Union Pacific Corporation

2006 ANALYST FACT BOOK

BUILDING AMERICA®

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Company Vision Statement

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.

Company Overview

Union Pacific Corporation (NYSE:UNP) owns one of America's leading transportation companies. Its principal operating company, Union Pacific Railroad, links 23 states in the western two-thirds of the country and serves the fastest-growing U.S. population centers.

Investor Inquiries

Union Pacific's analyst relations are coordinated through the Corporate Treasurer. Requests for interviews, investor packages and general information should be directed to:
(402)544-4227 or (877)547-7261 or 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 Investors section, you can view on-line or download a variety of informative documents, including SEC filings, annual reports, proxy statements, quarterly earnings, press releases, company presentations and corporate governance information. For automatic updates, please subscribe to the Company's RSS (Really Simple Syndication) feed which provides links to new headlines and summaries through your news reader.

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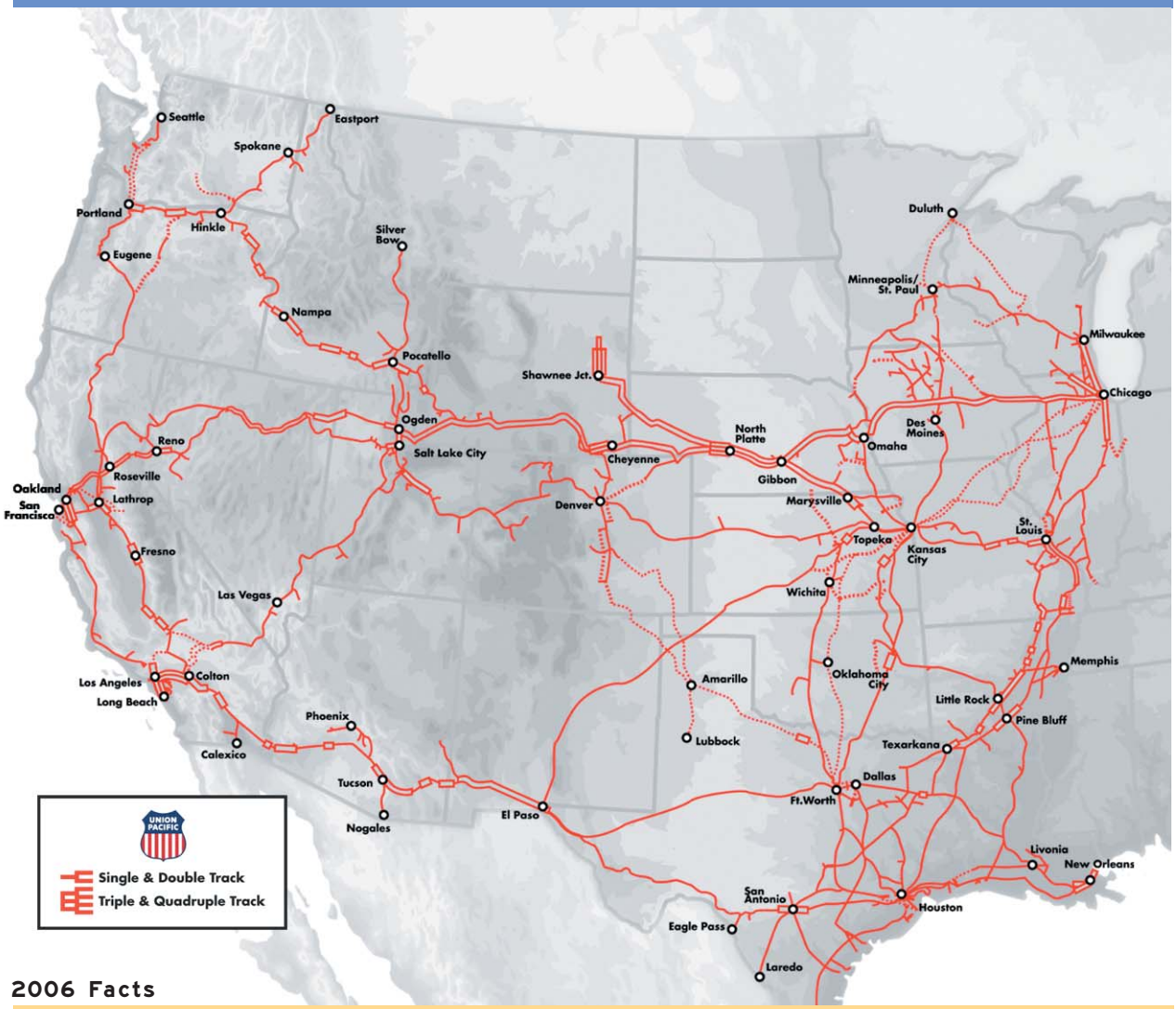
System Map and Facts



2006 Facts

Track Miles (As of 12/31/06)

Main Line	27,318
Branch Line	5,021
Yards, sidings and other main lines	19,257
Total Track Miles	51,596
Track Miles of Rail Installed and Replaced	
New	632
Used	361
Total	993
Track Miles of Continuous Welded Rail	27,567
Track Miles Under Centralized Traffic-Control	19,191
Track Miles Ballasted	8,239
Ties Installed and Replaced (thousands)	4,670

Equipment Owned Or Leased At Year End

Locomotives	8,475
Covered hoppers	38,785
Boxcars	24,342
Open-Top hoppers	19,012
Gondolas	14,884
Other	7,702
Total	104,725
Average Age of Equipment (Years)	
All Locomotives	15.54
Road Locomotives - Core Fleet	11.53
Freight Cars	18.4

Company Overview

Headquartered in Omaha, Nebraska, Union Pacific Corporation owns one of America's leading transportation companies, the Union Pacific Railroad Company (Company, UP or Railroad). The Railroad links 23 states in the western two-thirds of the country and serves the fastest-growing U.S. population centers. 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 largest and 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 operates 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.

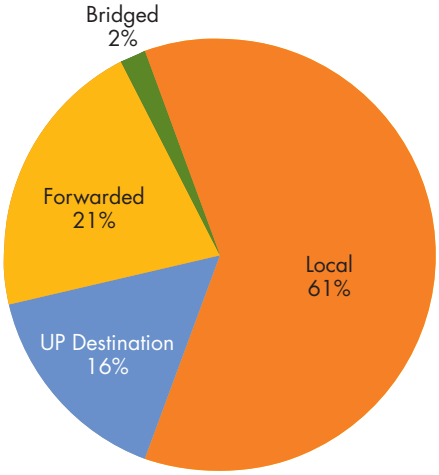
Union Pacific's freight traffic consists of bulk, manifest and premium business. Bulk traffic is primarily the shipment of coal, grain, rock and soda ash in unit trains. A key franchise strength is access to the Southern Powder River Basin (SPRB) coal fields of northeastern Wyoming. Growth of SPRB coal tonnage hauled by UP is expected to continue, reflecting the growing energy needs of the U.S. 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.

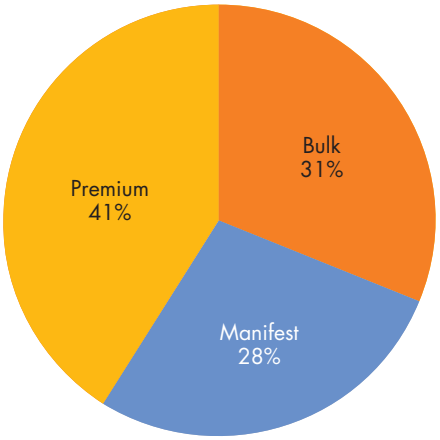
The Railroad's premium business is the transportation of finished vehicles, intermodal containers and truck trailers. UP's extensive automotive network facilitates delivery of approximately 77 percent of the rail shipped finished vehicles sold west of the Mississippi River. The Railroad also serves the 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 enables the Company to provide its customers with a reliable and valuable service product that drives growing financial returns for our shareholders.

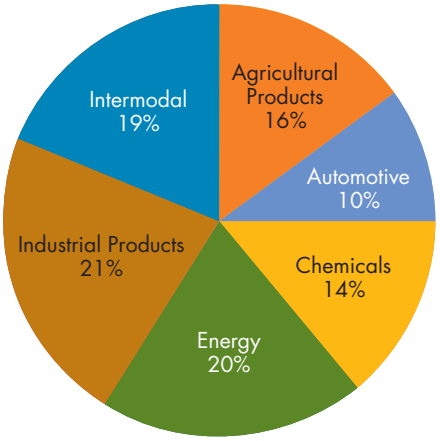
TRAFFIC CLASSIFICATION



FREIGHT TRAFFIC



BUSINESS MIX



The Year in Review

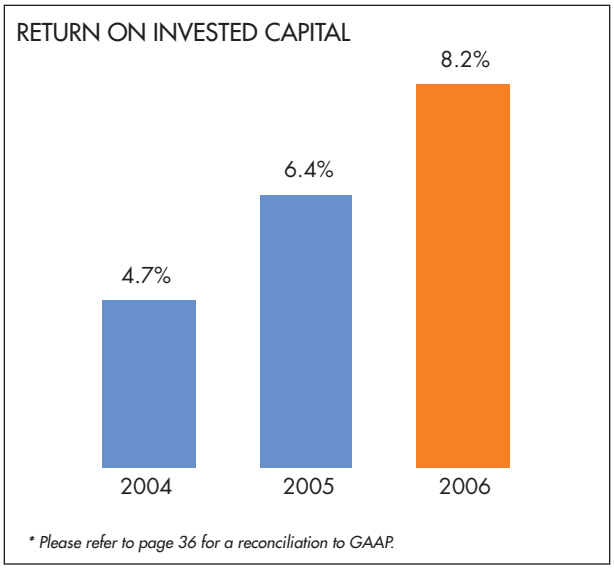
2006 Recap

Union Pacific's strategy to enhance the long-term value of the Company through profitable revenue growth and improved operating efficiency resulted in a "best ever" performance in nearly every key financial measure during 2006. For the year, Union Pacific reported revenue of $15.6 billion, a $2 billion increase from record 2005 levels. All six business groups achieved record annual revenue levels in 2006. Core price improvement, fuel surcharges, and a 3 percent volume increase drove revenue gains. Improved operating efficiency and greater service reliability also contributed to the Company's operating income growth, which increased more than 60 percent to $2.9 billion. The Company's operating ratio improved 5.3 points versus 2005, to 81.5 percent.

Operating performance improved in 2006 while moving record volume. Network fluidity measurements for 2006 show increased efficiency as average freight car dwell improved 5 percent and system velocity improved 0.3 mph. Strategic initiatives aimed at network simplification aided operational improvement.

Customer satisfaction ratings in 2006 reflected UP's improved operations. Customers rated the Company 8 points higher on customer satisfaction surveys than the previous year. Customers also benefited from the Customer Inventory Management System (CIMS), which was nearly 80 percent implemented throughout the system by the end of the year. This technology solution increases terminal processing without adding physical capacity, by aiding in the reliability of shipments through reduced congestion and increased predictability.

Energy prices rose through most of the year, before falling during the fourth quarter. Union Pacific's average annual fuel price increased 16 percent to $2.06 per gallon. At the end of 2006, about 90 percent of UP's customers were covered by some type of fuel surcharge program. Fuel conservation efforts also enabled UP to handle 3 percent volume growth while consuming only 1 percent more fuel.



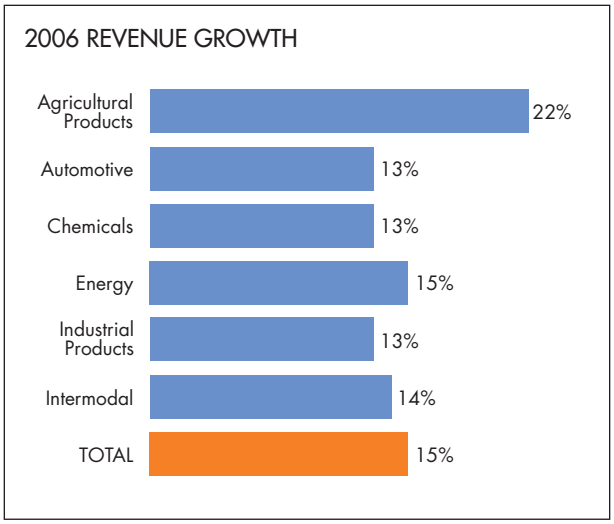
Financial Summary

Union Pacific Corporation	2006	2005	2004
Operating Revenues (millions)	$15,578	$13,578	$12,215
Operating Income (millions)	$2,884	$1,795	$1,295 *(a)*
Operating Ratio	81.5%	86.8%	87.4% *(a)*
Operating Margin	18.5%	13.2%	10.6% *(a)*
Revenue Carloads (thousands)	9,852	9,544	9,458
Average Employees	50,739	49,747	48,329
Average Diesel Fuel Price (per gallon)	2.06	1.77	1.22
Capital Expenditures (millions)	$2,242	$2,169	$1,876
Long-Term & Flexible Operating Leases (millions) (b)	$443	$691	$526

(a) Includes a $247 million pre-tax ($154 million after-tax) charge for unasserted asbestos-related claims.
(b) Represents the net present value of long-term operating leases for new equipment.

The Year in Review

During 2006, Union Pacific spent $2.24 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 200 locomotives and approximately 2,100 freight cars under long-term operating leases with a net present value of around $427 million. Additionally, UP contributed $150 million to the employee retirement plan during 2006. Free cash flow, after dividends, increased $282 million to $516 million[1]. Lease adjusted debt to capital improved 3.4 points, to 40.2 percent[1]. Return on invested capital increased 2.5 points, to 8.2 percent[1].



2007 Outlook

The Company expects another year of improving operating efficiency gains will translate into strong financial performance and enhanced shareholder value. Despite mixed economic signals to start 2007, the Company remains confident in the demand for rail services. Union Pacific expects volume growth in coal, international intermodal, and ethanol shipments to continue throughout the year. Slower housing and auto markets could partially offset growth in those areas.
The Railroad will continue to manage network volumes and strive to increase returns across all six business groups. UP is targeting year-over-year commodity revenue growth of 4 to 6 percent, with flat volume or growth of up to 2 percent.

The Company took additional steps in January to further enhance shareholder value by increasing the dividend and implementing a share repurchase program. Quarterly dividends were increased 17 percent to $0.35 per share. The Company also authorized the purchase of up to 20 million shares, about 7 percent of the total outstanding, by year-end 2009.

On April 19, 2007, Union Pacific reported diluted earnings per share of $1.41 with revenue growth of 4 percent during the first quarter of 2007. For the full year, the Company is targeting diluted earnings per share growth of 10 to 15 percent from 2006. Union Pacific anticipates improving its operating ratio for the full year to below 80 percent.

