REVENUE OVERVIEW & OUTLOOK

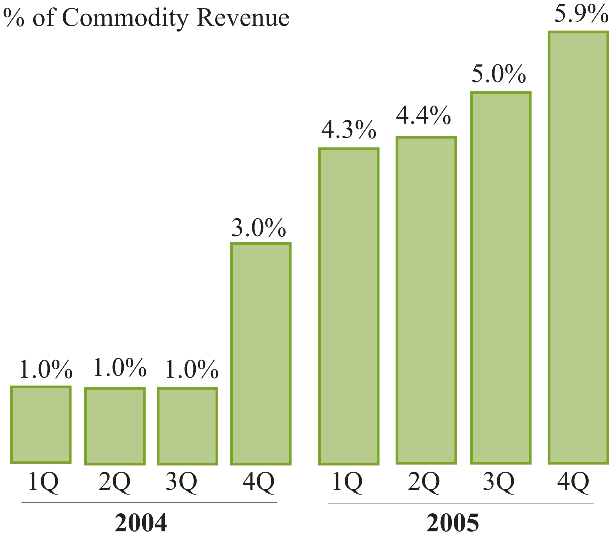
2005 Recap

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.

Core Price Improvement

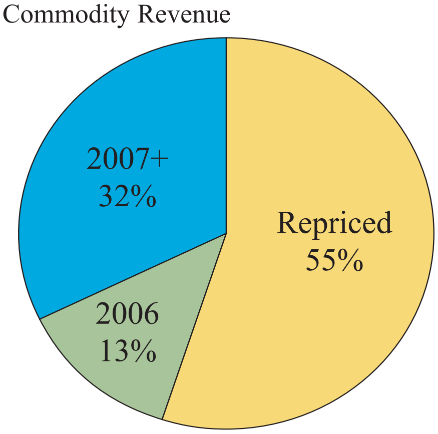
% of Commodity Revenue



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.

Pricing Opportunity

% of Commodity Revenue

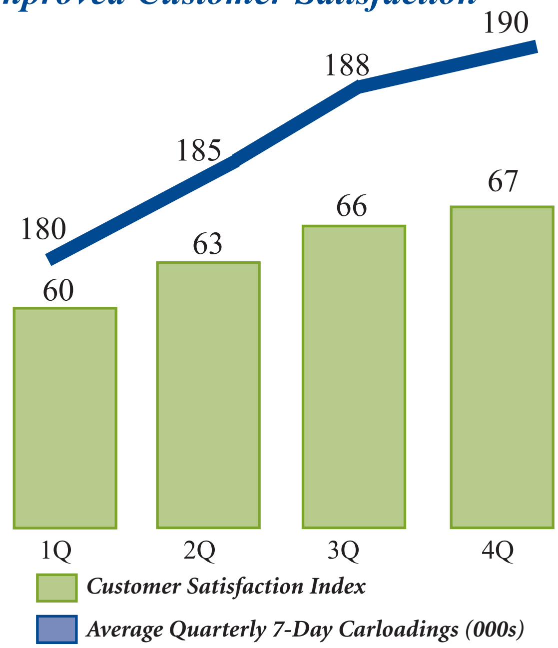


With strong demand, velocity improvement becomes an important consideration in product design. While the unit train concept has been around for years, the Railroad is expanding its use in traditional markets, like grain, as well as utilizing the concept in new markets. During 2005, UP implemented a Portland 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.

Improved Customer Satisfaction



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.

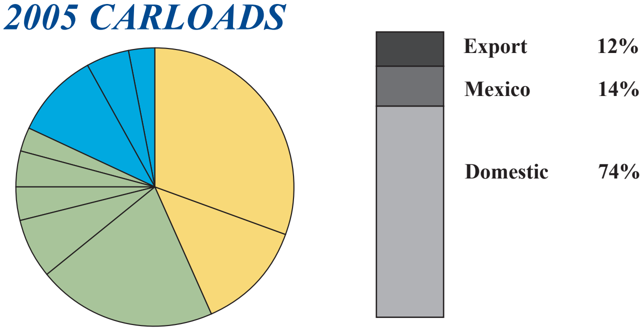
Through its alliances, UP considers Canada and Mexico important extensions of its domestic markets. In 2005, agricultural carloads to and from Mexico grew 12 percent and revenue increased 30 percent. Shipments of soybean meal, beer, whole cottonseed and the ethanol co-product, dried distiller grains (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.

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.

