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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
For the fiscal year ended December 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from _________ to _________

Commission file number 1-6075

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

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

1717 MAIN STREET SUITE 5900 DALLAS, TX	75201-4605 (Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code (214) 743-5600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (Par Value $2.50 per share)	New York Stock Exchange, Inc.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_____].

As of February 28, 1998 the aggregate market value of the registrant's Common Stock held by non-affiliates (using the New York Stock Exchange closing price) was approximately $12,644,079,279.

The number of shares outstanding of the registrant's Common Stock as of February 28, 1998 was 247,292,769.

Portions of the following documents are incorporated by reference into this Report: (1) registrant's Annual Report to Stockholders for the year ended December 31, 1997 (Parts I, II and IV); and (2) registrant's definitive Proxy Statement for the annual meeting of stockholders to be held on April 17, 1998 (Part III).

PART I

ITEM 1. BUSINESS AND ITEM 2. PROPERTIES

DISCUSSION OF SIGNIFICANT EVENTS AND OPERATIONS

Union Pacific Corporation (UPC or the Corporation), incorporated in Utah in 1969, operates through subsidiaries primarily in the areas of rail transportation and trucking. The Corporation's rail transportation operations principally consist of Union Pacific Railroad Company (UPRR or the Railroad) (including Missouri Pacific Railroad Company (MPRR), which was merged with UPRR on January 1, 1997, the Denver and Rio Grande Railroad Company (DRGW) and SPCSL Corp. (SPCSL), which were merged into UPRR on June 30, 1997, St. Louis Southwestern Railway Company (SSW), which was merged into UPRR on September 30, 1997, and Southern Pacific Transportation Company (SPT), which was merged with UPRR on February 1, 1998). SPT, DRGW, SPCSL and SSW were the principal rail subsidiaries of Southern Pacific Rail Corporation (Southern Pacific or SP), the acquisition of which was completed in September 1996. The Corporation's trucking operations principally consist of Overnite Transportation Company (Overnite).

Over the past three years, UPC completed several strategic transactions that refocused the Corporation's business objectives on its core transportation operation, including the Southern Pacific acquisition (see "Corporate Reorganization" below). In addition, during the latter part of the year, the Railroad experienced unexpected traffic congestion and service problems throughout the system (see "1997 Congestion and Service Issues" below).

CORPORATE REORGANIZATION

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (CNW) - In April 1995, UPC acquired the remaining 71.6% of CNW's outstanding common stock not previously owned by UPC for $1.2 billion. The acquisition of CNW was accounted for as a purchase, and CNW's financial results were consolidated with UPC, beginning in May 1995.

NATURAL RESOURCES DIVESTITURE - In July 1995, UPC's Board of Directors approved a formal plan to dispose of its oil, gas and mining business through an initial public offering (IPO) of 17% of the common stock of Union Pacific Resources Group Inc. (Resources), followed by a distribution of UPC's remaining interest in Resources to the Corporation's stockholders on a tax-free, pro-rata basis (the Spin-Off). In October 1995, Resources completed the IPO, and, after UPC's receipt of a favorable Internal Revenue Service ruling as to the tax-free nature of the Spin-Off, UPC completed its divestiture of Resources in October 1996.

SOUTHERN PACIFIC ACQUISITION - In September 1995, UPC acquired 25% of Southern Pacific, and, in September 1996, it acquired the remaining 75% after receipt of a favorable decision from the Surface Transportation Board of the U.S. Department of Transportation (STB) regarding the Corporation's acquisition of SP. The aggregate Southern Pacific purchase price was $4.1 billion (comprised of $2.5 billion in UPC common stock and $1.6 billion in cash). The acquisition of Southern Pacific was accounted for as a purchase, and Southern Pacific's results were fully consolidated with the Corporation's results beginning in October 1996.

MEXICAN RAILWAY CONCESSION - During 1997, UPRR and a consortium of partners were granted a 50-year concession for the Pacific-North and Chihuahua Pacific rail lines in Mexico and a 25% stake in the Mexico City Terminal Company at an aggregate price of $525 million. The Railroad holds a 13% ownership share in the consortium and has accounted for its interest by the equity method. The consortium assumed operational control of both lines in February 1998.

INTEGRATION OF SOUTHERN PACIFIC

The Corporation expects to complete the full integration of the operations of UPRR and the Southern Pacific rail subsidiaries 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. Some of the key on-going elements of integration are (i) the institution of directional running on parallel tracks in certain corridors to improve average train velocity and allow more traffic to be handled efficiently, (ii) the negotiation and implementation of "hub-and-spoke" labor agreements to allow more efficient use of train crews, (iii) the integration of the computer systems of both companies to improve overall operations and service and (iv) merger-related capital spending to expand capacity and improve service, now estimated to approximate $400 million.

1997 CONGESTION AND SERVICE ISSUES

CONGESTION - In the third quarter of 1997, 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 UPRR's operations and earnings. System congestion started in the Gulf Coast region and spread throughout the system as UPRR shifted resources to help mitigate the need for locomotives due to slower average train velocity. 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 railyards in the Gulf Coast region filled, slowing access into and out of the yards and forcing trains to be held on sidings.

SERVICE RECOVERY PLAN - To restore service to acceptable levels, UPRR announced on October 1, 1997, that it was implementing a Service Recovery Plan (the Plan). 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. Key elements of the Plan include:

- Power: Bringing more locomotives into the Gulf Coast region through acquisitions, leasing from other railroads and moving locomotives from selected areas of the UPRR system;

- People: Engaging in an extensive hiring program, allocating additional managers and operating personnel and revising operating plans to relieve congested terminals and remove trains from congested lines; and

- Cooperation: Working with customers and other railroads to curtail additional congestion and to provide alternative transportation.

RECENT ACTIONS UNDER THE PLAN - Implementation of the Plan has resulted in improvement in the overall operation of the Railroad and has generally eliminated congestion problems outside the Gulf Coast region (although weather problems have caused intermittent periods of congestion, primarily in the Midwest). However, significant congestion has continued in the Gulf Coast region, which has been aggravated recently by several severe storms and congestion caused by operational problems on Mexican railroad lines south of Laredo, Texas. UPRR has implemented (i) Transportation Control System (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 Corporation believes that the full implementation of these changes is essential to achieving significant long-term benefits, their implementation also contributed to the persistence of congestion in the affected Gulf Coast region during late 1997 and early 1998.

In order to address the congestion problem and to realize the benefits to UPRR and its customers of the merger implementation steps outlined above, UPRR has recently initiated certain actions under the Plan:

- Power: Arranging for the deployment of approximately 200 locomotives in the Gulf Coast region through selective redeployment and short-term leases and loans from other railroads to reduce congestion in yards and remove trains from sidings.

- People: Continuing its hiring program and redeploying personnel to (i) improve management of certain major terminals, (ii) update TCS information in congested areas to improve operational reliability and (iii) identify empty cars and expedite them to shipper facilities for loading to reduce the number of cars in yards and on sidings.

- Cooperation: Working with UPRR's connecting railroads to expedite the interchange of traffic and entering into arrangements with competitors to share tracks and coordinate dispatching. For example, the recent agreement between UPRR and The Burlington Northern and Sante Fe Railway Company ("BNSF"), which, among other things, grants certain trackage rights to UPRR in the Houston area and provides for joint dispatching of various lines in the Houston area and between Houston and New Orleans.

UPRR believes that the steps it is taking to continue the integration of Southern Pacific and to implement the Plan will alleviate the congestion and service issues affecting UPRR and that substantial operational improvement will begin to occur in the near term. UPRR is also prepared to take additional action, including transferring business to other carriers and arranging a temporary pause in shipments with selected customers to allow UPRR to clear the system, if such actions become necessary. However, UPRR does not believe that such actions are necessary at this time.

In conjunction with the Plan, UPRR is engaged in a comprehensive examination of its long-term capital spending program in the areas affected by congestion. The study focuses on further upgrading UPRR's operations infrastructure in order to keep pace with business growth primarily driven by current and anticipated chemical plant expansion along the Gulf Coast as well as intermodal, automotive, industrial products, grain and Mexico business. The scope of the examination includes all terminal operations, yards, industrial complexes, joint operations, connecting routes and Mexican gateways in the El Paso-New Orleans corridor. UPRR currently plans to spend more than $570 million on capital projects in Texas and Louisiana in

1998 and 1999. Management remains committed to capital spending to continue capacity expansion on its main lines and in its yards, upgrade and augment equipment to meet customer needs and develop and implement new technology.

FINANCIAL IMPACT OF CONGESTION - The cost of the congestion-related problems in 1997 was approximately $450 million, after tax, which reflected the combined effects of lost business, higher costs associated with system congestion, and 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 have an adverse impact on 1998 results, and on February 26, 1998, the Corporation announced that the problems would likely result in a loss during the first quarter of 1998. In addition, as a result of recent operating losses at UPRR and in order to fund its capital program, the Corporation has incurred substantial incremental debt since December 31, 1997, and the Corporation expects to incur significant additional debt during the remainder of 1998. The timing of the Corporation's return to profitability will be determined by how rapidly it is able to eliminate congestion in the Gulf Coast region and return to normal operations.

CONTINUING OPERATIONS

RAIL TRANSPORTATION - The Railroad is the largest railroad in the United States (measured in both track miles and freight revenue), operating nearly 35,000 route miles linking Pacific Coast and Gulf Coast ports to the Midwest and eastern U.S. gateways and providing several north/south corridors to key Mexican gateways. The Railroad serves the western two-thirds of the country and cooperates with other carriers in the handling of freight to and from the Atlantic seaboard, the Pacific Coast, the Southeast, the Southwest, Canada and Mexico. Export and import traffic is moved through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders(primarily through interline connections). The Corporation completed the integration of CNW in 1996 and expects to complete the integration of the operations of Southern Pacific during 1999. Major categories of freight hauled by the Railroad are agricultural products, automotive, chemicals, energy (primarily coal), industrial products and intermodal. In 1997, energy was the largest commodity hauled, representing 36.1% of the Railroad's revenue ton-miles and 19.7% of the Railroad's commodity revenue. Percentages of revenue ton-miles and commodity revenue for other commodities hauled by the Railroad are presented on page 49 of the 1997 Annual Report to Stockholders (Annual Report) and are incorporated herein by reference.

In its rail transportation business, the Railroad is subject to price and service competition from other railroads, motor carriers and barge operators. The vast majority of the Railroad's freight is hauled in corridors served by competing railroads and motor carriers. Motor carrier competition has been strengthened by longer combination vehicles that are allowed in a number of states in which the Railroad operates. Because of the Railroad's proximity to major inland and Gulf Coast waterways, barge competition can be particularly pronounced for grain and bulk commodities in certain markets.

Approximately 90% of the Railroad's 52,000 employees are represented by rail unions. Under the conditions imposed by the STB in connection with the Southern Pacific acquisition, labor agreements between the Railroad and the unions must be negotiated before the UPRR and Southern Pacific rail systems can be fully integrated. The Corporation has reached agreement with a number of unions and expects the remaining agreements to be finalized in 1998.

A separate Annual Report on Form 10-K for the year ended December 31, 1997, will be filed by UPRR and will contain additional information concerning that company.

TRUCKING - The Corporation's other major line of business is truck transportation. Overnite, a major interstate trucking company specializing in less-than-truckload (LTL) shipments, serves all 50 states and portions of Canada and Mexico through 164 service centers located throughout the United States. Overnite transports a variety of products, including machinery, tobacco, textiles, plastics, electronics and paper products. Overnite experiences intense service and price competition from both regional and national motor carriers.

As one of the nation's largest LTL trucking companies, Overnite is periodically targeted by major labor organization efforts instituted by the International Brotherhood of Teamsters (Teamsters) at many of its service centers. Since year-end 1994, 59 of Overnite's 164 service centers have received petitions for union elections. Where elections have been held, 35 Overnite service centers voted against representation. The employees of three service centers that previously voted for union representation filed petitions with the National Labor Relations Board (NLRB) to decertify the Teamsters as their union bargaining representative. Nineteen service centers, representing approximately 12% of Overnite's nationwide workforce, voted for union representation, and the Teamsters have been certified as the bargaining representative for such employees without challenge by Overnite. Five other service centers, representing another 5% of Overnite's nationwide workforce, either voted for union representation or it is unclear how such employees have voted, and such elections are currently being challenged by Overnite before the NLRB or the Federal courts. Overnite has begun negotiations with the Teamsters at the service centers where the Teamsters have been certified as the bargaining representative.

During 1997 and 1996, Overnite continued to benefit from several initiatives implemented in 1996 which were aimed at better matching its operations to the current trucking industry environment. These actions included workforce reductions, service center consolidations, centralization of the linehaul management process and pricing initiatives targeting Overnite's lowest margin customers.

DIVESTITURES

SKYWAY - In January 1998, the Corporation announced its intention to sell its investment in Skyway Freight Systems, Inc., a wholly-owned subsidiary engaged in contract logistics and supply chain management by the end of the year. In connection with the planned sale, the Corporation recognized a $40 million after tax loss in the fourth quarter of 1997.

OTHER INFORMATION

Additional information for UPC's principal businesses is presented on pages 4 through 17, 37, 38, 49 and 50 of the Annual Report and such information (excluding photographs on pages 4 through 17, none of which supplements the text and which are not otherwise required to be disclosed herein) is incorporated herein by reference. Information on the UP-SP merger on page 4 and 5 of the Annual Report, as well as information on business segments on page 31 and a map of the Corporation's operations on pages 52 and 53 of the Annual Report are also incorporated herein by reference.

GOVERNMENTAL REGULATION

Union Pacific's operations are currently subject to a variety of Federal, state and local regulation. The most significant areas of regulation are described below. See also "Item 3. Legal Proceedings".

The operations of the Railroad and Overnite are subject to the regulatory jurisdiction of the STB, other Federal agencies and various state agencies. The STB has jurisdiction over rates charged on certain regulated rail traffic; freight car compensation; transfer, extension or abandonment of rail lines; and acquisition of control of rail and motor carriers by rail common carriers. Other Federal agencies have jurisdiction over safety, movement of hazardous materials, movement and disposal of hazardous waste and equipment standards. Various state and local agencies have jurisdiction over disposal of hazardous wastes and seek to regulate movement of hazardous materials.

