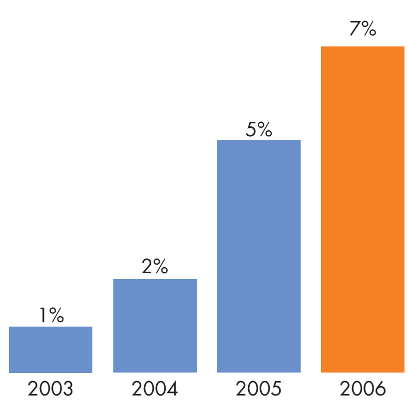
Revenue Overview and Outlook

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.

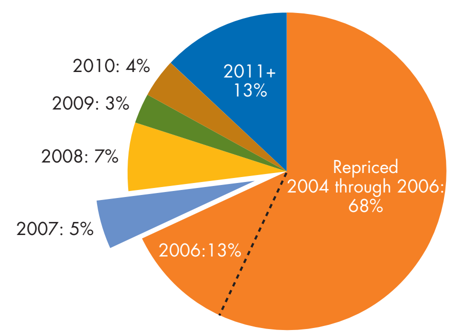
Commodity revenue grew to a record $14.9 billion, a 15 percent increase driven by an 11 percent gain in average revenue per car (ARC) combined with the volume growth. With a continued focus on yield improvement, all six business groups experienced solid ARC growth, ranging from 8 to 17 percent, with 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.

CORE PRICE IMPROVEMENT



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.

PRICING OPPORTUNITIES



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.

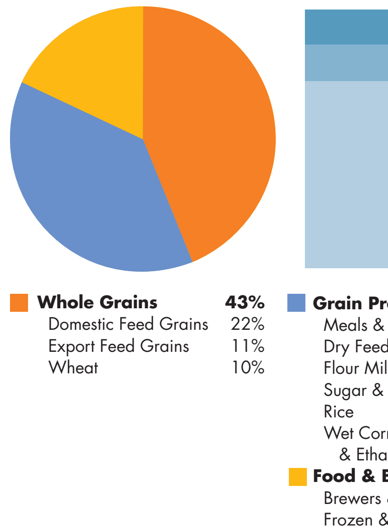
With continued focus on yield improvement, the Railroad is targeting revenue growth of 4 to 6 percent for the year. As market conditions allow, business that has previously been repriced will be available for further escalation and legacy contracts that expire in 2007 will be renegotiated.

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.

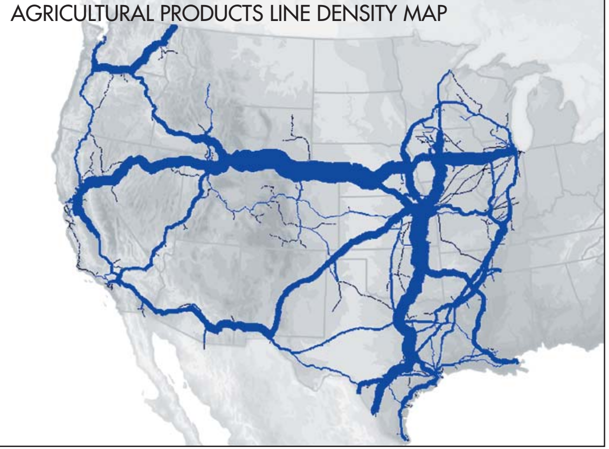
2006 CARLOADS



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.

AGRICULTURAL PRODUCTS LINE DENSITY MAP



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

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.