2005 CARLOADS



Whole Grain

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

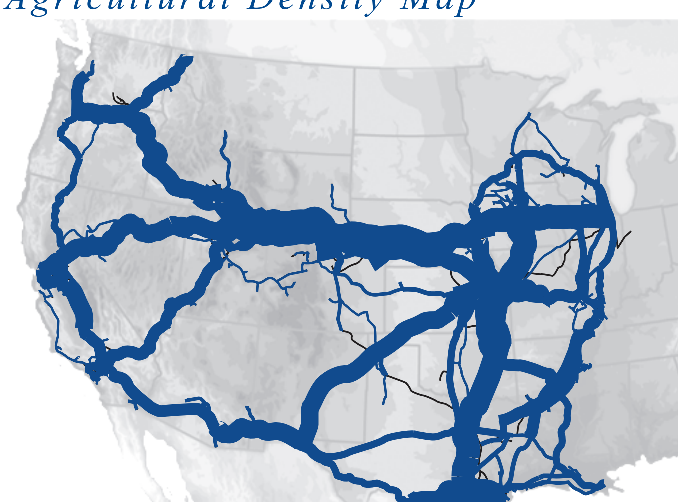
Food & Beverage

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.

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.

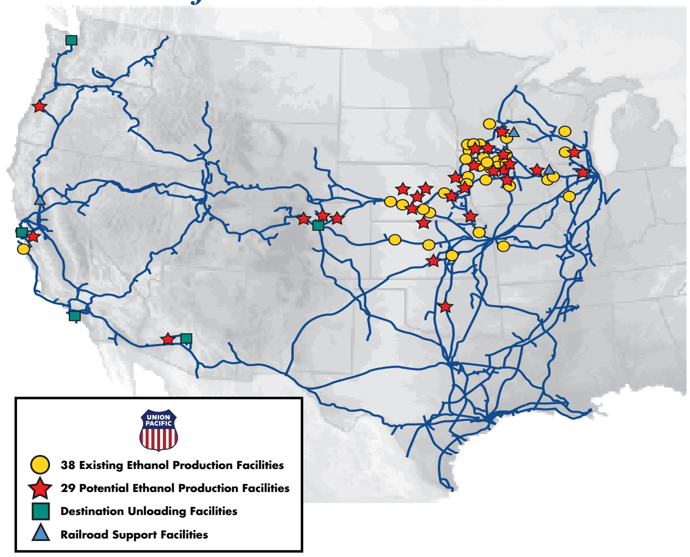
During 2005, the Company added 600 new high-capacity, covered hoppers to the grain fleet. Most grain customers prefer these cars and the Railroad plans to add 1,000 more to the fleet for use in shuttle service in 2006. Efficiency enhancements and increased train size should result as the shuttle network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

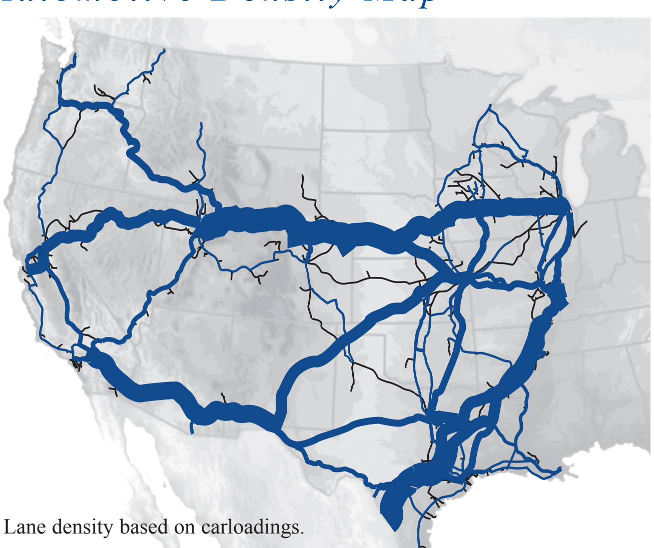
AUTOMOTIVE

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.

