Union Pacific Corp

STANDARD & POOR'S

S&P Recommendation HOLD ★★★★★	**Price**	**12-Mo. Target Price**	**Investment Style**
	$96.96 (as of Oct 21, 2011)	$107.00	Large-Cap Blend

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

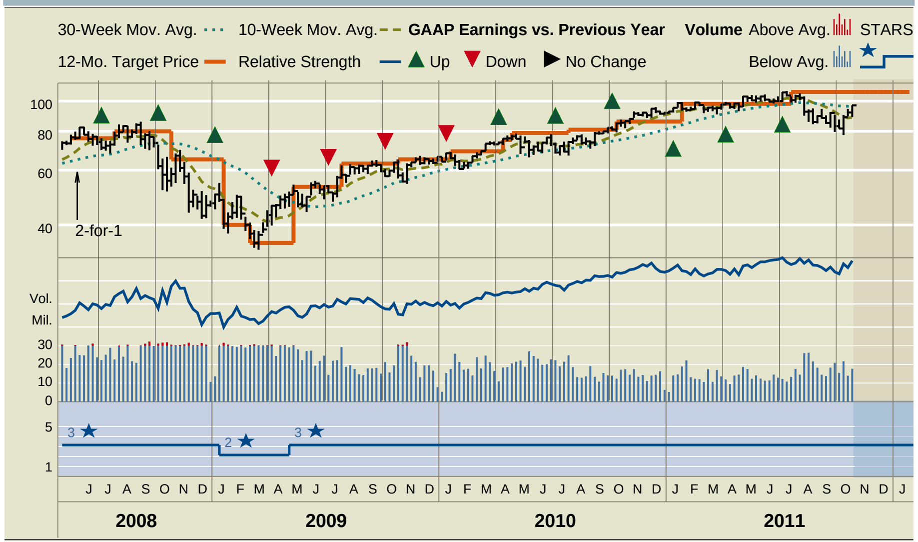
GICS Sector Industrials
Sub-Industry Railroads

Summary Union Pacific operates the largest U.S. railroad, with over 32,000 miles of rail serving the western two-thirds of the country.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	**$107.89– 77.73**	S&P Oper. EPS 2011**E**	**6.49**	Market Capitalization(B)	**$47.325**	Beta	**1.17**
Trailing 12-Month EPS	**$6.01**	S&P Oper. EPS 2012**E**	**7.46**	Yield (%)	**1.96**	S&P 3-Yr. Proj. EPS CAGR(%)	**15**
Trailing 12-Month P/E	**16.1**	P/E on S&P Oper. EPS 2011**E**	**14.9**	Dividend Rate/Share	**$1.90**	S&P Credit Rating	**BBB+**
$10K Invested 5 Yrs Ago	**$23,229**	Common Shares Outstg. (M)	**488.1**	Institutional Ownership (%)	**84**		

Price Performance



Options: CBOE, Ph

Analysis prepared by Equity Analyst **Kevin Kirkeby** on Jul 27, 2011, when the stock traded at **$102.92**.

Highlights

- We expect revenues to advance 15% in 2011, reflecting a 4% volume gain and an 11% improvement in yield. Fuel surcharges will contribute about four percentage points of the increase. We look for volumes to become more balanced as coal, export grain and various industrial segments are forecast to rise at a faster pace during the remainder of 2011. We think UNP will continue to benefit from contract renewals, as it has several coming due either in the fourth quarter of this year or during 2012. We forecast 6% revenue growth in 2012.
- We expect operating expenses to rise as volumes increase in 2011, due to higher wages and incentive compensation, as well as maintenance and materials. However, we still anticipate a widening of margins during the second half of 2011 and into 2012 due to improved pricing and greater asset utilization, like increases in both cars per train and ton-miles per employee.
- Our EPS estimate for 2011 of $6.42 incorporates an effective tax rate of 38%, as well as the buyback of 8.0 million shares, helping reduce the average share count by 2.3%.

Investment Rationale/Risk

- Recent data suggest the economy is recovering, and is contributing to growth in UNP's revenues. We think a valuation above the midpoint of the historical range is warranted, as we balance near-term volume gains with our expectation that operating costs will start to rise as certain volume thresholds are reached, and what we see as UNP's above peer average investment requirements, including positive train control (PTC) requirements.
- Risks to our recommendation and target price include a slower-than-expected recovery in the economy, reduced coal consumption by utilities as a result of government efforts to control carbon dioxide emissions, and more regulatory oversight of railroad pricing.
- Our relative valuation model suggests an enterprise value-to-EBITDA multiple, using our four-quarter forward estimate, of 8.1X, above the midpoint of the 10-year range but not top quartile, and yields a value of $109. Our discounted cash flow model, which assumes a 10.5% cost of equity, annual free cash flow growth of 11% for five years, and a 3.5% terminal growth rate, estimates an intrinsic value of $105. Blending, we arrive at our 12-month target price of $107.

