)	(2,169)
Cash used for common share repurchases	**-**	(1,609)	(1,375)	-	-
At December 31					
Total assets	**$42,410**	$39,722	$38,033	$36,515	$35,620
Debt due after one year	**9,636**	8,607	7,543	6,000	6,760
Common shareholders' equity	**16,941**	15,447	15,585	15,312	13,707
Equity per common share *[d]*	**33.54**	30.70	29.87	28.34	25.70
Additonal Data					
Freight revenues *[b]*	**$13,373**	$17,118	$15,486	$14,791	$12,856
Revenue carloads (units) *(000)*	**7,786**	9,261	9,733	9,852	9,544
Operating margin *(%) [e]*	**24.0**	22.7	20.7	18.5	13.2
Operating ratio *(%) [e]*	**76.0**	77.3	79.3	81.5	86.8
Average employees *(000)*	**43.5**	48.2	50.1	50.7	49.7
Operating revenues per employee *(000)*	**$325.1**	$372.8	$325.0	$307.2	$273.2
Financial Ratios (%)					
Debt to capital *[f]*	**36.8**	36.6	33.0	30.7	35.1
Return on average common shareholders' equity *[g]*	**11.7**	15.1	12.0	11.1	7.8

[a] 2005 net income includes a $118 million tax expense reduction to reflect a reduction in the estimated deferred income tax liability.
[b] Includes fuel surcharge revenue which partially offsets increased operating expenses for fuel. Fuel surcharge revenue is not comparable from year to year due to implementation of new mileage-based fuel surcharge programs in each respective year. See 2009 SEC Form 10-K for more information.
[c] Earnings per share and dividends have been restated to reflect the May 28, 2008 stock split.
[d] Equity per common share is calculated as follows: common shareholders' equity divided by common shares issued less treasury shares outstanding. Shares have been adjusted to reflect the May 28, 2008 stock split.
[e] Operating margin is defined as operating income divided by operating revenues. Operating ratio is defined as operating expenses divided by operating revenues.
[f] Debt to capital is determined as follows: total debt divided by total debt plus equity.
[g] Return on average common shareholders' equity is determined as follows: Net income divided by average common shareholders' equity.

CONSOLIDATED STATEMENTS OF INCOME *(unaudited)*

Union Pacific Corporation and Subsidiary Companies

			2009		
Millions, except per share amounts and percentages	**1st Qtr**	**2nd Qtr**	**3rd Qtr**	**4th Qtr**	**Full Year**
Operating Revenues					
Freight revenues	$3,240	$3,121	$3,471	$3,541	$13,373
Other revenues	175	182	200	213	770
Total operating revenues	3,415	3,303	3,671	3,754	14,143
Operating Expenses					
Compensation and benefits	1,070	976	999	1,018	4,063
Fuel	386	370	466	541	1,763
Purchased services and materials	399	391	403	421	1,614
Depreciation	345	355	367	377	1,444
Equipment and other rents	317	307	290	266	1,180
Other	226	153	179	129	687
Total operating expenses	2,743	2,552	2,704	2,752	10,751
Operating Income	672	751	967	1,002	3,392
Other income	23	135	14	23	195
Interest expense	(141)	(150)	(156)	(153)	(600)
Income before income taxes	554	736	825	872	2,987
Income tax expense	(192)	(268)	(308)	(321)	(1,089)
Net Income	$362	$468	$517	$551	$1,898
Share and Per Share					
Earnings per share - basic	$0.72	$0.93	$1.03	$1.09	$3.77
Earnings per share - diluted	$0.72	$0.92	$1.02	$1.08	$3.75
Weighted average number of shares - basic	502.7	502.9	503.1	503.5	503.0
Weighted average number of shares - diluted	504.6	505.3	507.0	507.8	505.8
Dividends declared per share	$0.27	$0.27	$0.27	$0.27	$1.08
Operating Ratio	80.3%	77.3%	73.7%	73.3%	76.0%
Effective Tax Rate	34.7%	36.4%	37.3%	36.8%	36.5%