ENVIRONMENTAL REGULATION

Subsidiaries of UPC are subject to various environmental statutes and regulations, including the Resource Conservation and Recovery Act (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), and the Clean Air Act (CAA).

RCRA applies to hazardous waste generators and transporters, as well as to persons engaged in treatment and disposal of hazardous waste, and specifies standards for storage areas, treatment units and land disposal units. All generators of hazardous waste are required to label shipments in accordance with detailed regulations and to prepare a detailed manifest identifying the material and stating its destination before waste can be released for offsite transport. The transporter must deliver the hazardous waste in accordance with the manifest and only to a treatment, storage or disposal facility qualified for RCRA interim status or having a final RCRA permit.

Environmental Protection Agency (EPA) regulations under RCRA have established a comprehensive system for the management of hazardous waste. These regulations identify a wide range of industrial by-products and residues as hazardous waste, and specify requirements for "cradle-to-grave" management of such waste from the time of generation through the time of disposal and beyond. States that have adopted hazardous waste management programs with standards at least as stringent as those promulgated by the EPA may be authorized by the EPA to administer all or part of RCRA on behalf of the EPA.

CERCLA was designed to establish a strategy for cleaning up facilities at which hazardous waste or other hazardous substances have created actual or potential environmental hazards. The EPA has designated certain facilities as requiring cleanup or further assessment. Among other things, CERCLA authorizes the Federal government either to clean up such facilities itself or to order persons responsible for the situation to do so. The act created a multi-billion dollar fund to be used by the Federal government to pay for such cleanup efforts. In the event the Federal government pays for such clean-up, it will seek reimbursement from private parties upon which CERCLA imposes liability.

CERCLA imposes strict liability on the owners and operators of facilities in which hazardous waste and other hazardous substances are deposited or from which they are released or are likely to be released into the environment. It also imposes strict liability on the generators of such waste, and the transporters of the waste who select the disposal or treatment sites. Liability may include cleanup costs incurred by third persons and damage to publicly-owned natural resources. UPC's subsidiaries are subject to potential liability under CERCLA as generators of hazardous waste and as transporters. Some states have enacted, and other states are considering enacting, legislation similar to CERCLA. Certain provisions of these acts are more stringent than CERCLA. States that have passed such legislation are currently active in designating more facilities as requiring cleanup and further assessment.

The operations of the Corporation's subsidiaries are subject to the requirements of the CAA. The 1990 amendments to the CAA include a provision under Title V requiring that certain facilities obtain operating permits. EPA regulations require all states to develop Federally-approvable permit programs. Affected facilities must submit air operating permit applications to the respective states within one year of the EPA's approval of the state programs. Certain UPC railroad facilities may be required to obtain such permits. In addition, in December 1997, the EPA issued final regulations which require that most locomotives purchased or remanufactured after 1999 or 2000 meet certain stringent emissions criteria. While the cost of meeting these requirements may be significant, expenditures are not expected to have a material adverse affect on the Corporation's financial condition or results of operations.

The operations of UPC's subsidiaries are also subject to other laws protecting the environment, including permit requirements for wastewater discharges pursuant to the National Pollutant Discharge Elimination System and storm-water runoff regulations under the Federal Water Pollution Control Act.

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 the Securities Act of 1933, as amended, and 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 financial and operational 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. LEGAL PROCEEDINGS

SOUTHERN PACIFIC ACQUISITION

As previously reported, 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. On April 23, 1997, the City of Wichita and Sedgwick County, Kansas, moved to withdraw their petition for review, and the Court granted their motion on April 30, 1997. On August 11, 1997, the Court established a briefing schedule under which briefs for petitioners and supporting intervenors were due on October 10, 1997; the brief for respondents was due December 9, 1997; briefs for intervenors supporting respondents were due December 30, 1997; and reply briefs were due January 20, 1998. On August 18, 1997, Geneva Steel Company moved to withdraw its petitions for review, and the Court granted its motion on September 8, 1997. On October 3, 1997, the Corporation and its affiliates moved to dismiss their petitions for review and the Court granted their motion on October 7, 1997. On October 6, 1997, Kansas City Southern Railway Company ("KCS") moved to dismiss its petitions for review; on October 7, 1997, Texas Mexican Railway Company ("Tex Mex") moved to dismiss its petition for review; and on October 10, 1997, the United Transportation Union-General Committee of Adjustment (GO 401) moved to dismiss its petition for review. The Court granted these motions on October 22, 1997. The Corporation believes that it is unlikely that the disposition of the remaining appeals will have a material impact on its results of operations.

On May 7, 1997, the STB served a decision commencing the first annual proceeding to implement the oversight condition it had imposed in the Decision. The Corporation and its affiliates, and the Burlington Northern and Santa Fe Railway Company ("BNSF"), filed reports required by the STB on July 1, 1997. BNSF and other parties filed comments on August 1, 1997. The Corporation and its affiliates, and others, filed replies on August 20, 1997. On October 27, 1997, the STB served a decision containing its findings and recommendations based on the record compiled in the first oversight proceeding. The STB concluded that the merger, as conditioned, had thus far not caused any substantial competitive harm, and it rejected various requested adjustments to the merger conditions. The STB ordered the Corporation and BNSF to continue to report quarterly on merger implementation, and to provide a comprehensive summary presentation in the progress reports due on July 1, 1998. The STB order requires interested parties to file comments concerning the next annual oversight proceeding on August 14, 1998, and replies are due September 1, 1998 (See also Rail Service Proceedings below).

SHIPPER CLAIMS

Certain customers have submitted claims or stated their intention to submit claims to UPRR for damages related to the delay of shipments as a result of congestion problems (described above under "Item 1. Business and Item 2. Properties - Discussion of Significant Events and Operations - 1997 Congestion and Service Issues), 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 UPRR. The Corporation does not believe that such claims will have a material adverse effect on its consolidated financial condition or operating results.

RAIL SERVICE PROCEEDINGS

On October 2, 1997, the STB initiated a proceeding to investigate rail service problems in the western United States. On October 31, 1997, the STB issued an emergency service order that, among other things, (i) allows Texas Mexican Railway Company ("Tex Mex") and, following a subsequent expansion of the order, BNSF to divert some traffic from UPRR in order to reduce congestion on UPRR's lines in Houston, Texas, (ii) directs UPRR to suspend rail transportation service contract obligations of certain shippers at Houston that wish to route shipments over the Tex Mex system instead of UPRR during the period of the service order and (iii) requires UPRR to report to the STB weekly regarding service statistics. The emergency order was extended and expanded in certain respects on December 4, 1997 and again on February 25, 1998, when the STB, citing the gravity of UPRR's congestion problems and characterizing them as "not yet close to being resolved", extended the duration of the emergency service order until August 2, 1998, the maximum period allowable under law for the original order, and ordered UPRR to augment its reporting on service issues and proposed infrastructure improvements for the Houston, Texas area.

In the rail service proceedings, the STB rejected proposals by various parties for additional emergency measures. For example, the Railroad Commission of Texas (the "RTC") submitted proposals to the STB under which UPRR would be required, among other things, to transfer certain lines in the Gulf Coast region to Tex Mex or a Houston terminal railroad. On February 17, 1998, the STB served an order declining to reconsider its denial of the RTC's proposals. Tex Mex and KCS have filed a petition for similar relief in the UP/SP merger oversight proceeding, and the Corporation and UPRR have opposed that petition as being unsupported by any evidence and without merit.

KCS and Tex Mex have also filed petitions with the STB challenging actions taken by UPRR and BNSF to rationalize the operations of the Houston Belt & Terminal Railway Company ("HBT"), of which UPRR and BNSF each owns 50%. UPRR, BNSF and HBT have opposed those petitions.

If continued implementation of financial and operational initiatives undertaken by the Corporation ultimately proves unsuccessful in alleviating the congestion and related service problems experienced by UPRR, certain parties may request the STB to order UPRR to take additional actions including, among other things, further diversions of traffic or the transfer of certain UPRR rail lines or other facilities to other railroads. While the Corporation believes that it is unlikely, there can be no assurance that one or more of such proposals, or proposals seeking similar relief might not be approved in some form, particularly if UPRR is not successful in resolving its congestion problems in the Gulf Coast region within a reasonable period. In addition, if the congestion problems persist the STB may institute a new proceeding at the end of the current one in light of developments concerning UPRR's operations in 1998.

BOTTLENECK PROCEEDINGS

As previously reported, on August 27, 1996, the STB initiated a proceeding asking for arguments and evidence on the issue of whether it should modify its existing regulations regarding the prescription of, and challenge to, rates for rail service involving a segment that it served by only one railroad between an interchange point and an exclusively-served shipper facility (i.e., a bottleneck segment). The STB proceeding also referred to pending motions to dismiss three individual complaint proceedings filed by shippers challenging a class rate charged for the movement of coal, two of which named UPRR and SPT as a party thereto. Neither complaint proceeding individually involved a significant exposure for reparations. However, if existing regulation of bottleneck movements were changed, future revenue from such movements, including those covered by the complaint proceedings, could be substantially reduced. On December 31, 1996, the STB served a decision which generally reaffirmed earlier rulings regarding a rail carrier's obligation to provide rates for bottleneck segments and assured the right of rail carriers to differentially price traffic. It also dismissed the two complaint proceedings in which UPRR and SPT were defendants. On April 30, 1997, the STB served a decision generally declining to reconsider its December 31, 1996 decision, but clarifying that in certain circumstances a "bottleneck" destination carrier that does not serve the origin for a traffic movement may be required to provide a separately-challengeable common carrier rate for the "bottleneck" portion of the movement. The STB decisions are pending on appeal before the Eighth Circuit Court of Appeals.

RAIL ACCESS AND COMPETITION

By order served February 20, 1998, the STB indicated that, in response to a Congressional request, it was commencing a review of rail access and competition issues and would hold a hearing in April 1998 concerning those issues. In previous proceedings, the STB and its predecessor, the Interstate Commerce Commission, have rejected various proposals for "open access" or changes in the regulation of rates and routes allegedly aimed at increasing rail competition, concluding that such proposals are outside the statutory authority of the agency. The railroads have presented evidence in those proceedings that such measures would in fact diminish competition, and would seriously harm the industry's ability to sustain necessary investments and earn an adequate return. UPRR does not believe the STB is likely to change its previous interpretations of present law. However, should Congress adopt "open access" measures such as universal trackage rights to allow multiple railroads to serve shipper facilities that are presently served by one railroad or purportedly competition-enhancing changes in rate and route regulation, the adverse effect on UPRR and other railroads could be material.

FEDERAL RAILROAD ADMINISTRATION REVIEW

UPRR suffered a number of severe accidents in 1997, although most safety measures for the year improved significantly, with reportable injuries, lost work days and grade crossing accidents all declining in excess of 20%. As a result of these accidents in 1997, the Federal Railroad Administration ("FRA") reviewed UPRR's operations and concluded that safety problems at UPRR were the result of, among other things, a loss of focus on safety, personnel shortages and crew management problems. The FRA made several recommendations, including creating a joint committee comprised of UPRR management, labor and the FRA to review and monitor all aspects of safety, adding an executive position for safety reporting directly to the UPRR President, creating a safety hotline, re-evaluating all existing training programs, and increasing the monitoring of train crew performance, crew fatigue and crew scheduling. All such FRA proposals have been implemented by UPRR. UPRR has also implemented a guaranteed time-off program for train and engine employees. On February 25, 1998, the FRA released a report stating that it was encouraged by UPRR's initial progress but requiring UPRR to submit written safety action plans and indicating that it would continue to monitor UPRR's operations through site-specific inspections. The FRA has announced its intention to impose fines totaling $131,000 as a result of its review.

SHAREHOLDER LITIGATION

The Corporation 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 UPRR's service and safety problems and thereby issued materially false and misleading statements concerning the merger with Southern Pacific and the safe, efficient operation of UPRR's 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 Southern Pacific and CNW into the Corporation without ensuring that the Corporation or UPRR had adequate systems in place to integrate effectively those companies into the operations of the Corporation and UPRR. These lawsuits were filed in late 1997 in the Federal District Court for the Northern District of Texas and seek to recover unspecified amounts of damages. The Corporation believes that these claims are without merit and intends to defend them vigorously.

LABOR MATTERS

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 an NLRB administrative law judge. 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: (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. Overnite believes it has substantial defenses to these cases and intends to aggressively defend them.

ENVIRONMENTAL MATTERS

The Environmental Protection Agency ("EPA") has brought a civil action against certain subsidiaries of Southern Pacific which have been merged into UPRR, in the U.S. District Court for the District of Colorado alleging violation of the Clean Water Act and the Oil Pollution Act. The complaint identifies seven incidents involving the alleged release of hazardous substances into the waters of the United States and seeks civil penalties of $25,000 per day and unspecified injunctive relief to prevent future violations. The incidents are all related to derailments dating back to 1992 and include six incidents in which the alleged releases were from ruptured locomotive fuel tanks and one incident in 1996 involving an alleged release of sulfuric acid near the Tennessee Pass.

In July 1995, the Butte County (Oroville, California) District Attorney advised that a civil penalty action would be filed against UPRR for violations resulting from a derailment and spill of diesel fuel into the Feather River in Peo, California on April 14, 1995. In late July, the California Regional Water Quality Control Board also filed a separate penalty action seeking $40,000 for the same incident. This latter action was settled for $40,000. In 1996, the District Attorney and California Department of Fish and Game asserted claims for natural resource damages and penalties which could exceed $100,000.

