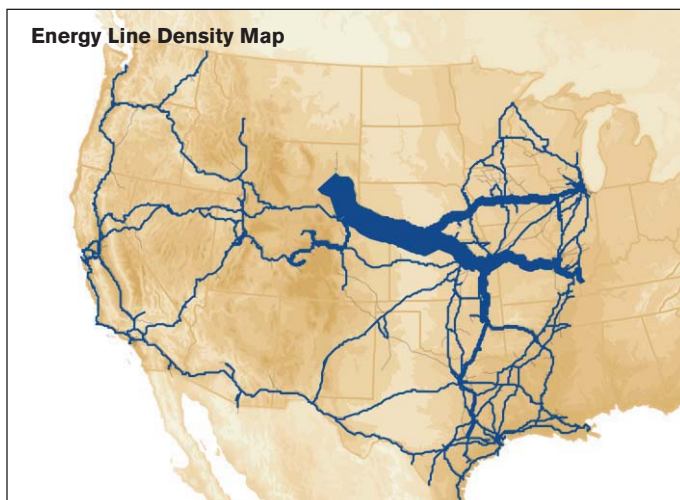


Commodity Profile

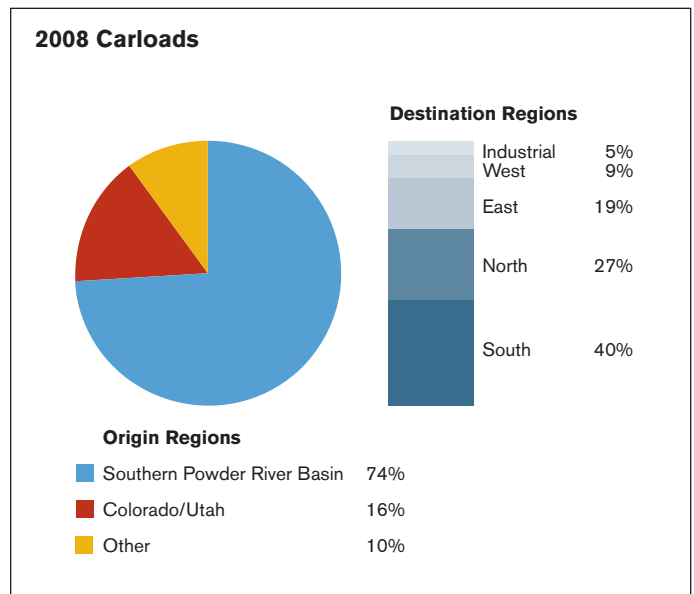
Coal and petroleum coke transportation accounted for 22 percent of Union Pacific's freight revenue in 2008, the largest share of revenue among UP's six business teams. The Railroad's franchise supports the transportation of coal and coke to utilities, industrial facilities, interchange points and water terminals. The water terminals support shipments to eastern utilities located on the Mississippi and Ohio Rivers and the Great Lakes. Union Pacific also utilizes the same river network to support export coal to Europe, along with the West Coast ports to support export coal to Asia.

SPRB coal is the largest segment in UP's energy business. In 2008, SPRB carloadings totaled 74 percent of UP-originated coal volumes. The Railroad also moves high-BTU (British Thermal Units), low sulfur bituminous coal from Colorado and Utah to domestic utilities and industries. For 2008, Colorado/Utah coal traffic represented 16 percent of total coal volumes. The remaining coal loadings originated in southern Wyoming's Hanna Basin and southern Illinois, and also included SPRB coal forwarded to UP from another carrier.

Demand for coal held up throughout 2008, as domestic strength and continued conversion to western coal was supplemented by increased international demand for western U.S. bituminous coal. Overall, coal carloadings were up 2 percent year-over-year. The year began with a robust 6 percent first quarter volume increase fueled by strong demand and supply chain performance. Despite heavy rain and SPRB mine flooding in May and widespread



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



Midwestern flooding in June, second quarter volume grew 2 percent. Although lingering effects of the Midwest flooding continued into the third quarter, volume still rose 3 percent over the prior year. Fourth quarter volume slipped 1 percent due primarily to Colorado/Utah production problems.

With an emphasis on productivity initiatives, SPRB average train size increased more than 1 percent to a record 15,488 tons per train during 2008. An increase in average tons per car, as well as a one-car increase in train length, drove the improvement. The train length improvement was aided by track expansions at select utilities to accommodate longer trains and improved North Platte terminal operations in consistently fulfilling train length targets.