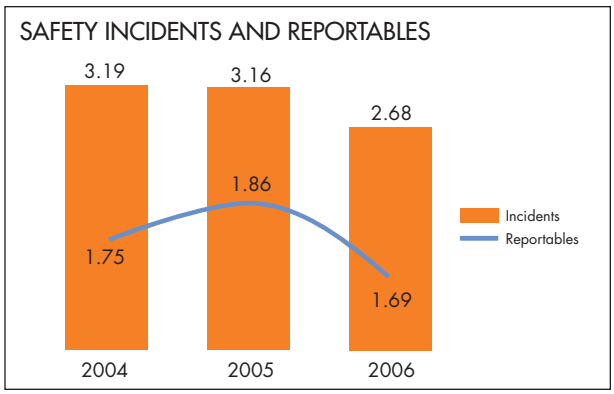
The Railroad will continue to simplify operations and improve network efficiency. In addition, capacity expansion programs are needed to support long-term volume growth expectations as well as enhance overall network fluidity and throughput. Total capital (cash and leasing) spending in 2007 should total around $3.2 billion, focused primarily on track maintenance and capacity expansion in targeted growth areas, specifically coal and intermodal. The Company is confident of the financial returns in this investment, and continues to target improvement in return on invested capital.

[1]*Please see the non-GAAP reconciliation section of this book beginning on page 35.*

Safety and the Environment

Safety

Safety is a core value at Union Pacific. All employees are responsible for maintaining safe working conditions and preventing personal injuries and accidents. UP's commitment to safety extends beyond its own employees and includes both customers and the communities in which UP operates. In 2006, the safety of our employees improved as the number of incidents was reduced 13 percent. Rail equipment incidents decreased 17 percent and the associated costs fell 13 percent.



Crossing accidents have increased nationwide in recent years with the growth in rail and highway traffic. Union Pacific is working to reverse that trend through improved crossings, technology and education. In 2006, UP closed 409 crossings to reduce exposure to possible grade crossing accidents. Technology such as locomotive simulators and track image recorders (TIRs) are being utilized to improve crossing safety. Simulators help teach and reinforce safe operating practices for employees and TIRs assist in the analysis of crossing accidents. At year end 2006, Union Pacific had TIRs in roughly 30 percent of its road locomotive fleet. In addition, driver behavior is addressed through public education classes and initiatives with local police agencies to promote greater crossing safety.

Union Pacific is partnering with Dow Chemical, Union Tank Car and the Federal Railroad Administration on the "Next Generation Tank Car Project" to further improve the safety of chemical transportation through better tank car design. The Company is also testing Communications-Based Train Control, a technology that enhances train safety through the use of global positioning satellites and onboard computer technology. In 2007, UP will continue its multifaceted approach to safety through employee education and training, public awareness and derailment prevention.

Environment

Union Pacific is committed to protecting the nation's environment. As one of America's largest transportation companies, UP's role is critical to the U.S. economy. It is also critical that this service is provided in a manner that protects the country's natural resources.

One area where railroads offer a significant advantage over other forms of freight transportation is fuel efficiency. For example, railroads are generally three times more fuel efficient than trucks. Union Pacific is continually improving its fuel efficiency through better locomotive technology, engineer training and employee involvement. One of the most successful initiatives has been the innovative Fuel Masters program, which rewards locomotive engineers for efficiently operating trains. Increased asset utilization and network efficiency also has enabled the Company to improve its fuel consumption. For example, improved efficiency versus 2005 allowed UP to save more than 50 million gallons of diesel fuel in 2006. Since 1995, the Company has achieved a more than 12 percent improvement in fuel efficiency.

Union Pacific is aggressively working to become even "cleaner and greener" through the reduction of locomotive emissions. There are three sets, or tiers, of emission standards provided by the U.S. Environmental Protection Agency (EPA), which are progressively more stringent. Over time, these standards require continuing reductions in locomotive exhaust emissions of nitrogen oxides and particulate matter. With approximately 50 percent of its nearly 8,500 locomotives certified under the applicable EPA tier standards, UP owns the most environmentally friendly fleet in the nation. Further improvements are on the horizon as the Company works with manufacturers to field-test new, high-horsepower locomotives that surpass the EPA's most stringent standards and older locomotives are retrofitted with new emission-reduction equipment.

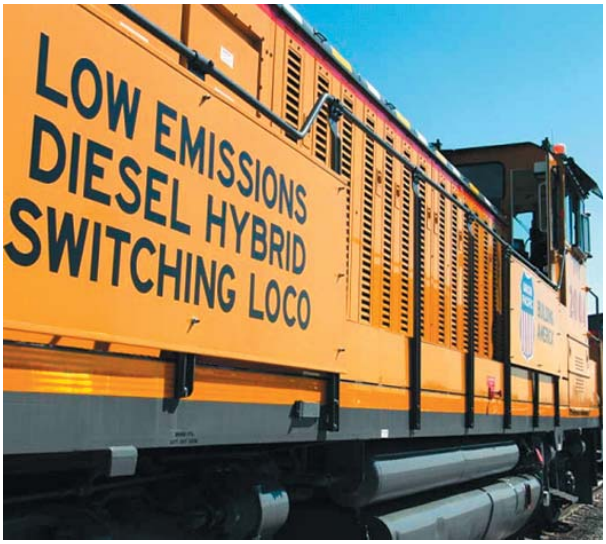
UNION PACIFIC
ENVIRONMENTAL
MANAGEMENT

To help reduce emissions in train yards, UP tested the world's first "Green Goat" hybrid switching locomotives. These locomotives combine diesel engines with battery-powered electric motors, and are estimated to reduce emissions 80 percent and improve fuel consumption 16 percent versus conventional switching locomotives. The Company has more than 20 of these units in service today, in major urban areas such as Houston and Los Angeles. Along with the "Green Goat" hybrids, UP is also pioneering another low emissions switch locomotive, the "Genset Switcher". These units utilize "off-road" truck-style diesel engines that are expected to reduce emissions and fuel consumption at similar levels to the "Green Goat" units. Both of these new switching locomotives are significantly "cleaner and greener" than required by current EPA requirements. The California Air Resources Board has designated both types as "ultra-low-emitting locomotives."

Union Pacific has a comprehensive waste reduction and recycling program that touches nearly every part of the company. Concerted efforts are made to address high-volume items such as wooden track ties and used oil. When possible, wooden track ties are refurbished for use elsewhere on the UP system or sold to landscaping or recycling companies. The Company is installing more-durable concrete ties, which require lower maintenance and generate less waste than wooden ties.

UP's standard operating equipment for fueling and locomotive maintenance activities is designed to prevent overflows and spills. On-board retention tanks capture residual oil from locomotives for proper disposal. Recycling used oil is a high priority at Union Pacific, and 100 percent of oil captured is recycled.

UP is also actively working to recycle one of the fastest growing sources of waste, "e-waste". This is generally characterized as old, out-dated computers and other electronic devices. UP evaluates any electronic equipment no longer needed to determine if it can be recycled, reused or rebuilt. Since 2003, the Company has recycled more than 293,000 pounds of electronic equipment and nearly 6 million pounds of batteries.



"Green Goat" hybrid yard locomotive

Did you know...?

- In 2006, on average, Union Pacific hauled one ton of freight over 780 miles on a single gallon of diesel fuel
- One double stack intermodal train equals up to 280 trucks traveling on the highway
- In terms of noxious emissions, trains are 3 times cleaner than trucks on a per ton-mile basis
- If 25 percent of truck freight was diverted to rail transportation, nearly 800,000 fewer tons of air pollution would be created by 2025.

Network Management

Operating strategies aimed at network simplification, technology, and capital investments resulted in better service reliability and efficiency throughout 2006. Ongoing Unified Plan initiatives reduced the overall workload on the network and improved transportation planning. Continuous improvement initiatives simplified terminal operations, increased throughput and reduced traffic bottlenecks at key locations throughout the network. The Customer Inventory Management System (CIMS) rollout accelerated across the system in 2006. This technology solution proactively manages terminal inventories, matching rail and customer capacity by monitoring customer inventory and storage capabilities along with freight cars enroute and freight cars awaiting delivery. System implementation should be complete in 2007.

The Company's Network Planning function utilizes the business planning process to strengthen the vital link between the Market and Sales and Operating departments. Marketing and Sales provides detailed shipment forecasts to Network Planning personnel who model the forecast against network capacity. Where constraints are identified, Operating management works with Marketing and Sales to prioritize new business opportunities by profitability, evaluate process improvement initiatives (to increase capacity) and review alternative transportation routes. In an environment of growing rail demand and limited capacity, this increased organizational linkage is crucial to optimize network coordination and efficiency.

Unified Plan

The Unified Plan effort takes a "clean sheet" approach to Union Pacific's transportation plan, simplifying network complexity while increasing system velocity and asset utilization. Key plan elements include the elimination of mainline work events and the reduction of intermediate switching events. In 2006, the Company's work event rate improved 11 percent versus 2005, and the switch rate fell by nearly 5 percent. UP purchased network modeling software to improve the planning process by forecasting network impacts of various traffic scenarios. This increased forecasting capability, combined with greater "network" awareness at the local operating manager level, is driving better operational efficiency and balance.

UNIFIED PLAN BUSINESS PROCESS

Unified Plan initiatives will continue to be implemented in 2007 and beyond. The process is considered "evergreen", as the growing demand for rail service offers new challenges from those faced at plan inception. Our on-going focus will be better planning tools, balanced traffic flows, further work and switch event reductions and overall system congestion relief.

Continuous Improvement Efforts

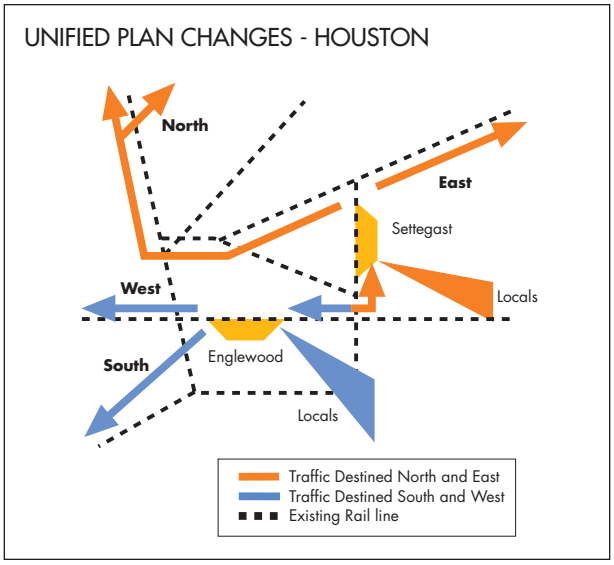
Union Pacific uses a variety of management processes to further enhance network productivity and efficiency, particularly at the terminal level. The Company has a core team of personnel who combine industrial engineering training and familiarity with railroad knowledge and experience. This group applies techniques like Lean management to improve operations at key points throughout the network. The Lean concept focuses on opportunities to improve efficiency by reducing movements, inventories, defects and rework. The goal of these projects is to increase capacity without capital investment, by streamlining operational processes and reducing complexity.

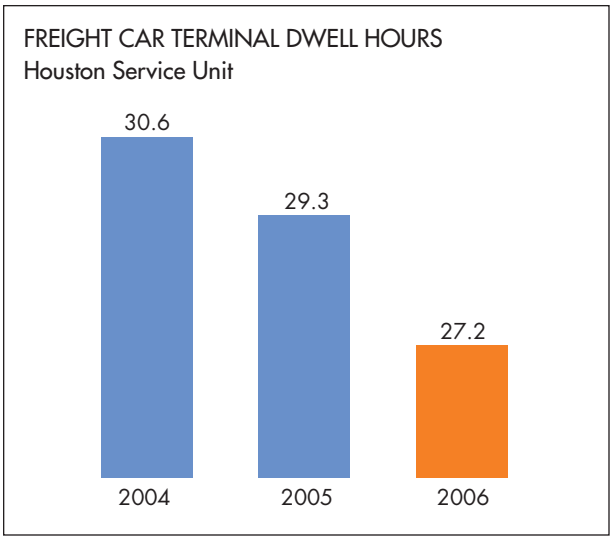
Improved flow processing in our locomotive repair facilities resulted in reduced cycle times, freeing additional locomotives to serve customers and haul freight. Terminal operations, which have been a primary focus in the past year, are also more efficient. Congestion related delays have been reduced by up to 90 percent following implementation at key system areas such as Roseville and Chicago. The team's work is now expanding to other critical service units and routes that have maximum leverage on the network.

Project Houston

The Houston service unit is a key part of the Union Pacific network. Large volumes of diverse traffic originate and pass through this area every day, both for shipment to other points on the system and for interchange with rail carriers in the East. The Houston metropolitan area is operationally complex, as a series of railroad terminal locations are separated by the business and housing developments that make up this large population center. Traffic is often required to be interchanged between the various area facilities, depending on destination and capacity limitations of the individual locations. Early in 2006, a multi-faceted effort began to improve train flow and velocity in and around Houston.

A cross-functional team, composed of personnel from continuous improvement, network planning, local operating managers, and the mechanical department, all took part in the project. Unified Plan changes reduced car inventories and internal workload, trimming work events and more effectively flowing traffic. For example, Settegast and Englewood, the two largest classification facilities in the Houston complex previously handled traffic moving in all directions out of Houston. Project Houston changed the transportation plan to have each facility handle traffic based on their geographic location. Settegast, which is located in northeast Houston, now handles traffic destined for the North and East. Englewood, located in southwest Houston, handles traffic to the South and West. This flow process eliminated interchanges between the two yards, removing congestion and switch events.





Additional efforts involving corridor management teams focused on leveraging the existing asset base to improve velocity and traffic flow in the key corridors into and out of Houston. The locomotive group revised the servicing network for the 250 yard and local locomotives to reduce servicing time and improve availability. The local terminal operations personnel took responsibility for daily execution of the transportation plan and service reliability.

Houston-area operations have clearly improved. Service unit velocity increased nearly 10 percent from 2005, indicating better fluidity and throughput. Industry spot/pull percentage, which measures the first and last customer interface, also increased nearly 10 points to 86 percent overall for the service unit. On time train departures improved 19 percent. The initiatives put in place will remain "evergreen", evolving as Houston's business mix grows and changes in the years to come.

Investing in Our Future

Union Pacific's 32,000 plus mile network requires a large capital commitment each and every year in order to maintain safe operations, support the transportation needs of our current and future customers and improve operational efficiency. The Company expects to make capital investments totaling $3.2 billion in 2007. Annual track maintenance across the Railroad's system will make up nearly half, at approximately $1.5 billion. The Company plans to replace 4.3 million ties, spread 6.6 million tons of rock ballast, replace 870 miles of rail and surface 8,200 miles. UP also plans to acquire 300 new high-horsepower long-haul locomotives and 800 freight cars. New freight cars and environmentally-friendly locomotives are added to our fleet annually to replace older, less efficient equipment and support growth.