The Corporation and its affiliates have received notices from the EPA and state environmental agencies alleging that they are or may be liable under certain Federal or state environmental laws for remediation costs at various sites throughout the United States, including sites which are on the Superfund National Priorities List or state superfund lists. Although specific claims have been made by the EPA and state regulators with respect to some of these sites, the ultimate impact of these proceedings and suits by third parties cannot be predicted at this time because of the number of potentially responsible parties involved, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites and/or the speculative nature of remediation costs. Nevertheless, at many of the superfund sites, the Corporation believes it will have little or no exposure because no liability should be imposed under applicable law, one or more other financially able parties generated all or most of the contamination, or a settlement of the Corporation's exposure has been reached although regulatory proceedings at the sites involved have not been formally terminated. Additional information on the Corporation's potential environmental costs is set forth under Note 12 to the Corporation's financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT AND
PRINCIPAL EXECUTIVE OFFICERS OF SUBSIDIARIES

NAME	POSITION	AGE	BUSINESS EXPERIENCE DURING PAST FIVE YEARS
Richard K. Davidson	Chairman, President and Chief Executive Officer of UPC and Chairman and Chief Executive Officer of the Railroad	56	(1)
L. White Matthews, III	Executive Vice President - Finance	52	Current Position
L. Merill Bryan, Jr.	Senior Vice President, Information Technologies	54	(2)
Barbara W. Schaefer	Senior Vice President, Human Resources	44	(3)
Carl W. von Bernuth	Senior Vice President, General Counsel and Corporate Secretary	54	Current Position
Charles R. Eisele	Vice President - Strategic Planning	48	(4)
John B. Gremillion, Jr. ...	Vice President - Taxes	51	Current Position
Robert M. Knight, Jr.	Vice President - Quality and Administration	40	(5)
Mary E. McAuliffe	Vice President - External Relations	52	Current Position
Joseph E. O'Connor, Jr. ...	Vice President and Controller	41	(6)
Gary F. Schuster	Vice President - Corporate Relations	56	Current Position

Gary M. Stuart	Vice President and Treasurer	58	Current Position
Jerry R. Davis.............	President and Chief Operating Officer of the Railroad	60	(7)
R. Bradley King	Executive Vice President - Operations of the Railroad	50	(8)
John J. Koraleski	Executive Vice President - Finance of the Railroad	48	(9)
James A. Shattuck	Executive Vice President - Marketing and Sales of the Railroad	58	(10)
Dennis J. Duffy	Senior Vice President - Safety Assurance and Compliance Process of the Railroad	47	(11)
Leo H. Suggs...............	Chairman and Chief Executive Officer of Overnite	59	(12)

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EXECUTIVE OFFICERS OF THE REGISTRANT AND
PRINCIPAL EXECUTIVE OFFICERS OF SUBSIDIARIES (CONTINUED)

(1) Mr. Davidson was elected Chairman and Chief Executive Officer effective January 1, 1997. He became President of UPC effective May 1994 and was also Chief Operating Officer of UPC from November 1995 to December 1996. He was President and Chief Executive Officer of the Railroad from September 1991 until August 1995, Chairman of the Railroad until November 1996 and Chairman and Chief Executive Officer of the Railroad since November 1996.

(2) Mr. Bryan was elected to his current position effective May 1997 and continues to serve as President and Chief Executive Officer of Union Pacific Technologies, Inc.

(3) Ms. Schaefer was elected to her current position effective April 1997. From April 1994 to April 1997, she was Vice President - Human Resources of the Railroad. Prior thereto, she was Director of Compensation and Human Resources Information Systems of UPC.

(4) Mr. Eisele was elected to his current position effective September 1997. He was Vice President - Purchasing for the Railroad from April 1994 to September 1997. Prior thereto, he was Vice President - Human Resources for the Railroad.

(5) Mr. Knight was elected to his current position effective April 1997. From August 1995 to April 1997 he was Director of Compensation and Human Resources Information Systems of UPC. From March 1994 to August 1995 he was Assistant Treasurer - Banking and Cash Management of UPC. Prior thereto, he was Executive Assistant to Vice President - Finance of the Railroad.

(6) Mr. O'Connor was elected to his current position effective October 1996. He was Director - Strategic Planning of UPC from November 1995 to October 1996 and Director - Planning of UPC from April 1994 to November 1995. Prior thereto, he was Manager - Planning of UPC.

(7) Mr. Davis was elected to his current position in November 1996. From September 1996 to November 1996, he served as President - SP Rail Operations. From February 1995 to September 1996, he served as President and Chief Executive Officer of Southern Pacific Rail Corporation. From January 1992 to February 1995, Mr. Davis served as Executive Vice President and Chief Operating Officer of CSX Transportation, Inc.(CSXT).

(8) Mr. King was elected to his current position effective October 1997. He was Vice President - Transportation of the Railroad from November 1995 to October 1997. From July 1993 to November 1995, he was Vice President - Risk Management of the Railroad. Prior thereto, he was Senior Assistant Vice President - Train Management of the Railroad.

(9) Mr. Koraleski was elected to his current position effective September 1997. From May 1996 to September 1997, he was Executive Vice President - Finance and Administration of the Railroad. Prior thereto, he was Executive Vice President - Finance and Information Technologies of the Railroad.

(10) Mr. Shattuck was elected to his current position effective May 1993. From January 1993 to May 1993 he was Senior Vice President - Marketing of the Railroad. Prior thereto, he was Senior Vice President - Marketing and Sales of the Railroad.

(11) Mr. Duffy was elected to his current position effective October 1997. He was Senior Vice President - Customer Service and Planning of the Railroad from November 1995 to October 1997. From May 1995 to November 1995 he was Vice President - Quality and Network Planning of the Railroad. He was Vice President - Quality of the Railroad from January 1995 to May 1995. Prior thereto, he was Assistant Vice President - Quality of the Railroad.

(12) Mr. Suggs was elected to his current position in April 1996. From January 1993 to April 1996, he was President and Chief Executive Officer of Preston Trucking Company, Inc. Prior thereto, Mr. Suggs served as Senior Vice President of Corporate Development of Yellow Corporation.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information as to the markets in which UPC's Common Stock is traded, the quarterly high and low prices for such stock, the dividends declared with respect to the Common Stock during the last two years, and the approximate number of stockholders of record at January 31, 1998 is set forth under Selected Quarterly Data and Stockholders and Dividends on page 49 of the Annual Report. Information as to restrictions on the payment of dividends with respect to the Corporation's Common Stock is set forth in Note 7 to Financial Statements on pages 43 of the Annual Report. Such information is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Selected Financial Data for the Corporation for each of the last 10 years is set forth under the Ten-Year Financial Summary on page 51 of the Annual Report. All such information is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information as to UPC's results of operations, cash flows, liquidity and capital resources, and other matters is set forth in the Financial Review on pages 18 through 29 of the Annual Report, and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Corporation's consolidated financial statements, accounting policy disclosures, Notes to Financial Statements, business segment information and Independent Auditors' Report are presented on pages 30 through 48 of the Annual Report. Selected quarterly financial data are set forth under Selected Quarterly Data on page 49 of the Annual Report. All such information is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Directors of Registrant.

Information as to the names, ages, positions and offices with UPC, terms of office, periods of service, business experience during the past five years and certain other directorships held by each director or person nominated to become a director of UPC is set forth in the Directors segments of the Proxy Statement and is incorporated herein by reference.

(b) Executive Officers of Registrant.

Information concerning the executive officers of UPC and its subsidiaries is presented in Part I of this Report under Executive Officers of the Registrant and Principal Executive Officers of Subsidiaries.

(c) Section 16(a) Compliance.

Information concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is set forth in the Compliance with Section 16(a) of the Securities Exchange Act segment of the Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning remuneration received by UPC's executive officers and directors is presented in the Compensation of Directors, Compensation Committee Interlocks and Insider Participation, Report on Executive Compensation, Summary Compensation Table, Option/SAR Grants Table, Option/SAR Exercises and Year-End Value Table, Defined Benefit Plans and Five-Year Performance Comparison segments of the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information as to the number of shares of UPC's equity securities beneficially owned as of February 6, 1998 by each of its directors and nominees for director, its five most highly compensated executive officers and its directors and executive officers as a group is set forth in the Directors and Security Ownership of Management segments of the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information on related transactions is set forth in the Certain Relationships and Related Transactions and Compensation Committee Interlocks and Insider Participation segments of the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) and (2) Financial Statements and Schedules

The financial statements, accounting policy disclosures, Notes to Financial Statements and Independent Auditors' Report on pages 30 through 48, inclusive, of the Annual Report are incorporated herein by reference.

No schedules are required to be filed because of the absence of conditions under which they would be required or because the required information is set forth in the financial statements referred to above.

(3) Exhibits

Items 10(j) through 10(w) below constitute management contracts and executive compensation arrangements required to be filed as exhibits to this report.

3(a)	Revised Articles of Incorporation of UPC, as amended through April 25, 1996, are incorporated herein by reference to Exhibit 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.
3(b)	By-Laws of UPC, as amended effective as of September 26, 1996, are incorporated herein by reference to Exhibit 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.

4	Pursuant to various indentures and other agreements, UPC has issued long-term debt; however, no such agreement has securities or obligations covered thereby which exceed 10% of the Corporation's total consolidated assets. UPC agrees to furnish the Commission with a copy of any such indenture or agreement upon request by the Commission.
10(a)	Amended and Restated Anschutz Shareholders Agreement, dated as of July 12, 1996, among UPC, UPRR, The Anschutz Corporation ("TAC"), Anschutz Foundation (the "Foundation"), and Mr. Philip F. Anschutz ("Mr. Anschutz"), is incorporated herein by reference to Annex D to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(b)	Amended and Restated MSLEF Shareholder Agreement, dated as of July 12, 1996, between UPC and The Morgan Stanley Leveraged Equity Fund II, L.P., is incorporated herein by reference to Annex E to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(c)	Amended and Restated Parent Shareholders Agreement, dated as of July 12, 1996, among UPC, UP Merger and SP is incorporated herein by reference to Annex F to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(d)	Amended and Restated Anschutz/Spinco Shareholders Agreement, dated as of July 12, 1996, among Union Pacific Resources Group Inc. ("Resources"), TAC, the Foundation and Mr. Anschutz is incorporated herein by reference to Annex G to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(e)	Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, TAC, and the Foundation is incorporated herein by reference to Annex H to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(f)	Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among Resources, TAC, and the Foundation

is incorporated herein by reference to Annex I to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).

10(g)	Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, UP Holding, UP Merger and SP is incorporated herein by reference to Annex J to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(h)	Agreement, dated September 25, 1995, among UPC, UPRR, MPRR and SP, Southern Pacific Transportation Company (SPT), The Denver & Rio Grande Western Railroad Company (D&RGW), St. Louis Southwestern Railway Company (SLSRC) and SPCSL Corp. (SPCSL), on the one hand, and Burlington Northern Railroad Company (BN) and The Atchison, Topeka and Santa Fe Railway Company (Santa Fe), on the other hand, is incorporated by reference to Exhibit 10.11 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(i)	Supplemental Agreement, dated November 18, 1995, between UPC, UPRR, MPRR and SP, SPT, D&RGW, SLSRC and SPCSL, on the one hand, and BN and Santa Fe, on the other hand, is incorporated herein by reference to Exhibit 10.12 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(j)	The Executive Incentive Plan of UPC, amended April 27, 1995, is incorporated herein by reference to Exhibit 10(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.
10(k)	The Supplemental Pension Plan for Officers and Managers of UPC and Affiliates, as amended and restated, is incorporated herein by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1993.
10(l)	Employment Agreement, dated as of February 20, 1995, between SP and Jerry R. Davis, is incorporated by reference to Exhibit 10.12 to SP's Annual Report on Form 10-K for the year ended December 31, 1994.
10(m)	Letter Agreement, dated August 30, 1996, between UPC and Jerry R. Davis, is incorporated by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.

10(n)	The 1988 Stock Option and Restricted Stock Plan of UPC, as amended as of February 1, 1992, is incorporated herein by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1991.
10(o)	The 1992 Restricted Stock Plan for Non-Employee Directors of UPC, as amended as of January 28, 1993, is incorporated herein by reference to Exhibit 10(a) to the Corporation's Current Report on Form 8-K filed March 16, 1993.
10(p)	The 1993 Stock Option and Retention Stock Plan of UPC, as amended November 20, 1997.
10(q)	Amendments to the 1988 Stock Option and Retention Stock Plan, adopted April 24, 1997, are incorporated herein by reference to Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.
10(r)	The 1988 Stock Option and Restricted Stock Plan of UPC, as amended November 20, 1997.
10(s)	The Pension Plan for Non-Employee Directors of UPC, as amended January 25, 1996 is incorporated herein by reference to Exhibit 10(w) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.
10(t)	The Executive Life Insurance Plan of UPC, as amended October, 1997.
10(u)	The UPC Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, as amended January 25, 1996 is incorporated herein by reference to Exhibit 10(y) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.
10(v)	Charitable Contribution Plan for Non-Employee Directors of UPC is incorporated herein by reference to Exhibit 10(z) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.

10(w)	Written Description of Other Executive Compensation Arrangements of UPC is incorporated herein by reference to Exhibit 10(o) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992.	
(11)	Computation of earnings per share.	
(12)	Computation of ratio of earnings to fixed charges.	
(13)	Pages 4 through 53, inclusive, of UPC's Annual Report to Stockholders for the year ended December 31, 1997, but excluding photographs set forth on pages 4 through 17, none of which supplements the text and which are not otherwise required to be disclosed in this Annual Report on Form 10-K.	
(21)	List of the Corporation's significant subsidiaries and their respective states of incorporation.	
(23)	Independent Auditors' Consent.	
(24)	Powers of attorney executed by the directors of UPC.	
(27)	Financial Data Schedule.	
(99)	(a)	Financial Statements for the Fiscal Year ended December 31, 1997 required by Form 11-K for the UPC Thrift Plan - to be filed by amendment.
(99)	(b)	Financial Statements for the Fiscal Year ended December 31, 1997 required by Form 11-K for the Union Pacific Fruit Express Company Agreement Employee 401(k) Retirement Thrift Plan - to be filed by amendment.
(99)	(c)	Financial Statements for the Fiscal Year ended December 31, 1997 required by Form 11-K for the Skyway Retirement Savings Plan - to be filed by amendment.
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(99)	(e)	Financial Statements for the Fiscal Year ended December 31, 1997 required by Form 11-K for the Chicago and North Western Railway Company Profit Sharing and Retirement Savings Program - to be filed by amendment.

