Union Pacific Corporation

2013 INVESTOR FACT BOOK

BUILDING AMERICA®

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Investor Inquiries

Union Pacific's investor relations are coordinated through the Corporate Treasurer. Requests for interviews, investor kits and general information should be directed to:

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To receive new information as it becomes available, we invite you to regularly visit www.up.com. In the Investors section you can view online 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.

BUILDING AMERICA®

Welcome to the 2013 edition of the Union Pacific Corporation Investor Fact Book, a comprehensive resource that provides meaningful insight into our Company, including information on key market drivers, financial results and operations.

Our network includes 32,000 route miles that travel through 23 states in the western U.S., supporting a balanced mix of six strong business groups. As we look at our franchise, we believe the diversity of the markets we access is second to none in the industry. It truly is a competitive strength in the marketplace today.

We've leveraged this diverse franchise to generate significantly improved profitability over the past decade, outperforming our peers and achieving industry-leading improvement across the board. Since 2004:

- We've taken over 21 points off our operating ratio to a record low of 66.1 percent in 2013,
- We've grown earnings more than six-fold to $9.42 per share in 2013,
- And, we've significantly improved our return on invested capital to 14.7 percent in 2013, which is also a U.S. industry-best.

What's noteworthy is that we've achieved these results with volumes about 4 percent below 2004 levels.

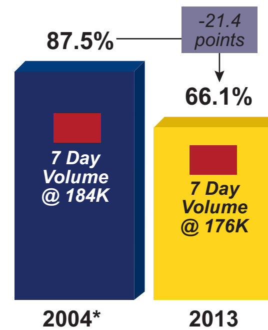
We feel very good about our outlook going forward. The fundamentals are strong, supported by a diverse franchise that allows us to pursue new, attractive market opportunities.

We'll continue to focus on improving returns to support capital investments that will strengthen and enhance our network, create value for our customers, and drive increased returns for our shareholders.

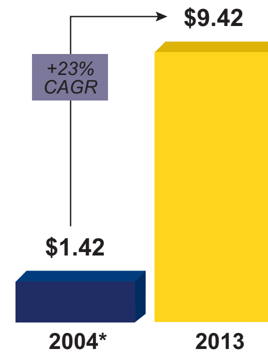
Rob Knight,
EVP - Finance & CFO

Successful Track Record
(2004 to 2013)

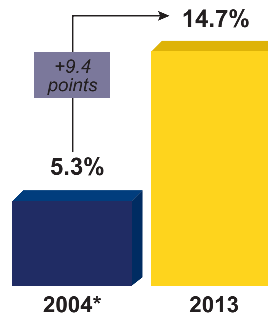
Operating Ratio



Earnings Per Share



Return on Invested Capital



** 2004 adjusted for asbestos charge of $247.4 million*

Union Pacific Railroad is the principal operating company of Union Pacific Corporation (NYSE: UNP). One of America's most recognized companies, Union Pacific Railroad connects 23 states in the western two-thirds of the country by rail, providing a critical link in the global supply chain. From 2004-2013, Union Pacific invested approximately $30 billion in its network and operations to support America's transportation infrastructure. The railroad's diversified business mix includes Agricultural Products, Automotive, Chemicals, Coal, Industrial Products and Intermodal. Union Pacific serves many of the fastest-growing U.S. population centers, operates from all major West Coast and Gulf Coast ports to eastern gateways, connects with Canada's rail systems and is the only railroad serving all six major Mexico gateways. Union Pacific provides value to its roughly 10,000 customers by delivering products in a safe, reliable, fuel-efficient and environmentally responsible manner.

VISION

Building America

Our vision symbolizes the Union Pacific experience for all the people whose lives we touch. It reflects 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.

Key Metrics and Facts

Key Financial and Operating Metrics	2013	2012	2011	2010
Operating revenues *(millions)*	$21,963	$20,926	$19,557	$16,965
Operating income *(millions)*	$7,446	$6,745	$5,724	$4,981
Operating ratio	66.1%	67.8%	70.7%	70.6%
Operating margin	33.9%	32.2%	29.3%	29.4%
Revenue carloads *(thousands)*	9,022	9,048	9,072	8,815
Revenue ton-miles *(millions)*	514,272	521,111	544,397	520,400
Gross ton-miles (GTMs) *(millions)*	949,065	959,280	978,163	931,400
Fuel consumed in gallons *(millions)*	1,091	1,085	1,106	1,051
Average fuel price per gallon consumed	$3.15	$3.22	$3.12	$2.29
Employees *(average)*	46,445	45,928	44,861	42,884
GTMs *(millions)* per employee	20.43	20.89	21.80	21.72
Average train speed *(miles per hour) (a)*	26.0	26.5	25.6	26.2
Average terminal dwell time *(hours) (a)*	27.1	26.2	26.2	25.4

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

2013 Facts (As of 12/31/13)

Track Miles

Route	31,838
Other main line	6,766
Passing lines and turnouts	3,167
Switching and classification yard lines	9,090
Total miles	50,861

	2013
Track miles of rail replaced	834
Track miles of rail capacity expansion	97
Track miles surfaced	11,017
New ties laid in replacement (thousands)	3,608
New ties laid in capacity and other projects (thousands)	262
Total new ties installed (thousands)	3,870

Rail Equipment

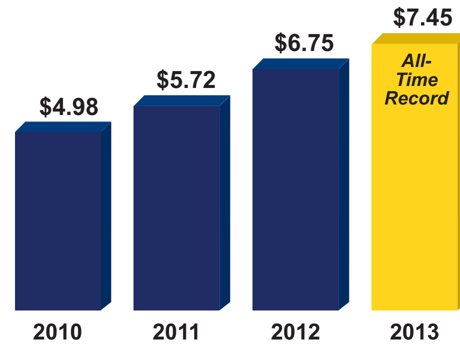
Locomotives	***Owned***	***Leased***	***Total***	***Average Age (yrs.)***
Multiple purpose	5,431	2,348	7,779	18.0
Switching	344	14	358	33.9
Other	72	57	129	34.1
Total locomotives	5,847	2,419	8,266	N/A

Freight cars	***Owned***	***Leased***	***Total***	***Average Age (yrs.)***
Covered hoppers	13,362	14,531	27,893	20.0
Open hoppers	8,271	4,284	12,555	28.1
Gondolas	6,367	4,711	11,078	23.7
Boxcars	3,765	1,400	5,165	28.2
Refrigerated cars	2,651	4,192	6,843	24.9
Flat cars	2,690	1,181	3,871	28.9
Other	21	329	350	N/A
Total freight cars	37,127	30,628	67,755	N/A

Highway revenue equipment	***Owned***	***Leased***	***Total***	***Average Age (yrs.)***
Containers	21,586	29,240	50,826	7.0
Chassis	12,085	24,840	36,925	8.6
Total highway revenue equipment	33,671	54,080	87,751	N/A

Financial Results

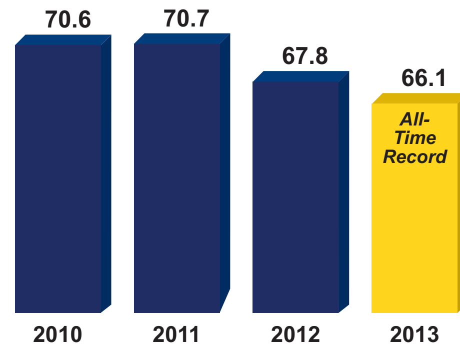
2013 was another tremendous year for Union Pacific, with our financial performance exceeding all previous milestones. We led the U.S. rail industry in overall financial results and generated record earnings per share of $9.42, a 14 percent improvement from 2012.



Operating revenue reached an all-time high of nearly $22 billion, up 5 percent versus 2012 mainly driven by solid core pricing gains. Volume levels were flat compared to 2012.

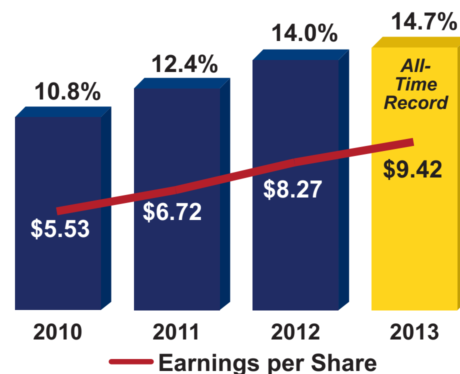
Operating expenses grew 2 percent, primarily driven by wage and benefit inflation, new logistics management fees and container costs for our automotive business, locomotive overhauls, property taxes, and repairs on jointly owned properties. Lower fuel prices partially offset these increases.

Combining solid core pricing gains and continued productivity improvements, UP generated record operating income of $7.45 billion in 2013, up 10 percent versus 2012. The Company also generated a best-ever operating ratio of 66.1 percent, improving 1.7 points compared to 2012.



These achievements translated into record net income of $4.4 billion, surpassing the previous milestone set in 2012. The Company also invested $3.6 billion in capital expenditures, driven by higher asset replacement costs and investments in safety, service, and growth initiatives. Our capital investments also included increased spending on Positive Train Control (PTC) in 2013. Our annual return on invested capital (ROIC) reached a new high of 14.7 percent, improving 0.7 points compared to the previous record set in 2012.

Despite the challenges of a significantly weaker coal market and the carryover impact of the 2012 drought on our grain shipments, other markets within our diverse portfolio of business, including automotive, base chemicals, shale-related moves, construction-related shipments, and domestic intermodal traffic, were positive.

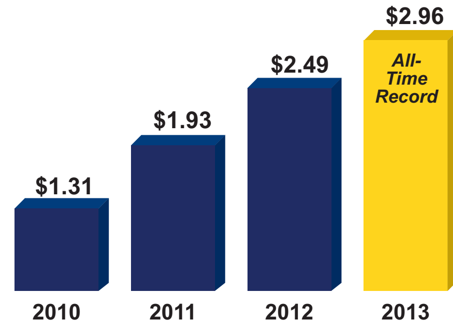


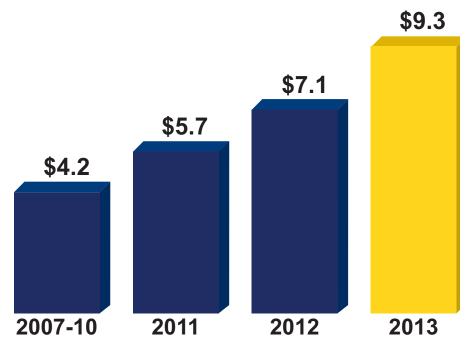
Union Pacific's performance in 2013 generated strong free cash flow of $2.1 billion, which allowed the Company to continue improving returns to shareholders. In 2013, the Company increased its declared dividends per share by 19

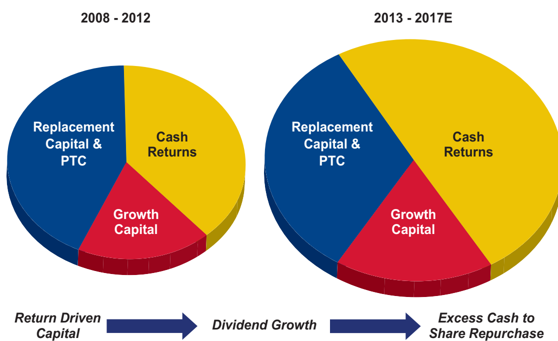
percent and made $2.2 billion in share repurchases, up 50 percent from 2012. UP's stock price reached new highs in 2013, increasing 34 percent, and outpaced the S&P by 4 percentage points.

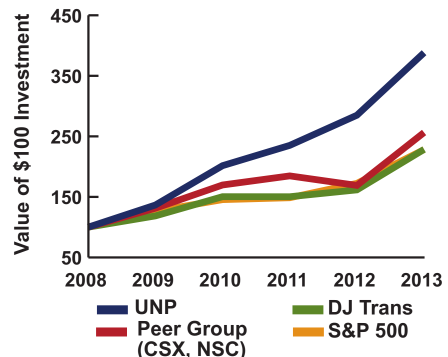
Continued growth in earnings and cash flow improved our 2013 year-end leverage ratios, even with the addition of nearly $600 million of balance sheet debt in 2013. For year-end 2014, we are targeting about 1.5 times Adjusted Debt-to-EBITDA and around 40 percent on an Adjusted Debt-to-Cap basis, which is closer to our low 40s target range.

Over the coming years, we expect to continue generating strong cash from operations to support our capital investments for strategic growth, maintain a strong balance sheet, and reward shareholders with increasing returns. Our current projections include a capital plan that averages around 16 to 17 percent of revenue, assuming business conditions warrant and that potential new laws or regulations do not impact our ability to generate sufficient returns on these investments. Even with a larger capital budget, we expect that the percent of cash returned to shareholders will increase going forward. This is supported by our recent dividend payout target increase to 30 to 35 percent on a declared basis. We also initiated a new share repurchase program that began on January 1, 2014, that provides for the repurchase of up to 60 million shares over a four-year period.









Track and Terminal Density

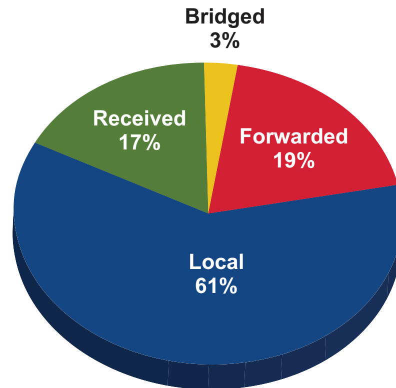
Lane density based on carloadings
Line thickness depicts traffic density

2013 Terminal Volumes

Top 10 Classification Yards	Average Daily Volume (Cars)
North Platte, Nebraska	2,300
North Little Rock, Arkansas	1,600
Englewood (Houston), Texas	1,600
Fort Worth, Texas	1,400
Proviso (Chicago), Illinois	1,400
Livonia, Louisiana	1,300
Roseville, California	1,200
Pine Bluff, Arkansas	1,100
West Colton, California	1,100
Neff (Kansas City), Missouri	1,100

Top 10 Intermodal Terminals	Annual Lifts
Global 4 (Joliet), Illinois	484,000
ICTF (Los Angeles), California	469,000
East Los Angeles, California	429,000
DIT (Dallas), Texas	310,000
Global I (Chicago), Illinois	263,000
Marion (Memphis), Tennessee	261,000
City of Industry, California	256,000
Global II (Chicago), Illinois	256,000
Lathrop, California	248,000
Mesquite, Texas	238,000

Traffic Classification - 2013 Carloads



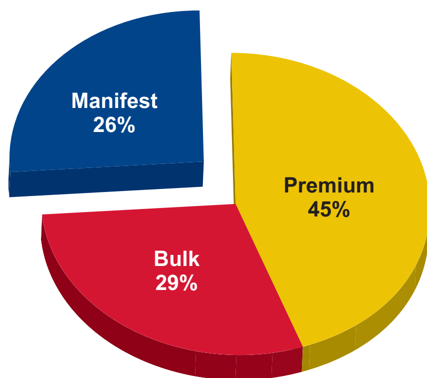
Local = UP Origin + UP Destination
Forwarded = UP Origin + Other Destination
Received = Other Origin + UP Destination
Bridged = Other Origin + UP Intermediate + Other Destination

Manifest Network

Seattle
Eastport
Portland
Duluth
Minneapolis/
St. Paul
Chicago
North
Platte
Omaha
Cheyenne
Salt
Lake
City
Oakland
Denver
St.
Louis
Salem
Kansas
City
Memphis
Los Angeles
Phoenix
Calexico
Nogales
El Paso
Ft. Worth
Dallas
Shreveport
Longview
San
Antonio
New Orleans
Houston
Eagle Pass
Laredo
Brownsville

Network Terminals
Regional Terminals
Storage-in-Transit
Interchange/Gateway

Freight Traffic - 2013 Carloads



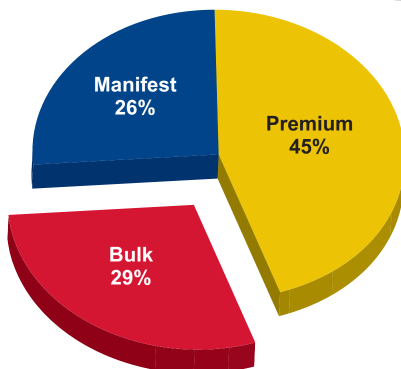
Manifest traffic includes individual carload or less-than-trainload business, involving commodities such as lumber, steel, paper, food and chemicals, all transported from thousands of locations across Union Pacific's network. The Railroad's extensive manifest infrastructure includes terminal locations throughout its system and storage-in-transit facilities in the Gulf Coast region, which allow our chemical customers to store their products at our facilities prior to final delivery. This unique aspect of UP's franchise serves customers in virtually every segment of the economy. Through rail industry partnerships, UP can access approximately 90 percent of the North American population. In 2013, manifest traffic represented 26 percent of the Company's volume and 41 percent of freight revenue.

