

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

(Mark One)

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

For the quarterly period ended March 31, 1998

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
(State or other jurisdiction of
incorporation or organization)

13-2626465
(I.R.S. Employer
Identification No.)

1717 Main Street, Suite 5900, Dallas, TX
(Address of principal executive offices)

75201
(Zip Code)

(214) 743-5600
(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 X NO
----- -----

As of April 30, 1998, there were 247,306,604 shares of the Registrant's
Common Stock outstanding.

UNION PACIFIC CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED INCOME

For the Three Months Ended March 31, 1998 and 1997
(Amounts in Millions, Except Ratio and Per Share Amounts)
(Unaudited)

	1998	1997
Operating Revenues	\$ 2,586	\$ 2,810
	-----	-----
Operating Expenses:		
Salaries, wages and employee benefits....	1,078	1,026
Equipment and other rents.....	363	322
Fuel and utilities (Note 3).....	221	296
Depreciation and amortization	263	258
Purchased services.....	183	183
Materials and supplies.....	144	157
Other costs.....	275	223
	-----	-----
Total.....	2,527	2,465
	-----	-----
Operating Income.....	59	345
Other Income.....	23	38
Interest Expense (Note 3).....	(161)	(150)
Corporate Expenses.....	(26)	(28)
	-----	-----
Income (loss) before Income Taxes.....	(105)	205
Income Taxes.....	43	(77)
	-----	-----
Net Income (Loss).....	\$ (62)	\$ 128
	=====	=====
Earnings Per Share:		
Basic:		
Net Income (Loss).....	\$ (0.25)	\$ 0.52
Diluted:		
Net Income (Loss).....	\$ (0.25)	\$ 0.52
Weighted Average Number of Shares.....	247.7	247.8
Cash Dividends Per Share.....	\$ 0.20	\$ 0.43
Ratio of Earnings to Fixed Charges (Note 4).	.4	2.0

The accompanying accounting policies and notes to condensed financial statements are an integral part of these statements.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
 CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION
 (Millions of Dollars)
 (Unaudited)

ASSETS	March 31, 1998	December 31, 1997
Current Assets:		
Cash and temporary investments.....	\$ 191	\$ 90
Accounts receivable	589	631
Inventories.....	309	296
Other current assets.....	295	398
	-----	-----
Total Current Assets.....	1,384	1,415
Investments:		
Investments in and advances to affiliated companies.....	492	443
Other investments.....	190	181
	-----	-----
Total Investments.....	682	624
	-----	-----
Properties:		
Railroad:		
Road and other.....	23,867	23,610
Equipment.....	7,241	7,084
	-----	-----
Total Railroad.....	31,108	30,694
Trucking.....	758	750
Other.....	71	70
	-----	-----
Total Properties.....	31,937	31,514
Accumulated depreciation.....	(5,704)	(5,537)
	-----	-----
Properties - Net	26,233	25,977
	-----	-----
Excess Acquisition Costs - Net.....	613	619
Other Assets.....	166	129
	-----	-----
Total Assets.....	\$ 29,078	\$ 28,764
	=====	=====

The accompanying accounting policies and notes to condensed financial statements are an integral part of these statements.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION
(Amounts in Millions, Except Share and Per Share Amounts)
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1998	December 31, 1997
Current Liabilities:		
Accounts payable.....	\$ 541	\$ 758
Accrued wages and vacation.....	420	421
Accrued casualty costs.....	334	333
Dividends and interest.....	231	295
Income and other taxes.....	268	268
Debt due within one year.....	132	233
Other current liabilities (Note 2).....	882	939
	-----	-----
Total Current Liabilities.....	2,808	3,247
Debt Due After One Year.....	9,258	8,285
Deferred Income Taxes.....	6,224	6,252
Accrued Casualty Costs.....	683	695
Retiree Benefits Obligation.....	844	828
Other Long-Term Liabilities (Note 2).....	1,143	1,232
Stockholders' Equity:		
Common stock, \$2.50 par value, authorized 500,000,000 shares, 276,220,489 shares issued in 1998, 275,060,633 shares issued in 1997....	690	690
Paid-in surplus.....	4,063	4,066
Retained earnings.....	5,159	5,271
Treasury stock, at cost, 28,926,456 shares in 1998, 29,045,938 shares in 1997.....	(1,794)	(1,802)
	-----	-----
Total Stockholders' Equity.....	8,118	8,225
	-----	-----
Total Liabilities and Stockholders' Equity....	\$ 29,078	\$ 28,764
	=====	=====

The accompanying accounting policies and notes to condensed financial statements are an integral part of these statements.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS
For the Three Months Ended March 31, 1998 and 1997
(Millions of Dollars)
(Unaudited)

	1998	1997
Cash from operations:		
Net income (loss).....	\$ (62)	\$ 128
Non-cash charges to income:		
Depreciation and amortization.....	263	258
Deferred income taxes.....	(29)	35
Other - net.....	18	(6)
Changes in current assets and liabilities.....	(307)	(164)
	-----	-----
Cash (used in) provided by operations.....	(117)	251
	-----	-----
Cash flows from investing activities:		
Capital investments.....	(531)	(407)
Other - net.....	(22)	(27)
	-----	-----
Cash used in investing activities.....	(553)	(434)
	-----	-----
Cash flows from equity and financing activities:		
Dividends paid.....	(106)	(105)
Debt repaid.....	(888)	(348)
Financings.....	1,766	560
Other - net.....	(1)	(21)
	-----	-----
Cash provided by equity and financing activities	771	86
	-----	-----
Net increase (decrease) in cash and temporary investments.....	\$ 101	\$ (97)
	=====	=====

CONDENSED STATEMENT OF CONSOLIDATED RETAINED EARNINGS
For the Three Months Ended March 31, 1998 and 1997
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

	1998	1997
Balance at Beginning of Year.....	\$ 5,271	\$ 5,262
Net Income (Loss).....	(62)	128
	-----	-----
Total.....	5,209	5,390
Dividends Declared (\$0.20 per share in 1998 and \$0.43 per share in 1997).....	(50)	(107)
	-----	-----
Balance at End of Period.....	\$ 5,159	\$ 5,283
	=====	=====

The accompanying accounting policies and notes to condensed financial statements are an integral part of these statements.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Responsibilities for Financial Statements - The condensed 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. The Condensed Statement of Consolidated Financial Position at December 31, 1997 is derived from audited financial statements. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Union Pacific Corporation (the Corporation or UPC) Annual Report to Shareholders incorporated by reference in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997. The results of operations for the three months ended March 31, 1998 are not necessarily indicative of the results for the entire year ending December 31, 1998. Certain 1997 amounts have been reclassified to conform to the 1998 financial statement presentation.
2. Acquisition of Southern Pacific Rail Corporation (Southern Pacific or SP) - UPC consummated the acquisition of Southern Pacific in September 1996. The acquisition of Southern Pacific was accounted for using the purchase method. SP's results were fully consolidated with the Corporation effective October 1, 1996. On February 1, 1998, Union Pacific Railroad Company (UPRR) was merged with and into Southern Pacific Transportation Company (SPT), the principal SP rail affiliate (the SPT Merger), with SPT continuing as the surviving corporation and changing its name to "Union Pacific Railroad Company" immediately following the SPT Merger. Immediately prior to the SPT Merger, SPT was a wholly-owned, indirect subsidiary of UPC, and UPRR was a subsidiary of UPC, with all of the issued and outstanding shares of voting stock of UPRR being owned, directly or indirectly, by UPC. UPRR and SPT operated as a unified system before and after the SPT Merger.

In connection with the continuing integration of UPRR and Southern Pacific's rail operations (collectively, the Railroad), UPC is continuing to eliminate duplicate positions (primarily positions other than train crews), relocate positions, merge or dispose of redundant facilities, dispose of certain rail lines and cancel uneconomical and duplicative SP contracts. The Corporation has also repaid certain of Southern Pacific's debt obligations. UPC recognized a \$958 million liability in the Southern Pacific purchase price allocation for costs associated with SP's portion of these activities.

Through March 31, 1998, a total of \$323 million in merger-related costs were paid by the Corporation and charged against these reserves, composed of approximately \$160 million and \$70 million, respectively, for severance and relocation payments made to approximately 3,700 Southern Pacific employees, and approximately \$63 million for labor protection payments. The Corporation expects that the remaining merger payments will be made over the course of the next five years as the rail operations of UPRR and SP are integrated and labor negotiations are completed and implemented.

In addition, the Railroad expects to incur approximately \$206 million in acquisition-related costs through 1999 for severing or relocating UPRR employees, disposing of certain UPRR facilities, training and equipment upgrading. These costs will be charged to expense as incurred over the next two years. Net income for the three months ended March 31, 1998 includes \$18 million in acquisition-related operating costs.