(99) (f) Financial Statements for the Fiscal Year ended December 31, 1997 required by Form 11-K for the Southern Pacific Rail Corporation Thrift Plan - to be filed by amendment.

(b) Reports on Form 8-K

On October 10, 1997, the Corporation filed a Current Report on Form 8-K describing Union Pacific Railroad Company's congestion, safety issues and the Service Recovery Plan.

On November 17, 1997, the Corporation filed a Current Report on Form 8-K describing Union Pacific Railroad Company's service situation and the financial impact of that situation.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on this 17th day of March, 1998.

UNION PACIFIC CORPORATION

By /s/ Richard K. Davidson

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, on this 17th day of March, 1998, by the following persons on behalf of the registrant and in the capacities indicated.

PRINCIPAL EXECUTIVE OFFICER AND DIRECTOR:

/s/ Richard K. Davidson

(Richard K. Davidson, Chairman, President, Chief Executive Officer and Director)

PRINCIPAL FINANCIAL OFFICER AND DIRECTOR:

/s/ L. White Matthews, III

(L. White Matthews, III, Executive Vice President - Finance and Director)

PRINCIPAL ACCOUNTING OFFICER:

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

(Joseph E. O'Connor, Jr., Vice President and Controller)

SIGNATURES - (Continued)

DIRECTORS:

Philip F. Anschutz*	Judith Richards Hope*
Robert P. Bauman*	Richard J. Mahoney*
Richard B. Cheney*	John R. Meyer*
E. Virgil Conway*	Thomas A. Reynolds, Jr.*
Spencer F. Eccles*	James D. Robinson, III*
Elbridge T. Gerry, Jr.*	Robert W. Roth*
William H. Gray, III*	Richard D. Simmons*

* By /s/ Thomas E. Whitaker

(Thomas E. Whitaker, Attorney-in-fact)

INDEX TO EXHIBITS

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EXHIBIT 10(p)

1993

STOCK OPTION AND RETENTION STOCK PLAN

of

UNION PACIFIC CORPORATION

(Effective April 16, 1993 -
As Amended September 30, 1993,
July 28, 1994, April 24, 1997
and November 20, 1997)

1993 STOCK OPTION AND RETENTION STOCK PLAN OF UNION PACIFIC CORPORATION

1. PURPOSE

The purpose of the 1993 Stock Option and Retention Stock Plan of Union Pacific Corporation is to promote and closely align the interests of employees of Union Pacific Corporation and its shareholders by providing stock based compensation. The Plan is intended to strengthen Union Pacific Corporation's ability to reward performance which enhances long term shareholder value; to increase employee stock ownership through performance based compensation plans; and to strengthen the company's ability to attract and retain an outstanding employee and executive team.

2. DEFINITIONS

The following terms shall have the following meanings:

"Act" means the Securities Exchange Act of 1934, as amended.

"Approved Leave of Absence" means a leave of absence of definite length approved by the Senior Vice President - Human Resources of the Company, or by any other officer of the Company to whom the Committee delegates such authority.

"Award" means an award of Retention Shares pursuant to the Plan.

"Beneficiary" means any person or persons designated in writing by a Participant to the Committee on a form prescribed by it for that purpose, which designation shall be revocable at any time by the Participant prior to his or her death, provided that, in the absence of such a designation or the failure of the person or persons so designated to survive the Participant, "Beneficiary" shall mean such Participant's estate; and further provided that no designation of Beneficiary shall be effective unless it is received by the Company before the Participant's death.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any successor statute.

"Committee" means the Committee designated by the Board to administer the Plan pursuant to Section 3.

"Common Stock" means the Common Stock, par value $2.50 per share, of the Company.

"Company" means Union Pacific Corporation, a Utah corporation, or any successor corporation.

"Option" means each non-qualified stock option, incentive stock option and stock appreciation right granted under the Plan.

"Optionee" means any employee of the Company or a Subsidiary (including directors who are also such employees) who is granted an Option under the Plan.

"Participant" means any employee of the Company or a Subsidiary (including directors who are also such employees) who is granted an Award under the Plan.

"Plan" means this 1993 Stock Option and Retention Stock Plan, as amended from time to time.

"Retention Shares" means shares of Common Stock subject to an Award granted under the Plan.

"Restriction Period" means the period defined in Section 9(a).

"Subsidiary" means any corporation of which the Company owns directly or indirectly at least a majority of the outstanding shares of voting stock.

"Vesting Condition" means any condition to the vesting of Retention Shares established by the Committee pursuant to Section 9.

3. ADMINISTRATION

The Plan shall be administered by the Committee which shall be comprised of not less than three members of the Board, none of whom shall be employees of the Company or any Subsidiary. The Committee shall (i) grant Options to Optionees and make Awards of Retention Shares to Participants, and (ii) determine the terms and conditions of such Options and Awards of Retention Shares, all in accordance with the provisions of the Plan. The Committee shall have full authority to construe and interpret the Plan, to establish, amend and rescind rules and regulations relating to the Plan, to administer the Plan, and to take all such steps and make all such determinations in connection with the Plan and Options and Awards granted thereunder as it may deem necessary or advisable. Each Option and grant of Retention Shares shall, if required by the Committee, be evidenced by an agreement to be executed by the Company and the Optionee or Participant, respectively, and contain provisions not inconsistent with the Plan. All determinations of the Committee shall be by a majority of its members and shall be evidenced by resolution, written consent or other appropriate action, and the Committee's determinations shall be final. Each member of the Committee, while serving as such, shall be considered to be acting in his or her capacity as a director of the Company.

4. ELIGIBILITY

To be eligible for selection by the Committee to participate in the Plan an individual must be an employee of the Company or a Subsidiary. Directors who are not full-time salaried employees shall not be eligible. In granting Options or Awards of Retention Shares to eligible employees, the Committee shall take into account the duties of the respective employees, their present and potential contributions to the success of the Company or a Subsidiary, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

5. STOCK SUBJECT TO THE PLAN

Subject to the provisions of Section 11 hereof, the maximum number and kind of shares as to which Options or Retention Shares may at any time be granted under the Plan are 16 million shares of Common Stock. Shares of Common Stock subject to Options or Awards under the Plan may be either authorized but unissued shares or shares previously issued and reacquired by the Company. Upon the expiration, termination or cancellation (in whole or in part) of unexercised Options, shares of Common Stock subject thereto shall again be available for option or grant as Retention Shares under the Plan. Shares of Common Stock covered by an Option, or portion thereof, which is surrendered upon the exercise of a stock appreciation right, shall thereafter be unavailable for option or grant as Retention Shares under the Plan. Upon the forfeiture (in whole or in part) of a grant of Retention Shares, the shares of Common Stock subject to such forfeiture shall again be available for option or grant as Retention Shares under the Plan if no dividends have been paid on the forfeited shares, and otherwise shall be unavailable for such an option or grant.

6. TERMS AND CONDITIONS OF NON-QUALIFIED OPTIONS

All non-qualified options under the Plan shall be granted subject to the following terms and conditions:

(a) Option Price. The option price per share with respect to each option shall be determined by the Committee but shall not be less than 100% of the fair market value of the Common Stock on the date the option is granted, such fair market value to be determined in accordance with the procedures to be established by the Committee.

(b) Duration of Options. Options shall be exercisable at such time or times and under such conditions as set forth in the written agreement evidencing such option, but in no event shall any option be exercisable subsequent to the tenth anniversary of the date on which the option is granted.

(c) Exercise of Option. Except as provided in Section 6(h), 6(i) or 8(c), the shares of Common Stock covered by an option may not be purchased prior to the first anniversary of the date on which the option is granted (unless the Committee shall determine otherwise), or such longer period or periods, and subject to such conditions, as the Committee may determine, but thereafter may be purchased at one time or in such installments over the balance of the option period as may be provided in the option. Any shares not purchased on the applicable installment date may, unless the Committee shall have determined otherwise, be purchased thereafter at any time prior to the final expiration of the option. To the extent that the right to purchase shares has accrued thereunder, options may be exercised from time to time by notice to the Company stating the number of shares with respect to which the option is being exercised.

(d) Payment. Shares of Common Stock purchased under options shall, at the time of purchase, be paid for in full. All, or any portion, of the option exercise price may, at the discretion of the Committee, be paid by the surrender to the Company, at the time of exercise, of shares of previously acquired Common Stock owned by the Optionee, to the extent that such payment does not require the surrender of a fractional share of such previously acquired Common Stock. In addition, to the extent permitted by the Committee, the option exercise price may be paid by authorizing the Company to withhold Common Stock otherwise issuable on exercise of the option. Such shares previously acquired or shares withheld to pay the option exercise price shall be valued at fair market value on the date the option is exercised in accordance with the procedures to be established by the Committee. A holder of an option shall have none of the rights of a stockholder until the shares of Common Stock are issued to him or her. If an amount is payable by an Optionee to the Company or a Subsidiary under applicable withholding tax laws in connection with the exercise of non-qualified options, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such withholding tax laws.

(e) Restrictions. The Committee shall determine, with respect to each option, the nature and extent of the restrictions, if any, to be imposed on the shares of Common Stock which may be purchased thereunder including restrictions on the transferability of such shares acquired through the exercise of such option. Without limiting the generality of the foregoing, the Committee may impose conditions restricting absolutely or conditionally the transferability of shares acquired through the exercise of options for such periods, and subject to such conditions, including continued employment of the Optionee by the Company or a Subsidiary, as the Committee may determine.

(f) Purchase for Investment. The Committee shall have the right to require that each Optionee or other person who shall exercise an option under the Plan represent and agree that any shares of Common Stock purchased pursuant to such option will be purchased for investment and not with a view to the distribution or resale thereof or that such shares will not be sold except in accordance with such restrictions or limitations as may be set forth in the written agreement granting such option.

(g) Non-Transferability of Options. During an Optionee's lifetime, the option may be exercised only by the Optionee. Options shall not be transferable, except for exercise by the Optionee's legal representatives or heirs.

(h) Termination of Employment. Upon the termination of an Optionee's employment, for any reason other than death, the option shall be exercisable only as to those shares of Common Stock which were then subject to the exercise of such option, provided that (i) in the case of disability as described below, any holding period required by Section 6(c) shall automatically be deemed to be satisfied and (ii) the Committee may determine that particular limitations and restrictions under the Plan shall not apply, and such option shall expire according to the following schedule (unless the Committee shall provide for shorter periods at the time the option is granted):

(i) Retirement. Option shall expire, unless exercised, five (5) years after the Optionee's retirement from the Company or any Subsidiary under the provisions of the Company's or a Subsidiary's pension plan.

(ii) Disability. Option shall expire, unless exercised, five (5) years after the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a Subsidiary's long-term disability plan.

(iii) Gross Misconduct. Option shall expire upon receipt by the Optionee of the notice of termination if he or she is terminated for deliberate, willful or gross misconduct as determined by the Company.

(iv) All Other Terminations. Option shall expire, unless exercised, three (3) months after the date of such termination; provided, the Committee may provide for a longer exercise period, not to exceed three (3) years from the date of such termination or, if later, three years from the date the option becomes exercisable but not more than five years after the date of such termination.

(i) Death of Optionee. Upon the death of an Optionee during his or her period of employment, the option shall be exercisable only as to those shares of Common Stock which were subject to the exercise of such option at the time of his or her death, provided that (i) any holding period required by Section 6(c) shall automatically be deemed to be satisfied and (ii) the Committee may determine that particular limitations and restrictions under the Plan shall not apply, and such option shall expire, unless exercised by the Optionee's legal representatives or heirs, five (5) years after the date of death (unless the Committee shall provide for a shorter period at the time the option is granted).

(j) Deferral. The Committee may permit an Optionee to elect to defer receipt of all or part of the Common Stock issuable upon the exercise of an option, pursuant to rules and regulations adopted by the Committee. The Committee may permit the payment of cash in lieu of Common Stock upon payment of the deferred amount.

In no event, however, shall any option be exercisable pursuant to Sections 6(h) or (i) subsequent to the tenth anniversary of the date on which it is granted.

7. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

(a) General. The Committee may also grant a stock appreciation right in connection with a non-qualified option, either at the time of grant or by amendment. Such stock appreciation right shall cover the same shares covered by such option (or such lesser number of shares of Common Stock as the Committee may determine) and shall, except for the provisions of Section 6(d) hereof, be subject to the same terms and conditions as the related non-qualified option.

(b) Exercise and Payment. Each stock appreciation right shall entitle the Optionee to surrender to the Company unexercised the related option, or any portion thereof, and to receive from the Company in exchange therefor an amount equal to the excess of the fair market value of one share of Common Stock over the option price per share times the number of shares covered by the option, or portion thereof, which is surrendered. Payment shall be made in shares of Common Stock valued at fair market value, or in cash, or partly in shares and partly in cash, all as shall be determined by the Committee. The fair market value shall be the value determined in accordance with procedures established by the Committee. Stock appreciation rights may be exercised from time to time upon actual receipt by the Company of written notice stating the number of shares of Common Stock with respect to which the stock appreciation right is being exercised, provided that if a stock appreciation right expires unexercised, it shall be deemed exercised on the expiration date if any amount would be payable with respect thereto. No fractional shares shall be issued but instead cash shall be paid for a fraction or, if the Committee should so determine, the number of shares shall be rounded downward to the next whole share. If an amount is payable by an Optionee to the Company or a Subsidiary under applicable withholding tax laws in connection with the exercise of stock appreciation rights, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such withholding tax laws.

(c) Restrictions. The obligation of the Company to satisfy any stock appreciation right exercised by an Optionee subject to Section 16 of the Act shall be conditioned upon the prior receipt by the Company of an opinion of counsel to the Company that any such satisfaction will not create an obligation on the part of such Optionee pursuant to Section 16(b) of the Act to reimburse the Company for any statutory profit which might be held to result from such satisfaction.

8. TERMS AND CONDITIONS OF INCENTIVE STOCK OPTIONS.

(a) General. The Committee may also grant incentive stock options as defined under section 422 of the Code. All incentive stock options issued under the Plan shall, except for the provisions of Sections 6(h) and (i) and Section 7 hereof, be subject to the same terms and conditions as the non-qualified options granted under the Plan. In addition, incentive stock options shall be subject to the conditions of Sections 8(b),(c),(d) and (e).