			2008		
Millions, except per share amounts and percentages	**1st Qtr**	**2nd Qtr**	**3rd Qtr**	**4th Qtr**	**Full Year**
Operating Revenues					
Freight revenues	$4,059	$4,349	$4,630	$4,080	$17,118
Other revenues	211	219	216	206	852
Total operating revenues	4,270	4,568	4,846	4,286	17,970
Operating Expenses					
Compensation and benefits	1,132	1,101	1,123	1,101	4,457
Fuel	957	1,159	1,135	732	3,983
Purchased services and materials	469	494	481	458	1,902
Depreciation	340	346	348	353	1,387
Equipment and other rents	342	338	326	320	1,326
Other	242	199	218	181	840
Total operating expenses	3,482	3,637	3,631	3,145	13,895
Operating Income	788	931	1,215	1,141	4,075
Other income	25	19	23	25	92
Interest expense	(126)	(128)	(130)	(127)	(511)
Income before income taxes	687	822	1,108	1,039	3,656
Income tax expense	(244)	(291)	(405)	(378)	(1,318)
Net Income	$443	$531	$703	$661	$2,338
Share and Per Share *(a)*					
Earnings per share - basic	$0.86	$1.03	$1.39	$1.31	$4.58
Earnings per share - diluted	$0.85	$1.02	$1.38	$1.31	$4.54
Weighted average number of shares - basic	518.4	514.3	506.6	503.2	510.6
Weighted average number of shares - diluted	522.8	519.0	511.3	506.5	515.0
Dividends declared per share	$0.22	$0.22	$0.27	$0.27	$0.98
Operating Ratio	81.5%	79.6%	74.9%	73.4%	77.3%
Effective Tax Rate	35.5%	35.4%	36.6%	36.4%	36.1%

(a) First quarter 2008 earnings per share, shares and dividends have been restated to reflect the May 28, 2008 stock split.

Refer to the Union Pacific Corporation 2009 SEC Form 10-K for additional information, including audited financial statements and related footnotes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Union Pacific Corporation and Subsidiary Companies

Millions, as of December 31,	***2009***	*2008*
Assets		
Current assets		
Cash and cash equivalents	$1,850	$1,249
Accounts receivable	666	594
Materials and supplies	475	450
Current deferred income taxes	339	276
Other current assets	350	244
Total current assets	3,680	2,813
Investments	1,036	974
Properties:		
Land	4,891	4,861
Road	36,009	34,348
Equipment	8,209	7,300
Other	1,443	1,406
Accumulated depreciation	(13,124)	(12,214)
Net properties	37,428	35,701
Other assets	266	234
Total assets	$42,410	$39,722
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Accounts payable	$612	$629
Accrued wages and vacation	339	367
Accrued casualty costs	379	390
Income and other taxes	224	207
Dividends and interest	347	328
Equipment rents payable	89	93
Other current liabilities	480	546
Debt due within one year	212	320
Total current liabilities	2,682	2,880
Debt due after one year	9,636	8,607
Deferred income taxes	11,130	10,282
Other long-term liabilities	2,021	2,506
Total liabilities	25,469	24,275
Common shareholders' equity:		
Common shares	1,384	1,382
Paid-in-surplus	3,968	3,949
Retained earnings	15,167	13,813
Treasury stock	(2,924)	(2,993)
Accumulated other comprehensive loss	(654)	(704)
Total common shareholders' equity	16,941	15,447
Total liabilities and common shareholders' equity	$42,410	$39,722

Refer to the 2009 Union Pacific Corporation SEC Form 10-K for additional information.

