Union Pacific Corporation

2005 ANALYST FACT BOOK

BUILDING AMERICA®

UNION PACIFIC

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Our Vision

Union Pacific is committed to be a railroad where our Customers want to do business, our Employees are proud to work, Shareholder value is created and the safety of the public and our employees is our top priority.

Investor Inquiries

Union Pacific's analyst relations are co-ordinated through the Corporate Treasurer. Requests for interviews, investor packages and general information should be directed to:

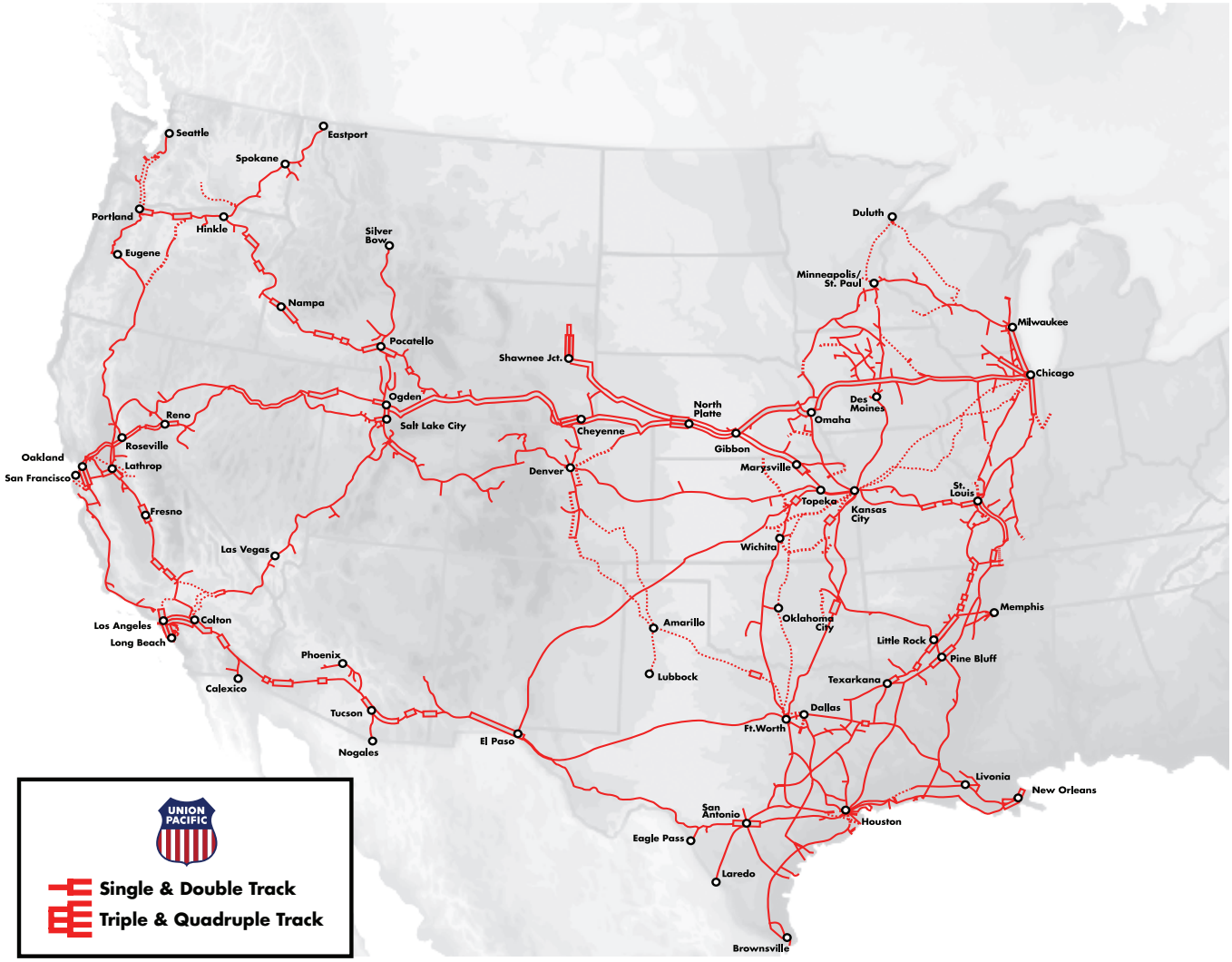
(402) 544-4227 or (877) 547-7261

investor.relations@up.com

Web Site Information

For immediate receipt of new information as it becomes available, we invite you to regularly visit www.up.com. In the Investor Relations section, you can view on-line or download a variety of informative documents, including annual reports, proxy statements, SEC filings, quarterly earnings, press releases, company presentations and corporate governance information.

SYSTEM MAP & FACTS



TRACK MILES (As of 12/31/05)

Main Line	27,301
Branch Line	5,125
Yards, Sidings, & Other Main Lines	20,241
Total	**52,667**
Track Miles of Rail Installed and Replaced	
New	661
Used	312
Track Miles of Continuous Welded Rail	27,390
Track Miles Under Centralized Traffic Control	18,736
Track Miles Ballasted	9,216
Ties Installed & Replaced (000)	4,690

EQUIPMENT OWNED OR LEASED AT YEAR END

Locomotives	8,226
Freight Cars:	
Covered Hoppers	38,553
Boxcars	16,505
Open-Top Hoppers	19,950
Gondolas	15,037
Other	16,698
Average Age of Equipment (Years)	
All Locomotives	15.4
Road Locomotives - Core Fleet	10.9
Freight Cars	26.0

COMPANY OVERVIEW

Headquartered in Omaha, Nebraska, Union Pacific Corporation owns one of America's leading transportation companies, Union Pacific Railroad Company (Company, UP or Railroad). The Railroad is the largest in North America, covering more than 32,400 route miles in 23 states across the western two-thirds of the United States. Union Pacific's strategically advantageous route structure supports the nation's economy, linking every major West Coast and Gulf Coast port to some of the fastest growing U.S. population centers. The Railroad serves the East through major gateways in Chicago, St. Louis, Memphis and New Orleans. In addition, UP is the only railroad serving all six major Mexican gateways and operating key north/south corridors for interchange traffic with the Canadian and Mexican rail systems. UP reaches north into Canada through the Eastport gateway in Idaho, as well as through exchange points in Minnesota, Wisconsin and Illinois. That network, combined with a well-balanced and diverse traffic mix, makes UP the premier rail franchise in North America.

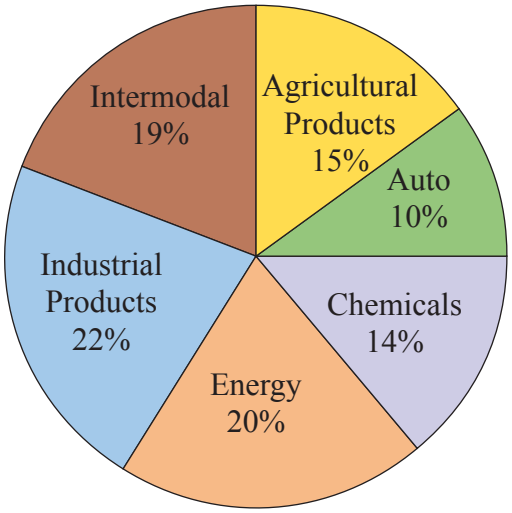
Union Pacific's freight traffic consists of bulk, manifest and premium business. Bulk traffic is primarily the shipment of coal, grain, rock and soda ash in unit trains. A key franchise strength is access to the Southern Powder River Basin (SPRB) coal fields of northeastern Wyoming. UP also provides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

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

The Railroad's premium business is the transportation of finished vehicles, intermodal containers and truck trailers. UP's extensive automotive network facilitates delivery of more than 75 percent of the finished vehicles sold west of the Mississippi River. The Railroad also serves the fast-growing market for international imports with its competitive long-haul routes connecting the West Coast ports and eastern gateways, particularly along the Sunset Corridor from Los Angeles to El Paso.

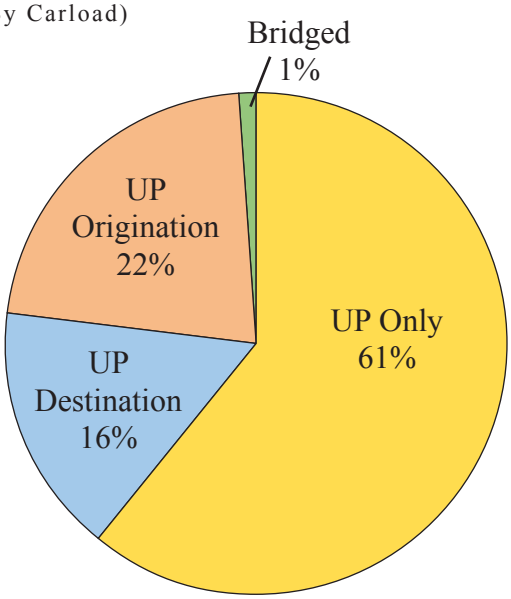
The strength of this diverse franchise and efficient utilization of the Railroad's capacity should enable the Company to provide its customers with a reliable and valuable service product that drives improved financial returns.

2005 Commodity Revenue Mix $13 Billion



2005 Traffic Classification

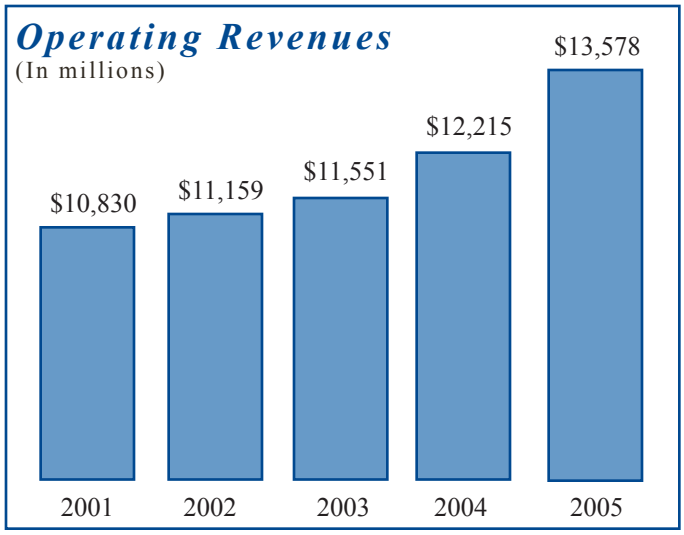
(By Carload)



YEAR IN REVIEW

2005 Recap

Union Pacific combined record revenue with improved operating performance to produce operating income growth of 18 percent* in 2005. For the year, Union Pacific reported revenue of $13.6 billion, an 11 percent year-over-year increase. Continuing strong demand for rail service drove revenue gains from increased fuel surcharges, higher yields and a 1 percent volume increase. All six business groups hit "best ever" annual revenue levels.



Operations improved during 2005 in a very challenging environment. During the year, UP improved average freight car terminal dwell by 6 percent, freight car utilization improved 2 percent, and average rail car inventory decreased 1 percent while carloads increased 1 percent. Implementation of the Unified Plan, one of the Company's network management initiatives, began in 2005. The Plan reduced the rate of mainline work events by 16 percent and achieved a 12 percent reduction in UP's car switching rate. In addition, the Company began implementing the Customer Inventory Management System (CIMS), a real-time terminal management system designed to increase terminal throughput with existing capacity.

The Railroad faced significant weather-related challenges throughout the year. In early January, a massive storm hit California and Nevada, temporarily closing five of six routes in and out of Los Angeles. In August and September, Hurricanes Katrina and Rita hit the New Orleans and Houston areas. Hurricane Katrina caused minimal damage to UP's customers or rail lines. Hurricane Rita, however, resulted in lost revenue and higher operating expenses as more than 150 customers in the Houston area shut down and UP halted South Texas rail

FINANCIAL SUMMARY

Union Pacific Corporation	2005	2004	2003
Operating Revenues (millions)	$13,578	$12,215	$11,551
Operating Income (millions)	$1,795	$1,295(a)	$2,133
Operating Margin	13.2%	10.6%(a)	18.5%
Revenue Carloads (thousands)	9,544	9,458	9,239
Average Employees	49,747	48,329	46,371
Average Diesel Fuel Price (per gallon)	$1.77	$1.22	$0.92
Capital Expenditures (millions)	$2,169	$1,876	$1,940(b)
Long-Term & Flexible Operating Leases (millions)(c)	$690	$526	$131

(a) Includes a $247 million pre-tax ($154 million after-tax) charge for unasserted asbestos-related claims.
(b) Includes non-cash capital lease financings of $188 million in 2003.
(c) Represents the net present value of long-term operating leases for new equipment.

*Excludes a $247 million pre-tax ($154 million after-tax) charge for unasserted asbestos-related claims in 2004.

operations in advance of the storm. On October 1, a severe rainstorm hit northeastern Kansas with 10 to 12 inches of rain in one day, causing track and bridge washouts as well as erosion damage to four main lines.

Two derailments occurred on the SPRB Joint Line in mid-May. Union Pacific and BNSF Railway own the Joint Line, located in Wyoming. Unprecedented rainfall and snow during the previous winter season, combined with accumulated coal dust in the roadbed, created track instability. Following the derailments, an extensive and ongoing maintenance and restoration program reduced shipments throughout most of the year. Despite these constraints, UP hauled a record 179 million tons of SPRB coal.

Energy prices continued to rise throughout the year. Union Pacific's average annual fuel price rose 45 percent versus 2004 to $1.77 per gallon. The Company utilized fuel surcharge programs to help mitigate rising prices. In addition, fuel conservation efforts enabled UP to handle a 1 percent increase in volume while consuming 2 percent less fuel.

During 2005, Union Pacific spent $2.17 billion in cash capital for track, facility and terminal maintenance, capacity expansion, equipment upgrades and additions, as well as the development and implementation of new technologies. The Company also acquired 317 locomotives and approximately 2,900 freight cars under long-term operating leases with a net present value of $690 million. Free cash flow, after dividends, totaled $234 million. Lease adjusted debt to capital was 43.6 percent, the lowest level since 1985.