(b) Limitation of Exercise. The aggregate fair market value (determined as of the date the incentive stock option is granted) of the shares of stock with respect to which incentive stock options are exercisable for the first time by such Optionee during any calendar year, under this Plan or any other stock option plans adopted by the Company, its Subsidiaries or any predecessor companies thereof, shall not exceed $100,000. If any incentive stock options become exercisable in any year in excess of the $100,000 limitation, options representing such excess shall become non-qualified options exercisable pursuant to the terms of Section 6 hereof and shall not be exercisable as incentive stock options.

(c) Termination of Employment. Upon the termination of an Optionee's employment, for any reason other than death, his or her incentive stock option shall be exercisable only as to those shares of Common Stock which were then subject to the exercise of such option provided that (i) in the case of disability as described below, any holding period required by Section 6(c) shall automatically be deemed to be satisfied and (ii) the Committee may determine that particular limitations and restrictions under the Plan shall not apply, and such option shall expire as an incentive stock option (but shall become a non-qualified option exercisable pursuant to the terms of Section 6 hereof less the period already elapsed under such Section), according to the following schedule (unless the Committee shall provide for shorter periods at the time the incentive stock option is granted):

(i) Retirement. An incentive stock option shall expire, unless exercised, three (3) months after the

Optionee's retirement from the Company or any Subsidiary under the provisions of the Company's or a Subsidiary's pension plan.

(ii) Disability. In the case of an Optionee who is disabled within the meaning of section 22(e)(3) of the Code, an incentive stock option shall expire, unless exercised, one (1) year after the earlier of the date the Optionee terminates employment or the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a Subsidiary's long-term disability plan.

(iii) Gross Misconduct. An incentive stock option shall expire upon receipt by the Optionee of the notice of termination if he or she is terminated for deliberate, willful or gross misconduct as determined by the Company.

(iv) All Other Terminations. An incentive stock option shall expire, unless exercised, three (3) months after the date of such termination.

In the case of incentive stock options granted after April 24, 1997, the Committee may extend the period during which an incentive stock option may be exercised as a non-qualified stock option to up to three (3) years from the date of a termination not due to retirement, disability or gross misconduct or, if later, three (3) years from the date the option becomes exercisable but not more than five years after the date of such a termination.

(d) Death of Optionee. Upon the death of an Optionee during his or her period of employment, the incentive stock option shall be exercisable as an incentive stock option only as to those shares of Common Stock which were subject to the exercise of such option at the time of death, provided that (i) any holding period required by Section 6(c) shall automatically be deemed to be satisfied, and (ii) the Committee may determine that particular limitations and restrictions under the Plan shall not apply, and such option shall expire, unless exercised by the Optionee's legal representatives or heirs, five (5) years after the date of death (unless the Committee shall provide for a shorter period at the time the option is granted).

(e) Leave of Absence. A leave of absence, whether or not an Approved Leave of Absence, shall be deemed a termination of employment for purposes of Section 8.

In no event, however, shall any incentive stock option be exercisable pursuant to Sections 8(c) or (d) subsequent to the tenth anniversary of the date on which it was granted.

9. TERMS AND CONDITIONS OF AWARDS OF RETENTION STOCK

(a) General. Retention Shares may be granted only to reward the attainment of individual, Company or Subsidiary goals, or to attract or retain officers or other employees of the Company or any Subsidiary, and shall be granted subject to the attainment of performance goals unless the Committee shall determine otherwise. With respect to each grant of Retention Shares under the Plan, the Committee shall determine the period or periods, including any conditions for determining such period or periods, during which the restrictions set forth in Section 9(b) shall apply, provided that in no event, other than as provided in Section 9(c) or in the next sentence, shall such restrictions terminate prior to 3 years after the date of grant (the "Restriction Period"), and may also specify any other terms or conditions to the right of the Participant to receive such Retention Shares ("Vesting Conditions"). The Committee may determine in its sole discretion to waive any or all of such restrictions prior to end of the Restriction Period or the satisfaction of any Vesting Condition. Subject to Section 9(c) and any such Vesting Condition, a grant of Retention Shares shall be effective for the Restriction Period and may not be revoked.

(b) Restrictions. At the time of grant of Retention Shares to a Participant, a certificate representing the number of shares of Common Stock granted shall be registered in the Participant's name but shall be held by the Company for his or her account. The Participant shall have the entire beneficial ownership interest in, and all rights and privileges of a stockholder as to, such Retention Shares, including the right to vote such Retention Shares and, unless the Committee shall determine otherwise, the right to receive dividends thereon, subject to the following: (i) subject to Section 9(c), the Participant shall not be entitled to delivery of the stock certificate until the expiration of the Restriction Period and the satisfaction of any Vesting Conditions; (ii) none of the Retention Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restriction Period or prior to the satisfaction of any Vesting Conditions; and (iii) all of the Retention Shares shall be forfeited and all rights of the Participant to such Retention Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Restriction Period, except as provided by Sections 9(a) and 9(c), and any applicable Vesting Conditions have been satisfied. Any shares of Common Stock or other securities or property received as a result of a transaction listed in Section 11 shall be subject to the same restrictions as such Retention Shares unless the Committee shall determine otherwise.

(c) Termination of Employment.

(i) Disability and Retirement. Unless the Committee shall determine otherwise at the time of grant of Retention Shares, if (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period, by reason of disability under the provisions of the

Company's or a Subsidiary's long-term disability plan or retirement under the provisions of the Company's or a Subsidiary's pension plan either (i) at age 65 or (ii) prior to age 65 at the request of the Company or a Subsidiary, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest and all restrictions applicable to such shares shall lapse. A certificate for such shares shall be delivered to the Participant in accordance with the provisions of Section 9(d).

(ii) Death. Unless the Committee shall determine otherwise at the time of grant of Retention Shares, if (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period by reason of death, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest in his or her Beneficiary, and all restrictions applicable to such shares shall lapse. A certificate for such shares shall be delivered to the Participant's Beneficiary in accordance with the provisions of Section 9(d).

(iii) All Other Terminations. If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period for any reason other than death, disability or retirement as provided in Section 9(c)(i) and (ii), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 9(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares then subject to the restrictions of Section 9(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Participant in accordance with the provisions of Section 9(d).

(iv) Vesting Conditions Unless the Committee shall determine otherwise at the time of grant of Retention Shares, if a Participant ceases to be an employee of the Company for any reason prior to the satisfaction of any Vesting Conditions, the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 9(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares then subject to the restrictions of Section 9(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Participant in accordance with the provisions of Section 9(d).

(d) Payment of Retention Shares. At the end of the Restriction Period and after all Vesting Conditions have been satisfied, or at such earlier time as provided for in Section 9(c) or as the Committee, in its sole discretion, may otherwise determine, all restrictions applicable to the Retention Shares shall lapse, and a stock certificate for a number of shares of Common Stock equal to the number of Retention Shares, free of all restrictions, shall be delivered to the Participant or his or her Beneficiary, as the case may be. If an amount is payable by a Participant to the Company or a Subsidiary under applicable withholding tax laws in connection with the lapse of such restrictions, the Committee, in its sole discretion, may permit the Participant to make such payment, in whole or in part, by authorizing the Company to transfer to the Company Retention Shares otherwise deliverable to the Participant having a fair market value equal to the amount to be paid under such withholding tax laws.

(e) Deferral. The Committee may permit a Participant to elect to defer receipt of all or part of any Retention Shares that would otherwise be delivered, pursuant to rules and regulations adopted by the Committee. The Committee may permit the payment of cash in lieu of Common Stock upon payment of the deferred amount.

10. REGULATORY APPROVALS AND LISTING

The Company shall not be required to issue to an Optionee, Participant or a Beneficiary, as the case may be, any certificate for any shares of Common Stock upon exercise of an option or for any Retention Shares granted under the Plan prior to (i) the obtaining of any approval from any governmental agency which the Company, in its sole discretion, shall determine to be necessary or advisable, (ii) the admission of such shares to listing on any stock exchange on which the Common Stock may then be listed, and (iii) the completion of any registration or other qualification of such shares under any state or federal law or rulings or regulations of any governmental body which the Company, in its sole discretion, shall determine to be necessary or advisable.

11. ADJUSTMENT IN EVENT OF CHANGES IN CAPITALIZATION

In the event of a recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, rights offering, separation, spin-off, reorganization or liquidation, or any other change in the corporate structure or shares of the Company, the Board, upon recommendation of the Committee, may make such equitable adjustments as it may deem appropriate in the number and kind of shares authorized by the Plan, in the option price of outstanding Options, and in the number and kind of shares or other securities or property subject to Options or covered by outstanding Awards.

12. TERM OF THE PLAN

No Options or Retention Shares shall be granted pursuant to the Plan after April 16, 2003, but grants of Options and Retention Shares theretofore granted may extend beyond that date and the terms and conditions of the Plan shall continue to apply thereto.

13. TERMINATION OR AMENDMENT OF THE PLAN

The Board may at any time terminate the Plan with respect to any shares of Common Stock not at that time subject to outstanding Options or Awards, and may from time to time alter or amend the Plan or any part thereof (including, but without limiting the generality of the foregoing, any amendment deemed necessary to ensure that the Company may obtain any approval referred to in Section 10 or to ensure that the grant of Options or Awards, the exercise of Options or payment of Retention Shares or any other provision or the Plan complies with Section 16(b) of the Act), provided that no change with respect to any Options or Retention Shares theretofore granted may be made which would impair the rights of an Optionee or Participant without the consent of such Optionee or Participant and, further, that without the approval of stockholders, no alteration or amendment may be made which would (i) increase the maximum number of shares of Common Stock subject to the Plan as set forth in Section 5 (except by operation of Section 11), (ii) extend the term of the Plan or (iii) change the class of eligible persons who may receive Options or Awards of Retention Shares under the Plan.

14. LEAVE OF ABSENCE

Unless the Committee shall determine otherwise, a leave of absence other than an Approved Leave of Absence shall be deemed a termination of employment for purposes of the Plan. An Approved Leave of Absence shall not be deemed a termination of employment for purposes of the Plan (except for purposes of Section 8), but the period of such Leave of Absence shall not be counted toward satisfaction of any Restriction Period or any holding period described in Section 6(c).

15. GENERAL PROVISIONS

(a) Neither the Plan nor the grant of any Option or Award nor any action by the Company, any Subsidiary or the Committee shall be held or construed to confer upon any person any right to be continued in the employ of the Company or a Subsidiary. The Company and each Subsidiary expressly reserve the right to discharge, without liability but subject to his or her rights under the Plan, any Optionee or Participant whenever in the sole discretion of the Company or a Subsidiary, as the case may be, its interest may so require.

(b) All questions pertaining to the construction, regulation, validity and effect of the Plan shall be determined in accordance with the laws of the State of Utah, without regard to conflict of laws doctrine.

16. EFFECTIVE DATE

The Plan shall become effective upon approval of the stockholders of the Company.

EXHIBIT 10(r)

1988

STOCK OPTION AND RESTRICTED STOCK PLAN

OF

UNION PACIFIC CORPORATION

(Effective April 15, 1988 -
As Amended September 26, 1991, February 1, 1992,
April 24, 1997 and November 20, 1997)

1988 STOCK OPTION AND RESTRICTED STOCK PLAN OF UNION PACIFIC CORPORATION

1. PURPOSE.

The purpose of the 1988 Stock Option and Restricted Stock Plan of Union Pacific Corporation (the "Plan") is to promote the interests of Union Pacific Corporation (the "Company") and its shareholders by strengthening its ability to attract and retain officers and key employees in the employ of the Company or of any subsidiary of the Company by furnishing additional incentives whereby such present and future officers and key employees may be encouraged to acquire, or to increase their acquisition of, the Company's common stock, thus maintaining their personal interest in the Company's continued success and progress. The Plan provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights and shares of Company common stock restricted in accordance with the provisions of Section 8 below ("Restricted Shares"), all in accordance with the terms and conditions set forth below. Unless otherwise required by the context, the term "option" shall refer to non-qualified options, incentive stock options and stock appreciation rights.

2. ADMINISTRATION.

The Plan shall be administered by a Stock Option Committee (the "Committee"), to be designated by the Board of Directors of the Company and to be comprised of not less than three members of the Board of Directors who are not eligible to participate under the Plan. Members of the Committee shall be appointed from time to time by the Board of Directors for such terms as it shall determine, and may be removed by the Board at any time with or without cause. The Committee shall have complete authority to construe and interpret the Plan, to establish, amend and rescind appropriate rules and regulations relating to the Plan, to select persons eligible to participate in the Plan, to grant options and Restricted Shares thereunder, to administer the Plan, to make recommendations to the Board, and to take all such steps and make all such determinations in connection with the Plan and the options and Restricted Shares granted thereunder as it may deem necessary or advisable. All determinations of the Committee shall be by a majority of its members, and its determinations shall be final. Each member of the Committee, while serving as such, shall be considered to be acting in his capacity as a Director of the Company. Each eligible employee (as defined below) to whom an option or Restricted Shares is granted is hereinafter referred to as the "Optionee" or the "Participant", respectively. The granting of an option or Restricted Shares pursuant to the Plan shall take place when the Committee by resolution, written consent or other appropriate action determines to grant such an option to an Optionee at a particular price or such Restricted Shares to a Participant. Each Option or grant of Restricted Shares shall, if required by the Committee, be evidenced by a written agreement to be duly executed and delivered by or on behalf of the Company and the Optionee or Participant, respectively, and contain provisions not inconsistent with the Plan.