3. Financial Instruments - The Corporation uses derivative financial instruments in limited instances for other than trading purposes to manage risk as it relates to fuel prices and interest rates. Where the Corporation has fixed interest rates or fuel prices through the use of swaps, futures or forward contracts, the Corporation has mitigated the downside risk of adverse price and rate movements; however, it has also limited future gains from favorable movements.

The Corporation addresses market risk related to these instruments by selecting instruments whose value fluctuations correlate highly with the underlying item being hedged. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring minimum credit standards for counterparties and periodic settlements. The total credit risk associated with the Corporation's counterparties was \$73 million at March 31, 1998. The Corporation has not been required to provide, nor has it received, any collateral relating to its hedging activity.

The fair market value of the Corporation's derivative financial instrument positions at March 31, 1998 was determined based upon current fair market values as quoted by recognized dealers or developed based upon the present value of future cash flows discounted at the applicable zero coupon U.S. treasury rate and swap spread.

Interest Rates - The Corporation controls its overall risk relating to fluctuations in interest rates by managing the proportion of fixed and floating rate debt instruments within its debt portfolio over a given period. Derivatives are used in limited circumstances as one of the tools to obtain the targeted mix. The mix of fixed and floating rate debt is largely managed through the issuance of targeted amounts of such debt as debt maturities occur or as incremental borrowings are required. The Corporation also obtains additional flexibility in managing interest cost and the interest rate mix within its debt portfolio by issuing callable fixed rate debt securities.

At March 31, 1998, the Corporation had outstanding interest rate swaps on \$260 million of notional principal amount of debt (3% of the total debt portfolio) with a gross fair market value asset position of \$73 million and a gross fair market value liability position of \$25 million. These contracts mature over the next one to seven years. Interest rate hedging activity increased interest expense by \$1 million in the first quarter of 1998 and by \$2 million in the first quarter of 1997.

Fuel - Over the past three years, fuel costs approximated 10% of the Corporation's total operating expenses. As a result of the significance of the fuel costs and the historical volatility of fuel prices, the Corporation's transportation subsidiaries periodically use swaps, futures and forward contracts to mitigate the impact of fuel price volatility. The intent of this program is to protect the Corporation's operating margins and overall

profitability from adverse fuel price changes.

At March 31, 1998, the Railroad and Overnite Transportation Company (Overnite), the Corporation's trucking subsidiary, had hedged 49% and 38%, respectively, of their estimated remaining 1998 diesel fuel consumption at \$0.51 and \$0.52 per gallon, respectively, on a Gulf Coast basis. At March 31, 1998, the Railroad had outstanding swap agreements covering its fuel purchases of \$267 million, with gross and net liability positions of \$28 million. Overnite had outstanding swap agreements of \$8 million, with gross and net liability positions of \$1 million. Fuel hedging increased first quarter 1998 fuel expense by approximately \$15 million and had no impact on first quarter 1997 fuel expense.

4. Ratio of Earnings to Fixed Charges - The ratio of earnings to fixed charges has been computed on a total enterprise basis. Earnings represent income from continuing operations less equity in undistributed earnings of unconsolidated affiliates, plus income taxes and fixed charges. Fixed charges represent interest, amortization of debt discount and expense, and the estimated interest portion of rental charges. For the three months ended March 31, 1998, fixed charges exceeded earnings by approximately \$116 million.
5. Commitments and Contingencies - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. Certain customers have submitted claims or stated their intention to submit claims to the Railroad for damages related to the delay of shipments as a result of congestion problems, and certain customers have filed lawsuits seeking relief related to such delays. The nature of the damages sought by claimants includes, but is not limited to, contractual liquidated damages, freight loss or damage, alternative transportation charges, additional production costs, lost business and lost profits. In addition, some customers have asserted that they have the right to cancel contracts as a result of alleged material breaches of such contracts by the Railroad. The Corporation expects additional claims by shippers. UPC will continue to evaluate the adequacy of its reserves for claims and expects to add to such reserves as appropriate.

The Railroad is also party to certain regulatory proceedings before the Surface Transportation Board of the U.S. Department of Transportation (STB). One proceeding pertains to rail service problems in the western United States. As an outgrowth of this proceeding, the STB has issued an emergency service order imposing certain temporary measures on the Railroad designed, among other things, to reduce congestion on the Railroad's lines in the Houston, Texas area. A second proceeding, initiated under the STB's continuing oversight jurisdiction with respect to the Corporation's acquisition of Southern Pacific and consolidation of Southern Pacific with UPRR (and separate from the STB's regularly scheduled annual proceeding to review the implementation of the merger and the effectiveness of the conditions that the STB imposed on it), is for the purpose of considering the justification for and advisability of any proposals for new remedial conditions to the merger as they pertain to service in the Houston, Texas/Gulf Coast area, including proposals by Kansas City Southern Railway Company (KCS), Texas Mexican Railway Company (Tex Mex) and the Greater Houston Partnership (GHP) for the forced transfer by the Railroad to Tex Mex of certain lines and facilities in and around Houston, the establishment of a "neutral" switching operation in the greater Houston area, and the

permanent adoption of provisions in the STB's emergency service order that expanded Tex Mex's right to handle traffic to and from Houston. In addition, the STB has initiated various inquiries and formal rulemaking proceedings regarding certain elements of rail regulation following two days of hearings by the STB at the request of two members of Congress and in response to shippers' expressions of concern regarding railroad service quality, railroad rates and allegedly inadequate regulatory remedies. If the Railroad is unsuccessful in eliminating the remaining congestion and service problems affecting its system, the STB could issue a new emergency service order upon the expiration of the current one and order the Railroad to take additional actions including, among other things, further diversions of traffic or the transfer of certain rail lines or other facilities to other railroads. In addition, there can be no assurance that the proposals advanced by parties in the remedial conditions proceeding or the proceedings initiated in response to the rail regulation hearings will not be approved in some form. Should the STB or Congress take aggressive action in the rail regulation proceedings (e.g., by making purportedly competition-enhancing changes in rate and route regulation and "access" provisions), the adverse effect on the Railroad and other rail carriers could be material.

The Corporation is also subject to Federal, state and local environmental laws and regulations, and is currently participating in the investigation and remediation of numerous sites. Where the remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. In addition, the Corporation and its subsidiaries periodically enter into financial and other commitments and have retained certain contingent liabilities upon the disposition of formerly-owned operations.

In addition, UPC and certain of its officers and directors are currently defendants in two purported class action securities lawsuits, and certain current and former directors of the Corporation are currently defendants in a purported derivative action filed on behalf of the Corporation. The class action suits allege, among other things, that management failed to disclose properly the Railroad's service and safety problems and thereby issued materially false and misleading statements concerning the merger with SP and the safe, efficient operation of its rail network. The derivative action alleges, among other things, that the named current and former directors breached their fiduciary duties to the Corporation by approving the mergers of SP and Chicago and North Western Transportation Company into the Corporation without ensuring that the Corporation or the Railroad had adequate systems in place to effectively integrate those companies into the operations of the Corporation and the Railroad. Because both the size of the class and the damages are uncertain, UPC and the Railroad are unable at this time to determine the potential liability, if any, which might arise from these lawsuits. Management believes that these claims are without merit and intends to defend them vigorously.

It is not possible at this time for the Corporation to fully determine the effect of all unasserted claims on its 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, the Corporation has recorded a liability. The Corporation does not expect that any known lawsuits, claims, environmental costs, commitments or guarantees will have a material adverse effect on its consolidated financial

condition.

6. Accounting Pronouncements - In June 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 130, "Reporting Comprehensive Income" (FAS 130) that is effective for all periods in 1998, including interim periods. UPC has adopted the provisions of FAS 130 effective January 1, 1998. The components of comprehensive income include, among other things, changes in the market value of futures contracts which qualify for hedge accounting and a net loss recognized as an additional pension liability but not yet recognized as net periodic pension cost. The impact of adopting FAS 130 for the three months ended March 31, 1998 was approximately \$2 million.

Also in June 1997, the FASB issued Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information," effective December 31, 1998. The Corporation currently complies with most provisions of this Statement, and any incremental disclosure required by that Statement is expected to be minimal.

In February 1998, the FASB issued Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" effective in 1998 (FAS 132). FAS 132 revises and standardizes disclosures required by FAS 87, 88, and 106. Restatement of the retirement plan footnote will be required for all earlier periods presented in comparative financial statements at December 31, 1998.