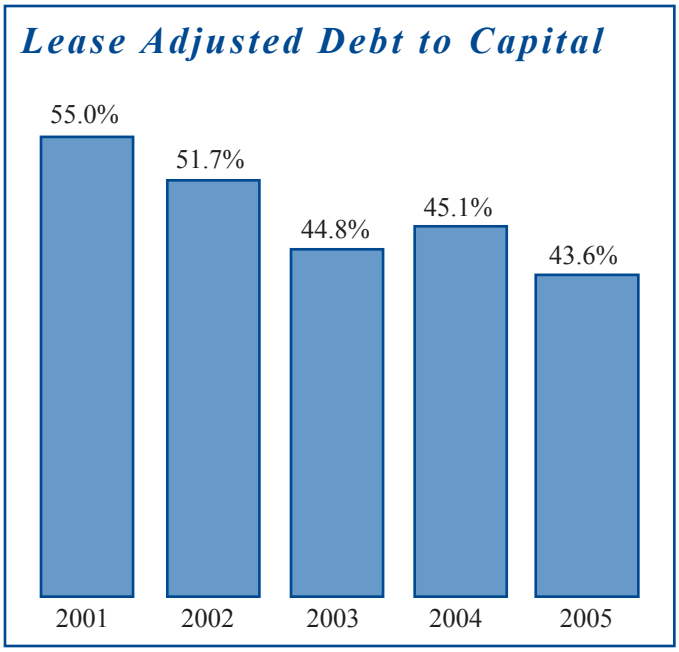
2006 Outlook

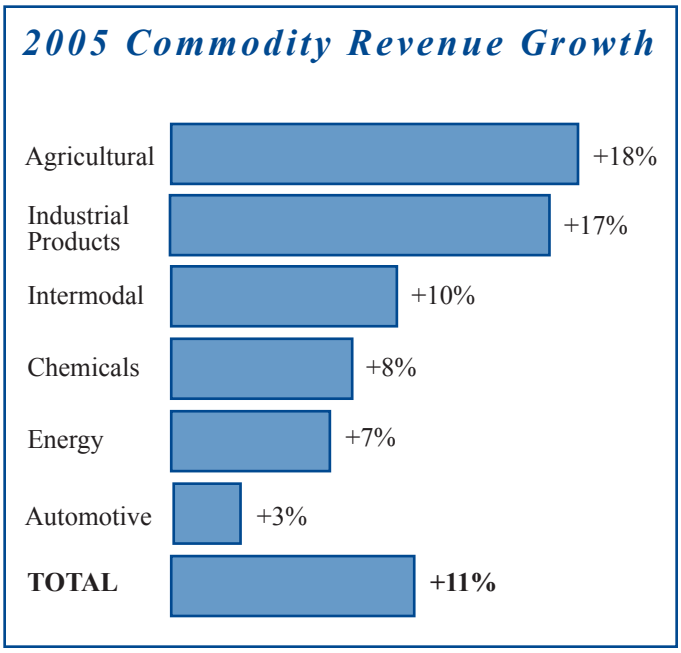
The Company expects another year of record business levels in 2006 as demand for rail services remains strong. The Railroad will continue to manage network volumes and expects yield increases across all six business groups. Volume growth should come primarily from Energy, Intermodal and Industrial Products. UP is targeting year-over-year commodity revenue growth of at least 12 percent.

On April 20, 2006, Union Pacific reported diluted earnings per share of $1.15 on revenue growth of 18 percent during the first quarter of 2006. For the full year, the Company is targeting diluted earnings per share of $5.00 to $5.20 and expects operating ratio improvement of approximately 4 percentage points compared to 2005.

The Railroad will continue to refine its transportation plan to simplify operations and improve network efficiency. Cash capital expenditures in 2006 should total approximately $2.25 billion, focused primarily on track maintenance and capacity expansion in constrained corridors. The Company will also acquire equipment under long-term operating leases with a net present value of approximately $500 million.

Double-digit revenue growth and improved rail operations should generate stronger cash flow from operations in 2006. A higher cash tax rate in 2006 is expected to increase tax liabilities approximately $450 to $500 million. Despite higher taxes, coupled with a $2.25 billion cash capital budget, the Company is targeting free cash flow after dividends of $350 to $400 million.





INVESTING IN OUR PEOPLE

Vital Role

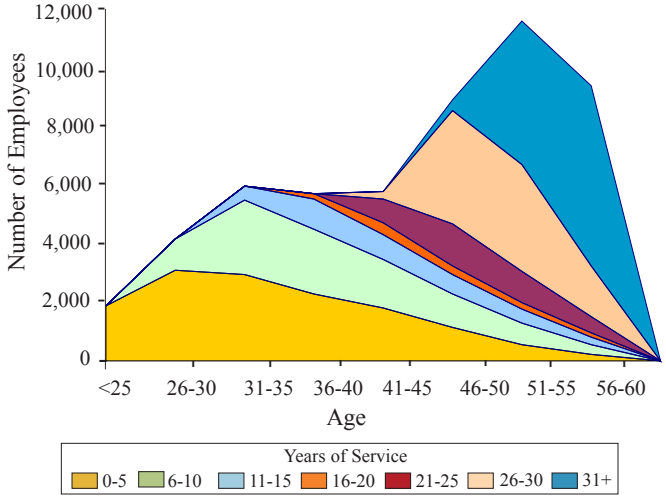
The nearly 50,000 men and women of Union Pacific play a critical role in the success of the Railroad and their communities. The Railroad transports the raw materials and finished goods that keep the economy and the country moving. One of the Company's human resource focuses is to hire a talented, diverse workforce with the Union Pacific values of safety, quality, respect, commitment and accountability. During 2005, GI Jobs magazine named UP the nation's top Military Friendly Employer and Working Mother and LATINA Style magazines honored UP as a top employer. In early 2006, Fortune magazine named Union Pacific America's most admired railroad.

Changing Environment

Increased demand for the Company's services and higher attrition and retirement rates required UP to hire more than 13,000 employees over the last two years. The extensive hiring is in stark contrast to the years of railroad mergers and excess resources that enabled UP to maintain an experienced workforce without hiring many new workers. A challenge for the Company will be to continue to attract, hire and retain quality people. Knowledge transfer from current employees to the next generation of railroaders is another vital aspect of UP's workforce transition.

Demographics & Attrition

Age Distribution of all Employees - 2005



New Opportunities

Large scale hiring also presents an opportunity. This recent railroad hiring boom is likely to persist, making hiring and training an important part of UP's ongoing success. By seeking the right people for the right jobs, the Railroad will be able to merge new ideas and skill sets with the experience of current railroaders.

Since 2004, over 7,000 conductors and more than 2,300 locomotive engineers graduated from UP training programs. In 2006, Union Pacific plans on training an additional 2,500 conductors and over 1,100 locomotive engineers. These programs typically last three to four months for conductors and six months for engineers. During this time, conductors and engineers learn safety rules, operating practices, federal regulations and lifestyle preparedness such as alertness management, diversity and communication skills. Locomotive simulators (as shown in the photo below) allow new and current employees to become familiar with their operating territory more rapidly. Simulators also allow operators to identify and adjust to different train sizes and weights and understand the impact of their actions on the train's fuel consumption. Currently, UP has 34 simulators at 23 locations throughout the network.

Management Training

In 2005, the Company formally began a robust Operating Management Training Program in anticipation of accelerated attrition. This tailored six-month, entry-level management program trains recent college graduates, current employees and experienced people from other industries to become leaders within the Railroad's Operating Department. Participants spend several months learning UP's values, the basics of railroading and fundamental leadership principles and management practices. After the first phase of the training, hands-on experience begins at one of many field locations with each participant assigned a mentor to continue development.

The Company also has a program taking high potential employees and furthering their development into successful leaders of Union Pacific. The Leadership Development Program is a 12-month curriculum where employees, in addition to their current jobs, spend three weeks in classroom training. The balance of the time employees are working on a team project using the Company's quality principles to solve a strategic problem within the organization.

Safety

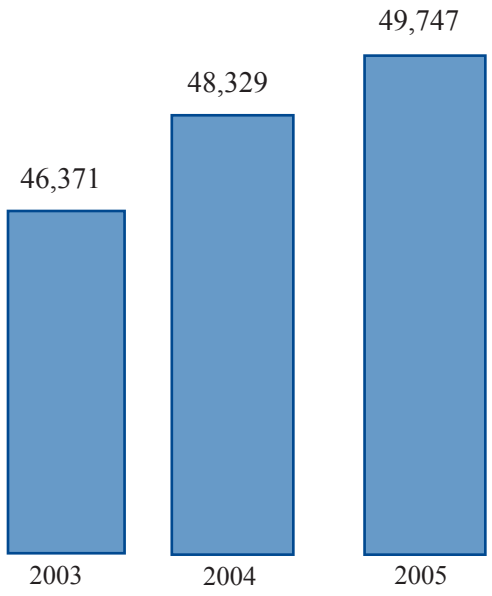
Safety is a core value at Union Pacific. All employees are responsible for maintaining safe working conditions and preventing personal injuries and incidents. In 2005, the number of rail equipment incidents decreased 8 percent and the associated costs decreased 12 percent. Union Pacific's commitment to safety extends beyond its own employees and includes both customers and the communities in which they operate. During 2005, the Railroad closed 400 grade crossings and installed 750 video cameras on locomotives. The cameras allow better analysis of grade crossing incidents. In 2006, Union Pacific will continue to focus on employee safety education and training, public awareness and derailment prevention.

Environment

Union Pacific is committed to protecting the environment for its customers, employees and the communities in which it operates. Railroads are one of the most environmentally friendly and fuel efficient modes of freight transportation. To learn more about the Company's environmental efforts, please visit Union Pacific's Web site at: http://www.uprr.com/she/emg/index.shtml

Full Year Average Employees

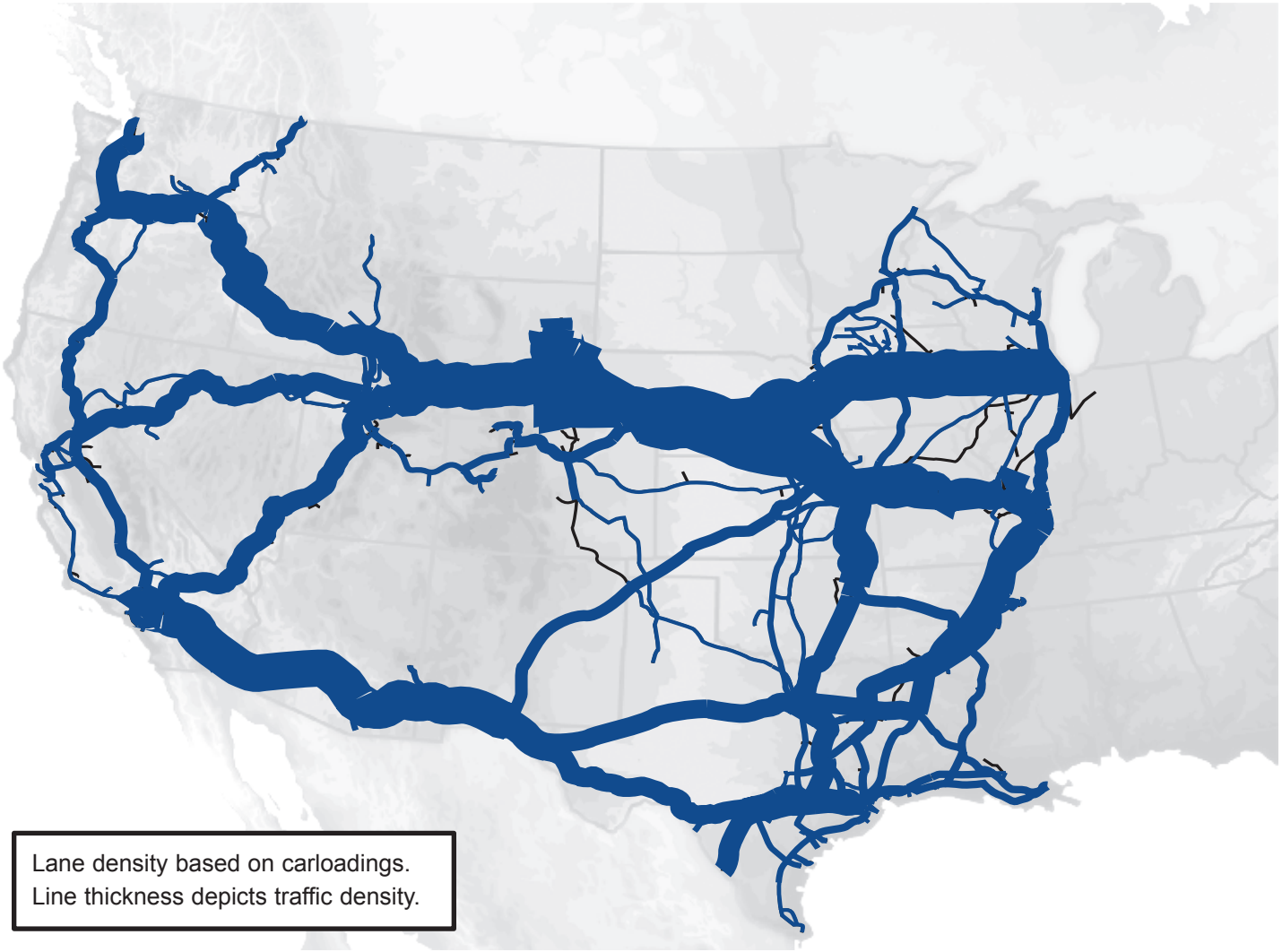
Full Time Equivalents



UP Labor Organizations

United Transportation Union	UTU
Brotherhood of Locomotive Engineers & Trainmen	BLET
Int'l. Assoc. of Machinists & Aerospace	IAM
Brotherhood of Maintenance of Way Employees Div.	BMWED
Int'l. Brotherhood of Boilermakers	IBBB
Transportation Communications International Union	TCU
Brotherhood of Railway Carmen	BRC
Brotherhood of Railroad Signalmen	BRS
Int'l. Brotherhood of Electrical Workers	IBEW
Sheet Metal Workers International Assoc.	SMWIA
National Conference Fireman & Oilers	NCFO
Int'l. Assoc. of Bridge Structural & Iron Workers	IAofBSOIR
Assoc. of Railway & Airway Supervisors	ARASA
Int'l. Union of Operating Engineers	IUOE
United Supervisors Council of America	USCA

TRACK & TERMINAL DENSITY



2005 Terminal Volumes

Major Classification Yards	Avg. Daily Volume/Cars
North Platte, Nebraska	2,900
North Little Rock, Arkansas	1,800
Proviso (Chicago), Illinois	1,600
Englewood (Houston), Texas	1,500
Roseville, California	1,450
Pine Bluff, Arkansas	1,400
West Colton, California	1,300
Livonia, Louisiana	1,300
Fort Worth, Texas	1,300
Neff (Kansas City), Missouri	1,050

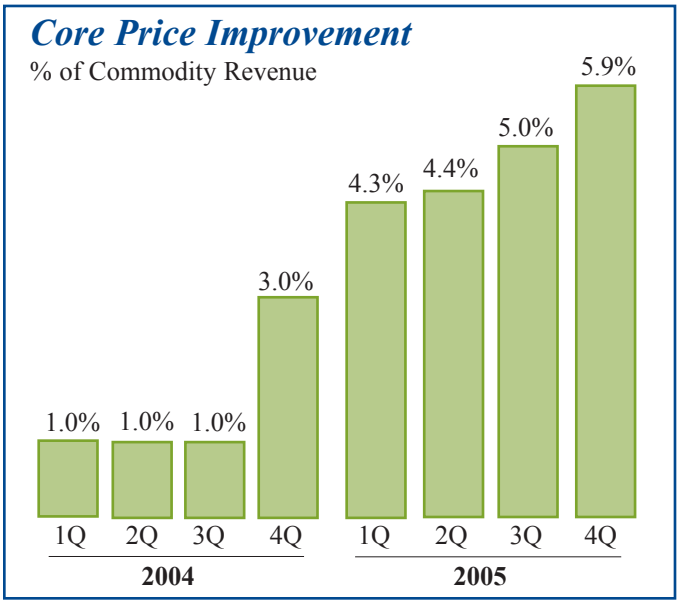
Major Intermodal Terminals	Annual Lifts
ICTF (Los Angeles)	626,000
Marion (Memphis)	387,000
East Los Angeles	345,000
Global 1 (Chicago)	323,000
Global 2 (Chicago)	300,000
Oakland	279,000
Seattle	244,000
Yard Center (Chicago)	231,000
Lathrop (Northern California)	202,000
City of Industry (Los Angeles)	200,000

REVENUE OVERVIEW & OUTLOOK

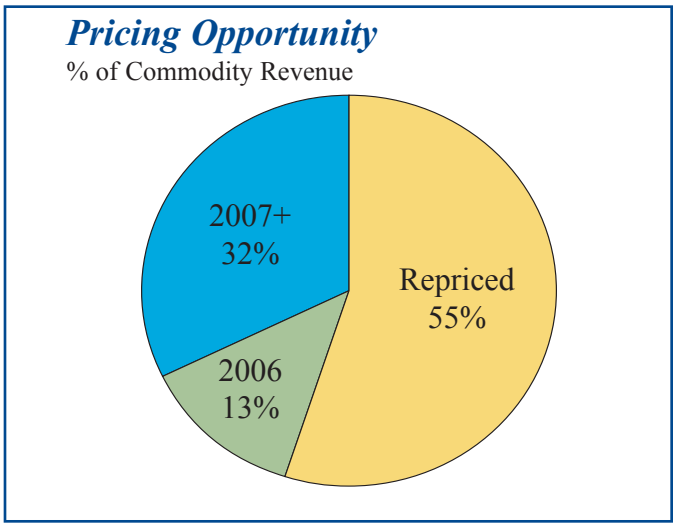
2005 Recap

Strong demand continued throughout 2005. Union Pacific set year-over-year carloading records every quarter in 2005 continuing a string of 10 consecutive quarters of year-over-year increases. The Railroad achieved these records despite an unprecedented series of weather events that impacted not only the network, but, in the case of Hurricanes Katrina and Rita, the lives of UP employees and customers as well. Along the way to record carloads, the Railroad achieved an all-time high for carloads during any seven-day period in September. That seven-day mark was reset again on November 23 at 198,416 cars. For the year, overall volume grew 1 percent, driven primarily by a 4 percent increase in Intermodal volumes. However, with strong demand across all groups, commercial strategy focused on price improvement and products designed to drive velocity improvements.