3. ELIGIBILITY.

To be eligible for selection by the Committee to participate in the Plan an individual must be an officer or key employee of the Company, or of any subsidiary of the Company, as of the date on which the Committee grants to such individual an option or Restricted Shares (hereinafter collectively referred to as "eligible employees"). Those Directors who are not full-time salaried officers or employees shall not be eligible. Subject to the provisions of this Plan, options or Restricted Shares may be granted to eligible employees in such number and at such times during the term of this Plan as the Committee shall determine, the Committee taking into account the duties of the respective employees, their present and potential contributions to the success of the Company, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

4. STOCK SUBJECT TO THE PLAN.

Subject to the provisions of Section 10 hereof, the maximum number and kind of shares as to which options or Restricted Shares may at any time be granted under the Plan are 8,400,000 shares of common stock of the Company of the par value of $2.50 per share ("Common Stock") of which shares no more than 400,000 shares of Common Stock may be issued as grants of Restricted Shares under the Plan. Shares of Common Stock subject to options or granted as Restricted Shares under the Plan may, in the discretion of the Board of Directors of the Company, be either authorized but unissued shares or shares previously issued and reacquired by the Company. Upon the expiration, termination or cancellation (in whole or in part) of unexercised options, shares of Common Stock subject thereto shall again be available for option or grant as Restricted Shares under the Plan. Shares of Common Stock covered by an option, or portion thereof, which is surrendered upon the exercise of a stock appreciation right, shall thereafter be unavailable for option or grant as Restricted Shares under the Plan. Upon the forfeiture (in whole or in part) of a grant of Restricted Shares, the shares of Common Stock subject to such forfeiture shall again be available for option or grant as Restricted Shares under the Plan.

5. TERMS AND CONDITIONS OF NON-QUALIFIED OPTIONS.

All non-qualified options under the Plan shall be granted subject to the following terms and conditions:

(a) Option Price. The option price per share with respect to each option shall be determined by the Committee but shall not be less than 100% of the fair market value of the Common Stock on the date the option is granted, such fair market value to be determined in accordance with the procedures to be established by the Committee.

(b) Duration of Options. Options shall be exercisable at such times and under such conditions as set forth in the written agreement evidencing such option, but in no event shall any option be exercisable subsequent to the tenth anniversary of the date on which the option is granted.

(c) Exercise of Option. The shares of Common Stock covered by an option may not be purchased prior to the first anniversary of the date on which the option is granted (unless the Committee shall determine otherwise), or such longer period as the Committee may determine in a particular case, but thereafter may be purchased at one time or in such installments over the balance of the option period as may be provided in the option. Any shares not purchased on the applicable installment date may be purchased thereafter at any time prior to the final expiration of the option. To the extent that the right to purchase shares has accrued thereunder, options may be exercised from time to time by notice to the Company stating the number of shares with respect to which the option is being exercised.

(d) Payment. Shares of Common Stock purchased under options shall, at the time of purchase, be paid for in full. All, or any portion, of the option exercise price may, at the discretion of the Committee, be paid by the surrender to the Company, at the time of exercise, of shares of previously acquired Common Stock owned by the Optionee, to the extent that such payment does not require the surrender of a fractional share of such previously acquired Common Stock. In addition, to the extent permitted by the Committee, the option exercise price may be paid by authorizing the Company to withhold Common Stock otherwise issuable upon exercise of the option. Such shares previously acquired or shares withheld to pay the option exercise price shall be valued at fair market value on the date the option is exercised in accordance with the procedures to be established by the Committee. No shares shall be issued or delivered until full payment therefor has been made. A holder of an option shall have none of the rights of a stockholder until the shares of Common Stock are issued to him. If an amount is payable by an Optionee to the Company under applicable income tax laws in connection with the exercise of non-qualified options, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such income tax laws.

(e) Restrictions. The Committee shall determine, with respect to each option, the nature and extent of the restrictions, if any, to be imposed on the shares of Common Stock which may be purchased thereunder including restrictions on the transferability of such shares acquired through the exercise of such option. Without limiting the generality of the foregoing, the Committee may impose conditions restricting absolutely the transferability of shares acquired through the exercise of options for such periods as the Committee may determine and, further, that in the event the Optionee's employment by the Company or a subsidiary terminates during the period in which such shares are non-transferable, the Optionee shall be required to sell such shares back to the Company at such price as the Committee may specify in the option.

(f) Purchase for Investment. The Committee shall have the right to require that each Optionee or other person who shall exercise an option under the Plan, and each person into whose name shares of Common Stock shall be issued, pursuant to the exercise of an option, jointly with that of any Optionee, represent and agree that any and all shares of Common Stock of the Company purchased pursuant to such option will be purchased for investment and not with a view to the distribution or resale thereof or that such shares will not be sold except in accordance with such restrictions or limitations as may be set forth in the written agreement granting such option; provided, however, that the foregoing provisions of this subparagraph (f) shall be inoperative during any period of time when the Company has obtained all necessary or advisable approvals from any governmental agency and has completed all necessary or advisable registrations or other qualification of shares of Common Stock as to which options may from time to time be granted, all as contemplated by Section 9 hereof.

(g) Non-Transferability of Options. During an Optionee's lifetime, the option may be exercised only by him. Options shall not be transferable, except for exercise by the Optionee's legal representatives or beneficiaries.

(h) Termination of Employment. Upon the termination of an Optionee's employment, for any reason other than death, his option shall be exercisable only as to those shares of Common Stock which were then subject to the exercise of such option (unless the Committee shall determine in a specific case that particular limitations and restrictions under the Plan shall not apply) and such option shall expire according to the following schedule:

(i) Retirement. Option shall expire, unless exercised, five (5) years after the Optionee's retirement from the Company or any subsidiary of the Company under the provisions of the Company's or a subsidiary's pension plans.

(ii) Disability. Option shall expire, unless exercised, five (5) years after the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a subsidiary's long-term disability plan.

(iii) Gross Misconduct. Option shall expire upon receipt by Optionee of the notice of termination if he is terminated for deliberate, willful or gross misconduct as determined by the Company.

(iv) All Other Terminations. Option shall expire, unless exercised, three (3) months after the date of such termination; provided, the Committee may provide for a longer exercise period, not to exceed three (3) years from the date of such termination or, if later, three years from the date the option becomes exercisable but not more than five years after the date of such termination.

(i) Death of Optionee. Upon the death of an Optionee during his period of employment, his option shall be exercisable only as to those shares of Common Stock which were subject to the exercise of such option at the time of his death (unless the Committee shall determine in a specific case that particular limitations and restrictions under the Plan shall not apply) and such option shall expire, unless exercised by his legal representatives or beneficiaries, five (5) years after the date of his death.

(j) The Committee may permit an Optionee to elect to defer receipt of all or part of the Common Stock issuable upon the exercise of an option, pursuant to rules and regulations adopted by the Committee. The Committee may permit the payment of cash in lieu of Common Stock upon payment of the deferred amount.

In no event, however, shall any option be exercisable pursuant to Sections 5(h) and (i) subsequent to the tenth anniversary of the date on which it is granted.

6. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

(a) General. The Committee may also grant a stock appreciation right in connection with a non-qualified option, either at the time of grant or by amendment. Such stock appreciation right shall cover the same shares covered by such option (or such lesser number of shares of Common Stock as the Committee may determine) and shall, except for the provisions of Section 5(d) hereof, be subject to the same terms and conditions as the related non-qualified option.

(b) Exercise and Payment. Each stock appreciation right shall entitle the Optionee to surrender to the Company unexercised the related option, or any portion thereof, and to receive from the Company in exchange therefor an amount equal to the excess of the fair market value of one share of Common Stock over the option price per share times the number of shares covered by the option, or portion thereof, which is surrendered. Payment shall be made in shares of Common Stock valued at fair market value, or in cash, or partly in shares and partly in cash, all as shall be determined by the Committee. The fair market value shall be the value determined in accordance with procedures established by the Committee. Stock appreciation rights may be exercised from time to time upon actual receipt by the Company of written notice stating the number of shares of Common Stock with respect to which the stock appreciation right is being exercised. No fractional shares shall be issued but instead cash shall be paid for a fraction or, if the Committee should so determine, the number of shares shall be rounded downward to the next whole share. If an amount is payable by an Optionee to the Company under applicable income tax laws in connection with exercises of stock appreciation rights, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such income tax laws.

(c) Restrictions. The obligation of the Company to satisfy any stock appreciation right exercised by an Optionee subject to Section 16 of the Securities Exchange Act of 1934, as amended, shall be conditioned upon the prior receipt by the Company of an opinion of counsel to the Company that any such satisfaction will not create an obligation on the part of such Optionee pursuant to Section 16(b) of such Act to reimburse the Company for any statutory profit which might be held to result from such satisfaction.

7. TERMS AND CONDITIONS OF INCENTIVE STOCK OPTIONS.

(a) General. The Committee may also grant incentive stock options as defined under section 422A of the Internal Revenue Code of 1986, as amended (the "Code"). All incentive stock options issued under the Plan shall, except for the provisions of Sections 5(h) and (i) and Section 6 hereof, be subject to the same terms and conditions as the non-qualified options granted under the Plan provided that the third sentence of Section 5(d) shall not apply to incentive stock options granted prior to February 1, 1992. In addition, incentive stock options shall be subject to the conditions of Sections 7(b), (c) and (d).

(b) Limitation of Exercise. The aggregate fair market value (determined as of the date the incentive stock option is granted) of the shares of stock with respect to which incentive stock options are exercisable for the first time by such Optionee during any calendar year, under this Plan or any other stock option plans adopted by the Company, its Subsidiaries or any predecessor companies thereof, shall not exceed $100,000.

(c) Termination of Employment. Upon the termination of an Optionee's employment, for any reason other than death, his incentive stock option shall be exercisable only as to those shares of Common Stock which were then subject to the exercise of such option (unless the Committee shall determine in a specific case that particular limitations and restrictions under the Plan shall not apply), and such option shall expire as an incentive stock option (but shall remain a non-qualified option exercisable pursuant to the terms of Section 5 hereof less the time period already elapsed under such Section), according to the following schedule:

(i) Retirement. An incentive stock option shall expire, unless exercised, three (3) months after the Optionee's retirement from the Company or any Subsidiary of the Company under the provisions of the Company's or a subsidiary's pension plans.

(ii) Disability. In the case of an Optionee who is disabled within the meaning of section 22(e)(3) of the Code, an incentive stock option shall expire, unless exercised, twelve (12) months after the date the Optionee terminates employment or the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a subsidiary's long-term disability plan, whichever is earlier.

(iii) Gross Misconduct. An incentive stock option shall expire upon receipt by an Optionee of the notice of termination if he is terminated for deliberate, willful or gross misconduct as determined by the Company.

(iv) All Other Terminations. An incentive stock option shall expire, unless exercised, three (3) months after the date of such termination.

In the case of incentive stock options granted after April 24, 1997, the Committee may extend the period during which an incentive stock option may be exercised as a non-qualified stock option to up to three (3) years from the date of a termination not due to retirement, disability or gross misconduct or, if later, three (3) years from the date the option becomes exercisable but not more than five years after the date of such a termination.

(d) Death of Optionee. Upon the death of an Optionee during his period of employment, his incentive stock option shall be exercisable as an incentive stock option only as to those shares of Common Stock which were subject to the exercise of such option at the time of his death (unless the Committee shall determine in a specific case that particular limitations and restrictions under the Plan shall not apply), and such option shall expire, unless exercised by his legal representatives or beneficiaries, five (5) years after the date of his death.

In no event, however, shall any incentive stock option be exercisable pursuant to Sections 7(c) and (d) subsequent to the tenth anniversary of the date on which it was granted.

8. TERMS AND CONDITIONS OF RESTRICTED SHARES.

(a) General. With respect to each grant of Restricted Shares under the Plan, the Committee, in its sole discretion, shall determine the period during which the restrictions set forth in Section 8(b) shall apply to such Restricted Shares (the "Restricted Period"). The Restricted Period shall not be less than 36 nor more than 60 consecutive months commencing with the first day of the month in which the Restricted Shares are granted. Subject to the provisions of Section 8(c), a grant of Restricted Shares shall be effective for the Restricted Period and may not be revoked. Approved leaves of absence of one year or less shall not be deemed terminations or interruptions in continuous service under this Section 8. Leaves of absence of more than one year will be deemed to be terminations under this Section unless the Committee determines otherwise.

(b) Restrictions. At the time of grant of Restricted Shares to a Participant, a certificate representing the number of shares of Common Stock granted shall be registered in his name but shall be held by the Company for the account of the Participant. The Participant shall have the entire beneficial ownership interest in, and all rights and privileges of a stockholder as to, such Restricted Shares, including the right to receive dividends and the right to vote such Restricted Shares, subject to the following restrictions: (i) subject to Section 8(c) hereof, the Participant shall not be entitled to delivery of the stock certificate until the expiration of the Restricted Period; (ii) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period; and (iii) all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Restricted Period in relation to which such Restricted Shares were granted, except as provided by Section 8(c) hereof. Any shares of Common Stock received as a result of a transaction listed in Section 10 hereof shall be subject to the same restrictions as such Restricted Shares unless the Committee shall determine otherwise.

(c) Termination of Employment.

(i) Disability and Retirement. If a Participant ceases to be an employee of the Company or a subsidiary prior to the end of a Restricted Period by reason of disability (as defined in Section 5(h)(ii) hereof) or retirement (as defined in Section 5(h)(i) hereof), the number of Restricted Shares granted to such Participant for such Restricted Period shall be reduced in proportion to the Restricted Period (determined on a monthly basis) remaining after the Participant ceases to be an employee and all restrictions on such reduced number of shares shall lapse. A certificate for such shares shall be delivered to the Participant in accordance with the provisions of Section 8(d) hereof. The Committee may, if it deems appropriate, direct that the Participant receive a greater number of shares of Common Stock free of all restrictions but not exceeding the number of Restricted Shares then subject to the restrictions of Section 8(b).

(ii) Death. If a Participant ceases to be an employee prior to the end of a Restricted Period by reason of death, the Restricted Shares granted to such participant shall immediately vest in his beneficiary or estate and all restrictions applicable to such shares shall lapse. A certificate for such shares shall be delivered to the Participant's beneficiary or estate in accordance with the provisions of Section 8(d) hereof.

(iii) All Other Terminations. If a Participant ceases to be an employee prior to the end of a Restricted Period for any reason other than death, disability or retirement, the Participant shall immediately forfeit all Restricted Shares then subject to the restrictions of Section 8(b) hereof in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a participant whose employment has so terminated to retain any or all of the Restricted Shares then subject to the restrictions of Section 8(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Participant in accordance with the provisions of Section 8(d) hereof.