Bulk Network

Bulk Network

- Grain/Grain Products
- Coal
- Soda Ash
- Rock
- Crude Oil
- Interchange/Gateway

Freight Traffic - 2013 Carloads

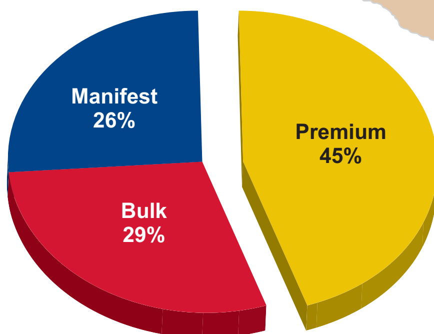


Bulk traffic primarily consists of coal, grain, soda ash, rock, and crude oil shipped in unit trains – trains transporting a single commodity from one origin to one destination. Most of UP's coal traffic originates from the Southern Powder River Basin (SPRB) of northeastern Wyoming and the Uinta Basin of Colorado and Utah. Grain and grain products move out of the Midwest to domestic markets and for export to Mexico and elsewhere through ports in the Gulf Coast and Pacific Northwest (PNW). Producers mine soda ash near Green River, Wyoming, destined for export through Gulf Coast and PNW ports. Rock trains move primarily in and around Texas. The majority of our crude oil unit trains currently move south to the Gulf area. The Railroad designed its bulk network to handle high-volume, efficient, point-to-point moves. Operating this network represents a core competency and franchise strength for UP. In 2013, bulk traffic represented 29 percent of the Company's volume and 30 percent of freight revenue.

Premium Network

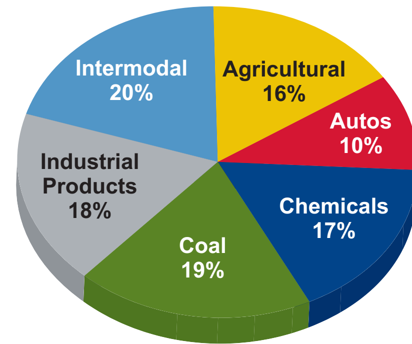
Premium Network
- Intermodal Terminals
- Ports
- Interchange Points
- Automotive Distribution Centers
- Automotive Assembly Centers

Freight Traffic - 2013 Carloads

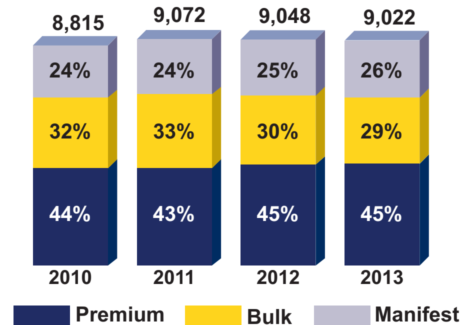


Union Pacific's premium business includes the transportation of finished vehicles, auto parts, intermodal containers, and truck trailers. UP is the largest automotive carrier west of the Mississippi River. The Railroad's extensive franchise serves vehicle assembly plants and connects to West Coast ports and the Port of Houston to accommodate import and export shipments. UP's network directly accesses all six U.S./Mexico rail gateways, providing expedited handling of the growing cross-border automotive traffic. Intermodal and automotive import traffic benefits from excellent service in competitive long-haul routes connecting the West Coast ports and eastern gateways, particularly along the Sunset Corridor from Los Angeles to El Paso. Additionally, time-sensitive domestic intermodal shippers benefit from the ramp-to-ramp and door-to-door service UP provides across its network. In 2013, premium traffic represented 45 percent of the Company's volume and 29 percent of freight revenue.

The strength of Union Pacific's diverse franchise, strong customer service, and targeted capital investments that improve network fluidity and asset utilization created value for customers once again in 2013. The Company's continued focus on strengthening relationships with customers, targeting new business opportunities and enhancing its value proposition are reflected in continued core pricing gains and increased financial returns.



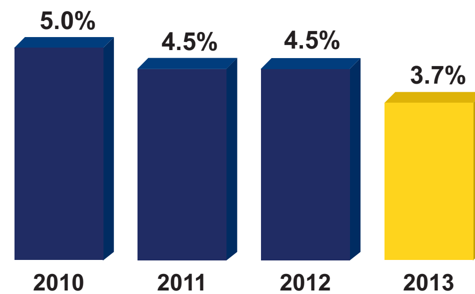
Core pricing gains of more than 3.5 percent, favorable business mix, and an automotive logistics management arrangement drove a 5 percent increase in freight revenue to $20.7 billion in 2013. Freight revenues from five of the Company's six business teams increased in 2013. Revenue from agricultural products was down slightly compared to 2012. Overall volumes were flat compared to 2012 as growth in automotive, frac sand, crude oil, chemicals, and domestic intermodal shipments offset declines in coal, international intermodal, and grain shipments.



Automotive shipments increased 6 percent in 2013, driven by higher production and sales volumes, with pent-up demand to replace aging vehicles. The average age of vehicles on the road are the oldest on record, reaching 11.4 years in 2013, with consumers replacing them with new models offering improved technology and fuel efficiency.

A 26 percent increase in frac sand shipments to support drilling activity for energy products contributed to the 4 percent growth in Industrial Products volumes. An improving construction market drove an increase in lumber, cement, and stone shipments relative to 2012. Lumber shipments increased 10 percent, driven by growth in housing starts during the year.

Chemical shipments were up 6 percent, driven by growth in crude oil shipments from the Bakken, Permian, and Eagle Ford Shale formations primarily to the Gulf area, which increased 19 percent compared to 2012. Increased demand and new business activity drove higher petroleum products and LPG shipments. In addition, the chemical industry's continued cost advantage in the global marketplace due to low natural gas prices drove increases in plastics and industrial chemical shipments.



Intermodal traffic was flat compared to 2012 as a 3 percent increase in domestic shipments offset a 2 percent decline in international volumes. Continued conversions from truck

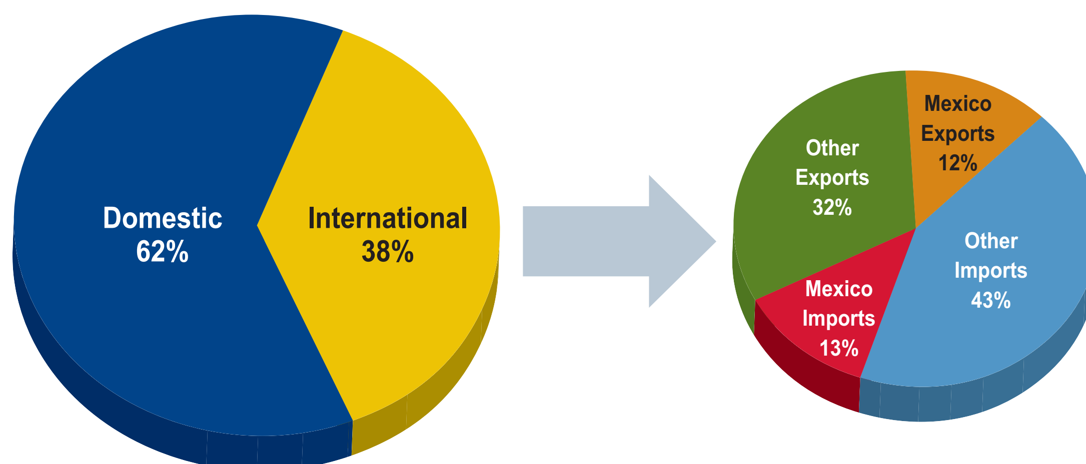
to rail produced a fifth consecutive record year for domestic intermodal shipments. International volumes were hampered by market share shifts within the ocean carrier industry and increased transloading activity at distribution centers near West Coast ports.

Coal volume declined 9 percent compared to 2012, with more than half of the decline driven by the loss of a customer contract. Relatively mild summer weather, initiatives by utilities to more tightly manage inventory, and mine production issues at certain Colorado/Utah mines also contributed to the decline. Exports to Europe and Asia were essentially flat compared to 2012 at roughly 8 million tons.

The carryover impact of the 2012 drought drove a 3 percent decline in agricultural volumes. With the strong 2013 grain harvest, fourth quarter grain shipments increased 41 percent compared to 2012. Despite the strong fourth quarter volumes, grain shipments were down 4 percent for the full year. Food and refrigerated products also declined 4 percent in 2013.

UP's competitive service offerings and strong value proposition drove continued support for existing customers and enabled entrance into new markets. The Company successfully competed for and repriced 80 percent of the $350 million legacy business that came up for renewal at the beginning of 2013. The Company remains committed to its strategy of pricing for reinvestibility. It is supported by the value we create for our customers and is required to generate the returns needed for continued investment in our franchise.

2013 Carload Composition

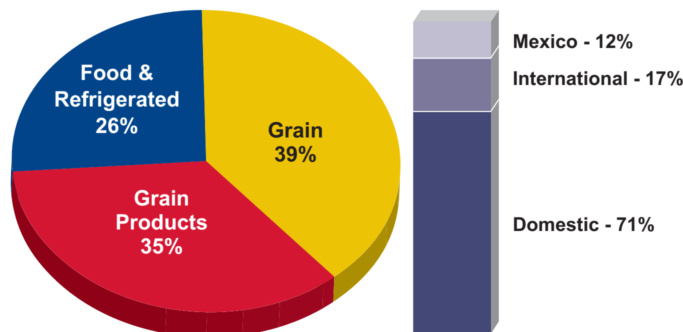


Annual Summary by Quarter

	Freight Revenue *(millions)*	Revenue Ton Miles *(millions)*	Revenue Carloads *(thousands)*	Average Revenue per Car
1Q2012	$4,823	132,707	2,218	$2,175
2Q2012	4,913	126,629	2,258	2,176
3Q2012	5,019	133,306	2,331	2,153
4Q2012	4,931	128,469	2,241	2,200
FY2012	**$19,686**	**521,111**	**9,048**	**$2,176**
1Q2013	$4,984	123,963	2,168	$2,299
2Q2013	5,153	127,414	2,246	2,295
3Q2013	5,250	131,283	2,328	2,255
4Q2013	5,297	131,612	2,280	2,323
FY2013	**$20,684**	**514,272**	**9,022**	**$2,293**
Pct Change vs. 2012	**5%**	**(1)%**	**0%**	**5%**

Agricultural

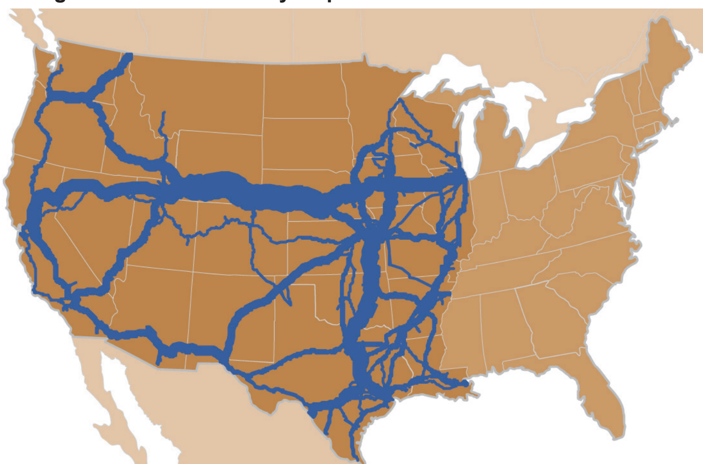
Transportation of grains, feed commodities, and food and refrigerated products generated 16 percent of the Railroad's 2013 freight revenue. Union Pacific accesses most major grain markets, linking the Midwest and western U.S. producing areas to export terminals in the Pacific Northwest and Gulf Coast ports, as well as Mexico. While it varies, grain exports for UP typically represent between 30 to 40 percent of our total grain shipments. UP also serves various domestic markets, including grain processors, animal feeders and ethanol producers in the Midwest, West, South and Rocky Mountain states.



More than half of UP's agricultural business moves on the Railroad's manifest network, allowing shippers of all sizes to benefit from efficient, value-added rail service. Unit trains, which transport a single commodity efficiently between producers and export terminals or domestic markets, represent approximately 36 percent of Agricultural shipments. Many of these unit trains operate within the confines of UP's shuttle program which allows qualifying customers exclusive use of unit train sets for a pre-determined amount of time, providing guaranteed capacity in exchange for their commitment.

Union Pacific's unique franchise, coupled with the ownership of the largest refrigerated boxcar fleet in the industry, creates a competitive advantage in the shipment of perishables. Union Pacific offers two premium services for these products. Produce Railex 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. These two services directly access California and the PNW, which produce over 60 percent of the nation's fresh fruits and vegetables. The Railroad also transports frozen meat and poultry from the Midwest and Mid-South to the West Coast for export. Additionally, we offer door-to-door service in collaboration with Union Pacific Distribution Services.

Agricultural Line Density Map



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

Shipment of perishables is a highly truck-competitive market, as customers require fast, reliable transit times. Improvement in the Railroad's network performance creates opportunities to capture market share from trucks in this service-sensitive sector. Since it was introduced in 2000, Express Lane has moved more than 11 million tons of this expedited carload product.

UP considers Canada and Mexico important extensions of its domestic markets through alliances with other railroads. In 2013, 55 percent of Agricultural shipments to and from Mexico consisted of southbound moves. This traffic mix primarily consisted of shipments of soybeans, corn, soybean meal, wheat, dried distillers grains with solubles (DDGS), and rice. Shipments of beer accounted for most of the northbound agricultural shipments from Mexico.

Agricultural revenue was down slightly in 2013, with a 3 percent improvement in average revenue per car offsetting a 3 percent reduction in volume. The 2012 drought, which was especially severe in our served territories, adversely impacted grain

shipments through the first nine months of 2013. The 2013 fall crop harvest provided relief, with 2013 corn production nearly 30 percent above 2012 levels. Grain shipments increased 41 percent in the fourth quarter, driven by a 93 percent increase in exports. Despite the growth in the fourth quarter, grain shipments were down 4 percent for the full year compared to 2012. Export wheat increased in the second half of 2013, partially offsetting the decline in other grain shipments.

Higher commodity prices also had a secondary impact on shipments of grain products. Ethanol shipments were adversely impacted by higher corn prices at the beginning of 2013, but grew in the second half of the year as lower corn prices and increased gasoline consumption drove replenishment of low ethanol inventories at various refineries.

2014 Market Drivers

Record domestic crop production in 2013 is expected to drive volume growth opportunities for Agricultural Products in the first half of 2014, compared to drought-impacted volumes in 2013. Exports should see strength from more competitive U.S. commodity prices. The improved cost-competitiveness of corn versus substitute feed grains for animal feed rations should also drive growth in domestic volumes.

While the USDA is projecting another bumper crop in 2014, actual production will depend on weather conditions throughout the growing season. Second half grain volumes, and to a lesser extent grain products, will depend on harvest yields in the United States and throughout the world.