Qualitative Risk Assessment

LOW	**MEDIUM**	HIGH

Our risk assessment reflects UNP's exposure to economic cycles, regulations, and labor and fuel costs, coupled with significant capital expenditure requirements, offset by our view of the company's historically positive cash flow generation and moderate financial leverage.

Quantitative Evaluations

S&P Quality Ranking **A**

D	C	B-	B	B+	A-	**A**	A+

Relative Strength Rank **STRONG**

91

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million $)

	1Q	2Q	3Q	4Q	Year
2011	4,490	4,858	--	--	--
2010	3,965	4,182	4,408	4,410	16,965
2009	3,415	3,303	3,671	3,754	14,143
2008	4,270	4,568	4,846	4,286	17,970
2007	3,849	4,046	4,191	4,197	16,283
2006	3,710	3,923	3,983	3,962	15,578

Earnings Per Share ($)

	1Q	2Q	3Q	4Q	Year
2011	1.29	1.59	**E**1.81	**E**1.75	**E**6.49
2010	1.01	1.40	1.56	1.56	5.53
2009	0.72	0.92	1.02	1.08	3.75
2008	0.85	1.02	1.38	1.31	4.54
2007	0.71	0.83	1.00	0.93	3.46
2006	0.58	0.72	0.77	0.89	2.96

Fiscal year ended Dec. 31. Next earnings report expected: Late October. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.380	11/18	11/26	11/30	01/03/11
0.380	02/03	02/24	02/28	04/01/11
0.475	05/05	05/26	05/31	07/01/11
0.475	07/28	08/29	08/31	10/03/11

Dividends have been paid since 1900. Source: Company reports.

Union Pacific Corp

STANDARD & POOR'S

Business Summary July 27, 2011

CORPORATE OVERVIEW. Union Pacific operates the largest U.S. railroad, with a network that spans about 32,200 miles, linking Pacific Coast and Gulf Coast ports to midwestern and eastern gateways. The rail lines touch 23 states, as well as the Mexican and Canadian borders. Energy accounted for 22% of freight revenues and 23% of carloadings in 2010. UNP is a major transporter of low-sulfur coal, with about 67% of its energy traffic consisting of coal originating in the Powder River Basin of Wyoming and Montana, primarily delivered to power utilities. In 2010, UNP's intermodal business represented 20% of freight revenue, and accounted for a much larger 38% of total carloads. The industrial products category represented another 16% of freight revenues, while chemicals, agricultural products and automotive contributed 15%, 19% and 8%, respectively, of 2010 freight revenues.

COMPETITIVE LANDSCAPE. The U.S. rail industry has an oligopoly-like structure, with over 80% of revenues generated by the four largest railroads: UNP and Burlington Northern Santa Fe Corp. operating on the West Coast, and CSX Corp. and Norfolk Southern Corp. operating on the East Coast. Railroads simultaneously compete for customers while cooperating by sharing assets, interfacing systems, and completing customer movements. Railroads also compete with trucking, shipping, and pipeline transportation. Rail rates are generally lower than trucking rates, as service is slower and less flexible, in our view, than trucking, which provides most U.S. transportation. We believe the rising price of fuel increases the cost attractiveness of railroads over less fuel-efficient trucking, which should help support industry volumes over the next five years. While large freight integrators, coal and utility companies may exert more pricing power than smaller customers, there has been an increase in shippers across the rail industry filing complaints with the Surface Transportation Board (STB) alleging excessive pricing. In a July 2009 ruling, the STB determined that UNP was seeking rate increases from Oklahoma Gas & Electric that exceeded permissible levels. The STB ordered UNP to reimburse the shipper for amounts already collected, and effectively capped the rate on those particular moves through 2018. We note that UNP has legacy contracts that underly approximately $2 billion in annual revenues that come up for renewal between 2011 and 2015. About 70% of these legacy contracts, ones that have not been repriced since 2004, are in the energy (coal) category, with another 20% in intermodal.