(d) Payment of Restricted Shares. At the end of the Restricted Period or at such earlier time as provided for in Section 8(c) hereof or as the Committee may determine, all restrictions applicable to the Restricted Shares shall lapse and a stock certificate for a number of shares of Common Stock equal to the number of Restricted Shares, free of all restrictions, shall be delivered to the Participant or his beneficiary or estate, as the case may be. The Company shall not be required to deliver any fractional share of Common Stock but shall pay, in lieu thereof, the fair market value (measured as of the date the restrictions lapse) of such fractional share to the Participant or his beneficiary or estate, as the case may be. If an amount is payable by a Participant to the Company under applicable income tax laws in connection with the lapse of such restrictions, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Participant to make such payment, in whole or in part, by electing to authorize the Company to transfer to the Company Restricted Shares otherwise deliverable to the Participant having a fair market value equal to the amount to be paid under such income tax laws.

9. REGULATORY APPROVALS AND LISTING.

The Company shall not be required to issue any certificate or certificates for shares of Common Stock upon the exercise of an option or a stock appreciation right or the vesting of Restricted Shares granted under the Plan prior to (i) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (ii) the admission of such shares to listing on any stock exchange on which the Common Stock may then be listed, and (iii) the completion of any registration or other qualification of such shares under any state or Federal law or rulings or regulations of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable.

10. ADJUSTMENT IN EVENT OF CHANGES IN CAPITALIZATION.

In the event of a recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, rights offering, separation, reorganization or liquidation, or any other change in the corporate structure or shares of the Company, the Board of Directors of the Company, upon recommendation of the Committee, may make such equitable adjustments, designed to protect against dilution, as it may deem appropriate in the number and kind of shares authorized by the Plan thereby and in the option price and, with respect to grants of Restricted Shares, in the number and kind of shares covered thereby.

11. TERM OF PLAN.

No non-qualified option, incentive stock option, stock appreciation right or Restricted Shares shall be granted pursuant to this Plan after April 14, 1998, but non-qualified options, incentive stock options, stock appreciation rights and grants of Restricted Shares theretofore granted may extend beyond that date and the terms and conditions of this Plan shall continue to apply thereto and to shares of Common Stock acquired upon exercise of such options or stock appreciation rights.

12. TERMINATION OR AMENDMENT OF THE PLAN.

The Board of Directors may at any time terminate the Plan with respect to any shares of the Company not at the time subject to option or the provisions of Section 8, and may from time to time alter or amend the Plan or any part thereof (including, but without limiting the generality of the foregoing, any amendment deemed necessary to ensure that the Company may obtain any regulatory approval, referred to in clause (i) of Section 9 hereof), provided that no change in any option or Restricted Shares theretofore granted may be made which would impair the rights of an Optionee or a Participant, respectively, without the consent of such Optionee or Participant and, further, that without the approval of stockholders, no alteration or amendment may be made which would (i) increase the maximum number of shares of Common Stock subject to the Plan as set forth in Section 4 (except by operation of Section 10), (ii) extend the term of the Plan or extend the term of options granted thereunder to beyond the tenth anniversary of the date of grant, (iii) reduce the option price at which options may be granted, or (iv) change the class of eligible employees who may receive options or Restricted Shares under the Plan.

13. EFFECTIVE DATE OF PLAN.

The Plan shall become effective April 15, 1988 upon approval of the shareholders of the Company.

EXHIBIT 10(t)

EXECUTIVE LIFE INSURANCE PLAN OF UPC

PLAN DESCRIPTION AND CENSUS INFORMATION

Eligibility	Employees who are Salary Grade 24 and above; are on the payroll as of December 31 of the year in which they become eligible, and are employed by one of the following Union Pacific Operating Companies: - Union Pacific Corporation - Union Pacific Railroad - Union Pacific Technologies
Effective Date	January 1
Plan Year	January 1 - December 31
Core Group Benefit Under Flex Plan	$50,000 which remains in effect until retirement
Optional Group Benefit Under Flex Plan	Employees can also purchase up to six times base salary under the Union Pacific Flexible Benefits Plan.
Post-Retirement Group Benefit Under Flex Plan	None
Executive Life Insurance Plan Death Benefit	PRE-RETIREMENT: The death benefit is two times salary. The targeted death benefit may or may not be equal to 2 times salary of those executives entering the plan over 62 years of age. POST-RETIREMENT: The target death benefit is one half of final salary at retirement. The actual death benefit may vary based on: - The performance of the contract; - The continuous participation in the program by the Executive; - Any loans or withdrawals taken by the executive against the assets of the contract; - The contractual limits of the contract; and - Failure to pass any evidence of insurability.

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October, 1997

COST TO EXECUTIVE	Union Pacific, at its discretion, will grant a bonus to each Executive covered under the Plan in an amount equal to or less than the annual premium for the Executive's benefit. To participate in the plan, the Executive must authorize Union Pacific to pay that amount directly to Connecticut General in December of each year. Since that bonus will be considered compensation, the Executive will be notified of the amount, and the appropriate Federal withholding and other payroll taxes will be deducted from the Executive's December compensation or any cash payment made under the Union Pacific Executive Compensation Plan for the Executive.
INSURANCE POLICY	The Executive will receive an individual universal life policy issued by Connecticut General Life Insurance Company. This policy is Form Number LN502 and has been approved by the Pennsylvania Department of Insurance.
POLICY OWNER	The executive will be the sole Owner of the policy and will be able to exercise all policy rights including the rights to borrow or surrender the policy. If the Executive surrenders this policy, takes loans, or withdrawals or discontinues participation in this program while he is an employee, future bonuses will be frozen at the prior year level. If the Executive reenters the Plan, an actuarial adjustment will be made to future bonuses and evidence of insurability will be required. If the Executive wishes to transfer Ownership of the policy to another person or entity, refer to Section 6, Ongoing Business Forms.
BENEFICIARY	The Executive (or the policy Owner if different) has the right to name the beneficiary of the proceeds (see Section 6, Ongoing Business Forms).
SALARY INCREASES	Assuming continued participation in the Plan, each year before an Executive retires, the death benefit will be increased on the next plan anniversary based on the increase in the Executive's salary as of August 16 of the prior year.

EVIDENCE OF INSURABILITY	No evidence of insurability will be required for an Executive meeting the following criteria: o Actively-at-Work (for initial coverage and annual increases) o Under age 61 as of the Plan anniversary with basic initial benefit up to $1 million. o Future annual increases in death benefit equal to annual salary increase up to a maximum 10% per plan year. o One time promotion increase up to $100,000 (promotions must be certified by Union Pacific) In all other circumstances, medical information may be required. In addition, when all insurance coverage in force on an Executive reaches Connecticut General's retention limit (currently $3 million), evidence of insurability may be required for ANY increase in coverage even if it is within the limits described above.
TERMINATION OF PARTICIPATION WHILE ACTIVELY EMPLOYED	If an Executive voluntarily surrenders the policy or terminates participation in the Plan, future participation in the Plan will be subject to evidence of insurability.
TERMINATION OF EMPLOYMENT	An Executive terminating employment with Union Pacific may keep the policy in force, modify it, or terminate it. Future premiums may be required to keep the policy in force and will be the responsibility of the Executive. Premiums must be paid directly to Connecticut General Life Insurance Company on an annual basis. After termination of an Executive's employment with Union Pacific, increases in death benefit will no longer be available without evidence of insurability.

AFTER RETIREMENT

The retired Executive retains the policy after retirement. At the time of retirement UPC will use the current interest rate to illustrate and fund the death benefit amount according to the post-retirement benefit described above. In the event the retiring participant chooses to carry insurance above the level provided by Union Pacific and at any time up to age 62 causes the policy to lapse for any reason, Union Pacific shall be notified and further contributions on behalf of the participant shall cease. If the retired executive surrenders this policy, future bonus payments will cease.

ADDITIONAL INSURANCE

Connecticut General's Corporate Universal Life policy is not available to the general public. However, Executives participating in the Executive Life Insurance Program may apply for additional coverage, subject to evidence of insurability. Any additional coverage will be provided under a separate policy, and the premiums will be paid by the Executive. Anyone interested in applying for additional coverage should contact Jonathan Kraiza at Connecticut General.

DEFINITION OF TERMS

SALARY: For purposes of determining the death benefit under this program, base salary will be defined as the Executive's salary on August 16 of the prior calendar year as defined under the Union Pacific Flexible Benefits Plan.

ANNUAL PREMIUM: For participants entering the Executive Life Insurance Program prior to age 62, the annual premium will be an amount determined by Connecticut General to be sufficient to realize the target death benefit. For participants entering the Executive Life Insurance Program on or after age 62, the annual premium will be determined as if the participant was one day less than age 62. This annual premium may or may not be sufficient to realize the target death benefit of two times salary.

AGE: Age will be determined according to the age at the Executive's nearest birthday on the effective date of coverage.

ACTIVELY-AT-WORK: Actively-at-Work is defined as "performing all duties of the position on a full-time basis for not less than 35 hours per week and not absent from work due to accident, illness, or other condition for more than any three days of the 90 days prior to first becoming eligible to participate in the Executive Life Insurance Program.

EXHIBIT 11

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
COMPUTATION OF EARNINGS PER SHARE

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(In Thousands, Except Per Share Amounts)

	1997	1996	1995
Weighted-average number of shares outstanding (a)	245,737	216,685	204,930
Average shares issuable on exercise of stock options	2,382	1,345	636
Weighted-average number of shares used in computation of earnings per share	248,119	218,030	205,566
Income from continuing operations	$432,207	$732,860	$619,289
Income from discontinued operations (b)	-	170,673	326,542
Net Income	$432,207	$903,533	$945,831
Earnings per share:			
Basic:			
Income from continuing operations	$ 1.76	$ 3.38	$ 3.02
Income from discontinued operations (b)	-	0.79	1.60
Net Income	$ 1.76	$ 4.17	$ 4.62
Diluted:			
Income from continuing operations	$ 1.74	$ 3.36	$ 3.01
Income from discontinued operations (b)	-	0.78	1.59
Net Income	$ 1.74	$ 4.14	$ 4.60

(a) In connection with the Corporation's acquisition of Southern Pacific, on September 11, 1996, UPC issued 38.1 million shares of its common stock in exchange for 60% of SP's shares. See Note 2 to the Financial Statements.

(b) All computations reflect Resources as discontinued operations (See Note 3 to the Financial Statements).

EXHIBIT 12

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
RATIO OF EARNINGS TO FIXED CHARGES (a)
(Thousands of Dollars, Except for Ratio)

	1997	1996	1995	1994	1993
Earnings from continuing operations (b/c)	$ 432,207	$ 732,860	$ 619,289	$ 568,631	$ 411,775
Undistributed equity earnings	(39,885)	(50,235)	(23,893)	(43,663)	(32,426)
Total	392,322	682,625	595,396	524,968	379,349
Income taxes (c)	243,455	380,560	313,590	329,586	317,913
Fixed charges:					
Interest expense including amortization of debt discount	604,835	500,580	450,182	347,188	311,698
Portion of rentals representing an interest factor	166,190	135,615	65,258	41,975	33,224
Total	771,025	636,195	515,440	389,163	344,922
Earnings available for fixed charges	$1,406,802	$1,699,380	$1,424,426	$1,243,717	$1,042,184
Fixed charges - as above	$ 771,025	$ 636,195	$ 515,440	$ 389,163	$ 344,922
Interest capitalized	--	--	--	--	224
Total	$ 771,025	$ 636,195	$ 515,440	$ 389,163	$ 345,146
Ratio of earnings to fixed charges	1.8	2.7	2.8	3.2	3.0

(a) All information presented reflects Resources as discontinued operations (See Note 3 to the Financial Statements).

(b) Amount for 1993 is before a cumulative effect adjustment for changes in accounting principles for income taxes, postretirement benefits other than pensions and revenue recognition. The net after-tax adjustment related to these items was $116 million.

(c) In 1993, income from continuing operations and income taxes included the one-time impact on deferred income taxes from the adoption of the Omnibus Budget Reconciliation Act of 1993, which reduced income from continuing operations and increased income taxes by $56 million.

EXHIBIT 13

Pages 4 through 53, inclusive, of Union Pacific's Annual Report to Stockholders for the year ended December 31, 1997, but excluding photographs set forth on pages 4 through 17, none of which supplements the text and which are not otherwise required to be disclosed in this Annual Report on Form 10-K.

AN UPDATE ON
THE MERGER

Shorter routes, faster transit times, better on-time performance, expanded single-line service, more efficient traffic flows and specialized use of parallel routes were some of the many improvements and benefits Union Pacific outlined when it first announced the historic merger with Southern Pacific. Nearly 18 months after the merger was approved, the Railroad is beginning to realize some of those benefits as it works its way through the congestion issues. The information below and on the facing page provides a snapshot of key merger activities for 1997.

COMPUTER SYSTEMS

From the outset, the efficient transfer of car and equipment information to Union Pacific's Transportation Control System (TCS) was identified as a keystone in providing customers with merger-enhanced service and operating efficiencies. These cutovers were given top priority, with scheduling accelerated to complete three of them by the end of 1997: the Denver and Rio Grande Western territory; the Cotton Belt, running from St. Louis through Texas; and the highly complex SP-East line that extends from New Mexico east through the Texas-Louisiana Gulf Coast. The final cutover is set for this spring and will link operations along the West Coast's Interstate 5 Corridor with the remainder of the Sunset Route, which runs from Los Angeles through Houston to New Orleans.

CAPITAL INVESTMENTS

In 1997, the Railroad's $2.0 billion capital program - including almost $500 million of merger-related investments-focused on boosting freight car quality, increasing the locomotive fleet, expanding rail and yard capacity and improving overall system quality.

HUB-AND-SPOKE

To achieve greater flexibility in moving trains and to provide maximum manpower utilization, the Railroad and its labor unions initiated the hub-and-spoke concept on certain areas of the rail system during the latter part of the year. With hub-and-spoke, a major terminal is designated an operational "hub of the region, and lines leading in and out of that hub are the "spokes." Train crews can work any of those runs and return to a permanent home terminal at the hub. (For further details see page 10.)