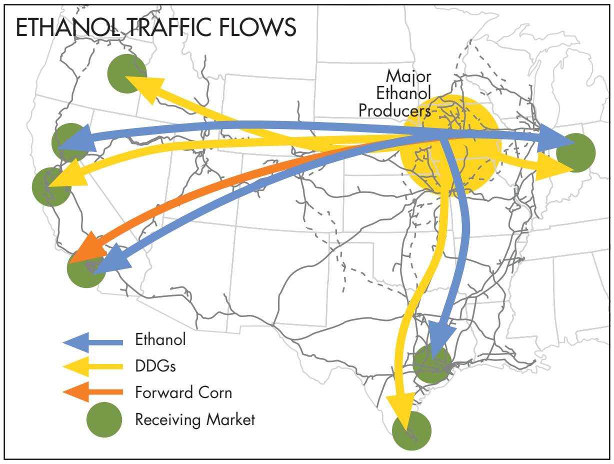
2007 Outlook

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

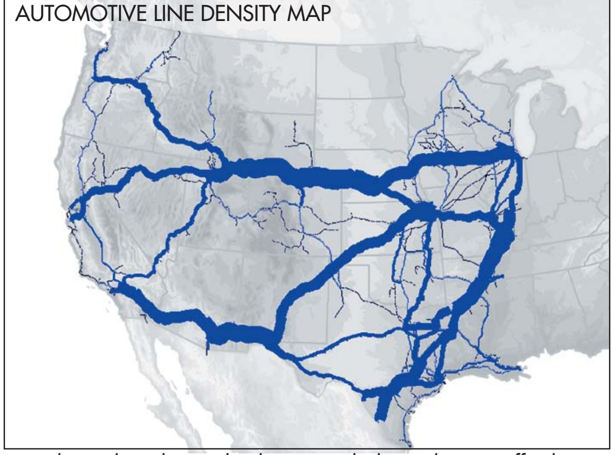
Commodity Profile

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.

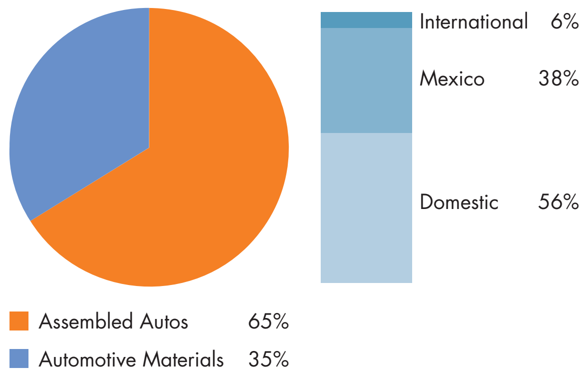
U.S. new light vehicle sales totaled 16.5 million vehicles in 2006, a decrease of 2.6 percent versus 2005 levels and the lowest sales level since 1998. Although lower sales levels were reflected in less U.S. light vehicle production, Union Pacific experienced more than a 4 percent increase in finished 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.

AUTOMOTIVE LINE DENSITY MAP



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

2006 CARLOADS



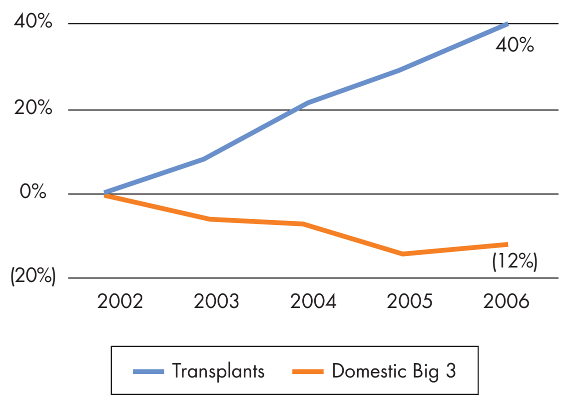
Changing dynamics in the automotive industry are reflected in Union Pacific's 2006 shipments. Volumes to and from Mexico for assembled vehicles, parts and materials increased 15 percent versus 2005 as manufacturers retooled and rationalized production capabilities and capacity. Similarly, international 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.

DOMESTIC BIG 3 VS. TRANSPLANT CARLOADS

Percent Change in Carloads Since 2002



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.

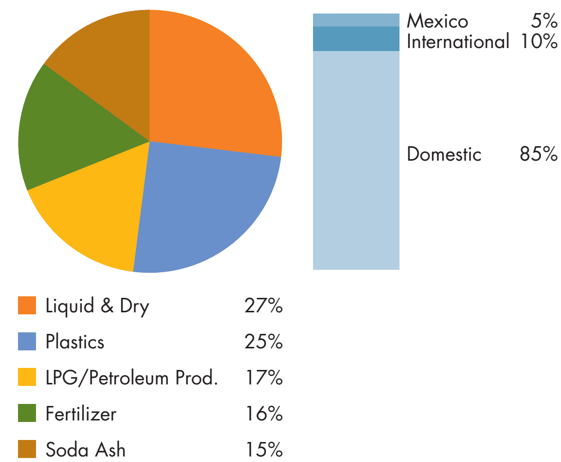
Automotive Facilities and Assembly Centers