CORPORATE STRATEGY. We consider railroads a mature industry, and we expect 1.5% annualized U.S. rail tonnage growth from 2010 to 2022. We believe UNP has growth opportunities near the industry average, in part a reflection of its intermodal operations, which as a percentage of total volumes is similar to its peers. While we believe UNP's rail network has physical capacity constraints that are above the peer average, it has been investing heavily to double-track the Sunset Corridor and lengthen sidings along other routes. Project Operating Ratio is the name of UNP's program to grow net income and enhance shareholder returns in the period through 2012. As the name implies, it is focused largely on efficiency improvements rather than volume gains. Among the initiatives are an upgrade of its locomotive fleet, improved track flow and load planning, along with fuel conservation. More recently, UNP put forth the goal of reaching an operating ratio in the 65% to 67% range by the end of 2015. Another key component of its program is pricing, with UNP taking steps to move rates higher and achieve greater fuel surcharge coverage. In April 2011, UNP put its fuel coverage at about 90%.

UNP's network is well positioned, in our view, to capture a large percentage of finished vehicle imports, coming through the major Atlantic and Gulf coast ports, or through the key interchanges with Mexico. UNP calculates that it handles over 85% of all auto and auto-related traffic into and out of Mexico. It considers ownership of the specialized railcars a competitive advantage. Similarly, UNP's ownership of intermodal railcars was reportedly a factor in the decision by a major intermodal shipper to begin switching the majority of their business to UNP in June 2009.

FINANCIAL TRENDS. We calculate that return on invested capital (ROIC), measured as net operating profit after cash taxes, has averaged 13.0% over the past five years at UNP, versus 13.1% for the industry. Improved service levels and freight pricing helped ROIC rise from 8.5% in 2005 to 15.9% in 2010, in our opinion. UNP's ROIC in 2010 was above our estimate for the company's weighted average cost of capital, currently near 9.5%.

Corporate Information

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Officers

Chrmn, Pres, CEO & COO
J.R. Young

EVP & CFO
R.M. Knight, Jr.

SVP & Chief Admin Officer
C.R. Eisele

SVP & Secy
B.W. Schaefer

SVP & General Counsel
J.M. Hemmer

Board Members
A. H. Card, Jr.
E. B. Davis, Jr.
T. J. Donohue
A. W. Dunham
J. R. Hope
C. C. Krulak
M. R. McCarthy
M. W. McConnell
T. F. McLarty, III
S. Rogel
J. H. Villarreal
J. R. Young

Domicile
Utah

Founded
1862

Employees
42,884

Stockholders
33,537

Union Pacific Corp

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Quantitative Evaluations

S&P Fair Value Rank 2+

1	2	3	4	5
LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation $87.50

Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that UNP is slightly overvalued by $9.46 or 9.8%.

Investability Quotient Percentile 43

LOWEST = 1 HIGHEST = 100

UNP scored lower than 57% of all companies for which an S&P Report is available.

Volatility LOW | AVERAGE | HIGH

Technical Evaluation NEUTRAL

Since October, 2011, the technical indicators for UNP have been NEUTRAL.

Insider Activity UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2010	2009	2008	2007
Price/Sales	2.75	2.29	1.37	2.07
Price/EBITDA	7.20	6.68	4.51	7.18
Price/Pretax Income	10.51	10.82	6.73	11.21
P/E Ratio	16.76	17.03	10.53	18.18
Avg. Diluted Shares Outstg (M)	502.9	505.8	515.0	536.8

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	19.95	-1.16	2.67	4.47
Net Income	46.47	10.57	17.74	12.70
Ratio Analysis (Annual Avg.)				
Net Margin (%)	16.39	14.27	12.90	10.77
% LT Debt to Capitalization	33.34	31.46	27.29	27.14
Return on Equity (%)	16.02	14.27	13.18	11.22

Company Financials Fiscal Year Ended Dec. 31

Per Share Data ($)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Tangible Book Value	35.48	33.00	30.70	31.73	28.34	25.58	24.25	23.93	21.00	19.15
Cash Flow	8.48	6.61	7.23	5.92	5.23	4.13	3.27	3.96	4.60	3.93
Earnings	5.53	3.75	4.54	3.46	2.96	1.93	1.15	2.04	2.53	1.89
S&P Core Earnings	5.48	3.52	4.29	3.37	2.86	1.66	1.05	1.88	1.92	1.41
Dividends	1.31	1.08	0.98	0.75	0.60	0.60	0.60	0.50	0.42	0.40
Payout Ratio	24%	29%	22%	22%	20%	31%	52%	24%	16%	21%
Prices:High	95.78	66.73	85.80	68.78	48.75	40.63	34.78	34.75	32.58	30.35
Prices:Low	60.41	33.28	41.84	44.79	38.81	29.09	27.40	25.45	26.50	21.88
P/E Ratio:High	17	18	19	20	16	21	30	17	13	16
P/E Ratio:Low	11	9	9	13	13	15	24	13	10	12