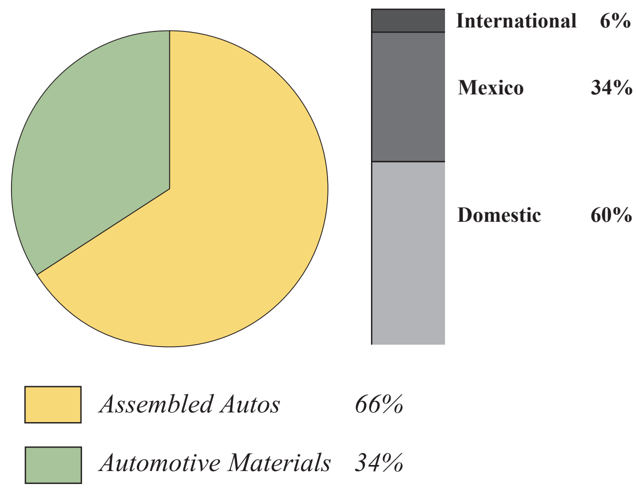
Vehicle shipments move from U.S., Canada and Mexico assembly plants or import processing facilities on the West and Gulf Coasts to vehicle distribution facilities on the Union Pacific system or facilities on connecting railroads in Mexico, Canada and the U.S. Union Pacific is the largest automotive carrier 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

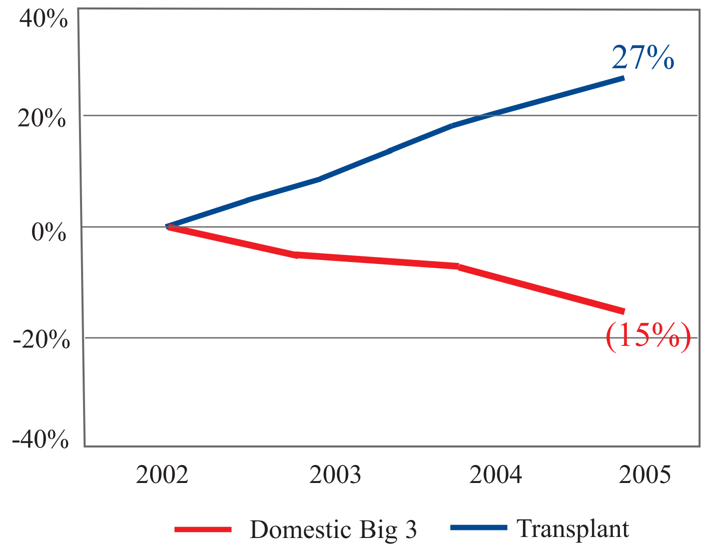
Mexican automotive shipments, for both vehicles and parts, make up 25 percent of the Railroad's total auto revenue. During 2005, Union Pacific handled over 92 percent of all automotive rail traffic between the U.S. and Mexico. The volume of finished vehicles from Mexico grew 2 percent on increases from 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.

