# FORM 10-Q

## UNITED STATES
## SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2005**

**- OR -**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ______ to ______**

**Commission file number 1-6075**

# UNION PACIFIC CORPORATION
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **UTAH** | **13-2626465** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**1400 DOUGLAS STREET, OMAHA, NEBRASKA**
**(Address of principal executive offices)**

**68179**
**(Zip Code)**

**(402) 544-5000**
**(Registrant's telephone number, including area code)**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES ☒ NO ☐

As of July 31, 2005, there were 263,775,017 shares of the Registrant's Common Stock outstanding.

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## PART I. FINANCIAL INFORMATION

**Item 1. Consolidated Financial Statements**

**Consolidated Statements of Income (Unaudited)**

*Union Pacific Corporation and Subsidiary Companies*

| *Millions, Except Per Share Amounts, For the Three Months Ended June 30,* | *2005* | *2004* |
|---|---|---|
| Operating revenue | $3,344 | $3,029 |
| Operating expenses: | | |
| Salaries, wages, and employee benefits | 1,075 | 1,048 |
| Equipment and other rents | 340 | 362 |
| Depreciation | 292 | 277 |
| Fuel and utilities | 597 | 435 |
| Materials and supplies | 128 | 114 |
| Casualty costs | 104 | 117 |
| Purchased services and other costs | 340 | 317 |
| Total operating expenses | 2,876 | 2,670 |
| Operating income | 468 | 359 |
| Other income | 29 | 8 |
| Interest expense | (128) | (130) |
| Income before income taxes | 369 | 237 |
| Income taxes | (136) | (79) |
| Net income | $ 233 | $ 158 |
| **Share and Per Share** | | |
| Earnings per share—basic | $ 0.89 | $ 0.61 |
| Earnings per share—diluted | $ 0.88 | $ 0.60 |
| Weighted average number of shares—basic | 262.8 | 258.9 |
| Weighted average number of shares—diluted | 265.6 | 261.6 |
| Dividends declared | $ 0.30 | $ 0.30 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Consolidated Statements of Income (Unaudited)**

*Union Pacific Corporation and Subsidiary Companies*

| *Millions, Except Per Share Amounts, For the Six Months Ended June 30,* | *2005* | *2004* |
|---|---|---|
| Operating revenue | $6,496 | $5,922 |
| Operating expenses: | | |
| Salaries, wages, and employee benefits | 2,174 | 2,059 |
| Equipment and other rents | 693 | 689 |
| Depreciation | 581 | 551 |
| Fuel and utilities | 1,136 | 824 |
| Materials and supplies | 263 | 237 |
| Casualty costs | 199 | 265 |
| Purchased services and other costs | 669 | 624 |
| Total operating expenses | 5,715 | 5,249 |
| Operating income | 781 | 673 |
| Other income | 49 | 36 |
| Interest expense | (260) | (265) |
| Income before income taxes | 570 | 444 |
| Income taxes | (209) | (121) |
| Net income | $ 361 | $ 323 |
| **Share and Per Share** | | |
| Earnings per share—basic | $ 1.38 | $ 1.25 |
| Earnings per share—diluted | $ 1.36 | $ 1.23 |
| Weighted average number of shares—basic | 262.1 | 258.8 |
| Weighted average number of shares—diluted | 265.0 | 262.1 |
| Dividends declared | $ 0.60 | $ 0.60 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

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**Consolidated Statements of Financial Position (Unaudited)**
*Union Pacific Corporation and Subsidiary Companies*

| *Millions of Dollars* | *June 30, 2005* | *December 31, 2004* |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and temporary investments | $ 164 | $ 977 |
| Accounts receivable, net | 686 | 538 |
| Materials and supplies | 348 | 309 |
| Current deferred income taxes | 495 | 288 |
| Other current assets | 168 | 178 |
| Total current assets | 1,861 | 2,290 |
| Investments: | | |
| Investments in and advances to affiliated companies | 764 | 742 |
| Other investments | 22 | 25 |
| Total investments | 786 | 767 |
| Properties: | | |
| Road | 32,938 | 31,948 |
| Equipment | 7,712 | 7,733 |
| Other | 208 | 226 |
| Total cost | 40,858 | 39,907 |
| Accumulated depreciation | (9,312) | (8,893) |
| Net properties | 31,546 | 31,014 |
| Other assets | 916 | 518 |
| Total assets | $35,109 | $ 34,589 |
| **Liabilities and Common Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 690 | $ 590 |
| Accrued wages and vacation | 400 | 384 |
| Accrued casualty costs | 506 | 419 |
| Income and other taxes | 225 | 208 |
| Dividends and interest | 251 | 256 |
| Debt due within one year | 139 | 150 |
| Equipment rents payable | 139 | 130 |
| Other current liabilities | 435 | 379 |
| Total current liabilities | 2,785 | 2,516 |
| Debt due after one year | 7,565 | 7,981 |
| Deferred income taxes | 9,521 | 9,180 |
| Accrued casualty costs | 860 | 884 |
| Retiree benefits obligation | 889 | 893 |
| Other long-term liabilities | 504 | 480 |
| Commitments and contingencies (Note 8) | | |
| Total liabilities | 22,124 | 21,934 |
| Common shareholders' equity: | | |
| Common shares, $2.50 par value; 500,000,000 shares authorized; 275,800,361 and 275,694,761 shares issued, respectively | 689 | 689 |
| Paid-in-surplus | 3,899 | 3,917 |
| Retained earnings | 9,427 | 9,222 |
| Treasury stock | (794) | (936) |
| Accumulated other comprehensive loss | (236) | (237) |
| Total common shareholders' equity | 12,985 | 12,655 |
| Total liabilities and common shareholders' equity | $35,109 | $ 34,589 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Consolidated Statements of Cash Flows (Unaudited)**
*Union Pacific Corporation and Subsidiary Companies*

| *Millions of Dollars, For the Six Months Ended June 30,* | *2005* | *2004* |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 361 | $ 323 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 581 | 551 |
| Deferred income taxes | 155 | 248 |
| Cash paid to fund pension plan | — | (50) |
| Other, net | (63) | 26 |
| Changes in current assets and current liabilities, net | 103 | (148) |
| Cash provided by operating activities | 1,137 | 950 |
| **Investing Activities** | | |
| Capital investments | (1,078) | (857) |
| Proceeds from asset sales | 87 | 41 |
| Other investing activities, net | (475) | (95) |
| Cash used in investing activities | (1,466) | (911) |
| **Financing Activities** | | |
| Dividends paid | (156) | (155) |
| Debt repaid | (639) | (394) |
| Cash received from exercise of stock options | 117 | 49 |
| Other financings activities, net | 194 | 591 |
| Cash (used in) provided by financing activities | (484) | 91 |
| Net change in cash and temporary investments | (813) | 130 |
| Cash and temporary investments at beginning of period | 977 | 527 |
| Cash and temporary investments at end of period | $ 164 | $ 657 |
| **Changes in Current Assets and Current Liabilities, Net** | | |
| Accounts receivable, net | $ (148) | $ (64) |
| Materials and supplies | (39) | (23) |
| Other current assets | 10 | (145) |
| Accounts, wages, and vacation payable | 116 | 81 |
| Other current liabilities | 164 | 3 |
| Total | $ 103 | $(148) |
| Supplemental cash flow information: | | |
| Non-cash capital lease financings | $ — | $ — |
| Cash (paid) received during the period for: | | |
| Interest | $ (262) | $(264) |
| Income taxes, net | 1 | 56 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

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**Consolidated Statement of Changes in Common Shareholders' Equity (Unaudited)**

*Union Pacific Corporation and Subsidiary Companies*

| *Millions of Dollars Thousands of Shares* | *Common Shares* | *Treasury Shares* | *Common Shares* | *Paid-in-Surplus* | *Retained Earnings* | *Treasury Stock* | *Accumulated Other Comprehensive Income/(Loss) Minimum Pension Liability Adj.* | *Foreign Currency Trans. Adj.* | *Derivative Adj.* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2005 | 275,695 | (15,175) | $ 689 | $3,917 | $ 9,222 | $ (936) | $ (212) | $ (18) | $ (7) | $12,655 |
| Comprehensive income/(loss): | | | | | | | | | | |
| Net income | | | — | — | 361 | — | — | — | — | 361 |
| Other comp. income/(loss) [a] | | | — | — | — | — | (2) | 2 | 1 | 1 |
| Total comprehensive income/(loss) | | | — | — | 361 | — | (2) | 2 | 1 | 362 |
| Conversion, exercises of stock options, forfeitures, and other | 105 | 2,511 | — | (18) | — | 142 | — | — | — | 124 |
| Dividends declared ($0.60 per share) | — | — | — | — | (156) | — | — | — | — | (156) |
| Balance at June 30, 2005 | 275,800 | (12,664) | $ 689 | $3,899 | $ 9,427 | $ (794) | $ (214) | $ (16) | $ (6) | $12,985 |

*[a] Net of tax of $1.*

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

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UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For purposes of this report, unless the context otherwise requires, all references herein to the “Corporation”, “UPC”, “we”, “us”, and “our” mean Union Pacific Corporation and its subsidiaries, including Union Pacific Railroad Company, which will be separately referred to herein as “UPRR” or the “Railroad”.

**1. Responsibilities for Financial Statements** – Our Consolidated Financial Statements are unaudited and reflect all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods presented. Our Consolidated Statement of Financial Position at December 31, 2004 is derived from audited financial statements. This quarterly report on Form 10-Q should be read in conjunction with our Consolidated Financial Statements and notes thereto contained in our 2004 annual report on Form 10-K. The results of operations for the three and six months ended June 30, 2005 are not necessarily indicative of the results for the entire year ending December 31, 2005. Certain prior year amounts have been reclassified to conform to the 2005 financial statement presentation.

**2. Stock-Based Compensation** – We have several stock-based employee compensation plans, which are described in note 7 to our Consolidated Financial Statements, Item 8, in our 2004 annual report on Form 10-K. We account for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation expense related to stock option grants is reflected in net income as all options granted under those plans had a grant price equal to the market value of our common stock on the date of grant. Stock-based compensation expense related to retention shares, stock units, and other incentive plans is reflected in net income. The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of Financial Accounting Standards Board (FASB) Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation. See note 10 to the Consolidated Financial Statements for discussion of FASB Statement No. 123(R). See note 7 to the Consolidated Financial Statements for a reconciliation between basic and diluted earnings per share.

| | *Three Months Ended June 30,* | | *Six Months Ended June 30,* | |
|---|---|---|---|---|
| *Millions of Dollars, Except Per Share Amounts* | *2005* | *2004* | *2005* | *2004* |
| Net income, as reported | $ 233 | $ 158 | $ 361 | $ 323 |
| Stock-based employee compensation expense included in reported net income, net of tax | 3 | 3 | 8 | 6 |
| Total stock-based employee compensation expense determined under fair value-based method for all awards, net of tax [a] | (7) | (9) | (29) | (17) |
| Pro forma net income | $ 229 | $ 152 | $ 340 | $ 312 |
| EPS – basic, as reported | $ 0.89 | $ 0.61 | $ 1.38 | $ 1.25 |
| EPS – basic, pro forma | $ 0.87 | $ 0.59 | $ 1.30 | $ 1.21 |
| EPS – diluted, as reported | $ 0.88 | $ 0.60 | $ 1.36 | $ 1.23 |
| EPS – diluted, pro forma | $ 0.86 | $ 0.58 | $ 1.28 | $ 1.19 |

*[a] Stock options for executives granted in 2002 and 2003 included a reload feature. This reload feature allows executives to exercise their options using shares of Union Pacific Corporation common stock that they already own and obtain a new grant of options in the amount of the shares used for exercise plus any shares withheld for tax purposes. The reload feature of these option grants may only be exercised if the price of our common stock increases at least 20% from the price at the time of the reload grant. During the three and six months ended June 30, 2005, reload option grants represented $0.3 million and $12 million of the pro forma expense noted above, respectively. There were no reload option grants during 2004. Stock options exercised after the effective date of FAS 123(R) will not be eligible for the reload feature.*

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions for options granted during the first three and six months of 2005 and 2004:

| | *2005* | *2004* |
|---|---|---|
| Risk-free interest rates | 3.7% | 3.3% |
| Dividend yield | 1.9% | 1.7% |
| Expected lives (years) | 4.8 | 5.6 |
| Volatility | 21.0% | 25.9% |

The weighted-average fair value of options granted was $14.11 and $14.37 for the three months ended June 30, 2005 and 2004, respectively, and $12.30 and $16.38 for the six months ended June 30, 2005 and 2004, respectively.

**3. Operations and Segmentation** – The Railroad, along with its subsidiaries and rail affiliates, is our one reportable business segment.

**4. Financial Instruments**

**Strategy and Risk** – We use derivative financial instruments in limited instances for other than trading purposes to manage risk related to changes in fuel prices and to achieve our interest rate objectives. We are not a party to leveraged derivatives and, by policy, do not use derivative financial instruments for speculative purposes. Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. We formally document the nature and relationships between the hedging instruments and hedged items, as well as our risk-management objectives, strategies for undertaking the various hedge transactions, and method of assessing hedge effectiveness. We may use swaps, collars, futures, and/or forward contracts to mitigate the downside risk of adverse price movements and to hedge the exposure to variable cash flows. The use of these instruments also limits future benefits from favorable movements. The purpose of these programs is to protect our operating margins and overall profitability from adverse fuel price changes or interest rate fluctuations.