CONSOLIDATED STATEMENTS OF CASH FLOW

Union Pacific Corporation and Subsidiary Companies

Millions, for the years ended December 31,	***2009***	*2008*
Operating Activities		
Net income	$1,898	$2,338
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	1,444	1,387
Deferred income taxes and unrecognized tax benefits	723	547
Net gain on non-operating asset disposition	(162)	(41)
Other operating activities, net	(376)	89
Changes in current assets and liabilities:		
Accounts receivable, net	(72)	38
Materials and supplies	(25)	3
Other current assets	(106)	51
Accounts payable and other current liabilities	(90)	(342)
Cash provided by operating activities	3,234	4,070
Investing Activities		
Capital investments	(2,384)	(2,780)
Proceeds from asset sales	187	93
Acquisition of equipment pending financing	(100)	(388)
Proceeds from sale of assets financed	100	388
Other investing activities, net	22	(77)
Cash used in investing activities	(2,175)	(2,764)
Financing Activities		
Debt issued	843	2,257
Common share repurchases	-	(1,609)
Debt repaid	(871)	(1,208)
Dividends paid	(544)	(481)
Other financing activities, net	114	106
Cash used in financing activities	(458)	(935)
Net change in cash and cash equivalents	601	371
Cash and cash equivalents at beginning of year	1,249	878
Cash and cash equivalents at end of year	$1,850	$1,249
Supplemental Cash Flow Information		
Non-cash investing and financing activities:		
Capital lease financings	$842	$175
Cash dividends declared but not yet paid	132	132
Capital investments accrued but not yet paid	96	93
Settlement of current liabilities for debt	14	-
Cash paid during the year for:		
Interest, net of amounts capitalized	$(578)	$(500)
Income taxes, net of refunds	(452)	(699)

Refer to the Union Pacific Corporation 2009 SEC Form 10-K for more information.

FINANCIAL AND OPERATING STATISTICS *(unaudited)*

Union Pacific Corporation and Subsidiary Companies

For periods ended December 31,			*2009*					*2008*		
Financial and Revenue Statistics	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	**Full Year**	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	**Full Year**
Operating revenues *(millions)*	$3,415	$3,303	$3,671	$3,754	**$14,143**	$4,270	$4,568	$4,846	$4,286	**$17,970**
Operating expenses *(millions)*	$2,743	$2,552	$2,704	$2,752	**$10,751**	$3,482	$3,637	$3,631	$3,145	**$13,895**
Operating ratio *(%)*	80.3	77.3	73.7	73.3	**76.0**	81.5	79.6	74.9	73.4	**77.3**
Operating margin *(%)*	19.7	22.7	26.3	26.7	**24.0**	18.5	20.4	25.1	26.6	**22.7**
Compensation and benefits *(millions)*	$1,070	$976	$999	$1,018	**$4,063**	$1,132	$1,101	$1,123	$1,101	**$4,457**
Compensation and benefits/Op. revenue *(%)*	31.3	29.5	27.2	27.1	**28.7**	26.5	24.1	23.2	25.7	**24.8**
Freight revenue/ Average employees *(000)*	$72.0	$71.4	$80.3	$84.0	**$307.2**	$82.7	$89.3	$95.8	$87.0	**$354.8**
Fuel expense *(millions)*	$386	$370	$466	$541	**$1,763**	$957	$1,159	$1,135	$732	**$3,983**
Average fuel price per gallon consumed *[a]*	$1.51	$1.57	$1.87	$2.05	**$1.75**	$2.84	$3.60	$3.70	$2.46	**$3.15**
Freight revenue *(millions)*	$3,240	$3,121	$3,471	$3,541	**$13,373**	$4,059	$4,349	$4,630	$4,080	**$17,118**
Average revenue per car	$1,755	$1,685	$1,706	$1,726	**$1,718**	$1,738	$1,835	$1,931	$1,891	**$1,848**
Freight revenue/ Revenue ton-mile *(cents)*	2.75	2.76	2.80	2.86	**2.79**	2.88	3.09	3.18	3.02	**3.04**
Effective tax rate (%)	34.7	36.4	37.3	36.8	**36.5**	35.5	35.4	36.6	36.4	**36.1**
Debt to capital *(%) [b]*					**36.8**					**36.6**
Adjusted debt to capital *(%) [c]*					**45.9**					**47.4**
Operating Statistics										
Revenue carloads *(thousands)*	1,847	1,852	2,035	2,052	**7,786**	2,335	2,371	2,398	2,157	**9,261**
Revenue ton-miles *(billions)*	118	113	124	124	**479**	141	141	146	135	**563**
Gross ton-miles *(billions)*	206	201	219	220	**846**	257	257	262	244	**1,020**
Average train speed *(miles per hour) [d]*	27.2	27.4	27.4	27.0	**27.3**	22.2	22.8	23.7	25.1	**23.5**
Average system dwell *(hours) [d]*	24.3	24.5	24.5	25.8	**24.8**	25.2	24.5	24.4	25.3	**24.9**
Average rail car inventory *[d]*	286,398	281,780	281,455	282,773	**283,102**	306,342	303,129	300,391	292,856	**300,692**
Fuel consumed *(millions of gallons)*	252	229	242	256	**979**	330	313	297	289	**1,229**
Employees *(average)*	44,997	43,721	43,248	42,157	**43,531**	49,073	48,693	48,324	46,877	**48,242**
GTMs per employee *(millions)*	4.59	4.59	5.06	5.22	**19.44**	5.24	5.28	5.43	5.20	**21.15**