Commodity revenue grew 11 percent in 2005 to a record $13 billion. The primary driver of the growth was a 10 percent gain in average revenue per car (ARC). All six business groups experienced solid ARC growth, ranging from 6 to 19 percent. Improved fuel surcharges, reflecting the Company's continued implementation of mechanisms to offset rising fuel costs and increased prices, led to the growth. Core pricing grew 5 percent in 2005.



Over the past two years, the Railroad has repriced approximately 55 percent of commodity revenue. New contract and tariff rates better reflect today's market conditions and are closer to levels that support continued capacity expansion and necessary investment in the franchise. Repriced contracts also contain fuel surcharge provisions, market escalation clauses and volume caps to ensure future profitability. In addition, the Company continues to move more business to tariffs and shorter-term contracts. The remaining 45 percent are long-term contracts that expire over the next several years, representing an opportunity for further price improvement through renegotiation. Although these longer-term contracts may include some type of escalator and fuel surcharge, they generally are not reflective of today's market.



With strong demand, velocity improvement becomes an important consideration in product design. While the unit train concept has been around for years, the Railroad is expanding its use in traditional markets, like grain, as well as utilizing the concept in new markets. During 2005, UP implemented a Portland to Phoenix unit lumber train, resulting in higher volumes and faster transit times without additional resources. Similarly, the Railroad's "Rocktimization™" product on the Southern Rock Network created a tiered rate level based on train sizes. Since its inception, customers have increased their 24 x 7

operations and rock shipments have grown 12 percent with the same number of train starts.

The Customer Inventory Management System (CIMS), developed jointly by the Marketing and Operating organizations, is another velocity initiative. Originally piloted in Phoenix, CIMS allows the Railroad to proactively manage terminal inventory and increase asset utilization. The success in Phoenix led to the rollout in major terminals such as Los Angeles, Las Vegas, San Antonio and Houston. During 2006, the Railroad plans to implement CIMS at additional terminals.

Projects such as CIMS enabled UP to work together with its customers to improve overall service levels. Customer satisfaction grew through 2005 as the Company moved record volumes and faced numerous weather-related operating challenges.

2006 Outlook

Leading economic indicators point to ongoing economic expansion in 2006. From that demand growth, the Company expects another record business year. The Railroad is targeting revenue growth of at least 12 percent, driven by continued yield improvements and increased volumes. To meet these targets, UP's 2006 commercial strategy centers around yield improvements, customer satisfaction, efficiency and return on invested capital.

For the year, Union Pacific expects a strong pricing environment similar to 2005. In 2006, approximately 13 percent of the remaining 45 percent of long-term contracts will be available for repricing. As Union Pacific renegotiates this business to market rates, it will also include Union Pacific's standard fuel surcharge. In addition, many of the tariffs and shorter-term contracts that make up the 55 percent of business repriced by year-end 2005 will be available for further escalation as market conditions allow.

On a daily basis, UP is communicating with its customers to explain the network management initiatives that are underway, and help them understand the increasing value of rail capacity. The Company is committed to improving service consistency and investing in additional capacity where returns warrant it.

One of the ways Marketing is improving efficiency is by working with Operating on forecast accuracy. The foundation of the Railroad's annual planning process starts with an accurate market forecast. The forecast drives many decisions within the organization such as determining the right number of locomotives, freight cars and employees. It allows the Operating group to determine if UP's capacity can meet the expected demand. In cases where projected demand exceeds supply, alternatives are considered. These options include different routing, transloading, or in some cases, volume management.

AGRICULTURAL

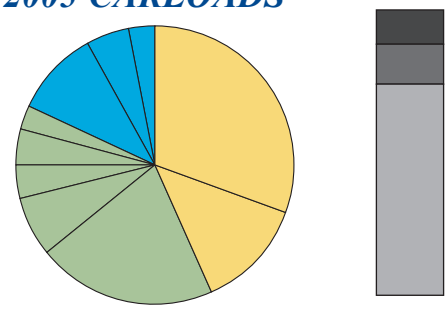
Commodity Profile

Agricultural products transportation, including whole grains, commodities produced from these grains, and food and beverage products, provided 15 percent of the Railroad's 2005 commodity revenue. With access to most major grain markets, the Railroad provides a critical link between the Midwest and western producing areas and export terminals in the Pacific Northwest (PNW) and Gulf ports, as well as Mexico. Unit shuttle trains transport a single commodity efficiently between producers and export terminals or domestic markets. UP also serves significant domestic markets, including grain processors, animal feeders and ethanol producers in the Midwest, West, South and Rocky Mountain states.

Union Pacific ships food commodities to major U.S. population centers for consumption. Express Lane and Wine Connection are UP's premium perishables services moving dairy products, fresh and frozen fruits and vegetables and wine from the PNW and California to destinations in the East. The Railroad transports frozen meat and poultry to the West Coast ports for export, while beverages, primarily beer, enter the U.S. from Mexico.

Through its alliances, UP considers Canada and Mexico important extensions of its domestic markets. In 2005, agricultural carloads to and from Mexico grew 12 percent and revenue increased 30 percent. Shipments of soybean meal, beer, whole cottonseed and the ethanol co-product, dried distiller grains (DDGs), into Mexico grew along with shipments of Mexican beer into the Eastern U.S. This growth offset declines in feed grains and wheat into Mexico due to competitive pressure and service challenges.

2005 CARLOADS



Export	12%
Mexico	14%
Domestic	74%

Whole Grain

Corn & Feed Grains	31%
Wheat & Food Grains	13%

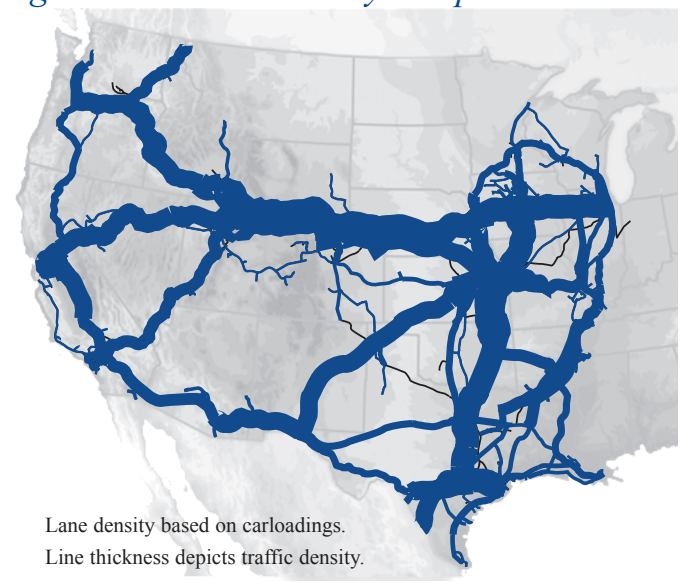
Food & Beverage

Brewers & Food	10%
Frozen & Refrigerated	5%
Barley & Malt	3%

Grain Products

Meals/Oils/DDGs/Feed Ingredients	20%
Corn Milling & Ethanol	7%
Sugar & Liquid Feed	4%
Flour Mill Products	4%
Rice	3%

Agricultural Density Map



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

Domestic and foreign crop production, grain prices, currency fluctuations and shipping rate spreads between the Gulf Coast and the PNW are primary factors affecting export grain traffic. Consistent service performance is a large driver of UP's domestic traffic. In 2005, whole grain volumes declined nearly 4 percent versus the prior year. Weaker market conditions contributed to declines in both domestic and Gulf port shipments, offset somewhat by modest increases to PNW markets.

The ethanol market continues to grow and change. Industry experts predict ethanol production will double during the next six years. To date, 25 states have mandated the elimination of the chemical compound, MTBE, and companies are examining opportunities to shift more production to consumption points. UP's ethanol shipments grew 16 percent in 2005.

During 2005, the Company added 1,700 new and refurbished refrigeration cars (reefers) to the Express Lane and Wine Connection fleet. Benefits from the updated equipment include the ability to handle more perishable freight, improved customer satisfaction, revenue and price growth, a reduction in customer damage claims and increased fuel efficiency.

Agricultural

Network Management

The Agricultural Products group continues to focus on introducing more efficient services. The Produce Unit Train, a new concept in the transportation of perishable goods, will commence in 2006. The initial phase of this high-speed, efficient service will shuttle fresh and frozen commodities from a single origin in the West to a single destination in the East.

UP began working with its customers in 2005 to develop strategies for unit train conversions. Unit train service for grain product commodities (ethanol, soybean meal, DDGs and corn sweeteners) improves velocity and asset utilization. This will be a continued focus in 2006.

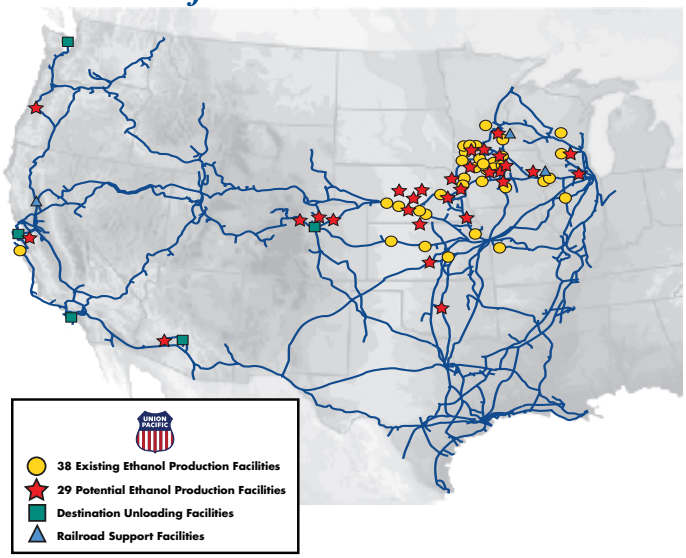
During 2005, the Company added 600 new high-capacity, covered hoppers to the grain fleet. Most grain customers prefer these cars and the Railroad plans to add 1,000 more to the fleet for use in shuttle service in 2006. Efficiency enhancements and increased train size should result as the shuttle network grows.

2006 Outlook

As rail demand remains strong, competition for UP's capacity becomes more intense. The Agricultural Products group is moving more of its business to public pricing documents in an effort to enhance profitability, make every carload reinvestable and minimize customers' administrative burden. In addition, all public documents, new contracts and renewed contracts are subject to UP's standard fuel surcharge.

The Company is expecting another year of dramatic ethanol and DDG growth in 2006. Millions of capital dollars are already committed and will continue to be committed for origin infrastructure as well as forward ethanol plants in the western United States.

Ethanol Infrastructure



Perishable shipments remain a focus in 2006. Throughout the year, the Company will refurbish 800 reefers, which includes the installation of remote diagnostic and temperature change alert capability. Building on our success with Express Lane and Wine Connection, the Produce Unit Train service will kick off late in the summer.

Although the export grain market changes continually, the Company's expectation in 2006 is for PNW exports of U.S. corn to remain strong. Soybean exports may decline as South America continues to gain share in world soybean markets. When export demand arises, UP expects to take advantage of it by leveraging the Railroad's shuttle train network. UP will also work with the Mexican railroads to expand the shuttle train network into Mexico.

Annual Summaries

	2003					2004					2005				
	QUARTERS														
	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL
Commodity Revenue *(millions of dollars)*	373	374	411	420	1,578	411	398	394	472	1,675	448	463	502	558	1,971
Revenue Ton-Miles *(millions)*	18,209	17,515	19,297	19,759	74,780	19,964	18,862	18,218	20,053	77,097	19,373	19,213	19,609	19,821	78,016
Revenue Carloads *(thousands)*	214	206	225	238	883	231	215	209	229	884	216	215	224	228	883
Average Commodity Revenue Per Car *(dollars)*	1,741	1,816	1,828	1,763	1,786	1,783	1,854	1,883	2,059	1,895	2,076	2,152	2,236	2,455	2,233

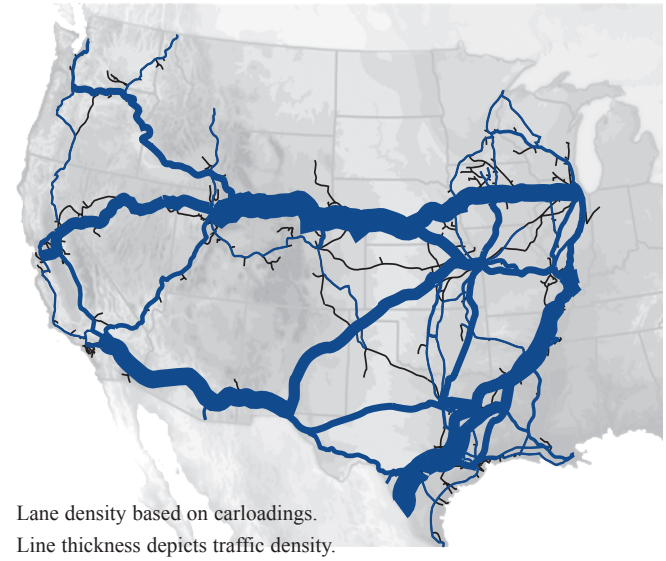
AUTOMOTIVE

Commodity Profile

Transportation of finished vehicles and automotive parts and materials represented 10 percent of Union Pacific's total commodity revenue in 2005. Carload movements of primarily new vehicles were responsible for 80 percent of the commodity revenue. Revenue associated with automotive parts and materials moving in various rail transportation modes compose the remaining portion.