**Market and Credit Risk** – We address market risk related to derivative financial instruments by selecting instruments with value fluctuations that highly correlate with the underlying hedged item. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring high credit standards for counterparties and periodic settlements. At June 30, 2005, we have not been required to provide collateral, nor have we received collateral, relating to our hedging activities.

**Determination of Fair Value** – The fair values of our derivative financial instrument positions at June 30, 2005 and December 31, 2004 were determined based upon current fair values as quoted by recognized dealers or developed based upon the present value of expected future cash flows discounted at the applicable U.S. Treasury rate, London Interbank Offered Rates (LIBOR), or swap spread.

**Interest Rate Fair Value Hedges** – We manage our overall exposure to fluctuations in interest rates by adjusting the proportion of fixed and floating rate debt instruments within our debt portfolio over a given period. The mix of fixed and floating rate debt is largely managed through the issuance of targeted amounts of each as debt matures or as incremental borrowings are required. Derivatives are used as one of the tools to obtain the targeted mix. In addition, we also obtain flexibility in managing interest costs and the interest rate mix within our debt portfolio by evaluating the issuance and management of outstanding callable fixed-rate debt securities.

Swaps allow us to convert debt from fixed rates to variable rates and thereby hedge the risk of changes in the debt's fair value attributable to the changes in the benchmark interest rate (LIBOR). The swaps have been accounted for using the short-cut method as allowed by FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*; therefore, no ineffectiveness has been recorded within our Consolidated Financial Statements.

The following is a summary of our interest rate derivatives qualifying as fair value hedges:

| *Millions of Dollars, Except Percentages* | *June 30, 2005* | *Dec. 31, 2004* |
|---|---|---|
| Interest rate fair value hedging: | | |
| Amount of debt hedged | $ 750 | $ 750 |
| Percentage of total debt portfolio | 10% | 9% |
| Gross fair value asset position | $ 5 | $ 8 |
| Gross fair value (liability) position | $ (6) | $ (4) |

**Interest Rate Cash Flow Hedges** – Changes in the fair value of cash flow hedges are reported in accumulated other comprehensive income until earnings are affected by the hedged item.

In 2004, we entered into treasury lock transactions that are accounted for as cash flow hedges. These treasury lock transactions resulted in a payment of $11 million that is being amortized on a straight-line basis over 10 years, ending September 30, 2014. The unamortized portion of the payment is recorded as a $6 million after-tax reduction to common shareholders' equity as part of accumulated other comprehensive loss at June 30, 2005. As of June 30, 2005 and December 31, 2004, we had no interest rate cash flow hedges outstanding.

**Fuel Hedges** – Fuel costs are a significant portion of our total operating expenses. In 2005 and 2004, our primary means of mitigating the impact of adverse fuel price changes has been our fuel surcharge program. However, we may use swaps, collars, futures, and/or forward contracts to further mitigate the impact of adverse fuel price changes. We hedged 120 million gallons of fuel during 2004 using collars with average cap, floor, and ceiling prices of $0.74, $0.64, and $0.86 per gallon, respectively. We did not have any fuel hedges in place during the first six months of 2005, and at June 30, 2005 and December 31, 2004 there were no fuel hedges outstanding.

**Earnings Impact** – Our use of derivative financial instruments had the following impact on pre-tax income:

| | *Three Months Ended June 30,* | | *Six Months Ended June 30,* | |
|---|---|---|---|---|
| *Millions of Dollars* | *2005* | *2004* | *2005* | *2004* |
| Decrease in interest expense from interest rate hedging | $ 2 | $ 7 | $ 5 | $ 14 |
| Decrease in fuel expense from fuel hedging | — | 3 | — | 7 |
| Increase in pre-tax income | $ 2 | $ 10 | $ 5 | $ 21 |

**Sale of Receivables** – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells, without recourse, an undivided interest in such accounts receivable to investors. The total capacity to sell undivided interests to investors under the facility was $600 million at June 30, 2005. The value of the outstanding undivided interest held by investors under the facility was $600 million and $590 million at June 30, 2005 and December 31, 2004, respectively. The value of the outstanding undivided interest held by investors is not included in our Consolidated Financial Statements. The value of the undivided interest held by investors was supported by $1,151 million and $1,089 million of accounts receivable held by UPRI at June 30, 2005 and December 31, 2004, respectively. At June 30, 2005 and December 31, 2004, the value of the interest retained by UPRI was $551 million and $499 million, respectively. This retained interest is included in accounts receivable in our Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and dilution. If default or dilution percentages were to increase one percentage point, the amount of eligible receivables would decrease by $6 million. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad has been designated to service the sold receivables; however, no servicing asset or liability has been recognized as the servicing fees adequately compensate the Railroad for its responsibilities. The Railroad collected approximately $6 billion during each of the six month periods ended June 30, 2005 and 2004, and UPRI used such proceeds to purchase new receivables under the facility.

The costs of the sale of receivables program are included in other income and were $6 million and $2 million for the three months ended June 30, 2005 and 2004, and $10 million and $4 million for the six months ended June 30, 2005 and 2004, respectively. The costs include interest, program fees paid to banks, commercial paper issuance costs, and fees for unused commitment availability.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad have no recourse to the assets of UPRI.

On August 4, 2005, we extended our sale of receivables program for approximately one month as we continue the process of renewing the program for an additional 364-day period.

**5. Debt**

**Credit Facilities** – On June 30, 2005, we had $2 billion in revolving credit facilities available, including $1 billion under a 5-year facility expiring in March 2009 and $1 billion under a 5-year facility expiring in March 2010 (collectively, the "facilities"). The facilities are designated for general corporate purposes and support the issuance of commercial paper. Neither of the facilities were drawn as of June 30, 2005. The 5-year facility expiring in March 2010 replaced a $1 billion 364-day revolving credit facility that expired in March 2005, while the 5-year facility expiring in March 2009 was put in place in 2004 to replace a 5-year revolving credit facility that was due to expire in March 2005. Commitment fees and interest rates payable under the facilities are similar to fees and rates available to comparably rated investment-grade borrowers. These facilities allow for borrowings at floating (LIBOR-based) rates, plus a spread, depending upon our senior unsecured debt ratings. The facilities do not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing) or any other provision that could require the posting of collateral. The facilities require the maintenance of a minimum net worth and a debt to net worth coverage ratio. At June 30, 2005, we were in compliance with these covenants.

In addition to the revolving credit facilities discussed above, we also had a $75 million uncommitted line of credit that was unused at June 30, 2005. The uncommitted line was put into place in May 2005 and expires in May 2006. We attained another $75 million uncommitted line of credit in July 2005, which will expire in July 2006.

To the extent we have long-term credit facilities available, we have reclassified certain short-term debt to a long-term basis. At June 30, 2005 and December 31, 2004, approximately $480 million and $440 million of short-term borrowings that we intend to refinance were reclassified as long-term debt, respectively. This reclassification reflects our ability and intent to refinance these short-term borrowings and current maturities of long-term debt on a long-term basis through the issuance of commercial paper or new long-term financings, or by using a currently available long-term credit facility if alternative financing is not available.

**Dividend Restrictions** – We are subject to certain restrictions related to the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was $5.5 billion and $5.2 billion at June 30, 2005 and December 31, 2004, respectively. We do not expect that these restrictions will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

**Shelf Registration Statement** – Under a current shelf registration statement, we may issue, from time to time, any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings. At June 30, 2005, we had $500 million remaining for issuance under the current shelf registration statement. We have no immediate plans to issue equity securities; however, we will continue to explore opportunities to replace existing debt or access capital through issuances of debt securities under this shelf registration.

**Debt Redemption** – On May 1, 2005, we redeemed approximately $113 million of 8.35% debentures with a maturity date of May 1, 2025. The redemption resulted in an early extinguishment charge of approximately $4 million in the second quarter of 2005.

**6. Retirement Plans**

**Pension and Other Postretirement Benefits**

*Pension Plans* – We provide defined benefit retirement income to eligible non-union employees through qualified and non-qualified (supplemental) pension plans. Qualified and non-qualified pension benefits are based on years of service and the highest compensation during the latest years of employment, with specific reductions made for early retirements.

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*Other Postretirement Benefits (OPEB)* – We provide defined contribution medical and life insurance benefits for eligible retirees. These benefits are funded as medical claims and life insurance premiums are paid.

**Expense**

Both pension and OPEB expense are determined based upon the annual service cost of benefits (the actuarial cost of benefits earned during a period) and the interest cost on those liabilities, less the expected return on plan assets. With respect to the value of pension plan assets, the expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a five-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns on assets and expected returns based on long-term rate of return assumptions. Differences in actual experience in relation to assumptions are not recognized immediately, but are deferred and, if necessary, amortized as pension or OPEB expense.

The components of our net periodic pension costs were as follows:

| | Pension | | | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| *Millions of Dollars* | 2005 | 2004 | 2005 | 2004 |
| Service cost | $ 8 | $ 7 | $ 17 | $ 15 |
| Interest cost | 30 | 29 | 59 | 58 |
| Expected return on plan assets | (33) | (35) | (67) | (69) |
| Amortization of: | | | | |
| Transition obligation | — | — | — | (1) |
| Prior service cost | 2 | 2 | 4 | 4 |
| Actuarial loss | 2 | 1 | 5 | 2 |
| Total net periodic benefit cost | $ 9 | $ 4 | $ 18 | $ 9 |

The components of our net periodic OPEB costs were as follows:

| | OPEB | | | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| *Millions of Dollars* | 2005 | 2004 | 2005 | 2004 |
| Service cost | $ 2 | $ 2 | $ 3 | $ 4 |
| Interest cost | 6 | 8 | 13 | 17 |
| Amortization of: | | | | |
| Prior service cost (credit) | (6) | (4) | (12) | (9) |
| Actuarial loss | 3 | 4 | 6 | 8 |
| Total net periodic benefit cost | $ 5 | $ 10 | $ 10 | $ 20 |

**Cash Contributions**

We currently do not have minimum funding requirements as set forth in employee benefit and tax laws. We voluntarily contributed $50 million to our pension plans during the first quarter of 2004.

**7. Earnings Per Share –** The following table provides a reconciliation between basic and diluted earnings per share:

| *Millions, Except Per Share Amounts* | *Three Months Ended June 30,* | | *Six Months Ended June 30,* | |
|---|---|---|---|---|
| | *2005* | *2004* | *2005* | *2004* |
| Net income available to common shareholders | $ 233 | $ 158 | $ 361 | $ 323 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 262.8 | 258.9 | 262.1 | 258.8 |
| Dilutive effect of stock options | 1.2 | 0.8 | 1.2 | 1.4 |
| Dilutive effect of retention shares, stock units, and restricted stock | 1.6 | 1.9 | 1.7 | 1.9 |
| Diluted | 265.6 | 261.6 | 265.0 | 262.1 |
| Earnings per share – basic | $ 0.89 | $ 0.61 | $ 1.38 | $ 1.25 |
| Earnings per share – diluted | $ 0.88 | $ 0.60 | $ 1.36 | $ 1.23 |

Common stock options totaling 1.4 million shares and 2.5 million shares for the three and six months ended June 30, 2005, respectively, and 4.5 million and 3.4 million shares for the three and six months ended June 30, 2004, respectively, were excluded from the computation of diluted earnings per share because the exercise prices of these options exceeded the average market price of our common stock for the respective periods, and the effect of their inclusion would be antidilutive.

**8. Commitments and Contingencies**

**Unasserted Claims** – Various claims and lawsuits are pending against us and certain of our subsidiaries. It is not possible at this time for us to determine fully the effect of all unasserted claims on our consolidated financial condition, results of operations, or liquidity; however, to the extent possible, where unasserted claims can be estimated and where such claims are considered probable, we have recorded a liability. We do not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities, or guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity after taking into account liabilities previously recorded for these matters.

**Personal Injury** – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use third-party actuaries to assist us in properly measuring the expense and liability, including unasserted claims. Compensation for work-related accidents is governed by the Federal Employers’ Liability Act (FELA). Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements.

Our personal injury liability activity was as follows:

| *Financial Activity Millions of Dollars* | *Six Months Ended June 30,* | |
|---|---|---|
| | *2005* | *2004* |
| Beginning balance | $ 638 | $ 617 |
| Accruals | 128 | 182 |
| Payments | (145) | (118) |
| Ending balance at June 30 | $ 621 | $ 681 |

Our personal injury liability is discounted to present value using applicable U.S. Treasury rates. At both June 30, 2005 and December 31, 2004, we had $274 million recorded in current liabilities as accrued casualty costs. Personal injury accruals were higher in 2004 due to a 1998 third-party crossing accident jury verdict upheld in the first quarter of 2004 and a 2004 derailment near San Antonio.

Our personal injury claims activity was as follows:

| *Claims Activity* | *Six Months Ended June 30,* 2005 | 2004 |
|---|---|---|
| Open claims, beginning balance | 4,028 | 4,085 |
| New claims | 2,163 | 2,158 |
| Settled or dismissed claims | (2,302) | (2,179) |
| Open claims, ending balance at June 30 | 3,889 | 4,064 |

**Asbestos** – We are a defendant in a number of lawsuits in which current and former employees allege exposure to asbestos. Additionally, we have received claims for asbestos exposure that have not been litigated. The claims and lawsuits (collectively referred to as “claims”) allege occupational illness resulting from exposure to asbestos-containing products. In most cases, the claimants do not have credible medical evidence of physical impairment resulting from the alleged exposures. Additionally, most claims filed against us do not specify an amount of alleged damages.