Ethanol and biodiesel shipments will be largely dependent on fuel demand and domestic commodity prices, but could be marginally impacted by a change in the EPA's Renewable Fuel Standard. Both of UP's premium perishable service offerings should see modest volume growth in 2014, driven by continued improvement in transit times and the acquisition of 305 new refrigerated boxcars in 2013.

Jason Hess,
VP & GM Agricultural

Given current economic projections, what are the most significant opportunities and challenges for the Agricultural Products group over the next 2-3 years?

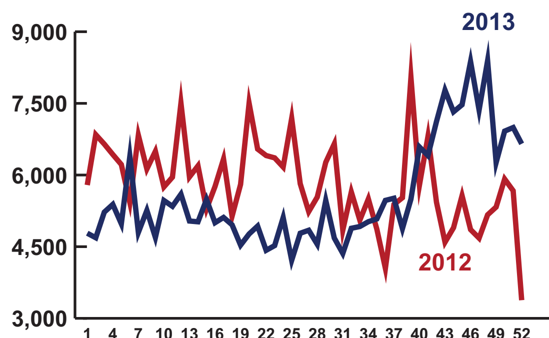
Agricultural Products volumes are highly correlated with population growth and food consumption, which have relatively predictable growth patterns. However, numerous factors such as weather, regional GDP and currency valuations continue to make it an economic sector with a high degree of variability.

Prospects for higher U.S. grain production over the next few years are still favorable, which should create opportunities to fill the need for growing world food demand. Increased production is also forecasted as a result of shifting crop acres, acreage growth and higher crop yields. The trend-line yield for corn production has an upward slope, driven primarily by advances in biotech corn hybrids. If current trend lines are realized in the upcoming years, Union Pacific will likely benefit from these growth opportunities.

While the sustainability of biofuels is no longer solely dependent on subsidies or mandates, there is uncertainty with how the renewable fuel standard will impact corn-based ethanol production. Rail opportunities for ethanol will also depend upon Brazil's ability to supply imports of advanced ethanol, the world demand for corn-based ethanol, and the ability of the U.S. market to handle E-15 blends.

Grain, soybean meal, ethanol, DDGS and meat should provide export opportunities over the next few years as population growth in Asian countries coupled with standard of living improvements are expected to drive continued demand for these products.

We expect volume growth in the food and refrigerated markets to be driven by an increasing population base and further penetration into the historically truck-served perishables market. We expect demand to grow and are well positioned to handle it with the largest, most modern refrigerated boxcar fleet in the United States.



Export Grain Flows

Annual Summary by Quarter - Agricultural

	Freight Revenue *(millions)*	Revenue Ton Miles *(millions)*	Revenue Carloads *(thousands)*	Average Revenue per Car
1Q2012	$858	21,909	234	$3,664
2Q2012	854	21,212	233	3,665
3Q2012	783	19,349	218	3,596
4Q2012	785	18,937	215	3,647
FY2012	**$3,280**	**81,407**	**900**	**$3,644**
1Q2013	$784	19,459	212	$3,694
2Q2013	784	18,796	209	3,750
3Q2013	771	18,452	210	3,679
4Q2013	937	24,197	243	3,846
FY2013	**$3,276**	**80,904**	**874**	**$3,746**
Pct Change vs. 2012	**0%**	**(1)%**	**(3)%**	**3%**

Automotive

Automotive shipments generated 10 percent of Union Pacific's 2013 freight revenue. Union Pacific is the largest automotive carrier west of the Mississippi River and operates or accesses over 40 vehicle distribution centers. The Railroad's extensive franchise directly serves 5 vehicle assembly plants and connects to West Coast ports, Mexico gateways, and the Port of Houston to accommodate both import and export shipments.

In addition to transporting finished vehicles, UP provides expedited handling of automotive parts in both boxcars and intermodal containers destined for Mexico, the U.S., and Canada. To accommodate the various needs of customers, UP provides different service offerings, including boxcar direct, cross-dock coordination for non-rail served facilities, and intermodal service. In 2013, UP handled more than 70 percent of western U.S. rail automotive carload shipments.

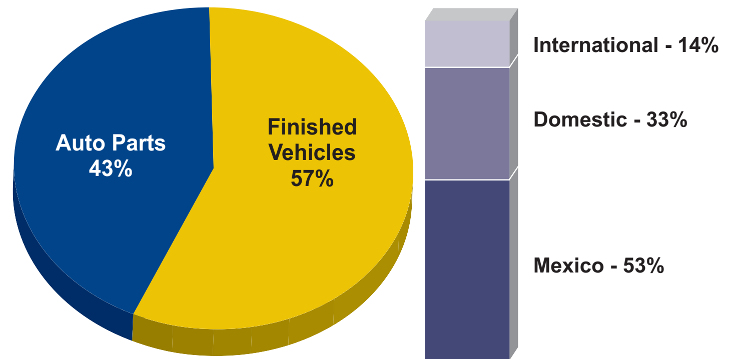
The average age of U.S. light vehicles is currently about 11.4 years, the oldest in recorded history. Pent-up consumer demand, low interest rates, better fuel efficiency and technological product features drove new U.S. light vehicle sales to 15.5 million vehicles in 2013.

Automotive volume growth of 6 percent was driven by higher production levels and the increase in light vehicle sales. While variable production at key assembly plants impacted shipments during the first half of 2013, full year finished vehicle shipments grew 4 percent while automotive parts shipments increased 9 percent. Core pricing gains and a logistics management arrangement that covers fees and container costs helped improve average revenue per car by 9 percent in 2013. Combined, these factors helped drive a 15 percent increase in freight revenue in 2013 compared to 2012.

Automotive Line Density Map

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

2013 Carloads



During 2013, two-thirds of UP's automotive volume crossed an international border, driven primarily by traffic to and from Mexico, which represented approximately half of overall automotive volumes. This included shipments of finished vehicles as well as parts and materials moving in intermodal or boxcar/flatcar service.

In 2013, Union Pacific continued production of the AutoFlex© rail car that originally began in 2011. The AutoFlex©, designed by Union Pacific, is a convertible multi-level rail car that can be adjusted to accommodate bi-level (large vehicles) or tri-level (small vehicles) transport with the same rack structure. The AutoFlex©, which was first placed into service during 2012, improves safety, service, and security and demonstrates UP's leadership in, and commitment to, the automotive industry. UP will continue to add AutoFlex© rail cars as required to support growth and serve as replacement units.

2014 Market Drivers

As of April, IHS Global Insight Inc. projects improvement in general economic conditions and forecasts a 3 percent increase

in U.S. light vehicle sales and a 3.6 percent increase in North American light vehicle production during 2014. Additionally, IHS projects a 9 percent increase in Mexico light vehicle production, reflecting the capacity expansion by manufacturers that started production at the end of 2013 and the beginning of 2014, including Nissan, Honda, and Mazda. With UP handling over 80 percent of the cross-border carload automotive market share, this represents a future growth opportunity for the Company.

Growth opportunities also exist with the Railroad subsidiaries: Insight Network Logistics (INL), ShipCarsNow (SCN), and Union Pacific Distribution Services (UPDS). These companies offer supply chain logistic services for major automotive manufacturers. Additionally, SCN continues to make inroads into the used car remarketing area by providing management and coordination services for vehicle auction companies and rental car firms, both domestically and internationally. All three subsidiaries are marketed jointly with UP's rail services and assist manufacturers in meeting customers' changing inventory needs while providing 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.

Linda Brandl,
VP & GM Automotive

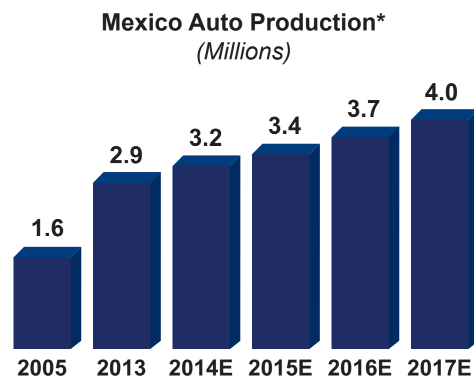
Given current economic projections, what are the most significant opportunities and challenges for the Automotive group over the next 2-3 years?

Union Pacific's industry-leading automotive franchise is well positioned to compete for future growth, with its unparalleled network, facilities, equipment, access to demand markets, and premium service offerings. This growth is being driven by pent-up demand, lower interest rates, better access to credit, as well as the attractiveness of new, redesigned, fuel-efficient models with technology that is in high demand.

A desire to build closer to U.S. demand is contributing to a change in production patterns from Asia and Europe to North America. Coupled with a skilled labor force, these factors are the primary drivers behind a significant amount of foreign direct investment flowing into Mexico, particularly within the sectors of automotive manufacturing and tier parts suppliers. With expanded production capacity as a result of these investments, forecasted production of finished autos in Mexico is projected to increase from 2.9 million vehicles in 2013 to 4.0 million by 2017.

Of this production, a large portion will be destined to Mexico's NAFTA trading partners – the U.S. and Canada. More than 75 percent of Mexico's exported vehicles are destined to these two countries. An increase in assembled vehicles production within Mexico not only drives an increase in northbound vehicle shipments, but also presents both a southbound and northbound opportunity for automotive parts shipments. Within this global supply chain, UP's North/South and East/West service franchise will continue providing integral connections to these key markets.

Global production trends have the potential to alter transportation flows due to increased production in Mexico and China. Along with our existing offices in Mexico, the Company has an established sales office in Shanghai, China, to further cultivate relationships with Chinese automotive original equipment manufacturers and suppliers in anticipation of increasing import volumes of parts and vehicles over the longer term.

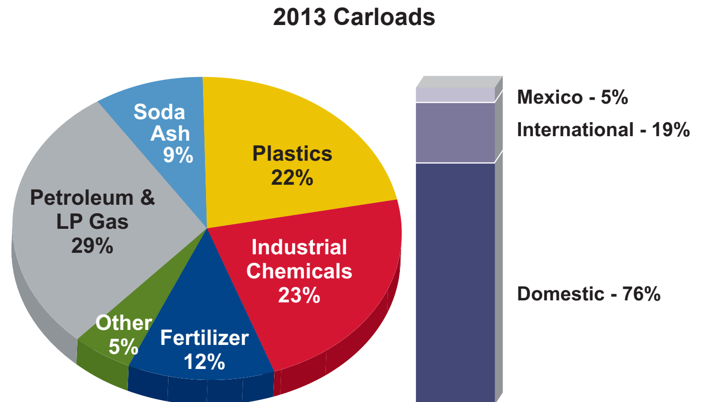


Automotive Facilities and Assembly Centers

Annual Summary by Quarter - Automotive

	Freight Revenue (millions)	Revenue Ton Miles (millions)	Revenue Carloads (thousands)	Average Revenue per Car
1Q2012	$430	3,657	180	$2,390
2Q2012	475	3,860	190	2,505
3Q2012	436	3,596	181	2,407
4Q2012	466	3,829	187	2,487
FY2012	**$1,807**	**14,942**	**738**	**$2,448**
1Q2013	$487	3,848	184	$2,648
2Q2013	534	4,088	197	2,715
3Q2013	512	3,995	195	2,620
4Q2013	544	4,238	205	2,653
FY2013	**$2,077**	**16,169**	**781**	**$2,659**
Pct Change vs. 2012	**15%**	**8%**	**6%**	**9%**

Chemical shipments generated 17 percent of Union Pacific's freight revenue in 2013. Volume gains and core price improvements drove an 8 percent increase in freight revenue from chemical shipments compared to 2012. The Railroad's unique franchise serves the chemical producing areas along the Gulf Coast, where roughly two-thirds of the Company's chemical business originates, terminates, or travels. UP's chemical franchise also accesses chemical producers in the Rocky Mountains and on the West Coast. The Company's chemical shipments include four broad categories: Petrochemicals, Fertilizer, Soda Ash, and Other.



Petrochemicals, which makes up 74 percent of UP's chemical business, is comprised of industrial chemicals, plastics, petroleum products including crude oil, and liquid petroleum gases. At present, 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 segments of basic, intermediate, and specialty chemicals produced by, and shipped to, both large and small customers. Plastics shipments support the automotive, housing, and the durable and disposable consumer goods markets. UP is an important link in the plastics supply chain through its ownership and operation of rail storage-in-transit (SIT) facilities. Plastics customers utilize these SIT yards for intermediate storage of plastic resins, giving UP a distinct advantage given that the Company has more SIT capacity than any other railroad.

Chemicals Line Density Map

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

Strengthening industrial production and the availability of low cost natural gas feedstock continued to spur growth in UP's petrochemical business in 2013. The most significant driver of growth during 2013 was the increased shipments of crude oil from the Bakken, Permian, and Niobrara shale formations primarily destined to the Gulf area. While crude oil shipments were up 19 percent for the full year versus 2012, volumes declined in the second half of the year as an increased supply of crude oil and new pipeline infrastructure in the Gulf Coast led to a decline in shipments from West Texas and Oklahoma. Second half volumes were also adversely impacted by the discount of Louisiana Light Sweet crude to Brent crude which displaced some Bakken shipments away from the Gulf to the East and West Coasts.

Fertilizer movements, which include shipments of nitrogen, phosphates, and potash, originate in the Gulf Coast region, the western U.S. and Canada (through interline access) for delivery to major agricultural users in the Midwest and western U.S., as well as abroad. Fertilizer and related materials represented 12 percent of the Railroad's chemical carload business in 2013.

Soda ash accounted for 9 percent of UP's chemical business in 2013. This product originates 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.

Other shipments of sodium products, phosphorus rock and sulfur made up the remaining 5 percent of chemicals volumes transported in 2013.

2014 Market Drivers

UP's base chemical franchise is anticipated to remain solid in 2014 due to the availability of lower cost natural gas feedstock. Strength in certain U.S. market sectors, including automotive, housing and consumer products, is also expected to have a positive impact on overall demand for plastics and industrial chemical products.

Crude oil spreads, a growing Gulf crude supply, and increased pipeline capacity are expected to have a continued impact on our crude-by-rail volumes. In addition, the first half of 2014 faces more challenging year-over-year comparisons. To support on-going development, we'll continue to invest in our network to ensure timely, consistent service for our customers. As with many other investments, these network enhancements will also be utilized by our diverse portfolio of other businesses

Growth in soda ash shipments will be dependent upon domestic growth coupled with export demand from Asia. Fertilizer shipments will be based upon the demand for nutrients as inputs into crop production.

Beth Whited,
VP & GM Chemicals

Given current economic projections, what are the most significant challenges and opportunities for the Chemicals group over the next 2-3 years?

Our service offering in the market is supported by our unparalleled infrastructure that includes terminals, regional yards, and SIT facilities. Combined with access to key ports, a wide geographic reach, and a strong value proposition, we are well positioned to compete for future growth opportunities.

The chemicals industry is dependent on the cost of raw feedstock, which is currently favorable for U.S. chemical production, as evidenced by the significant number of ethylene and propylene expansion projects announced in Texas and Louisiana that are anticipated to come online beginning in 2016. Although it is too early to tell how these new developments will impact our business, we do view it as a positive for the chemical industry, the U.S. economy, and Union Pacific.

Additionally, the longer term global demand for potash is projected to grow as the drive to increase crop yields to meet the needs of a growing population base continues.

Even with expanding pipeline capacity, we expect continued participation in the movement of crude-by-rail. Oil producers' belief in the sustainability of rail movements is evident in the billion dollar plus investment in rail terminals and tank cars. The long-term viability of crude-by-rail is also supported by the flexibility and speed that rail service offers, allowing shippers to take advantage of arbitrage opportunities.

Going forward, we expect the economics of crude oil spreads to be the key driver of traffic flows. Other markets, such as Canadian crude and West Coast destinations, should provide new opportunities as crude-by-rail continues to evolve. Overall, growth in crude-by-rail shipments will depend on continued terminal development, pipeline capacity, crude oil prices, arbitrage opportunities, and market conditions. The potential for additional regulations and prospective changes to tank car specifications could also have an impact on our crude-by-rail volumes.