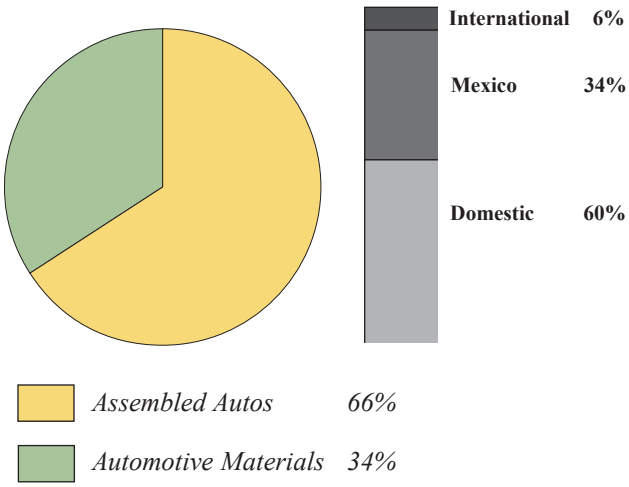
Vehicle shipments move from U.S., Canada and Mexico assembly plants or import processing facilities on the West and Gulf Coasts to vehicle distribution facilities on the Union Pacific system or facilities on connecting railroads in Mexico, Canada and the U.S. Union Pacific is the largest automotive carrier west of the Mississippi River, serving six assembly plants and distributing imported vehicles from six West Coast ports and Houston. UP will serve a new Toyota assembly plant in San Antonio, Texas, which should begin operating during the fourth quarter of 2006. The Railroad provides service to 40 vehicle distribution centers where finished vehicles are off-loaded for truck delivery to all major western U. S. cities. UP also provides expedited handling of automotive parts and materials in intermodal containers, boxcars and flatcars to several assembly plants in Mexico, the U.S. and Canada.

Automotive Density Map



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

2005 CARLOADS



U.S. new light vehicle sales totaled nearly 17 million in 2005, with significant vehicle purchase incentives propelling the one-half percent increase over 2004 sales. Although total automotive shipments were down 4 percent, yield improvements and fuel surcharges drove revenue growth of 3 percent. Finished vehicle and auto parts volumes decreased 5 percent and 2 percent, respectively. Shipments declined due to market share shifts from traditional domestic manufacturers to vehicles imported or produced by transplanted international manufacturers. Another factor contributing to this decline is the Company's continued efforts to improve the overall profitability of the Railroad.

Demand for automotive parts and materials shipments remained strong in 2005, despite market share losses incurred by key rail-served domestic manufacturers. To offset reduced shipments, the Railroad continues to focus on nontraditional customers such as international manufacturers and Tier I and II parts suppliers. Since the 2002 inception of the automotive materials truck-to-rail conversion initiative, UP has shifted an annualized equivalent of approximately 115,000 truckloads to rail service.

Automotive

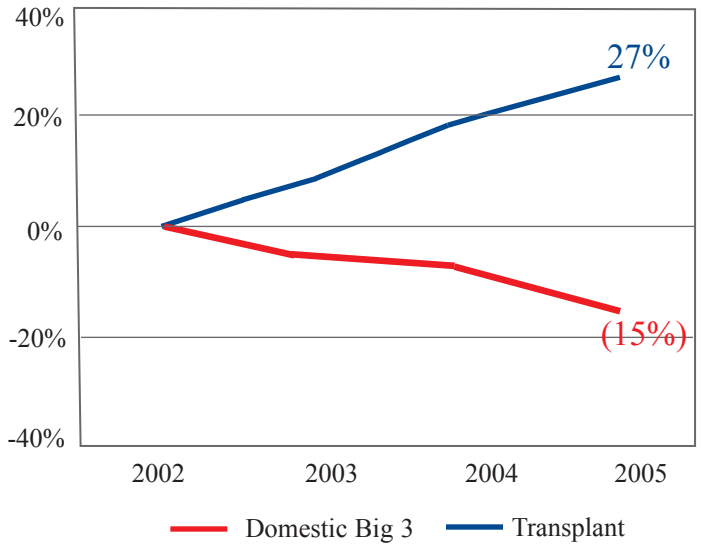
Mexican automotive shipments, for both vehicles and parts, make up 25 percent of the Railroad's total auto revenue. During 2005, Union Pacific handled over 92 percent of all automotive rail traffic between the U.S. and Mexico. The volume of finished vehicles from Mexico grew 2 percent on increases from Ford and Volkswagon. In addition, retooling for new product lines took place at several Mexican plants, including the Ford Hermosillo and General Motors Silao and Ramos Arizpe assembly plants.

Technology enhancements continued to improve handling and monitoring of vehicles enroute to and at large automotive distribution centers. Union Pacific's Automotive Management System now has a Network Alert Map that provides a real-time vehicle traffic map. This system allows the Railroad to improve asset utilization by monitoring railcar flow, facility capacity and vehicle dwell.

Automotive Transition

Domestic Big 3 vs. Transplant Carloads

% change in carloads since 2002



Network Management

Unified Plan changes to the automotive network began in April 2005. Shifting westbound automotive traffic to Cheyenne, Wyoming created additional manifest capacity in the North Platte classification yard. Efficient handling of automotive traffic in Cheyenne reduced dwell times by 15 hours.

In addition, UP consolidated automotive facilities in Salt Lake City, Utah and Mira Loma, California to improve asset utilization and train operations. The Railroad also expanded vehicle distribution centers in Phoenix, Arizona and Gavin, Arkansas (West Memphis) to handle increased traffic in these locations.

2006 Outlook

During 2006, expectations are for U.S. light vehicle sales to decrease 1 to 2 percent compared to 2005 levels. The Railroad is well positioned with a diverse customer base that includes domestic, transplant and import manufacturers. The Company will, however, monitor and evaluate the potential impact of new automotive assembly plants and shutdowns of existing plants.

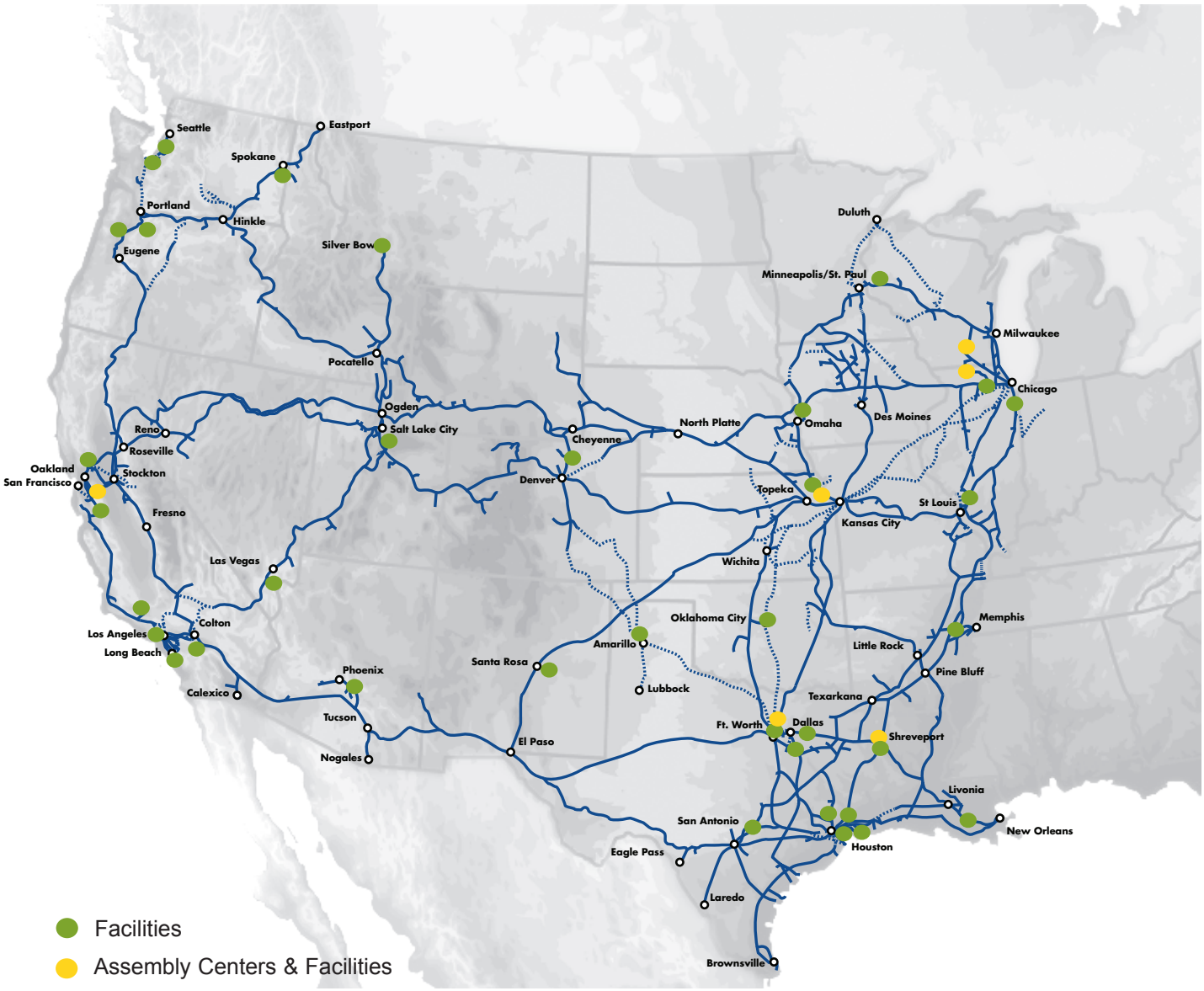
During 2006, the Railroad expects volumes and market share similar to 2005 levels. Volume increases should come from the retooled Ford plant in Hermosillo, Mexico, the retooled Nissan plant at Aquascalientes, Mexico, the retooling and new product offering from DaimlerChrysler's Belvidere, Illinois plant and the new Toyota plant in San Antonio, Texas. However, volumes will be reduced for the remainder of the year due to the February 2006 closure of General Motors' assembly plant in Oklahoma City, Oklahoma. The Railroad will make infrastructure improvements at locations experiencing traffic growth.

UP will pursue additional finished vehicle opportunities that are economically justified and fit within existing capacity. An important element in pursuing new business is ensuring seamless interchanges with all Eastern U.S., Mexican and Canadian railroads. UP is leading industry efforts to improve vehicle transit times, which should drive greater overall fleet capacity, decrease in-transit inventory and reduce network congestion.

The Company will continue to identify and pursue automotive parts growth and truck-to-rail conversion opportunities. One element of this growth strategy is to capitalize on strong interline carrier alliances. UP is developing new bundled products to expand the use of boxcar assets through cross-dock truck-to-rail conversions. In addition, the Railroad will expand sales channel relationships to the tier supplier and logistics provider communities.

Additional growth opportunities exist with Railroad subsidiaries, Insight Network Logistics and Union Pacific Distribution Services. These companies offer supply chain logistic services for major automotive manufacturers. Marketed jointly with UP's rail services, they assist manufacturers in meeting customers' changing inventory needs and provide continued growth opportunities.

Automotive



Annual Summaries

	2003					2004					2005				
	QUARTERS														
	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL
Commodity Revenue *(millions of dollars)*															
	302	320	276	318	1,216	297	326	288	324	1,235	293	329	299	352	1,273
Revenue Ton-Miles *(millions)*															
	4,255	4,549	4,041	4,579	17,424	4,402	4,736	4,247	4,602	17,987	4,182	4,596	4,150	4,679	17,607
Revenue Carloads *(thousands)*															
	207	214	190	209	820	203	217	195	211	826	192	210	186	209	797
Average Commodity Revenue Per Car *(dollars)*															
	1,462	1,494	1,455	1,521	1,484	1,461	1,503	1,474	1,543	1,496	1,524	1,565	1,611	1,689	1,598

CHEMICALS

Commodity Profile

Transporting chemicals provided 14 percent of Union Pacific's 2005 commodity revenue. The Railroad's franchise enables it to serve the large chemical megaplex along the Gulf Coast, as well as chemical producers in the Rocky Mountains and on the West Coast. The Company classifies chemical shipments into three broad categories: Petrochemicals, Fertilizer and Soda Ash.

More than two-thirds of UP's chemicals business is considered "Petrochemicals" including liquid and dry chemicals, plastics, petroleum and liquid petroleum products. Fertilizer movements originate primarily in the Gulf Coast region, as well as the West and Canada, bound for major agricultural users in the Midwest and western U.S. These shipments account for 18 percent of the Railroad's chemical business. Soda ash shipments, contributing 11 percent of chemical volumes, originate in southwestern Wyoming and California destined for glass producing markets in the East, West and abroad.

Natural gas prices have a dual impact on chemical production. Natural gas is a feedstock in a variety of chemical production processes and is an energy source for many production plants.

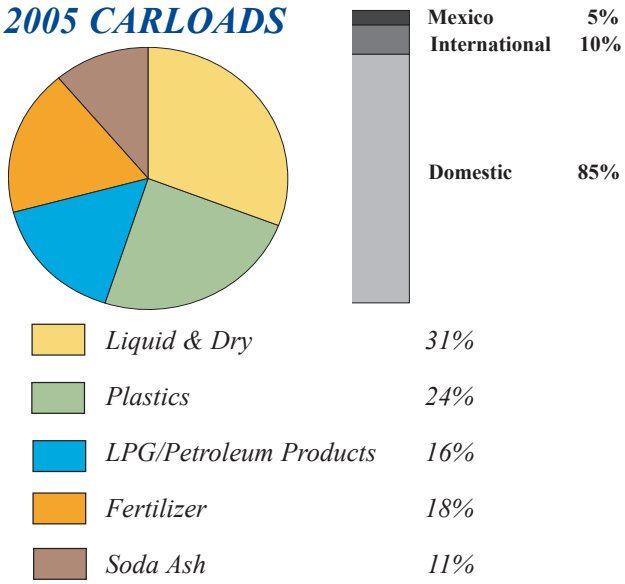
Petrochemicals move primarily to and from the Gulf Coast region. Barges, and to a lesser extent trucks, provide transportation alternatives for some of these commodities. The liquid and dry market consists of several dozen segments of basic, intermediate and specialty chemicals produced by, and shipped to, large and small customers. Strong demand from industrial manufacturers is key to this market segment. Plastics shipments support many vital sectors of the U.S. economy, including the automobile, housing and durable and disposable consumer goods markets.

UP is a vital link in the plastics supply chain through its ownership and operation of storage-in-transit (SIT) facilities. Plastics customers utilize railroad SIT yards for intermediate storage of their plastic resins, and UP has more SIT capacity than any other railroad. In 2005, UP moved nearly 220,000 carloads of plastics, a 4 percent decrease. Producers maintained less inventory and less SIT than in previous years due to the reduction in plastic shipments.

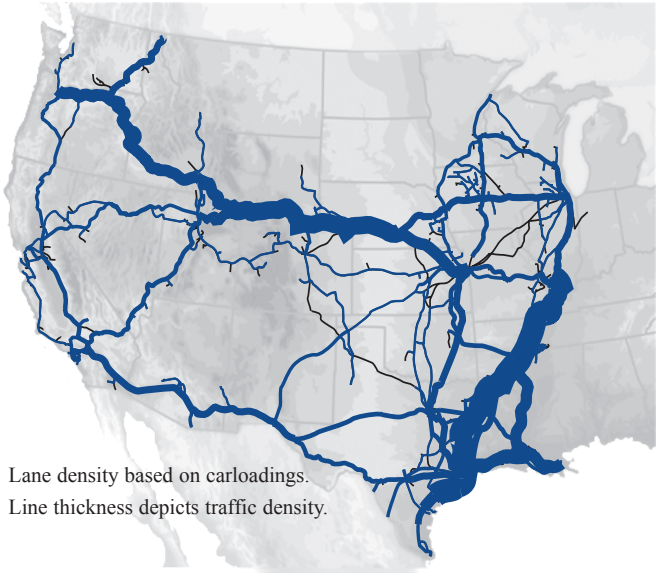
UP's fertilizer demand is largely driven by U.S. agricultural expectations versus world demand. Global market conditions resulted in a 4 percent increase in fertilizer carloadings in 2005 versus 2004. Domestic nitrogen and phosphate shipments were up and Canadian potash movements were generally strong.