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

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
RESULTS OF OPERATIONS
Quarter Ended March 31, 1998 Compared to March 31, 1997

Southern Pacific Rail Corporation (Southern Pacific or SP) Acquisition - UPC consummated the acquisition of Southern Pacific in September 1996. The aggregate Southern Pacific purchase price was \$4.1 billion (\$2.5 billion in UPC common stock and \$1.6 billion in cash). The acquisition of Southern Pacific was accounted for as a purchase. Southern Pacific's results have been fully consolidated with the Corporation since October 1, 1996. (See Note 2 to the Condensed Consolidated Financial Statements). Throughout 1997 and continuing in the first quarter of 1998, Union Pacific Corporation (UPC or the Corporation) continued the process of implementing the acquisition of Southern Pacific.

On February 1, 1998, Union Pacific Railroad Company (UPRR) was merged with and into Southern Pacific Transportation Company (SPT), the principal SP rail affiliate (the SPT Merger), with SPT continuing as the surviving corporation and changing its name to "Union Pacific Railroad Company" immediately following the SPT Merger. Immediately prior to the SPT Merger, SPT was a wholly-owned, indirect subsidiary of UPC, and UPRR was a subsidiary of UPC, with all of the issued and outstanding shares of voting stock of UPRR being owned, directly or indirectly, by UPC. UPRR and SPT operated as a unified system before and after the SPT Merger.

The Corporation expects to complete the full integration of the railroad operations of UPRR and the Southern Pacific rail subsidiaries (collectively, the Railroad) during 1999. The Corporation believes that the full implementation of the merger will result in shorter routes, faster transit times, better on-time performance, expanded single-line service and more efficient traffic flow.

As a result of the SP acquisition, UPC now operates the largest rail system in the United States, with nearly 35,000 route miles linking Pacific Coast and Gulf Coast ports to the Midwest and eastern U.S. gateways. The Corporation also owns Overnite Transportation Company (Overnite), a major interstate trucking company specializing in less-than-truckload (LTL) shipments.

CONGESTION AND SERVICE ISSUES

As previously reported in the Corporation's 1997 Annual Report on Form 10-K, congestion in and around Houston and the coastal areas of Texas and Louisiana (the Gulf Coast region) began to have a material adverse effect on the Corporation's operations and earnings in the third quarter of 1997. System congestion started in the Gulf Coast region and spread throughout the system as the Railroad shifted resources to help mitigate the problem in the Gulf Coast region. The congestion was brought on by, among other things, crew shortages and restricted track access caused by necessary track maintenance on former Southern Pacific lines, increased demand, washouts due to severe weather, derailments and congestion at Texas/Mexico gateways. Traffic slowed further as rail yards in the Gulf Coast region filled, slowing access into and out of the yards and forcing trains to be held on sidings. Slower average train velocity led to a greater need for locomotives in the region. As traffic in the region backed up and the Railroad redeployed locomotives to the Gulf Coast region to help alleviate local congestion, congestion problems spread to other parts of the Railroad's system during the third and fourth quarters of 1997.

To restore service to acceptable levels, the Railroad implemented a Service Recovery Plan (the Plan) in October, 1997. The Plan focuses on reducing the number of cars on the system and restoring system velocity, which, in turn, results in more reliable service to customers. Implementation of the Plan has resulted in improvement in the overall operation of the Railroad and is addressing congestion problems in the Gulf Coast region and the surrounding southeast portion of the Railroad's system (although intermittent periods of congestion continue to arise in other regions, primarily in the Midwest). In late March and early April 1998, congestion in the Gulf Coast region was aggravated by several severe storms and congestion caused by operational problems on Mexican railroad lines south of Laredo, Texas. However, operational initiatives subsequently implemented by the Railroad, including the Railroad's embargo of most southbound traffic destined for the Laredo gateway described below, have substantially reduced congestion on the Railroad's lines in the Gulf Coast region.

In connection with its integration with Southern Pacific, the Company has implemented (i) TCS in the southeast portion of UPRR's system, which includes the Gulf Coast region, where the cutover to TCS occurred on December 1, 1997, (ii) directional running from Dexter Junction, Missouri, on the north, across Arkansas, western Louisiana and eastern Texas to the Houston and San Antonio areas on the south, beginning on February 1, 1998 and (iii) the hub-and-spoke labor agreements in Texas and Arkansas. Although the Company believes that the full implementation of these changes is essential to achieving significant long-term benefits, their implementations also contributed to the persistence of congestion in the effected Gulf Coast region during late 1997 and early 1998.

On March 28, 1998, the Railroad embargoed most southbound traffic destined for the Laredo, Texas gateway to address worsening congestion at that gateway and clear the backlog of cars waiting to cross into Mexico. The embargo applied to grain, chemicals, industrial products and coal, but not finished automobiles, auto parts or intermodal traffic or any northbound traffic through Laredo. The Railroad rerouted some of the embargoed traffic through other Railroad gateways to Mexico, none of which were subject to the embargo. The Railroad believed that this embargo was necessary because congestion problems principally within Mexico and agricultural inspection delays at the border that affected the Laredo gateway had worsened during the weeks preceding the imposition of the embargo and were affecting other areas within the southeast region of its system, resulting in a substantial backlog of cars waiting to move south to Laredo. Imposition of the embargo quickly resulted in a significant reduction in the backlog of cars.

Accordingly, on April 14, 1998, the Railroad amended the embargo to introduce permitting to control traffic volumes. The permitting system allowed customers to move traffic that had been embargoed while allowing the Railroad to meter southbound traffic to prevent any surge of business that could again block the Laredo crossing. On April 16, 1998, the Railroad further amended the embargo to eliminate permit requirements for domestic shipments terminating at Laredo, and on April 22, 1998, the Railroad canceled the embargo.

Financial Impact of Congestion - The Corporation has estimated that the cost of the congestion-related problems for the three months ended March 31, 1998 was approximately \$260 million, after tax, which reflected the combined effects of lost business, higher costs associated with system congestion, costs associated with implementation of the Plan, alternate transportation and customer claims. Although progress has been made in improving service, the Railroad expects these problems to continue to have an adverse impact on 1998 results. In addition, as a result of recent operating losses incurred by the Railroad and in order to fund its capital programs, the Corporation has incurred substantial incremental debt since December 31, 1997 and obtained additional financing from a private placement of preferred securities. (See Changes in Financial Condition and Other Developments) The timing of the Corporation's return to profitability will be determined by how rapidly it is able to eliminate congestion and return to normal operations throughout its system.

FINANCIAL RESULTS

CONSOLIDATED - The Corporation reported a net loss of \$62 million or \$0.25 per diluted share for the first quarter of 1998, compared to 1997 net income of \$128 million or \$0.52 per diluted share. This earnings decrease resulted primarily from continued congestion and service issues at the Railroad, which were slightly offset by improved operating results at Overnite.

Operating revenues decreased \$224 million (8%) to \$2,586 million in 1998, reflecting an 11% decrease in volumes at the Railroad, which were somewhat offset by a 20% increase in revenues at Overnite.

Operating expenses increased \$62 million (3%) to \$2,527 million in 1998. Congestion-related costs and wage inflation, partially offset by net merger benefits and volume-related cost savings, caused salaries, wages and employee benefits to increase \$52 million. Congestion was also a contributing factor, along with unfavorable rates, to an increase in equipment and other rents by \$41 million. Lower volumes and the absence of 1997 maintenance projects at the Railroad were the primary factors causing a decrease in materials and supplies (\$13 million). Fuel and utility costs fell \$75 million (25%), principally the result of decreased volumes at the Railroad and a 15% decrease in fuel prices at both the Railroad and Overnite. Depreciation charges rose \$5 million, primarily due to the UPC's extensive capital spending on its equipment and rail infrastructure. Other costs increased \$52 million, primarily resulting from miscellaneous costs associated with the congestion and service recovery. Personal injury costs and casualty accruals fell \$6 million and \$3 million, respectively, while professional fees and other taxes rose \$7 million and \$4 million, respectively.

Consolidated operating income fell \$286 million (83%) to \$59 million in 1998, principally because of declining results at the Railroad, slightly offset by improved results at Overnite. Other income fell \$15 million, primarily reflecting fewer real estate sales and lower rental income resulting from the sale of the sign board business in 1997. Interest expense increased \$11 million, the result of higher debt levels, offset by favorable interest

rates. Income taxes decreased \$120 million to a \$43 million benefit, primarily reflecting lower income before income taxes.