UP set numerous volume records out of the SPRB in 2008. Most notably, an all-time train loading record was set in August with 1,190 trains. Between July and December, more than 1,100 coal trains were loaded each month. In addition to the train size increase, SPRB annual records were established for trains (13,212), tons (204.6 million) and carloads (1.73 million).

Colorado/Utah volume dipped 4 percent from 2007 levels due largely to mine production and coal quality issues. These issues included numerous longwall moves, high methane gas levels, significant geological shifts, poor coal quality caused by excessive rock intrusions, and production delays caused by regulatory safety concerns. However, in spite of these challenges, UP still

established train size productivity records in 2008 for tons per train (10,989), tons per car (110.5), and cars per train (99.4).

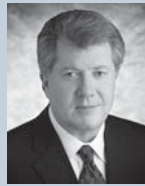
The largest volume of UP's petroleum coke traffic originates on the Gulf Coast. Other key areas include Oklahoma, Kansas, Wyoming and California. Shipments are transported to destinations such as Texas, California and Louisiana. Petroleum coke is a source of high sulfur fuel for electricity generation, and is used by industrial customers in the production of aluminum, steel and cement. The decline in overall industrial production, particularly in the cement industry, caused coke shipments to decrease 6 percent versus 2007, while average revenue per car increased 17 percent.

Powder River Basin (PRB) Economic Advantage

On a cost per million BTU basis, the PRB consistently remains a low cost energy alternative in North America. Among the domestic coal regions, PRB coal is about one-third as expensive as eastern options and is equal to Rocky Mountain coal for the lowest sulfur content. PRB coal competes with natural gas prices as low as \$3.25 per million BTU in most markets.

2009 Market Drivers

Reaching last year's record-setting volume performance is not expected in 2009. Strong supply chain performance in 2008, along with greatly reduced electrical demand associated with the recession, has contributed to above normal coal inventories entering 2009. Manufacturing plant closings in the automobile and aluminum industries lowered industrial electrical demand, while conservation and an increase in foreclosures and vacant homes reduced residential electricity demand. Additionally, despite success in legacy contract renegotiations in 2008, some SPRB business shifted away from UP.



**Doug Glass,
VP & GM Energy**

How has your team adjusted to the current economic situation?

While the current economic environment has affected coal traffic levels less than other commodity lines, most industry veterans view this recession as one of the worst in recent memory. Lower industrial activity and some residential conservation reduced demand for electrical power in the first quarter of 2009. However, Union Pacific still sees the long-term potential for conversion to western coal by power plants east of the Mississippi River. Additionally, higher BTU Colorado/Utah coal made inroads into the Central and Southeastern energy markets in late 2008 as eastern coal was being exported overseas. UP will continue to serve these markets under multi-year agreements even as changes in global demand reduced U.S. export coal business.