Refer to the Union Pacific Corporation 2009 SEC Form 10-K for additional information.

[a] Including taxes and transportation costs

[b] Debt to capital is computed as follows: total debt divided by total debt plus equity.

[c] Adjusted debt to capital is computed as follows: total debt plus net present value of operating leases plus value of sold receivables plus after-tax unfunded pension and OPEB obligation divided by total debt plus net present value of operating leases plus value of sold receivables plus after-tax unfunded pension and OPEB obligation plus equity.

[d] As reported to the Association of American Railroads.

NON-GAAP DEFINITIONS

Management believes certain non-GAAP measures provide an alternative presentation of the results that more accurately reflect ongoing Company operations. These measures should be considered in addition to, not a substitute for, the reported GAAP results.

Fuel Price Adjusted Operating Expenses

Reported operating expenses minus the differential between fuel price per gallon consumed multiplied by current period fuel consumed in gallons. Management believes this is an important measure in evaluating cost changes excluding the change in fuel price, to allow the illustration of cost performance as it relates to volume changes.

Free Cash Flow

Cash provided by operating activities, less cash used in investing activities and dividends paid. Management believes free cash flow is important in evaluating our financial performance and measures our ability to generate cash without additional external financings. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities.

Return on Invested Capital

Net income plus interest expense, plus sale of receivables fees, plus interest on present value of operating leases, less taxes on interest and fees divided by average equity plus average debt plus average value of sold receivables plus average present value of operating leases. Management believes this is an important measure for evaluating the efficiency and effectiveness of the Corporation's long term capital investments, and we currently use ROIC as a performance criteria in determining certain elements of equity compensation for our executives.

Debt to Capital

Total debt divided by total debt plus equity. Management believes this is an important measure in evaluating our balance sheet strength and is important in managing our credit ratios and financing relationships.

Adjusted Debt to Capital

Total debt plus net present value of operating leases plus value of sold receivables plus after-tax unfunded pension and OPEB obligation divided by total debt plus net present value of operating leases plus value of sold receivables plus after-tax unfunded pension and OPEB obligation plus equity. Operating leases were discounted using 6.3% at December 31, 2009 and 8.0% at December 31, 2008, respectively. The lower discount rate reflects changes to interest rates and our current financing costs. Management believes this is an important measure in evaluating the total amount of leverage in our capital structure including off-balance sheet obligations.

FUEL PRICE ADJUSTED OPERATING EXPENSES
Normalized for 2008 Fuel Price
Reconciliation to GAAP

(Millions, except for fuel price per gallon)

	First Quarter 2009	Second Quarter 2009	Third Quarter 2009	Fourth Quarter 2009	Full Year 2009
Reported Operating Expenses	**$2,743**	**$2,552**	**$2,704**	**$2,752**	**$10,751**
Average Fuel Price per Gallon Consumed - 2009	$1.51	$1.57	$1.87	$2.05	
Average Fuel Price per Gallon Consumed - 2008	$2.84	$3.60	$3.70	$2.46	
Difference	($1.33)	($2.03)	($1.83)	($0.41)	
Fuel Consumed in Gallons	252	229	242	256	
Adjusted Locomotive Fuel Expense	($335)	($465)	($443)	($105)	($1,348)
Fuel Price Adjusted Operating Expenses	**$3,078**	**$3,017**	**$3,147**	**$2,857**	**$12,099**