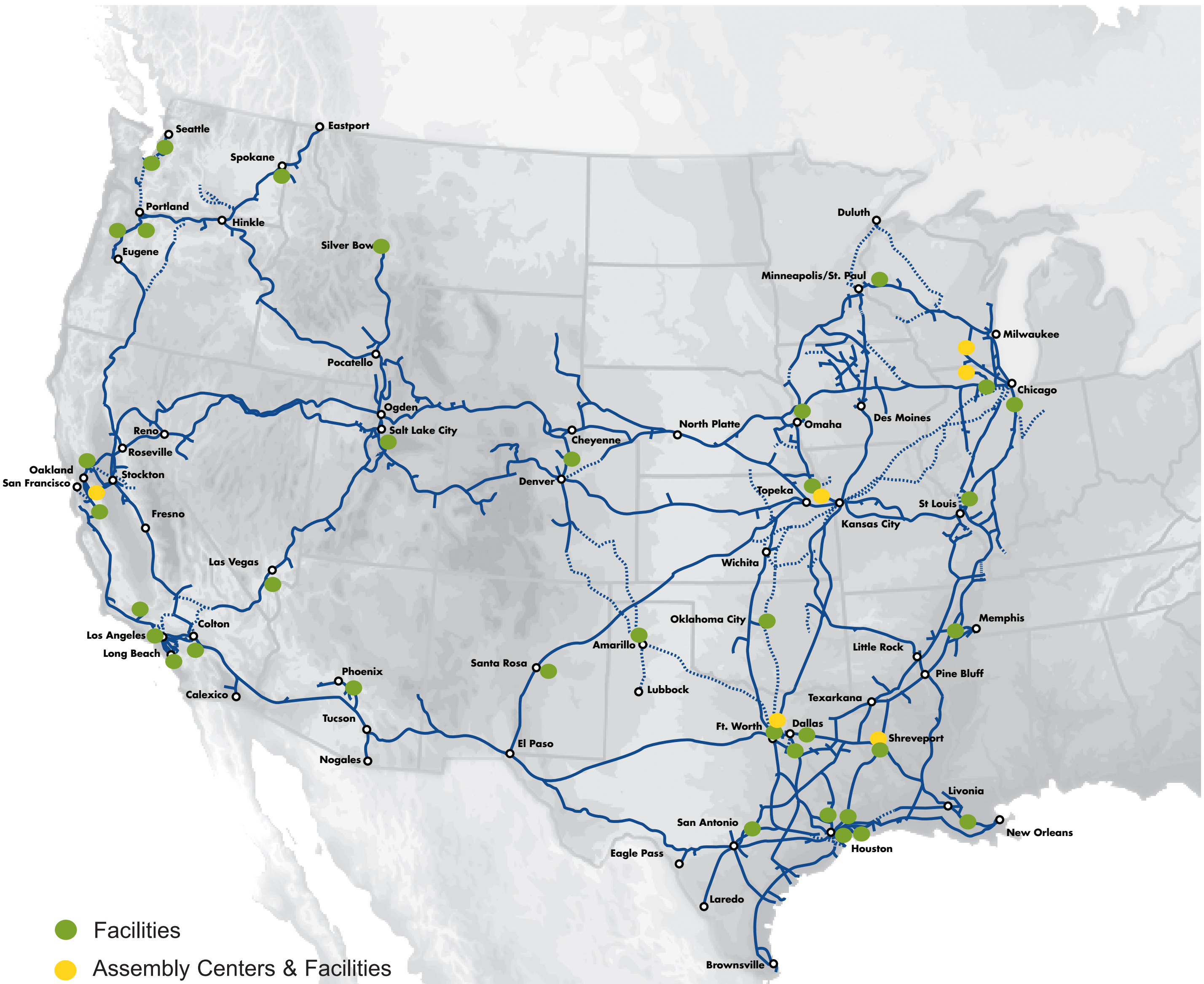
During 2006, the Railroad expects volumes and market share similar to 2005 levels. Volume increases should come from the retooled Ford plant in Hermosillo, Mexico, the retooled Nissan plant at Aquascalientes, Mexico, the retooling and new product offering from DaimlerChrysler's Belvidere, Illinois plant 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.

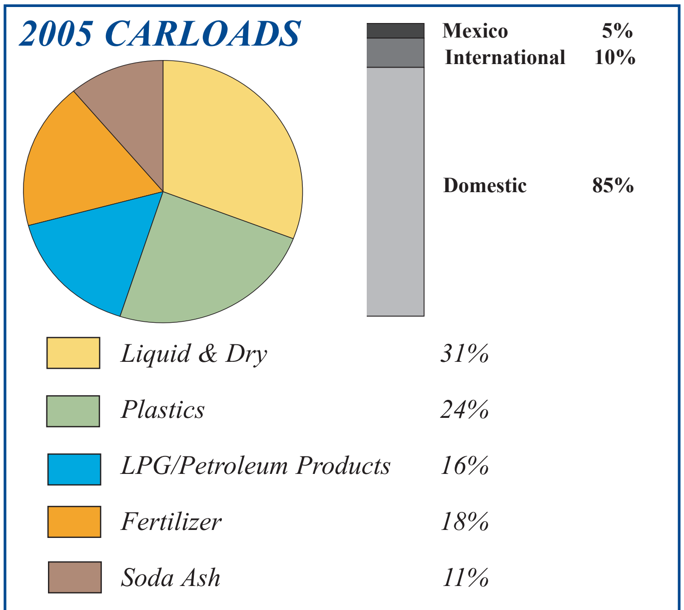
Petrochemicals move primarily to and from the Gulf Coast region. Barges, and to a lesser extent trucks, provide transportation alternatives for some of these commodities. The liquid and dry market consists of several dozen segments of basic, intermediate and specialty chemicals produced by, and shipped 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.