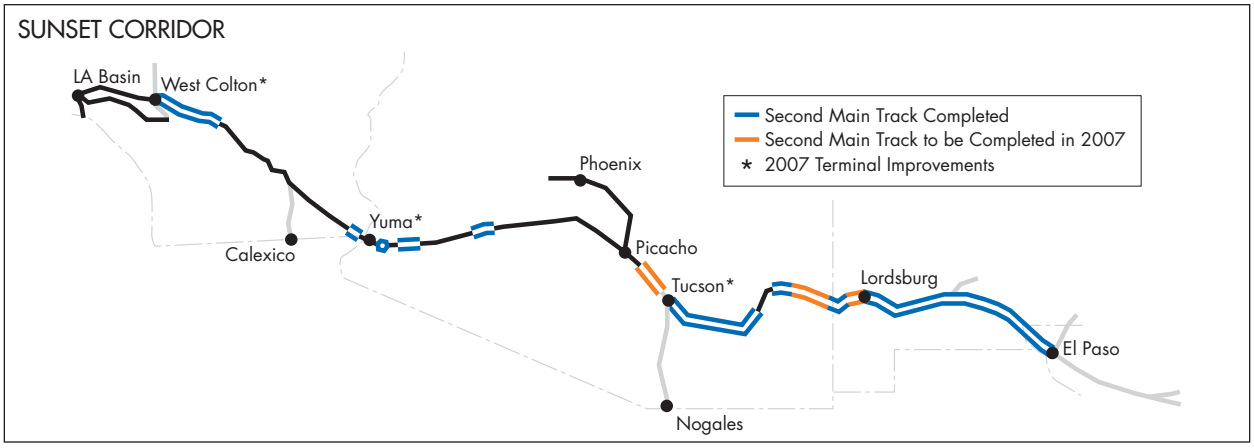
Sunset Corridor Expansion

One of Union Pacific's key routes is the Sunset Corridor, which runs between Los Angeles and El Paso. This heavily traveled corridor carries about 20 percent of all traffic operated by the Railroad. UP added 56 miles of double track to the 760 mile route in 2006, making it approximately 50 percent double tracked.

Current Sunset Corridor capacity is roughly 50 to 52 trains per day. UP's freight demand in that corridor exceeds capacity today and future growth expectations will further increase demand. In particular, international intermodal shipments are expected to annually grow at least 6 percent over the next several years. Although the Company was on a pace to completely double track the route in the next seven or eight years, strong demand has led to the Company's decision to accelerate the project. UP now plans to complete the double track over the next 4 years.

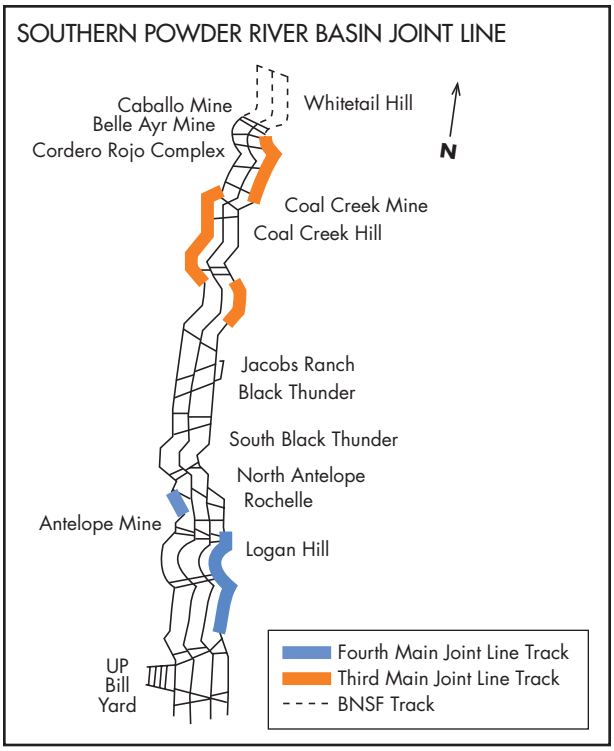
Terminals along the Sunset Corridor are also being expanded and upgraded to support the rising traffic levels anticipated with the route expansion. Construction of a new intermodal facility in San Antonio, TX will begin during 2007 to accommodate the projected traffic growth flowing from the corridor in addition to providing operational flexibility for the Company upon completion in 2008. Additional track construction and facility upgrades are planned at terminals in Los Angeles, Yuma, Tucson, and El Paso over the course of the project.

Once completed, capacity on the Sunset Corridor will nearly double to 90 plus trains per day. The added capacity also helps network efficiency, providing an alternate route during maintenance on other system areas, and improving system service recoverability.

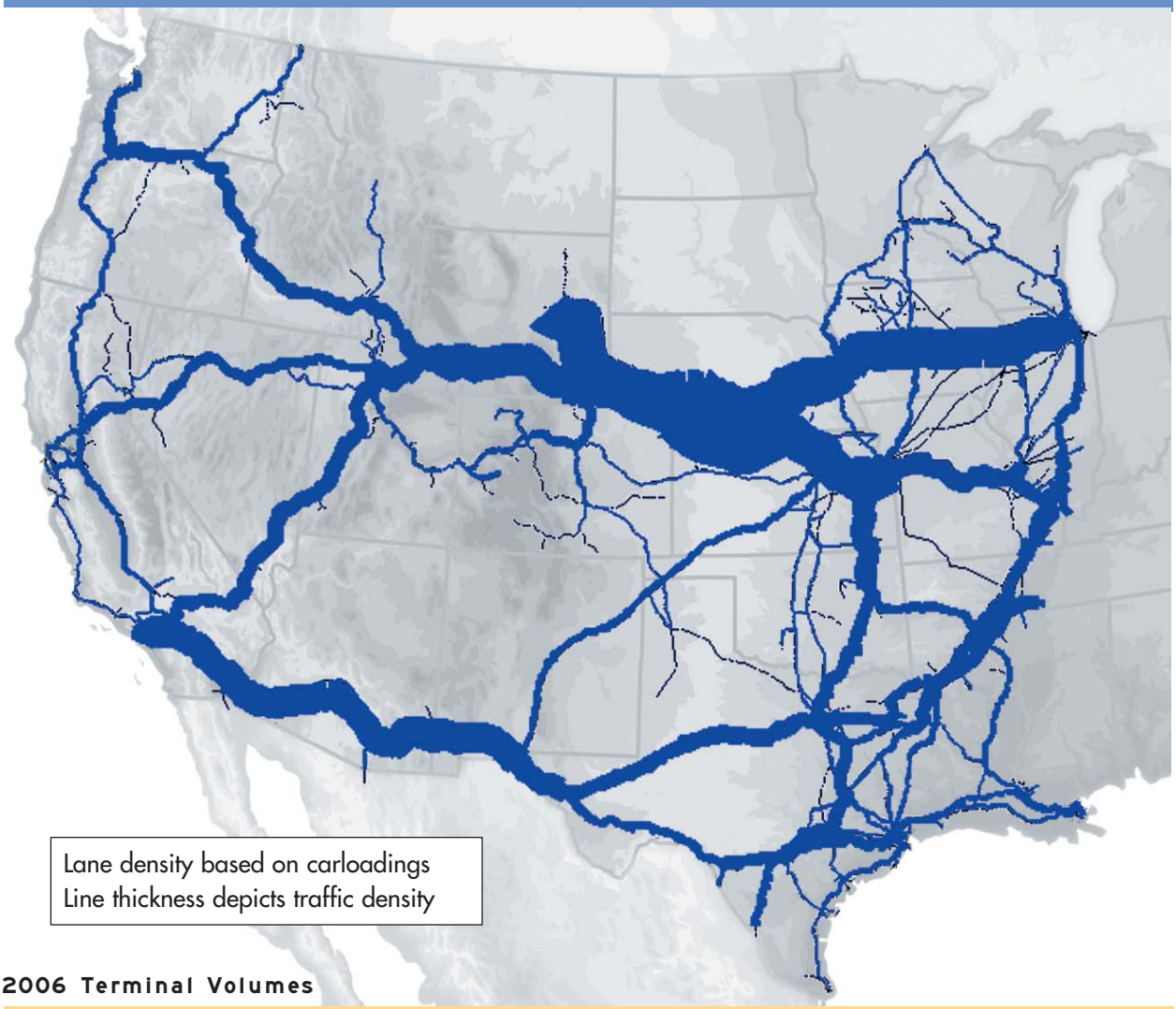


Joint Line Expansion

A key strength of Union Pacific is its access to the Southern Powder River Basin (SPRB) coal fields of northeastern Wyoming. Coal currently powers approximately 50 percent of U.S. electrical generation, and with the electricity needs of the country continuing to build, strong demand growth is expected to continue. SPRB coal is particularly attractive due to its relatively low cost and reduced sulfur content. Capacity expansion is underway on the UP/BNSF Joint Line (the Joint Line) serving the SPRB. Approximately 25 miles of third main track and 31 miles of fourth main track will be added during the expansion. When these projects are complete in 2008, the Joint Line will be 100 percent triple mainline with quadruple mainline in key areas. This expansion should support expected SPRB coal growth as well as improve the ability to perform Joint Line maintenance while reducing train delay and congestion. Signal and capacity upgrades across Nebraska and Iowa are also planned, which will help train dispatching and the flow of coal traffic across the Midwest.



Track and Terminal Density



2006 Terminal Volumes

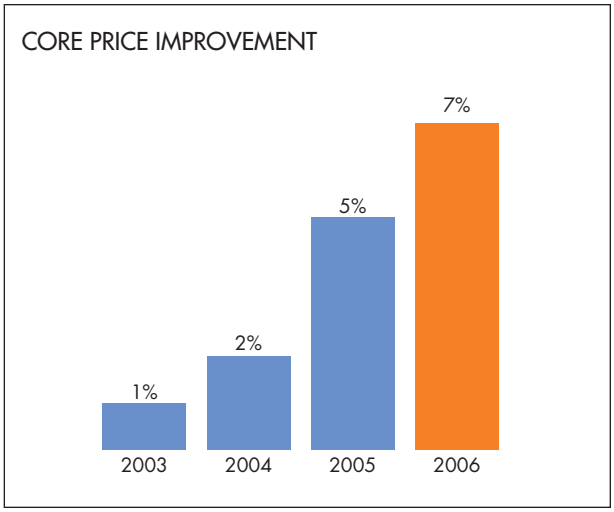
Major Classification Yards	Average Daily Volume/Cars	Major Intermodal Terminals	Annual Lifts
North Platte	2,900	ICTF (Los Angeles)	725,000
Proviso (Chicago)	1,700	Marion (Memphis)	406,000
North Little Rock	1,600	East Los Angeles	329,000
Englewood (Houston)	1,400	Global I (Chicago)	321,000
Roseville	1,400	Global II (Chicago)	297,000
Livonia	1,400	Dallas	284,000
Pine Bluff	1,300	Oakland	268,000
West Colton	1,300	Yard Center (Chicago)	248,000
Fort Worth	1,300	Seattle	238,000
Neff (Kansas City)	1,000	Englewood (Houston)	206,000

Revenue Overview and Outlook

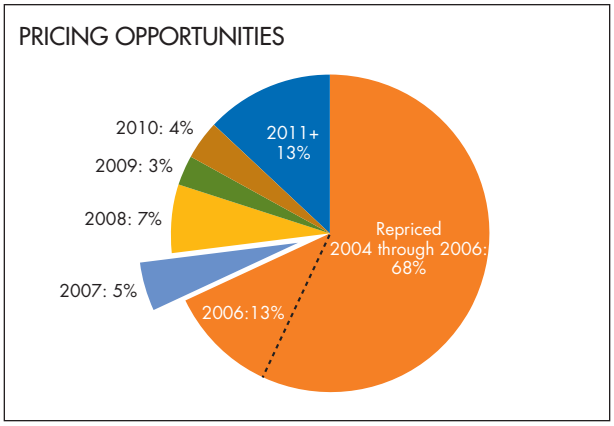
2006 Recap

With strong demand and improving service, Union Pacific again set volume records for every quarter in 2006, continuing a string of 14 consecutive quarters of year-over-year improvement. Volumes peaked in June, as seven-day carloadings averaged over 198,000 for the month and topped 200,000 for the first time ever for a 7-day period, ultimately peaking at 201,467 on June 17. This marked the first time that the seven-day records had ever been set outside of the traditional fall peak season. With the strong June volume, anticipation of a record peak season was high. A slowdown in the construction and automotive markets, however, kept volumes relatively flat in the third quarter before tailing off slightly in the fourth quarter. For the year, overall volume grew 3 percent, led by record years in Intermodal, Energy and Automotive.

Commodity revenue grew to a record $14.9 billion, a 15 percent increase driven by an 11 percent gain in average revenue per car (ARC) combined with the volume growth. With a continued focus on yield improvement, all six business groups experienced solid ARC growth, ranging from 8 to 17 percent, with Industrial Products leading the way. As in 2005, continued improvement in fuel cost recovery through our fuel surcharge mechanisms and increased prices led to the growth. Core prices increased 7 percent in 2006.



Over the last four years, UP repriced approximately 68 percent of commodity revenue. This repriced business better reflects market conditions and our focus on ensuring that prices support continued capacity expansion and necessary investment. The remaining 32 percent represent long-term contracts that expire over the next several years. Expiration of these legacy contracts will provide an opportunity for further price improvement through negotiation and to ensure that price escalators and fuel surcharges reflect market conditions. Five percent of our legacy revenue contracts expire in 2007.



Resource additions over the past few years and ongoing process improvements, such as the Customer Inventory Management System (CIMS), allowed network velocity to improve even as the system handled record volumes. As some markets softened, velocity increased even more. Customers recognized the stronger network with higher customer satisfaction scores throughout the year, led by solid improvement in satisfaction with transit times and service consistency.

Capitalizing on improved service, the Railroad rolled out new products that open up market opportunities. Two examples are produce unit train service and Pipeline Express. The Produce Railexpress, from Washington State to New York, provides shippers with a high speed, cost effective alternative to truck in the agricultural perishables market. Pipeline Express streamlined steel pipeline movements to increase efficiency and enhance our ability to meet marketplace demand. Both of these products also drove further operating improvement by utilizing efficient unit train service.

2007 Outlook

Although leading economic indicators project a less robust economy in 2007, the Railroad expects flat volume or growth of up to 2 percent. The Union Pacific franchise serves the fastest growing regions of the country, positioning the Company to outperform the national outlook for such key indicators as housing starts and light vehicle sales. UP's automotive business also benefits from our coverage of plants producing the fastest-selling models. Energy demand and Trans-Pacific trade remain strong, while continued velocity improvements should allow the Company to capitalize on other growth opportunities. UP's expectation is that the economy will strengthen as it moves into the second half of the year.