Annual Summary by Quarter - Chemicals

	Freight Revenue *(millions)*	Revenue Ton Miles *(millions)*	Revenue Carloads *(thousands)*	Average Revenue per Car
1Q2012	$768	16,045	241	$3,184
2Q2012	795	16,793	261	3,044
3Q2012	841	17,608	275	3,064
4Q2012	834	17,649	265	3,146
FY2012	**$3,238**	**68,095**	**1,042**	**$3,107**
1Q2013	$873	18,601	271	$3,225
2Q2013	890	19,069	287	3,098
3Q2013	883	18,541	282	3,134
4Q2013	855	17,752	263	3,255
FY2013	**$3,501**	**73,963**	**1,103**	**$3,176**
Pct Change vs. 2012	**8%**	**9%**	**6%**	**2%**

Coal

The transportation of coal and petroleum coke generated nearly $4.0 billion, or approximately 19 percent of Union Pacific's freight revenue during 2013.

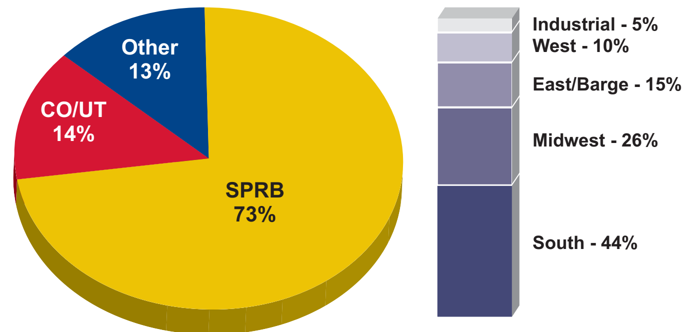
The Railroad's network supports the transportation of coal and petroleum coke to independent and regulated power companies and industrial facilities throughout the United States. Through interchange gateways and ports, UP's reach extends to utilities in the eastern U.S., Mexico, Europe and Asia. Water terminals allow the Railroad to move western U.S. coal east via the Mississippi and Ohio Rivers, as well as the Great Lakes. Export coal moves through West Coast ports to Asia, and through Mississippi River terminals and Houston to Europe. With its unrivaled access, UP has the ability to merge the best of rail and barge or rail direct economics to competitively deliver coal to a broad base of customers anywhere in the world.

Coal traffic originating in the Southern Powder River Basin (SPRB) area of Wyoming is the largest segment of UP's coal business, comprising 73 percent of total carloads in 2013. This reliable, low-cost, low-sulfur, sub-bituminous coal is attractive to utilities in the competitive electricity generation market. Coal produced in the Uinta Basin region of Colorado and Utah is the second largest source of UP coal volume, representing 14 percent in 2013. This mostly sub-surface coal has a relatively high BTU (British Thermal Unit) and low sulfur content. The remaining traffic consists of coal forwarded to UP from other carriers, shipments originating from southern Wyoming's Hanna Basin, the Illinois Basin, New Mexico, and petroleum coke from oil refineries throughout the country.

Coal Line Density Map

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

2013 Carloads



Price increases and positive business mix drove a 12 percent improvement in average revenue per car in 2013. While coal's market share of total 2013 U.S. electricity generation was up from 2012 levels, UP's coal shipments were down 9 percent.

Southern Powder River Basin (SPRB) shipments declined 10 percent from 2012 due to the loss of a customer contract at the beginning of the year, relatively mild summer weather, and high utility coal inventories. Shipments from Colorado and Utah mines decreased 13 percent compared to 2012, driven by soft domestic demand and mine production issues, partially offset by second half growth in international shipments. Total exports in 2013 were approximately 8 million tons, most of which were sourced from the Colorado and Utah mines and destined for export out of Gulf Coast and West Coast ports.

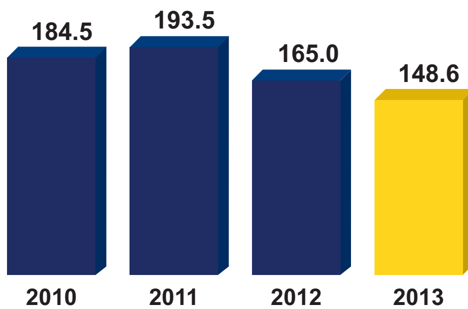
Petroleum coke is a residual of the oil refining process. It is a source of high sulfur fuel for electricity generation and is used by industrial customers in the production of aluminum, steel and cement. This traffic originates mainly on the Gulf Coast, as well as in Oklahoma, Kansas, Wyoming and California, principally at refineries and a limited number of processing and distribution facilities. The primary destination is Texas; however, shipments also move to the Midwest, California and Louisiana.

2014 Market Drivers

As in any year, coal volumes for Union Pacific will be largely dependent on weather conditions, particularly summer temperatures in our served territories. Volumes also will be driven by economic activity, natural gas prices and coal inventory at utilities. The coal utilities we serve are more competitive in the open market when natural gas prices are elevated.

The loss of a customer contract at the beginning of the year will have a negative volume impact of about 2 percent. Conversely, coal exports are expected to grow in 2014 from 8 million tons in 2013. In addition, inventories of Southern Powder River Basin coal at utilities started the year below normal, historical levels. We would expect to see some inventory replenishment before the summer peak season.

SPRB Coal Tonnage
(Millions)



Doug Glass,
VP & GM Coal

Given current economic projections, what are the most significant opportunities and challenges for the Coal group over the next 2-3 years?

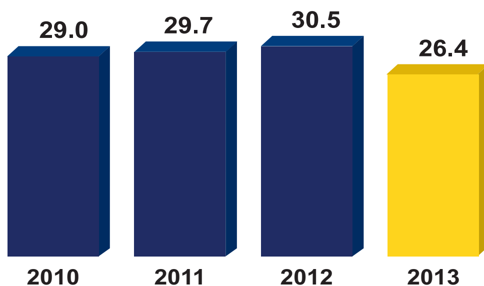
Proposed domestic power plant emission regulations will continue to challenge the coal industry in the years to come. However, the policies put forth thus far impact older, smaller, coal-based power plants that are predominately found in the eastern U.S. that cannot justify the capital investments required to improve emission controls. While UP has potential exposure to plant closures in the western U.S., these figures are relatively small in comparison to the eastern United States. In addition, the Company currently does not provide SPRB coal to any of the Eastern coal utilities slated for closure. The potential impact that new EPA carbon emissions requirements might have are yet to be determined as the exact details of new regulations are still being formalized.

Announced retirements from our served customers totaling up to 10 million tons could occur over the next four or five years. However, since most of the announced closure dates are mostly at least one or more years out, the impending closure of these plants will depend on demand and actual regulations in effect at the time of proposed closures. If these plants are retired, their coal tonnage could be absorbed by newer, cleaner and more efficient plants within the UP network that are currently operating with excess capacity, minimizing the overall loss in coal demand.

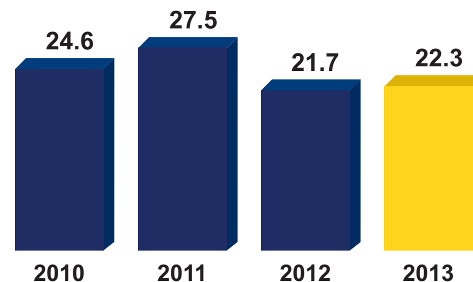
While there are currently challenges and uncertainties within the industry, coal will remain an important source of power generation for the U.S. and other countries. We believe our export volumes could double from around 8 million tons in 2013 to 16 million tons by 2017. In addition, Southern Powder River Basin coal remains one of the lowest cost coals in the country and the world. There could be potential, longer-term opportunities to backfill coal to eastern U.S. utilities if the demand for higher cost, eastern U.S. coal declines.

As new developments unfold, we will continue to focus on meeting and exceeding customer expectations through innovative supply chain solutions, “world class” service, ongoing productivity initiatives and expanded use of new technologies that improve deliveries.

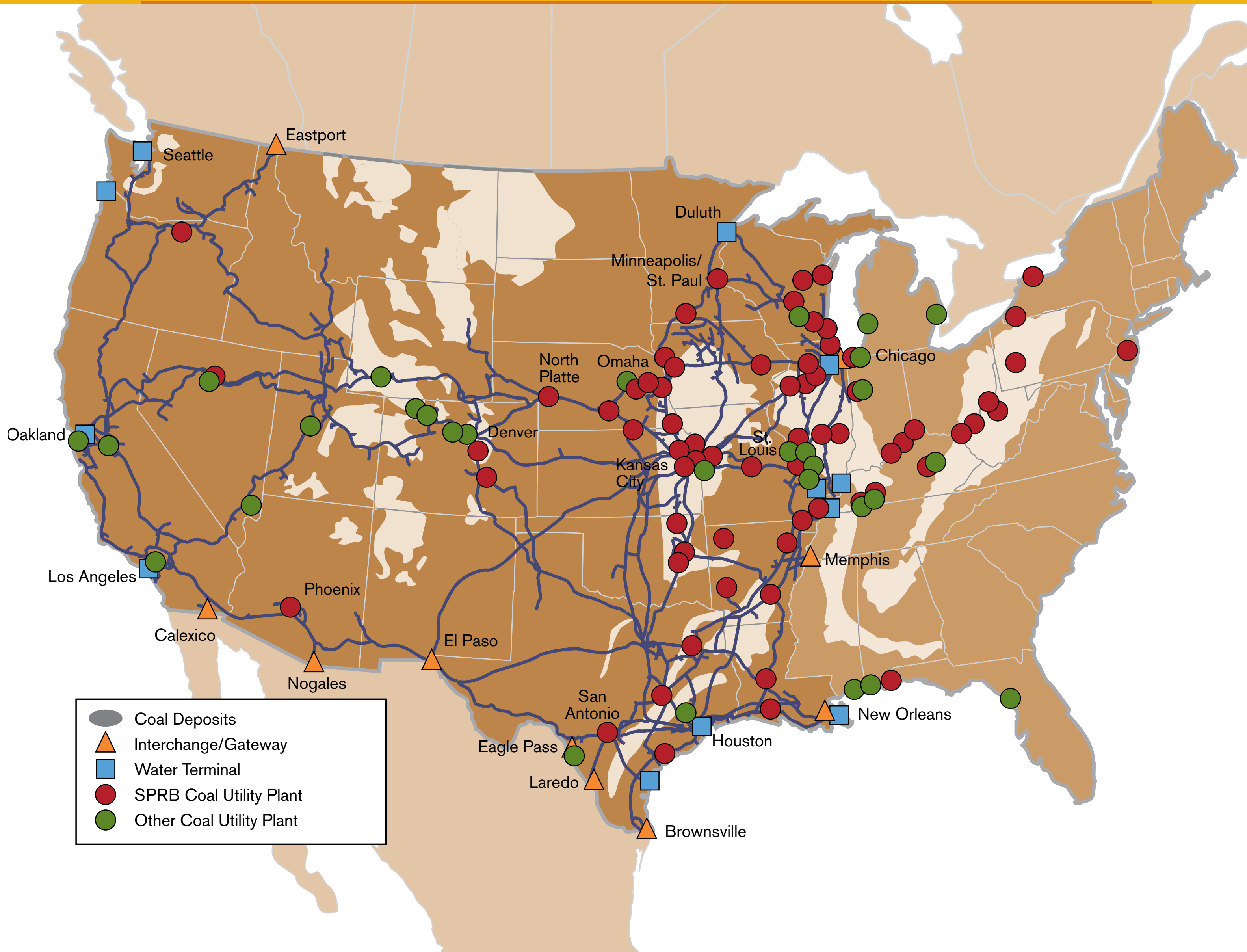
CO/UT Coal Tonnage
(Millions)



Other Coal Tonnage
(Millions)



Key End-Use Markets



Annual Summary by Quarter - Coal

	Freight Revenue *(millions)*	Revenue Ton Miles *(millions)*	Revenue Carloads *(thousands)*	Average Revenue per Car
1Q2012	$995	54,379	495	$2,010
2Q2012	869	46,322	412	2,109
3Q2012	1,058	55,468	501	2,111
4Q2012	990	51,297	463	2,141
FY2012	**$3,912**	**207,466**	**1,871**	**$2,092**
1Q2013	$936	43,720	402	$2,329
2Q2013	975	45,992	414	2,353
3Q2013	1,082	51,325	468	2,312
4Q2013	985	45,865	419	2,352
FY2013	**$3,978**	**186,902**	**1,703**	**$2,336**
Pct Change vs. 2012	**2%**	**(10)%**	**(9)%**	**12%**

Industrial Products

Union Pacific's extensive rail network facilitates the movement of numerous commodities between thousands of origin and destination points throughout North America. The Industrial Products group consists of several product categories, including construction products, minerals (including frac sand), consumer goods, metals, lumber, paper, and other miscellaneous goods. In 2013, the Industrial Products business group generated 18 percent of Union Pacific's total freight revenue.

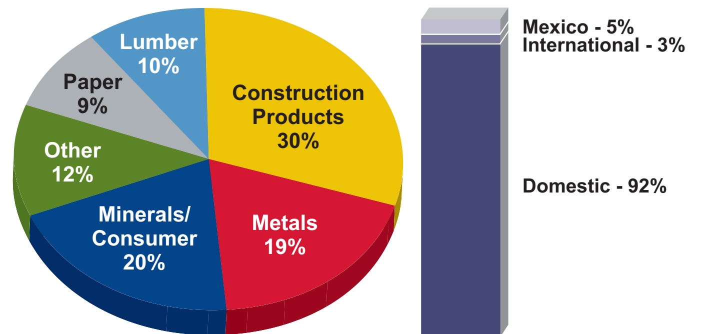
UP has an extensive network of transload terminals where products can be transferred between railcars and trucks, allowing Union Pacific to serve customers who do not have direct rail access but wish to take advantage of cost-effective, rail-based supply chains that Union Pacific can provide.

Commercial, residential and governmental infrastructure investments drive shipments of steel, aggregates, cement and wood products. Industrial and light manufacturing plants receive steel, non-ferrous materials, minerals and other raw materials. Consumer spending draws paper and packaging commodities, as well as appliances, into major metropolitan areas. Lumber shipments originate primarily in the PNW and western Canada and move throughout the U.S. for use in new home construction, repairs and remodeling. Oil and gas drilling generates demand for raw steel, finished pipe, frac sand, stone, and drilling fluid commodities. Global commodity demand drives shipments of ores and concentrates for export and domestic production. In addition, the Railroad provides safe and efficient transportation for governmental entities and waste management companies.

Industrial Products Line Density Map

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

2013 Carloads



Macro-economic factors such as industrial production typically drive demand for many components of the Industrial Products group. In 2013, U.S. industrial production grew 2.9 percent, driving a 4 percent increase in industrial products carloads during the year. Core pricing gains and favorable business mix drove average revenue per car up 5 percent versus 2012. Combined, these factors generated a 9 percent increase in total Industrial Products freight revenue in 2013.

Shipments of non-metallic minerals increased, driven primarily by frac sand shipments, which grew 26 percent in 2013 due to a strong franchise position, advances in drilling methods, and more drilling activity for energy products. Increased construction led to higher demand for shipments of cement and stone compared to 2012. Annual U.S. housing starts grew 19 percent in 2013, contributing to a 10 percent increase in lumber shipments.