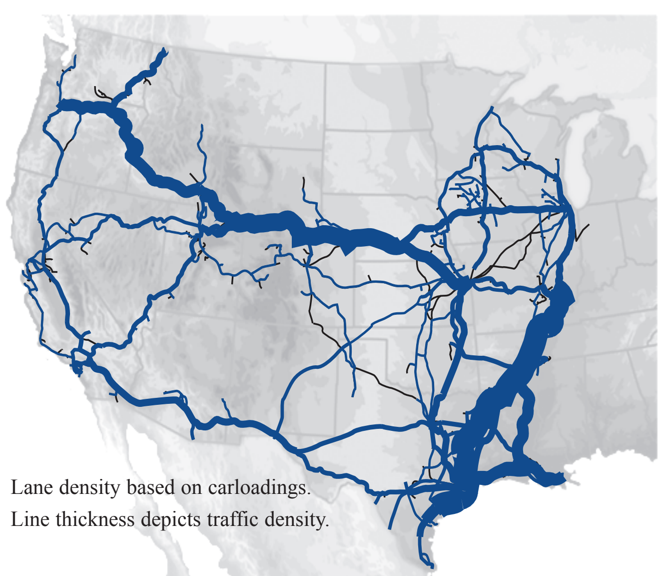
UP's fertilizer demand is largely driven by U.S. agricultural expectations versus world demand. Global market conditions resulted in a 4 percent increase in fertilizer carloadings in 2005 versus 2004. Domestic nitrogen and phosphate shipments were up and Canadian potash movements were generally strong.

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

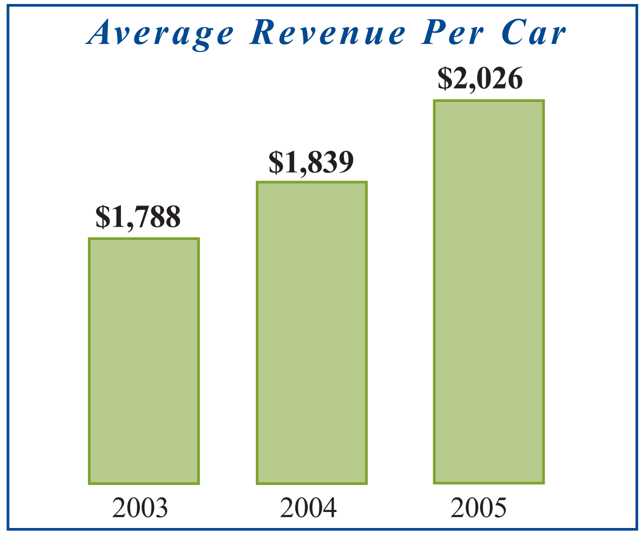


Lane density based on carloadings.
Line thickness depicts traffic density.

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.

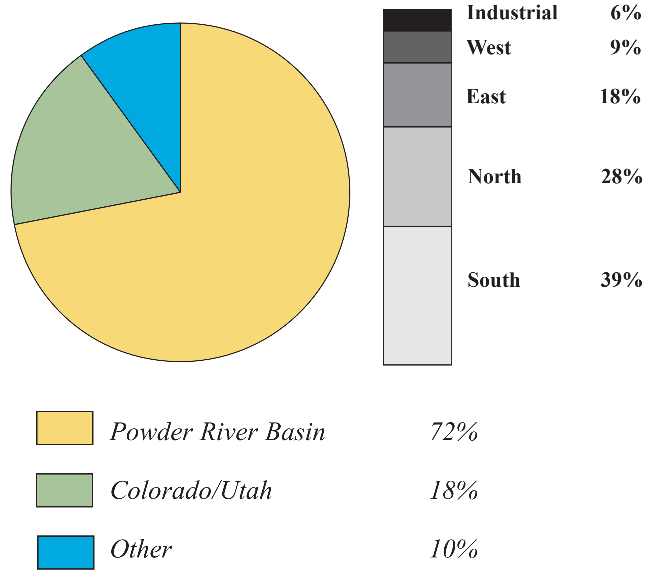
The Railroad also moves high-BTU low-sulfur coal from Colorado and Utah to domestic utilities and industries. UP exports Colorado coal to Mexico via Eagle Pass, Texas.

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.

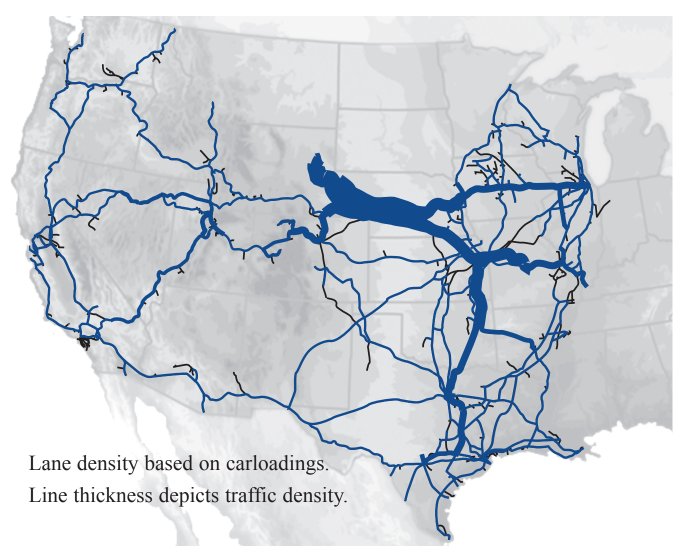
In addition, Hurricane Rita, the Kansas washouts and temporary mine outages in Colorado and Utah restricted loadings during the second half of the year. Colorado/Utah volume was essentially flat in 2005 at 45.5 million tons due to production interruptions at two Colorado coal mines.