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

2006 CARLOADS



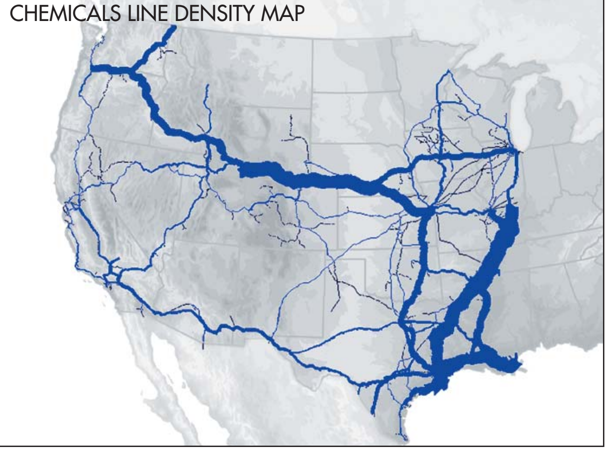
Commodity Profile

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.

CHEMICALS LINE DENSITY MAP



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.

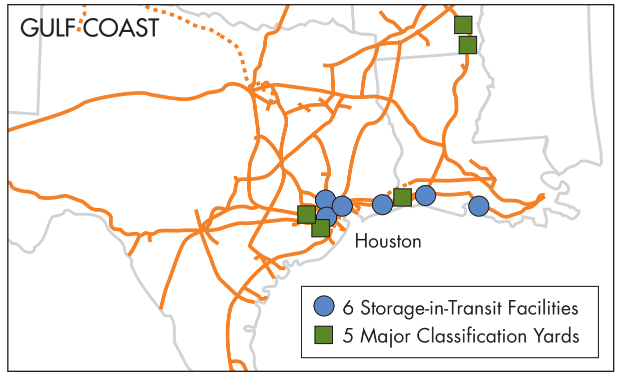
UP directly serves Green River, Wyoming, the world's largest soda ash reserve and producing region. Soda ash carloads increased 1 percent year-over-year as export markets grew slightly and domestic soda ash demand remained relatively stable.

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

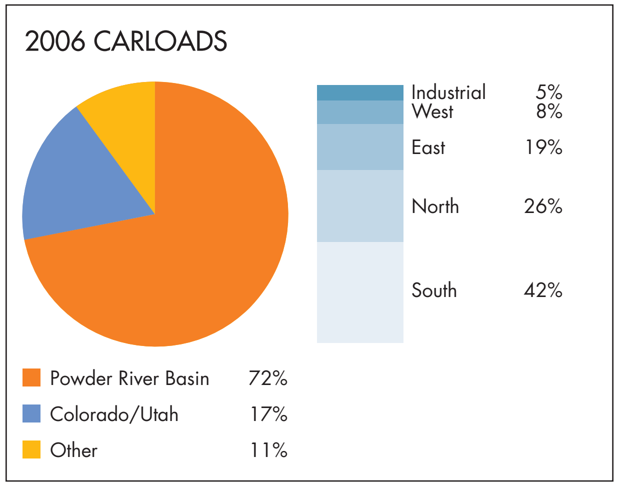
Energy

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.

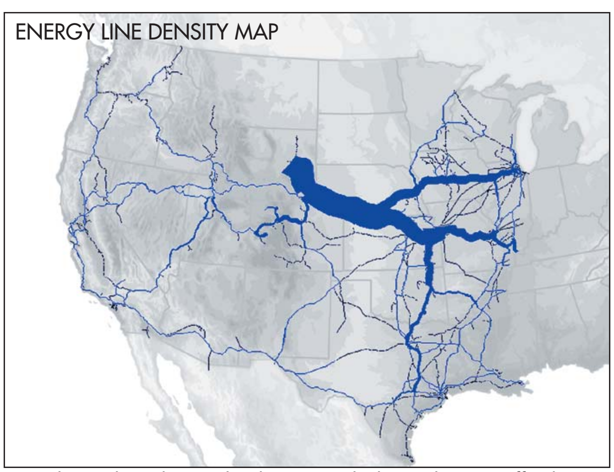
In 2006, Energy volume increased 15.5 million tons to 265 million tons. The 6 percent annual growth was largely due to strong demand for SPRB coal. SPRB volume increased 15 million tons, or 8 percent, over 2005 levels. The increase partially reflects lower volume in 2005 due to the Joint Line repair 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.