The greatest potential for asbestos exposure in the railroad industry existed while steam locomotives were used. The railroad industry, including UPRR and its predecessors, phased out steam locomotives between 1955 and 1960. The use of asbestos-containing products in the railroad industry was substantially reduced after steam locomotives were discontinued, although it was not completely eliminated. Some asbestos-containing products were still manufactured in the building trade industry and were used in isolated component parts on locomotives and railroad cars during the 1960s and 1970s. By the early 1980s, manufacturers of building materials and locomotive component parts developed non-asbestos alternatives for their products and ceased manufacturing asbestos-containing materials.

Prior to 2004, we concluded it was not possible to reasonably estimate the cost of disposing of asbestos-related claims that might be filed against us in the future, due to a lack of sufficient comparable history from which to reasonably estimate unasserted asbestos-related claims. As a result, we recorded a liability for asbestos-related claims only when the claims were asserted.

During 2004, we determined we could reasonably estimate our liability for unasserted asbestos-related claims because we had sufficient comparable loss data and there was no immediate legislative solution to asbestos litigation. During 2004, we engaged a third-party expert with extensive experience in estimating resolution costs for asbestos-related claims to assist us in assessing the number and value of these unasserted claims through 2034, based on our average claims experience over a multi-year period. As a result, we increased our liability for asbestos-related claims in the fourth quarter of 2004. The liability for resolving both asserted and unasserted claims was based on the following assumptions:

- The number of claims received in 2005 will be consistent with average claims received between 2000 and 2003.
- The number of claims to be filed against us will decline each year after 2005.
- The average settlement values for asserted and unasserted claims will be equivalent to those experienced between 2002 and 2004.
- The percentage of claims dismissed between 2002 and 2004 will continue through 2034.

Our asbestos-related liability activity was as follows:

| *Financial Activity Millions of Dollars* | *Six Months Ended June 30, 2005* | *2004* |
|---|---|---|
| Beginning balance | $ 324 | $ 51 |
| Accruals | — | 2 |
| Payments | (6) | (2) |
| Ending balance at June 30 | $ 318 | $ 51 |

Our liability for asbestos-related claims is not discounted to present value due to the uncertainty surrounding the timing of future payments. At June 30, 2005 and December 31, 2004, $17 million was classified in current liabilities as accrued casualty costs, while the remainder was classified as long-term accrued casualty costs. Approximately 16% of the recorded liability related to asserted claims, and approximately 84% related to unasserted claims. These claims are expected to be paid out over the next 30 years. During the second quarter of 2005, we evaluated actual experience compared to forecasted future claims and claim payments and determined that no adjustment to our estimate was necessary. We will obtain annual updates of the study from a third-party expert and make adjustments to our estimate if necessary.

Our asbestos-related claims activity was as follows:

| *Claims Activity* | *Six Months Ended June 30, 2005* | *2004* |
|---|---|---|
| Open claims, beginning balance | 2,316 | 2,560 |
| New claims | 506 | 260 |
| Settled or dismissed claims | (332) | (342) |
| Open claims, ending balance at June 30 | 2,490 | 2,478 |

Insurance coverage reimburses us for a portion of the costs incurred to resolve asbestos-related claims and we have recognized an asset for estimated insurance recoveries.

We believe that our liability estimates for asbestos-related claims and the estimated insurance recoveries reflect reasonable and probable estimates. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims to be filed each year, average settlement costs, and insurance coverage issues could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates may also vary due to changes in the litigation environment, federal and state law governing compensation of asbestos claimants, and the level of payments made to claimants by other defendants.

**Environmental Costs** – We are subject to federal, state, and local environmental laws and regulations. We have identified approximately 384 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 47 sites that are the subject of actions taken by the U.S. government, 26 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When an environmental issue has been identified with respect to property owned, leased, or otherwise used in the conduct of our business, we and our consultants perform environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable.

Our environmental liability activity was as follows:

| Financial Activity<br>Millions of Dollars | Six Months Ended June 30, 2005 | Six Months Ended June 30, 2004 |
|---|---|---|
| Beginning balance | $ 201 | $ 187 |
| Accruals | 21 | 15 |
| Payments | (15) | (16) |
| Ending balance at June 30 | $ 207 | $ 186 |

At both June 30, 2005 and December 31, 2004, we had $50 million recorded in current liabilities as accrued casualty costs. The liability includes costs for remediation and restoration of sites, as well as for ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. We believe that we have adequately accrued for our ultimate share of costs at sites subject to joint and several liability. However, the ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties involved, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. We do not expect current obligations to have a material adverse effect on our results of operations or financial condition.

**Purchase Obligations and Guarantees** – We periodically enter into financial and other commitments in connection with our business. We do not expect that these commitments or guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

At June 30, 2005, we were contingently liable for $468 million in guarantees and $55 million in letters of credit. We entered into these contingent guarantees in the normal course of business and they include guaranteed obligations of affiliated operations. None of the guarantees individually is significant, and we recorded a liability of $6 million for the fair value of these obligations as of June 30, 2005. The final guarantee expires in 2022. We are not aware of any existing event of default that would require us to satisfy these guarantees.

**Income Taxes** – In the second quarter, we reached final settlements with the Internal Revenue Service (IRS) related to resolution of tax liabilities for tax years 1986-1994. Federal income tax liabilities, excluding interest, for all years prior to 1995 are now resolved with the IRS. Settlement with respect to the interest calculations will take more time to resolve.

As a result of the final settlements of tax liabilities for pre-1995 tax years, we have undertaken, but have not yet completed, an analysis of the impact these settlements may have on previously recorded estimates of deferred tax assets and liabilities. At June 30, 2005, the Corporation’s recorded estimates of deferred tax assets and liabilities represent our best estimates based upon available information at this time. Although we anticipate any change in our estimates will be recorded as a reduction in both our deferred tax liability and income tax expense, at this time we are unable to reasonably estimate the amount of any adjustment because of the number of years, complexity, and interrelationship of the numerous issues involved in completing this review.

As previously reported, the IRS has also completed its examination of the Corporation’s federal income tax returns for years 1995-1998, and has issued a notice of deficiency. Among other adjustments, the IRS proposes to disallow tax deductions claimed in connection with certain donations of property during those years. We dispute the proposed adjustments and intend to defend our positions through applicable IRS procedures, and, if necessary, litigation. We do not expect that the ultimate resolution of this examination will have a material adverse effect on our operating results, financial condition, or liquidity. Tax years 1999-2002 are currently under examination.

**Insurance Subsidiaries** – We have two consolidated, wholly-owned subsidiaries that provide insurance coverage for certain risks including physical loss or property damage and certain other claims that are subject to reinsurance. At June 30, 2005, current accounts receivable and current accrued casualty costs included $90 million of reinsurance receivables and reinsured liability, respectively, held by one of our insurance subsidiaries related to losses sustained during the West Coast storm in January 2005. This amount may change in the future as facts and circumstances surrounding the claim and the reinsurance are finalized and settled.

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**9. Other Income** – Other income included the following for the three and six months ended June 30:

| *Millions of Dollars* | *Three Months Ended June 30,* 2005 | *Three Months Ended June 30,* 2004 | *Six Months Ended June 30,* 2005 | *Six Months Ended June 30,* 2004 |
|---|---|---|---|---|
| Net gain on non-operating asset dispositions | $ 28 | $ 7 | $ 42 | $ 21 |
| Rental income | 14 | 13 | 27 | 24 |
| Interest income | 4 | 1 | 11 | 3 |
| Asset sale of technology subsidiary | — | — | — | 9 |
| Early extinguishment of debt | (4) | (5) | (4) | (5) |
| Sale of receivable fees | (6) | (2) | (10) | (4) |
| Other, net | (7) | (6) | (17) | (12) |
| Total | $ 29 | $ 8 | $ 49 | $ 36 |

**10. Accounting Pronouncements** – In December 2004, the FASB issued Statement No. 123(R), *Share-Based Payment*. This statement requires that companies recognize compensation expense equal to the fair value of stock options or other share-based payments. On April 14, 2005, the Securities and Exchange Commission deferred the effective date to January 1, 2006. We will adopt FAS 123(R) on a modified prospective basis, recognizing compensation expense for 1) new awards granted on or after January 1, 2006, and 2) any portion of awards that have not vested as of that date. Assuming that the level of future option grants remains consistent with prior years, we estimate that the impact of this pronouncement for the Corporation will be an annual reduction in net income of approximately $20 million.

In July 2005, the FASB issued an exposure draft, *Accounting for Uncertain Tax Positions, an Interpretation of FASB Statement No. 109.* If finalized as drafted, the Interpretation will require companies to recognize the best estimate of the impact of a tax position only if that position is probable of being sustained during a tax audit. The FASB proposes that only tax positions that meet the probable recognition threshold may be recognized as of the end of the first fiscal year ending after December 15, 2005. We are currently assessing the impact that this proposed interpretation would have on our Consolidated Financial Statements.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES**

**Three and Six Months Ended June 30, 2005 Compared to**
**Three and Six Months Ended June 30, 2004**

For purposes of this report, unless the context otherwise requires, all references herein to the "Corporation", "UPC", "we", "us", and "our" mean Union Pacific Corporation and its subsidiaries, including Union Pacific Railroad Company, which will be separately referred to herein as "UPRR" or the "Railroad".

The following discussion should be read in conjunction with the Consolidated Financial Statements and applicable notes to the Consolidated Financial Statements, Item 1, and other information included in this report.

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable business segment.

**Available Information**

Our Internet website is www.up.com. We make available free of charge on our website (under the "Investors" caption link) our annual reports on Form 10-K; our quarterly reports on Form 10-Q; our current reports on Form 8-K; our proxy statements; Forms 3, 4, and 5, filed on behalf of directors and executive officers; and amendments to such reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). We also make available on our website previously filed SEC reports and exhibits via a link to EDGAR on the SEC's Internet site at www.sec.gov. Additionally, our corporate governance materials, including Board Committee charters, governance guidelines and policies, and codes of conduct and ethics for directors, officers, and employees may be found on our website at www.up.com/investors. From time to time, the corporate governance materials on our website may be updated as necessary to comply with rules issued by the SEC and the New York Stock Exchange or as desirable to promote the effective and efficient governance of our company. Any security holder wishing to receive, without charge, a copy of any of our SEC filings or corporate governance materials should send a written request to: Secretary, Union Pacific Corporation, 1400 Douglas Street, Omaha, NE 68179.

References to our website address and any other references to the website contained in this report, including references in this Item 2, are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained on the website. Therefore, such information should not be considered part of this report.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenue, expenses, assets, and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ materially from actual results, the impact on the Consolidated Financial Statements may be material. Our critical accounting policies are available in our 2004 annual report on Form 10-K, Item 7. There have been no significant changes with respect to these policies during the first six months of 2005.

**RESULTS OF OPERATIONS**

**Summary**

We reported earnings of $0.88 per diluted share, or net income of $233 million, in the second quarter of 2005 compared to earnings of $0.60 per diluted share, or net income of $158 million, for the second quarter of 2004. Year-to-date net income was $361 million versus $323 million for the same period in 2004. Operating income grew 30% to $468 million in the second quarter of 2005 driven by yield increases, fuel surcharges, and modest volume growth, which were partially offset by lower coal shipments from the Wyoming Southern Powder River Basin (SPRB) and higher fuel prices. Shipments were disrupted beginning in mid-May due to track conditions on the SPRB Joint Line (track jointly owned by UPRR and Burlington Northern Santa Fe (BNSF) but maintained by BNSF) and the remedial maintenance program. Operating income improved 16% for the first six months of 2005, as yield increases and fuel surcharges more than offset the effects of the West Coast storm in January of 2005, lower automotive shipments, higher fuel prices, and reduced SPRB coal shipments.

Two of the Railroad's three key operating metrics, as reported to the Association of American Railroads, improved in the second quarter of 2005 versus the second quarter of 2004. Average terminal dwell time improved 11 percent from 30.9 hours to 27.4 hours, and rail car inventory improved 2 percent to 318,434 cars. Average quarterly train speed fell slightly, from 21.3 mph to 21.2 mph. Network velocity declined due to maintenance problems on the SPRB Joint Line, as coal speeds fell from 21.4 mph in the first quarter to 20.4 mph in the second quarter of 2005. Implementation of the Unified Plan continued throughout the second quarter, with changes to automotive, manifest, and Mexico operations. Changes to our intermodal operations are underway. We continue to refine our network operations utilizing industrial engineering techniques, especially at our yard and terminal facilities.

**Operating Revenue**

| *Millions of Dollars* | *Three Months Ended June 30, 2005* | *Three Months Ended June 30, 2004* | *% Change* | *Six Months Ended June 30, 2005* | *Six Months Ended June 30, 2004* | *% Change* |
|---|---|---|---|---|---|---|
| Commodity revenue | $ 3,196 | $ 2,901 | 10% | $6,200 | $5,678 | 9% |
| Other revenue | 148 | 128 | 16 | 296 | 244 | 21 |
| Total operating revenue | $ 3,344 | $ 3,029 | 10% | $6,496 | $5,922 | 10% |

Operating revenue consists of commodity revenue and other revenue. Other revenue consists primarily of subsidiary revenue, revenue from our commuter rail operations, and accessorial revenue earned due to customer retention of Railroad-owned or controlled equipment. We recognize commodity revenue on a percentage-of-completion basis as freight moves from origin to destination. We allocate revenue between reporting periods based on the relative transit time in each reporting period. We recognize other revenue as service is performed or contractual obligations are met.