Income Statement Analysis (Million $)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenue	16,965	14,143	17,970	16,283	15,578	13,578	12,215	11,551	12,491	11,973
Operating Income	6,468	4,836	5,462	4,696	4,121	2,970	2,406	3,200	3,530	2,072
Depreciation	1,487	1,444	1,387	1,321	1,237	1,175	1,111	1,067	1,206	1,174
Interest Expense	602	600	511	482	477	504	527	574	633	701
Pretax Income	4,433	2,987	3,656	3,009	2,525	1,436	856	1,637	2,016	1,533
Effective Tax Rate	NA	36.5%	36.1%	38.4%	36.4%	28.6%	29.4%	35.5%	33.5%	37.0%
Net Income	2,780	1,898	2,338	1,855	1,606	1,026	604	1,056	1,341	966
S&P Core Earnings	2,754	1,782	2,209	1,808	1,553	886	551	972	1,003	708

Balance Sheet & Other Financial Data (Million $)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Cash	1,086	1,850	1,249	878	827	773	977	527	369	113
Current Assets	3,432	3,680	2,813	2,594	2,411	2,325	2,290	2,089	2,152	1,542
Total Assets	43,088	42,410	39,722	38,033	36,515	35,620	34,589	33,460	32,764	31,551
Current Liabilities	2,952	2,682	2,880	3,041	3,539	3,384	2,516	2,456	2,701	2,692
Long Term Debt	9,003	9,636	8,607	7,543	6,000	6,760	7,981	7,822	8,928	9,386
Common Equity	17,763	16,941	15,447	15,585	15,312	13,707	12,655	12,354	10,651	9,575
Total Capital	27,005	26,789	34,336	33,178	31,008	29,949	29,816	29,345	28,057	26,843
Capital Expenditures	2,482	2,384	2,780	2,496	2,242	2,169	1,876	1,752	1,887	1,736
Cash Flow	4,267	3,342	3,725	3,176	2,843	2,201	1,715	2,123	2,547	2,140
Current Ratio	1.2	1.4	1.0	0.9	0.7	0.7	0.9	0.9	0.8	0.6
% Long Term Debt of Capitalization	33.3	36.0	25.1	22.7	19.3	22.6	26.8	26.7	31.8	35.0
% Net Income of Revenue	16.4	13.4	13.0	11.4	10.3	7.6	4.9	9.1	10.7	8.1
% Return on Assets	6.5	4.6	6.0	5.0	4.5	2.9	1.8	3.2	4.2	3.1
% Return on Equity	16.0	11.7	15.1	12.0	11.1	7.8	4.8	9.2	13.3	10.6

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Union Pacific Corp

Sub-Industry Outlook

Our fundamental outlook for the S&P Railroads sub-industry is neutral. We believe average freight rates, excluding fuel, will rise mid-single digits during the next 12 months due to price escalators built into current contracts, as well as revised terms on renewals. Weekly volumes have generally been rising since troughing in May 2009, though severe weather and flooding have slowed volume gains during the first nine months of 2011. Commentary from the railroads following the release of their second quarter 2011 earnings regarding their outlook for the rest of the year has been optimistic. They believe the U.S. economy is in recovery mode and that volume trends remain favorable, and have been hiring more workers and positioning stored railcars in anticipation of the fall peak shipping season. The sharp rise in diesel fuel prices pressured first quarter margins, but we think the rails recovered most of the expense during the second quarter of 2011 as fuel surcharge mechanisms adjusted. We see neutral valuation indications, with most railroad stocks trading above their historical averages.

We calculate that rail revenues increased 19% in 2010 for the Class I rails, while EBITDA for the group improved 28%. Traffic in ton miles (weight times distance) increased 8.5% in the U.S. during 2010, following a 15% decline in 2009, according to Association of American Railroads estimates. Carloadings increased 7.3% in 2010, and were up 1.7% in the year to date through September 17. Similarly, intermodal volumes rose 14% in 2010, to 11.3 million trailers or containers, and were up 5.5% in 2011 during the first 37 weeks of 2011.

Our longer-term outlook for railroads is favorable due to the industry's greater fuel efficiency and smaller environmental footprint relative to other transportation modes. These factors, along with highway congestion and driver availability, will drive more industrial and intermodal shipments to the rails, in our view. While government transportation policy will likely foster more rail usage in the long-term, we view the current regulatory environment as negative. The Surface Transportation Board has decided against the rails in several rate cases in the past three years, and we think it is under political pressure to take a tougher stance on rates. Likewise, there are bills, like the Surface Transportation Board Reauthorization Act, before the Senate that seek more oversight and control over the railroads and their pricing practices.