2014 Market Drivers

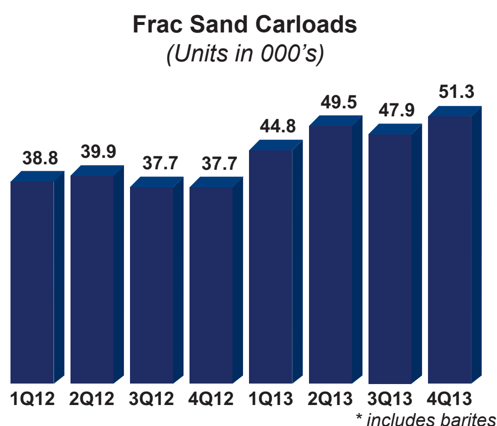
As economic conditions continue to improve, demand for lumber, rock, cement, steel, and minerals should increase. April IHS Global Insight Inc. projections forecast housing starts to increase 13 percent and industrial production to grow 3.1 percent year-over-year, which should provide opportunities for growth within UP's base Industrial Products groups.

Industrial Products

Based on IHS projections, housing starts are forecasted to exceed 1 million units for the first time since 2007. An improving housing market should boost lumber shipments, with forecasted growth in commercial construction expected to support growth in rock, metals, and other related markets. Metals should also benefit from projected growth in the auto industry.

Domestic shale drilling activity, which drives demand for frac sand and contributes to growth in steel and rock shipments, is expected to increase but will depend on market prices of crude oil and natural gas to incentivize production. Union Pacific serves many of the premier frac sand sources in the upper Midwest. Frac sand volumes will be correlated with the number of active wells, the type of production method used (i.e., vertical or horizontal drilling), and the productivity of wells. We continue to work with a number of customers who are working to expand production to support expected drilling activity levels.

Frac Sand Carloads
(Units in 000's)



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Brad Thrasher,
VP & GM Industrial Products

Given current economic projections, what are the most significant opportunities and challenges for the Industrial Products group over the next 2-3 years?

In 2013, housing starts grew to 929,000, still well below historically sustainable levels of around 1.4 to 1.6 million per year. As a result, UP's lumber, stone, and glass shipments in 2013 were approximately 35 percent below normalized levels. Housing starts are projected to reach that normal run rate by 2016, offering upside for our lumber and panel shipments. Stone, cement, rebar, and steel shipments should also experience growth with rebounding highway, commercial, and residential construction activity.

Domestic oil and natural gas drilling activity will be driven by market prices and production efficiencies, potentially driving growth in shipments of frac sand, drilling-related minerals, and pipe products to shale regions served by UP, including the Eagle Ford, Permian, and Niobrara formations, as well as the eastern U.S. While it is too early to tell, Mexico energy reform could drive potential opportunities to originate shipments of high-quality frac sand from the upper Midwest to Mexico.

In addition, the abundance of lower cost domestic energy is attracting foreign investment in the construction of production facilities within the U.S. These energy cost advantages, combined with an efficient transportation network, should provide future growth opportunities. Waste markets also offer upside as shrinking local landfill capacities and local trucking challenges create a void that rail can fill.

Finally, our business development efforts should continue to bring new business to the Railroad, including truckload conversions. Union Pacific Distribution Services plays a vital role in allowing us to reach non-rail served customers. Longer-term, our flexibility and agility in participating in emerging markets, combined with developing new service offerings, should create growth opportunities across most of our industrial market sectors.

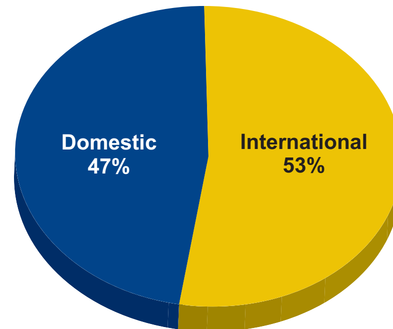
Annual Summary by Quarter - Industrial Products

	Freight Revenue *(millions)*	Revenue Ton Miles *(millions)*	Revenue Carloads *(thousands)*	Average Revenue per Car
1Q2012	$863	17,688	290	$2,977
2Q2012	917	18,455	316	2,907
3Q2012	879	17,772	299	2,933
4Q2012	835	17,009	280	2,978
FY2012	**$3,494**	**70,924**	**1,185**	**$2,947**
1Q2013	$916	18,759	289	$3,174
2Q2013	977	19,813	317	3,079
3Q2013	975	19,665	325	2,998
4Q2013	954	19,523	305	3,134
FY2013	**$3,822**	**77,760**	**1,236**	**$3,093**
Pct Change vs. 2012	**9%**	**10%**	**4%**	**5%**

Intermodal

Union Pacific's Intermodal franchise includes two segments: international and domestic. International business consists of import and export 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. Together, international and domestic intermodal business generated 20 percent of UP's freight revenue in 2013.

2013 Units



International traffic primarily moves in 20, 40 or 45-foot shipping containers through ports on the West Coast. Domestic shipments move in 53-foot containers or trailers to and from points within the U.S., Canada, and Mexico. U.S. import volumes transloaded into domestic containers at the ports are classified as domestic.

Union Pacific's network includes several key intermodal lanes. The Railroad's East/West lanes run between the West Coast and Chicago or Texas and interchange connections to the eastern U.S. The North/South intermodal lanes operate between Los Angeles and the Pacific Northwest, as well as between Chicago and the upper Midwest and locations south in Texas and Mexico. UP also directly accesses all six Mexican gateways and serves most of the major metropolitan areas in the western two-thirds of the U.S. Virtually all routes are competitive with other railroads and are comparable to shipping distances on highways.

Intermodal Line Density Map

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

In addition to an extensive network reach, UP also offers the largest dedicated container fleet for domestic customers, with more than 100,000 containers offered exclusively by the Company and its partners, including the EMP and UMAX service offerings. EMP is a domestic interline container service offered by Union Pacific and Norfolk Southern, along with various agent railroads. UMAX is a domestic interline container service offered in conjunction with CSX. Both EMP and UMAX each have a fleet of over 30,000 containers.

Introduced in early 2011, Union Pacific's Mutual Commitment Program prioritizes domestic intermodal customers with year-round container availability at pre-determined pricing in exchange for off-season volume commitments. Since its inception, UP has successfully provided participating customers with all of their box capacity demand throughout each domestic peak season.

Pricing improvements and slight volume growth drove a 2 percent increase in freight revenue in 2013. Domestic volumes grew 3 percent in 2013, marking the fifth consecutive year of record domestic shipments for UP. Better market conditions and continued conversion of freight from truck to rail drove the increase of domestic shipments. Market share shifts within the ocean carrier industry and increased port transloading activity drove a 2 percent decline in international shipments in 2013

compared to 2012. Peak season volume experienced in 2013 was similar to that of recent years but well below historical peak levels.

2014 Market Drivers

UP's value proposition, competitive service offerings, and integrated network should continue to drive freight conversions from truck to rail in 2014. Improvement in economic conditions, consumer confidence, and a strengthening housing market should drive volume growth on the international side in 2014.

To support current volumes and provide for future growth, UP continues to invest in its intermodal network, including construction of second main track on the Sunset Route. At year-end 2013, the project was approximately 75 percent completed.

Integrated along the Sunset Route to support intermodal traffic, the Santa Teresa, New Mexico intermodal facility opened in April 2014. The $400 million rail terminal, which also includes a state-of-the-art fueling facility, is strategically positioned as a major Mexico gateway, close to the Maquiladora industrial area in northern Mexico. With an initial capacity of 225,000 annual lifts, the facility improves capacity and efficiency, and also provides southern New Mexico with an inland port that will serve as a strategic focal point for freight moving across the nation, supporting continued intermodal growth opportunities into and out of Mexico. The facility will also handle lift operations previously conducted at the nearby El Paso ramp.

To leverage these capital investments and improved throughput processes, UP continues to expand its service offerings. UP currently serves twice as many major markets than its main rail competitor in the western United States. During late 2013, UP launched a new service in conjunction with Ferromex (FXE) that runs between Monterrey, Mexico, and Chicago (IL), Los Angeles (CA), and St. Louis (MO). This new service offering, along with the introduction of intermodal service between Laredo (TX) and the southeastern U.S., is designed to support the growing transportation needs for the automotive manufacturing and intermodal marketplaces in Mexico.

John Kaiser,
VP & GM Intermodal

Given current economic projections, what are the most significant opportunities and challenges for the Intermodal group over the next 2-3 years?

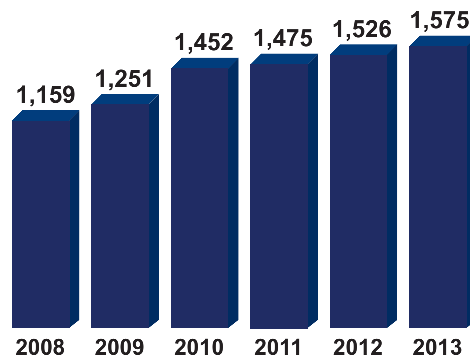
Since 2000, we've invested more than $1.3 billion in our terminal network to support our intermodal service offerings. This investment reflects our expectations of significant long-term opportunities to continue converting highway freight to rail, with the support of our integrated network and strong value proposition, which offers customers reliable, truck-competitive service.

The Federal Highway Administration projects that total U.S. freight shipments will grow 25 percent from 2011 to 2020, which equates to 4.5 billion tons of additional freight on the nation's transportation infrastructure. The motor carrier industry is facing continued challenges from regulations. Highway congestion and a deteriorating infrastructure also present service challenges for the industry. Rail shipments move reliably and consistently over a privately owned, maintained, and controlled right-of-way. UP's environmental advantage and better fuel efficiency also create a more economically viable option relative to trucks.

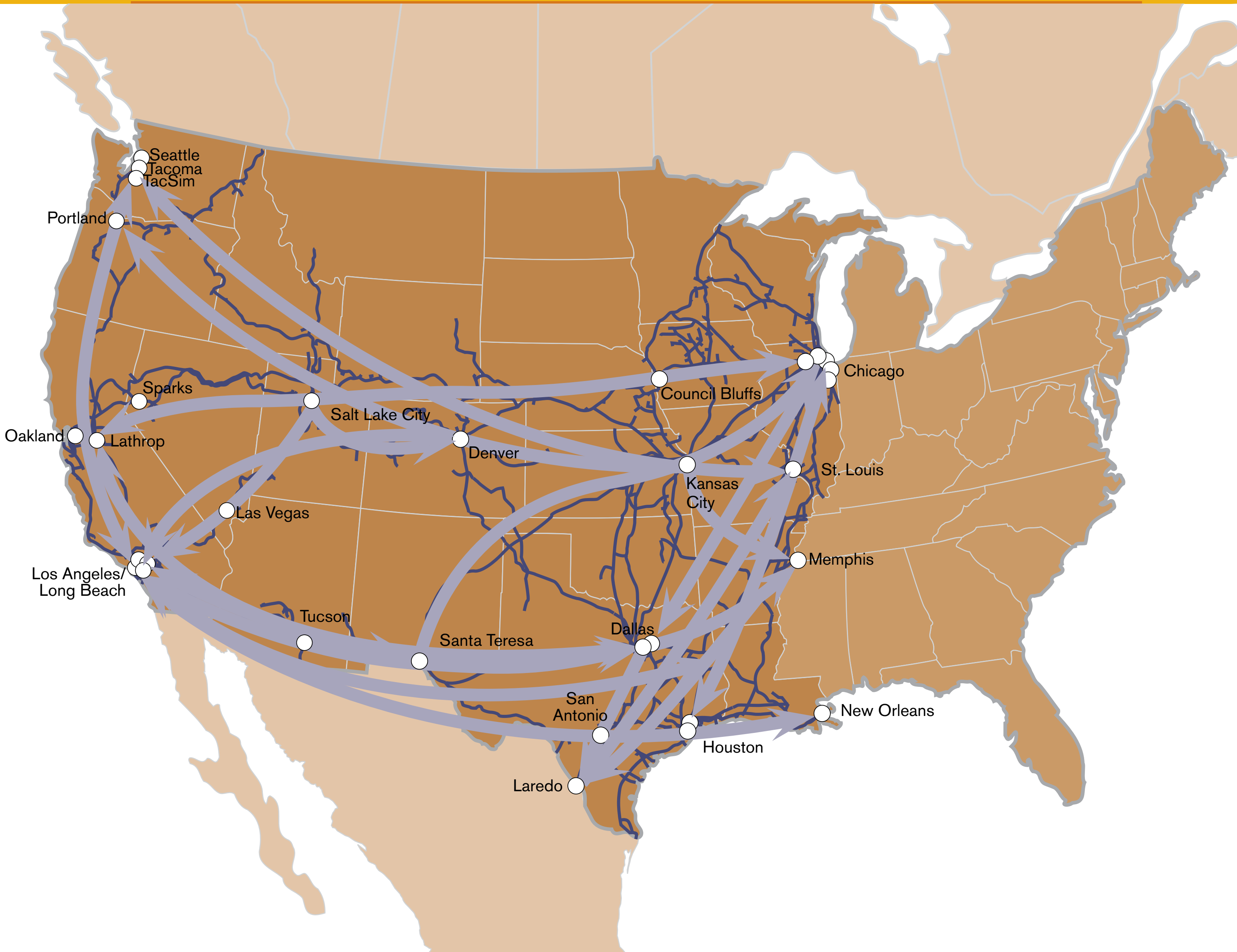
Our comprehensive network provides international customers excellent market coverage and access to most major U.S. population centers. International volume growth is driven by global trade, which should continue to grow despite economic weakness in recent years. Various industry forecasts project steady transpacific import growth above GDP growth over the next five years.

The U.S. West Coast's share of total U.S. transpacific imports has averaged around 67 to 68 percent over the past four years despite available Panama Canal capacity during that time. Freight that has already shifted to the East Coast has been cargo that is lower in value and less time-sensitive, since the "all-water" route adds as much as two weeks to the total transit time. We believe diversions resulting from the eventual completion of the Panama Canal expansion will not have a material impact on our overall growth prospects.

Domestic Volume Growth
(Units in 000's)



Intermodal Terminals and Traffic Flows



Annual Summary by Quarter - Intermodal

	Freight Revenue *(millions)*	Revenue Ton Miles *(millions)*	Revenue Carloads *(thousands)*	Average Revenue per Car
1Q2012	$909	19,029	778	$1,169
2Q2012	1,003	19,987	846	1,185
3Q2012	1,022	19,513	857	1,192
4Q2012	1,021	19,748	831	1,229
FY2012	**$3,955**	**78,277**	**3,312**	**$1,194**
1Q2013	$988	19,576	810	$1,219
2Q2013	993	19,656	822	1,210
3Q2013	1,027	19,305	848	1,211
4Q2013	1,022	20,037	845	1,208
FY2013	**$4,030**	**78,574**	**3,325**	**$1,212**
Pct Change vs. 2012	**2%**	**0%**	**0%**	**2%**

Mexico

Union Pacific's unique franchise serves all six major gateways between the U.S. and Mexico, handling more than 65 percent of the North and Southbound rail market share in 2013. Cross-border traffic with Mexico comprised approximately 10 percent of UP's total 2013 volume levels.

While UP does not physically operate within Mexico, the Company is able to interchange traffic at the border, working in cooperation with the two largest Mexican railroads, Kansas City Southern de Mexico (KCSM) and Ferrocarril Mexicano (Ferromex or FXE), along with other small railroads. This enables UP to capture opportunities created by the North American Free Trade Agreement (NAFTA) and by Mexico's enhanced competitive position in today's global economic landscape.

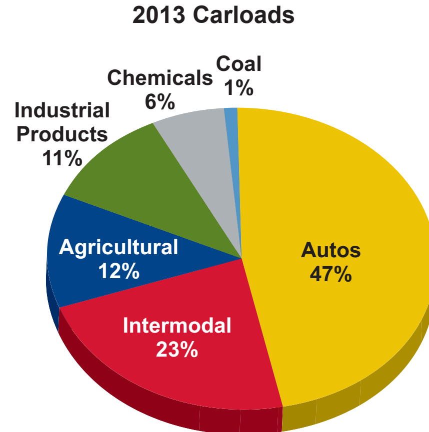
In 2013, approximately 55 percent of UP shipments to and from Mexico were interchanged with KCSM, with the remaining 45 percent interchanged with FXE. Union Pacific retains a 26 percent minority ownership interest in FXE.