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.

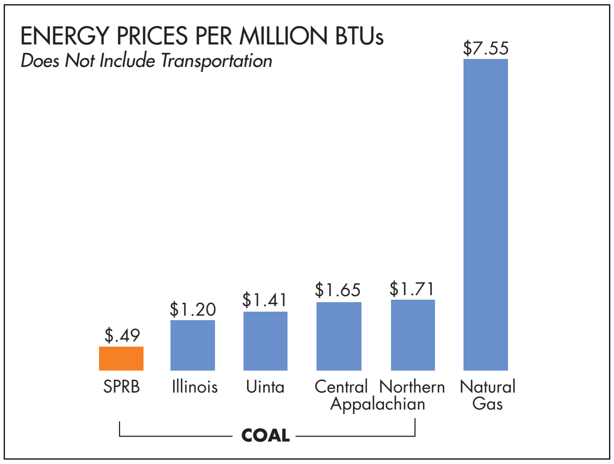
Speed restrictions imposed during the major Joint Line repair program, conducted from April to November, impeded tonnage growth. Capacity improvements on the Joint Line were also completed during 2006 with 18 miles of third main line added between Reno Junction and West Nacco Junction.



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

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

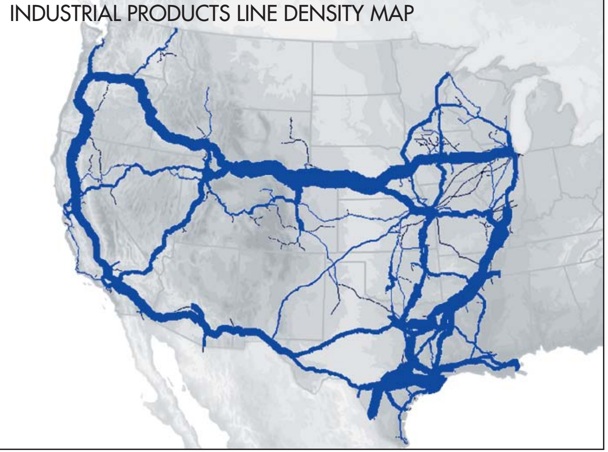
Commodity Profile

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.

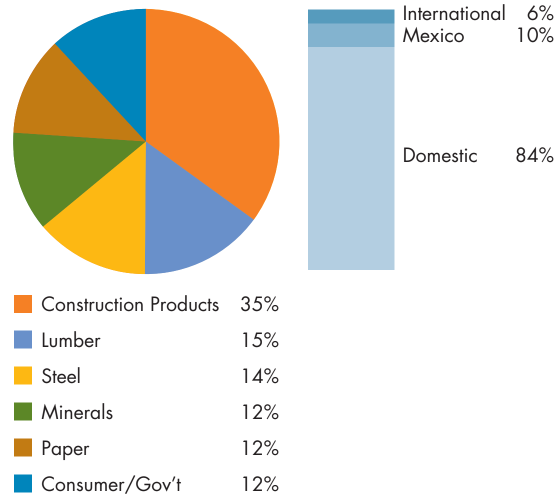
Macro-economic conditions such as industrial production and housing starts, with seasonal peaks, drive demand. In 2006, U.S. industrial production grew 4 percent and housing starts decreased 12 percent, while industrial products carloads decreased 4 percent. Through the effective use of rail and customer 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.

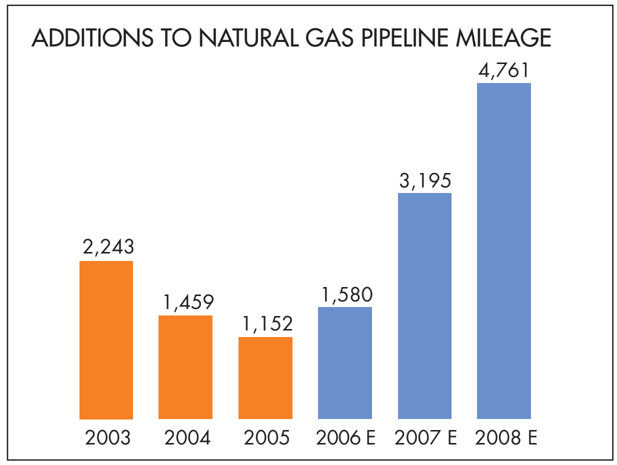
Ongoing highway construction projects in the Southwest and mid-South should create growth opportunities in the stone and gravel business. Abundant oil and gas exploration activity should drive a strong market for frac sand used in drilling. With expectations for fewer U.S. housing starts, lumber volumes 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