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

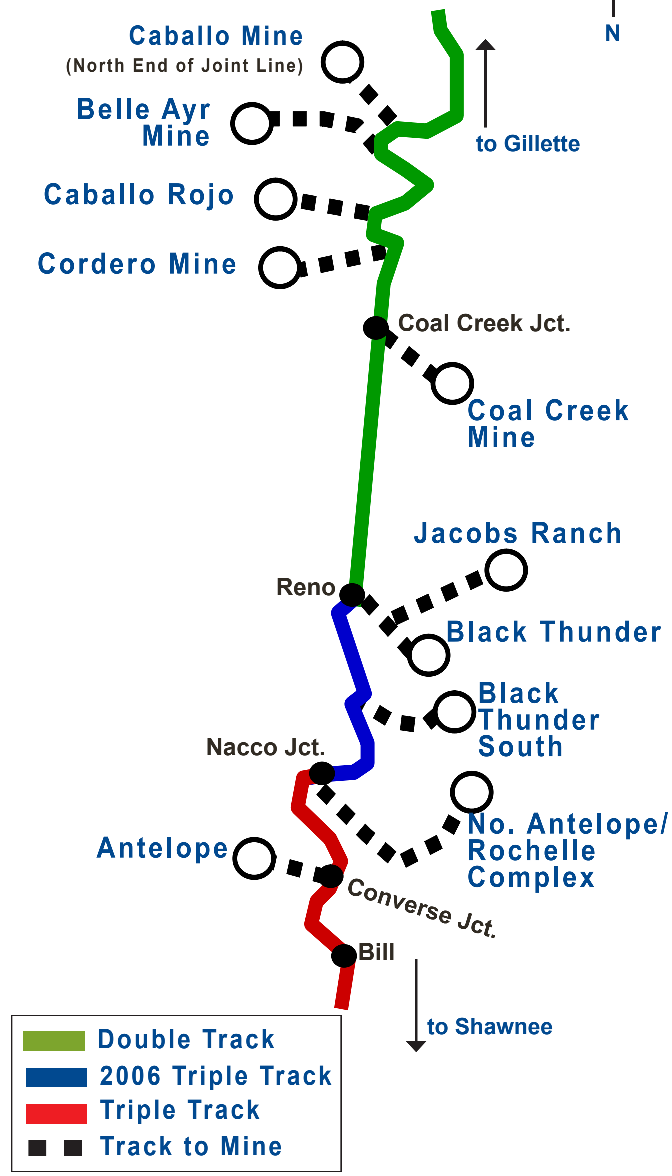
Union Pacific continues to increase SPRB Joint Line capacity by participating in the addition of 14 miles of third mainline track south of Bill, Wyoming between Walker and Shawnee. In addition, projects in UP's North Platte, Nebraska yard, along the Iowa corridor, in southern Illinois and at Marysville, 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.

Southern Powder River Basin
Mines and Trackage



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.

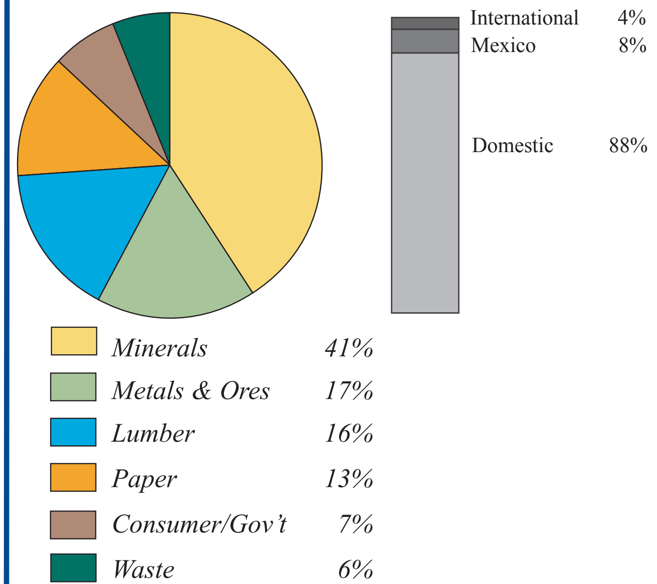
Macro-economic conditions such as industrial production and housing starts, with seasonal peaks, drive demand. In 2005, U.S. industrial production grew a solid 3 percent, while industrial products carloads were flat. Similar to 2004, rail demand exceeded supply for the year. Through the effective use 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.