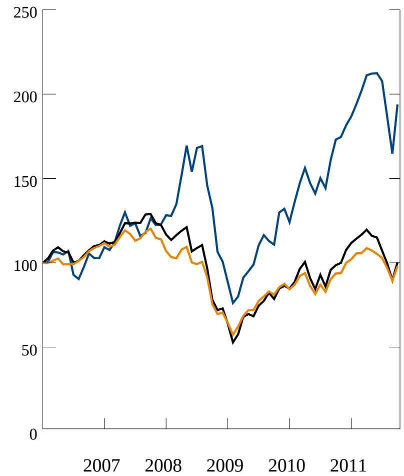
The S&P Railroads Index was down 7.7% year to date through September 23, versus a 10.0% decline for the S&P 1500.

-Kevin Kirkeby, CFA

Stock Performance

GICS Sector: Industrials
Sub-Industry: Railroads

Based on S&P 1500 Indexes
Month-end Price Performance as of 09/30/11



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Railroads Peer Group*: Railroads (U.S.) - Major

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Union Pacific	**UNP**	**47,325**	**96.96**	**107.89/77.73**	**1.17**	**2.0**	**16**	**87.50**	**A**	**43**	**16.4**	**33.3**
CSX Corp	CSX	23,943	21.86	27.06/17.69	1.23	2.2	13	17.90	A-	37	14.7	46.4
Kansas City Southern	KSU	6,539	59.54	62.78/41.00	1.35	Nil	27	52.60	B	23	9.9	34.8
Norfolk Southern	NSC	24,657	70.90	78.40/57.57	1.06	2.4	15	65.10	A-	40	15.7	37.3

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

S&P Analyst Research Notes and other Company News

October 20, 2011
UNP posts $1.85 vs. $1.56 Q3 EPS on 16% op. revenue rise. S&P Capital IQ consensus forecast was $1.81.

October 20, 2011
10:57 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF UNION PACIFIC (UNP 94.41***): Q3 EPS was $1.85, vs. $1.56, exceeding our $1.81 estimate as UNP achieved better pricing than we anticipated, while operating expenses were in line. On Q3 outperformance and raised core pricing assumptions, we increase our EPS forecast for '11 $0.07 to $6.49, and '12's by $0.26 to $7.46. Balancing the progress we see UNP making on improving the terms of legacy contracts with current economic uncertainty, we leave our target price unchanged at $107. This reflects a slightly lowered enterprise value-to-EBITDA ratio, but still a premium to the 5-year average. /K.Kirkeby

July 21, 2011
10:55 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF UNION PACIFIC (UNP 104.79***): Q2 EPS was $1.59, vs. $1.40, missing our $1.63 estimate. Revenues rose 16%, aided by a 7% improvement in non-fuel pricing/mix and 3% volume increase. While price gains more than offset Q2's rise in operating expenses, excluding the impact of severe weather and flooding, we think the labor and maintenance components have already begun to increase at a faster pace. We maintain our EPS forecast for '11 at $6.42 after adjusting our core price assumptions slightly higher, while leaving '12's unchanged at $7.20. We also keep our target price at $107. /K.Kirkeby

July 8, 2011
01:28 pm ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF UNION PACIFIC (UNP 103.67***): We see UNP's volumes rising about 4% this year on account of strength in commodity shipments, as well as domestic moves of manufactured goods. This, in combination with higher average rates, should contribute to an 11% revenue increase. After widening our margin assumptions modestly and incorporating higher non-operating income, we raise our EPS estimate for '11 by $0.17 to $6.42, and '12's by $0.10 to $7.20. We also increase our target price by $9 to $107 to reflect our updated DCF and enterprise value-to-EBITDA valuation models. /K.Kirkeby

June 22, 2011
Union Pacific Corporation has named D. Lynn Kelley, Ph.D., vice president - Continuous Improvement effective July 1, 2011. She succeeds Richard R. McClish, who is retiring, and will report to Chairman and Chief Executive Officer Jim Young. Kelley will be responsible for the company's continuous improvement, industrial engineering and quality processes. She joins the railroad from Textron Inc., where she served as vice president - Operational Excellence, overseeing the company's engineering, operations, procurement, quality and continuous improvement councils. Kelley previously was vice president - Quality and Textron Six Sigma, was a member of Textron's executive leadership team and a corporate officer. McClish joined Union Pacific in 2004 from R.R. Donnelly & Sons, where he served as chief process officer and interim chief information officer. His career also included senior management positions at General Electric Plastics.

May 2, 2011
Union Pacific Corporation has promoted Linda Brandl to the position of vice president and general manager of automotive. Ms. Brandl replaces Julie Krehbiel, who resigned. Ms. Brandl has more than 22 years experience with the railroad, most recently serving as vice president of the National Customer Service Center (NCSC). Beth Whited has been promoted to vice president of NCSC. Ms. Whited has been with Union Pacific for 23 years, most recently serving as assistant vice president of Union Pacific Distribution Services (UPDS). Brad Thrasher has been promoted to assistant vice president of UPDS. He has 23 years experience with Union Pacific, most recently serving as assistant vice president - Streamline.

