YEAR IN REVIEW

2004 Recap

Union Pacific reported record revenues in 2004 of $12.2 billion, a 6 percent increase over 2003. One factor was a 3 percent increase in Average Revenue per Car (ARC), which was driven by higher fuel surcharge recovery and better yields. Revenue from five of the six commodity groups grew in 2004, with four groups — Agricultural Products, Automotive, Industrial Products and Intermodal achieving best ever yearly revenue levels. Volumes increased by 1 percent, as records for 7-day carloadings were set every month in 2004, peaking in November with an all-time weekly record of more than 194,000 carloads. Gross ton-miles grew 2 percent versus 2003 and exceeded 1 trillion for the second consecutive year.

The Company's financial performance was affected by high energy prices and continued operational inefficiencies. High diesel fuel prices increased operating expenses by $416 million over 2003. However, fuel surcharge programs recovered over 50 percent of this increased fuel expense from customers in the form of higher revenue. Service issues, including increased hiring and training efforts, added approximately $300 million in operating expenses during 2004.

Surging freight demand in the latter part of 2003 strained network resources and slowed system velocity, resulting in a shortage of train crew personnel and locomotive power. Tactical plans were initiated to add resources, graduating nearly 5,000 new conductors into train service and acquiring almost 400 new locomotives during 2004. In some of the most constrained parts of the Railroad, additional steps were taken to manage network flows and volumes. For example, the number of trains operating on the Sunset Corridor between Southern California and Texas, where demand was particularly strong, was reduced to improve fluidity.

Service issues are also being addressed strategically through several network management initiatives. One of these is UP's Unified Plan, which takes a "clean sheet" approach to redesigning the Railroad's transportation plan. Working with a transportation consulting firm called Multi-Modal, the objective of the redesign is to reduce the total workload on the network, increase velocity, decrease terminal dwell time and improve the achievability of the transportation plan. Quality tools, such as the industrial engineering process known as Lean management, are also being used to simplify operations and balance network demands.

Union Pacific's customers have a role in the network management initiatives as well. For example, customer load and unload capabilities must be matched with projected traffic flows to avoid terminal congestion. Additionally, the Railroad is working to manage which volumes move across the network to better match UP's capacity with the demand.

During 2004, Union Pacific spent $1.88 billion in cash capital for track, facility and terminal maintenance, capacity expansion

FINANCIAL SUMMARY

Union Pacific Corporation	***2004***	***2003***	***2002***
Operating Revenues (millions of dollars)	$12,215	$11,551	$11,159
Operating Income (millions of dollars) (a)	$1,295	$2,133	$2,253
Operating Margin (a)	10.6%	18.5%	20.2%
Revenue Carloads (thousands)	9,458	9,239	9,131
Average Employees	48,295	46,371	47,298
Average Diesel Fuel Price (per gallon)	$1.22	$0.92	$0.73
Capital Investments (millions of dollars) (b)	$1,876	$1,940	$1,820

(a) 2004 results include the $247 million pre-tax asbestos charge.
(b) Includes non-cash capital lease financings of $188 million and $126 million in 2003 and 2002, respectively.

in constrained corridors, equipment upgrades and additions as well as the development and implementation of new technologies. Free cash flow, after the payment of an increased dividend, was $215 million. Debt-to-capital, adjusted for leases, was basically flat year-over-year at 45.1 percent.

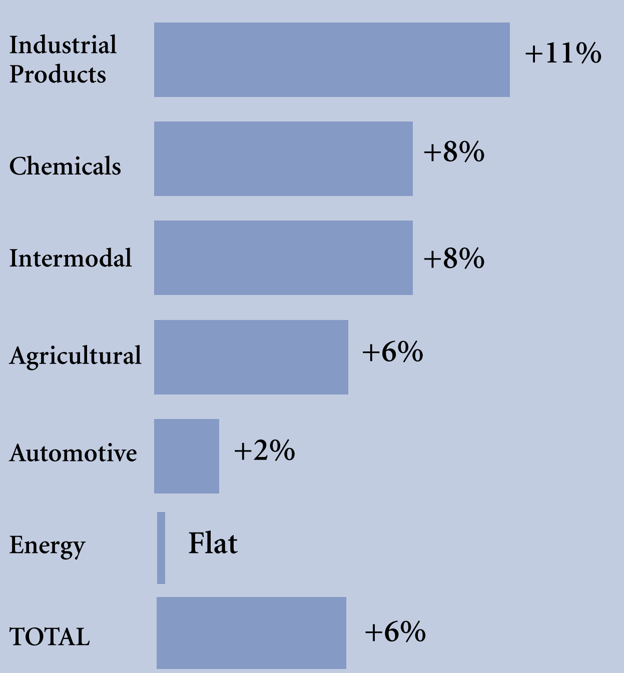
2005 Outlook

In early January of 2005, a massive storm hit California and Nevada, damaging the rail system and temporarily shutting down five of the Railroad's six routes in and out of Los Angeles. Two of these routes, the Coastal and Caliente routes, required extensive reconstruction. Although this storm temporarily slowed network improvement efforts, monthly train speed increased by two miles per hour from December 2004 to April 2005.

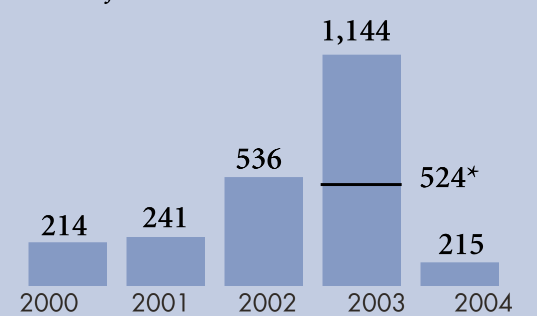
For the first quarter of 2005, Union Pacific reported earnings per share of $0.48 on revenue growth of 9 percent. For the full year, the Company is targeting 8 to 9 plus percent revenue growth with the largest percentage increases in revenue expected to come from Energy, Intermodal and Industrial Products. First quarter diesel fuel averaged $1.45 per gallon versus $1.02 per gallon in the first quarter of 2004, which increased fuel expense by $149 million. The Railroad's fuel surcharge recovery programs offset roughly $136 million of the added costs.

Resource additions will continue in 2005 with 2,000 conductors and 1,900 engineers expected to enter train service. Net of attrition, the average annual workforce is expected to increase by about 1 percent over 2004 levels. Cash capital expenditures in 2005 are expected to total $2.1 billion. In addition, 315 locomotives and over 4,000 freight cars will be acquired through lease arrangements.

2004 REVENUE GROWTH
By commodity

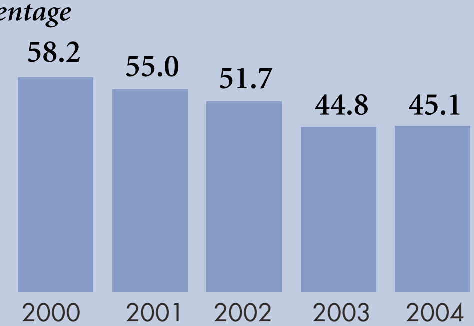


FREE CASH FLOW
In millions of dollars



* *Excludes proceeds from Overnite IPO of $620 million*

DEBT TO CAPITAL**
Percentage



** *Lease-Adjusted*