Traffic to and from Mexico includes a diversified mix of commodities within each of Union Pacific's six business groups. Northbound shipments, which account for a little over one-half of UP's overall cross-border traffic with Mexico, has grown during the past 7 years alongside increased Mexican manufacturing. Finished vehicles and auto parts, beer and food products, and intermodal shipments represent over 90 percent of these northbound moves. Southbound shipments primarily consist of auto parts, grain, dry feed ingredients, intermodal, steel, plastics, minerals, meals and oils, and soda ash.

Mexico Line Density Map

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

2013 Carloads



Mexico volumes increased 3 percent in 2013 after growing 5 and 9 percent in 2012 and 2011, respectively. Mexico volume growth in 2013 was hampered by a 12 percent decline in Agricultural Products volume, primarily driven by the carryover impact from the 2012 drought, which adversely impacted southbound grain shipments during the first nine months of 2013. Excluding Agricultural Products, cross-border volumes increased more than 5 percent in 2013 compared to 2012.

Freight revenue grew 9 percent in 2013 to over $2.1 billion. Automotive freight, which represents the largest share of UP's Mexico volume and revenue, was also the largest contributor to 2013 volume and revenue growth. UP handles over 80 percent of the cross-border carload automotive market share, with over half of total UP automotive volumes associated with cross-border traffic with Mexico.

Building upon our franchise strengths, customer relationships, and a sales presence strategically located throughout Mexico, we provide excellent service to existing customers. We also offer a compelling product to new companies that have decided to invest in Mexico as they seek competitive production alternatives.

2014 Market Drivers

Union Pacific expects growth in Mexico traffic to continue in 2014. The combination of additional Mexico automotive production capacity and a projected 3 percent increase in U.S. auto sales should drive growth in vehicle and parts volumes. The record 2013 U.S. crop harvest should drive higher grain export volumes to Mexico during the first half of 2014.

We should also see modest intermodal volume gains resulting from new intermodal service offerings, including our Eagle Premium service between Chicago and Monterrey, Mexico, working in conjunction with the FXE. This service was also recently expanded to include Los Angeles and St. Louis as destination options. The FXE Monterrey Intermodal Terminal is located near major manufacturers in Mexico's second-largest consumer market. The terminal's close proximity to major highways also allows access to northern and central Mexico markets. Additionally, having access to the largest rail-owned container fleet provides the capacity to take advantage of the growing opportunities between the U.S. and Mexico while also simplifying border crossings.

In addition, our new $400 million Santa Teresa, New Mexico intermodal facility should also support future intermodal growth prospects. Integrated along our Sunset Route to support international traffic, the terminal is also strategically positioned at a major Mexico gateway, close to the Maquiladora industrial area in northern Mexico. The facility, which opened in April 2014, provides southern New Mexico with an inland port that will serve as a strategic focal point for freight moving across the U.S. and across the border.

Bernardo Ayala,
VP Mexico Markets

Given current economic projections, what are the most significant opportunities and challenges for Mexico market growth over the next 2-3 years?

Mexico continues to be the second-largest export market of the U.S. after Canada and its third-largest trading partner behind Canada and China. The Import Price Index for China, which tracks prices of goods imported into the United States, has trended up, implying that Asian imports are becoming more expensive. Nearshoring in Mexico results in shortened transit times, which translates into lower inventory costs and better consistency. When combined with a skilled labor force, these attributes have helped increase Mexico's share of U.S. imports over the past four years to 12 percent. In total, almost 80 percent of Mexico's exports in 2013 were destined for the U.S.

Economic reforms in industries ranging from telecommunications to energy have attracted a growing amount of foreign direct investment in Mexico, including $35 billion in 2013. Of this record amount, approximately 75 percent was invested in the manufacturing sector, with a significant amount into expanding automotive production. In 2013, exports accounted for 2.4 million of the 2.9 million vehicles produced in Mexico, which ranked Mexico as the world's fourth largest automotive exporter. Of the units exported, over 75 percent were destined to the U.S. or Canada. Nissan, Ford, Audi, Chrysler, Honda, Mazda, and General Motors, among others, have made the decision to invest in Mexico due to projected economic growth and the country's competitive positioning abroad. With vehicles assembled in Mexico projected to reach 4 million units by 2017, UP's unparalleled network reach and value proposition provide a distinct advantage that should allow the Company to participate in this future volume growth.

While it is still too early to tell, there could also be longer-term growth opportunities associated with Mexico's 2013 energy reform. The legislation opens up access to energy reserves, allowing the government to grant licenses for exploration and extraction of oil and gas to multinational firms. With our access to upper Midwest high-quality sands used for drilling, UP is well-positioned if drilling activity expands in Mexico. UP's ability to capture growth opportunities will depend upon the health of the Mexican economy and the service performance of our Mexico interchange partners.

The Mexican railroads have invested in equipment, facilities, and track infrastructure to improve service and network operations. The current proposed rail reform legislation could potentially deter future rail investments vital to support a growing Mexican economy. It could also discourage other investors who are considering Mexico, including manufacturing and energy-related industries. While we can't predict the outcome, UP is actively engaged with various stakeholders who favor a more balanced solution than what the current legislation offers.

In addition to rail and energy reform, the Company is evaluating the effects of potential changes in the way Mexico's value-added tax is applied to the transportation industry.

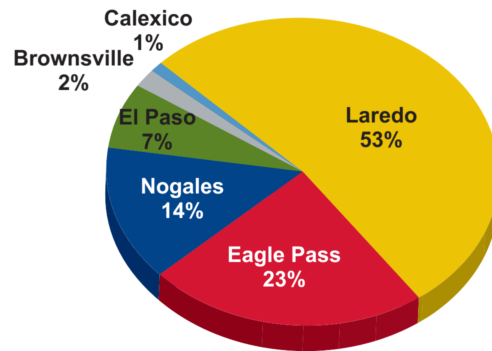
Mexico Intermodal – Three Ways In and Out of Mexico

Border Service - Service to and from the U.S./Mexico border. EMP and UMAX programs provide expanded access to markets across North America, utilizing four Union Pacific border gateways: El Paso, Laredo, and Rio Valley, Texas; and Tucson, Arizona. Intermodal Marketing Companies (IMCs) monitor the customs clearance process at the border, eliminating the need for customers to do so and making the customs process simple and efficient.

Mexico Direct – An all-rail, seamless option, offering Intermodal service between the U.S. and Canada and major Mexican markets. With Mexico Direct, shipments do not stop at the border for customs clearance. Instead, they travel in-bond, clearing customs at interior Mexican origins and destinations. Mexico Direct offers a through-rate structure that provides customers the convenience of a single price and a single bill for their ramp-to-ramp shipments to and from Mexico.

Streamline Passport - A door-to-door intermodal freight transportation solution for customers throughout Mexico, backed by the industry's largest intermodal container fleet and Streamline's extensive drayage network. Streamline Passport shipments clear customs at the border and are serviced to and from Union Pacific's border terminals, including Laredo and El Paso, Texas; and Nogales, Arizona with drayage in and out of Mexico.

Percent of 2013 Carloads at Border Crossings



In 2013, UP operated an efficient and fluid network, with a continued focus on improving service and customer satisfaction. To build upon that success, UP continuously evaluates its network to identify additional improvement opportunities.

System velocity, as reported to the AAR, decreased 2 percent in 2013 compared to 2012, driven by more severe weather conditions and a continued traffic shift to areas that are operating closer to capacity. The Company demonstrated agility and resiliency in managing the dynamic volume shifts including continued growth in the South and lower coal shipments in the North.

In 2013, carloads were flat while gross ton-miles decreased 1 percent, primarily driven by the 9 percent decline in coal volumes. The average number of employees increased 1 percent in 2013. Work related to increased capital investments, including PTC, accounted for a portion of the increase. We also hired and trained over 3,500 new employees to offset attrition system-wide, handle volume growth in the Southern Region, and manifest growth on each region of our network, which is more labor intensive.

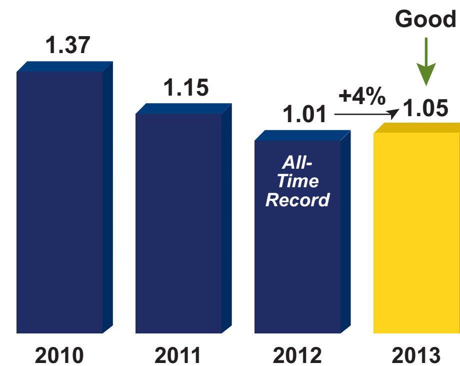
Safety

Positive safety performance benefits all aspects of UP's business, from velocity, productivity, and service to employees, customers, and communities. Our focus on safety creates a culture that emphasizes safe practices and behaviors, and resulted in near record employee safety in 2013.

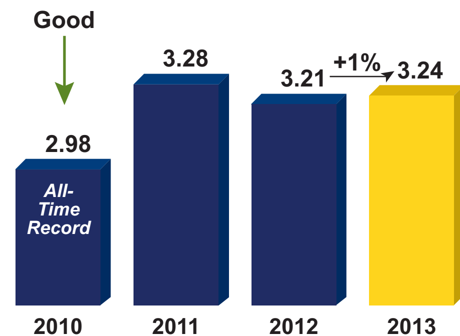
The reportable employee injury rate increased slightly from our all-time record performance in 2012. However, we reduced the number of severe injuries to a record low in 2013, an achievement for the company as these injuries have the greatest human and financial impact. Our continued safety strategy is focused on our ongoing training efforts, the team's deep personal commitment to safety, which we call the Courage to Care, process improvements, capital investments, and continued implementation of Total Safety Culture (TSC), which promotes safety among employees by implementing best practices.

The Company's reportable rail equipment incident rate increased one percent compared to 2012. We continue to apply a multifaceted approach to identifying and mitigating risk, including the use of advanced technology such as lasers, ultrasound and acoustic vibration monitoring, as well as visual inspection by dedicated track safety experts. In addition,

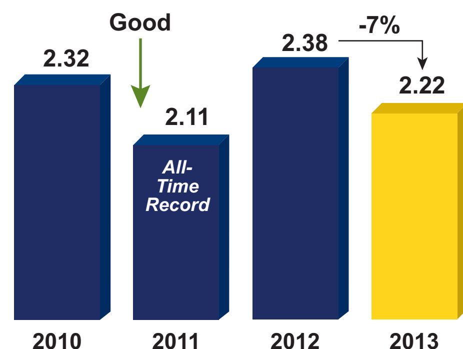
Employee Safety
(Reportable Personal Injury Incidents Per 200,000 Employee-Hours)



Rail Equipment Safety
(Reportable Rail Equipment Incidents Per Million Train Miles)



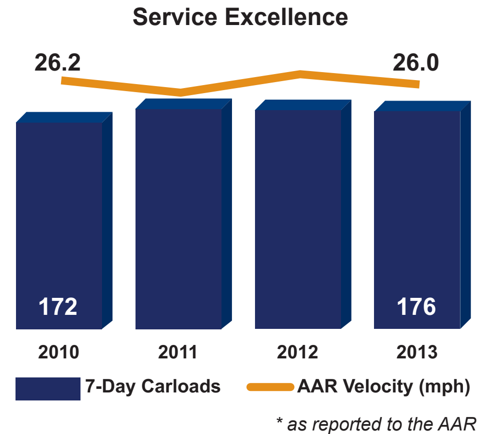
Public Safety
(Crossing Accidents Per Million Train Miles)



we continue to make capital investments that harden our infrastructure and improve the safety of the network.

While our reportable rate in both employee and rail equipment safety increased slightly in 2013, the absolute number of incidents, which includes incidents that do not meet the regulatory reportable threshold, declined in both categories.

Our crossing accident rate improved 7 percent versus 2012, the result of improving or closing high-risk crossings and reinforcing public awareness. Even though the South has increased rail and highway traffic, and a higher grade crossing density than our overall network, our crossing accident rate decreased 17 percent in that region. Progress has been made by improving or closing high risk locations, as evidenced by the closure of 212 grade crossings on our network in 2013. In addition, the Company continues to engage in public education efforts such as Operation Lifesaver and UP CARES to improve public safety.

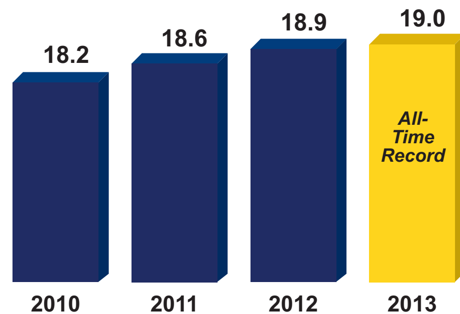


Fuel Efficiency

Improvements in the Railroad's operating practices save fuel and reduce emissions. The implementation of automatic locomotive shutdown technology, locomotive assignment to trains on a tons-per-axle basis, and distributed power (DPU) equipped locomotives, all contribute to this effort.

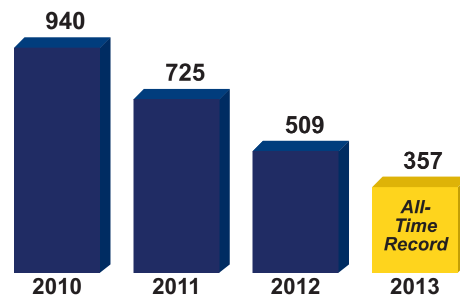
The use of newer, more fuel efficient locomotives also helps save fuel. UP operates the cleanest and most modern fleet in North America. Since 2000, UP has spent approximately $6.75 billion to purchase more than 3,800 locomotives that meet EPA Tier 0, Tier 1, Tier 2, or Tier 3 guidelines. Reduced fuel consumption is also expected from robust employee training and incentive programs as well as emerging technologies, such as wheel/rail lubrication and aerodynamic enhancements.

In 2013, our fuel consumption rate increased 2 percent, primarily driven by the 9 and 4 percent declines in coal and grain volumes, respectively, which are our more fuel efficient commodities to transport. Severe winter conditions in the fourth quarter also impacted our fuel consumption rate.

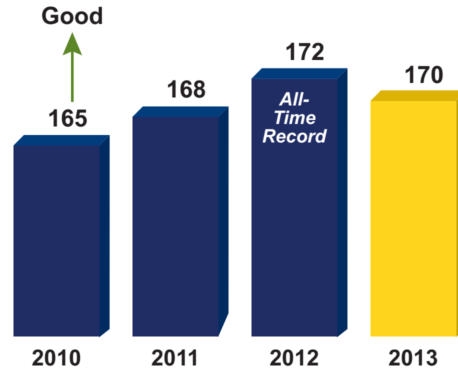


Network Operations & Productivity

Operational efficiencies and implementation of DPU lead to fuel savings and improve the efficiency of locomotive and crew resources by increasing train length without compromising performance. DPU trains handled 53 percent of gross-ton-miles hauled in 2013, despite a 10 percent decrease in coal revenue-ton-miles.



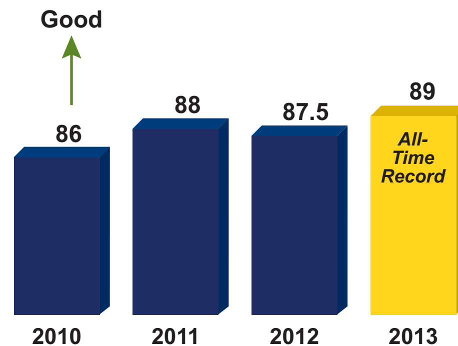
UP also benefited from a record low number of slow order miles in 2013, a 30 percent reduction from 2012. Improving the condition of infrastructure improves customer service, safety, and generates capacity to support volume growth.