With continued focus on yield improvement, the Railroad is targeting revenue growth of 4 to 6 percent for the year. As market conditions allow, business that has previously been repriced will be available for further escalation and legacy contracts that expire in 2007 will be renegotiated.

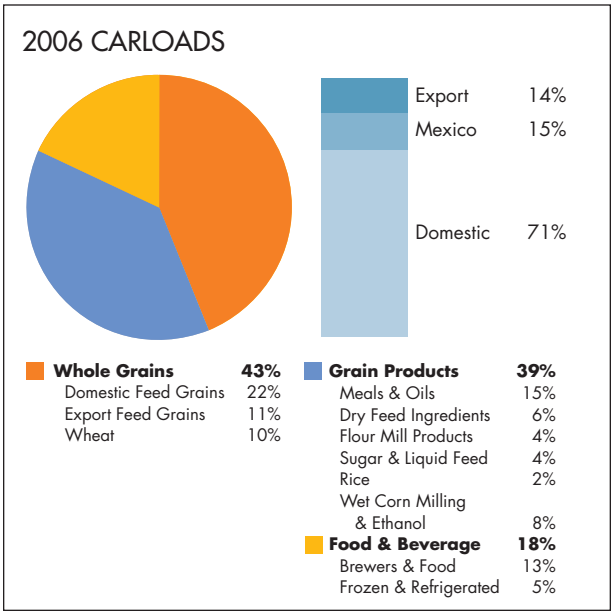
Agricultural Products

Commodity Profile

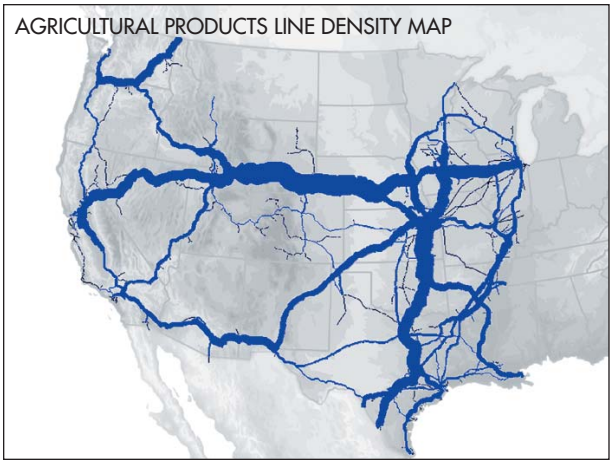
Agricultural products transportation, including whole grains, commodities produced from these grains, and food and beverage products, provided 16 percent of the Railroad's 2006 commodity revenue. With access to most major grain markets, the Railroad provides a critical link between the Midwest and western 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 and Southeast. The Railroad transports frozen meat and poultry to the West Coast ports for export, while beverages, primarily beer, enter the U.S. from Mexico. During the fourth quarter of 2006, Union Pacific launched the first Produce Railexpress train. This highly-efficient unit train service shuttles refrigerated cars from a single shipper in the West to a single receiver in the East.

Through its alliances, UP considers Canada and Mexico important extensions of its domestic markets. In 2006, agricultural carloads to and from Mexico grew 14 percent and revenue increased 33 percent. Growth commodities include Mexican beer moving northbound into the U.S., southbound soybean meal, whole cottonseed, dried distiller grain with solubles (DDGS, an ethanol co-product) and northbound sugar. Feed grain shipments were fairly flat in 2006 driven by competitive pressure and a strong local crop in western Mexico.



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 2006, whole grain volumes grew nearly 2 percent versus the prior year. Both domestic and export feed grain shipments were stronger in 2006 but were offset slightly by declining shipments of wheat, due to soft production in UP served states and lower U.S. exports of wheat.



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

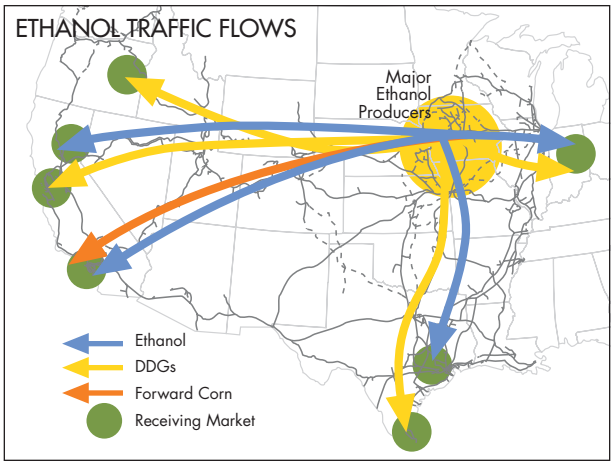
2007 Outlook

The Agricultural Products group will enhance profitability by ensuring that every carload is reinvestable and customers' receive quality service. In addition, all published prices, new contracts and renewed contracts are subject to UP's standard mileage-based fuel surcharge.

In 2007, the Agricultural Products group expects continued growth in ethanol and DDGS. Corn shipments to forward ethanol plants in the western United States should ramp up mid-year as new plants begin production in Arizona and Oregon.

Union Pacific maintains the largest, most modern refrigerated boxcar fleet in the industry. This competitive advantage enables the Company to capitalize on strong rail capabilities, matching major production areas with growing population centers. In the last half of 2007, a second Produce Railexpress train is expected to be added to UP's service offering.

Although the export grain market changes continually, the Company's expectation is for exports of U.S. corn to be strong in the last half of 2007. 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.



Ethanol and DDGs

The ethanol market is expected to continue its strong growth pattern in 2007. Nine new ethanol plants will come on line in UP's service territory during 2007 with an estimated production capacity of 500 million gallons of ethanol and 1 million tons of DDGs. This will give UP access to 58 ethanol plants and over 4 billion gallons of production and 8 million tons of DDGs.

The strategic focus in this market will be the consolidation of single car manifest shipments into more efficient unit trains. To facilitate this conversion, UP is working with its customers to develop destination infrastructure for the unloading of unit trains in various receiving markets. Additionally, origin rail capacity will continue to be reviewed and constraints identified to ensure consistent, reliable delivery to market.

Annual Summary by Quarter - Agricultural Products

2004					2005					2006				
1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Commodity Revenue (millions of dollars)														
411	398	394	472	1,675	448	463	502	558	1,971	563	566	596	670	2,395
Revenue Ton-Miles (millions)														
19,960	18,863	18,219	20,052	77,094	19,374	19,215	19,610	19,820	78,019	20,085	19,756	19,793	21,378	81,012
Revenue Carloads (thousands)														
231	215	209	229	884	216	215	224	228	883	234	226	226	237	923
Average Commodity Revenue Per Car (dollars)														
1,783	1,854	1,883	2,059	1,895	2,076	2,152	2,236	2,455	2,233	2,405	2,510	2,635	2,825	2,595

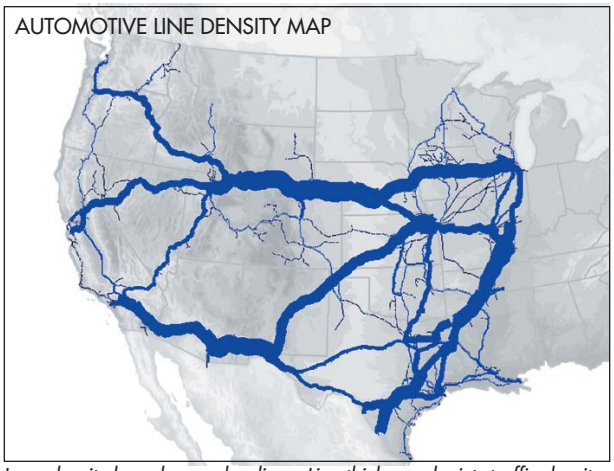
Automotive

Commodity Profile

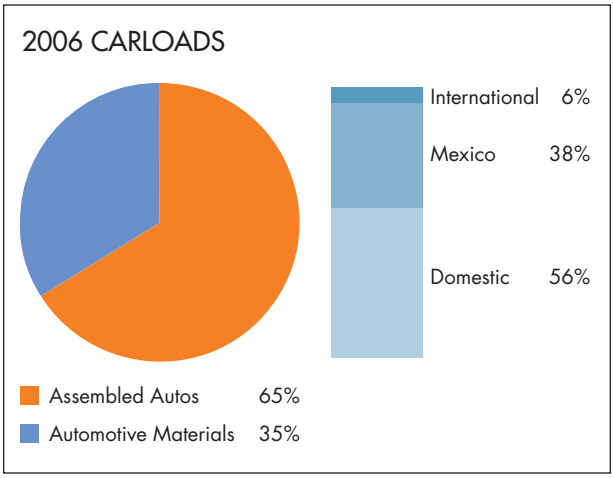
Ten percent of Union Pacific's 2006 commodity revenue consisted of automotive moves for finished vehicles and automotive parts and materials. Carload movements of primarily new vehicles accounted for 80 percent of the commodity revenue. Movements of automotive parts and materials in various rail transportation modes made up the remaining 20 percent.

Finished vehicle shipments move from assembly plants or import processing facilities to distribution facilities where vehicles are off-loaded for truck delivery to dealer showrooms across the UP network. Union Pacific is the largest automotive carrier west of the Mississippi River, directly serving seven vehicle assembly plants, six West Coast ports, the Port of Houston and 38 automotive distribution facilities. UP also receives and delivers finished vehicles to and from connecting railroads in Mexico, Canada and the U.S. Automotive parts and materials are delivered to assembly plants in Mexico, Canada and the U.S. UP provides expedited handling of these shipments in intermodal containers, boxcars and flat cars.

U.S. new light vehicle sales totaled 16.5 million vehicles in 2006, a decrease of 2.6 percent versus 2005 levels and the lowest sales level since 1998. Although lower sales levels were reflected in less U.S. light vehicle production, Union Pacific experienced more than a 4 percent increase in finished vehicle shipments, and a 6 percent increase of automotive parts and materials versus 2005. Automotive revenue grew 13 percent driven by total volume gains of 4.7 percent, yield improvements and fuel price recapture.



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

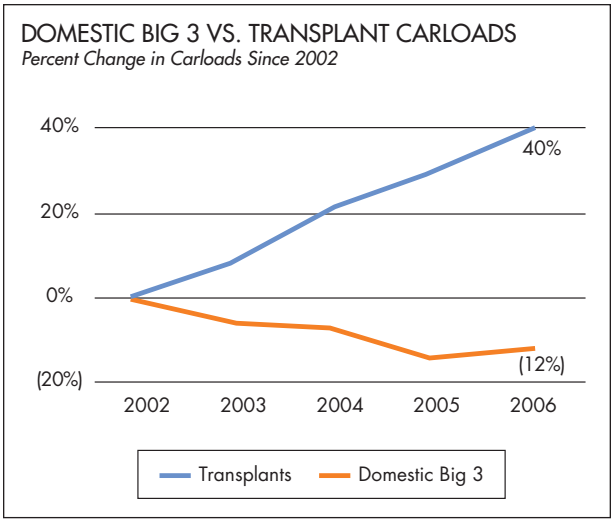


Changing dynamics in the automotive industry are reflected in Union Pacific's 2006 shipments. Volumes to and from Mexico for assembled vehicles, parts and materials increased 15 percent versus 2005 as manufacturers retooled and rationalized production capabilities and capacity. Similarly, international assembled vehicle volumes increased nearly 29 percent. This increase corresponds to significant market share improvements enjoyed by international manufacturers in 2006. Parts and materials revenue gains from increased international and tier supplier shipments, coupled with positive pricing actions, offset domestic share loss.

Automotive manufacturers are heavily utilizing Mexican resources to meet production requirements. As a result, shipments for vehicles, parts and materials moving to or from Mexico make up nearly 29 percent of Union Pacific's total automotive revenue. The nearly 33 percent vehicle volume growth from Mexico came primarily from Ford, General Motors (GM), and Nissan increases. Both GM and Nissan produced new and updated models at retooled plants, and Ford increased production at its Hermosillo plant. Continued sourcing shifts contributed to the nearly 12 percent increase for parts and materials moving northbound from Mexico, predominately via intermodal service.

Union Pacific's Automotive Management System with the Network Alert Map allows the Railroad to proactively identify potential trouble spots by providing a "real time" view of current enroute rail car volumes, vehicle dwell times and inventory. Early identification of potential issues enables the Railroad to take positive corrective actions, avoiding or

minimizing significant issues later. Additionally, UP has implemented a new inventory management system at six distribution facilities to monitor vehicle dwell. This process assists customers and the Railroad by expediting vehicles to the ultimate dealer and releasing facility staging bays for additional traffic. These systems facilitate expedited dealer deliveries, improving both asset utilization and customer satisfaction.



Automotive Industry Transition

Since 2002, the Domestic Big 3 (GM, Ford and DaimlerChrysler) have sold nearly 14 percent fewer U.S. light vehicles, losing 8 percent market share to other manufacturers. Consumer preferences, vehicle delivered price, additional luxury products, sport utility vehicles, crossover vehicles, fuel prices and fuel efficiency have all contributed to this change. Since 2002, Union Pacific has experienced a shift in its traffic mix, including a 12 percent reduction in finished vehicle carloads for the Domestic Big 3. At the same time transplant companies, including international imports and "new domestic", have grown U.S. sales by 20 percent. Union Pacific's business with these manufacturers has grown 40 percent since 2002. UP's vast network of automotive distribution facilities in the Western U.S. and equipment supply have been key in meeting changing customer requirements.