Commodity revenue for the second quarter improved in all groups, with particularly strong growth in the industrial products, agricultural, intermodal, and chemical groups. Fuel surcharges, price increases, and index-based contract escalators contributed to higher average revenue per car (ARC). We recognized $222 million and $64 million in commodity revenue from our fuel surcharge programs in the second quarter of 2005 and 2004, respectively. Although positive for the quarter, volume growth was negatively impacted by reduced coal shipments from the SPRB Joint Line and lower finished auto shipments.

Year-to-date commodity revenue growth was primarily driven by fuel surcharges, price increases, and index-based contract escalators, which resulted in an increase in ARC. Revenue carload growth was constrained by the effects of the January West Coast storm, disruptions on the SPRB Joint Line, and lower automotive shipments. For the first six months of 2005 and 2004, our fuel surcharge programs generated $398 and $103 million in commodity revenue, respectively.

For the second quarter and year-to-date periods in 2005, other revenue increased due to higher subsidiary and accessorial revenue.

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The following tables summarize the year-over-year changes in commodity revenue, revenue carloads, and average revenue per car by commodity type:

| *Commodity Revenue Millions, Except for Percent Changes* | *Three Months Ended June 30, 2005* | *2004* | *% Change* | *Six Months Ended June 30, 2005* | *2004* | *% Change* |
|---|---|---|---|---|---|---|
| Agricultural | $ 463 | $ 399 | 16% | $ 911 | $ 810 | 13% |
| Automotive | 329 | 326 | 1 | 622 | 623 | — |
| Chemicals | 459 | 429 | 7 | 900 | 839 | 7 |
| Energy | 629 | 597 | 6 | 1,297 | 1,183 | 10 |
| Industrial products | 719 | 606 | 19 | 1,349 | 1,169 | 15 |
| Intermodal | 597 | 544 | 10 | 1,121 | 1,054 | 6 |
| Total | $ 3,196 | $ 2,901 | 10% | $6,200 | $5,678 | 9% |

| *Revenue Carloads Thousands, Except for Percent Changes* | *Three Months Ended June 30, 2005* | *2004* | *% Change* | *Six Months Ended June 30, 2005* | *2004* | *% Change* |
|---|---|---|---|---|---|---|
| Agricultural | 215 | 216 | — % | 431 | 446 | (3)% |
| Automotive | 211 | 217 | (3) | 403 | 420 | (4) |
| Chemicals | 236 | 238 | (1) | 464 | 462 | — |
| Energy | 525 | 540 | (3) | 1,099 | 1,081 | 2 |
| Industrial products | 398 | 387 | 2 | 756 | 752 | 1 |
| Intermodal | 806 | 770 | 5 | 1,538 | 1,495 | 3 |
| Total | 2,391 | 2,368 | 1% | 4,691 | 4,656 | 1% |

| *Average Revenue Per Car, Except for Percent Changes* | *Three Months Ended June 30, 2005* | *2004* | *% Change* | *Six Months Ended June 30, 2005* | *2004* | *% Change* |
|---|---|---|---|---|---|---|
| Agricultural | $ 2,152 | $ 1,854 | 16% | $2,114 | $1,817 | 16% |
| Automotive | 1,565 | 1,503 | 4 | 1,545 | 1,482 | 4 |
| Chemicals | 1,945 | 1,799 | 8 | 1,941 | 1,816 | 7 |
| Energy | 1,198 | 1,106 | 8 | 1,180 | 1,095 | 8 |
| Industrial products | 1,809 | 1,566 | 16 | 1,785 | 1,555 | 15 |
| Intermodal | 740 | 706 | 5 | 728 | 705 | 3 |
| Total | $ 1,337 | $ 1,225 | 9% | $1,322 | $1,220 | 8% |

*Agricultural* – Revenue increases for both the second quarter and year-to-date periods were driven by corn and feed grains and dry feed ingredients, as both commodities saw solid pricing gains and fuel surcharge increases versus 2004. Carloads were essentially flat during the second quarter, with gains in dry feed, ethanol, and frozen and refrigerated products offset by fewer carloads of wheat and corn. Year-to-date carloads declined largely due to reduced volumes of wheat for export from the Gulf of Mexico, as well as lower corn and feed shipments. ARC improvement for the three and six-month periods was driven by price increases, fuel surcharges, and the positive impact of a larger percentage of carloads with longer average lengths of haul.

*Automotive* – Second quarter revenue increased in 2005 compared to 2004 primarily due to fuel surcharges and price increases despite lower volume levels. Year-to-date revenue was flat, while carloads decreased for the quarter and year-to-date periods due to lower shipments of finished vehicles. ARC improved in both periods primarily due to fuel surcharges and price increases.

*Chemicals* – Revenue increased for the second quarter and year-to-date periods due to pricing, fuel surcharges, and our improved ability to handle export potash demand via the Eastport gateway. This was partially offset by a decline in liquid and dry petroleum shipments. Second quarter carloads were down and year-to-date carloads were flat versus 2004. Quarterly and year-to-date ARC improvement was driven by price increases and fuel surcharges.

*Energy* – Second quarter revenue growth was driven mainly by shipments of coal from Colorado and Utah, which experienced ARC growth due to fuel surcharges, index-based contract escalators, and the favorable mix impact of more long-haul traffic moving to the East. Second quarter carloadings decreased versus 2004 resulting primarily from a decline in SPRB shipments. Year-to-date revenue, carloadings, and ARC all increased versus 2004 as a result of new SPRB business, fuel surcharges, index-based contract escalators, and favorable mix.

*Industrial Products* – Revenue increased in both the second quarter and year-to-date periods versus the comparable periods of 2004. Growth in both periods was led by lumber, which benefited from significant ARC growth year-over-year due to price increases and fuel surcharges, and by higher shipments of stone due to strong construction demand, larger train sizes, and improved car-cycle times. Second quarter revenue gains were also driven by improved pricing and fuel surcharges on steel shipments. Second quarter and year-to-date carload improvement was driven largely by increased stone shipments, which were partially offset by decreased newsprint and fiber shipments and lower government shipments. ARC improved in both periods due to price increases and fuel surcharges.

*Intermodal* – Second quarter and year-to-date revenue improved as carloads increased in both periods, resulting from strong imports, primarily from China and the rest of Asia. Year-to-date results were affected by lost business due to the West Coast storm during the first quarter of 2005. ARC improved in both the three and six-month periods versus 2004 due to price increases, fuel surcharges, and index-based contract escalators.

*Mexico Business* – Included in the commodity revenue reported above is revenue from shipments to and from Mexico, which increased 16% to $281 million for the second quarter and 13% to $532 million year-to-date over the comparable periods of 2004. Growth was driven primarily by price increases and fuel surcharges. Second quarter carloads increased 1% due to increased cement, dry feed, and corn shipments, while year-over-year carloads were flat versus 2004.

**Operating Expenses**

| *Millions, Except for Percent Changes* | *Three Months Ended June 30,* 2005 | *Three Months Ended June 30,* 2004 | *% Change* | *Six Months Ended June 30,* 2005 | *Six Months Ended June 30,* 2004 | *% Change* |
|---|---|---|---|---|---|---|
| Salaries, wages, and employee benefits | $ 1,075 | $ 1,048 | 3% | $2,174 | $2,059 | 6% |
| Equipment and other rents | 340 | 362 | (6) | 693 | 689 | 1 |
| Depreciation | 292 | 277 | 5 | 581 | 551 | 5 |
| Fuel and utilities | 597 | 435 | 37 | 1,136 | 824 | 38 |
| Materials and supplies | 128 | 114 | 12 | 263 | 237 | 11 |
| Casualty costs | 104 | 117 | (11) | 199 | 265 | (25) |
| Purchased services and other costs | 340 | 317 | 7 | 669 | 624 | 7 |
| Total | $ 2,876 | $ 2,670 | 8% | $5,715 | $5,249 | 9% |

Operating expenses increased in the second quarter of 2005 due to significantly higher fuel prices, inflation, depreciation expense, higher freight car and locomotive contract maintenance costs, and guaranteed wages associated with trainmen employment levels. These cost increases were partially offset by lower casualty costs, lower car rental expense, and lower relocation costs. Higher relocation costs were recognized in the second quarter of 2004, when we moved various support functions to Omaha, Nebraska. For the six months ended June of 2005, operating expenses were also impacted by additional training expenses associated with higher trainmen employment levels and clean-up and restoration costs associated with the January 2005 West Coast storm. Casualty costs were lower due to a 1998 crossing accident verdict upheld in the first quarter of 2004.

*Salaries, Wages, and Employee Benefits* – Higher 2005 second quarter and year-to-date expenses were driven by wage and benefit inflation, current demand levels, guaranteed wage expenses associated with an increase in trainmen employment levels, and additional track and mechanical maintenance personnel, partially offset by lower relocation costs. Higher 2005 year-to-date salary and benefit expenses were also driven by increased use of train crews due to lower system velocity, training expenses associated with an increase in trainmen employment levels, and increased labor expenses associated with the West Coast storm.

*Equipment and Other Rents* – Equipment and other rents primarily includes rent the Railroad pays for freight cars owned by other railroads or private companies; freight car, intermodal, and locomotive leases; other specialty equipment leases; and office and other rentals. Expenses decreased in the second quarter of 2005, primarily driven by lower car rental expense due to an 11% improvement in car cycle times for equipment used in industrial products, chemical, and automotive shipments, reduced car lease expense, and lower office rental expense, which were partially offset by volume-related growth for industrial products and intermodal shipments and a modest increase in locomotive lease costs. Year-to-date expenses were up slightly reflecting the impact of slower first quarter 2005 car cycle times, volume-related expenses, and higher locomotive lease costs.

*Depreciation* – The majority of depreciation relates to track structure, including rail, ties, and other track material. Depreciation expense increased in the second quarter and year-to-date periods in 2005 compared to 2004, primarily due to a higher depreciable asset base caused by significant capital expenditures and volume growth in recent years.

*Fuel and Utilities* – Fuel and utilities include locomotive fuel, utilities other than telephone, and gasoline and other fuels. The increase in the second quarter of 2005 was driven by higher diesel fuel prices, which averaged $1.67 per gallon compared to $1.16 per gallon in the second quarter of 2004 (including taxes and transportation costs). The higher fuel price contributed $169 million to the increase; however, $158 million of the additional fuel cost was recovered through our fuel surcharge programs and is included in operating revenue. This was partially offset by a 3% improvement in the fuel consumption rate, saving $13 million in second quarter fuel expense versus 2004. Year-to-date, fuel prices averaged $1.56 in 2005 versus $1.09 during the same period in 2004, resulting in a $317 million increase in fuel expense and a $294 million increase in fuel surcharge revenue. A 3% improvement in the year-to-date consumption rate resulted in $25 million of fuel savings in 2005 versus the same period in 2004, which was partially offset by a 1% increase in gross ton-miles resulting in $8 million of additional fuel expenses for the year-to-date period in 2005 versus 2004. The Railroad did not have any fuel hedges in place during the first six months of 2005. In the second quarter and year-to-date periods in 2004, our fuel hedges decreased fuel costs by $3 million and $7 million, respectively. Gasoline, utilities, and propane expenses increased $4 million in the second quarter of 2005 and $8 million during the first six months compared to 2004 due to higher prices.

*Materials and Supplies* – Materials used to maintain the Railroad’s lines, structures, and equipment are the principal component of materials and supplies expense. Office, small tools and other supplies, and the costs of freight services to ship Railroad materials are also included. Expenses increased in the second quarter and year-to-date periods in 2005 due to the increased use of locomotive repair materials associated with maintaining a larger fleet that includes older units not covered by warranties, additional freight car repairs, and higher material costs. Material cost increases were driven primarily by higher prices for freight car wheel sets and lube oil.

*Casualty Costs* – Personal injury expense, freight and property damage, insurance, and environmental costs are included in casualty costs. Costs in the second quarter and year-to-date periods of 2005 were lower due to the recognition of expense in 2004 as a result of a court ruling on a 1998 crossing accident and for a June 2004 derailment near San Antonio, partially offset by higher insurance costs in 2005. Lower year-to-date casualty costs in 2005 compared to 2004 were also driven by lower freight loss and damage expense and lower costs for destruction of foreign equipment. Destruction of foreign equipment expense is incurred when equipment owned by other railroads is damaged while in our possession.

*Purchased Services and Other Costs* – Purchased services and other costs include the costs of services purchased from outside contractors, state and local taxes, net costs of operating facilities jointly used by UPRR and other railroads, transportation and lodging for train crew employees, trucking and contracting costs for intermodal containers, leased automobile maintenance expenses, telephone and cellular expense, employee travel expense, and computer and other general expenses. Expenses increased in the second quarter and year-to-date periods of 2005 as a result of higher contract service and maintenance expenses, higher state and local taxes, increased trucking expenses for intermodal carriers, and crew transportation and lodging costs. Year-to-date expenses were also driven up by the West Coast storm clean-up and restoration expenses and lower expenses incurred for jointly-owned operating facilities.