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.

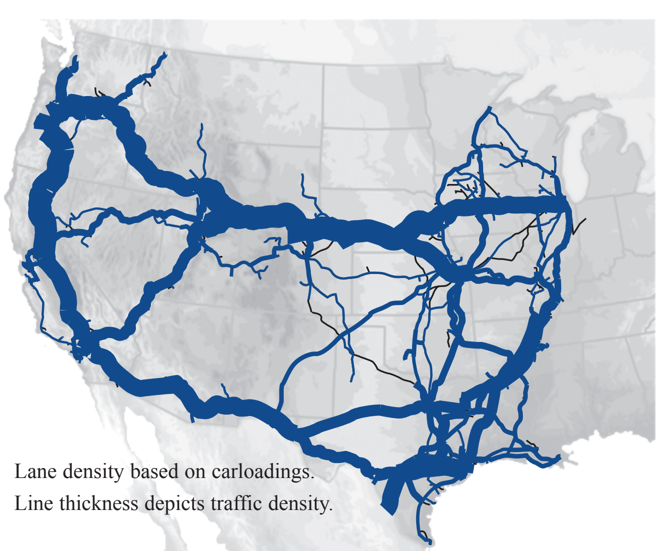
Steel and scrap steel carloadings decreased 4 percent in 2005 versus 2004. High inventory levels at service centers and other end-user locations dampened this market in the first half of 2005. Price increases, fuel surcharges and improved business mix increased revenue 13 percent over 2004 levels, on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

2005 CARLOADS



Industrial Products Density Map



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

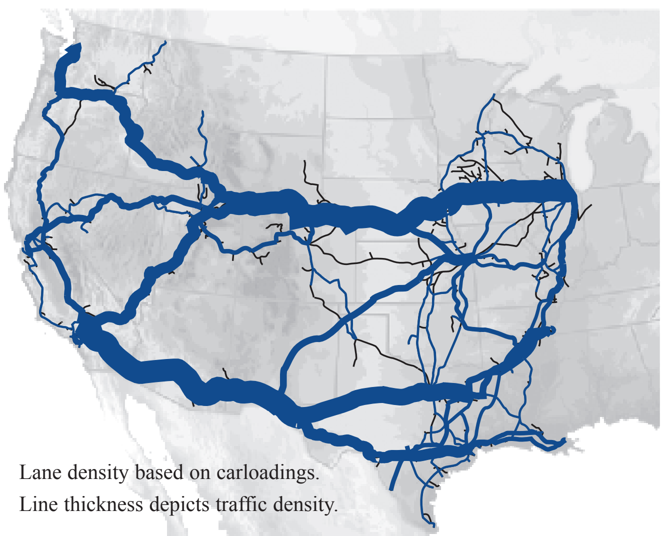
Commodity Profile

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.

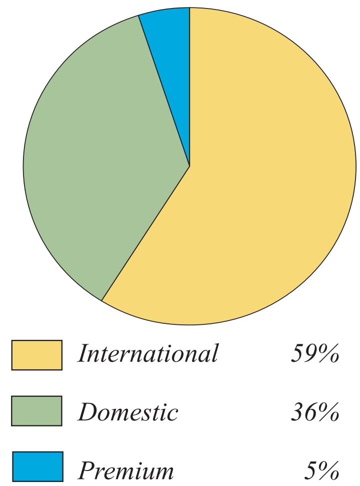
Union Pacific's key intermodal lanes run between Southern California and Texas, Memphis, Chicago, New Orleans, Kansas City and the PNW. The Railroad also serves these corridors from origin/destination points in Northern California and the PNW. The Railroad accesses all major Mexico gateways and serves 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



