

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

<i>In millions of dollars (unaudited), for the year ended December 31,</i>	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)

	2006	Reported 2005	Adjusted 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)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
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%

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt	\$6,780	\$7,416	\$8,131
Net Present Value of Operating Leases	<u>3,513</u>	<u>3,185</u>	<u>2,273</u>
Lease Adjusted Debt (a)	\$10,293	\$10,601	\$10,404
Equity	<u>15,312</u>	<u>13,707</u>	<u>12,655</u>
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	<u>As Reported</u>	<u>Income Tax Adjustment</u>
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	<u>As Reported</u>	<u>Income Tax Adjustment</u>
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