UP directly serves Green River, Wyoming, the world's largest soda ash reserve and producing region. Soda ash carloadings were flat year-over-year as export markets had a slight increase and domestic soda ash demand remained relatively constant.

2005 CARLOADS



Chemicals Density Map

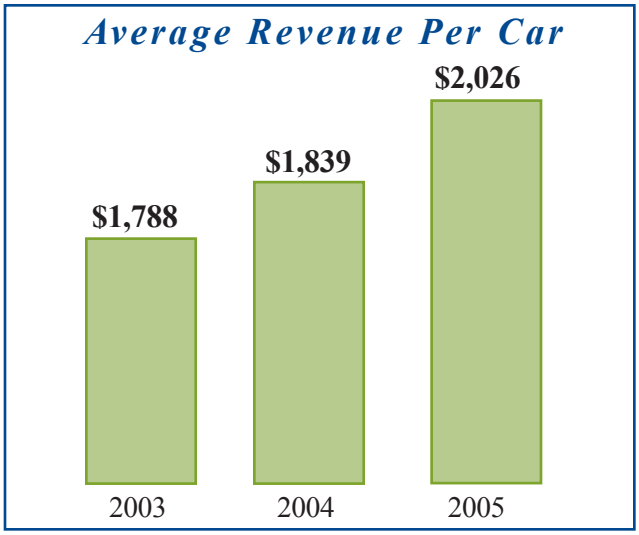


Lane density based on carloadings.
Line thickness depicts traffic density.

Chemicals

The Railroad's chemicals transloading network, TRANSFLO, continued to expand in 2005 with the addition of four new sites including Houston and Kansas City. TRANSFLO is an ISO-9001:2000 registered transloader that allows UP to deliver the economics of rail transportation to non-rail served customers. During 2005, TRANSFLO shipments grew 14 percent.

In total, UP's 2005 chemical volumes declined 2 percent in part due to the business interruptions caused by Hurricane Rita. Chemical revenue grew 8 percent, driven largely by price increases and fuel surcharges.



Network Management

During 2005, the Railroad initiated several train operation improvements to increase the speed of chemical carloading throughput. Working with customers, UP implemented switching and train velocity process refinements that have helped de-bottleneck the Freeport, Texas megaplex and improve service. Other changes include the establishment of inventory control mechanisms for plastics repackagers and a process to reduce fertilizer car cycle times. These shippers are experiencing less congestion by controlling volume flows.

2006 Outlook

Continuing demand for North American chemical production directly correlates to the relatively strong 2006 U.S. economy. The petrochemicals business should be strong throughout 2006 as demand for liquid and dry chemicals and plastics remains brisk. Positive trends in liquefied petroleum gas (LPG) and petroleum products shipments established over the past two years should continue through further development of the Mexican petrochemical industry. In addition, lower natural gas prices relative to global crude oil prices generally favor North American chemical producers.

Fertilizer demand should be strong throughout 2006. Soda ash shipments should increase versus 2005 as demand for both domestic and export products will exceed the levels achieved in previous years. Continued implementation of the TRANSFLO network will progress in 2006 as the Railroad improves existing facilities and opens new ones.

Given the maturity of these markets, share growth is largely dependent upon faster, more reliable service. Chemical shippers continue to focus on transportation products that eliminate unnecessary terminal stops, reduce transit times and significantly improve asset utilization. These goals are consistent with UP's ongoing efforts to reduce network congestion, promote system fluidity and increase velocity.

Annual Summaries

	2003					2004					2005				
	QUARTERS														
	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL
Commodity Revenue *(millions of dollars)*	394	393	400	402	1,589	410	429	433	447	1,719	441	459	474	476	1,850
Revenue Ton-Miles *(millions)*	13,482	13,499	13,464	13,572	54,017	14,072	14,829	14,892	14,743	58,536	14,410	14,473	14,241	13,816	56,940
Revenue Carloads *(thousands)*	219	226	225	218	888	224	238	240	233	935	228	236	231	218	913
Average Commodity Revenue Per Car *(dollars)*	1,796	1,743	1,780	1,836	1,788	1,833	1,799	1,803	1,921	1,839	1,936	1,945	2,055	2,178	2,026

ENERGY

Commodity Profile

Coal and petroleum coke transportation accounted for 20 percent of Union Pacific's 2005 commodity revenue. UP serves mines in the Southern Powder River Basin (SPRB) of Wyoming in addition to Colorado, Utah, southern Wyoming and southern Illinois. The Railroad's geographic footprint positions it to transport coal destined for utilities and industrial facilities in 27 states. In addition, coal is transported to rail, barge and ship facilities on the Gulf Coast, the Mississippi and Ohio Rivers, the Great Lakes and is interchanged with eastern railroads.

SPRB coal is the largest segment of UP's coal/coke franchise, making up 72 percent of the total tons originated in 2005. Utilities favor the lower cost and low-sulfur content of SPRB coal. The opportunities for SPRB continue to grow as Eastern markets open due to declines in Central Appalachian coal production and more stringent environmental regulations.

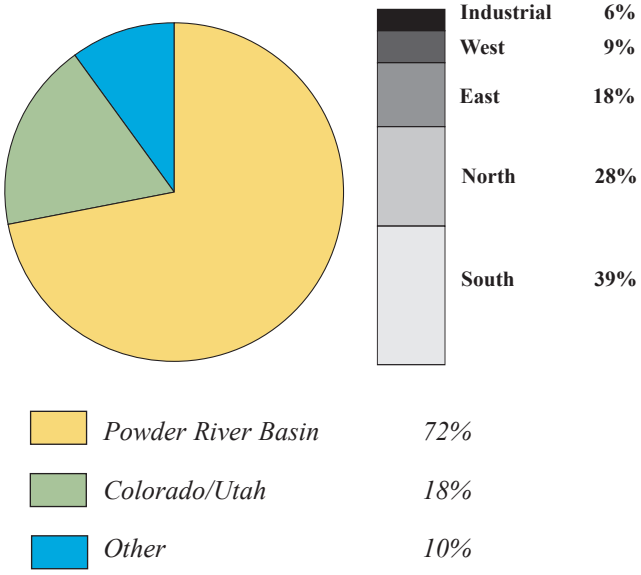
The Railroad also moves high-BTU low-sulfur coal from Colorado and Utah to domestic utilities and industries. UP exports Colorado coal to Mexico via Eagle Pass, Texas.

In 2005, energy revenue grew 7 percent on yield improvements and fuel surcharges. Total Energy carloads were flat versus 2004, but tonnage increased nearly 2 percent to 250 million tons by operating longer, heavier trains. Although SPRB coal volumes grew 10 percent in the first quarter, maintenance and restoration work on the SPRB Joint Line during the second, third and fourth quarters limited throughput. In May, unprecedented rainfall and snow, combined with accumulated coal dust in the roadbed, created track instability on the SPRB Joint Line. The extensive and ongoing maintenance and restoration program disrupted and reduced shipments beginning in mid-May, which continued throughout the year. Between May and November, BNSF maintenance-of-way gangs undercut over 60 miles of ballast and installed/replaced over 30,000 concrete ties and approximately 16 miles of rail.

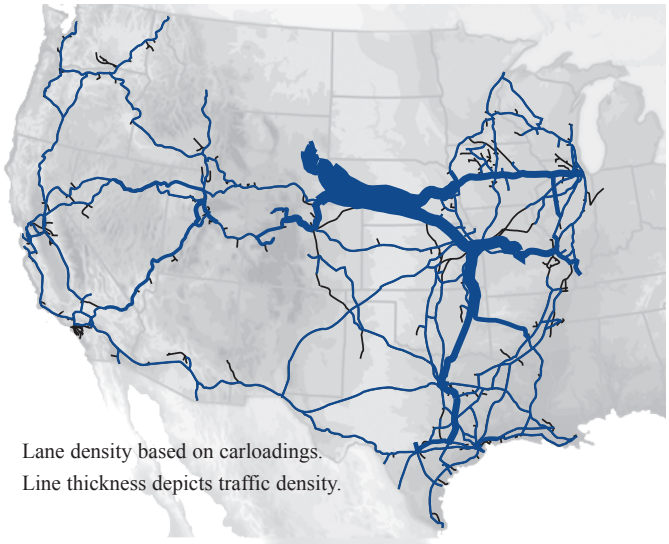
In addition, Hurricane Rita, the Kansas washouts and temporary mine outages in Colorado and Utah restricted loadings during the second half of the year. Colorado/Utah volume was essentially flat in 2005 at 45.5 million tons due to production interruptions at two Colorado coal mines.

Petroleum coke shipments originate primarily in the Gulf Coast, in addition to several other key areas including Oklahoma, Kansas, Wyoming and California. Industrial customers in Texas, California and Louisiana use petroleum coke in the production of aluminum, steel and cement, as well as generating electricity. Shipments of coke were slightly down from 2004 at 3.4 million tons as UP focused on yield improvements over volumes.

2005 CARLOADS



Energy Density Map



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

Energy

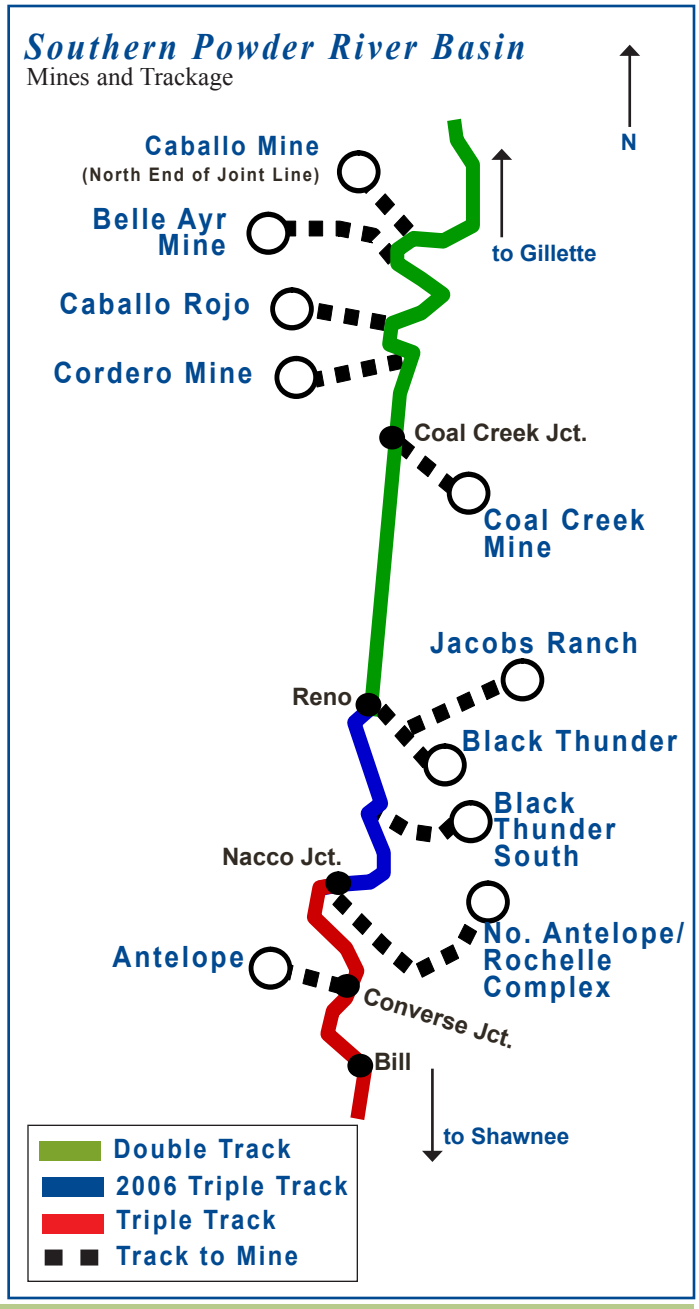
Network Management

Union Pacific continues to increase SPRB Joint Line capacity by participating in the addition of 14 miles of third mainline track south of Bill, Wyoming between Walker and Shawnee. In addition, projects in UP's North Platte, Nebraska yard, along the Iowa corridor, in southern Illinois and at Marysville, Kansas continue to support growth of SPRB coal shipments. Capacity expansion for Colorado coal growth continued in 2005 with the completion of a siding on the Colorado North Fork branch.

Expansion in 2006 will continue to focus on increasing the overall fluidity of the coal network. Another 18 miles of third mainline will be added to the SPRB Joint Line between Nacco and Reno Junction. The Company is expecting completion of the Marysville, Kansas Bypass in various phases throughout the year. UP will also add a third main line in North Platte along with projects between Kansas City and St. Louis to accommodate the additional SPRB coal growth. To accommodate the increased traffic on the Moffat Tunnel subdivision resulting from Colorado coal growth, the Railroad is increasing capacity in 2006.

2006 Outlook

The Company is targeting approximately 10 percent growth in total coal tonnage for 2006 driven by continued strong demand. UP will use Circular 111, the SPRB pricing mechanism introduced in 2004, in place of expiring contracts. By year-end, the Company expects to have approximately 20 percent of SPRB tonnage priced under the circular. In addition, UP's coal fuel surcharge will be included on all repriced business.



Annual Summaries

	2003					2004					2005				
	QUARTERS														
	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL
Commodity Revenue *(millions of dollars)*	561	601	628	622	2,412	586	597	629	593	2,405	668	629	651	630	2,578
Revenue Ton-Miles *(millions)*	54,756	58,268	60,907	60,743	234,674	57,632	57,750	60,765	57,498	233,645	62,075	57,483	59,029	56,807	235,394
Revenue Carloads *(thousands)*	521	537	563	566	2,187	541	540	561	530	2,172	574	525	546	533	2,178
Average Commodity Revenue Per Car *(dollars)*	1,077	1,120	1,116	1,096	1,103	1,084	1,106	1,120	1,119	1,107	1,163	1,198	1,192	1,182	1,184

INDUSTRIAL PRODUCTS

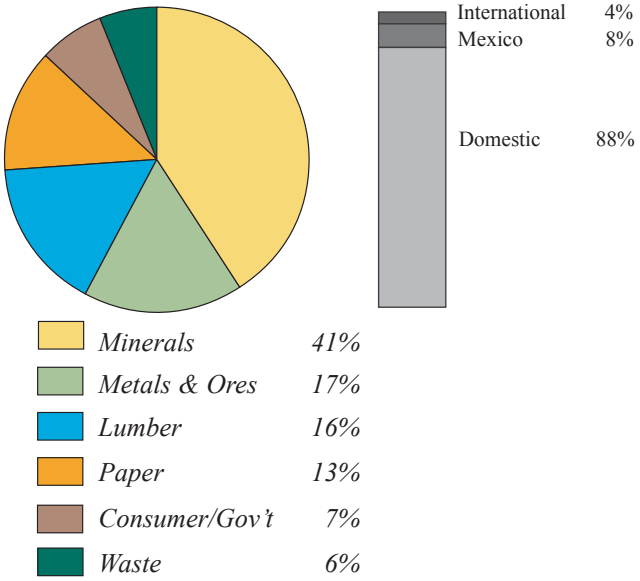
Commodity Profile

The Railroad's extensive network enables the industrial products group to move numerous commodities between thousands of shippers and customers throughout North America. In 2005, industrial products provided 22 percent of total commodity revenue for Union Pacific.