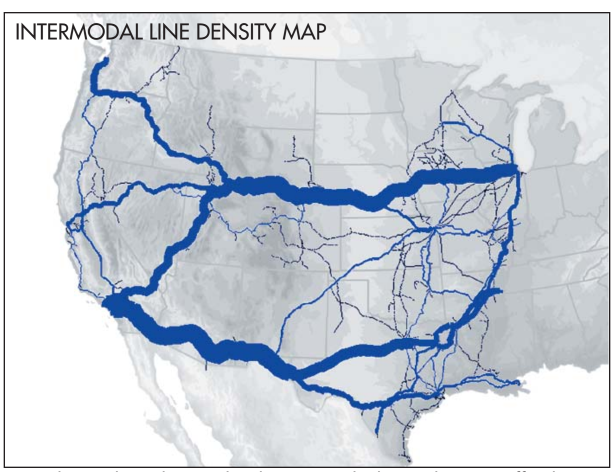
Intermodal

Commodity Profile

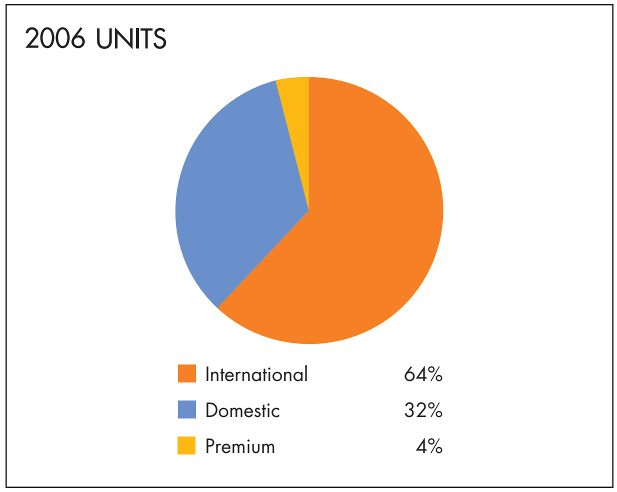
Union Pacific's intermodal business represents 19 percent of 2006 commodity revenue and is composed of three segments — international, domestic and premium. The Railroad's intermodal service is sold primarily by third and even fourth party intermediaries including ocean carriers (international), intermodal 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.

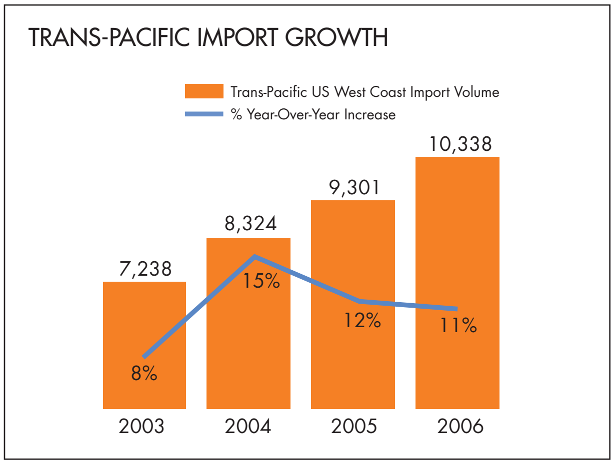


Behind a strong economy and a rapidly growing international trade market, the Company's 2006 intermodal volume grew 6 percent. Overall, revenue grew 14 percent as average revenue per unit increased 8 percent on the strength of yield improvements and fuel surcharges.