Railroad - The Railroad lost \$32 million in the first quarter of 1998, compared to net income of \$170 million a year ago. This decline in earnings is the result of the continuing effect of congestion on the Railroad's operations. Both periods included the impact of one-time SP merger-related costs for severance, relocation, and training of employees (\$18 million reduction in net income in 1998 and \$9 million reduction in net income in 1997). The operating ratio for the first quarter of 1998 was 97.7, which includes approximately 15 points estimated to be attributable to congestion costs (both lost business and incremental operating costs). This compares to 86.2 for the same period in 1997. Operating revenues fell \$279 million (11%) to \$2.28 billion in 1998. This decrease reflects continuing congestion, the impact of the Asian crisis on export grain and intermodal markets and weak grain demand as farmers delay shipments due to the current grain price environment. Average commodity revenue per car (ARC) fell 1% to \$1,149 per car, while total carloadings fell 9% (approximately 189,000 cars). Commodity revenue in 1998 fell 10% over the same period in 1997 as shown in the table below.

(Revenue in Thousands)	Commodity Revenue			Versus 1997	
	Three Months Ended 3/31/98			Change	%
	Cars	ARC	Commodity Revenue		
Agricultural	203,177	\$1,554	\$315,786	\$ (87,410)	(22)
Automotive	159,400	1,446	230,464	(6,973)	(3)
Chemicals	222,798	1,749	389,773	(43,719)	(10)
Energy	442,094	1,124	496,988	(15,207)	(3)
Industrial	320,602	1,359	435,709	(40,502)	(9)
Intermodal	590,115	606	357,506	(56,924)	(14)
	-----	-----	-----	-----	-----
Total Commodity	1,938,186	\$1,149	\$2,226,226	\$(250,735)	(10)
	=====	=====	=====	=====	=====

Agricultural Products: Commodity revenue fell 22% to \$316 million. Carloadings declined 18% to 203,000 cars, primarily the result of a 25% decrease in corn volumes due to soft export demand (strong foreign production and the effect on exchange rates due to the Asian crisis), as well as continued congestion. Most agricultural products suffered from congestion problems and related equipment shortages; meals and oils were the only bright spot, as U.S. producers benefitted from strong export markets, primarily to Mexico. Average commodity revenue per car declined 5%, primarily the result of weak exports, which significantly reduced the average length of haul.

Automotive: Commodity revenue fell 3% to \$230 million, in spite of a 1% increase in carloadings reflecting new business opportunities and steady economic conditions in the industry. Strong demand and the new Ford business led the 3% increase in finished autos carloadings while parts volumes fell 2% resulting from congestion-related diversions of traffic and inventory control by major manufacturers. Average commodity revenue per car declined 4%, resulting from generally shorter haul Ford business and less long-haul Mexico business.

Chemicals: Carloadings declined 6% to 223,000 cars and commodity revenue decreased \$44 million (10%) to \$390 million. The decline in volume resulted

principally from system congestion (partially the result of congestion of traffic crossing at the Mexican border), which more than offset strong market demand. Average commodity revenue per car declined 4% due to generally shorter hauls (storage-in-transit moves for plastic and growth in short-haul potash moves) and unfavorable product mix.

Energy (Primarily Coal): Commodity revenue fell 3% to \$497 million in 1998, driven by a 3% decrease in carloadings. Continued congestion problems, diversions of business to competing roads and a late February blizzard led the decline, despite strong demand. Average commodity revenue was flat, quarter over quarter. Powder River Basin (PRB) train cycles fell slightly quarter-over-quarter, 24.8 in 1998 vs. 25.1 in 1997, however longer trains (117.6 cars/train in 1998 vs. 114.1 in 1997) boosted loads by approximately 3,200 units helping to improve PRB business versus 1997. All other mine locations posted declines, largely due to congestion and related train cycle issues.

Industrial Products: Carloadings decreased 10% while commodity revenue declined 9% to \$436 million. Volume declines resulted primarily from continued congestion (in the Southern tier and the Pacific Northwest) as well as the Railroad's sale of its Duck Creek North line in 1997. Average commodity revenue per car improved 1%, the result of the absence of shorter-haul Duck Creek business and favorable mix changes.

Intermodal: Commodity revenue declined 14% to \$358 million while carloadings fell 12% to 590,000 loads-the result of continued congestion and related diversions of traffic, as well as equipment imbalances caused by strong imports and weak exports. Average commodity revenue per car fell 1%, as unfavorable mix was largely offset by new longer haul business.

Operating expenses were \$2,231 million, \$21 million (1%) higher than the first quarter 1997 operating costs of \$2,210 million. Higher operating costs reflect an estimated \$77 million of congestion-related costs (\$148 million of congestion-related costs offset by \$71 million of volume savings from lower business levels). The impact of congestion was partially offset by lower fuel costs, merger benefits and volume-related cost savings, as carloads were off 9% and gross-ton miles were down 10%.

Labor expense was \$29 million (3%) higher than 1997, as net congestion-related costs and wage inflation were partially offset by merger consolidation benefits and volume-related cost savings. Quarter-over-quarter, the work force levels were virtually flat, as merger-related reductions and attrition were offset by new hiring for train and engine crews.

Depreciation expense grew \$6 million or 2% to \$246 million due to the Railroad's extensive capital program in 1997 and 1998. The Railroad spent over \$2 billion on capital projects in 1997 and anticipates spending \$2.2 billion in 1998 of which \$400 million will be merger-related.

Materials and Supplies costs for the quarter were down \$16 million (11%) from first quarter 1997. More rebuild projects (which are capitalized) and less maintenance projects in 1998 plus the absence of large program maintenance projects on freight cars in 1998 accounted for the quarter-over-quarter decline.

Fuel and Utilities expenses were down \$73 million or 26% from 1997, reflecting lower fuel prices and congestion-related volume declines. A reduction in gross-ton

miles quarter-over-quarter (down 10%) generated volume-related fuel savings of \$24 million versus 1997. Prices were down 11.7 cents per gallon to 63.6 cents, saving \$33 million. The fuel consumption rate of 1.416 gallons per thousand gross-ton miles improved 3% from last year's 1.457 (largely slower locomotive speeds), lowering UP's fuel costs by another \$7 million.

Rent Expense was up 13% (\$42 million) versus 1997, as system congestion (which hindered car cycle times) combined with unfavorable rates (strong market demand for equipment) to drive up equipment rent costs.

Other Costs increased \$33 million (9%) from 1997, reflecting costs for customer claims and service recovery caused by the system congestion offset by merger consolidation benefits (trackage rights reimbursements and contract pricing savings) and cost savings from administrative cost control efforts.

Operating income declined \$300 million (85%) to \$53 million in 1998, reflecting the effect of continued congestion and service issues. Interest expense increased \$12 million to \$134 million, principally resulting from higher debt levels. Other income, net, declined \$18 million due to the absence of the Duck Creek North branch line sale in 1997. Income taxes decreased \$128 million to a benefit of \$31 million, primarily reflecting lower income before income taxes.

Trucking - During 1997, Overnite continued to benefit from several strategic initiatives, implemented in 1996, aimed at better matching its operations to the current trucking industry business environment. Actions taken included workforce reductions, service center consolidations, centralization of the linehaul management process and pricing initiatives targeting Overnite's lowest margin customers. Primarily as a result of these initiatives, Overnite increased its net income from \$1 million in the first quarter of 1997 to \$10 million net income in the first quarter of 1998 (excluding goodwill amortization of \$5 million in each period).

Overnite's operating revenues increased \$43 million (20%) to \$257 million, as a 13% increase in volumes combined with a 7% increase in average prices--resulting from Overnite's pricing initiatives. Higher volumes reflected a 15% increase in LTL tonnage, somewhat offset by a 14% decrease in truckload volumes.

Operating expenses increased \$30 million (14%) to \$244 million. Salaries, wages and employee benefit costs increased \$19 million (14%) to \$154 million, reflecting workforce increases, higher volumes, and wage and benefit inflation. An increased use of intermodal rail service and contract linehaul carriers caused an \$8 million increase in purchased services. Fuel costs declined \$5 million, as a 15% decrease in fuel prices was offset by a 10% volume-related increase in fuel consumption. Higher volumes caused increases in materials and supplies (\$2 million). Overnite generated operating income of \$13 million for the first quarter of 1998, compared to breaking even for the comparable period a year ago (excluding goodwill amortization of \$5 million in each period). Overnite's operating ratio (including goodwill amortization) improved to 96.8 in 1998 from 102.2 in 1997.

Corporate Services and Other Operations - Expenses related to Corporate Services and Other Operations (consisting of corporate expenses, third-party interest charges, intercompany interest allocations, other income and income taxes related to the Corporation's holding company operations, and the results of other operating units) decreased \$3 million to \$35 million in 1998. This decrease

largely reflects lower Corporate interest and insurance costs. Other operating units generated an operating loss of \$3 million in the first quarter of 1998, compared to the same results during the comparable period in 1997.