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

Macro-economic conditions such as industrial production and housing starts, with seasonal peaks, drive demand. In 2005, U.S. industrial production grew a solid 3 percent, while industrial products carloads were flat. Similar to 2004, rail demand exceeded supply for the year. Through the effective use of rail and customer assets, this strong demand enabled the industrial products group to achieve yield improvement through pricing actions, selective business growth and overall profitability gains. In total, industrial products revenue grew 17 percent due to price increases and fuel surcharges.

2005 CARLOADS

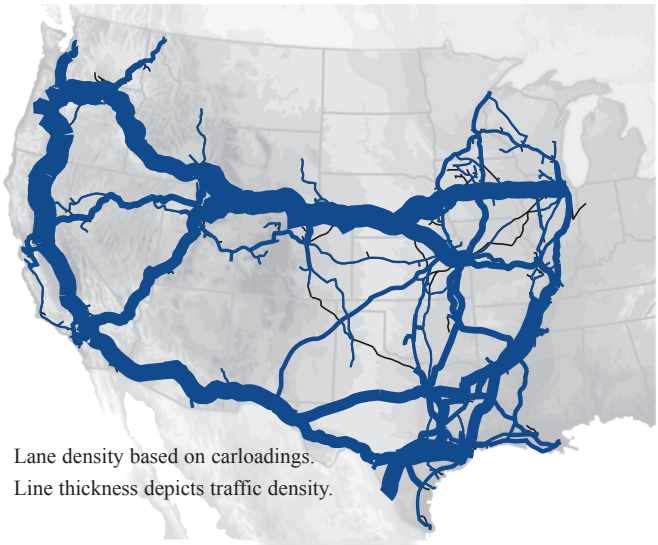


A 6 percent increase in housing starts in 2005 and continuing low interest rates drove strong lumber demand. Price increases, fuel surcharges and a profit improvement focus in the business mix produced record lumber revenue, up 19 percent on flat volumes. During 2005, the Railroad began offering dedicated train service to customers shipping lumber from the PNW to Phoenix, Arizona. This new service increased volumes through better asset utilization, cycling centerbeam flatcars faster and eliminating intermediate terminal switches.

Steel and scrap steel carloadings decreased 4 percent in 2005 versus 2004. High inventory levels at service centers and other end-user locations dampened this market in the first half of 2005. Price increases, fuel surcharges and improved business mix increased revenue 13 percent over 2004 levels, on an 18 percent increase in average revenue per car.

Robust demand in the Texas, Arkansas and Louisiana markets, combined with increased train sizes and improved cycle times, enabled stone volume growth of 12 percent above 2004. Price increases, fuel surcharges and the increased volume produced a 32 percent revenue increase.

Industrial Products Density Map



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

Industrial Products

Network Management

During 2005, the Company transformed its Southern Rock operations to increase efficiency and enhance our ability to meet marketplace demand. The program, called Rocktimization™, offers the best shipping value for the largest and shortest cycling trains. It is designed to optimize network efficiencies, support locomotive and capacity allocation, promote 24 x 7 customer operations, increase train velocity and minimize terminal congestion.

Rocktimization™ Results

	Jul-Dec 2004	Jul-Dec 2005	Improvements
Carloads	134,241	149,916	12%
Train Size	59.8 cars	65.3 cars	9%
Cycle Time	9.11 days	8.46 days	7%

The focus in 2006 is to improve efficiency in the manifest network, with particular emphasis on origin and destination points. Ongoing implementation of CIMS across Union Pacific's system will allow real-time management of customers' inventory. CIMS promotes less congestion, more effective asset utilization, quicker turn times and improved on-time customer delivery. The Company will adhere to the business planning process to ensure incremental volume fits in the network profitably while meeting and exceeding customer expectations.

2006 Outlook

Global Insight is predicting U.S. industrial production growth of 3.3 percent in 2006, which should again benefit Union Pacific's industrial products business. Against that backdrop and with limited network capacity, the Company is targeting low single-digit volume growth and continued yield improvements.

Shipments of construction materials, including lumber, steel and aggregates, should be strong in 2006 as Union Pacific's rail network serves key U.S. population growth areas. Although expectations are for U.S. housing starts to decrease 8 percent to 1.9 million, demand for the Railroad's centerbeam flatcars will continue to exceed supply, UP markets in Phoenix and Las Vegas will continue to expand, and a robust remodeling market will persist. Expected rebounds in non-residential construction and highway infrastructure spending should spur growth in many steel markets during the upcoming year. Chinese steelmaking capacity will continue to be a wild card for import/export demand. Ongoing highway construction projects in the Southwest and mid-South should create growth opportunities in the stone, sand and gravel business.

Annual Summaries

	2003					2004					2005				
	QUARTERS														
	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL
Commodity Revenue (millions of dollars)	510	561	572	537	2,180	563	607	622	627	2,419	630	719	724	746	2,819
Revenue Ton-Miles (millions)	19,142	20,821	21,180	20,326	81,469	20,825	21,704	21,942	21,196	85,667	20,827	22,475	21,717	21,383	86,402
Revenue Carloads (thousands)	340	382	390	366	1,478	364	387	394	369	1,514	359	397	385	368	1,509
Average Commodity Revenue Per Car (dollars)	1,499	1,466	1,467	1,473	1,476	1,544	1,566	1,578	1,703	1,597	1,758	1,809	1,881	2,026	1,868

INTERMODAL

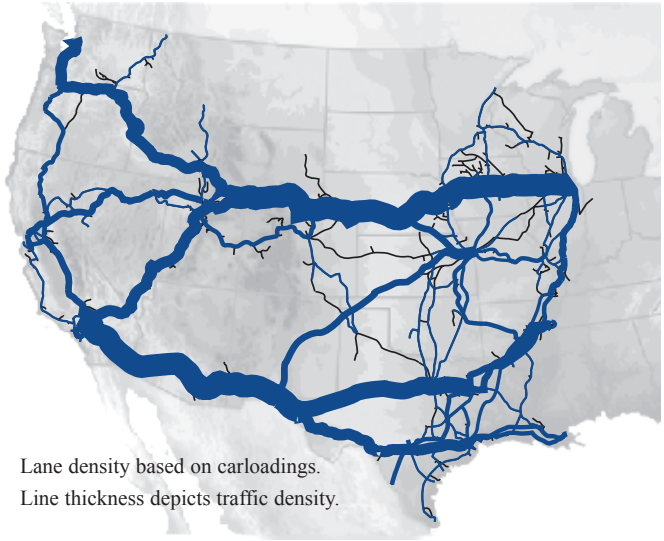
Commodity Profile

Union Pacific's intermodal business represents 19 percent of 2005 commodity revenue and is composed of three segments — international, domestic and premium. The Railroad's intermodal service is sold primarily by third and even fourth party intermediaries including ocean carriers (international), intermodal marketing companies (international and domestic), truckload carriers (domestic) and less-than-truckload and parcel carriers (premium).

International business consists of imports and exports of goods moving in steel shipping containers through ports on the West and Gulf coasts. The domestic business segment consists of freight moving in 48 or 53-foot containers or trailers to and from points within the U.S., Canada and Mexico. Premium business is freight handled for less-than-truckload and parcel carriers with more time-sensitive business requirements.

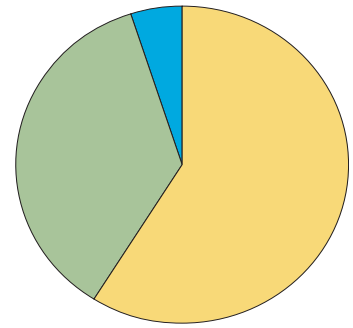
Union Pacific's key intermodal lanes run between Southern California and Texas, Memphis, Chicago, New Orleans, Kansas City and the PNW. The Railroad also serves these corridors from origin/destination points in Northern California and the PNW. The Railroad accesses all major Mexico gateways and serves most of the major metropolitan areas in the western two-thirds of the U.S. Nearly all of the Railroad's routes are competitive to other railroads and are comparable from a distance standpoint to the highway network.

Intermodal Density Map



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

2005 CARLOADS



International	*59%*
Domestic	*36%*
Premium	*5%*

Behind a strong economy and a rapidly growing international trade market, the Company's 2005 intermodal volume grew 4 percent. Volume growth was constrained in 2005 by significant weather events including a massive storm in Southern California and Nevada in January and hurricanes in the Gulf region during August and September. Overall, revenue grew 10 percent as average revenue per unit increased 6 percent on the strength of yield improvements and fuel surcharges.

In 2005, international revenue grew 17 percent on volume growth of 10 percent. Import shipments from China to U.S. ports were the primary growth drivers. The Company's strategy to limit domestic volume growth while bringing on business that is more profitable continued with revenue growth of 3 percent on a decline of 3 percent in volume. A significant amount of the freight moved in the domestic segment is transloaded imports. Freight is unloaded from marine containers and reloaded directly into domestic containers and trailers or processed through warehouses and distribution centers. Most transloading activity occurs in Southern California. In addition, the Company's Blue Streak shipments grew 79 percent during 2005.

Revenue for the premium segment grew 4 percent as yield improvements and fuel surcharges offset a 1 percent decrease in volumes. Union Pacific offers truck-competitive, priority rail service in key lanes to encourage the conversion of highway business to intermodal.

Intermodal

Network Management

Union Pacific continues to focus on improving operational efficiencies that may allow for volume growth in an environment of tight rail capacity. In 2005, efforts to improve asset utilization led to a 2 percent increase of loaded containers per train. In addition, the Railroad began implementing Unified Plan intermodal changes during August in major lanes between Chicago and the West Coast. These changes involve operating more single destination trains and, where possible, designating terminals to handle either domestic or international shipments.

The Railroad also began implementing its Gate Reservation System in 2005. This online tool allows UP to meter traffic at the gate, avoiding congestion at terminals and better managing line capacity. To date, Union Pacific has rolled the system out to 12 facilities, primarily on the West Coast.

2006 Outlook

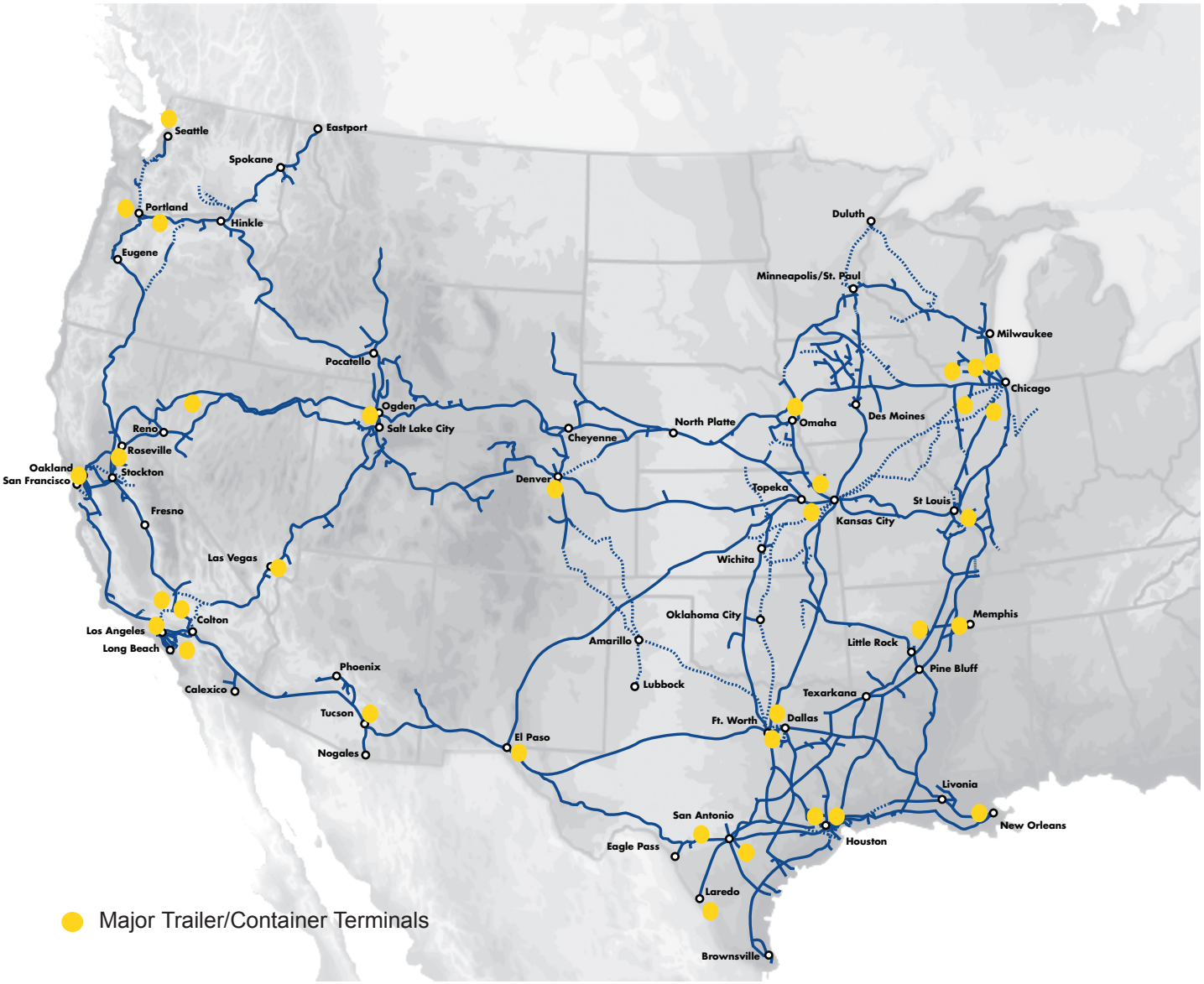
Union Pacific expects intermodal volume increases and pricing opportunities to continue in 2006, driven in part by general economic growth. Continued expansion of trade with Asia should result in another strong year of international volume growth on the Railroad. In addition, the Railroad's Blue Streak product could grow by nearly 40% in 2006 as shippers increasingly look to rails as a capacity alternative versus trucks. The domestic segment continues to grow as truckload carriers are more frequently utilizing railroads to handle their longer line-haul business.

Union Pacific has several operating initiatives planned for 2006 to support this expected growth. Additional Unified Plan changes will focus on Texas and Southeastern markets as well as shorter-haul intermediate routes. In conjunction with the Unified Plan changes, the Company is establishing international and domestic train cycle sets in key lanes. There are plans to expand the Gate Reservation System in 2006 as well as ongoing initiatives to improve train length, units per train and equipment balance between origins and destinations. In addition, capital investments will expand terminal capacity at facilities in Northern and Southern California, Memphis and San Antonio, along with the addition of rail line capacity over key intermodal routes.

International East/West Balance

Due to the high volume of West Coast imports, loaded container movements flow primarily from west to east. This flow creates container imbalances, resulting in significant repositioning costs to the Railroad. In June 2005, the Company began imposing a surcharge to improve loaded container utilization returning to the West Coast. The surcharge encourages customers to have a balanced container flow between locations. The provision will be included in all new and renegotiated contracts.