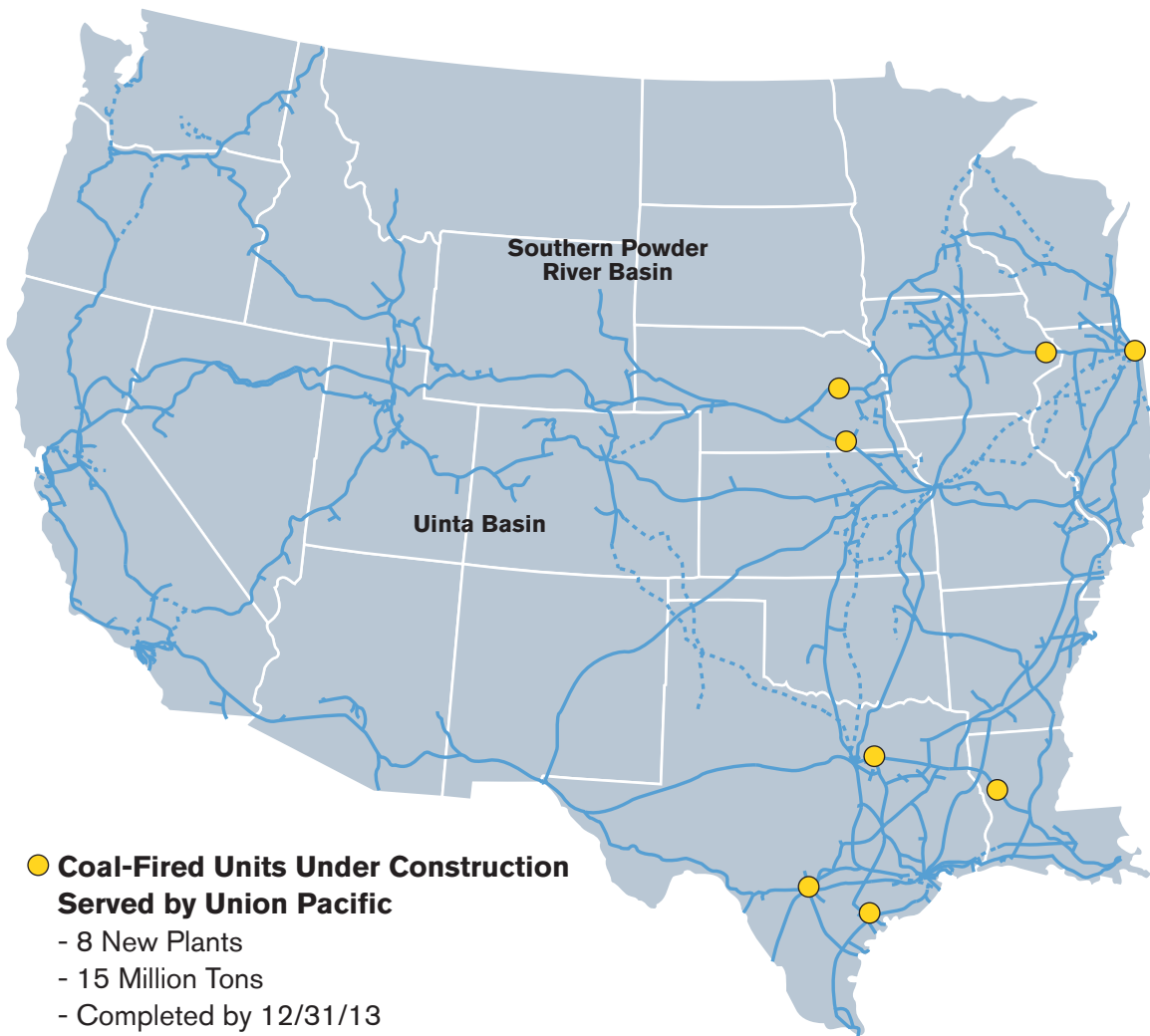
Velocity improvements over the last year strengthened the coal supply chain. Many utility customers added coal unloading capacity or increased trackage to accommodate larger trains and further improve coal deliveries. Customers continue to modernize their coal fleets with all-aluminum railcars to increase carrying capacity and efficiency. Additionally, the Railroad is implementing new technology to provide more precise train arrival and departure information to utilities. Incremental rail/barge capacity is also being built along the Mississippi River, which will benefit interchange business with CSX and NS. Furthermore, this capacity will enable the Railroad to successfully meet the strong demand anticipated for western coal when the economy recovers.

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

Repricing expiring legacy contracts at levels that support reinvestment in the railroad's energy business represents the largest single financial opportunity over the next 2 to 3 years. Contracts for over 15 percent of the Railroad's coal business will expire by the end of 2011.

On the business development side, eight new coal plants are under construction in Union Pacific's territory, with four new plants recently completed and five plants under development. Some of the proposed plants would use advanced carbon capture technology and set new standards for power plant construction. In fact, the CO₂ environmental footprint of these plants is projected to be at, or better than, a natural gas fired plant. The captured CO₂ at these plants could be used in secondary oil recovery or eventually sequestered in safe, underground caverns. Additionally, these new plants could yield business opportunities beyond coal, such as the inbound transportation of the chemicals used to reduce NO_x and SO_x emissions, and the outbound movement of the captured CO₂.

Coal-Fired Units Under Construction



Annual Summary by Quarter - Energy

2008					2007					2006				
1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)														
857	919	1,051	983	3,810	731	761	824	818	3,134	697	729	766	757	2,949
Revenue Ton-Miles (millions)														
63,334	61,748	67,887	65,393	258,362	60,005	60,657	65,133	65,613	251,408	60,075	62,426	62,982	63,669	249,152
Revenue Carloads (thousands)														
582	561	615	590	2,348	551	551	600	597	2,299	550	575	584	587	2,296
Average Revenue Per Car (dollars)														
1,473	1,639	1,709	1,664	1,622	1,326	1,381	1,374	1,368	1,363	1,266	1,268	1,312	1,291	1,285