CHANGES IN FINANCIAL CONDITION AND OTHER DEVELOPMENTS

FINANCIAL CONDITION - During the first three months of 1998, cash from operations was a negative \$117 million, compared to \$251 million in 1997. This \$368 million decrease primarily reflects lower earnings and timing of working capital requirements due to the continuing congestion as well as merger consolidation spending.

Cash used in investing activities was \$553 million in the first quarter of 1998 compared to \$434 million in 1997. This increase primarily reflects higher capital spending by the railroad, including merger related spending.

Cash provided by equity and financing activities was \$771 million in the first quarter of 1998 compared to \$86 million in 1997. Cash provided in 1998 principally reflects higher net borrowings (\$1.76 billion), offset by debt repaid of \$888 million. The ratio of debt to total capital employed increased to 53.6% at March 31, 1998, compared to 50.9% at December 31, 1997 and 50.7% at March 31, 1997. This change resulted from the increase in debt levels from year-end 1996.

In February 1998, the Corporation announced that its Board of Directors had taken certain steps, including authorizing the issuance of equity-related securities and the reduction of the first quarter 1998 common stock dividend to 20 cents per share from 43 cents per share in the previous quarter, to ensure that the Railroad maintains the financial flexibility critical to funding its 1998 capital program. On April 1, 1998, the Corporation completed a private placement of \$1.5 billion of 6-1/4% preferred securities of Union Pacific Capital Trust, a statutory business trust sponsored by the Corporation, which securities are convertible into common stock of the Corporation at an initial conversion price of \$68.90 (the Convertible Preferred Securities). Proceeds from the sale of the Convertible Preferred Securities were used for repayment of borrowings. (See "Part II. OTHER INFORMATION; Item 2. Changes in Securities and Use of Proceeds.")

The Convertible Preferred Securities will be presented as a separate line item in the consolidated balance sheet for the second quarter of 1998 between liabilities and equity and appropriate disclosures will be included in the notes to the financial statements. For financial reporting purposes, the Corporation will record distributions payable on the Convertible Preferred Securities as a financing charge to earnings in the statement of consolidated income.

OTHER MATTERS

Accounting Pronouncements - In June 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 130, "Reporting Comprehensive Income" (FAS 130) that is effective for all periods in 1998. UPC has adopted the provisions of FAS 130 effective January 1, 1998. The components of comprehensive income include, among other things, changes in the market value of futures contracts which qualify for hedge accounting and a net loss recognized as an additional pension liability but not yet recognized as net periodic pension cost. The impact of adopting FAS 130 for the three months ended March 31, 1998 was approximately \$2 million.

Also in June 1997, the FASB issued Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information," effective December 31, 1998. The Corporation currently complies with most provisions of this Statement, and any incremental disclosure required by that Statement is expected to be minimal.

In February 1998, the FASB issued Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (FAS 132) effective in 1998. FAS 132 revises and standardizes disclosures required by FAS 87, 88, and 106. Restatement of the retirement plan footnote will be required for all earlier periods presented in comparative financial statements at December 31, 1998.

Commitments and Contingencies -There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. Certain customers have submitted claims or stated their intention to submit claims to the Railroad for damages related to the delay of shipments as a result of congestion problems, and certain customers have filed lawsuits seeking relief related to such delays. The nature of the damages sought by claimants includes, but is not limited to, contractual liquidated damages, freight loss or damage, alternative transportation charges, additional production costs, lost business and lost profits. In addition, some customers have asserted that they have the right to cancel contracts as a result of alleged material breaches of such contracts by the Railroad. The Corporation expects additional claims by shippers. UPC will continue to evaluate the adequacy of its reserves for claims and expects to add to such reserves as appropriate.

The Railroad is also party to certain regulatory proceedings before the Surface Transportation Board of the U.S. Department of Transportation (STB). One proceeding pertains to rail service problems in the western United States. As an outgrowth of this proceeding, the STB has issued an emergency service order imposing certain temporary measures on the Railroad designed, among other things, to reduce congestion on the Railroad's lines in the Houston, Texas area. A second proceeding, initiated under the STB's continuing oversight jurisdiction with respect to the Corporation's acquisition of Southern Pacific and consolidation of Southern Pacific with UPRR (and separate from the STB's regularly scheduled annual proceeding to review the implementation of the merger and the effectiveness of the conditions that the STB imposed on it), is for the purpose of considering the justification for and advisability of any proposals for new remedial conditions to the merger as they pertain to service in the Houston, Texas/Gulf Coast area, including proposals by Kansas City Southern Railway Company (KCS), Texas Mexican Railway Company (Tex Mex) and the Greater Houston Partnership (GHP) for the forced transfer by the Railroad to Tex Mex of certain lines and facilities in and around Houston, the establishment of a "neutral" switching operation in the greater Houston area, and the permanent adoption of provisions in the STB's emergency service order that expanded Tex Mex's right to handle traffic to and from Houston. In addition, the STB has initiated various inquiries and formal rulemaking proceedings regarding certain elements of rail regulation following two days of hearings by the STB at the request of two members of Congress and in response to shippers' expressions of concern regarding railroad service quality, railroad rates and allegedly inadequate regulatory remedies. If the Railroad is unsuccessful in eliminating the remaining congestion and service problems affecting its system, the STB could issue a new emergency service order upon the expiration of the current one and order the Railroad to take additional actions including, among other things, further diversions of traffic or the transfer of certain rail lines or other

facilities to other railroads. In addition, there can be no assurance that the proposals advanced by parties in the remedial conditions proceeding or the proceedings initiated in response to the rail regulation hearings will not be approved in some form. Should the STB or Congress take aggressive action in the rail regulation proceedings (e.g., by making purportedly competition-enhancing changes in rate and route regulation and "access" provisions), the adverse effect on the Railroad and other rail carriers could be material.

The Corporation is also subject to Federal, state and local environmental laws and regulations, and is currently participating in the investigation and remediation of numerous sites. Where the remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. In addition, the Corporation and its subsidiaries periodically enter into financial and other commitments and have retained certain contingent liabilities upon the disposition of formerly-owned operations.

In addition, UPC and certain of its officers and directors are currently defendants in two purported class action securities lawsuits, and certain current and former directors of the Corporation are currently defendants in a purported derivative action filed on behalf of the Corporation. The class action suits allege, among other things, that management failed to disclose properly the Railroad's service and safety problems and thereby issued materially false and misleading statements concerning the merger with SP and the safe, efficient operation of its rail network. The derivative action alleges, among other things, that the named current and former directors breached their fiduciary duties to the Corporation by approving the mergers of SP and Chicago and North Western Transportation Company into the Corporation without ensuring that the Corporation or the Railroad had adequate systems in place to effectively integrate those companies into the operations of the Corporation and the Railroad. Because both the size of the class and the damages are uncertain, UPC and the Railroad are unable at this time to determine the potential liability, if any, which might arise from these lawsuits. Management believes that these claims are without merit and intends to defend them vigorously.

It is not possible at this time for the Corporation to fully determine the effect of all unasserted claims on its 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, the Corporation has recorded a liability. The Corporation does not expect that any known lawsuits, claims, environmental costs, commitments or guarantees will have a material adverse effect on its consolidated financial condition.

CAUTIONARY INFORMATION

Certain information included in this report contains, and other materials filed or to be filed by the Corporation with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Corporation) contain or will contain, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking information may include, without limitation, statements that the Corporation does not expect that lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations, claims or other matters will have a material adverse effect on its consolidated financial condition, results of operations or liquidity and other similar expressions concerning matters that are

not historical facts, and projections or predictions as to the Corporation's financial or operational results. Such forward-looking information is or will be based on information available at that time, and is or will be subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. Important factors that could cause such differences include, but are not limited to whether the Railroad is fully successful in overcoming its congestion-related problems and implementing the Plan and other operational and financial initiatives, industry competition and regulatory developments, natural events such as floods and earthquakes, the effects of adverse general economic conditions, fuel prices, labor strikes, the impact of year 2000 systems problems and the ultimate outcome of shipper claims related to congestion, environmental investigations or proceedings and other types of claims and litigation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Disclosure concerning market risk-sensitive instruments is set forth in Note 3 to the Financial Statements, pages 6-7 herein.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

SOUTHERN PACIFIC ACQUISITION: As previously reported in the Corporation's 1997 Annual Report on Form 10-K, various appeals have been filed with respect to the STB's August 12, 1996 decision (the Decision) approving the acquisition of control of Southern Pacific by the Corporation. All of the appeals have been consolidated in the U.S. Court of Appeals for the District of Columbia Circuit. Oral argument in the case is scheduled for September 11, 1998. Various appellants have withdrawn their appeals, leaving only Burlington Northern and Santa Fe Railway Company (BNSF), the Western Coal Traffic League (WCTL), Enterprise Products Company and the City of Reno, Nevada with appeals pending. On April 10, 1998, WCTL filed a motion to vacate and remand the Decision in light of a proceeding the STB commenced on March 31, 1998, under its continuing oversight jurisdiction over the merger, to consider whether any additional conditions are justified and should be imposed to deal with service problems in the Houston/Gulf Coast area. The STB, the Corporation and BNSF have opposed this motion. The Corporation believes that it is unlikely that the disposition of the remaining appeals will have a material adverse impact on its consolidated financial condition or its results of operations.