April 20, 2011
02:49 pm ET ... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF UNION PACIFIC (UNP 95.89***): UNP posts Q1 EPS of $1.29, vs. $1.07, a penny below our estimate. Revenues, up 13%, were slightly ahead of our forecast, while operating expenses were also higher, up 15% partly due to diesel fuel and partly from a higher employee count. UNP should benefit from further improvements in freight markets, and UNP's own pricing initiatives. On these factors, we maintain our EPS projections for '11 and '12 at $6.25 and $7.10, respectively. Similarly, we keep our target price unchanged at $98. /KKirkeby-CFA

April 11, 2011
02:32 pm ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF UNION PACIFIC (UNP 94.69***): Scheduled for 4/20, we expect UNP to report Q1 EPS of $1.30, vs. $1.07 last year. Our view is based on volume gains approaching 7%, with the largest contributions from intermodal, chemical, and auto-related shipments. While rising diesel prices have been a headwind so far in '11, we expect UNP's fuel surcharge program to recapture much of this in coming months. We maintain our EPS estimate of $6.25 for '11, and we initiate '12's at $7.10. We also keep our target price of $98, based on our DCF and enterprise value-to-EBITDA valuation models. /K.Kirkeby-CFA

April 7, 2011
Union Pacific Corporation appointed Jennifer Hamann as its new general auditor, Michelle Gerhardt as assistant vice president of investor relations and Todd Rynaski as assistant vice president of financial reporting and analysis. Most recently Ms. Hamann serving as assistant vice president of investor relations. Most recently Ms. Gerhardt serving as general director of financial analysis. Most recently Mr. Rynaski serves as general director of information technology where he led the company's SAP financial systems implementation.

January 20, 2011
DOWN 3.12 to 94.18... UNP posts $1.56 vs. $1.08 Q4 EPS on 17% higher operating revenue.

January 20, 2011
11:47 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF UNION PACIFIC (UNP 94.11***): UNP posts Q4 EPS of $1.56, vs. $1.08, exceeding our $1.33 estimate mostly due to stronger coal and intermodal pricing than we had forecast. This, along with further productivity gains, appears to be offsetting rising labor expenses. We are increasing our EPS estimate for '11 by $0.47 to $6.25 to reflect higher average pricing and wider margins, as well as a lower share count. On a higher enterprise value-to-EBITDA ratio, which is above the historical average but not quite top quartile, plus an updated DCF valuation, we raise our target price by $12 to $98. /KKirkeby-CFA

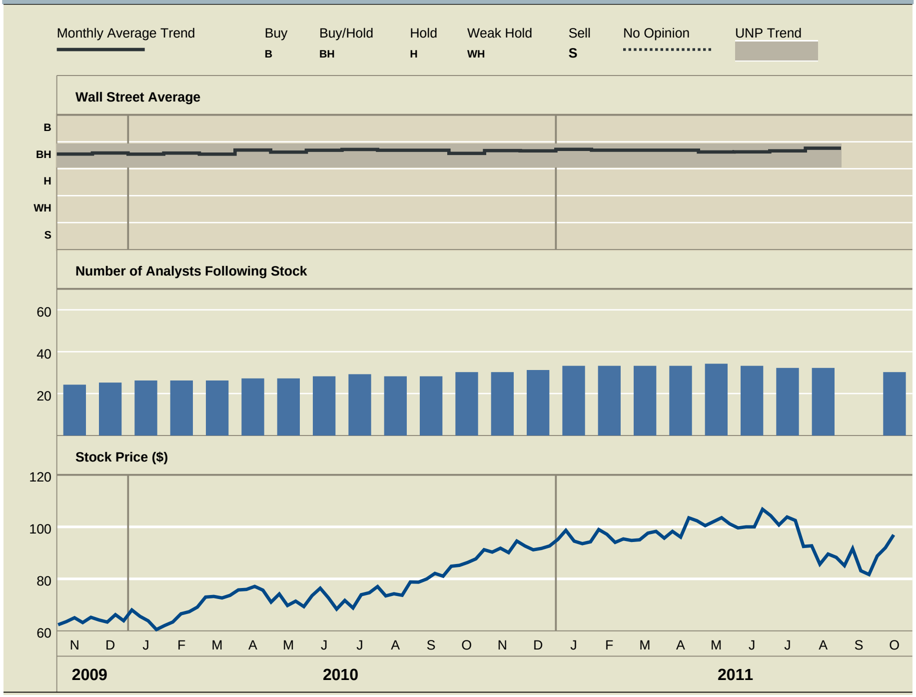
November 15, 2010
UP 2.02 to 92.31... Baird upgrades UNP to outperform from neutral. Co. no news....