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

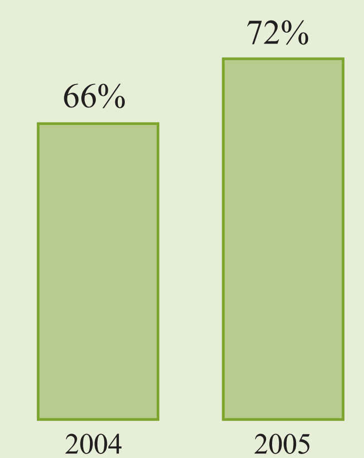
Union Pacific expects intermodal volume increases and pricing opportunities to continue in 2006, driven in part by general economic growth. Continued expansion of trade with Asia should result in another strong year of international volume growth on the Railroad. In addition, the Railroad's Blue Streak 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.

Los Angeles & Long Beach Balance Improvements



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

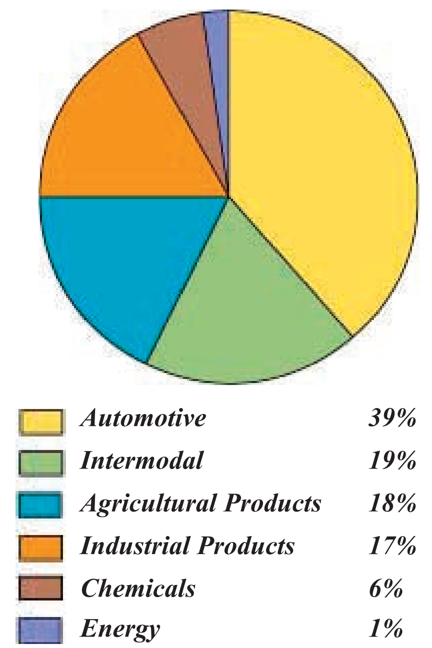
Commodity Profile

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.

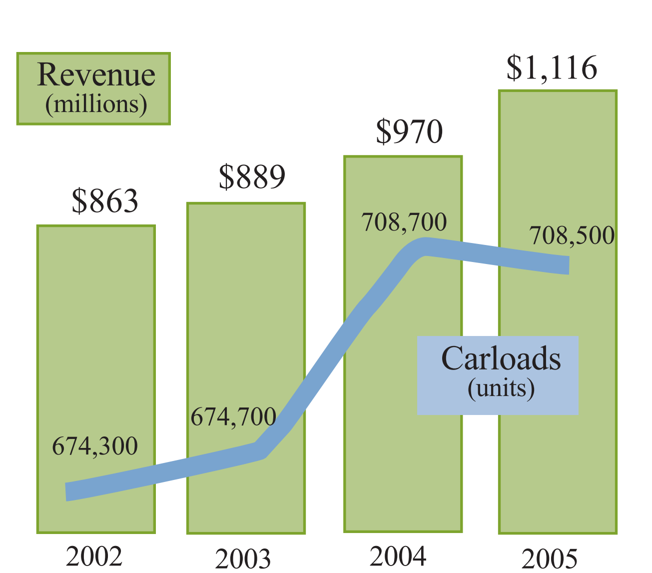
Union Pacific works closely with the Mexican railroads to capture opportunities created by the North American Free Trade Agreement (NAFTA). The Mexican railroads continue making substantial investments in track structure, equipment and facilities to improve service, equipment utilization, safety and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

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

2005 CARLOADS



Revenue Growth and Carloads



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

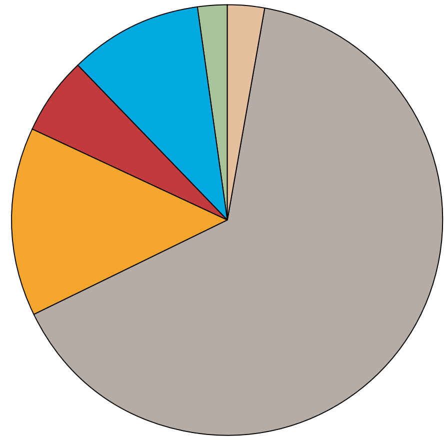
During 2006, the Railroad will focus on continued bottom line improvement. Strong demand across all Mexican market segments and rail service improvements should allow the Company to enhance the profitability and reinvestability of its Mexico business. Revenue growth should come primarily from the Automotive 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)



Laredo	*65%*
Eagle Pass	*14%*
Nogales	*10%*
El Paso	*6%*
Brownsville	*3%*
Calexico	*2%*

MEXICO RAIL SYSTEMS