RAIL SERVICE PROCEEDINGS AND RELATED MATTERS: As previously reported in the Corporation's 1997 Annual Report on Form 10-K, the Railroad is currently subject to an emergency service order issued by the STB on October 31, 1997, as an outgrowth of a proceeding initiated by the STB on October 2, 1997 to investigate rail service problems in the western United States. The original service order, which, among other things, imposed several temporary measures designed to reduce congestion on the Railroad's lines in the Houston area, was modified and extended by a supplemental order dated December 4, 1997. On February 25, 1998, the STB, citing the gravity of the Railroad's congestion problems and characterizing them as "not yet close to being resolved," further modified the emergency service order and extended it until August 2, 1998, the maximum period allowable under

the law for the original order.

On March 31, 1998, the STB initiated a proceeding under its continuing oversight jurisdiction with respect to the merger of the Corporation and Southern Pacific to consider proposals for new remedial conditions to the merger as they pertain to service in the Houston, Texas/Gulf Coast area. This proceeding, which is separate from the STB's regularly scheduled annual proceeding to review the implementation of the merger and the effectiveness of the conditions that the STB imposed on it, was initiated in response to submissions by Texas Mexican Railway Company (Tex Mex), Kansas City Southern Railway Company (KCS) and the Greater Houston Partnership (GHP), proposing that the Railroad be directed to transfer certain lines and facilities in the Gulf Coast region to other rail carriers, that a "neutral" switching operation be established in the greater Houston area and that provisions in the STB's emergency service order that expanded Tex Mex's right to handle traffic to and from Houston be adopted permanently. The STB's decision announcing the proceeding established a procedural schedule for the submission of evidence, replies and rebuttal.

If continued implementation of the Plan and other operational and financial initiatives undertaken by the Corporation ultimately prove unsuccessful in alleviating the remaining congestion and related service problems experienced by the Railroad, the STB could issue a new emergency service order upon the expiration of the current one and order the Railroad to take additional actions including, among other things, further diversions of traffic or the transfer of certain of the Railroad's rail lines or other facilities to other railroads. In addition, there can be no assurance that the proposals advanced by Tex Mex, KCS, GHP or other parties in the remedial conditions proceeding will not be approved in some form.

RAIL ACCESS AND COMPETITION: Acting pursuant to requests from two members of Congress and responding to shippers' concerns about railroad service quality, railroad rates and allegedly inadequate regulatory remedies, the STB on April 17, 1998, following two days of hearings, issued a decision opening inquiries into certain elements of rail regulation. The STB noted that no parties to the hearings had shown how aggressive remedies designed to produce lower rates and enhance competition would permit the industry to cover system costs and support reinvestment. Nevertheless, it (i) directed a panel of disinterested economic experts to recommend appropriate standards to measure railroad revenue adequacy, which is used to determine whether rates are lawful (this portion of the decision was subsequently modified to permit, as an alternative, discussions of this issue between railroad and shipper representatives); (ii) initiated a rulemaking proceeding to consider revisions to "competitive access" regulations in order to address quality of service issues; (iii) ordered interested parties to identify modifications to regulations governing access on non-service-related grounds; (iv) began a proceeding to consider eliminating product and geographic competition as factors to be considered in deciding whether a railroad has market dominance over rail traffic; (v) ordered large and small railroads to negotiate arrangements that would increase the role of short-line rail carriers; and (vi) directed the railroads to establish "formalized dialogue" immediately with large and small shippers and rail labor. Should the STB or Congress take aggressive action, (e.g., by making purportedly competition-enhancing changes in rate and route regulation and "access" provisions), the adverse effect on the Railroad and other railroads could be material.

LABOR MATTERS: As previously reported in the Corporation's 1997 Annual Report

on Form 10-K, the General Counsel of the National Labor Relations Board ("NLRB") is seeking a bargaining order remedy in 15 cases involving Overnite where a Teamsters local union lost a representation election. These cases are pending before the NLRB. By decision dated April 10, 1998, an administrative law judge has recommended that bargaining orders be issued in four locations. Overnite plans to appeal the decision to the NLRB. The remaining cases must yet be scheduled for trial. A bargaining order remedy would require Overnite to recognize and bargain with the union as if the union had won instead of lost the election and would be warranted only if the following findings are made and upheld: (1) the petitioning Teamsters local had obtained valid authorization cards from a majority of the employees in an appropriate unit; (2) Overnite committed serious unfair labor practices; and (3) those unfair labor practices would preclude the holding of a fair election despite the application of less drastic remedies. Under NLRB case law, a bargaining order remedy would attach retrospectively to the date when, after a union with a showing of majority support demanded recognition, Overnite embarked on an unlawful course of conduct. In the event of such a retroactive effective bargaining order, Overnite would face back pay liability for losses in employee earnings due to unilateral changes in terms or conditions of employment, such as layoffs, reduced hours of work or less remunerative work assignments. In addition, if a bargaining order remedy was granted in all contested cases, the increased Teamsters' representation could force Overnite to alter its posture in collective bargaining, increase its costs and alter its operating methods. Overnite believes it has substantial defenses to these cases and intends to continue to aggressively defend them.

ENVIRONMENTAL MATTERS: The Railroad has been named as a defendant in a civil action brought by the California Department of Fish and Game, Office of Spill Prevention and Response on April 10, 1998. The complaint alleges violations of California Fish and Game Code Section 5650, California Business and Professions Code Section 17200, Civil Code Sections 3479 and 3480, and damage to the waters of California for which the Department of Fish and Game allege trusteeship. The complaint results from derailments and alleged releases of diesel fuel oil during 1995 in the Feather River Canyon in Butte County, California. The Complaint seeks penalties, exemplary damages, natural resource damages and unspecified injunctive relief.

The Railroad has been named as a defendant in a criminal misdemeanor action brought by the State of California in the Municipal Court of Placer County, California on February 24, 1998. The complaint alleges a violation of California Fish and Game Code Section 5650 as a result of a diesel fuel spill in Norden, California in February 1997. In addition, the California Department of Fish and Game is seeking penalties, monitoring costs and natural resource damages under state water statutes, and the U.S. Environmental Protection Agency (EPA) is seeking penalties for violation of the Clean Water Act in connection with the same incident.

The Railroad and Clean Harbors, a waste disposal firm, are the subject of a criminal investigation by the EPA and the Federal Bureau of Investigation. Tank cars containing hazardous waste billed to Clean Harbors' transload facility in Sterling, Colorado were held in the Railroad's Sterling, Colorado rail yard for periods longer than ten days prior to placement in Clean Harbor's facility, allegedly in violation of hazardous waste regulations. A finding of violation could result in significant criminal or civil penalties.

Item 2. Changes in Securities and Use of Proceeds.

On April 1, 1998, Union Pacific Capital Trust (the "Trust"), a statutory business trust formed under the laws of the State of Delaware and a subsidiary of the Corporation, closed a private placement of \$1.5 billion in aggregate amount of 6-1/4% Convertible Preferred Securities (the "Convertible Preferred Securities"), with a liquidation amount of \$50 per each of the Convertible Preferred Securities. Each of the Convertible Preferred Securities is convertible, at the option of the holder thereof, into shares of UPC's common stock, par value \$2.50 per share (the "UPC Common Stock"), at the rate of 0.7257 shares of UPC Common Stock for each of the Convertible Preferred Securities, equivalent to a conversion price of \$68.90 per share of UPC Common Stock, subject to adjustment under certain circumstances. The Corporation owns all of the common securities of the Trust.