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

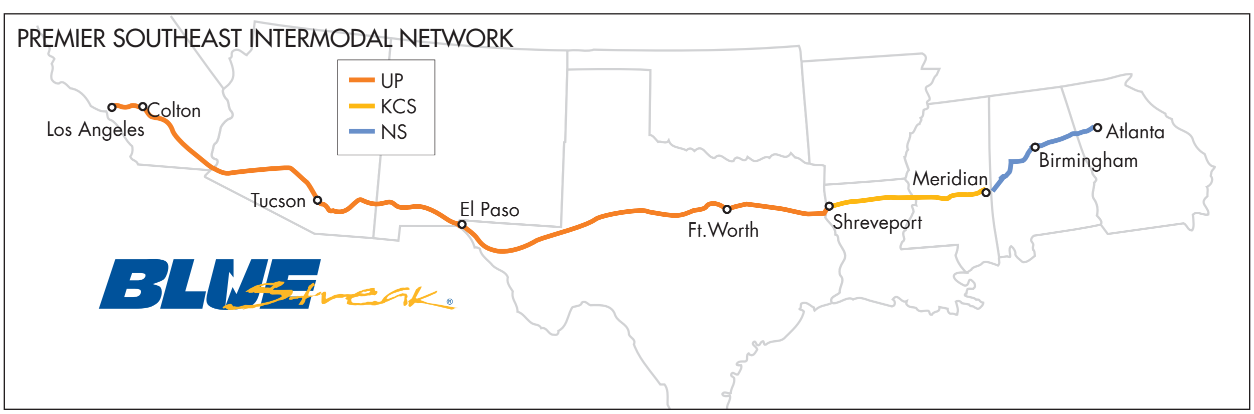
2007 Outlook

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.

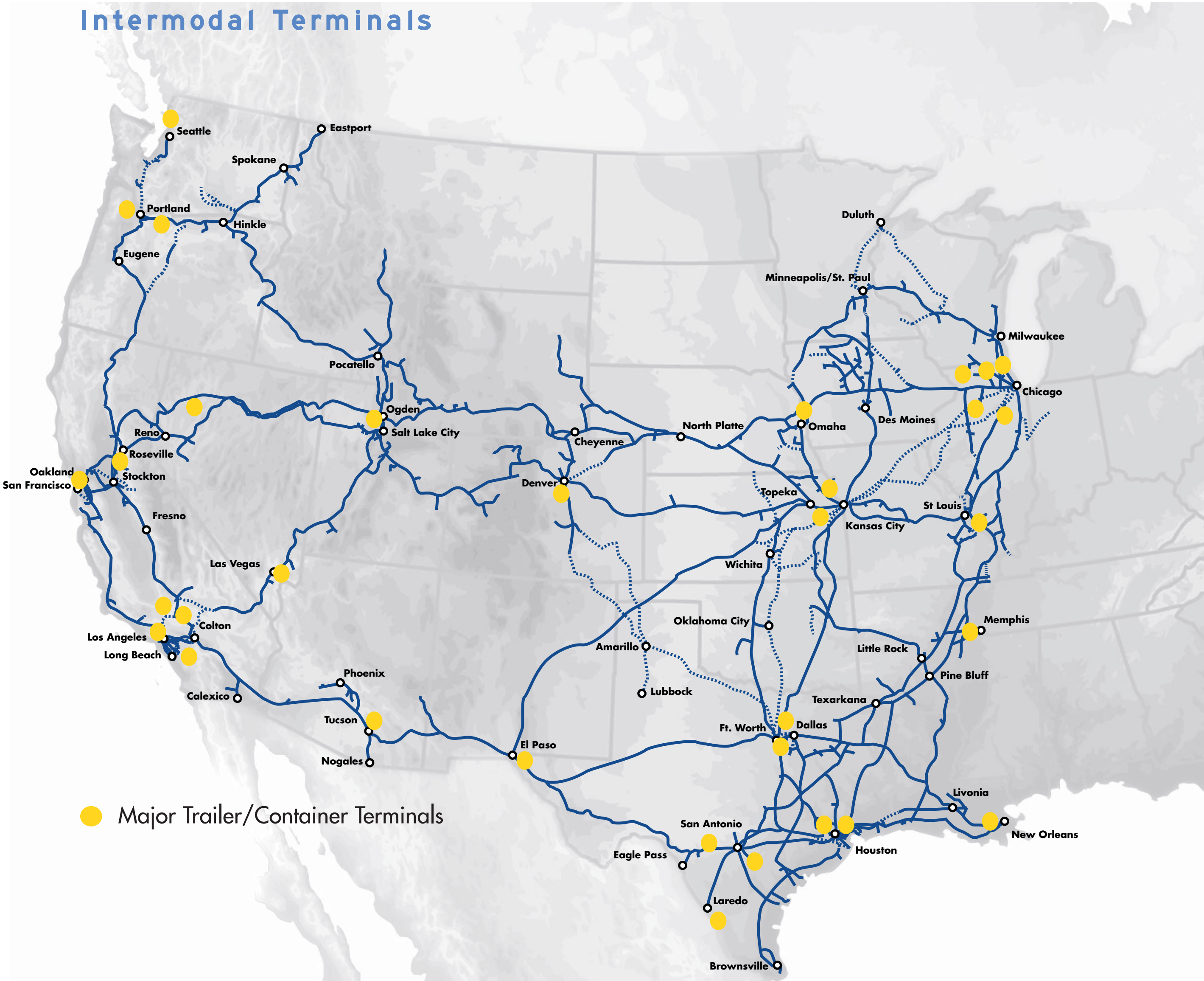
The domestic segment is also expected to experience growth from a renewed focus on transloading international containers to larger domestic containers for movement further inland. In January, UP announced it was expanding its service offerings with the Norfolk Southern by adding train capacity and speeding 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