November 15, 2010
09:23 am ET ... UNION PACIFIC CORPORATION (UNP 90.29) UNCHANGED, BAIRD UPGRADES UNION PACIFIC (UNP) TO OUTPERFORM FROM NEUTRAL... Analyst Jon Langenfeld tells salesforce upgrading UNP, raising estimates for UNP, CSX on greater conviction in intermediate-term rail trends. Notes sustainable margin improvement supports upside to consensus, a favorable industrial freight market supports solid volume outlook, more favorable regulatory environment now exists. Says UNP his favorite rail idea: has best commodity group, supports mid-single-digit volume growth, attractive growth in multiple commodity groups, notably Intermodal, Automotive, Industrial Products, Energy, Ag. Ups $100 target to $120. B.Brodie

Union Pacific Corp

STANDARD &POOR'S

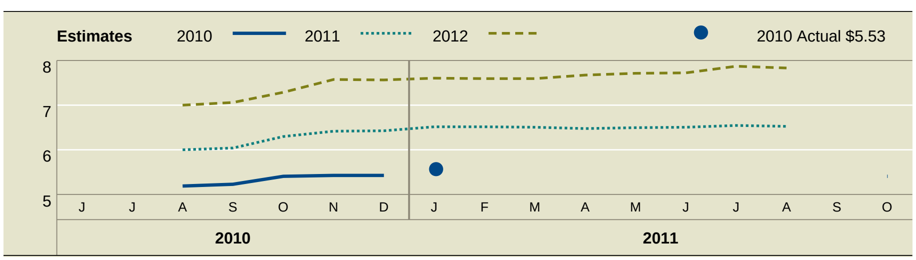
Analysts' Recommendations



Of the total 32 companies following UNP, 29 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	12	41	0	13
Buy/Hold	13	45	0	10
Hold	4	14	0	8
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	**29**	**100**	**0**	**31**

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2012	7.70	8.05	7.40	28	12.6
2011	6.47	6.76	6.30	29	15.0
2012 vs. 2011	▲ 19%	▲ 19%	▲ 17%	▼ -3%	▼ -16%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Steet Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Over 30 firms follow this stock; not all firms are displayed.
Argus Research Company
Atlantic Equities
Avondale Partners LLC
BMO Capital Markets-canada
Barclays Capital
Bb&t Capital Markets
Bofa Merrill Lynch
Citi
Credit Suisse - North America
Dahlman Rose & Co.
Desjardins Securities
Deutsche Bank North America
Goldman Sachs & Co.
Jefferies & Co.
Jpmorgan
Morgan Stanley
Morgan, Keegan & Company, Inc.
Morningstar, Inc.
RBC Capital Markets
Raymond James
Robert W. Baird & Co., Inc.
Sanford C. Bernstein & Co., LLC
Scotia Capital
Stephens Inc.
Sterne, Agee & Leach
Stifel Nicolaus & Company,inc.
Susquehanna Financial Group
TD Newcrest
UBS (us)
Wall Street Strategies

Wall Street Consensus vs. Performance

For fiscal year 2011, analysts estimate that UNP will earn $6.47. For fiscal year 2012, analysts estimate that UNP's earnings per share will grow by 19% to $7.70.

Union Pacific Corp

STANDARD &POOR'S

Glossary

S&P STARS
Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

S&P EPS Estimates
Standard & Poor's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P EPS estimates reflect either forecasts of S&P equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to Standard & Poor's Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Core Earnings
Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank
Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:
Union Pacific

	Raw Score	Max Value
Proprietary S&P Measures	43	115
Technical Indicators	25	40
Liquidity/Volatility Measures	0	20
Quantitative Measures	14	75
IQ Total	**82**	**250**

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services
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Abbreviations Used in S&P Equity Research Reports
CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings ; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

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In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P's quantitative evaluations are derived from S&P's proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst's STARS recommendations. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

S&P Global STARS Distribution

In North America: As of September 30, 2011, research analysts at Standard & Poor's Equity Research Services North America recommended 42.2% of issuers with buy recommendations, 54.2% with hold recommendations and 3.6% with sell recommendations.

In Europe: As of September 30, 2011, research analysts at Standard & Poor's Equity Research Services Europe recommended 34.4% of issuers with buy recommendations, 49.4% with hold recommendations and 16.2% with sell recommendations.