The initial purchasers of the Convertible Preferred Securities (the "Initial Purchasers") were Credit Suisse First Boston Corporation; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Smith Barney Inc.; and Schroder & Co. Inc. The Initial Purchasers resold 29,909,600 of the Convertible Preferred Securities (the "QIB Securities") to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and 32,900 of the Convertible Preferred Securities (the "IAI Securities") to a limited number of institutional "accredited investors," as such term is defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act. The QIB Securities were sold for their liquidation amount of \$50 each or \$1,495,480,000 in the aggregate, and the IAI Securities were sold for their liquidation amount of \$50 each or \$1,645,000 in the aggregate. In connection with the purchase of the QIB Securities and the IAI Securities, the Corporation paid the Initial Purchasers a commission equal to 2.25% of the purchase price of each of the QIB Securities and the IAI Securities, or \$33,648,300 and \$37,012.50, respectively, in the aggregate. In addition to sales of the QIB and IAI Securities, the initial purchasers also sold 57,500 of the Convertible Preferred Securities outside the United States to certain persons other than U.S. persons in reliance on Regulation S under the Securities Act, as previously reported in the Corporation's Current Report on Form 8K, filed on April 20, 1998.

Item 4. Submission of Matters to a Vote of Security Holders.

- (a) The annual meeting of shareholders of the Corporation was held on April 17, 1998.
- (c) At the Annual Meeting, the Corporation's shareholders voted for the election of Philip F. Anschutz (206,359,406 shares in favor; 11,044,914 shares withheld), Robert P. Bauman (206,581,925 shares in favor; 10,822,395 shares withheld), Richard K. Davidson (205,913,479 shares in favor; 11,490,841 shares withheld), Spencer F. Eccles (206,604,706 shares in favor; 10,799,614 shares withheld), Elbridge T. Gerry, Jr. (206,601,620 shares in favor; 10,802,700 shares withheld), William H. Gray, III (206,536,320 shares in favor; 10,868,000 shares withheld), Judith Richards Hope (206,553,752 shares in favor; 10,850,568 shares withheld), Richard J. Mahoney (206,564,904 shares in favor; 10,839,416 shares withheld), John R. Meyer (206,563,462 shares in favor; 10,840,858 shares withheld), and Richard D. Simmons (206,586,280 shares in favor; 10,818,040 shares withheld) as directors of the Corporation. In

addition, the Corporation's shareholders voted to ratify the appointment of Deloitte & Touche LLP as independent auditors of the Corporation (215,978,952 shares in favor; 696,527 shares against; 728,841 shares withheld).

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 3 - By-Laws of Union Pacific Corporation, as amended effective as of April 30, 1998.
- 4.1 - Revised Articles of Incorporation of Union Pacific Corporation, as amended through April 25, 1996 (incorporated by reference to Exhibit 3 to Union Pacific Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).
- 4.2 - By-Laws of Union Pacific Corporation (filed as Exhibit 3).
- 4.3 - Certificate of Trust of Union Pacific Capital Trust (incorporated by reference to Exhibit 4.3 to Union Pacific Corporation's Registration Statement on Form S-3, Registration No. 333-51617).
- 4.4 - Amended and Restated Declaration of Trust of Union Pacific Capital Trust, dated as of April 1, 1998, among Union Pacific Corporation, as Sponsor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, and Gary M. Stuart, L. White Matthews, III and Joseph E. O'Connor, Jr., as Regular Trustees (incorporated by reference to Exhibit 4.4 to Union Pacific Corporation's Registration Statement on Form S-3, Registration No. 333-51617).
- 4.5 - Indenture for the Convertible Junior Subordinated Debentures due 2028, dated as of April 1, 1998, among Union Pacific Corporation, as Issuer, and The Bank of New York, as Indenture Trustee (incorporated by reference to Exhibit 4.5 to Union Pacific Corporation's Registration Statement on Form S-3, Registration No.333-51617).
- 4.6 - Form of Union Pacific Corporation Stock Certificate.
- 4.7 - Form of Union Pacific Capital Trust 6-1/4% Convertible Preferred Securities (included in Exhibit 4.4).
- 4.8 - Form of Union Pacific Corporation Convertible Junior Subordinated Debentures due 2028 (included in Exhibit 4.5).
- 4.9 - Preferred Securities Guarantee, dated as of April 1, 1998, between Union Pacific Corporation, as Guarantor, and The Bank of New York, as Guarantee Trustee (incorporated by reference to Exhibit 4.9 to Union Pacific Corporation's Registration Statement on Form S-3, Registration No.333-51617).

- 4.10 -Common Securities Guarantee, dated as of April 1, 1998, by Union Pacific Corporation, as Guarantor (incorporated by reference to Exhibit 4.10 to Union Pacific Corporation's Registration Statement on Form S-3, Registration No.333-51617).
- 11 - Computation of earnings per share.
- 12 - Computation of ratio of earnings to fixed charges.
- 27 - Financial data schedule.
- 27.1 Financial Data Schedule (restated for the year ended December 31, 1996).
- 27.2 Financial Data Schedule (restated for the year ended December 31, 1995).
- 27.3 Financial Data Schedule (restated for the quarters ended March 31, June 30, and September 30, 1997).
- 27.4 Financial Data Schedule (restated for the quarters ended March 31, June 30, and September 30, 1996).

(b) Reports on Form 8-K

On January 23, 1998, UPC filed a Current Report on Form 8-K regarding the fourth quarter 1997 earnings of the Corporation.

On February 26, 1998, UPC filed a Current Report on Form 8-K describing first quarter 1998 results and current actions taken by Union Pacific Corporation's Board of Directors.

On March 20, 1998, UPC filed a Current Report on Form 8-K regarding the Corporation's plan to privately place \$1 billion of preferred securities of a statutory business trust sponsored by UPC, convertible into Common Stock of the Corporation, to provide financial flexibility in funding its 1998 capital improvement programs and restoring quality service to its customers.

On March 25, 1998, UPC filed a Current Report on Form 8-K announcing that Union Pacific Railroad will embargo most southbound traffic destined for the Laredo, TX gateway, effective Saturday, March 28, 1998, to clear the backlog of cars waiting to cross into Mexico.

On March 31, 1998, UPC filed a Current Report on Form 8-K regarding the STB's commencement of a proceeding under its continuing oversight jurisdiction of the UPC/Southern Pacific rail merger to consider proposals for new remedial conditions to the merger as they pertain to service in the Houston, Texas/Gulf Coast area.

SIGNATURE

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: May 13, 1998

UNION PACIFIC CORPORATION

(Registrant)

/S/ Joseph E. O'Connor, Jr.

Joseph E. O'Connor, Jr.

Vice President and Controller
(chief accounting officer
and duly authorized officer)

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UNION PACIFIC CORPORATION

EXHIBIT INDEX

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4.2	By-Laws of Union Pacific Corporation (filed as Exhibit 3).
4.3	Certificate of Trust of Union Pacific Capital Trust (incorporated by reference to Exhibit 4.3 to Union Pacific Corporation's Registration Statement on Form S-3, Registration No. 333-51617).
4.4	Amended and Restated Declaration of Trust of Union Pacific Capital Trust, dated as of April 1, 1998, among Union Pacific Corporation, as Sponsor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, and Gary M. Stuart, L. White Matthews, III and Joseph E. O'Connor, Jr., as Regular Trustees (incorporated by reference to Exhibit 4.4 to Union Pacific Corporation's Registration Statement on Form S-3, Registration No. 333-51617).
4.5	Indenture for the Convertible Junior Subordinated Debentures due 2028, dated as of April 1, 1998, among Union Pacific Corporation, as Issuer, and The Bank of New York, as Indenture Trustee (incorporated by reference to Exhibit 4.5 to Union Pacific Corporation's Registration Statement on Form S-3, Registration No. 333-51617).
4.6	Form of Union Pacific Corporation Stock Certificate.
4.7	Form of Union Pacific Capital Trust 6-1/4% Convertible Preferred Securities (included in Exhibit 4.4).
4.8	Form of Union Pacific Corporation Convertible Junior Subordinated Debentures due 2028 (included in Exhibit 4.5).
4.9	Preferred Securities Guarantee, dated as of April 1, 1998, between Union Pacific Corporation, as Guarantor, and The Bank of New York, as

Guarantee Trustee (incorporated by reference to Exhibit 4.9 to Union Pacific Corporation's Registration Statement on Form S-3, Registration No.333-51617).

4.10 Common Securities Guarantee, dated as of April 1, 1998, by Union Pacific Corporation, as Guarantor (incorporated by reference to Exhibit 4.10 to Union Pacific Corporation's Registration Statement On Form S-3, Registration No.333-51617).