Intermodal



Annual Summaries

	2003					2004					2005				
	QUARTERS														
	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL
Commodity Revenue *(millions of dollars)*															
	467	515	540	544	2,066	510	544	579	607	2,240	524	597	652	693	2,466
Revenue Ton-Miles *(millions)*															
	16,524	17,702	18,107	18,184	70,517	17,717	18,182	18,589	18,901	73,389	16,604	18,624	19,408	19,766	74,402
Revenue Carloads *(thousands)*															
	693	753	775	762	2,983	725	770	808	824	3,127	732	807	861	864	3,264
Average Commodity Revenue Per Unit *(dollars)*															
	674	684	697	714	693	704	706	716	737	716	716	740	757	802	755

MEXICO

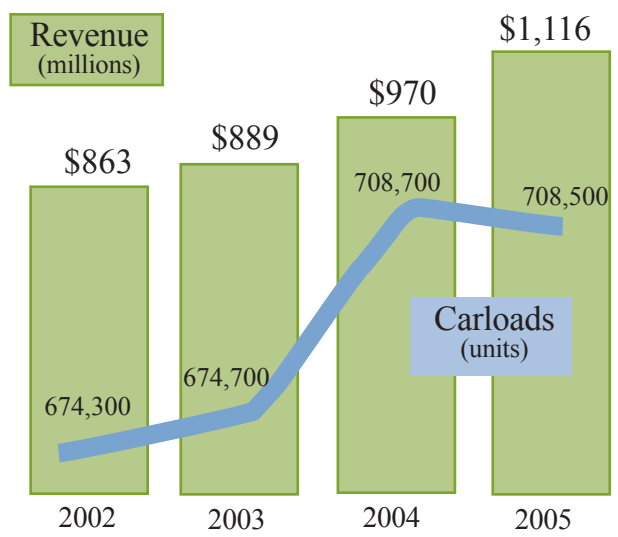
Commodity Profile

Union Pacific's franchise provides the most efficient rail route between markets in Mexico, the U.S. and Canada. UP serves all six major gateways to Mexico, connecting directly to the two largest Mexican railroads. The Company exchanges approximately 63 percent of shipments to and from Mexico with Kansas City Southern de Mexico, formerly known as Transportacion Ferroviaria Mexicana (TFM), and the remaining 37 percent with Ferrocarril Mexicano (Ferromex or FXE). Union Pacific has a 26 percent ownership interest in Ferromex. Trucks are the dominant transportation mode in Mexico's estimated $6 billion annual land transportation market. This market includes a broad range of commodities from raw materials to finished goods.

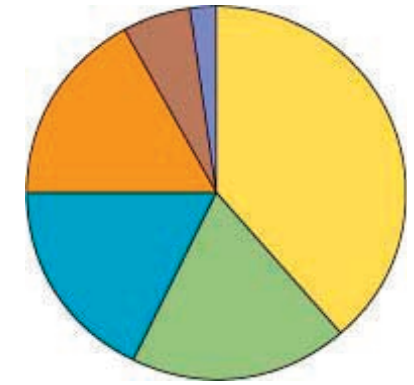
Union Pacific works closely with the Mexican railroads to capture opportunities created by the North American Free Trade Agreement (NAFTA). The Mexican railroads continue making substantial investments in track structure, equipment and facilities to improve service, equipment utilization, safety and damage prevention.

Revenue from shipments to and from Mexico increased 15 percent over 2004 to a record $1.1 billion on flat volume.

Revenue Growth and Carloads



2005 CARLOADS



Automotive	*39%*
Intermodal	*19%*
Agricultural Products	*18%*
Industrial Products	*17%*
Chemicals	*6%*
Energy	*1%*

Increased fuel surcharge revenue and higher yields drove the 2005 revenue growth. This revenue is included in the reporting for UP's six commodity groups. Agricultural Products revenue grew 30 percent on a 12 percent increase in volume while Industrial Products revenue grew 26 percent on a 7 percent volume increase. Shipments of soybean meal, beer and feed grains led the Agricultural Products growth, while nearly all segments of the Industrial Products group generated double-digit revenue growth.

2006 Outlook

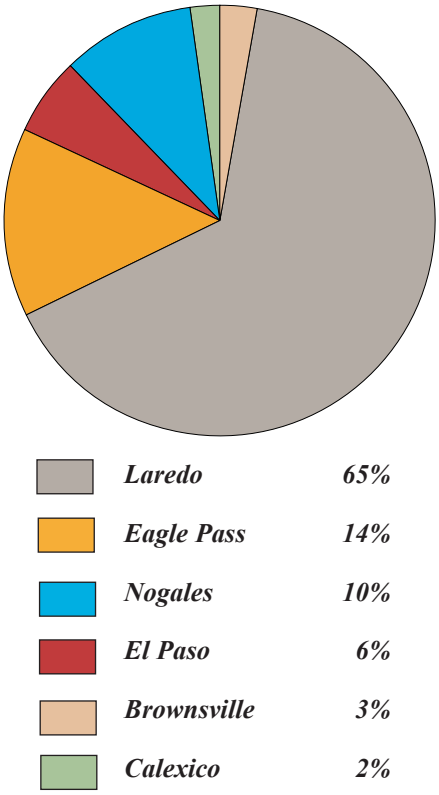
During 2006, the Railroad will focus on continued bottom line improvement. Strong demand across all Mexican market segments and rail service improvements should allow the Company to enhance the profitability and reinvestability of its Mexico business. Revenue growth should come primarily from the Automotive and Industrial Products groups mostly driven by auto parts, non-metallic minerals, non-ferrous metals and cements.

Mexico

The Company will continue to make the border process seamless and improve velocity through Unified Plan initiatives. An important part of that effort is working with Customs to increase their hours of operation at the borders. UP expects to continue development of commercial relationships with the Mexican railroads in 2006. On the political front, the Mexico Presidential election is an important 2006 event.

2005 CARLOADS

(By Gateway)



MEXICO RAIL SYSTEMS

NETWORK MANAGEMENT

In 2005, Union Pacific increased network capacity to meet record demand by hiring new employees, adding locomotives and investing capital in key corridors. The Company reduced network workload and complexity through implementation of the Unified Plan and eliminated chokepoints in terminals utilizing industrial engineering concepts. The Marketing and Operating departments also worked together to create the Customer Inventory Management System (CIMS) and improve the overall business planning process. Each of these initiatives are "evergreen," setting the stage in 2006 and beyond for further operating improvements in the face of record volume growth.

Unified Plan

In the second half of 2004, the Railroad began analyzing the rail network; taking a "clean sheet" approach to redesign the transportation plan. The goals of this ongoing effort, called the Unified Plan, are to increase system velocity, decrease terminal dwell and improve asset utilization. Key elements of the plan were the elimination of more than 10 percent of mainline work events and a 5 percent reduction in intermediate switch events. In April 2005, the Company began implementation of the first phase of the Unified Plan by modifying shipments in the Automotive network. Over the next several months, the Railroad made changes to its vast manifest network. In August, the Company implemented changes to the Intermodal network. Intermodal terminals in Chicago and on the West Coast now handle either domestic or international freight, simplifying both terminal and train operations.

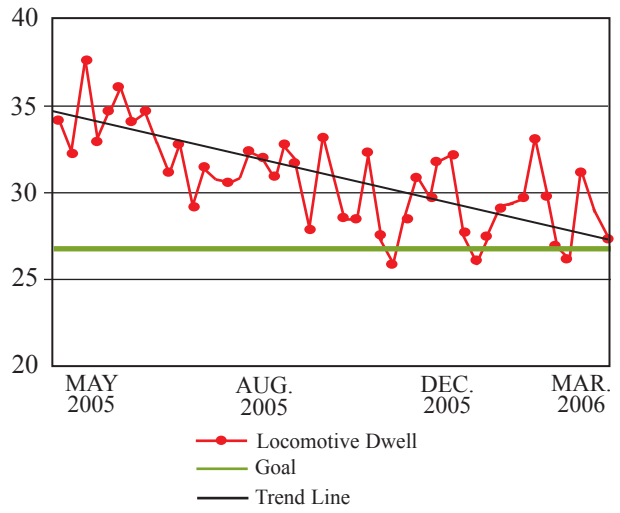
These operating changes directly link to improvements in terminal dwell time and freight car inventory achieved in 2005. The Unified Plan process continues as the Railroad strives to match demand with capacity and identify opportunities to improve operational efficiency through network design.

Industrial Engineering

Over the last two years, Union Pacific expanded its in-house industrial engineering capabilities and applied Toyota's Lean management techniques to improve operations. The Lean process is a specialized part of industrial engineering that focuses on opportunities to improve efficiency by reducing movements, inventories, defects and rework. The process has been applied at major terminals and is continuing to be expanded. The results of these projects increase capacity with little or no capital investment.

As an example, during 2005 the Lean team began a project to improve locomotive utilization at six of the Railroad's largest terminals - North Platte, Los Angeles, Houston, Chicago, Fort Worth and Roseville. The project focused on reducing locomotive terminal dwell time by analyzing movements and decision points between locomotive arrival and departure. Since May 2005, North Platte dwell times decreased an average of 15 percent, freeing over 40 locomotives to serve customers and haul freight.

North Platte Locomotive Dwell
(Hours)



During 2005, the Railroad spent nearly $2.4 billion on over 1.3 billion gallons of diesel fuel. In order to control this cost and improve consumption rates, the industrial engineering group studied ways to conserve fuel use. Past Company efforts included increasing the number of trains utilizing Distributed Power, adding Automatic Engine Start/Stop technology to locomotives, acquiring new more fuel-efficient locomotives and expanding locomotive engineer training. In 2004, the Railroad piloted a fuel conservation program called "Fuel Masters" on the 175-

Network Management

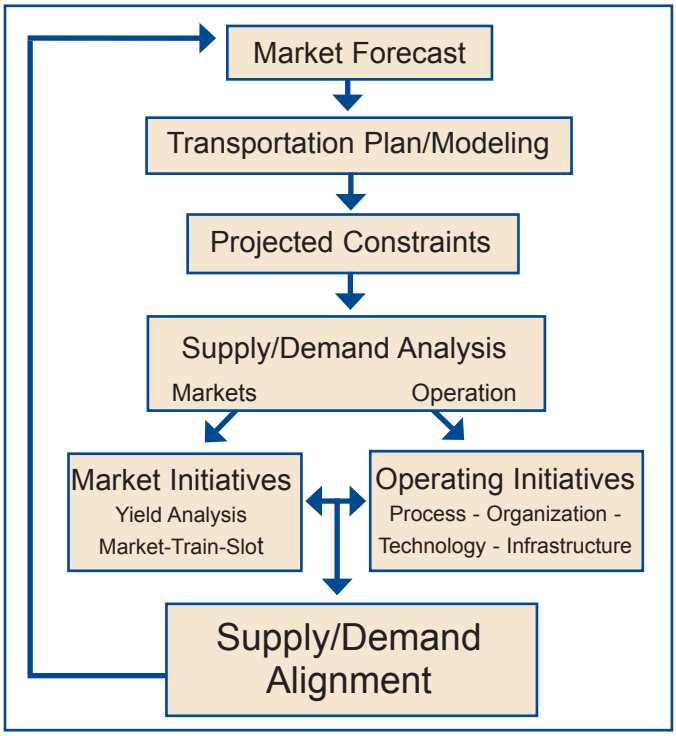
mile run between North Platte and South Morrill, Nebraska. The program rewards the fuel-saving efforts of locomotive engineers with fuel gift cards to offset their rising personal fuel costs. Results of the pilot showed a 6 percent decrease in fuel consumption. The program has been expanded to more than 3,000 locomotive engineers and the Company is targeting system-wide implementation by year-end 2007.

CIMS

Complementing the Lean initiatives, the Marketing and Operating organizations jointly developed CIMS in 2005. The system is used to proactively manage terminal inventory, creating terminal fluidity and increased asset utilization. CIMS matches rail and customer capacity by monitoring customer inventory and storage capabilities, freight cars enroute and freight cars awaiting final delivery to customers. The Railroad conducted the initial pilot in Phoenix and subsequently rolled out the system to major terminals in Los Angeles, Las Vegas, San Antonio and Houston. Results include significant reductions in terminal inventory of 25 to 40 percent, dwell time reductions of 20 to 25 percent and improved customer switching performance. During 2006, the Railroad plans to implement CIMS in additional terminals including Salt Lake City, Roseville, Portland, Seattle, Fort Worth, Kansas City and Little Rock.

Business Planning Process

During 2005, the Company enhanced its business planning process to better match demand forecasts with network capacity. The process starts in the Marketing and Sales organization with accurate and detailed shipment forecasts. The Operating department models the forecasts to determine if the proposed business levels fit the capacity of the specified lanes. Where projected demand exceeds supply, the Operating and Marketing organizations develop and review alternatives and apply contingencies. In 2006, the Company is implementing a new software program to improve volume forecasts. This application will utilize statistical models to generate volume forecasts from historical volumes, economic assumptions and final input from the Marketing and Sales organization.



CAPITAL INVESTMENTS

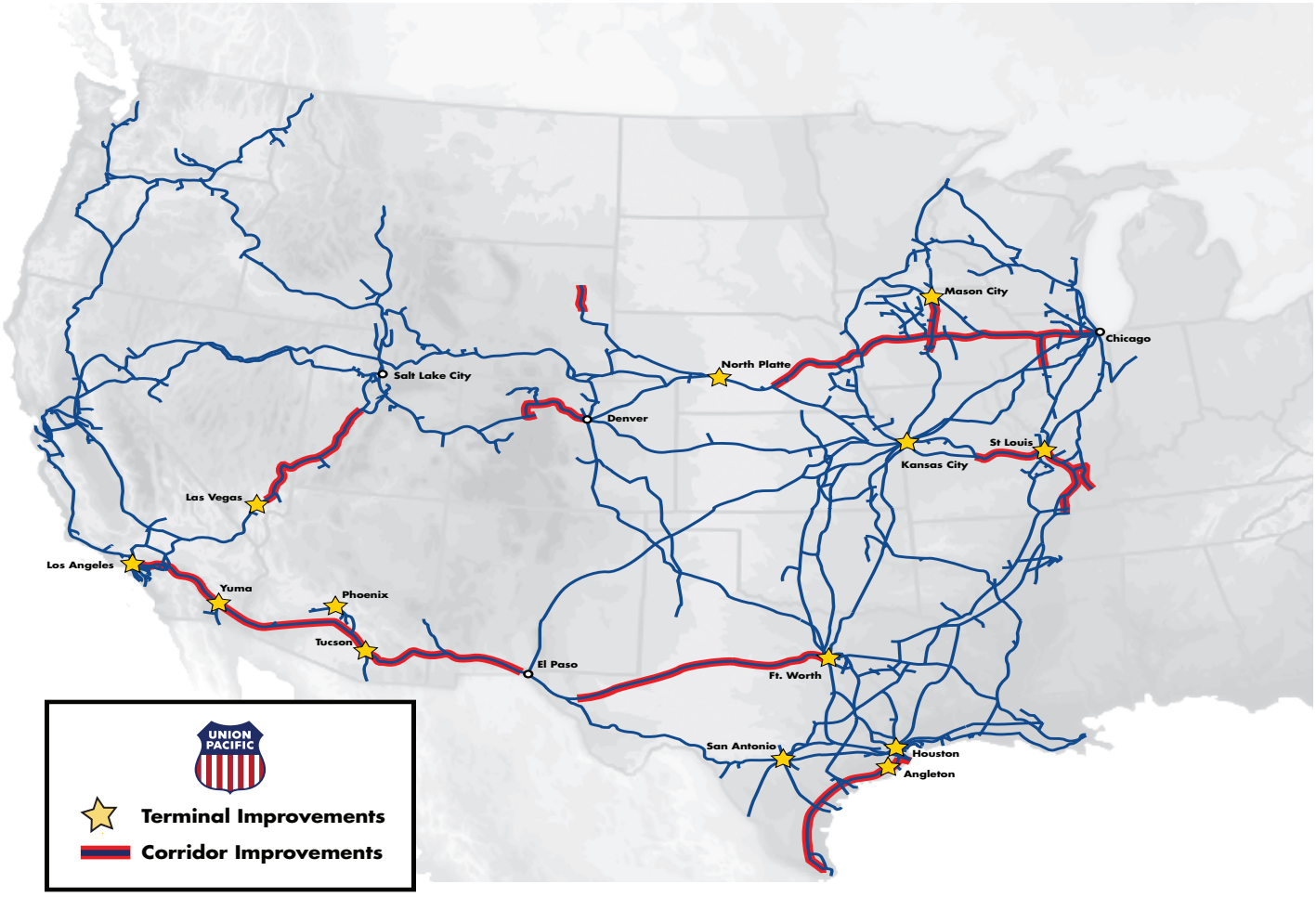
Union Pacific's 2006 cash capital budget is $2.25 billion. Annual track improvements across the Railroad's system will total roughly $1.5 billion. The Company plans to remove and install 4.2 million ties, spread 5.7 million tons of rock ballast, replace 970 miles of rail and surface 9,250 miles.