**Non-Operating Items**

| | *Three Months Ended June 30,* | | *Six Months Ended June 30,* | |
|---|---|---|---|---|
| ***Millions of Dollars*** | ***2005*** | ***2004*** | ***2005*** | ***2004*** |
| Other income | $ 29 | $ 8 | $ 49 | $ 36 |
| Interest expense | (128) | (130) | (260) | (265) |
| Income taxes | (136) | (79) | (209) | (121) |

*Other Income* – For the second quarter and year-to-date periods in 2005, the increase in other income was primarily a result of higher gains from real estate sales compared to 2004. The six month period of 2004 included the sale of assets of a technology subsidiary.

*Interest Expense* – The improvement in interest expense in the second quarter and year-to-date periods of 2005 was primarily driven by lower weighted-average debt levels of $7.9 billion and $8.0 billion in 2005, respectively, compared to $8.1 billion in both periods of 2004. For the second quarter of 2005, a higher effective interest rate of

6.5% versus 6.4% in 2004 partially offset the effects of a lower debt level, while for the year-to-date period, the effective interest rate was lower at 6.5% versus 6.6% for the six-month period in 2004.

*Income Taxes* – Income tax expense in the second quarter and year-to-date periods of 2005 increased from the prior year due to higher 2005 pre-tax income combined with a 2004 reduction in the deferred state income tax liability primarily attributable to relocating support operations to Omaha, Nebraska, and state income tax credits earned in 2004 in connection with the new headquarters building in Omaha.

**OTHER OPERATING AND FINANCIAL STATISTICS**

We report key Railroad performance measures weekly to the American Association of Railroads, including carloads, average train speed, average daily inventory of rail cars on our system, and average terminal dwell time. The operating data are available on our website at www.up.com/investors/reports/index.shtml.

| | *Three Months Ended June 30,* | | | *Six Months Ended June 30,* | | |
|---|---|---|---|---|---|---|
| | *2005* | *2004* | *% Change* | *2005* | *2004* | *% Change* |
| Average train speed (miles per hour) | 21.2 | 21.3 | — % | 21.2 | 21.6 | (2)% |
| Average terminal dwell time (hours) | 27.4 | 30.9 | (11) | 28.4 | 30.4 | (7) |
| Gross ton-miles (billions) | 260.0 | 260.6 | — | 518.4 | 512.5 | 1 |
| Revenue ton-miles (billions) | 136.8 | 136.1 | 1 | 274.3 | 270.7 | 1 |
| Rail car inventory (thousands) | 318.4 | 325.4 | (2) | 320.0 | 323.4 | (1) |
| Average full-time equivalent employees | 49,785 | 48,383 | 3 | 49,441 | 47,610 | 4 |

**Average Train Speed** – Continued network inefficiencies, record traffic volume, and disruptions on the SPRB Joint Line hampered efforts to improve our average train speed. Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals.

**Average Terminal Dwell Time** – The 11% improvement in dwell time in the second quarter of 2005 resulted from strategic network management initiatives and directed efforts to more timely deliver rail cars to our interchange partners and customers. Average terminal dwell time is the average time that a rail car spends at our terminals. Lower average terminal dwell time is favorable.

**Gross and Revenue Ton-Miles** – For the second quarter of 2005, gross ton-miles were flat with 2004, while revenue ton-miles and carloadings were up 1%, driven primarily by a decrease in energy and chemical shipments, which are higher density commodity groups. For the year-to-date period, gross and revenue ton-miles grew 1% in correlation to the 1% growth in carloadings as volume growth in the higher density commodity groups that was experienced in the first quarter decreased year-over-year in the second quarter. Gross ton-miles are calculated by multiplying the weight of loaded or empty freight cars by the number of miles hauled. Revenue ton-miles are based on tariff miles and do not include the weight of freight cars.

**Rail Car Inventory** – Our rail car inventory improved 2% in the second quarter and 1% for the year-to-date period as we continued to focus on network management initiatives. Rail car inventory is the number of freight cars on-line throughout our system. Lower rail car inventory is desirable for network fluidity.

**Average Full-Time Equivalent Employees** – The second quarter and year-to-date increases in employees resulted primarily from adding train crew personnel to handle increased customer demand and improve service. The number of track maintenance personnel also increased due to increased track repair and replacement programs.

| | June 30, 2005 | Dec. 31, 2004 | Change |
|---|---|---|---|
| Debt to capital | 37.2% | 39.1% | (1.9) pt |
| Lease adjusted debt to capital | 43.5% | 45.1% | (1.6) pt |

**Debt to Capital/Lease Adjusted Debt to Capital** – Our debt to capital ratios improved due to an increase in equity due to earnings, as well as reductions in our debt levels. Debt to capital is computed by dividing total debt by total debt plus equity. Lease adjusted debt to capital is derived by dividing total debt plus the net present value of operating leases by total debt plus equity plus the net present value of operating leases. We believe these measures are important in managing our capital structure to allow efficient access to the debt market while minimizing our cost of capital.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Condition

| *Cash Flows Millions of Dollars* | *Six Months Ended June 30, 2005* | *2004* |
|---|---|---|
| Cash provided by operating activities | $ 1,137 | $ 950 |
| Cash used in investing activities | (1,466) | (911) |
| Cash (used in) provided by financing activities | (484) | 91 |
| Net change in cash and temporary investments | $ (813) | $ 130 |

*Cash Provided by Operating Activities* – The increase in the first half of 2005 was driven by higher net income, a $50 million pension payment in the first quarter of 2004, lower management incentive payments, and changes in other working capital accounts, partially offset by income tax refunds received in the first half of 2004 and higher materials and supplies balances.

*Cash Used in Investing Activities* – The increase in the first half of 2005 resulted from the acquisitions of locomotives and freight cars that were pending completion of permanent financing agreements and increased capital spending. Cash outflows were partially offset by higher proceeds from asset sales.

The following table details capital expenditures:

| *Capital Expenditures Millions of Dollars* | *Six Months Ended June 30, 2005* | *2004* |
|---|---|---|
| Track | $ 754 | $ 679 |
| Locomotives | 44 | 40 |
| Freight cars | 11 | 2 |
| Facilities and other | 269 | 136 |
| Total | $ 1,078 | $ 857 |

*Cash (Used in) Provided by Financing Activities* – The increase in cash used in financing activities in the first half of 2005 was driven by higher debt repayments ($639 million in 2005 compared to $394 million in 2004) and lower net financings ($194 million in 2005 compared to $591 million in 2004). This was partially offset by an increase in proceeds from stock option exercises ($117 million in the first half of 2005 compared to $49 million in the same period of 2004).

| *Free Cash Flow* *Millions of Dollars* | *Six Months Ended June 30,* 2005 | 2004 |
|---|---|---|
| Cash provided by operating activities | $ 1,137 | $ 950 |
| Cash used in investing activities | (1,466) | (911) |
| Dividends paid | (156) | (155) |
| Free cash flow | $ (485) | $(116) |

*Free Cash Flow* – Free cash flow is considered a non-GAAP financial measure by SEC Regulation G. We believe free cash flow is important in evaluating our financial performance and measures our ability to generate cash without incurring additional external financings. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities. The table above reconciles cash provided by operating activities (GAAP measure) to free cash flow (non-GAAP measure).

**Financing Activities**

**Credit Facilities** – On June 30, 2005, we had $2 billion in revolving credit facilities available, including $1 billion under a 5-year facility expiring in March 2009 and $1 billion under a 5-year facility expiring in March 2010 (collectively, the “facilities”). The facilities are designated for general corporate purposes and support the issuance of commercial paper. Neither of the facilities were drawn as of June 30, 2005. The 5-year facility expiring in March 2010 replaced a $1 billion 364-day revolving credit facility that expired in March 2005, while the 5-year facility expiring in March 2009 was put in place in 2004 to replace a 5-year revolving credit facility that was due to expire in March 2005. Commitment fees and interest rates payable under the facilities are similar to fees and rates available to comparably rated investment-grade borrowers. These facilities allow for borrowings at floating (LIBOR-based) rates, plus a spread, depending upon our senior unsecured debt ratings. The facilities do not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing) or any other provision that could require the posting of collateral. The facilities require the maintenance of a minimum net worth and a debt to net worth coverage ratio. At June 30, 2005, we were in compliance with these covenants.

In addition to the revolving credit facilities discussed above, we also had a $75 million uncommitted line of credit that was unused at June 30, 2005. The uncommitted line was put into place in May 2005 and expires in May 2006. We attained another $75 million uncommitted line of credit in July 2005, which will expire in July 2006.

To the extent we have long-term credit facilities available, we have reclassified certain short-term debt to a long-term basis. At June 30, 2005 and December 31, 2004, approximately $480 million and $440 million of short-term borrowings that we intend to refinance were reclassified as long-term debt, respectively. This reclassification reflects our ability and intent to refinance these short-term borrowings and current maturities of long-term debt on a long-term basis through the issuance of commercial paper or new long-term financings, or by using a currently available long-term credit facility if alternative financing is not available.

**Shelf Registration Statement** – Under a current shelf registration statement, we may issue, from time to time, any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings. At June 30, 2005, we had $500 million remaining for issuance under the current shelf registration statement. We have no immediate plans to issue equity securities; however, we will continue to explore opportunities to replace existing debt or access capital through issuances of debt securities under this shelf registration.

**Debt Redemption** – On May 1, 2005, we redeemed approximately $113 million of 8.35% debentures with a maturity date of May 1, 2025. The redemption resulted in an early extinguishment charge of approximately $4 million in the second quarter of 2005.

**Ratio of Earnings to Fixed Charges** – For the three and six months ended June 30, 2005, our ratio of earnings to fixed charges was 3.0 and 2.5, compared to 2.2 for both the three and six months ended June 30, 2004. The ratio of earnings to fixed charges is computed on a consolidated basis. Earnings represent net income, less equity earnings net of distributions, plus fixed charges and income taxes. Fixed charges represent interest charges, amortization of debt discount, and an estimated amount representing the interest portion of rental charges.

**Operating Lease Activities** – As of June 30, 2005, our total contractual obligations for operating leases were approximately $3.5 billion. Through the date of this report, the Railroad entered into long-term operating lease arrangements as lessee, covering 315 locomotives and approximately 2,400 freight cars, which represents the majority of new equipment that the Railroad plans to acquire in 2005. The lessors under these lease arrangements purchased from the Corporation these locomotives and freight cars in various financing transactions with a total equipment cost of approximately $800 million. The leases covering this equipment were entered into during the second and early third quarters of 2005. These new lease arrangements provide for minimum total rental payments of approximately $1,155 million, of which $270 million is reflected in the contractual obligations table as of June 30, 2005.

The lessors financed the purchase of the locomotives and freight cars, in part, by the issuance of equipment notes that are non-recourse to the Railroad and are secured by an assignment of the underlying leases and a security interest in the equipment. Neither the Railroad nor UPC guarantees payment of the equipment notes. The Railroad's obligations to make operating lease payments under the leases are recourse obligations and are not recorded in the Consolidated Statements of Financial Position.

The Railroad has certain renewal and purchase options with respect to the locomotives and freight cars. If the Railroad does not exercise any such options, the equipment will be returned to the lessors at the end of the lease term.

On July 8, 2005, the Railroad completed the acquisition of our partner's interest in Bay Pacific Financial L.L.C., a joint venture established to assist in the acquisition of containers and chassis for use by the Railroad in intermodal service. This resulted in the Railroad owning 100% of the joint venture. Minimum rental payments for leases acquired in the acquisition were approximately $200 million, which will be included in the contractual obligations table beginning in the third quarter of 2005.

**Off-Balance Sheet Arrangements, Contractual Obligations, and Commercial Commitments**

As described in the notes to the Consolidated Financial Statements and as referenced in the tables below, we have contractual obligations and commercial commitments that may affect our financial condition. However, based on management's assessment of the underlying provisions and circumstances of the material contractual obligations and commercial commitments, including material sources of off-balance sheet and structured finance arrangements, there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur that would have a material effect on our financial condition, results of operations, or liquidity. In addition, the commercial obligations, financings and commitments we make are customary transactions, similar to those of other comparable industrial corporations, particularly within the transportation industry.