11 Computation of Earnings Per Share.

12 Computation of Ratio of Earnings to Fixed Charges.

27 Financial Data Schedule.

27.1 Financial Data Schedule (restated for the year ended December 31, 1996).

27.2 Financial Data Schedule (restated for the year ended December 31, 1995).

27.3 Financial Data Schedule (restated for the quarters ended March 31, June 30, and September 30, 1997).

27.4 Financial Data Schedule (restated for the quarters ended March 31, June 30, and September 30, 1996).

BY-LAWS

OF

UNION PACIFIC CORPORATION

As Amended Effective as of April 30, 1998

BY-LAWS

OF

UNION PACIFIC CORPORATION

(AS AMENDED EFFECTIVE AS OF APRIL 30, 1998)

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 third Friday of April 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 sixty (60) days nor more than ninety (90) 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 sixty (60) days nor more than ninety (90) 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, which shall consist of fourteen members. 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 Bethlehem, Pennsylvania.

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 \$60,000, a portion of which may be required to be deferred as determined by the Board of Directors, and each such director who shall serve as the Chairman or a Co-Chairman of a Committee of the Board shall receive an additional annual retainer of \$6,000, each retainer payable quarterly 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, 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 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.

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, 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 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, 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 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.

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.

FRONT

[FRONT OF CERTIFICATE]

NOT MORE THAN
100,000 SHARES

NOT MORE THAN
100,000 SHARES

[Engraving of three figures:
a land developer holding blueprints;
a railroad laborer holding a rail
carriage wheel; and a chemist
holding a beaker and test tube]

COMMON STOCK
PAR VALUE \$2.50

COMMON STOCK
PAR VALUE \$2.50

NUMBER
LX

SHARES

UNION PACIFIC
CORPORATION

CUSIP
907818 10 8
SEE REVERSE
FOR CERTAIN
DEFINITIONS

This Certifies
that

ORGANIZED UNDER THE LAWS OF THE STATE OF UTAH.

[LOGO]

* owns

FULL PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

Union Pacific Corporation transferable on the books of said
Company by the holder hereof or by duly authorized attorney
on surrender of this Certificate properly assigned. This
Certificate is not valid until counter-signed by the Transfer
Agent and registered by the Registrar.

In Witness Whereof the said Company has caused this
Certificate to be signed by its duly authorized officers.

Dated

/s/ Carl von Bernuth

Secretary

/s/ Dick Davidson

Chairman

CERTIFICATE OF STOCK

*COUNTERSIGNED AND REGISTERED:

HARRIS Trust and Savings BANK
(CHICAGO) TRANSFER AGENT
AND REGISTRAR,

BY

AUTHORIZED SIGNATURE.

BACK

[REVERSE OF CERTIFICATE]
UNION PACIFIC CORPORATION

THE COMPANY WILL FURNISH TO ANY SHAREHOLDER UPON REQUEST AND WITHOUT CHARGE A FULL STATEMENT OF THE DESIGNATIONS, PREFERENCES, LIMITATIONS AND RELATIVE RIGHTS OF THE SHARES OF EACH CLASS OF STOCK AUTHORIZED TO BE ISSUED BY THE COMPANY. ANY SUCH REQUEST MAY BE DIRECTED TO THE TRANSFER AGENT NAMED ON THE FACE HEREOF.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as through they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with rights of survivorship and not as tenants in common

UNIF GIFT MIN ACT -Custodian.
(Cust) (Minor)
under Uniform Gifts to Minors
Act
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR _____ *
OTHER IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF
ASSIGNEE.

_____Shares
of the capital stock represented by the within Certificate and do hereby
irrevocably constitute and appoint _____

Attorney to transfer the said stock on the books of the within-named Company
with full power of substitution in the premises.

Dated, _____

THIS SPACE MUST NOT BE COVERED IN ANY WAY

*NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATSOEVER.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF EARNINGS PER SHARE

(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended March 31,	
	1998	1997
Average number of shares outstanding	245,949	245,489
Average shares issuable on exercise of stock options less shares repurchasable from proceeds.....	1,750	2,322
	-----	-----
Total average number of common and common equivalent shares.....	247,699	247,811
	=====	=====
Net Income (Loss).....	(\$61,989)	\$127,811
	=====	=====
Earnings per share:		
Basic:		
Net Income (Loss).....	\$ (0.25)	\$ 0.52
Diluted:		
Net Income (Loss).....	\$ (0.25)	\$ 0.52

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(In Thousands, Except Ratios)
(Unaudited)

	Three Months Ended March 31,	
	1998	1997
Earnings:		
Income (loss) from continuing operations.....	\$(61,989)	\$127,811
Undistributed equity earnings.....	(10,086)	(7,854)
Total.....	(72,075)	119,957
Income Taxes.....	(43,616)	76,856
Fixed Charges:		
Interest expense including amortization of debt discount.....	160,898	149,862
Portion of rentals representing an interest factor.....	43,259	49,297
Total.....	204,157	199,159
Earnings available for fixed charges.....	\$ 88,466	\$395,972
Fixed Charges -- as above.....	\$204,157	\$199,159
Interest capitalized.....	--	--
Total fixed charges.....	\$204,157	\$199,159
Ratio of earnings to fixed charges (Note 4).....	0.4	2.0

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

FINANCIAL DATA SCHEDULE

For the Three Months Ended March 31, 1998
(In Millions, Except Per Share Amounts)
(Unaudited)

1,000,000

	3-MOS DEC-31-1998	MAR-31-1998
		191
	0	0
	589	0
	0	309
	1384	0
	0	31937
	5704	0
	29078	0
2808	0	9258
0	0	0
	0	690
29078	7428	0
	2586	0
	0	0
	2527	0
	26	0
	0	0
161	105	0
	43	0
62	0	0
	0	0
	0	0
	62	0
	0.25	0
	0.25	0

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

FINANCIAL DATA SCHEDULE

For the Year Ended December 31, 1996
(In Millions, Except Per Share Amounts)
(Restated)

1,000,000

12-MOS		
DEC-31-1996		
DEC-31-1996		191
	0	
	507	
	0	
	304	
1347		
		30097
	5053	
	27927	
3056		
		7900
0		
	0	
	686	
	7539	
27927		0
	8786	
		0
	7253	
	101	
	0	
	501	
	1113	
		380
733		
	171	
	0	
		0
	904	
	4.17	
	4.14	

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

FINANCIAL DATA SCHEDULE

For the Year Ended December 31, 1995
(In Millions, Except Per Share Amounts)
(Restated)

1,000,000

	12-MOS	
	DEC-31-1995	
	DEC-31-1995	230
		0
	1002	
		0
		238
	1679	
		18748
	4643	
	19446	
1899		6232
0		0
		581
		5783
19446		0
	7486	
		0
	6145	
	99	
	0	
	450	
	933	
		314
619		
	327	
	0	
		0
	946	
	4.62	
	4.60	

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

FINANCIAL DATA SCHEDULE

For the Quarters Ended March 31, June 30, September 30, 1997
(In Millions, Except Per Share Amounts)
(All Periods Restated)

1,000,000

	3-MOS		6-MOS		9-MOS	
	DEC-31-1997	MAR-31-1997	DEC-31-1997	JUN-30-1997	DEC-31-1997	SEP-30-1997
			94		129	202
		0		0		0
		699		802		797
		0		0		0
		275		290		295
	1454		1559		1599	
		30476		31105		30994
	5230		5474		5375	
	28186		28751		28666	
3109		3223		3304		
		8075		8292		8185
0		0		0		0
		688		689		690
		7551		7669		7794
28186		28751		28666		
		0		0		0
	2810		5693		8518	
		0		0		0
	2465		4847		7209	
	28		54		96	
	0		0		0	
150		296		453		
	205		553		921	
	77		209		337	
128		344		584		
	0		0		0	
	0		0		0	
		0		0		0
	128		344		584	
	0.52		1.40		2.38	
	0.52		1.39		2.35	

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

FINANCIAL DATA SCHEDULE

For the Quarters Ended March 31, June 30, September 30, 1996
(In Millions, Except Per Share Amounts)
(All Periods Restated)

1,000,000

	3-MOS		6-MOS		9-MOS	
	DEC-31-1996	MAR-31-1996	DEC-31-1996	JUN-30-1996	DEC-31-1996	SEP-30-1996
			79		73	148
		0		0		0
		1099		1070		1322
		0		0		0
		227		220		292
		1646		1593		2070
			19006		19205	29444
		4746		4866		4970
		19609		19749		29307
	1974		2014		3393	
			6129		5923	8374
	0		0		0	
		0		0		0
		582		582		679
		5854		6014		7346
19609		19749		29307		
		0		0		0
	1968		3980		5976	
		0		0		0
		1703		3326		4903
		28		51		75
		0		0		0
	117		231		346	
		138		422		754
		31		129		250
	107		293		504	
		49		107		171
		0		0		0
		0		0		0
		156		400		675
		0.76		1.95		3.25
		0.76		1.94		3.23