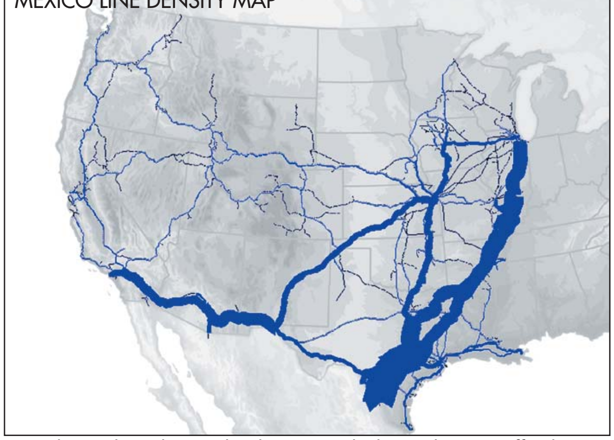
Mexico

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.

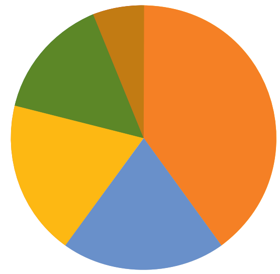
Revenue from shipments in 2006 to and from Mexico increased 23 percent over 2005 to a record $1.4 billion. Volume grew nearly 9 percent. Automotive revenue grew 28 percent on 15 percent stronger volume due to increased sales of Mexico produced automobiles and parts. DDGs and meals grew 51 percent, corn increased 23 percent and beer revenues surged 38 percent. Intermodal grew 16 percent on 10 percent higher volume.

MEXICO LINE DENSITY MAP



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

2006 CARLOADS



Automotive	41%
Intermodal	20%
Agricultural Products	18%
Industrial Products	15%
Chemicals	6%

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

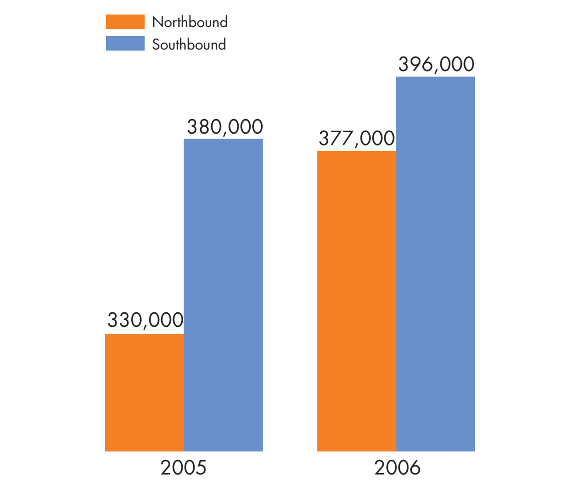
Although volume should be relatively flat year-over-year, revenue is expected to grow moderately in 2007. Strong growth should continue in markets for DDGs and meals, as well as intermodal and northbound Mexican beer. Profitability improvements are focused on enhancing lower profitability segments and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

CARLOAD TRAFFIC BY DIRECTION



PERCENT OF CARLOADS AT BORDER CROSSINGS