2007 Outlook

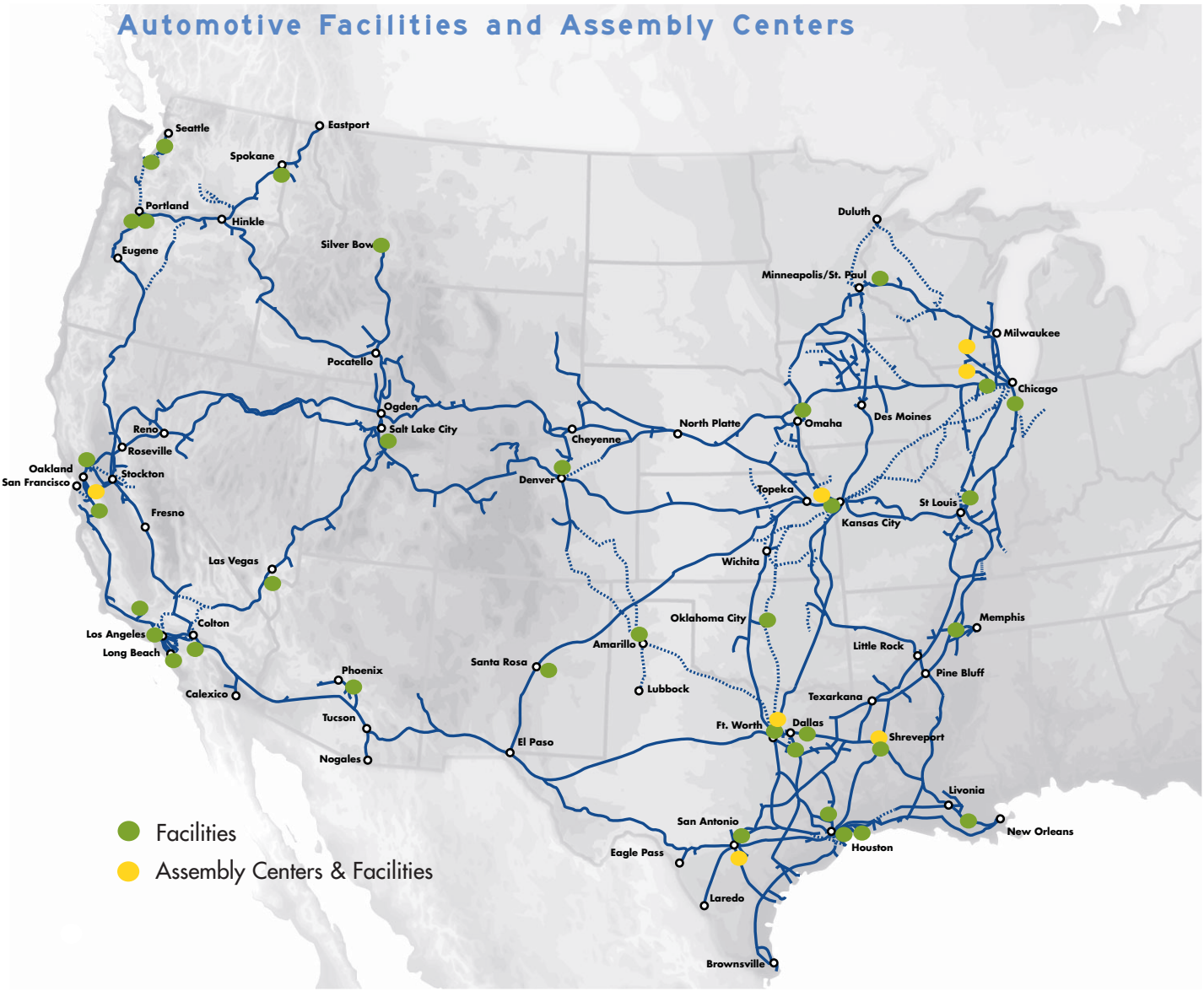
U.S. light vehicle sales for 2007 are expected to be slightly lower than 2006 levels. The Railroad continues to be well-positioned with a diverse customer base, including the still dominant Domestic Big 3, and quickly growing import and transplant manufacturers. Additionally, imports from India and China will be monitored and evaluated as their export plans to the U.S. develop. Growth by these international manufacturers could impact overall automotive rationalization efforts.

The Railroad expects similar volume and market share to 2006 levels. The new Toyota plant at San Antonio, TX is in its first full year of production, and plants recently retooled, both UP-served and in Mexico, should drive volume. Import business via mini-landbridge shipments also presents incremental opportunities as ship lines look to avoid transportation delays through the Panama Canal.

Infrastructure improvements will be made at locations experiencing profitable traffic growth. An additional twenty-seven locations are expected to have the new vehicle dwell inventory management system implemented during 2007.

Automotive parts and materials growth will focus on opportunities to pursue truck-to-rail conversions. UP will capitalize on its strong interline carrier alliances to secure these opportunities. Past efforts to expand sales and channel relationships with the tier suppliers and logistic providers have positioned UP to pursue parts growth initiatives. Opportunities to utilize direct boxcar service combined with cross dock truck-to-rail and rail-to-truck are being pursued.

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.



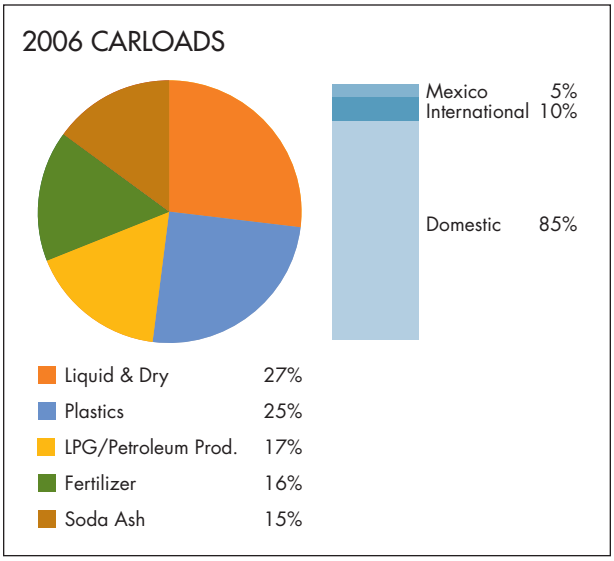
Annual Summary by Quarter - Automotive

	2004					2005					2006				
	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Commodity Revenue (millions of dollars)	297	326	288	324	1,235	293	329	299	352	1,273	361	390	328	359	1,438
Revenue Ton-Miles (millions)	4,402	4,736	4,247	4,602	17,987	4,182	4,596	4,150	4,679	17,607	4,661	4,994	4,143	4,521	18,319
Revenue Carloads (thousands)	203	217	195	211	826	192	210	186	209	797	210	225	191	208	834
Average Commodity Revenue Per Car (dollars)	1,461	1,503	1,474	1,543	1,496	1,524	1,565	1,611	1,689	1,598	1,722	1,735	1,715	1,722	1,724

Chemicals

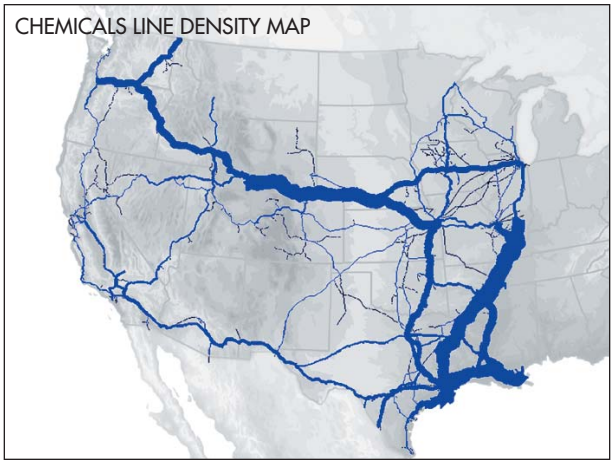
Commodity Profile

Transporting chemicals provided 14 percent of Union Pacific's 2006 commodity revenue. The Railroad's franchise enables it to serve the large chemical megaplex along the Gulf Coast as roughly two-thirds of the Company's chemical business originates, terminates or travels through this area. UP's chemical franchise also accesses 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 in the Gulf Coast region, as well as the West and Canada, bound for major agricultural users in the Midwest, western U.S. and for export. These shipments account for 16 percent of the Railroad's chemical business. Soda ash shipments, contributing 15 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. Pipelines, 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. In 2006, UP's Petrochemicals volume remained constant.



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

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's SIT capacity exceeds that of any other railroad.

UP's fertilizer demand is largely driven by U.S. agricultural expectations and world demand. Softer global markets as well as wet weather conditions in the Company's served markets during the normally busy fall application season resulted in a 12 percent decrease in fertilizer carloads in 2006 versus 2005.

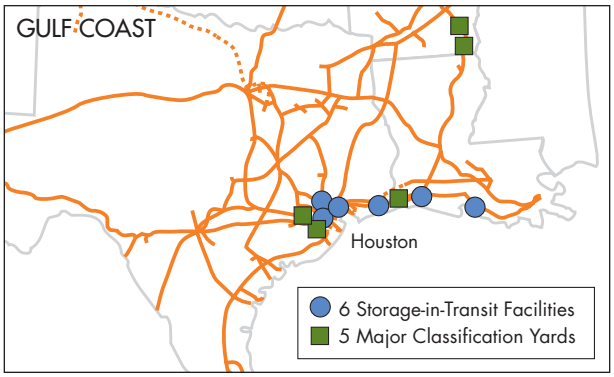
UP directly serves Green River, Wyoming, the world's largest soda ash reserve and producing region. Soda ash carloads increased 1 percent year-over-year as export markets grew slightly and domestic soda ash demand remained relatively stable.

2007 Outlook

Demand for North American chemical production is expected to match 2006 levels. Overall demand for plastics is expected to grow modestly in 2007. UP expects some stronger growth related to the projected fourth quarter 2007 start-up of two new plastic production facilities served by the Company. Similarly, liquid and dry commodities are expected to increase at modest levels with 1 percent overall volume growth expected. Basic and intermediate chemicals should grow more slowly with specialty chemicals growing at a slightly higher rate. Stable North American gas prices remain a fundamental factor in the growth of chemical production.

Fertilizer demand should be strong in 2007, driven by higher crop prices and increased corn production required to support the growing ethanol market. Soda ash shipments are expected to increase over 2006 levels as demand remains strong for both domestic and export production.

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.



Union Pacific Franchise Strength

The Company's Gulf Coast franchise includes five large classification yards, 10 major terminals, and six SIT facilities.

In 2006, UP implemented several key process initiatives to improve service in this critical region. As a result, significant progress has been made toward realizing service objectives in the Gulf Coast region. System velocity, terminal dwell and industry spot and pull metrics all indicate strong year over year service improvements approaching best ever levels. With these demonstrated results, UP is positioned to take advantage of additional market opportunities in 2007 as customers realize increased value from UP's service.

Annual Summary by Quarter - Chemicals

2004					2005					2006				
1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Commodity Revenue (millions of dollars)														
410	429	433	447	1,719	441	459	474	476	1,850	502	536	540	520	2,098
Revenue Ton-Miles (millions)														
14,071	14,828	14,893	14,742	58,534	14,393	14,461	14,227	13,798	56,879	14,037	14,583	13,927	13,371	55,918
Revenue Carloads (thousands)														
224	238	240	233	935	228	236	231	218	913	218	235	228	215	896
Average Commodity Revenue Per Car (dollars)														
1,833	1,799	1,803	1,921	1,839	1,936	1,945	2,055	2,178	2,026	2,303	2,285	2,366	2,415	2,342

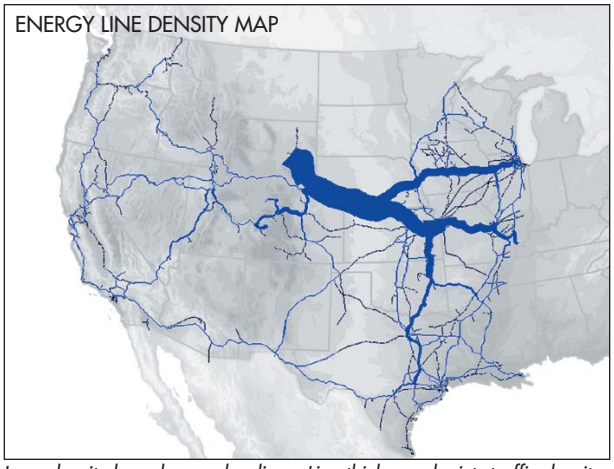
Energy

Commodity Profile

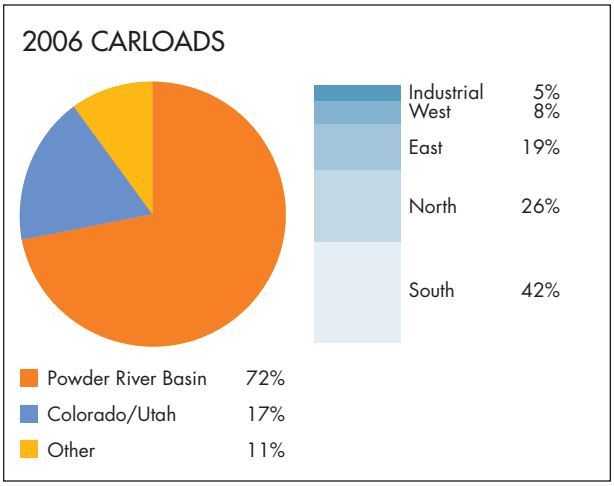
Coal and petroleum coke transportation accounted for 20 percent of Union Pacific's 2006 commodity revenue. The Railroad franchise supports the transportation of coal and coke to utilities, industrial facilities, interchange point and water terminals. The water terminals provide access to the Gulf Coast and rail/barge/ship facilities on the Mississippi and Ohio Rivers and the Great Lakes.

SPRB coal is the largest segment of UP's coal / coke franchise. The SPRB represents 72 percent of the energy carloadings UP originates, primarily due to the favorable economics and low sulfur content relative to eastern coals. The Railroad also moves high-BTU (British Thermal Unit) low sulfur coal from Colorado and Utah to domestic utilities and industries. Colorado / Utah originated traffic represents 17 percent of total carloadings. The remaining volume is comprised of coke loadings originating in Southern Wyoming's Hanna Basin, Southern Illinois coal, and SPRB coal originating on other rail carriers and forwarded to UP.

In 2006, Energy volume increased 15.5 million tons to 265 million tons. The 6 percent annual growth was largely due to strong demand for SPRB coal. SPRB volume increased 15 million tons, or 8 percent, over 2005 levels. The increase partially reflects lower volume in 2005 due to the Joint Line repair program, network disruptions resulting from Hurricane Rita, and the October Kansas washouts. This growth offset Colorado / Utah's nearly 3 million ton decrease in year-over-year volume. This decline was largely the result of production problems at the Colorado mines. Southern Illinois originated tonnage grew nearly 3 million tons while the other origin regions were flat to slightly positive.



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



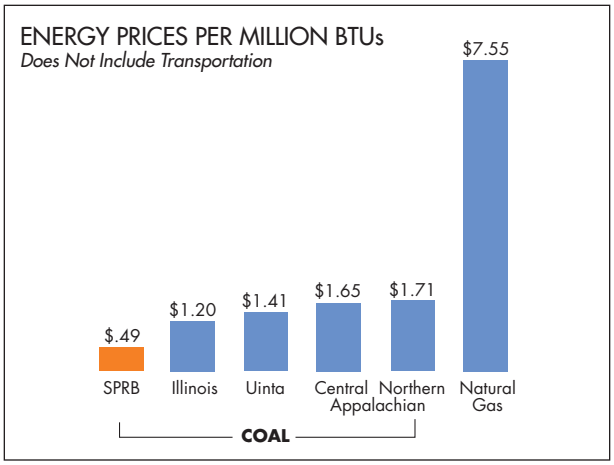
Petroleum coke traffic originates primarily in the Gulf Coast with other key areas being Oklahoma, Kansas, Wyoming and California and is transported to destinations including Texas, California and Louisiana. Petroleum coke is a source of high sulfur fuel for electricity generation, and is used by industrial customers in the production of aluminum, steel and cement. Coke shipments were flat versus 2005.