The following tables identify material obligations and commitments as of June 30, 2005:

| | | *Payments Due by Period* | | | |
|---|---|---|---|---|---|
| ***Contractual Obligations Millions of Dollars*** | ***Total*** | ***Less Than 1 Year*** | ***2-3 Years*** | ***4-5 Years*** | ***After 5 Years*** |
| Debt [a] | $ 6,458 | $ 43 | $1,761 | $1,038 | $3,616 |
| Operating leases | 3,501 | 438 | 724 | 536 | 1,803 |
| Capital lease obligations [b] | 2,190 | 195 | 371 | 320 | 1,304 |
| Purchase obligations [c] | 3,284 | 561 | 521 | 461 | 1,741 |
| Pension and other postretirement benefits [d] | 363 | 35 | 67 | 72 | 189 |
| Total contractual obligations | $15,796 | $ 1,272 | $3,444 | $2,427 | $8,653 |

[a] *Excludes capital lease obligations of $1,352 million, unamortized discount of $104 million, and market value adjustments of $(2) million for debt with qualifying hedges.*

[b] *Includes interest component.*

[c] *Purchase obligations include locomotive maintenance contracts and purchase commitments for locomotives, freight cars, ties, ballast, track, and other goods and services.*

[d] *Includes actuarially estimated other postretirement benefits payments for the next ten years. No amounts are included for pension as no contributions are currently required.*

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| *Other Commercial Commitments Millions of Dollars* | *Total Amounts Committed* | *Amount of Commitment Expiration Per Period* | | | |
|---|---|---|---|---|---|
| | | *Less Than 1 Year* | *2-3 Years* | *4-5 Years* | *After 5 Years* |
| Credit facilities [a] | $ 2,000 | $ — | $— | $2,000 | $ — |
| Sale of receivables [b] | 600 | 600 | — | — | — |
| Guarantees [c] | 468 | 7 | 13 | 33 | 415 |
| Standby letters of credit [d] | 55 | 55 | — | — | — |
| Total commercial commitments | $ 3,123 | $ 662 | $ 13 | $2,033 | $ 415 |

[a] *Amounts shown do not include a $75 million uncommitted line of credit expiring in May 2006. None of the credit facilities was used as of June 30, 2005.*
[b] *$600 million of the facility was utilized at June 30, 2005.*
[c] *Includes guaranteed obligations of affiliated operations.*
[d] *None of the letters of credit was drawn upon as of June 30, 2005.*

**Sale of Receivables** – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells, without recourse, an undivided interest in such accounts receivable to investors. The total capacity to sell undivided interests to investors under the facility was $600 million at June 30, 2005. The value of the outstanding undivided interest held by investors under the facility was $600 million and $590 million at June 30, 2005 and December 31, 2004, respectively. The value of the outstanding undivided interest held by investors is not included in our Consolidated Financial Statements. The value of the undivided interest held by investors was supported by $1,151 million and $1,089 million of accounts receivable held by UPRI at June 30, 2005 and December 31, 2004, respectively. At June 30, 2005 and December 31, 2004, the value of the interest retained by UPRI was $551 million and $499 million, respectively. This retained interest is included in accounts receivable in our Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and dilution. If default or dilution percentages were to increase one percentage point, the amount of eligible receivables would decrease by $6 million. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad has been designated to service the sold receivables; however, no servicing asset or liability has been recognized as the servicing fees adequately compensate the Railroad for its responsibilities. The Railroad collected approximately $6 billion during each of the six month periods ended June 30, 2005 and 2004, and UPRI used such proceeds to purchase new receivables under the facility.

The costs of the sale of receivables program are included in other income and were $6 million and $2 million for the three months ended June 30, 2005 and 2004, and $10 million and $4 million for the six months ended June 30, 2005 and 2004, respectively. The costs include interest, program fees paid to banks, commercial paper issuance costs, and fees for unused commitment availability.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad have no recourse to the assets of UPRI.

On August 4, 2005, we extended our sale of receivables program for approximately one month as we continue the process of renewing the program for an additional 364-day period.

**OTHER MATTERS**

**Commitments and Contingencies** – Various claims and lawsuits are pending against us and certain of our subsidiaries. We are also subject to various federal, state, and local environmental laws and regulations, pursuant to which we are currently participating in the investigation and remediation of various sites.

**Income Taxes** – In the second quarter, we reached final settlements with the Internal Revenue Service (IRS) related to resolution of tax liabilities for tax years 1986-1994. Federal income tax liabilities, excluding interest, for all years prior to 1995 are now resolved with the IRS. Settlement with respect to the interest calculations will take more time to resolve.

As a result of the final settlements of tax liabilities for pre-1995 tax years, we have undertaken, but have not yet completed, an analysis of the impact these settlements may have on previously recorded estimates of deferred tax assets and liabilities. At June 30, 2005, the Corporation's recorded estimates of deferred tax assets and liabilities represent our best estimates based upon available information at this time. Although we anticipate any change in our estimates will be recorded as a reduction in both our deferred tax liability and income tax expense, at this time we are unable to reasonably estimate the amount of any adjustment because of the number of years, complexity, and interrelationship of the numerous issues involved in completing this review.

As previously reported, the IRS has also completed its examination of the Corporation's federal income tax returns for years 1995-1998, and has issued a notice of deficiency. Among other adjustments, the IRS proposes to disallow tax deductions claimed in connection with certain donations of property during those years. We dispute the proposed adjustments and intend to defend our positions through applicable IRS procedures, and, if necessary, litigation. We do not expect that the ultimate resolution of this examination will have a material adverse effect on our operating results, financial condition, or liquidity. Tax years 1999-2002 are currently under examination.

**Insurance Subsidiaries** – We have two consolidated, wholly-owned subsidiaries that provide insurance coverage for certain risks including physical loss or property damage and certain other claims that are subject to reinsurance. At June 30, 2005, current accounts receivable and current accrued casualty costs included $90 million of reinsurance receivables and reinsured liability, respectively, held by one of our insurance subsidiaries related to losses sustained during the West Coast storm in January 2005. This amount may change in the future as facts and circumstances surrounding the claim and the reinsurance are finalized and settled.

**Accounting Pronouncements** – In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123(R), *Share-Based Payment.* This statement requires that companies recognize compensation expense equal to the fair value of stock options or other share-based payments. On April 14, 2005, the Securities and Exchange Commission deferred the effective date to January 1, 2006. We will adopt FAS 123(R) on a modified prospective basis, recognizing compensation expense for 1) new awards granted on or after January 1, 2006, and 2) any portion of awards that have not vested as of that date. Assuming that the level of future option grants remains consistent with prior years, we estimate that the impact of this pronouncement for the Corporation will be an annual reduction in net income of approximately $20 million.

In July 2005, the FASB issued an exposure draft, *Accounting for Uncertain Tax Positions, an Interpretation of FASB Statement No. 109.* If finalized as drafted, the Interpretation will require companies to recognize the best estimate of the impact of a tax position only if that position is probable of being sustained during a tax audit. The FASB proposes that only tax positions that meet the probable recognition threshold may be recognized as of the end of the first fiscal year ending after December 15, 2005. We are currently assessing the impact that this proposed interpretation would have on our Consolidated Financial Statements.

## CAUTIONARY INFORMATION

Certain statements in this report, and statements in other material filed or to be filed with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by us), are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, without limitation, statements regarding: expectations as to operational or service improvements; statements concerning expectations of the effectiveness of steps taken or to be taken to improve operations, service, or to stabilize the rail system, including the hiring and training of train crews, acquisition of additional locomotives, infrastructure improvements, transportation plan modifications, and management of customer traffic on the system to meet demand; expectations as to the timing of completion and impact of ongoing track maintenance and restoration work being performed in the SPRB; expectations as to cost savings, revenue growth, and earnings; the time by which certain objectives will be achieved; statements or information concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, future economic performance, and general economic conditions; statements of management's goals and objectives; proposed new products and services; estimates of costs relating to environmental remediation and restoration; expectations that claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on our consolidated financial condition, results of operations, or liquidity; and any other similar expressions concerning matters that are not historical facts.

Forward-looking statements 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, including expectations as to operational, service, and network fluidity improvements. Forward-looking information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

The following important factors, in addition to those discussed in "Risk Factors" in Item 7 of our 2004 annual report on Form 10-K, 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:

- whether we are successful in implementing our financial and operational initiatives, including gaining new customers, retaining existing ones, and containing operating costs;
- whether we are successful in improving network operations and service by hiring and training additional train crews, acquiring additional locomotives, improving infrastructure, redesigning our transportation plan, and managing network volume;
- material adverse changes in economic and industry conditions, both within the United States and globally;
- the effects of adverse general economic conditions affecting customer demand and the industries and geographic areas that produce and consume commodities we carry;
- transportation industry competition, conditions, performance, and consolidation;
- legislative and regulatory developments, including possible enactment of initiatives to re-regulate the rail industry;
- legislative, regulatory, or legal developments involving taxation, including enactment of new federal or state income tax rates, revisions of controlling authority, and the outcome of tax claims and litigation;
- changes in securities and capital markets;
- natural events such as severe weather, fire, floods, earthquakes, or other disruptions of our operating systems, structures, and equipment;
- any adverse economic or operational repercussions from terrorist activities and any governmental response thereto;
- war or risk of war;
- changes in fuel prices;
- changes in labor costs, including healthcare cost increases, and labor difficulties, including stoppages affecting either our operations or our customers' abilities to deliver goods to us for shipment; and
- the outcome of claims and litigation, including those related to environmental contamination, personal injuries, and occupational illnesses arising from hearing loss, repetitive motion, and exposure to asbestos and diesel fumes.

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.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in market risk from the information provided under "Quantitative and Qualitative Disclosures about Market Risk" in Item 7A of our 2004 annual report on Form 10-K.

**Item 4. Controls and Procedures**

As of the end of the period covered by this report, the Corporation carried out an evaluation under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer (CEO) and Executive Vice President – Finance and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the CEO and the CFO concluded that, as of the end of the period covered by this report, the Corporation's disclosure controls and procedures are effective in alerting them, in a timely manner, to material information relating to the Corporation (including its consolidated subsidiaries) required to be included in the Corporation's periodic SEC filings.

Additionally, the CEO and CFO determined that there have been no significant changes to the Corporation's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

**Purchases of Equity Securities** – We do not currently have a formal publicly announced plan or program to repurchase shares of our common stock. The purchased shares presented below relate solely to our equity compensation plans described in note 7 to our Consolidated Financial Statements, Item 8 in our 2004 annual report on Form 10-K. The following table presents common stock repurchases during each month for the quarter ended June 30, 2005:

| *Period* | *Total Number of Shares Purchased* | *Average Price Paid per Share* | *Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program* | *Maximum Number of Shares That May Yet Be Purchased Under the Plan or Program* |
|---|---|---|---|---|
| April 1 through April 30 Employee transactions [a] | 70,575 | $69.31 | N/A | N/A |
| May 1 through May 31 Employee transactions [a] | 18,383 | $66.94 | N/A | N/A |
| June 1 through June 30 Employee transactions [a] | 1,461 | $67.51 | N/A | N/A |
| Total | 90,419 | $68.80 | N/A | N/A |

[a] *Includes shares delivered or attested to UPC to pay stock option exercise prices or to satisfy tax withholding obligations for stock option exercises or vesting of restricted or retention shares.*

**Dividend Restrictions** – We are subject to certain restrictions on the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was $5.5 billion and $5.2 billion at June 30, 2005 and December 31, 2004, respectively. We do not expect that these restrictions will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity. See the discussion of credit facilities in the Liquidity and Capital Resources section of Item 2, Part I.

### Item 6. Exhibits

| **Exhibit No.** | **Description of Exhibits Filed with this Statement** |
|---|---|
| 3(b) | By-Laws of UPC, as amended, effective July 1, 2005. |
| 12(a) | Ratio of Earnings to Fixed Charges for the Three Months Ended June 30, 2005 and 2004. |
| 12(b) | Ratio of Earnings to Fixed Charges for the Six Months Ended June 30, 2005 and 2004. |
| 31(a) | Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Richard K. Davidson. |
| 31(b) | Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Robert M. Knight, Jr. |
| 32 | Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Richard K. Davidson and Robert M. Knight, Jr. |
| | **Description of Exhibits Incorporated by Reference** |
| 3(a) | Revised Articles of Incorporation of UPC, as amended through April 25, 1996, are incorporated herein by reference to Exhibit 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 5, 2005

UNION PACIFIC CORPORATION
(Registrant)

By /s/ Robert M. Knight, Jr.

Robert M. Knight, Jr.,
Executive Vice President - Finance and
Chief Financial Officer
(Principal Financial Officer)

By /s/ Richard J. Putz

Richard J. Putz,
Vice President and Controller
(Principal Accounting Officer)

# BY-LAWS

# OF

# UNION PACIFIC CORPORATION

As Amended Effective as of July 1, 2005

# BY-LAWS

# OF

# UNION PACIFIC CORPORATION

## (AS AMENDED EFFECTIVE AS OF JULY 1, 2005)

## ARTICLE I

## STOCKHOLDERS MEETINGS

SECTION 1. Annual meetings of the stockholders of this Company shall be held in Salt Lake City, Utah. Special meetings of the stockholders of this Company may be held at such place or places as shall be ordered by the Board of Directors or Executive Committee, but, unless otherwise ordered, such meetings shall be held in Salt Lake City, Utah.

SECTION 2. Annual meetings of the stockholders, for the purpose of electing directors and transacting any other business, shall be held at such time as shall be ordered by the Board of Directors or Executive Committee, but, unless otherwise ordered, shall be held at 8:30 a.m. on the first Thursday of May in each year.

SECTION 3. A special meeting of the stockholders may be called by the Board of Directors, the Executive Committee, or by any other person who, at such time, is authorized by the Utah Revised Business Corporation Act (the "Act") to call a special meeting of stockholders. A request by a stockholder for a special meeting must be accompanied by a statement of purposes which includes at least the information set out in clauses (i) through (vi) of Section 10(e) of Article I of these By-Laws. The objects of a special meeting shall be stated in the order therefor, and the business transacted shall be confined to such objects.

SECTION 4. Notice of all meetings of the stockholders shall be given, either personally or by mail, not less than ten nor more than sixty days prior thereto. The notice of all special meetings shall state the objects thereof. The failure to give notice of an annual meeting, or any irregularity in the notice, shall not affect the validity of such annual meeting or of any proceedings thereat. Any stockholder may consent in writing to the holding of a special meeting without notice. A stockholder's attendance at a meeting: (i) waives objection to lack of notice or defective notice of the meeting, unless the stockholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting because of lack of notice or defective notice; and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the stockholder objects to considering the matter when it is presented.