FUEL PRICE ADJUSTED OPERATING EXPENSES
Normalized for First Quarter 2009 Fuel Price
Reconciliation to GAAP

(Millions, except for fuel price per gallon)

	First Quarter 2009	Second Quarter 2009	Third Quarter 2009	Fourth Quarter 2009
Reported Operating Expenses	**$2,743**	**$2,552**	**$2,704**	**$2,752**
Average Fuel Price per Gallon Consumed	$1.51	$1.57	$1.87	$2.05
Average Fuel Price per Gallon Consumed - First Quarter 2009		$1.51	$1.51	$1.51
Difference		$0.06	$0.36	$0.54
Fuel Consumed in Gallons		229	242	256
Adjusted Locomotive Fuel Expense		$14	$87	$138
Fuel Price Adjusted Operating Expenses	**$2,743**	**$2,538**	**$2,617**	**$2,614**
Sequential Change		-7.5%	3.1%	-0.1%

FREE CASH FLOW AND CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation to GAAP

(Millions, except for percentages)

	2009	2008	2007
Cash provided by operating activities	$3,234	$4,070	$3,277
Cash used in investing activities	(2,175)	(2,764)	(2,426)
Dividends paid	(544)	(481)	(364)
Free cash flow	$515	$825	$437

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2009	2008	2007
Operating Activities:			
Net income	$1,898	$2,338	$1,855
Depreciation	1,444	1,387	1,321
Deferred income taxes and unrecognized tax benefits	723	547	332
Other operating activities - net	(831)	(202)	(231)
Cash provided by operating activities	3,234	4,070	3,277
Investing Activities:			
Capital investments	(2,384)	(2,780)	(2,496)
Other investing activities - net	209	16	70
Cash used in investing activities	(2,175)	(2,764)	(2,426)
Financing Activities:			
Debt issued	843	2,257	1,581
Common share repurchases	-	(1,609)	(1,375)
Debt repaid	(871)	(1,208)	(792)
Dividends paid	(544)	(481)	(364)
Other financing activities - net	114	106	150
Cash used in financing activities	(458)	(935)	(800)
Net change in cash and cash equivalents	$601	$371	$51

RETURN ON INVESTED CAPITAL (ROIC)

	2009	2008	2007
Net income	$1,898	$2,338	$1,855
Add: Interest expense	600	511	482
Add: Sale of receivables fees	9	23	35
Add: Interest on present value of operating leases	232	299	292
Less: Taxes on interest and fees	(307)	(301)	(310)
Net operating profit after taxes as adjusted (a)	$2,432	$2,870	$2,354
Average equity	$16,194	$15,516	$15,448
Add: Average debt	9,388	8,305	7,232
Add: Average value of sold receivables	492	592	600
Add: Average present value of operating leases	3,681	3,737	3,648
Average invested capital as adjusted (b)	$29,755	$28,150	$26,928
Return on invested capital as adjusted (a/b)	8.2%	10.2%	8.7%

DEBT TO CAPITAL/ADJUSTED DEBT TO CAPITAL

Reconciliation to GAAP

(Millions, except percentages)

	2009	2008	2007
Debt *(a)*	$9,848	$8,927	$7,682
Equity	16,941	15,447	15,585
Capital *(b)*	$26,789	$24,374	$23,267
Debt to capital *(a/b)*	36.8%	36.6%	33.0%

	2009	2008	2007
Debt	$9,848	$8,927	$7,682
Net present value of operating leases	3,672	3,690	3,783
Value of sold receivables	400	584	600
Unfunded pension and OPEB	456	733	234
Adjusted debt *(a)*	$14,376	$13,934	$12,299
Equity	16,941	15,447	15,585
Adjusted capital *(b)*	$31,317	$29,381	$27,884
Adjusted debt to capital *(a/b)*	45.9%	47.4%	44.1%

2005 INCOME TAX ADJUSTMENT

Reconciliation to GAAP

(Millions, except earnings per share)

Management believes certain non-GAAP measures provide an alternative presentation of the results that more accurately reflect on-going Company operations. The full year 2005 net income of $908 million and earnings per diluted share of $3.41, which excluded the income tax expense reduction item reported in the third quarter of 2005, are non-GAAP measures. Management believes these measures provide an alternative presentation of results that more accurately reflects on-going Company operations, without the distorting effects of the income tax expense reduction item. These measures should be considered in addition to, not a substitute for, the reported GAAP results.