SPRB average train size increased 1 percent to 15,060 tons per train. The improvement was the result of increasing average tons per car along with a 1.5 car increase in train size.

Speed restrictions imposed during the major Joint Line repair program, conducted from April to November, impeded tonnage growth. Capacity improvements on the Joint Line were also completed during 2006 with 18 miles of third main line added between Reno Junction and West Nacco Junction.

SPRB Economic Advantage

On a cost per million BTU basis, the SPRB continues to be one of the lowest cost energy alternatives in North America. Among the domestic coal regions, SPRB coal is less than one third as expensive and is tied with Colorado / Utah coal for the lowest sulfur content. While natural gas prices have dropped from relatively high levels, SPRB coal remains only a small fraction of the cost of natural gas.



Source: Energy Information Administration

2007 Outlook

On March 27, 2007, Union Pacific lifted its embargo of new service for SPRB coal business, which began in July 2005. Completion of track and roadbed repair on the Joint Line in addition to capacity improvements and increased operational efficiency are expected to allow movement of increased tonnage from the region to help supply the growing U.S. electrical demand. Growth from existing SPRB customers should drive a 4 percent increase for that region in 2007. Colorado / Utah growth is expected to return in 2007 with a 5 percent improvement, despite production problems which limited first quarter loadings. SPRB coal received from BNSF should grow about one million tons in 2007 and Southern Wyoming coke should increase roughly 0.5 million tons. Southern Illinois coal and coke loadings are expected to be flat year-over-year.

The Railroad is expecting to see additional revenue growth in 2007 resulting from past capacity enhancements and further growth investments. Continued focus on train size improvements will drive productivity in 2007. The train size improvements will be aided by a new wheel repair process implemented in late 2006. This process allows a car in need of repair to be changed-out while the car remains in the train consist reducing train dwell and increasing velocity. Capital investments will focus on improving fluidity on the Joint Line as well as in the North Platte rail yard, the Iowa East-West main line, and on lines near St. Louis.

Annual Summary by Quarter - Energy

	2004					2005					2006				
	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Commodity Revenue (millions of dollars)	586	597	629	593	2,405	668	629	651	629	2,577	699	732	764	757	2,952
Revenue Ton-Miles (millions)	57,632	57,750	60,765	57,500	233,647	62,075	57,484	59,028	56,808	235,395	60,075	62,426	62,982	63,669	249,152
Revenue Carloads (thousands)	541	540	561	530	2,172	574	525	546	533	2,178	550	575	584	586	2,295
Average Commodity Revenue Per Car (dollars)	1,084	1,106	1,120	1,119	1,107	1,163	1,198	1,192	1,182	1,184	1,271	1,273	1,308	1,292	1,286

Industrial Products

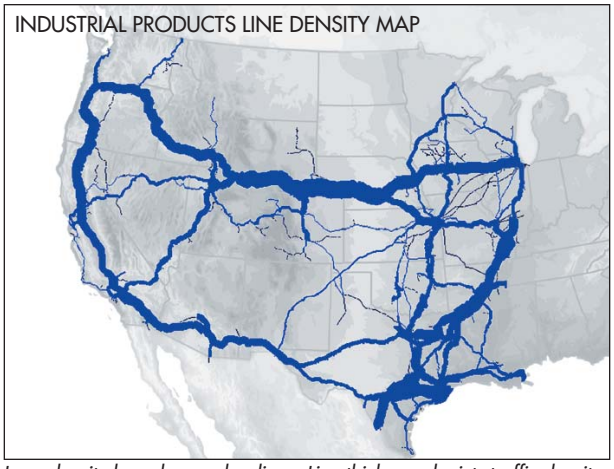
Commodity Profile

The Railroad's extensive network enables the Industrial Products group to move numerous commodities between thousands of shippers and customers throughout North America. In 2006, Industrial Products provided 21 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.

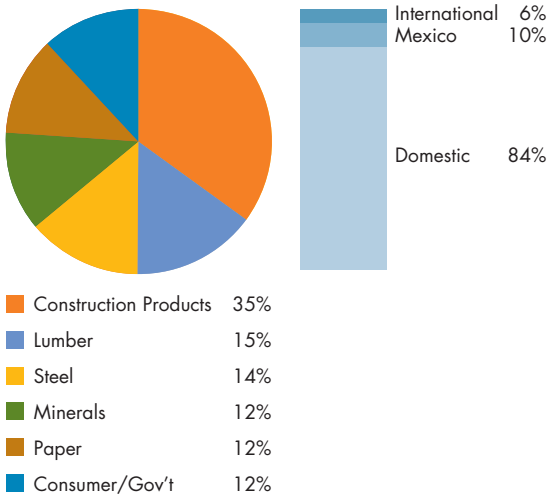
Macro-economic conditions such as industrial production and housing starts, with seasonal peaks, drive demand. In 2006, U.S. industrial production grew 4 percent and housing starts decreased 12 percent, while industrial products carloads decreased 4 percent. Through the effective use of rail and customer assets, pricing actions, selective business growth, and overall profitability gains, the industrial products group achieved yield improvement in 2006. Price increases and fuel surcharges outpaced volume declines, driving industrial products revenue up 13 percent in 2006.

INDUSTRIAL PRODUCTS LINE DENSITY MAP



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

2006 CARLOADS



Fewer housing starts in 2006 and increasing interest rates drove weak lumber demand in the second half of the year. First half volume remained flat with 2005, while second half carloadings decreased 21 percent year-over-year. Price increases, fuel surcharges and a profit improvement focus in the business mix produced record lumber revenue, up 3 percent on 10 percent less volume.

Steel and scrap steel carloadings increased 5 percent in 2006 versus 2005. Strong domestic markets in construction related steel material and pipe, particularly for materials used in oil and gas drilling, drove the increase. Price increases, fuel surcharges, and improved business mix increased revenue 25 percent over 2005 levels.

Sluggish demand related to the economic and housing slowdown in the second half of the year held stone volume flat in 2006 versus 2005. First half volumes surged 5 percent over 2005, while second half volumes then reduced 5 percent. Price increases and fuel surcharges increased average revenue per car and total revenue 16 percent.

2007 Outlook

Global Insight, a leading global economic analysis provider, is predicting U.S. industrial production growth of around 2 percent in 2007, with housing starts forecast to drop more than 20 percent. Against that backdrop, the Industrial

Products group is targeting flat volume and continued yield improvement. Union Pacific's rail network serves key U.S. population growth areas, which should mitigate some of the negative impact seen in the overall market.

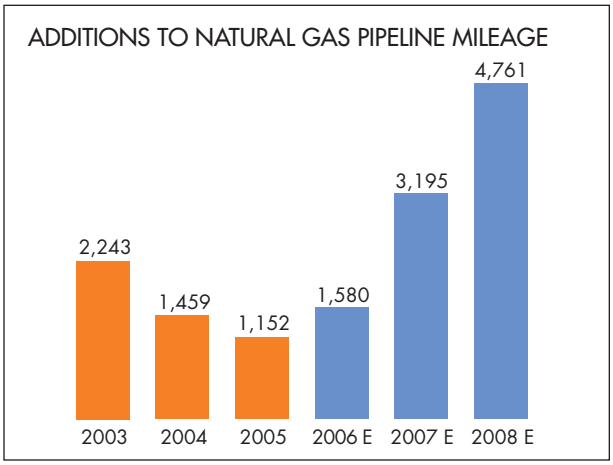
Ongoing highway construction projects in the Southwest and mid-South should create growth opportunities in the stone and gravel business. Abundant oil and gas exploration activity should drive a strong market for frac sand used in drilling. With expectations for fewer U.S. housing starts, lumber volumes will likely decrease versus 2006 levels, with a gradual recovery expected in the second half of the year. Steel volumes should be flat year-over-year as strength in non-residential construction could be offset by a decline in auto production. Volumes related to hazardous waste shipments are expected to decline in 2007 as a result of fewer Department of Energy environmental management projects.

Pipeline Express

During 2006, the Company streamlined steel pipeline movements to increase efficiency and enhance our ability to meet marketplace demand. The program, Pipeline Express, creates customer value through project management, site selection assistance, equipment support and daily logistics updates while simplifying operations through unit train efficiencies.

The Federal Energy Information Administration (EIA) forecasts substantial growth in pipeline construction for natural gas distribution. The EIA estimates 3,195 miles of natural gas pipelines will be installed in 2007, trailing only the 3,571 miles produced in 2002 over the last ten years. 2008 is expected to better that mark, with 4,761 miles forecasted.

The Pipeline Express program handled 6,000 carloads in 2006 resulting in 200 percent plus carload growth versus 2005. The Railroad handled nearly 90 percent of this 2006 pipeline traffic in unit train service compared to roughly 40 percent in 2005. For 2007, customer value should see further gains from added logistic services and greater unit train efficiencies.



Source: Federal Energy Information Administration

Annual Summary by Quarter - Industrial Products

2004					2005					2006				
1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Commodity Revenue (millions of dollars)														
563	607	622	627	2,419	630	719	724	746	2,819	775	824	830	744	3,173
Revenue Ton-Miles (millions)														
20,831	21,705	21,942	21,199	85,677	20,846	22,486	21,736	21,407	86,475	21,740	22,055	20,785	18,428	83,008
Revenue Carloads (thousands)														
364	387	394	369	1,514	359	397	385	368	1,509	366	387	371	327	1,451
Average Commodity Revenue Per Car (dollars)														
1,544	1,566	1,578	1,703	1,597	1,758	1,809	1,881	2,026	1,868	2,115	2,131	2,237	2,278	2,187

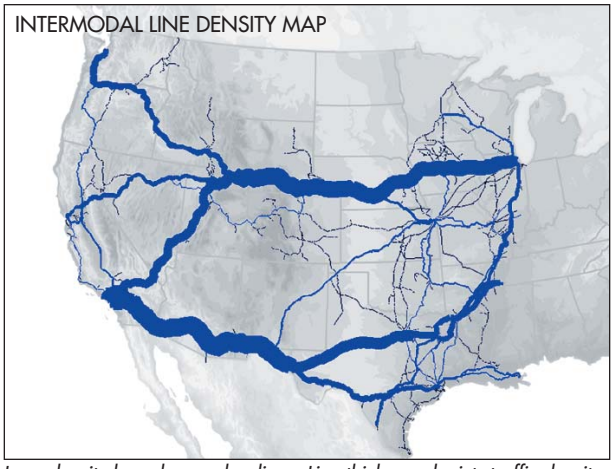
Intermodal

Commodity Profile

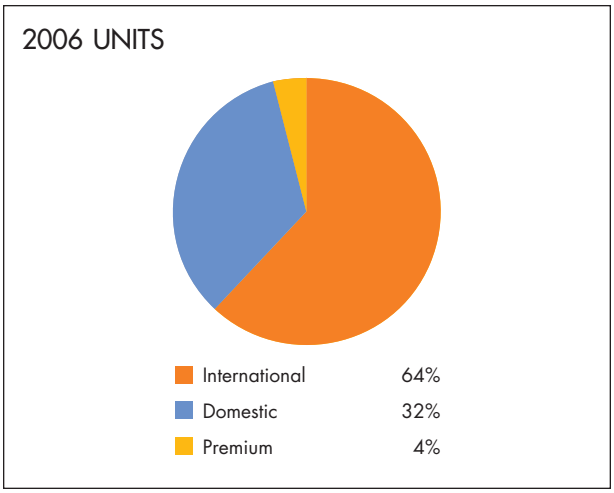
Union Pacific's intermodal business represents 19 percent of 2006 commodity revenue and is composed of three segments — international, domestic and premium. The Railroad's intermodal service is sold primarily by third and even fourth party intermediaries including ocean carriers (international), intermodal 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 20 foot to 45 foot shipping containers through ports on the West and Gulf coasts. The domestic business segment consists of freight moving in 48 foot 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 with other railroads and are comparable from a distance standpoint to the highway network.



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

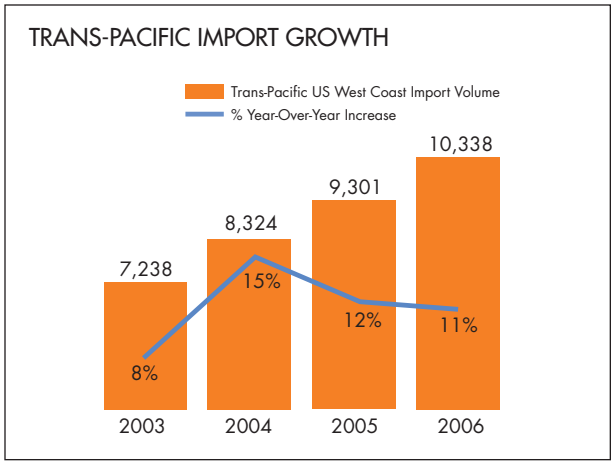


Behind a strong economy and a rapidly growing international trade market, the Company's 2006 intermodal volume grew 6 percent. Overall, revenue grew 14 percent as average revenue per unit increased 8 percent on the strength of yield improvements and fuel surcharges.

In 2006, international revenue grew 21 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 4 percent on a decline of 1 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. The Company's BlueStreak priority domestic product shipments grew 75 percent during 2006, and surpassed the $100 million revenue mark.

Revenue for the premium segment grew 12 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.

Union Pacific continues to focus on improving operational efficiencies that allow for volume growth in an environment of tight rail capacity. In 2006, these efforts included improvements in train length, slot utilization, and double-stack percentage which led to a 4 percent increase in the number of loaded containers per train. This allowed the railroad to handle the 6 percent volume growth in 2006 with virtually no increase in the number of trains run.