SECTION 5. The Board of Directors or the Executive Committee may fix in advance a day and hour not more than seventy days preceding any annual or special meeting of stockholders or action of stockholders as the time for the determination of stockholders entitled to vote at such meeting or to take such action. Stockholders of record at the time so fixed by the Board of Directors or the Executive Committee and only such stockholders shall be entitled to vote at such meeting. Each share of stock shall entitle such record holder thereof to one vote, in person or by proxy in writing.

SECTION 6. The Chairman of the Board, and in his absence the Chief Executive Officer, and in their absence the President, and in their absence one of the Vice Presidents, shall call meetings of the stockholders to order and act as chairman of such meetings. In the absence of all these officers, the Board of Directors may appoint a chairman of the meeting to act in such event; but if the Board shall not make such appointment, then, in the absence of all of these officers, any stockholder or proxy of any stockholder may call the meeting to order, and a chairman shall be elected.

SECTION 7. The Secretary of the Company shall act as secretary at all meetings of the stockholders; but the Board of Directors or Executive Committee may designate an Assistant Secretary for that purpose before the meeting, and if no such designation shall have been made, then the presiding officer at the meeting may appoint any person to act as secretary of the meeting.

SECTION 8. At each meeting of the stockholders the polls shall be opened and closed and the ballots and proxies shall be received and taken charge of by two inspectors. Such inspectors shall be appointed before the meeting by the Board of Directors or by the Executive Committee, and if no such appointment shall have been made, then by the presiding officer at the meeting; and if for any reason any of the inspectors previously appointed shall fail to attend, or refuse or be unable to serve, then inspectors, in place of any so failing to attend or refusing or unable to serve, shall be appointed by the presiding officer at the meeting. Such inspectors need not be stockholders.

SECTION 9. Stockholders may take action on a matter at a meeting only if a quorum exists with respect to that matter. Unless the articles of incorporation or the Act provide otherwise, a majority of the votes entitled to be cast on the matter, represented in person or by proxy, constitutes a quorum for action on that matter. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. If a quorum exists, action on a matter, other than the election of directors, by stockholders is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the articles of incorporation or the Act require a greater number of affirmative votes. Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

SECTION 10. (a) At any annual meeting of stockholders, only such business shall be conducted as shall have been brought before the meeting (i) by or at the direction of the Board of Directors or the Executive Committee or (ii) by any stockholder who complies with the procedures set forth in this Section 10.

(b) No business may be transacted at any annual meeting of stockholders, other than business that is either (i) specified in the notice of meeting (or any supplement thereto) given pursuant to Section 4 of Article I of these By-Laws, (ii) otherwise properly brought before such meeting of stockholders by or at the direction of the Board of Directors or (iii) otherwise properly brought before such meeting by any stockholder (A) who is a stockholder of record on the date of the giving of the notice by the stockholder provided for in this Section 10 and on the record date for the determination of stockholders entitled to vote at such annual meeting of stockholders and (B) who complies with the notice procedures set forth in this Section 10.

(c) No business may be transacted at any special meeting of stockholders, other than business that is specified in the notice of meeting (or any supplement thereto) given pursuant to Section 4 of Article I of these By-Laws.

(d) In addition to any other applicable requirements, for business to be properly brought before a meeting of stockholders by a stockholder pursuant to clause (b) of this Section 10 such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company. To be timely, a stockholder's notice to the Secretary of the Company pursuant to clause (b) of this Section 10 must be delivered to or mailed and received at the principal executive offices of the Company not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting of stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting of stockholders was mailed or public disclosure of the date of the meeting of stockholders was made, whichever first occurs.

(e) To be in proper written form, a stockholder's notice to the Secretary of the Company pursuant to clause (b) of this Section 10 must set forth as to each matter such stockholder proposes to bring before the annual meeting of stockholders (i) a brief description of the business desired to be brought before the meeting of stockholders and the reasons for conducting such business at such meeting of stockholders, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, (v) any other information which would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for the proposal pursuant to Section 14 of the Securities Exchange Act of 1934 (the “Exchange Act”), and the rules and regulations promulgated thereunder if such stockholder were engaged in such a solicitation (other than a solicitation described in Rules 14a-2(a) or 14a-2(b) promulgated under the Exchange Act), and (vi) a representation that such stockholder intends to appear in person or by proxy at the meeting of stockholders to bring such business before the meeting.

(f) No business shall be conducted at the annual meeting of stockholders except business brought before the meeting of stockholders in accordance with the procedures set forth in this Section 10, provided, however, that, once business has been properly brought before the meeting of stockholders in accordance with such procedures, nothing in this Section 10 shall be deemed to preclude discussion by any stockholder of any such business.

(g) If the chairman of a meeting of stockholders determines that business was not properly brought before a meeting of stockholders, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

SECTION 11. (a) Subject to the rights of the holders of any series of Preferred Stock then outstanding, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (i) by or at the direction of the Board of Directors or the Executive Committee or (ii) by any stockholder of the Company (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of stockholders entitled to vote at such meeting and (B) who complies with the notice procedures set forth in this Section 11.

(b) In addition to any other applicable requirements for a nomination to be made by a stockholder pursuant to clause (a) of this Section 11, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company.

(c) To be timely, a stockholder’s notice to the Secretary of the Company pursuant to clause (a) of this Section 11 must be delivered to or mailed and received at the principal executive offices of the Company (i) in the case of an annual meeting of stockholders, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders, provided, however, that in the event that the annual meeting of stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting of stockholders was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs, and (ii) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting of stockholders was mailed or public disclosure of the date of the special meeting of stockholders was made, whichever first occurs.

(d) To be in proper written form, a stockholder’s notice to the Secretary of the Company pursuant to clause (a) of this Section 11 must set forth (i) as to each person whom the stockholder proposes to nominate for election as a director (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice and (D) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (ii) as to the stockholder giving the notice (A) the name and record address of such stockholder, (B) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (C) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such stockholder, (D) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (E) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (other than a solicitation described in Rules 14a-2(a) or 14a-2(b) promulgated under the Exchange Act). Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

(e) No person shall be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth in this Section 11. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

SECTION 12. If and to the extent authorized by the Board in connection with a particular meeting, stockholders may participate in a meeting of stockholders, and such meetings may be conducted through the use of, any means of telecommunication permitted under the Act.

## ARTICLE II

## BOARD OF DIRECTORS

SECTION 1. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Board of Directors. The number of directors which shall constitute the whole board shall be fixed from time to time by resolution of the Board of Directors, provided that such number shall not be less than three (3). Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a vote of the Board and, if the directors remaining in office consist of fewer than a quorum of the Board, a majority of the directors then in office, though less than a quorum, may fill the vacancy. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any director appointed by the Board of Directors to fill a directorship caused by an increase in the number of directors shall serve until the next annual meeting or a special meeting of the stockholders called for the purpose of electing directors.

SECTION 2. Regular meetings of the Board of Directors shall be held at 8:30 a.m. on such day in such months as the Board shall from time to time designate, and no further notice of such regular meetings shall be required. Special meetings shall be held whenever called by order of the Chairman or the Executive Committee or any five members of the Board. Notice of Special meetings shall be given, at least one day prior thereto, by personal service of written notice upon the directors or by delivering the same at, or transmitting the same by first class mail, facsimile transmission, telephone or other electronic means to, their respective residences or offices. Any director may consent in writing to the holding of a special meeting without notice, and the attendance or participation of any director at a special meeting shall constitute a waiver by him of call and notice thereof and a consent to the holding of said meeting and the transaction of any corporate business thereat, unless the director at the beginning of the meeting, or promptly upon the director’s arrival, objects to holding the meeting or transacting business thereat because of lack of notice or defective notice, and does not thereafter vote for or assent to the action taken at the meeting. Meetings of the Board of Directors may be held at such place or places as shall be ordered by the Executive Committee or by a majority of the directors in office, but unless otherwise ordered, all meetings of the Board of Directors shall be held at the principal executive offices of the Company in Omaha, Nebraska.

SECTION 3. A majority of the number of directors prescribed by Article II, Section 1 shall constitute a quorum at all meetings of the Board. If a quorum be not present at any meeting, a majority of the directors present may adjourn the meeting until a later day or hour.

SECTION 4. Each director, other than active employees of the Company, or of any subsidiary of the Company, shall be paid an annual retainer in an amount equal to $120,000, a portion of which may be required to be deferred as determined by the Board of Directors. Each director who shall serve as the Chair or a Co-Chair of a Committee of the Board shall receive an additional annual retainer of $15,000, and each director who shall serve on the Audit Committee of the Board, including the Chair or Co-Chair of such committee, shall receive an additional annual retainer of $10,000. Each retainer shall be payable in quarterly installments at the end of the quarter, except that directors who attend fewer than 75% of the Board and Committee meetings on which they serve will be paid 75% of the annual retainer, plus a reasonable allowance for transportation and other expenses incurred by such director in going to any meeting of the Board of Directors, or of any Committee of the Board, and returning to such director's place of residence.

## ARTICLE III

## EXECUTIVE COMMITTEE

SECTION 1. There shall be an Executive Committee consisting of such number of directors as shall be elected thereto by the vote of the majority of the directors then in office, whose terms of office shall continue during the pleasure of the Board, and in addition the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and the President, ex officio. The Executive Committee shall, when the Board of Directors is not in session, have all the powers of the Board of Directors to manage and direct all the business and affairs of the Company in all cases in which specific directions shall not have been given by the Board of Directors.

SECTION 2. Meetings of the Executive Committee may be called at any time by the Chairman of the Board or a majority of the members of the Committee, to convene at such time and place as may be designated. The rules regarding notice of meetings of the Board set forth in Section 2 of Article II of these By-Laws shall apply to meetings of the Executive Committee.

SECTION 3. A majority of the members of the Committee shall constitute a quorum. If a quorum be not present at any meeting, the member or members of the Committee present may adjourn the meeting until a later day or hour.

## ARTICLE IV

## OFFICERS AND AGENTS

SECTION 1. There may be elected by the Board of Directors from its members a Chairman of the Board, a Chief Executive Officer, a President, a Chief Operating Officer, one or more Vice Chairmen of the Board, and a Chairman of the Executive Committee, and there may also be elected by the Board of Directors an Executive Vice President-Finance and Chief Financial Officer, a Senior Vice President-Human Resources, a Vice President-Taxes, a General Counsel, a Controller, a Secretary, a Treasurer and such other Executive Vice Presidents, Senior Vice Presidents and Vice Presidents as the Board shall determine, and there may also be appointed by the Board of Directors or Executive Committee such Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers, Assistant Controllers, Associate General Counsels, Assistant General Counsels, General Tax Counsels, Associate General Tax Counsels and other officers and agents as the Board of Directors or Executive Committee shall from time to time determine.

SECTION 2. The Chairman of the Board shall preside, when present, at meetings of the Board of Directors and at meetings of the Executive Committee and shall perform such other duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 3. The Chief Executive Officer shall have general supervision of all departments and offices of the Company and of the interest of the Company in all companies controlled by it. He shall preside, in the absence of the Chairman of the Board, at meetings of the Board of Directors and at meetings of the Executive Committee.

SECTION 4. The President shall preside, in the absence of the Chairman of the Board, at meetings of the Board of Directors and the Executive Committee and shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 5. The Chief Operating Officer shall have day to day operating responsibilities for the affairs of the Company, reporting to the Chief Executive Officer, and shall perform such duties as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 6. The Chairman of the Executive Committee shall preside, in the absence of the Chairman of the Board and the President, at meetings of the Board of Directors and the Executive Committee and shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors, the Executive Committee or the Chief Executive Officer.

SECTION 7. The Vice Chairmen of the Board shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 8. The Executive Vice Presidents and Senior Vice Presidents shall perform such duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 9. The Executive Vice President-Finance and Chief Financial Officer shall have the direction and management of the financial affairs, investments, strategic planning and corporate development of the Company and of the offices in charge of the Controller, the Treasurer and the Vice President-Taxes, and shall perform such other duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 10. The Senior Vice President-Human Resources shall have the direction and management of the human resources functions of the Company, and shall perform such other duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 11. The General Counsel shall have the direction and management of all legal business of the Company except as otherwise provided in Sections 12 and 19 of this ARTICLE IV, shall perform such duties respecting legal matters as shall be assigned to him by the Chief Executive Officer, and shall perform such other duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 12. The Vice President-Taxes shall, under the control of the Executive Vice President-Finance, have charge of all aspects of Federal, foreign, state and local taxes, and shall perform such other duties as may be assigned by the Executive Vice President-Finance and Chief Financial Officer.

SECTION 13. The other Vice Presidents elected and Assistant Vice Presidents appointed from time to time shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 14. Except as otherwise provided herein or directed by the Board of Directors, the Controller shall have immediate charge of the general books, accounts and statistics of the Company and shall be the custodian of all vouchers, drafts, invoices and other evidences of payment and all bonds, interest coupons and other evidences of indebtedness which shall have been canceled. He is authorized to approve for payment by the Treasurer vouchers, payrolls, drafts or other accounts. He shall be furnished by the Assistant Controllers of the Company periodically or specially as requested by him with the approval of and in form prescribed by the Executive Vice President-Finance and Chief Financial Officer, statements of operating revenues and expenses and estimates thereof and of expenditures and estimates on all other accounts; and copies of all statistical data that may be compiled in regular course and also all other information in reference to the financial affairs and operations of the Company and of any subsidiary company that may be required by the Executive Vice President-Finance and Chief Financial Officer or the Board of Directors. He shall submit for each regular meeting of the Board of

Directors, and, at such other times as may be required by said Board or the Executive Vice President-Finance and Chief Financial Officer, statements of operating results, of cash resources and requirements and of appropriations for Capital Expenditures, and shall perform such other duties as the Executive Vice President-Finance and Chief Financial Officer may from time to time direct.