In Asia: As of September 30, 2011, research analysts at Standard & Poor's Equity Research Services Asia recommended 48.4% of issuers with buy recommendations, 45.7% with hold recommendations and 5.9% with sell recommendations.

Globally: As of September 30, 2011, research analysts at Standard & Poor's Equity Research Services globally recommended 41.5% of issuers with buy recommendations, 52.6% with hold recommendations and 5.9% with sell recommendations.

★★★★★ **5-STARS (Strong Buy)**: Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy)**: Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold)**: Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell)**: Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell)**: Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

For All Regions: All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

S&P Global Quantitative Recommendations Distribution

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In Asia: As of September 30, 2011, Standard & Poor's Quantitative Services Asia recommended 48.4% of issuers with buy recommendations, 21.0% with hold recommendations and 30.0% with sell recommendations.

Globally: As of September 30, 2011, Standard & Poor's Quantitative Services globally recommended 44.0% of issuers with buy recommendations, 20.0% with hold recommendations and 34.0% with sell recommendations.

Additional information is available upon request.

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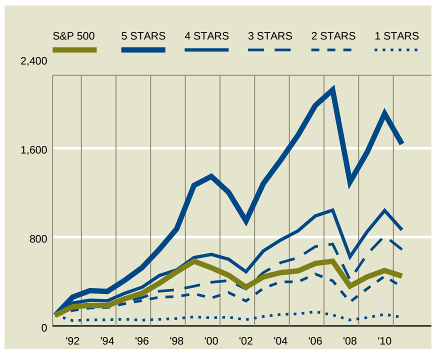
U.S. STARS Cumulative Model Performance

Hypothetical Growth Due to Price Appreciation of $100
For the Period 12/31/1986 through 09/30/2011



The performance above represents only the results of Standard & Poor's model portfolios. Model performance has inherent limitations. Standard & Poor's maintains the models and calculates the model performance shown, but does not manage actual assets. The U.S. STARS model performance chart is only an illustration of Standard & Poor's (S&P) research; it shows how U.S. common stocks, ADRs (American Depositary Receipts) and ADSs (American Depositary Shares), collectively "equities", that received particular STARS rankings performed. STARS categories are models only; they are not collective investment funds. The STARS performance does not show how any actual portfolio has performed. STARS model performance does not represent the results of actual trading of investor assets. Thus, the model performance shown does not reflect the impact that material economic and market factors might have had on decision-making if actual investor money had been managed. Performance is calculated using a time-weighted rate of return. While model performance for some or all STARS categories performed better than the S&P 500 for the period shown, the performance during any shorter period may not have, and there is no assurance that they will perform better than the S&P 500 in the future. STARS does not take into account any particular investment objective, financial situation or need and is not intended as an investment recommendation or strategy. Investments based on the STARS methodology may lose money. High returns are not necessarily the norm and there is no assurance that they can be sustained. Past model performance of STARS is no guarantee of future performance.

For model performance calculation purposes, the equities within each STARS category at December 31, 1986 were equally weighted. Thereafter, additions to the composition of the equities in each STARS category are made at the average value of the STARS category at the preceding month end with no rebalancing. Deletions are made at the closing price of the day that the deletion is made. Performance was calculated from inception through March 31, 2003 on a monthly basis. Thereafter, performance is calculated daily. Equities in each STARS category will change over time, and some or all of the equities that received STARS rankings during the time period shown may not have maintained their STARS ranking during the entire period.

The model performance does not consider taxes and brokerage commissions, nor does it reflect the deduction of any advisory or other fees charged by advisors or other parties that investors will incur when their accounts are managed in accordance with the models. The imposition of these fees and charges would cause actual performance to be lower than the performance shown. For example, if a model returned 10 percent on a $100,000 investment for a 12-month period (or $10,000) and an annual asset-based fee of 1.5 percent were imposed at the end of the period (or $1,650), the net return would be 8.35 percent (or $8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.1%, a total fee of $5,375 and a cumulative net return of 27.2% (or $27,200). Fees deducted on a frequency other than annual would result in a different cumulative net return in the preceding example.

The Standard & Poor's 500 index is the benchmark for U.S. STARS. The S&P 500 index is calculated in U.S. dollars and does not take into account the reinvestment of dividends. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. The S&P 500 index includes a different number of constituents and has different risk characteristics than the STARS equities. Some of the STARS equities may have been included in the S&P 500 index for some (but not necessarily all) of the period covered in the chart, and some such equities may not have been included at all. The S&P 500 excludes ADRs and ADSs. The methodology for calculating the return of the S&P 500 index differs from the methodology of calculating the return for STARS. Past performance of the S&P 500 index is no guarantee of future performance.

An investment based upon the models should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor's shares may be worth more or less than their original cost.

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