The Railroad also plans to invest $305 million on growth capacity projects, targeting areas where volume growth exceeds current capacity or where future growth expectations are greatest. UP will add approximately 52 miles of double track to the Sunset route in 2006, bringing this key route between Los Angeles and El Paso to nearly 50 percent double tracked. The budget also includes siding extensions in Iowa and South Texas, as well as in routes between Las Vegas and Salt Lake City, and Denver and Grand Junction. Four new sidings in Iowa, Missouri, and Texas will further increase capacity and efficiency.

Coal operations will benefit from capacity expansion on the Southern Powder River Basin Joint Line with 18 miles of triple track added during 2006. Signal upgrades across Iowa, Nebraska and Texas will enhance train dispatching and terminal expansions in key locations should increase throughput.

Union Pacific is investing $180 million during 2006 on commercial facilities. Support track construction for ethanol plants in Iowa and Minnesota is in the second year of a multi-year project. In addition, improvements are planned for intermodal facilities in Chicago and West Memphis, Arkansas and automotive unloading facilities in Salt Lake City and Houston.

The Company plans to acquire 200 new high-horsepower long-haul locomotives and 2,700 freight cars through various operating lease arrangements.



CONSOLIDATED STATEMENTS OF INCOME

Union Pacific Corporation (millions except per share, unaudited)

For the year ended December 31, 2005	1	2	3	4	Total Year
Operating Revenues	$ 3,152	$ 3,344	$3,461	$ 3,621	**$ 13,578**
Operating Expenses					
Salaries, Wages and Employee Benefits	1,099	1,075	1,093	1,108	**4,375**
Equipment and Other Rents	353	340	356	353	**1,402**
Depreciation	289	292	294	300	**1,175**
Fuel and Utilities	539	597	673	753	**2,562**
Materials and Supplies	135	128	140	143	**546**
Casualty Costs	95	104	109	103	**411**
Purchased Services and Other Costs	329	340	315	328	**1,312**
Total Operating Expenses	2,839	2,876	2,980	3,088	**11,783**
Operating Income	313	468	481	533	**1,795**
Other Income - Net	20	29	42	54	**145**
Interest Expense	(132)	(128)	(124)	(120)	**(504)**
Income Before Income Taxes	201	369	399	467	**1,436**
Income Taxes	(73)	(136)	(30) (a)	(171)	**(410)**
Net Income	**$ 128**	**$ 233**	**$ 369**	**$ 296**	**$ 1,026**
Basic Earnings Per Share	$ 0.49	$ 0.89	$ 1.40	$ 1.11	**$ 3.89**
Diluted Earnings Per Share	$ 0.48	$ 0.88	$ 1.38	$ 1.10	**$ 3.85**
Average Basic Shares Outstanding	261.4	262.8	264.0	265.6	**263.4**
Average Diluted Shares Outstanding	264.3	265.6	267.1	268.9	**266.5**

For the year ended December 31, 2004	1	2	3	4	Total Year
Operating Revenues	$ 2,893	$ 3,029	$3,076	$ 3,217	**$ 12,215**
Operating Expenses					
Salaries, Wages and Employee Benefits	1,011	1,048	1,057	1,051	**4,167**
Equipment and Other Rents	327	362	354	331	**1,374**
Depreciation	274	277	278	282	**1,111**
Fuel and Utilities	389	435	459	533	**1,816**
Materials and Supplies	123	114	122	129	**488**
Casualty Costs	148	117	71	358(b)	**694**
Purchased Services and Other Costs	307	317	317	329	**1,270**
Total Operating Expenses	2,579	2,670	2,658	3,013	**10,920**
Operating Income	314	359	418	204	**1,295**
Other Income - Net	28	8	30	22	**88**
Interest Expense	(135)	(130)	(132)	(130)	**(527)**
Income Before Income Taxes	207	237	316	96	**856**
Income Taxes	(42)	(79)	(114)	(17)	**(252)**
Net Income	**$ 165**	**$ 158**	**$ 202**	**$ 79**	**$ 604**
Basic Earnings Per Share	$ 0.64	$ 0.61	$ 0.78	$ 0.30	**$ 2.33**
Diluted Earnings Per Share	$ 0.63	$ 0.60	$ 0.77	$ 0.30	**$ 2.30**
Average Basic Shares Outstanding	258.7	258.9	259.0	259.8	**259.1**
Average Diluted Shares Outstanding	262.5	261.6	261.6	263.1	**262.2**

Refer to the Unon Pacific Corporation 2005 Annual Report for additional information.

(a) Includes a $118 million tax expense reduction in the estimated deferred income tax liability.
(b) Includes a $247 million pre-tax ($154 million after-tax) charge for unasserted asbestos-related claims.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Union Pacific Corporation (millions of dollars, unaudited)

As of December 31	**2005**	2004
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 773**	$ 977
Accounts Receivable, Net	**747**	545
Materials and Supplies	**331**	309
Current Deferred Income Taxes	**304**	288
Other Current Assets	**170**	178
Total Current Assets	**2,325**	2,297
Investments	**806**	767
Properties		
Total Cost	**41,697**	39,907
Accumulated Depreciation	**(9,722)**	(8,893)
Net Properties	**31,975**	31,014
Other Assets	**514**	518
Total Assets	**$35,620**	$34,596
Liabilities and Common Shareholders' Equity		
Current Liabilities		
Accounts Payable	**$ 783**	$ 590
Accrued Wages and Vacation	**415**	384
Accrued Casualty Costs	**478**	419
Income and Other Taxes	**212**	208
Dividends and Interest	**252**	256
Debt Due Within One Year	**656**	150
Equipment Rents Payable	**130**	130
Other Current Liabilities	**458**	394
Total Current Liabilities	**3,384**	2,531
Other Liabilities and Shareholders' Equity		
Debt Due After One Year	**6,760**	7,981
Deferred Income Taxes	**9,482**	9,180
Accrued Casualty Costs	**876**	884
Retiree Benefits Obligations	**855**	885
Other Long-Term Liabilities	**556**	480
Commitments and Contingencies		
Common Shareholders' Equity	**13,707**	12,655
Total Liabilities and Common Shareholders' Equity	**$35,620**	$34,596

Refer to the Union Pacific Corporation 2005 Annual Report for additional information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Union Pacific Corporation (millions of dollars, unaudited)

For the years ended December 31	**2005**	2004
Operating Activities		
Net Income	**$1,026**	$ 604
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**1,175**	1,111
Deferred Income Taxes	**320**	359
Net Gain from Asset Sales	**(135)**	(69)
Other, Net	**58**	156
Changes in Current Assets and Liabilities, Net	**151**	96
Cash Provided by Operating Activities	**2,595**	2,257
Investing Activities		
Capital Investments	**(2,169)**	(1,876)
Proceeds from Asset Sales	**185**	145
Other Investing Activities, Net	**(63)**	(1)
Cash Used in Investing Activities	**(2,047)**	(1,732)
Financing Activities		
Dividends Paid	**(314)**	(310)
Debt Repaid	**(699)**	(588)
Debt Issued	**-**	745
Net Proceeds from Equity Compensation Plans	**262**	80
Financings, Net	**(1)**	(2)
Cash Used in Financing Activities	**(752)**	(75)
Net Change in Cash and Cash Equivalents	**(204)**	450
Cash and Cash Equivalents at the Beginning of Year	**977**	527
Cash and Cash Equivalents at the End of Year	**$ 773**	$ 977
Changes in Current Assets and Liabilities, Net		
Accounts Receivable, Net	**$ (201)**	$ (40)
Materials and Supplies	**(22)**	(42)
Other Current Assets	**12**	101
Accounts, Wages, and Vacation Payable	**224**	100
Other Current Liabilities	**138**	(23)
Changes In Current Assets And Liabilities, Net	**$ 151**	$ 96
Supplemental Cash Flow Information		
Non-Cash Capital Lease Financings	**$ -**	$ -
Non-Cash Financing Activities, Cash Dividends Declared but not yet Paid	**78**	76
Cash (Paid) Received During the Year For:		
Interest	**(510)**	(517)
Income Taxes, Net	**(29)**	187

Refer to the Union Pacific Corporation 2005 Annual Report for additional information.

Note: Free cash flow is considered a non-GAAP financial measure by SEC Regulation G. We believe free cash flow is important in evaluating our financial performance and measures our ability to generate cash without additional external financings. Free cash flow should be in addition to, rather than a substitute for, cash provided by operating activities. The following table reconciles cash provided by operating activities (GAAP measure) to free cash flow (non-GAAP measure):

	2005	2004
Cash Provided By Operating Activities	**$ 2,595**	$ 2,257
Cash Used In Investing Activities	**(2,047)**	(1,732)
Dividends Paid	**(314)**	(310)
Free Cash Flow	**234**	215

FINANCIAL & OPERATING STATISTICS

Union Pacific Corporation (unaudited)

For the years ended December 31	2005					2004				
Financial and Revenue Statistics	1	2	3	4	**Full Year**	1	2	3	4	**Full Year**
Operating Revenues (millions)	$3,152	$3,344	$3,461	$3,621	**$13,578**	$2,893	$3,029	$3,076	$3,217	**$ 12,215**
Operating Expenses (millions)	$2,839	$2,876	$2,980	$3,088	**$11,783**	$2,579	$2,670	$2,658	$3,013(a)	**$10,920**
Operating Margin (%)	9.9	14.0	13.9	14.7	**13.2**	10.9	11.9	13.6	6.3(a)	**10.6**
Salaries and Benefits (millions)	$1,099	$1,075	$1,093	$1,108	**$ 4,375**	$1,011	$1,048	$1,057	$1,051	**$ 4,167**
Salaries and Benefits/Op. Rev. (%)	34.9	32.1	31.6	30.6	**32.2**	34.9	34.6	34.4	32.7	**34.1**
Commodity Revenue/Employee (thousands)	$ 60.9	$ 63.8	$ 65.9	$ 69.8	**$ 260.5**	$ 59.3	$ 60.0	$ 60.1	$ 62.6	**$ 241.9**
Fuel Expense (millions)	$ 498	$ 558	$ 629	$ 708	**$ 2,393**	$ 354	$ 403	$ 426	$ 501	**$ 1,684**
Avg. Fuel Price Per Gallon (b)	$ 1.45	$ 1.67	$ 1.88	$ 2.08	**$ 1.77**	$ 1.02	$ 1.16	$ 1.25	$ 1.46	**$ 1.22**
Commodity Revenue (millions)	$3,004	$3,196	$3,301	$3,456	**$12,957**	$2,777	$2,901	$2,944	$3,070	**$11,692**
Average Revenue Per Car	$1,306	$1,337	$1,357	$1,428	**$ 1,358**	$1,214	$1,225	$1,223	$1,282	**$ 1,236**
Commodity Revenue/ Revenue Ton-Mile (cents)	2.19	2.34	2.39	2.54	**2.36**	2.06	2.13	2.12	2.24	**2.14**
Effective Tax Rate (%)	36.3	36.9	7.5(c)	36.6	**28.6**	20.3	33.3	36.1	17.7	**29.4**
Debt to Capital (%) (d)					**35.1**					**39.1**
Lease Adjusted Debt to Capital % (e)					**43.6**					**45.1**
Operating Statistics										
Revenue Carloads (thousands)	2,300	2,391	2,433	2,419	**9,543**	2,288	2,368	2,408	2,394	**9,458**
Revenue Ton-Miles (billions)	138	137	138	136	**549**	134	136	139	137	**546**
Gross Ton-Miles (billions)	258	260	263	263	**1,044**	252	261	263	262	**1,038**
Average Train Speed (miles per hour) (f)	21.1	21.2	21.6	20.5	**21.1**	21.9	21.3	21.8	20.5	**21.4**
Average System Dwell (hours)(f)	29.5	27.4	28.1	29.8	**28.7**	29.8	30.9	30.1	31.2	**30.5**
Average Rail Car Inventory (f)				326,486						
Fuel Consumed (millions of gallons)	344	335	334	340	**1,353**	348	346	340	343	**1,377**
Average Employees	49,294	50,093	50,106	49,494	**49,747**	46,838	48,383	49,021	49,067	**48,329**
GTMs per Employee (millions)	5.24	5.19	5.26	5.30	**20.98**	5.38	5.39	5.36	5.34	**21.47**

Refer to the Union Pacfiic Corporation 2005 Annual Report for additional information.

(a) Includes a $247 million pre-tax ($154 million after-tax) charge for unasserted asbestos-related claims.
(b) Including taxes and transportation costs.
(c) Includes a $118 million tax expense reduction in the estimated deferred income tax liability.
(d) Debt to capital is computed as follows: total debt divided by total debt plus equity.
(e) Lease adjusted debt to capital is computed as follows: total debt plus net present value of operating leases divided by total debt plus equity plus net present value of operating leases.
(f) As reported to the Association of American Railroads. On October 1, 2005, the rail car inventory measurement was standardized for all reporting railroads. Rail car inventory for prior periods was not recalculated.

CAUTIONARY INFORMATION

The 2005 Analyst Fact Book provides additional explanatory information regarding Union Pacific that may not be available in the Company's Annual Report. The information provided is supplemental in nature and is not, and should not be construed as, better than that available in the Company's publicly available reports filed with the SEC. Additionally, some of the information in the Fact Book is derived from the Company's audited financial statements, but the Fact Book and its contents have not been, and should not be considered, audited.

This report may contain statements about future expectations or results of the Company that are not statements of historical fact. These statements are, or will be, forward-looking statements as defined by the federal securities laws and include, without limitation, expectations as to operational or service improvements; statements concerning expectations of the effectiveness of steps taken or to be taken to improve operations, service, or to stabilize the rail system, including infrastructure improvements, transportation plan modifications, and management of customer traffic on the system to meet demand; expectations as to cost savings, revenue growth, and earnings; the time by which certain objectives will be achieved; statements or information concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, future economic performance, and general economic conditions; statements describing management's goals and objectives; expectations and descriptions of proposed new products and services; and any 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 is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. More detailed information regarding forward-looking information and such risks and uncertainties is contained in the filings made by the Corporation with the Securities and Exchange Commission, which are available on the Company's web site. The Company assumes no duty to update any statements or information provided in this report.