The Assistant Controllers shall exercise such of the powers and perform such of the duties of the Controller with respect to accounting and approving or authorizing payments as shall be assigned to them by the Controller.

SECTION 15. The Secretary shall attend all meetings of the stockholders, the Board of Directors and the Executive Committee, and keep a record of all their proceedings. He shall procure and keep in his files copies of the minutes of all meetings of the stockholders, boards of directors and executive committees of all companies a majority of whose capital stock is owned by this Company. He shall be the custodian of the seal of the Company. He shall have power to affix the seal of the Company to instruments, the execution of which is authorized by these By-Laws or by action of the Board of Directors or Executive Committee, and to attest the same. He shall have supervision of the issuance, transfer and registration of the capital stock and debt securities of the Company. He shall perform such other duties as may be assigned to him by the Board of Directors or the Chief Executive Officer.

The Assistant Secretaries shall have power to affix the seal of the Company to instruments, the execution of which is authorized by these By-Laws or by action of the Board of Directors or Executive Committee, and to attest the same, and shall exercise such of the other powers and perform such of the other duties of the Secretary as shall be assigned to them by the Secretary.

SECTION 16. Except as otherwise provided herein or directed by the Board of Directors, the Treasurer shall be the custodian of all moneys, stocks, bonds, notes and other securities of the Company. He is authorized to receive and receipt for stocks, bonds, notes and other securities belonging to the Company or which are received for its account. All stocks, bonds, notes and other securities in the custody of the Treasurer shall be held in the safe deposit vaults of the Company or in one or more depositories selected by the Treasurer or other officer authorized by the Board of Directors, in each case subject to access thereto as shall from time to time be authorized or required by the Board of Directors, the Chief Executive Officer, or the Treasurer. Stocks, bonds, notes and other securities shall be deposited in the safe deposit vaults or depositories, or withdrawn from them, only by persons and pursuant to procedures as shall be determined by the Board of Directors, the Chief Executive Officer or the Treasurer. The Treasurer is authorized and empowered to receive and collect all moneys due to the Company and to receipt therefor. All moneys received by the Treasurer shall be deposited to the credit of the Company in such depositories as shall be designated by the Board of Directors, the Chief Executive Officer, the Treasurer or such other officers as may be authorized by the Board of Directors; and the Treasurer or other officer designated by the Treasurer may endorse for deposit therein all checks, drafts, or vouchers drawn to the order of the Company or payable to it. He is also authorized to draw checks against any funds to the credit of the Company in any of its depositories. All such checks shall be signed by such persons, either by manual or facsimile signature as shall be authorized by the Board of Directors, and countersigned if required by the Board of Directors. The Treasurer is authorized to make disbursements in settlement of vouchers, payrolls, drafts or other accounts, when approved for payment by the Controller, or such other person as shall be authorized by the Board of Directors, the Chief Executive Officer or these By-Laws; for payments which have been otherwise ordered or provided for by the Board of Directors or the Chief Executive Officer; for interest on bonds and dividends on stock when due and payable; for vouchers, pay checks, drafts and other accounts properly certified to by the duly authorized officers of the Company; and for vouchers, pay checks, drafts and other accounts approved by the officers duly authorized to approve for payment of any company which this Company controls through the ownership of stock or otherwise, as may be designated in writing from time to time by the Chief Executive Officer to the Treasurer. He shall cause to be kept in his office true and full accounts of all receipts and disbursements of his office. He shall also perform such other duties as shall be assigned to him by the Executive Vice President-Finance and Chief Financial Officer.

The Assistant Treasurers may exercise all powers of the Treasurer herein conferred in respect of the receipt of moneys and securities, endorsement for deposit and signature of checks.

SECTION 17. The Associate General Counsels and Assistant General Counsels shall perform such duties respecting legal matters as shall be assigned to them by the General Counsel.

SECTION 18. The General Tax Counsels shall be responsible for all tax-related legal advice (including federal tax planning and research, litigation and legislation; tax aspects of strategic, operational and financing transactions; and ERISA/Benefits tax matters), and shall perform such other duties as shall be assigned to them by the Vice President-Taxes.

SECTION 19. The Associate General Tax Counsels shall perform such duties as shall be assigned to them by the Vice President-Taxes or the General Tax Counsels.

SECTION 20. To the extent that a separate division shall be created within the Company, the Chief Executive Officer shall be authorized to appoint officers of such division and any such officers shall perform such duties and possess such powers as are prescribed and conferred by the Chief Executive Officer.

# ARTICLE V

## SUPERVISION, REMOVAL AND SALARIES OF OFFICERS AND EMPLOYEES

SECTION 1. Any officer or employee elected or appointed by the Board of Directors may be removed as such at any time by the affirmative vote of a majority of the directors then in office, with or without cause. Any other officer or employee of the Company may be removed at any time by vote of the Board of Directors or of the Executive Committee or by the officer supervising such officer or employee, with or without cause.

SECTION 2. All officers, agents and employees of the Company, in the exercise of the powers conferred and the performance of the duties imposed upon them, by these By-Laws or otherwise, shall at all times be subject to the direction, supervision and control of the Board of Directors or the Executive Committee.

SECTION 3. No office or position shall be created and no person shall be employed at a salary of more than $300,000 per annum, and no salary shall be increased to an amount in excess of $300,000 per annum, without the approval of the Board of Directors or Executive Committee.

SECTION 4. The Board of Directors may from time to time vest general authority in the Chairman of the Board, the Chief Executive Officer, the President, or the Head of any department or office of the Company, or any such other officer of the Company as any of the foregoing shall designate, for the sole determination of disposition of any matter which otherwise should be required to be considered by the Board of Directors or the Executive Committee under the provisions of this Article.

## ARTICLE VI

## CONTRACTS AND EXPENDITURES

SECTION 1. All capital expenditures, leases and property dispositions must be authorized by the Board of Directors or Executive Committee, except that general or specific authority with regard to such matters may be delegated to such officers of the Company as the Board of Directors may from time to time direct.

SECTION 2. Expenditures chargeable to operating expenses may be made by or under the direction of the Head of the department or office of the Company in which they are required, without explicit or further authority from the Board of Directors or Executive Committee, subject to direction, restriction or prohibition by the Chief Executive Officer.

SECTION 3. No contract shall be made without the approval of the Board of Directors or Executive Committee, except as authorized by the Board of Directors or these By-Laws.

SECTION 4. Contracts for work, labor and services and materials and supplies, the expenditures for which will be chargeable to operating expenses, may be made in the name and on behalf of the Company by the Head of the department or office of the Company concerned, or by such officer as he shall designate, without further authority.

SECTION 5. All written contracts and agreements to which the Company may become a party shall be approved as to form by or under the direction of counsel for the Company.

SECTION 6. The Chief Executive Officer, the Chairman of the Board, the President, the Heads of the departments and offices of the Company and the Vice Presidents shall severally have the power to execute on behalf of the Company any deed, bond, indenture, certificate, note, contract or other instrument authorized or approved by, or pursuant to authority granted by, the Board of Directors or the Executive Committee, and to cause the corporate seal to be thereto affixed and attested by the Secretary or an Assistant Secretary.

SECTION 7. The Board of Directors may from time to time vest general or specific authority in such officers of the Company as the Board of Directors shall designate for the sole determination of disposition of any matter which otherwise would be required to be considered by the Board of Directors or the Executive Committee under the provisions of this Article.

SECTION 8. For purposes of this Article VI, any references to “officers of the Company” shall include officers of any division of the Company and references to the “Head of the department or office of the Company” shall include the Head of any division of the Company or any department or office within such a division.

## ARTICLE VII

## ISSUE AND CANCELLATION OF STOCK CERTIFICATES

SECTION 1. The Board of Directors shall provide for the issue, transfer, and registration of the capital stock of the Company in the City and State of New York, and in any other locality which it may designate, and shall appoint the necessary officers, transfer agents, and registrars of transfers for that purpose.

SECTION 2. Until otherwise provided by the Board of Directors, stock certificates shall be signed by the Chief Executive Officer or the President or a Vice President, and also by the Secretary or an Assistant Secretary thereunto authorized by the Board of Directors or by the Executive Committee.

SECTION 3. The registrar of transfers shall in every case be a trust company to be appointed by the Board of Directors, in accordance with the requirements of the New York Stock Exchange, and such registration shall be performed in accordance with the rules and regulations of said Exchange.

## ARTICLE VIII

## FINAL

SECTION 1. The Company shall indemnify to the full extent permitted by law any person made or threatened to be made a party to any action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person is or was a director, officer or employee of the Company or serves or served at the request of the Company any other enterprise as a director, officer, fiduciary or employee. The indemnification provided in this section shall include the right to receive payment in advance of any final disposition of any expenses incurred by any such person in connection with any such action, suit or proceeding, consistent with the provisions of then applicable law. For purposes of this By-Law, the term “other enterprise” shall include any corporation, partnership, joint venture, trust or employee benefit plan; service “at the request of the Company” shall include service as a director, officer or employee of the Company which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to an employee benefit plan in good faith which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the corporation. This Section 1 shall not apply to any action, suit or proceeding pending or threatened on the date of adoption hereof provided that the right of the Company to indemnify any person with respect thereto shall not be limited hereby.

SECTION 2. Any indemnification under Section 1 of this Article VIII (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances because such person has met the applicable standard of conduct required by law. Such determination shall be made by the persons authorized by the Act.

SECTION 3. Notwithstanding Sections 1 and 2 of this Article VIII, except for proceedings to enforce indemnification, the Company shall not be obligated to indemnify any director, officer or employee in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The indemnification and advancement of expenses provided by Section 1 of this Article VIII shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person’s official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person. Any amendment or repeal of Section 1 or Section 2 of this ARTICLE VIII or this Section 3 shall not limit the right of any person to indemnity with respect to actions taken or omitted to be taken by such person prior to such amendment or repeal.

SECTION 4. The Common corporate seal is, and, until otherwise ordered by the Board of Directors, shall be, an impression upon paper or wax, circular in form, with the words “Union Pacific Corporation” on the outer edge thereof, and the words and figures “Corporate Seal”, “1969”, “Utah” in the center thereof.

SECTION 5. Except as otherwise provided by the Act, these By-Laws may be altered, amended or repealed at a meeting of the stockholders by a majority vote of those present in person or by proxy or at any meeting of the Board of Directors by a majority vote of the directors then in office.

**Exhibit 12(a)**

**Ratio of Earnings to Fixed Charges**

*Union Pacific Corporation and Subsidiary Companies*

*(Unaudited)*

| *Millions of Dollars, Except Ratios* | *Three Months Ended June 30,* 2005 | 2004 |
|---|---|---|
| Earnings: | | |
| Net income | $ 233 | $ 158 |
| Equity earnings net of distributions | (9) | (11) |
| Total earnings | 224 | 147 |
| Income taxes | 136 | 79 |
| Fixed charges: | | |
| Interest expense including amortization of debt discount | 128 | 130 |
| Portion of rentals representing an interest factor | 51 | 51 |
| Total fixed charges | 179 | 181 |
| Earnings available for fixed charges | $ 539 | $ 407 |
| Ratio of earnings to fixed charges | 3.0 | 2.2 |

**Exhibit 12(b)**

**Ratio of Earnings to Fixed Charges**
*Union Pacific Corporation and Subsidiary Companies*
*(Unaudited)*

| *Millions of Dollars, Except Ratios* | *Six Months Ended June 30,* 2005 | 2004 |
|---|---|---|
| Earnings: | | |
| Net income | $ 361 | $ 323 |
| Equity earnings net of distributions | (17) | (26) |
| Total earnings | 344 | 297 |
| Income taxes | 209 | 121 |
| Fixed charges: | | |
| Interest expense including amortization of debt discount | 260 | 265 |
| Portion of rentals representing an interest factor | 101 | 94 |
| Total fixed charges | 361 | 359 |
| Earnings available for fixed charges | $ 914 | $ 777 |
| Ratio of earnings to fixed charges | 2.5 | 2.2 |

**Exhibit 31(a)**

**CERTIFICATION**
**OF PRINCIPAL EXECUTIVE OFFICER**

I, Richard K. Davidson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Union Pacific Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2005

/s/ Richard K. Davidson

Richard K. Davidson
Chairman, President, and
Chief Executive Officer

**Exhibit 31(b)**

# CERTIFICATION
# OF PRINCIPAL FINANCIAL OFFICER

I, Robert M. Knight, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Union Pacific Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2005

/s/ Robert M. Knight, Jr.

Robert M. Knight, Jr.
Executive Vice President - Finance and
Chief Financial Officer

**Exhibit 32**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Richard K. Davidson, Chairman, President, and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Richard K. Davidson

Richard K. Davidson
Chairman, President, and
Chief Executive Officer
Union Pacific Corporation

August 5, 2005

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert M. Knight, Jr., Executive Vice President – Finance and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Robert M. Knight, Jr.

Robert M. Knight, Jr.
Executive Vice President - Finance and
Chief Financial Officer
Union Pacific Corporation

August 5, 2005

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.