Full Year 2005 Results	**As Reported**	**Income Tax Adjustment**
Operating Revenues	$13,578	$13,578
Operating Expenses	11,783	11,783
Operating Income	1,795	1,795
Operating Margin	13.2%	13.2%
Operating Ratio	86.8%	86.8%
Other Income - Net	145	145
Interest Expense	(504)	(504)
Income Before Income Taxes	1,436	1,436
Income Tax Expense	(410)	(528) *(a)*
Net Income	$1,026	$908
Diluted Earnings Per Share	**$3.85**	**$3.41**
Diluted Earnings Per Share - Restated for May 28, 2008 Stock Split	**$1.92**	**$1.71**

Third Quarter 2005 Results	**As Reported**	**Income Tax Adjustment**
Operating Revenues	$3,461	$3,461
Operating Expenses	2,980	2,980
Operating Income	481	481
Operating Margin	13.9%	13.9%
Operating Ratio	86.1%	86.1%
Other Income - Net	42	42
Interest Expense	(124)	(124)
Income Before Income Taxes	399	399
Income Tax Expense	(30)	(148) (*a*)
Net Income	$369	$251
Diluted Earnings Per Share	**$1.38**	**$0.94**
Diluted Earnings Per Share - Restated for May 28, 2008 Stock Split	**$0.69**	**$0.47**

(a) Income tax expense reduction of $118 million after-tax taken in third quarter 2005
Note: Totals may not foot due to rounding

Cautionary Information

The 2009 Analyst "Fact Book" provides additional explanatory information regarding Union Pacific that may not be available, included or directly derived from information in the Company's Annual Report. The information provided is supplemental in nature and is not, and should not be construed as, better than that available in the Company's publicly available reports filed with the SEC. Additionally, some of the information in the Fact Book is derived from the Company's audited financial statements, but the Fact Book and its contents have not been, and should not be considered, audited.

This Fact Book includes statements and information regarding future expectations or results of the Company that are not historical facts. These statements and information are, or will be, forward looking as defined by the federal securities laws. Forward looking statements and information can be identified by use of forward looking terminology (and derivations thereof), such as "believes", "expects", "may", "should", "will", "would", "intends", "plans", "estimates", "anticipates", "projects" and other words or phrases of similar intent. Forward looking statements and information generally include statements and information included under sections of this Fact Book entitled "2010 Market Drivers" and information regarding business opportunities over the next 2 to 3 years, and specifically include statements and information regarding: the Company's expectations or forecasts with respect to general economic conditions in the U.S. and the world; the Company's financial and operational performance; increases of the Company's earnings; demand for the Company's rail service; the continued ability of the Company to increase prices; improving customer service; enhancing profitability; volume and revenue growth; efficiency improvements and increasing returns; improving asset utilization; the effectiveness or growth of new and newer services; management of network volumes; increasing shareholder value; total amount of capital investments; completion and effectiveness of capacity expansion and other capital investments, and other investments in upgrading or adding signals and facilities; returns on capital investments; improvements regarding safety of our operations and equipment; and effectiveness of plans, programs and initiatives to reduce costs, improve the Company's Operating Ratio and other efficiency improvements.

Forward-looking statements and information 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 statements and information are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Forward-looking statements and information reflect the good faith consideration by management of currently available information, and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The Risk Factors in Item 1A of the Company's Annual Report on Form 10-K, filed on February 5, 2010, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements and information. This Fact Book should be read in consideration of these Risk Factors. To the extent circumstances require or the Company deems it otherwise necessary, the Company will update or amend these Risk Factors in subsequent Annual Reports, periodic reports on Form 10-Q or current reports on Form 8-K.

Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.

The Company's financial statements are included solely as a convenience. The financial statements should be read in conjuction with the notes to the Financial Statements and Supplementary Data in Item 8 of the Company's 2009 Annual Report on Form 10-K.