In 2013, traffic in our Southern Region grew more than 2 percent due to increased chemicals, crude oil, frac sand, intermodal, automotive, and cross-border Mexico shipments. Growth-oriented capital expansion in the South totaled over $200 million dollars in 2013. New capacity in Texas and Louisiana facilitates shipments to the Texas shale formations, crude oil and chemical shipments to St. James (LA), automotive, and cross border traffic with Mexico. The ability to handle the shifts in traffic emphasizes the Company's network strength as a shared resource, well-positioned to support growth in each of the six business groups.

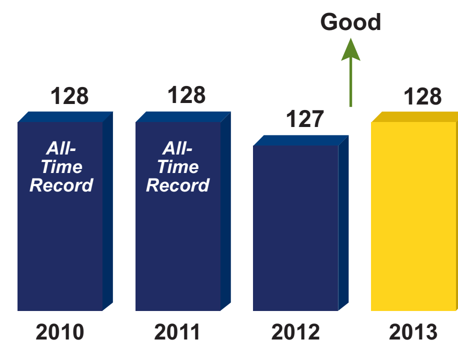
Technology

Technology has long served as a catalyst for improving operations and increasing the value we deliver to customers. We are currently engaged in a significant strategic undertaking, replacing our legacy transportation system with a new and vastly improved system, which we call NetControl. NetControl continues the highly integrated benefits of the legacy system while simultaneously providing the agility and flexibility to adapt to ever-changing business and technology needs. It is built using state-of-the-art hardware and software, capitalizing on the latest technological and user interface trends. NetControl supports five major functional areas of UP operations: Equipment, Shipment, Terminal, Resource, and Train Management.



The benefits to UP operations also translate directly into customer benefits. Operational efficiencies attained through enhanced capacity scheduling and standardized workflow mean faster and more predictable service. This enhanced service offering enables customers to more cost-effectively manage inventory levels and opens the door to new customers.

We are continuing to invest heavily in the Positive Train Control (PTC) initiative, one of the largest technological undertakings in the history of the industry. PTC is a legislative mandate contained within the Rail Safety Improvement Act of 2008 that requires implementation by the end of 2015. The mandate aims to enhance safety by ensuring a train operates within authorized limits as it traverses PTC-equipped territories. Integration with other railroads adds complexity and cost, as equipment must flow unimpeded across territories, while under the control of its respective PTC system.



Capital Investments

Capital investments in Union Pacific's network enhance safety, service, and network efficiency, while also expanding capacity to meet the transportation needs of current and future customers. Investments include the replacement, improvement, and expansion of track and facilities, as well as the acquisition of new locomotives and freight cars.

Union Pacific's capital spending is broadly classified into three categories: replacement, growth and productivity, and Positive Train Control (PTC). Replacement capital enhances safety and efficiency by replacing current infrastructure, such as track, facilities, structures, and equipment. Growth and productivity capital targets the future needs of the company and its customers, supporting both volume expansion and network efficiencies. Equipment acquisitions can be categorized as either replacement or growth and productivity. PTC capital spending primarily consists of signal and telecommunications infrastructure and locomotive hardware installations.

2013 Summary: $3.6 billion

In 2013, Union Pacific invested nearly $3.6 billion of cash and non-cash capital in its network, including more than $2.1 billion in replacement capital to harden infrastructure and improve the safety and resiliency of the network. At the end of 2013, over 99 percent of the network was free of slow orders. Additional replacement capital consisted of locomotive acquisitions, upgrades, overhauls, and improvements to service facilities, as well as replacements and upgrades of freight cars and other assets.

Spending for service, growth, and productivity totaled around $1 billion, driven by investments in capacity, commercial facilities, and equipment. Major projects included continued construction of our $400 million Santa Teresa, New Mexico rail terminal, a component of our plan to balance terminal capacity with mainline capacity generated by the Sunset Double-Track project. The terminal is comprised of a fueling facility, which was operational at the end of 2013, and an intermodal ramp that will support Sunset Route volumes as well as serve as a strategic focal point for freight moving across the U.S. and Mexico border. Growth spending also included more than $200 million of capacity and commercial facilities work in the South to support our diverse and growing book of business in that region. Union Pacific acquired new equipment during 2013, including 100 new road locomotives, 305 refrigerated boxcars, 280 covered hoppers, 270 AutoFlex© tri-levels, and 90 covered gondolas. We also purchased 2,000 domestic containers during the year to replace leased units and retired units.

In addition, we invested another $420 million in PTC during 2013, bringing our cumulative PTC investment to $1.2 billion of our estimate of $2 billion for the project.

2014 Outlook: ~$3.9 billion

In 2014, we expect our capital investments to total approximately $3.9 billion. Our investments represent a continuation of our core strategy of maintaining a safe, strong, and resilient network while also investing in service, growth, and productivity projects that meet the Company's return thresholds.

Replacement capital in 2014 is expected to total around $2.3 billion. The engineering replacement program, which primarily consists of track, signal, and bridge replacement, is projected to be around $1.7 billion. The remaining replacement capital primarily consists of locomotive purchases, fleet overhauls and upgrades, and other equipment and facility needs.

Union Pacific anticipates spending more than $1.1 billion on service, growth, and productivity initiatives in 2014. Major projects include completing the Santa Teresa, New Mexico rail facility, additional double-tracking on the Sunset Corridor, and investing approximately $300 million on various mainline and terminal projects in the South to support the company's diverse and growing business in the area. One of the major 2014 Southern Region terminal projects is the Tower 55 Reconfiguration at Fort Worth, Texas. This public-private partnership is designed to improve fluidity in the area and provide additional capacity for future volume growth.

The Company plans to acquire 200 new road locomotives, which will improve fleet reliability and fuel efficiency, expand distributed power capability, and reduce emissions in accordance with our Tier 4 emissions strategy. Planned acquisitions of new equipment also include 300 covered

hoppers, 60 AutoFlex© auto racks, and 2,500 domestic containers. These equipment acquisitions will not only serve as replacements for older assets but will also help meet future business growth.

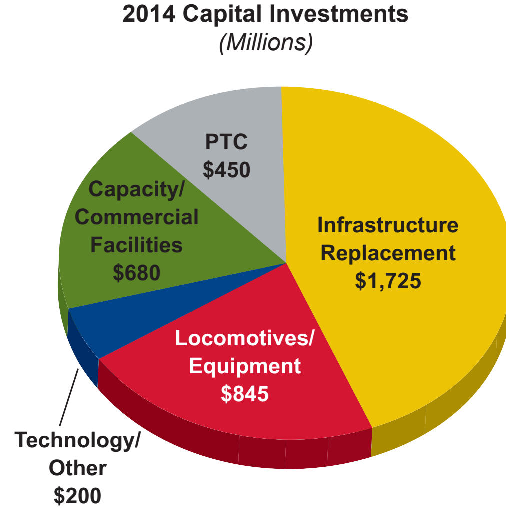
Spending on PTC is expected to be about $450 million in 2014.

Longer-Term Outlook

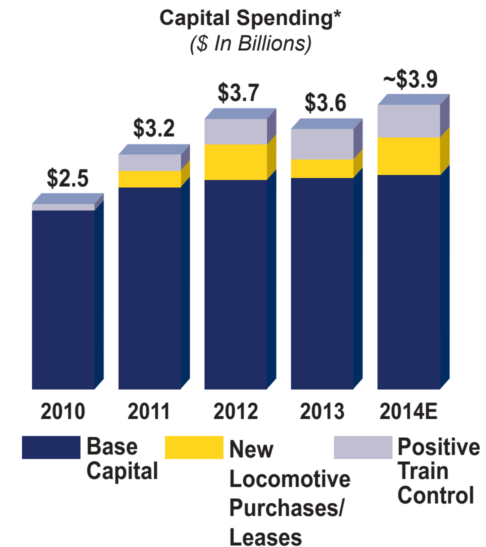
Over the next few years, we project our capital spending to average around 16 to 17 percent of revenue. Assuming continued top line revenue growth, capital investments should increase as well. However, capital spending may be revised if business conditions warrant or if new laws or regulations impede our ability to generate sufficient returns on these investments.

As for the implementation of PTC, the FRA provided Congress with a status report in August 2012. This report indicated that the rail industry will likely achieve only partial deployment of PTC by the end of 2015 due to significant technical and other issues. Although it is unlikely that the rail industry will meet the current mandatory 2015 deadline, we are continuing to make a good faith effort to do so and we are working closely with regulators as we implement this new technology.

2014 Capital Investments
(Millions)



Capital Spending*
($ In Billions)



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

Capacity and Commercial Projects

2013 Capacity/Commercial Projects

Terminal Improvements
Sidings
Terminal Improvements
Sidings/ Terminal Improvements
Double Track
Chicago Routing Upgrade (including CREATE)
CTC
Terminal Improvements/ Sidings
Double-Track
Terminal Improvements
Terminal Improvements
CTC
Terminal Improvements
CTC
Sidings
Flyover
Terminal Improvements
Double Track
Transload Facility
Siding
Sidings
Signal Upgrade
New Terminal
Terminal Improvements
Terminal
Sidings/ CTC
Double-Track
Double-Track/ Sidings

Existing and Proposed Corridor/Terminal Projects

Eastport
Seattle
Sidings/Extensions/ Signals/CTC
Portland
Duluth
Minneapolis/ St. Paul
Clinton/ Mississippi River Bridge/Terminal
Sidings/CTC/ Terminal Improvements
Gateway Improvements
Blair Double Track
Terminal Improvements/ Double Track/Sidings
Chicago
North Platte
Cheyenne
Omaha
Salt Lake City
Oakland
Denver
St. Louis
Kansas City
Double Track/Terminals
Terminal Improvements
CTC
CTC
Sunset Double Track
Sidings/Double Track/ CTC/Terminals
Memphis
Los Angeles
Phoenix
Little Rock
Pine Bluff
Colton Flyover, Double Track
Calexico
El Paso
Ft. Worth
Dallas
Tower 55 Improvements
Shreveport
Nogales
San Antonio
Terminal Improvements
New Orleans
Houston
Corridor
Terminal
Santa Teresa Fueling Facility & Intermodal Ramp
Eagle Pass
Laredo
Double Track/Sidings/ CTC/Terminals
Terminal Improvements/ Sidings
Brownsville

SELECTED FINANCIAL DATA

Union Pacific Corporation and Subsidiary Companies

Millions, Except per Share Amounts, Carloads, Employee Statistics, and Ratios	***2013***	*2012*	*2011*	*2010*
For the Year Ended December 31				
Operating revenues [a]	**$ 21,963**	$ 20,926	$ 19,557	$ 16,965
Operating income	**7,446**	6,745	5,724	4,981
Net income	**4,388**	3,943	3,292	2,780
Earnings per share - basic	**9.47**	8.33	6.78	5.58
Earnings per share - diluted	**9.42**	8.27	6.72	5.53
Dividends declared per share	**2.96**	2.49	1.93	1.31
Cash provided by operating activities	**6,823**	6,161	5,873	4,105
Cash used in investing activities	**(3,405)**	(3,633)	(3,119)	(2,488)
Cash used in financing activities	**(3,049)**	(2,682)	(2,623)	(2,381)
Cash used for common share repurchases	**(2,218)**	(1,474)	(1,418)	(1,249)
At December 31				
Total assets	**$ 49,731**	$ 47,153	$ 45,096	$ 43,088
Long-term obligations [b]	**24,715**	24,157	23,201	22,373
Debt due after one year	**8,872**	8,801	8,697	9,003
Common shareholders' equity	**21,225**	19,877	18,578	17,763
Additional Data				
Freight revenues [a]	**$ 20,684**	$ 19,686	$ 18,508	$ 16,069
Revenue carloads (units) (000)	**9,022**	9,048	9,072	8,815
Operating ratio (%) [c]	**66.1**	67.8	70.7	70.6
Average employees (000)	**46.4**	45.9	44.9	42.9
Financial Ratios (%)				
Debt to capital [d]	**31.1**	31.2	32.4	34.2
Return on average common shareholders' equity [e]	**21.4**	20.5	18.1	16.1

[a] Includes fuel surcharge revenue of $2.6 billion, $2.6 billion, $2.2 billion, and $1.2 billion for 2013, 2012, 2011, and 2010, respectively, 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 2013 SEC Form 10-K for more information.

[b] Long-term obligations is determined as follows: total liabilities less current liabilities.

[c] Operating ratio is defined as operating expenses divided by operating revenues.

[d] Debt to capital is determined as follows: total debt divided by total debt plus common shareholders' equity.

[e] 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

Millions,	2013				
Except Per Share Amounts and Percentages	***1st Qtr***	***2nd Qtr***	***3rd Qtr***	***4th Qtr***	***Full Year***
Operating Revenues					
Freight revenues	$ 4,984	$ 5,153	$ 5,250	$ 5,297	**$ 20,684**
Other revenues	306	317	323	333	**1,279**
Total operating revenues	5,290	5,470	5,573	5,630	**21,963**
Operating Expenses					
Compensation and benefits	1,216	1,185	1,196	1,210	**4,807**
Fuel	900	863	866	905	**3,534**
Purchased services and materials	557	585	588	585	**2,315**
Depreciation	434	438	447	458	**1,777**
Equipment and other rents	313	302	309	311	**1,235**
Other	237	219	205	188	**849**
Total operating expenses	3,657	3,592	3,611	3,657	**14,517**
Operating Income	1,633	1,878	1,962	1,973	**7,446**
Other income	40	23	28	37	**128**
Interest expense	(128)	(133)	(138)	(127)	**(526)**
Income before income taxes	1,545	1,768	1,852	1,883	**7,048**
Income taxes	(588)	(662)	(701)	(709)	**(2,660)**
Net income	$ 957	$ 1,106	$ 1,151	$ 1,174	**$ 4,388**
Share and Per Share					
Earnings per share - basic	$ 2.05	$ 2.38	$ 2.49	$ 2.56	**$ 9.47**
Earnings per share - diluted	$ 2.03	$ 2.37	$ 2.48	$ 2.55	**$ 9.42**
Weighted average number of shares - basic	467.8	465.3	461.7	458.1	**463.3**
Weighted average number of shares - diluted	470.5	467.6	464.2	460.7	**465.8**
Dividends declared per share	$ 0.69	$ 0.69	$ 0.79	$ 0.79	**$ 2.96**
Operating Ratio	69.1%	65.7%	64.8%	65.0%	**66.1%**
Effective Tax Rate	38.1%	37.4%	37.9%	37.7%	**37.7%**

Refer to the Union Pacific Corporation 2013 SEC Form 10-K for additional information, including audited financial statements and related footnotes.

