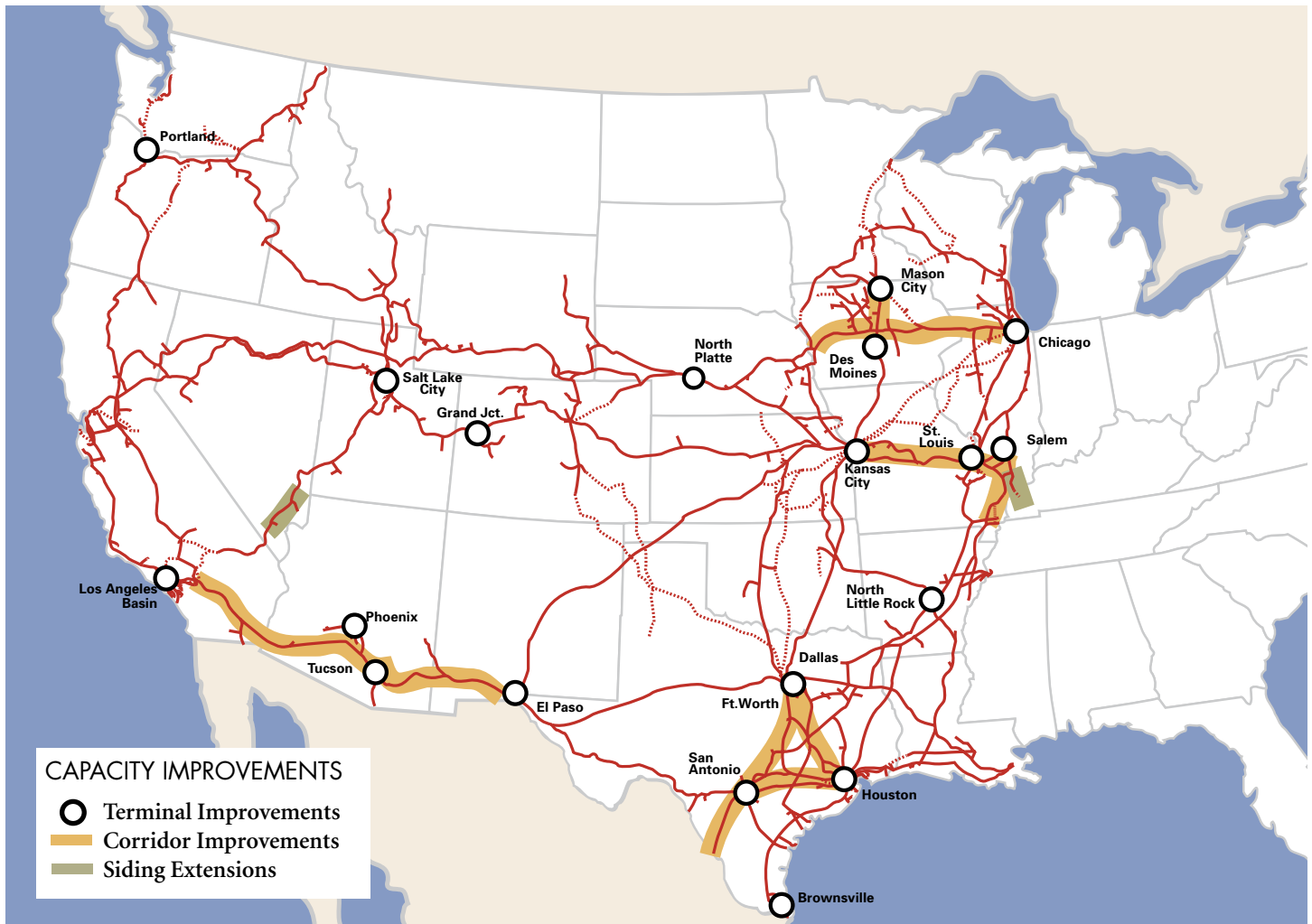


# CAPACITY IMPROVEMENTS



## 2005 Capacity Improvements

Union Pacific's 2005 capital budget includes \$2.1 billion of cash capital. Of this, approximately \$1.3 billion will be spent for track improvements across our 33,000-mile system. The Company plans to remove and install 4.4 million ties, spread 6.8 million tons of rock ballast, replace 850 miles of rail and surface 7,800 miles.

The Company will also invest \$290 million for capacity projects and \$220 million on commercial facilities. Capital dollars are targeted at areas where the greatest growth has occurred over the last several years. On the Sunset route, another 50 miles of double track will be added, as well as terminal enhancements in Phoenix, Tucson and El Paso. Siding extensions are planned along the South Central Corridor from Los Angeles to Las Vegas to complement Sunset operations.

A third main line is being built in the North Platte yard to facilitate run through trains. Across Iowa, we are in the second year of a three-year signal upgrade program.

Work is underway in San Antonio to upgrade the yard, support intermodal expansion and facilitate the new Toyota plant scheduled to open in late 2006. New intermodal facilities are being built in Wilmer, Texas and Salt Lake City, Utah as well.

Capacity improvements in Kansas City and along the coal route to the Ohio River will support increased business levels. Southern Illinois siding extensions will facilitate growth on the North-South corridor from Chicago to Texas.

The Company plans to acquire 315 new locomotives and over 4,000 freight cars through various leasing arrangements.