Source: Journal of Commerce PIERS

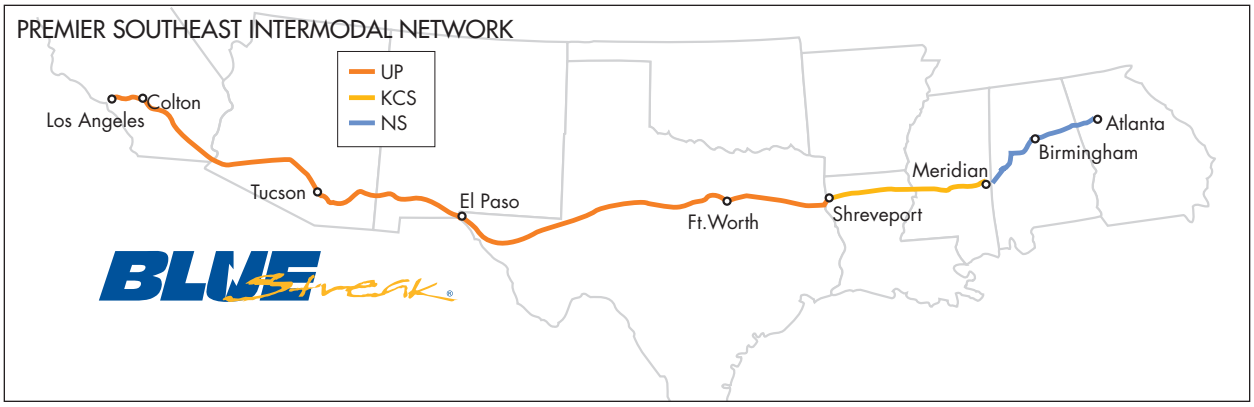
2007 Outlook

Union Pacific expects intermodal volume increases and pricing opportunities to continue in 2007. First quarter volumes show only modest growth as excess retail inventories and truck capacity bought in advance of tighter emissions regulations are consumed. Starting in the second quarter, volumes are expected to pick up as the economy gains steam and normal seasonal demand takes hold. Continued expansion of trade with Asia is expected to drive another strong year of international volume growth. In addition, the Railroad's BlueStreak product could grow by nearly 25 percent in 2007 as shippers increasingly look to rails as a high service capacity alternative versus trucks.

The domestic segment is also expected to experience growth from a renewed focus on transloading international containers to larger domestic containers for movement further inland. In January, UP announced it was expanding its service offerings with the Norfolk Southern by adding train capacity and speeding transit times. New service will now include a 6th morning product between Los Angeles and Atlanta with improved 4th evening BlueStreak service that is one-half day faster than the previous service.

Further service improvements will be available later in the year when the traffic shifts to the Shreveport Gateway and Meridian Speedway, shortening the current route by 130 miles. This product offering, as well as expanded service offerings in the I-5 corridor between Southern California and the Pacific Northwest will help UP penetrate the truckload market. Other important marketing initiatives include expansion of service offerings in the Chicago – Laredo corridor which provides service to and from Mexico and conversion of premium trailer business to Union Pacific's EMP container product, which facilitates double-stacking and frees up train capacity on some of our most popular domestic trains.

In addition, significant productivity gains are expected from a variety of initiatives designed to further increase units per train, improve velocity and boost asset utilization. Additional Unified Plan changes will focus on Texas and Southeastern markets as well as shorter-haul intermediate routes. Finally, continued commitment of capital dollars will further increase line and terminal capacity through construction of more doubletrack on the Sunset and expansion of terminal facilities in Northern California, Southern California, and Memphis along with progression of a new greenfield terminal at San Antonio.



Intermodal Terminals

Annual Summary by Quarter - Intermodal

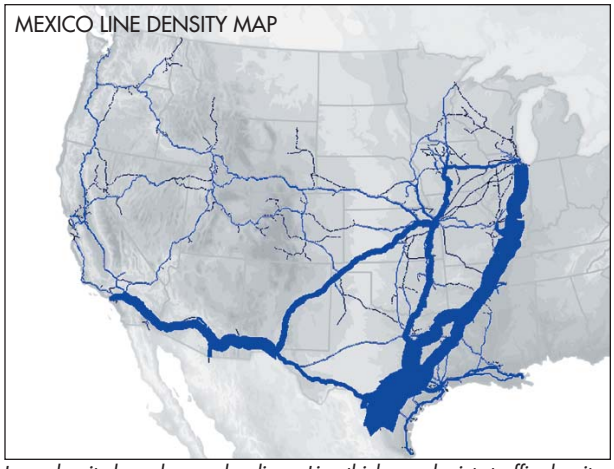
	2004					2005					2006				
	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Commodity Revenue (millions of dollars)	510	544	579	607	2,240	524	597	652	694	2,467	644	694	743	724	2,805
Revenue Ton-Miles (millions)	17,717	18,183	18,588	18,900	73,388	16,600	18,625	19,404	19,764	74,394	18,689	19,630	20,014	19,469	77,802
Revenue Carloads (thousands)	725	770	808	824	3,127	732	807	861	865	3,265	815	864	908	866	3,453
Average Commodity Revenue Per Car (dollars)	704	706	716	737	716	716	740	757	802	755	790	803	819	836	813

Mexico

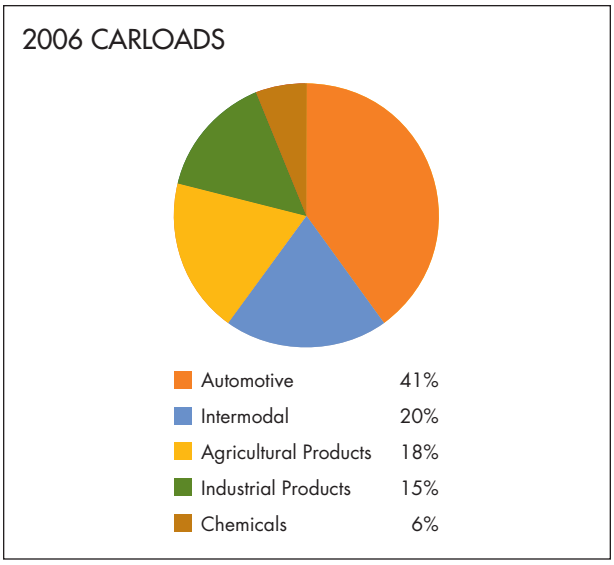
Commodity Profile

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 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 land transportation market estimated to exceed $6 billion annually. This market includes a broad range of commodities from raw materials to finished goods. The largest commodity group by both revenue and volume is automotive. Second place for revenue is held by agricultural products, while intermodal is second by volume. Union Pacific works closely with both 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 in 2006 to and from Mexico increased 23 percent over 2005 to a record $1.4 billion. Volume grew nearly 9 percent. Automotive revenue grew 28 percent on 15 percent stronger volume due to increased sales of Mexico produced automobiles and parts. DDGs and meals grew 51 percent, corn increased 23 percent and beer revenues surged 38 percent. Intermodal grew 16 percent on 10 percent higher volume.



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



Increased northbound shipments from Mexico grew substantially in 2006, up 14 percent versus 2005. These shipments now make up about 49 percent of revenue from Mexico operations, reflecting the increased manufacturing now located there. Assembled autos and auto parts, beer and food products, intermodal, steel, cement and consumer goods like appliances were the largest commodities shipped from Mexico in 2006. These six commodities represented approximately 90 percent of northbound revenue. Southbound traffic from the U.S. to Mexico is much more diversified. Corn, dry feed ingredients, autos and auto parts, newsprint and wood fiber and intermodal shipments make up about 57 percent of southbound revenue with the remainder spread across the Company's six commodity groups.

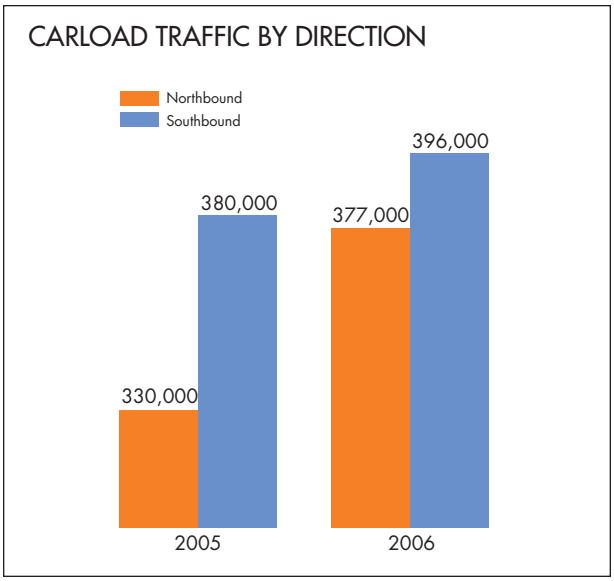
2007 Outlook

Although volume should be relatively flat year-over-year, revenue is expected to grow moderately in 2007. Strong growth should continue in markets for DDGs and meals, as well as intermodal and northbound Mexican beer. Profitability improvements are focused on enhancing lower profitability segments and improving the reinvestability of Mexico business.

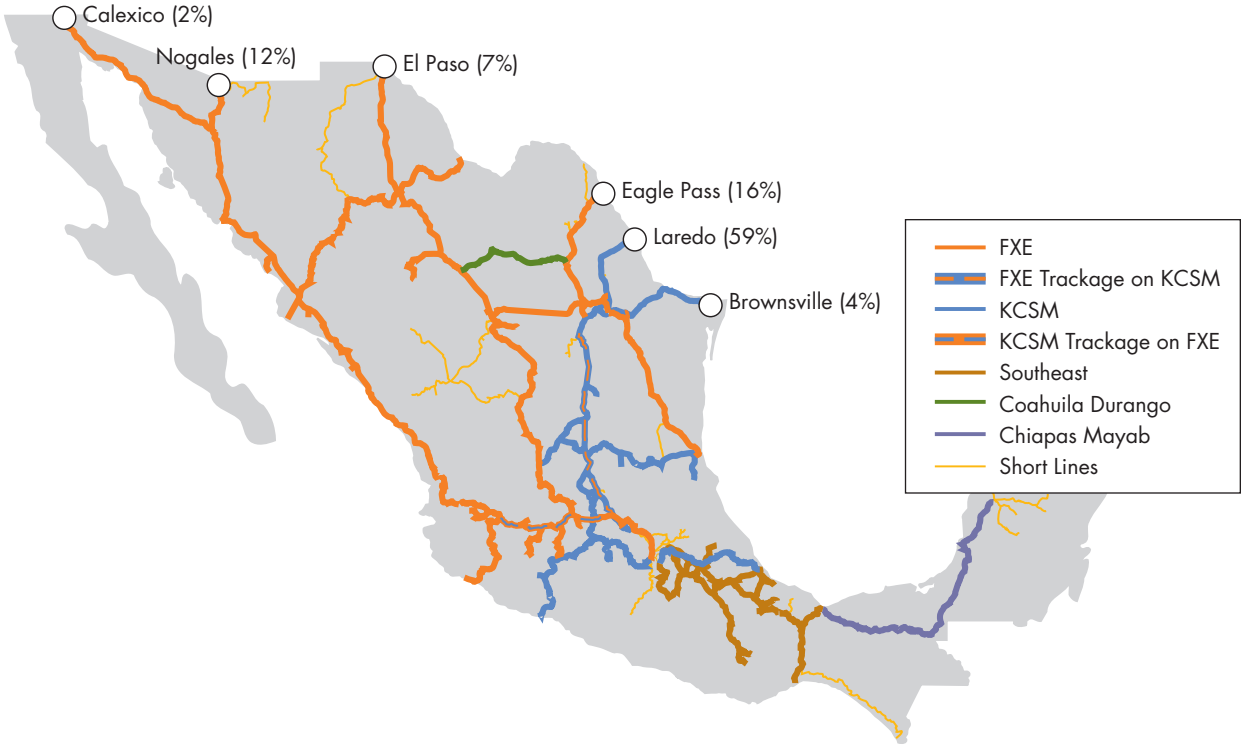
Mexico

The Company will continue to streamline Mexican operations in 2007, focusing on border processing and interchange terminals to improve velocity and asset utilization. Business development will be key in 2007, as UP looks to develop new products and markets in Mexico. Technological advances by both U.S and Mexican Customs will also help, continuing to make paper processes electronic. Mexico's economic and political progress will influence transportation issues in 2007, following a presidential change in 2006.

In February 2007, the Department of Transportation announced the "Cross Border Truck Safety Inspection Program" that would allow Mexican trucking companies to make deliveries beyond the 20 to 25 mile commercial zones currently in place along the Southwest border. The program will also allow U.S. trucks to make deliveries into Mexico for the first time ever. Although this program increases competitive options for shippers moving goods to and from Mexico, the impact to UP business is expected to be minimal as efficiencies of rail transportation remain attractive to customers.



PERCENT OF CARLOADS AT BORDER CROSSINGS



CONSOLIDATED STATEMENTS OF INCOME

Union Pacific Corporation

In millions (except per share), (unaudited), for the year ended December 31, 2006

	1	2	3	4	Total Year
Operating Revenues	$3,710	$3,923	$3,983	$3,962	**$15,578**
Operating Expenses					
Salaries, Wages, and Employee Benefits	1,129	1,140	1,161	1,169	**4,599**
Fuel and Utilities	692	794	821	705	**3,012**
Equipment and Other Rents	367	371	371	346	**1,455**
Depreciation	303	308	311	315	**1,237**
Materials and Supplies	164	178	178	171	**691**
Casualty Costs	110	110	83	107	**410**
Purchased Services and Other Costs	340	305	306	339	**1,290**
Total Operating Expenses	3,105	3,206	3,231	3,152	**12,694**
Operating Income	605	717	752	810	**2,884**
Other Income - Net	10	29	22	57	**118**
Interest Expense	(120)	(120)	(119)	(118)	**(477)**
Income Before Income Taxes	495	626	655	749	**2,525**
Income Taxes	(184)	(236)	(235)	(264)	**(919)**
Net Income	**311**	**390**	**420**	**485**	**1,606**
Basic Earnings Per Share	$1.16	$1.45	$1.56	$1.79	**$5.96**
Diluted Earnings Per Share	$1.15	$1.44	$1.54	$1.78	**$5.91**
Average Basic Shares Outstanding	268.3	269.3	269.8	270.3	**269.4**
Average Diluted Shares Outstanding	271.0	272.1	271.9	272.7	**272.0**

In 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**
Fuel and Utilities	539	597	673	753	**2,562**
Equipment and Other Rents	353	340	356	353	**1,402**
Depreciation	289	292	294	300	**1,175**
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**

Refer to the Union Pacific Corporation 2006 Annual Report for additional information
(a) Includes a $118 million tax expense reduction in the estimated deferred income tax liability.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Union Pacific Corporation

In millions of dollars (unaudited), as of December 31,	***2006***	*2005*
Assets		
Current Assets		
Cash and Cash Equivalents	$827	$773
Accounts Receivable, Net	679	747
Materials and Supplies	395	331
Current Deferred Income Taxes	319	304
Other Current Assets	191	170
Total Current Assets	**2,411**	2,325
Investments	**877**	806
Properties		
Total Cost	43,448	41,697
Accumulated Depreciation	(10,575)	(9,722)
Net Properties	32,873	31,975
Other Assets	**354**	514
Total Assets	**$36,515**	$35,620
Liabilities and Common Shareholders' Equity		
Current Liabilities		
Accounts Payable	$684	$783
Accrued Wages and Vacation	412	415
Accrued Casualty Costs	409	478
Income and Other Taxes	279	212
Dividends and Interest	238	252
Debt Due Within One Year	780	656
Equipment Rents Payable	108	130
Other Current Liabilities	629	458
Total Current Liabilities	**3,539**	3,384
Other Liabilities and Shareholders' Equity		
Debt Due After One Year	6,000	6,760
Deferred Income Taxes	9,696	9,482
Accrued Casualty Costs	868	876
Retiree Benefits Obligations	504	855
Other Long-Term Liabilities	596	556
Commitments and Contingencies		
Common Shareholders' Equity	15,312	13,707
Total Liabilities and Common Shareholders' Equity	**$36,515**	$35,620

Refer to the 2006 Union Pacific Corporation Annual Report for additional information.