CONSOLIDATED STATEMENTS OF INCOME *(unaudited)*
Union Pacific Corporation and Subsidiary Companies

Millions, Except Per Share Amounts and Percentages	2012				
	1st Qtr	***2nd Qtr***	***3rd Qtr***	***4th Qtr***	***Full Year***
Operating Revenues					
Freight revenues	$ 4,823	$ 4,913	$ 5,019	$ 4,931	**$ 19,686**
Other revenues	289	308	324	319	**1,240**
Total operating revenues	5,112	5,221	5,343	5,250	**20,926**
Operating Expenses					
Compensation and benefits	1,211	1,151	1,188	1,135	**4,685**
Fuel	926	882	880	920	**3,608**
Purchased services and materials	526	542	542	533	**2,143**
Depreciation	427	433	447	453	**1,760**
Equipment and other rents	296	299	300	302	**1,197**
Other	216	190	200	182	**788**
Total operating expenses	3,602	3,497	3,557	3,525	**14,181**
Operating Income	1,510	1,724	1,786	1,725	**6,745**
Other income	16	21	28	43	**108**
Interest expense	(135)	(135)	(137)	(128)	**(535)**
Income before income taxes	1,391	1,610	1,677	1,640	**6,318**
Income taxes	(528)	(608)	(635)	(604)	**(2,375)**
Net income	$ 863	$ 1,002	$ 1,042	$ 1,036	**$ 3,943**
Share and Per Share					
Earnings per share - basic	$ 1.81	$ 2.11	$ 2.21	$ 2.21	**$ 8.33**
Earnings per share - diluted	$ 1.79	$ 2.10	$ 2.19	$ 2.19	**$ 8.27**
Weighted average number of shares - basic	477.8	473.8	472.0	468.8	**473.1**
Weighted average number of shares - diluted	481.4	477.2	475.2	472.0	**476.5**
Dividends declared per share	$ 0.60	$ 0.60	$ 0.60	$ 0.69	**$ 2.49**
Operating Ratio	70.5%	67.0%	66.6%	67.1%	**67.8%**
Effective Tax Rate	38.0%	37.8%	37.9%	36.8%	**37.6%**

Refer to the Union Pacific Corporation 2013 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, Except Share and Per Share Amounts as of December 31,	***2013***	*2012*
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,432**	$ 1,063
Accounts receivable, net	**1,414**	1,331
Materials and supplies	**653**	660
Current deferred income taxes	**268**	263
Other current assets	**223**	297
Total current assets	**3,990**	3,614
Investments	**1,321**	1,259
Properties:		
Land	**5,120**	5,105
Road	**42,863**	40,829
Equipment	**10,164**	9,823
Technology and other	**1,665**	1,522
Accumulated depreciation	**(16,063)**	(15,282)
Net Properties	**43,749**	41,997
Other assets	**671**	283
Total assets	**$ 49,731**	$ 47,153
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 803**	$ 825
Debt due within one year	**705**	196
Income and other taxes	**491**	368
Accrued wages and vacation	**385**	376
Dividends payable	**356**	318
Accrued casualty costs	**207**	213
Interest payable	**169**	172
Equipment rents payable	**96**	95
Other	**579**	556
Total current liabilities	**3,791**	3,119
Debt due after one year	**8,872**	8,801
Deferred income taxes	**14,163**	13,108
Other long-term liabilities	**1,680**	2,248
Commitments and contingencies		
Total liabilities	**28,506**	27,276
Common shareholders' equity:		
Common shares, $2.50 par value, 800,000,000 authorized; 554,828,826 and 554,558,034 issued; 456,000,998 and 469,465,273 outstanding, respectively	**1,387**	1,386
Paid-in-surplus	**4,210**	4,113
Retained earnings	**25,288**	22,271
Treasury stock	**(8,910)**	(6,707)
Accumulated other comprehensive loss	**(750)**	(1,186)
Total common shareholders' equity	**21,225**	19,877
Total liabilities and common shareholders' equity	**$ 49,731**	$ 47,153

Refer to the Union Pacific Corporation 2013 SEC Form 10-K for additional information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Union Pacific Corporation and Subsidiary Companies

Millions, for the Years Ended December 31,	***2013***	*2012*	*2011*	*2010*
Operating Activities				
Net income	**$ 4,388**	$ 3,943	$ 3,292	$ 2,780
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation	**1,777**	1,760	1,617	1,487
Deferred income taxes and unrecognized tax benefits	**723**	887	986	672
Other operating activities, net	**(226)**	(160)	(298)	(483)
Changes in current assets and liabilities:				
Accounts receivable, net	**(83)**	70	(217)	(518)
Materials and supplies	**7**	(46)	(80)	(59)
Other current assets	**74**	(108)	178	(17)
Accounts payable and other current liabilities	**163**	(185)	395	243
Cash provided by operating activities	**6,823**	6,161	5,873	4,105
Investing Activities				
Capital investments	**(3,496)**	(3,738)	(3,176)	(2,482)
Proceeds from asset sales	**98**	80	108	67
Proceeds from sale of assets financed	**-**	(274)	(85)	-
Acquisition of equipment pending financing	**-**	274	85	-
Other investing activities, net	**(7)**	25	(51)	(73)
Cash used in investing activities	**(3,405)**	(3,633)	(3,119)	(2,488)
Financing Activities				
Common share repurchases	**(2,218)**	(1,474)	(1,418)	(1,249)
Debt issued	**1,443**	695	486	894
Dividends paid	**(1,333)**	(1,146)	(837)	(602)
Debt repaid	**(640)**	(758)	(690)	(1,412)
Debt exchange	**(289)**	-	(272)	(98)
Other financing activities, net	**(12)**	1	108	86
Cash used in financing activities	**(3,049)**	(2,682)	(2,623)	(2,381)
Net change in cash and cash equivalents	**369**	(154)	131	(764)
Cash and cash equivalents at beginning of year	**1,063**	1,217	1,086	1,850
Cash and cash equivalents at end of year	**$ 1,432**	$ 1,063	$ 1,217	$ 1,086
Supplemental Cash Flow Information				
Non-cash investing and financing activities:				
Cash dividends declared but not yet paid	**$ 356**	$ 318	$ 284	$ 183
Capital investments accrued but not yet paid	**133**	136	147	125
Capital lease financings	**39**	290	154	-
Cash paid during the year for:				
Interest, net of amounts capitalized	**$ (528)**	$ (561)	$ (572)	$ (614)
Income taxes, net of refunds	**(1,656)**	(1,552)	(625)	(936)

Refer to the Union Pacific Corporation 2013 SEC Form 10-K for more information.

FINANCIAL AND OPERATING STATISTICS *(unaudited)*
Union Pacific Corporation and Subsidiary Companies

	2013				
Financial and Revenue Statistics	*1st Qtr*	*2nd Qtr*	*3rd Qtr*	*4th Qtr*	***Full Year***
Operating revenues *(millions)*	$ 5,290	$ 5,470	$ 5,573	$ 5,630	**$ 21,963**
Operating expenses *(millions)*	$ 3,657	$ 3,592	$ 3,611	$ 3,657	**$ 14,517**
Operating ratio *(%)*	69.1	65.7	64.8	65.0	**66.1**
Compensation and benefits *(millions)*	$ 1,216	$ 1,185	$ 1,196	$ 1,210	**$ 4,807**
Compensation and benefits/Operating revenue *(%)*	23.0	21.7	21.5	21.5	**21.9**
Freight revenue/Average employees *(000)*	107.3	110.1	112.6	115.3	**445.3**
Fuel expense *(million)*	$ 900	$ 863	$ 866	$ 905	**$ 3,534**
Average fuel price per gallon consumed *[a]*	$ 3.23	$ 3.10	$ 3.17	$ 3.11	**$ 3.15**
Freight revenues *(millions)*	$ 4,984	$ 5,153	$ 5,250	$ 5,297	**$ 20,684**
Average revenue per car	$ 2,299	$ 2,295	$ 2,255	$ 2,323	**$ 2,293**
Freight revenue/Revenue ton-mile *(cents)*	$ 4.02	$ 4.06	$ 4.01	$ 4.01	**$ 4.02**
Effective tax rate *(%)*	38.1	37.4	37.9	37.7	**37.7**
Debt to capital *(%) [b]*	32.9	32.3	31.3	31.1	**31.1**
Adjusted debt to capital *(%) [c]*	40.2	39.6	38.5	37.6	**37.6**
Operating Statistics					
Revenue carloads *(thousands)*	2,168	2,246	2,328	2,280	**9,022**
Revenue ton-miles *(billions)*	124	127	131	132	**514**
Gross ton-miles *(billions)*	228	235	241	245	**949**
Average train speed *(miles per hour) [d]*	26.4	25.7	26.3	25.8	**26.0**
Average system dwell (hours) [d]	27.4	26.6	26.3	28.0	**27.1**
Fuel consumed *(millions of gallons)*	272	271	265	283	**1,091**
Employees *(average)*	46,437	46,787	46,605	45,951	**46,445**
GTMs per employee *(millions)*	4.90	5.03	5.18	5.32	**20.43**

[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 determined as follows: total debt plus net present value of operating leases plus after-tax unfunded pension and OPEB obligation divided by total debt plus net present value of operating leases plus after-tax unfunded pension and OPEB obligation plus equity.

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

FINANCIAL AND OPERATING STATISTICS *(unaudited)*
Union Pacific Corporation and Subsidiary Companies

	2012				
Financial and Revenue Statistics	*1st Qtr*	*2nd Qtr*	*3rd Qtr*	*4th Qtr*	***Full Year***
Operating revenues *(millions)*	$ 5,112	$ 5,221	$ 5,343	$ 5,250	**$ 20,926**
Operating expenses *(millions)*	$ 3,602	$ 3,497	$ 3,557	$ 3,525	**$ 14,181**
Operating ratio *(%)*	70.5	67.0	66.6	67.1	**67.8**
Compensation and benefits *(millions)*	$ 1,211	$ 1,151	$ 1,188	$ 1,135	**$ 4,685**
Compensation and benefits/Operating revenue *(%)*	23.7	22.0	22.2	21.6	**22.4**
Freight revenue/Average employees *(000)*	105.7	107.3	108.6	107.0	**428.6**
Fuel expense *(million)*	$ 926	$ 882	$ 880	$ 920	**$ 3,608**
Average fuel price per gallon consumed *[a]*	$ 3.23	$ 3.21	$ 3.19	$ 3.25	**$ 3.22**
Freight revenues *(millions)*	$ 4,823	$ 4,913	$ 5,019	$ 4,931	**$ 19,686**
Average revenue per car	$ 2,175	$ 2,176	$ 2,153	$ 2,200	**$ 2,176**
Freight revenue/Revenue ton-mile *(cents)*	$ 3.63	$ 3.87	$ 3.77	$ 3.85	**$ 3.78**
Effective tax rate *(%)*	38.0	37.8	37.9	36.8	**37.6**
Debt to capital *(%) [b]*	32.0	33.0	32.7	31.2	**31.2**
Adjusted debt to capital *(%) [c]*	40.1	40.6	40.2	39.1	**39.1**
Operating Statistics					
Revenue carloads *(thousands)*	2,218	2,258	2,331	2,241	**9,048**
Revenue ton-miles *(billions)*	133	127	133	128	**521**
Gross ton-miles *(billions)*	241	234	245	239	**959**
Average train speed *(miles per hour) [d]*	26.3	26.6	26.1	26.7	**26.5**
Average system dwell (hours) [d]	26.4	25.5	26.0	26.8	**26.2**
Fuel consumed *(millions of gallons)*	279	265	267	274	**1,085**
Employees *(average)*	45,642	45,797	46,205	46,067	**45,928**
GTMs per employee *(millions)*	5.27	5.12	5.31	5.19	**20.89**

[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 determined as follows: total debt plus net present value of operating leases plus after-tax unfunded pension and OPEB obligation divided by total debt plus net present value of operating leases plus after-tax unfunded pension and OPEB obligation plus equity.

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

NON-GAAP DEFINITIONS

The following are non-GAAP financial measures under SEC Regulation G and Item 10 of SEC Regulation S-K, and may not be defined and calculated by other companies in the same manner. Management believes these measures provide an alternative presentation of the results that more accurately reflect ongoing Company operations. These should be considered in addition to, not a substitute for, the reported GAAP results.

Free Cash Flow

Cash provided by operating activities (adjusted for the reclassification of our receivables securitization facility), less cash used in investing activities and dividends paid. Management believes this is an important measure in evaluating our financial performance and measures our ability to generate cash without additional external financings.

Return on Invested Capital

Net income plus interest expense, 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 compensation for our executive officers and senior management.

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 after-tax unfunded pension and OPEB obligation divided by total debt plus net present value of operating leases plus after-tax unfunded pension and OPEB obligation plus equity. Operating leases were discounted using 5.7% at December 31, 2013, 6.0% at December 31, 2012 and 6.2% at both December 31, 2011 and 2010. Management believes this is an important measure in evaluating the total amount of leverage in our capital structure including off-balance sheet lease obligations.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
Non-GAAP Measures Reconciliation to GAAP

Free Cash Flow

Millions	***2013***	*2012*	*2011*	*2010*
Cash provided by operating activities	**$ 6,823**	$ 6,161	$ 5,873	$ 4,105
Receivables securitization facility [a]	**-**	-	-	400
Cash provided by operating activities adjusted for the receivables securitization facility	**6,823**	6,161	5,873	4,505
Cash used in investing activities	**(3,405)**	(3,633)	(3,119)	(2,488)
Dividends paid	**(1,333)**	(1,146)	(837)	(602)
Free cash flow	**$ 2,085**	$ 1,382	$ 1,917	$ 1,415

[a] *Effective January 1, 2010, a new accounting standard required us to account for receivables transferred under our receivables securitization facility as secured borrowings in our Consolidated Statements of Financial Position and as financing activities in our Consolidated Statements of Cash Flows. The receivables securitization facility is included in our free cash flow calculation to adjust cash provided by operating activities as though our receivables securitization facility had been accounted for under the new accounting standard for all periods presented.*

Return on Invested Capital as Adjusted (ROIC)

Millions, Except Percentages	***2013***	*2012*	*2011*	*2010*
Net income	**$ 4,388**	$ 3,943	$ 3,292	$ 2,780
Add: Interest expense	**526**	535	572	602
Add: Interest on present value of operating leases	**175**	190	208	222
Less: Taxes on interest	**(264)**	(273)	(293)	(307)
Net operating profit after taxes as adjusted (a)	**$ 4,825**	$ 4,395	$ 3,779	$ 3,297
Average equity	**$ 20,551**	$ 19,228	$ 18,171	$ 17,282
Add: Average debt	**9,287**	8,952	9,074	9,545
Add: Average present value of operating leases	**3,077**	3,160	3,350	3,574
Average invested capital as adjusted (b)	**$ 32,915**	$ 31,340	$ 30,595	$ 30,401
Return on invested capital as adjusted (a/b)	**14.7%**	14.0%	12.4%	10.8%

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Non-GAAP Measures Reconciliation to GAAP

Debt to Capital

Millions, Except Percentages	***2013***	2012	*2011*	*2010*
Debt (a)	**$ 9,577**	$ 8,997	$ 8,906	$ 9,242
Equity	**21,225**	19,877	18,578	17,763
Capital (b)	**$ 30,802**	$ 28,874	$ 27,484	$ 27,005
Debt to capital (a/b)	**31.1%**	31.2%	32.4%	34.2%

Adjusted Debt to Capital, Reconciliation to GAAP

Millions, Except Percentages	***2013***	2012	*2011*	*2010*
Debt	**$ 9,577**	$ 8,997	$ 8,906	$ 9,242
Net present value of operating leases	**3,057**	3,096	3,224	3,476
Unfunded pension and OPEB	**170**	679	623	421
Adjusted debt (a)	**$ 12,804**	$ 12,772	$ 12,753	$ 13,139
Equity	**21,225**	19,877	18,578	17,763
Adjusted capital (b)	**$ 34,029**	$ 32,649	$ 31,331	$ 30,902
Adjusted debt to capital (a/b)	**37.6%**	39.1%	40.7%	42.5%

CAUTIONARY INFORMATION

The 2013 Investor "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 considered or deemed to be 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 document includes statements about the Corporation's future that are not statements of historical fact, including specifically the statements regarding the Corporation's expectations with respect to challenges and opportunities for each of the Corporation's commodity groups, including Mexico business; market drivers in 2014; and capital investments in 2014 and over the next five years. These statements are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. Forward-looking statements also generally include, without limitation, information or statements regarding: projections, predictions, expectations, estimates or forecasts as to the Corporation's and its subsidiaries' business, financial, and operational results, and future economic performance; and management's beliefs, expectations, goals, and objectives and other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information, including expectations regarding operational and financial improvements and the Corporation's future performance or results are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statement. Important factors, including risk factors, could affect the Corporation's and its subsidiaries' future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. Information regarding risk factors and other cautionary information are available in the Corporation's Annual Report on Form 10-K for 2013, which was filed with the SEC on February 7, 2014. The Corporation updates information regarding risk factors if circumstances require such updates in its periodic reports on Form 10-Q and its subsequent Annual Reports on Form 10-K (or such other reports that may be filed with the SEC).

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

The Company's financial statements are included solely as a convenience. The financial statements should be read in conjunction with the notes to the Financial Statements and Supplementary Data in Item 8 of the Company's 2013 Annual Report on Form 10-K.