CONSOLIDATED STATEMENTS OF CASH FLOW

Union Pacific Corporation

In millions of dollars (unaudited), for the year ended December 31,	***2006***	*2005*
Operating Activities		
Net Income	$1,606	$1,026
Adjustments to reconcile net income to net cash provided by operating activities;		
Depreciation	1,237	1,175
Deferred Income Taxes	235	320
Stock-based compensation expense	35	21
Net Gain from Asset Sales	(72)	(135)
Other operating activities, Net	(175)	37
Changes in Current Assets and Liabilities, Net	14	151
Cash Provided by Operating Activities	**2,880**	**2,595**
Investing Activities		
Capital Investments	(2,242)	(2,169)
Proceeds from Asset Sales	133	185
Acquisition of equipment pending financing	(536)	(872)
Proceeds from completed equipment financings	536	872
Other Investing Activities, Net	67	(63)
Cash Used in Investing Activities	**(2,042)**	**(2,047)**
Financing Activities		
Dividends Paid	(322)	(314)
Debt Repaid	(657)	(699)
Debt Issued	-	-
Net Proceeds from Equity Compensation Plans	160	262
Excess Tax Benefits from Equity Compensation Plans	29	-
Other Financing Activities, Net	6	(1)
Cash Used in Financing Activities	**(784)**	**(752)**
Net Change in Cash and Cash Equivalents	54	(204)
Cash and Cash Equivalents at the Beginning of Year	773	977
Cash and Cash Equivalents at the End of Year	**$827**	**$773**
Changes in Current Assets and Liabilities, Net		
Accounts Receivable, Net	$68	$(201)
Materials and Supplies	(64)	(22)
Other Current Assets	(21)	12
Accounts, Wages, and Vacation Payable	(102)	224
Other Current Liabilities	133	138
Changes In Current Assets and Liabilities, Net	**$14**	**$151**
Supplemental Cash Flow Information		
Non Cash Investing Activities:		
Capital Investments Accrued but not yet Paid	$106	$103
Non-Cash Financing Activities, Cash Dividends Declared but not yet Paid	80	78
Cash (Paid) Received During the Year For:		
Interest	(492)	(510)
Income Taxes, Net	(549)	(29)

Refer to the Union Pacific Corporation 2006 Annual Report for additional information.

FINANCIAL AND OPERATING STATISTICS

Union Pacific Corporation

(unaudited), for periods ended December 31,	***2006***					*2005*				
Financial and Revenue Statistics	1	2	3	4	**Full Year**	1	2	3	4	**Full Year**
Operating Revenues *(millions)*	$3,710	$3,923	$3,983	$3,962	**$15,578**	$3,152	$3,344	$3,461	$3,621	**$13,578**
Operating Expenses *(millions)*	$3,105	$3,206	$3,231	$3,152	**$12,694**	$2,839	$2,876	$2,980	$3,088	**$11,783**
Operating Ratio *(%)*	83.7	81.7	81.1	79.6	81.5	90.1	86.0	86.1	85.3	86.8
Operating Margin *(%)*	16.3	18.3	18.9	20.4	**18.5**	9.9	14.0	13.9	14.7	**13.2**
Salaries and Benefits *(millions)*	$1,129	$1,140	$1,161	$1,169	**$4,599**	$1,099	$1,075	$1,093	$1,108	**$4,375**
Salaries and Benefits/Op. Rev. *(%)*	30.4	29.1	29.1	29.5	**29.5**	34.9	32.1	31.6	30.6	**32.2**
Commodity Revenue/ Employee *(thousands)*	$70.5	$73.3	$74.1	$75.0	**$292.9**	$60.9	$63.8	$65.9	$69.8	**$260.5**
Fuel Expense *(millions)*	$644	$744	$772	$662	**$2,822**	$498	$558	$629	$708	**$2,393**
Avg. Fuel Price Per Gallon *(a)*	$1.87	$2.15	$2.27	$1.94	**$2.06**	$1.45	$1.67	$1.88	$2.08	**$1.77**
Commodity Revenue *(millions)*	$3,543	$3,742	$3,802	$3,775	**$14,862**	$3,004	$3,196	$3,302	$3,455	**$12,957**
Average Revenue Per Car	$1,481	$1,490	$1,515	$1,547	**$1,509**	$1,306	$1,337	$1,357	$1,428	**$1,358**
Commodity Revenue/ Revenue Ton-Mile *(cents)*	2.54	2.61	2.68	2.68	**2.63**	2.19	2.34	2.39	2.54	**2.36**
Effective Tax Rate *(%)*	37.2	37.7	35.9	35.2	**36.4**	36.3	36.9	7.5*(b)*	36.6	**28.6**
Debt to Capital *(%) (c)*					**30.7**					**35.1**
Lease Adjusted Debt to Capital *(%) (d)*					**40.2**					**43.6**
Operating Statistics										
Revenue Carloads *(thousands)*	2,393	2,510	2,509	2,440	**9,852**	2,300	2,391	2,433	2,419	**9,543**
Revenue Ton-Miles *(billions)*	139	143	142	141	**565**	138	137	138	136	**549**
Gross Ton-Miles *(billions)*	263	272	270	268	**1,073**	258	260	263	263	**1,044**
Average Train Speed *(mph) (e)*	21.3	21.2	21.3	22	**21.4**	21.1	21.2	21.6	20.5	**21.1**
Average System Dwell *(hours) (e)*	29.0	27.6	26.2	25.9	**27.2**	29.5	27.4	28.1	29.8	**28.7**
Average Rail Car Inventory *(e)*	327,571	324,833	319,846	313,991	**321,566**				326,486	
Fuel Consumed *(millions of gallons)*	345	346	341	340	**1,372**	344	335	334	340	**1,353**
Average employees	50,262	51,077	51,278	50,328	**50,739**	49,294	50,093	50,106	49,494	**49,747**
GTMs per Employee *(millions)*	5.23	5.33	5.27	5.31	**21.14**	5.24	5.19	5.26	5.30	**20.98**

Refer to the Union Pacific Corporation 2006 Annual Report for additional information.

(a) Including taxes and transportation costs
(b) Includes a $118 million tax expense reduction in the estimated deferred income tax liability.
(c) Debt to capital is computed as follows: total debt divided by total debt plus equity.
(d) 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.
(e) 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.

NON-GAAP DEFINITIONS

Management believes certain non-GAAP measures provide an alternative presentation of the results that more accurately reflect on-going Company operations. These measures should be considered in addition to, not a substitute for, the reported GAAP results.

Free Cash Flow

Cash provided by operating activities, less cash used in investing activities, less dividends paid. Management believes this is an important measure in evaluating our financial performance and measures our ability to generate cash without incurring additional external financings.

Return on Invested Capital

Net income plus interest expense, plus sale of receivables fees, plus interest on present value of leases, less taxes on interest divided by average equity plus average debt plus average sale of receivables plus average present value of leases. Management believes this is an important measure for evaluating the efficiency and effectiveness of the Corporation's long term capital investments, and we currently use ROIC as a performance criteria in determining certain elements of compensation for our executive officers and senior management.

Debt to Capital

Total debt plus convertible preferred securities divided by total debt plus equity plus convertible preferred securities. Management believes this is an important measure in evaluating our balance sheet strength and is important in managing our credit ratios and financing relationships.

Lease-Adjusted Debt to Capital

Total debt plus convertible preferred securities plus net present value of leases divided by total debt plus equity plus convertible preferred securities plus net present value of operating leases. Management believes this is an important measure in evaluating the total amount of leverage in our capital structure including off-balance sheet obligations.

FREE CASH FLOW AND CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation to GAAP

(In millions of dollars)

	2006	2005
Cash Provided by Operating Activities	$2,880	$2,595
Cash Used in Investing Activities	(2,042)	(2,047)
Dividends Paid	(322)	(314)
Free Cash Flow	**$516**	**$234**

Consolidated Statement of Cash Flows ***(in millions of dollars)***

Operating Activities:		
Net Income	$1,606	$1,026
Depreciation	1,237	1,175
Deferred Income Taxes	235	320
Other - Net	(198)	74
Cash Provided by Operating Activities	**2,880**	**2,595**
Investing Activities:		
Capital Investments	(2,242)	(2,169)
Other - Net	200	122
Cash Used in Investing Activities	**(2,042)**	**(2,047)**
Financing Activities:		
Dividends Paid	(322)	(314)
Debt Repaid	(657)	(699)
Other - Net	195	261
Cash Used in Financing Activities	**(784)**	**(752)**
Net Change in Cash and Cash Equivalents	**$54**	**$(204)**

RETURN ON INVESTED CAPITAL (ROIC)

Reconciliation to GAAP

(In millions except percentages)

		Reported	Adjusted	
	2006	2005	2005*	2004
Net Income	$1,606	$1,026	$908	$604
Add: Interest Expense	$477	$504	$504	$527
Add: Sale of Receivables Fees	33	23	23	11
Add: Interest on present value of operating leases	268	218	218	172
Less: Taxes on Interest and fees	(283)	(213)	(274)	(209)
Net Operating Profit After Tax As Adjusted *(a)*	$2,101	$1,558	$1,379	$1,105
Average Equity	$14,510	$13,181	$13,122	$12,505
Add: Average Debt	7,098	7,774	7,774	8,060
Add: Average Value of Sold Receivables	600	595	595	590
Add: Average Present Value of Operating Leases	3,349	2,729	2,729	2,147
Average Invested Capital As Adjusted *(b)*	$25,557	$24,279	$24,220	$23,302
Return on Invested Capital As Adjusted *(a/b)*	**8.2%**	**6.4%**	**5.7%**	**4.7%**

** Please refer to 2005 Income Tax Adjustment Reconciliation to GAAP.*

DEBT TO CAPITAL/LEASE ADJUSTED DEBT TO CAPITAL

Reconciliation to GAAP

(In millions of dollars except percentages)

	2006	2005	2004
Debt (a)	$6,780	$7,416	$8,131
Equity	15,312	13,707	12,655
Capital (b)	$22,092	$21,123	$20,786
Debt to Capital (a/b)	**30.7%**	**35.1%**	**39.1%**

	2006	2005	2004
Debt	$6,780	$7,416	$8,131
Net Present Value of Operating Leases	3,513	3,185	2,273
Lease Adjusted Debt (a)	**$10,293**	**$10,601**	**$10,404**
Equity	15,312	13,707	12,655
Lease Adjusted Capital (b)	**$25,605**	**$24,308**	**$23,059**
Lease Adjusted Debt to Capital (a/b)	**40.2%**	**43.6%**	**45.1%**

2005 INCOME TAX ADJUSTMENT

Reconciliation to GAAP

(In millions of dollars except earnings per share)

Management believes certain non-GAAP measures provide an alternative presentation of the results that more accurately reflect on-going Company operations. The full year 2005 net income of $908 million and earnings per diluted share of $3.41, which excluded the income tax expense reduction item reported in the third quarter of 2005, are non-GAAP measures. Management believes these measures provide an alternative presentation of results that more accurately reflects on-going Company operations, without the distorting effects of the income tax expense reduction item. These measures should be considered in addition to, not a substitute for, the reported GAAP results.

Full Year 2005 Results	**As Reported**	**Income Tax Adjustment**
Operating Revenue	$13,578	$13,578
Operating Expenses	11,783	11,783
Operating Income	1,795	1,795
Operating Margin	13.2%	13.2%
Operating Ratio	86.8%	86.8%
Other Income - Net	145	145
Interest Expense	(504)	(504)
Income Before Income Taxes	1,436	1,436
Income Tax Expense	(410)	(528) *(a)*
Net Income	$1,026	$908
Diluted Earnings Per Share	**$3.85**	**$3.41**

Third Quarter 2005 Results	**As Reported**	**Income Tax Adjustment**
Operating Revenue	$3,461	$3,461
Operating Expenses	2,980	2,980
Operating Income	481	481
Operating Margin	13.9%	13.9%
Operating Ratio	86.1%	86.1%
Other Income - Net	42	42
Interest Expense	(124)	(124)
Income Before Income Taxes	399	399
Income Tax Expense	(30)	(148) *(a)*
Net Income	$369	$251
Diluted Earnings Per Share	**$1.38**	**$0.94**

(a) Income tax expense reduction of $118 million after-tax taken in third quarter 2005
Note: Totals may not foot due to rounding

Cautionary Information

The 2006 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 Fact Book includes statements and information regarding future expectations or results of the Company that are not historical facts. These statements and information are, or will be, forward looking as defined by the federal securities laws. Forward looking statements and information can be identified by use of forward looking terminology ((and derivations thereof), such as "believes", "expects", "may", "should", "will", "would", "intends", "plans", "estimates", "anticipates", "projects" and other words or phrases of similar intent. Forward looking statements and information generally include statements and information included under sections of this Fact Book entitled "2007 Outlook" and specifically include statements and information regarding: the Company's expectations or forecasts with respect to general economic conditions; the Company's financial and operational performance; increases of the Company's earnings; demand for the Company's rail service; the continued ability of the Company to increase prices to reflect the then current demand environment; improving customer service; enhancing profitability of our commodities; volume and revenue growth; efficiency improvements and increasing returns; improving asset utilization; the effectiveness or growth of new and newer services; management of network volumes; increasing shareholder value; total amount of capital investments; completion and effectiveness of capacity expansion and other capital investments, including expansion of the Sunset Corridor, expansion and maintenance of the Joint Line in the SPRB, and other investments in upgrading or adding signals and facilities; returns on capital investments; improvements regarding safety of our operations and equipment; and effectiveness of the Unified Plan and other initiatives, such as projects involving the Lean management process.

Forward-looking statements and information 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 statements and information are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Forward-looking statements and information reflect the good faith consideration by management of currently available information, and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The Risk Factors in Item 1A of the Company's Annual Report on Form 10-K, filed on February 23, 2007, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements and information. This Fact Book should be read in consideration of these Risk Factors. To the extent circumstances require or the Company deems it otherwise necessary, the Company will update or amend these Risk Factors in subsequent Annual Reports, periodic reports on Form 10-Q or current reports on Form 8-K.

Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.