(One photograph, not incorporated by reference - see prefacing comment on Exhibit 13 Cover Page.)

Map Description - Page 5

One page white map of Continental United States, starting at the eastern border of Illinois and continuing westward, on a light grey background.

Symbols and colored lines marking the location of capital investment projects, Transportation Control System cutover dates and location of operational hubs created by hub-and-spoke labor agreements are indicated on the map as follows:

Capital Investment projects:
Roseville, California Yard
Livonia, Louisiana Classification Yard
Marion, Arkansas Intermodal Facility
Kansas Pacific Route

Transportation Control System cutover dates:
Denver and Rio Grande Western Territory - May 1, 1997
The Cotton Belt - August 1, 1997
Southern Pacific-East Line - December 1, 1997
Interstate 5 Corridor - May 1, 1998

Operational hubs created by hub-and-spoke labor agreements:
Roseville, California
Salt Lake City, Utah
Denver, Colorado
Salina, Kansas
Little Rock/Pine Bluff, Arkansas
Longview, Texas
Houston, Texas

Other towns and track lines indicated on the map are for reference purposes.

[PHOTO]

(One photograph, not incorporated by reference - see prefacing comment on Exhibit 13 Cover Page.)

UNION PACIFIC RAILROAD

Heading into 1997, Union Pacific Railroad was singularly focused on the implementation of its historic merger with Southern Pacific, one that we believe will bring about new levels of operational and customer service and significant gains in quality and productivity. But unexpected crew shortages and track maintenance on SP lines, increased demand, derailments, severe weather conditions and congestion in the major Texas/Mexico gateways prior to privatization of the Mexican railroad system caused significant congestion in the latter part of the year, and had an adverse impact on the Railroad's 1997 financial and operating results.

Union Pacific Railroad, including the full-year effects of the SP merger, realized net income of $620 million, compared to last year's $871 million, on a pro forma basis. Carloadings declined approximately 4 percent compared to 1996.

Our service interruptions also negatively affected the Railroad's operating ratio, which increased to 87.4, compared to 83.5 last year, on a pro forma basis. As the many efficiencies created by the implementation of the SP merger begin to take hold, however, the Railroad expects to improve service and customer satisfaction, as well as lower its operating ratio.

COMMODITY RESULTS FOR 1997

The overall decline in carloadings reflected the congestion the Railroad experienced in the latter part of the year. However, the Railroad's traffic volume and revenue in autos increased slightly in 1997, and there was a continued increase in carloads in and out of Mexico. The Railroad also completed construction projects for 1998 business from Ford's new vehicle mixing center in Kansas City, including building facilities in San Antonio and Amarillo, Texas and Santa Rosa, California.

	1997	1996	1995
Operating Revenues (millions)	$9,981	$7,680	$6,326
Operating Income (millions)	$1,253	$1,602	$1,384
Carloadings (thousands)	8,453	6,632	5,568
Operating Ratio (%)	87.4	79.1	78.1

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

THE RAILROAD CONTINUES TO HIRE EMPLOYEES, EXPAND ITS LOCOMOTIVE FLEET AND INVEST CAPITAL TO ENHANCE OPERATIONS.

Volume fell slightly in the petrochemical business, led by declines in liquid and dry chemicals, LP gas, petroleum and phosphate rock. A 5 percent increase in plastics, joined by a 4 percent gain in fertilizer and a 2 percent increase in soda ash, provided a partial offset.

Through the SP merger, the Railroad is positioned to offer intermodal customers improved delivery schedules and service on critical routes, including northern California to Chicago and Los Angeles to Kansas City. The Railroad also has picked up a significant amount of electronics business in and out of Mexico and from southern California ports. For the year, intermodal business was essentially unchanged.

The Railroad made a number of business investments in 1997 to improve service and delivery capabilities with its grain customers -- upgrading facilities, advancing rail car technology, improving tracks and expanding computer systems. These steps, coupled with the development of business partnerships with customers, are aimed at putting the Railroad in a much stronger position to serve its customers and overcoming the 9 percent drop in grain business from last year's level.

Coal tonnage in 1997 was relatively flat compared to last year, while on average, nearly 24 trains a day came out of the Powder River Basin, with additional trains originating from Colorado and Utah. To make its hauls more efficient, the Railroad is now running more than 30 percent of its coal trains with distributed power, which allows longer trains by using evenly distributed locomotive placement. It is also pursuing an aggressive capital campaign to increase capacity along major coal corridors.

BUSINESS WITH MEXICO

Revenues from Mexican traffic were off slightly compared to last year, due mostly to a decline in agricultural shipments. However, volume in the automotive, energy, industrial products and intermodal segments increased, and despite service delays, the Railroad had record border crossings at Laredo, Texas. The Railroad was also part of a consortium with Grupo Mexico and Grupo ICA that won a 50-year concession to operate the Pacific-North Railway line of Mexico. The partners in the consortium have established a stand-alone Mexican corporation to manage and operate this railroad.

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

EXPEDITED SERVICE

With the implementation of the merger, the Railroad was able to begin providing intermodal customers with expedited service in key corridors. Following are three examples of that service:

* Midwest-California: restructured intermodal service connecting Chicago, St. Louis and Kansas City with northern California. Service started March 1997.

* Interstate 5 Corridor: first-ever dedicated intermodal trains between Los Angeles and Seattle, providing third-morning deliveries in both cities. Service began June 1997.

* Sunset Route: entirely redesigned Southern Pacific's intermodal services connecting Memphis, New Orleans, Houston and San Antonio with El Paso, Tucson, Phoenix and southern California. Service begins June 1998.

THE RAILROAD, ALONG WITH ITS LABOR UNIONS AND FEDERAL OFFICIALS, INSTITUTED A NEW SYSTEM TO A MONITOR SAFETY PROGRESS.

LABOR AGREEMENTS

This past year, members of the operating unions around the Railroad system ratified unique hub-and-spoke agreements, replacing multiple seniority districts and multiple collective bargaining pacts. The hub-and-spoke concept allows engineers, conductors and brakemen to operate trains on all tracks in and out of major rail centers, whereas traditional labor agreements only allow train crew members to operate over one line in and out of major rail centers. Currently, agreements have been ratified at seven locations: Salt Lake City, Denver, Salina, Houston, Longview, North Little Rock/Pine Bluff and Roseville. These agreements promise to increase flexibility in train crew assignments and will help the Railroad provide merger-related service improvements to its customers. The remainder of the agreements are expected to be finalized in 1998.

SEVERE DIFFICULTIES THROUGHOUT THE SYSTEM

The Railroad's operations and revenues suffered as a result of system-wide congestion in the latter part of the year. To address the congestion problems, on October 1 the Railroad presented its Service Recovery Plan to the federal government's Surface Transportation Board (STB).

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

The Railroad is currently focusing on lowering car inventory, reducing congestion, increasing terminal flow and accelerating mainline velocity. Key steps aimed at meeting these goals include:

* hiring of nearly 3,500 new employees, including 1,000 train and engine service employees;

* forging historic union agreements that will allow critical hub-and-spoke operations across the network;

* implementing UPRR's Transportation Control System across the 35,000-mile system;

* instituting directional running on lines radiating from Houston;

* adding new locomotives; and

* rerouting trains around congested yards by using smaller satellite facilities for switching.

The STB held two hearings during the latter part of 1997 to assess progress of the Railroad's Plan. An Emergency Service Order issued by the STB allows it to monitor the Railroad's improvements.

The Railroad also has joined with its unions and the Federal Railroad Administration in implementing the Safety Assurance and Compliance Program that is designed to address such fundamental operating issues as crew management, employee fatigue and training. The initiatives grew out of several serious accidents last year. Unfortunately, these accidents overshadowed the fact that the number of reportable injuries, grade crossing accidents and train derailments were all reduced substantially over the last five years.

WITH THE HELP OF A FOCUSED TEAM OF EMPLOYEES, OVERNITE IMPROVED CUSTOMER SERVICE LEVELS AND RAISED ON-TIME DELIVERY TO 96 PERCENT.

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

OVERNITE TRANSPORTATION

In 1997, Overnite Transportation completed a dramatic turnaround, recording net income of $24 million before goodwill, compared to a net loss of $23 million before goodwill in 1996. Its operating ratio also improved to 96.8 from 105.0 last year.

FOCUSED EMPLOYEE INVOLVEMENT

Overnite restored its position as a leader in the less-than-truckload (LTL) industry by aggressively engaging its 12,000 employees in four critical areas of the business: service quality, cost control, profitable revenue growth and yield improvement.

A company-wide program focused on raising service levels and delivering shipments to customers on time and damage free. Overnite also instituted management development sessions, upgraded the sales force and intensified its training, and created revenue enhancement teams.

To generate more usable data, Overnite introduced a sophisticated tracking system that improved its ability to gather and analyze sales and operating information on each of its more than 100,000 customers, and produce up-to-date profitability status reports of each service center. The Company also placed a shipment tracking system, its Rate EDGE pricing system and other key tools on its website to provide customers with fast, convenient information.

OPERATIONAL CHANGES

In a bold move, Overnite tightened transit times on the majority of its shipping lanes -- over 13,000 routes -- through its Lane Enhancement Action Plan (LEAP), making its number of one- and two-day service routes unsurpassed in the industry. Overnite then launched Quantum LEAP, which uses sleeper teams to provide three- and four-day service to and from the West Coast from the Midwest and the East Coast.

	1997	1996	1995
Operating Revenues (millions)	$ 946	$ 961	$ 976
Operating Income (Loss)(millions)	$ 10	$ (68)	$ (49)
Operating Ratio (%)[a]	96.8	105.0	103.0

[a] Excludes goodwill amortization.

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

At the same time, Overnite significantly improved its on-time delivery -- consistently maintaining a 96 percent level throughout the year -- and reduced freight damage and shortage claims by 25 percent.

BUSINESS SEGMENTS

In 1997, Overnite focused on growing profitable revenue on two fronts. Through the growth of its small business segment, Overnite was able to strengthen its customer base. Sales promotions, employee training, the development of an inside sales department and driver-customer contact all contributed to a 29 percent revenue growth in this sector.

Overnite's philosophy with large customers was to build steady, long-term growth and create working partnerships. To that end, Overnite instituted a yield improvement strategy, which shares vital cost-related information with customers; dedicated additional personnel to these major accounts, in some cases putting them directly on site; and started a Customer Advisory Council that meets periodically to discuss service quality levels and new ideas for improving business operations.

With these actions, the Company was able to increase customer satisfaction, reduce costs through improved shipment planning, and in many cases improve profitability without raising rates.

EXPANSION

Overnite also increased its traffic in 1997 by introducing or expanding ancillary high-yield businesses, such as Cross Border and International Services, Trade Show and Guaranteed Transportation Solutions. These segments provide Overnite higher margin revenue and complement its existing network of lanes and service centers.

Renewed profitability allowed Overnite to expand for the first time in three years, as 11 service points were added in Texas, providing direct service to more than 95 percent of the state.

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

THROUGH THE GROWTH OF ITS SMALL BUSINESS SEGMENT, OVERNIGHT STRENGTHENED ITS CUSTOMER BASE; WITH LARGE CUSTOMERS, CREATING WORKING PARTNERSHIPS WAS A KEY TO SUCCESS.

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

UNION PACIFIC TECHNOLOGIES

In 1997 -- for the 10th consecutive year -- Union Pacific Technologies continued its track record of delivering sophisticated products and services to the Union Pacific companies and expanding its role in the commercial marketplace.

INTERNAL BUSINESS

The key focus for Technologies is its ongoing support of the Union Pacific-Southern Pacific merger. Working with the Railroad's Information Technologies Department, UP Tech implemented three regional cutovers of the Transportation Control System (TCS) on the SP system, with completion of the fourth scheduled for this spring.

At the same time, Technologies has been updating TCS to be Year 2000 compliant, which is scheduled for completion by the fourth quarter of 1998. Major work has begun on network optimization tools that the Company believes, when linked to TCS, will improve the Railroad's ability to manage business volumes, service schedules and resources effectively.

UP Tech has been contributing to Overnite's successes by providing key staff and technical support for new financial and human resources systems. Technologies also is involved in the development of software to provide improved linehaul operations.

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

COMMERCIAL BUSINESS

Technologies has begun the process of implementing the Transportation Control System (TCS) on the English, Welsh, and Scottish Railway (EWS) in the United Kingdom. This multi-year effort represents UP Tech's first major European venture and will help the EWS consolidate customer service operations, schedule and track the movement of cars, and exchange information more easily with its customers.

Expanding its role in Mexico, UP Tech is providing a Spanish version of TCS to the first two concessionaires of the Mexican Railway privatization effort, while still supporting the state-owned Ferrocarriles Nacionales de Mexico.

Technologies has also been making significant investments in TCS, standardizing all versions for domestic and international customers, which will vastly improve its ability to bring new products to market. In addition, work is under way to improve the user interaction with graphic display and new decision support capabilities.

Shipment Management Services, which tracks both rail and truck shipments against predetermined schedules, has continued to grow as more customers have recognized the value of accurate information in support of the supply chain management process. Technologies is introducing Internet access to shipment information this spring.

THIS YEAR UNION PACIFIC TECHNOLOGIES IMPLEMENTED THREE TRANSPORTATION CONTROL SYSTEM CUTOVERS ON THE SOUTHERN PACIFIC RAIL NETWORK AND EXPANDED ITS COMMERCIAL BUSINESS.

(One photograph, not incorporated by reference- see prefacing comment on Exhibit 13 Cover Page.)

FINANCIAL REVIEW

CONSOLIDATED RESULTS OF OPERATIONS

This review and the accompanying charts should be read with the financial statements, notes and supplementary information.

CORPORATE REORGANIZATION

Over the past three years, Union Pacific Corporation (UPC or the Corporation) completed several strategic transactions that refocused the Corporation on its core transportation operations.

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (CNW) - In April 1995, UPC acquired the remaining 71.6% of CNW's outstanding common stock not previously owned by UPC for $1.2 billion. The acquisition of CNW was accounted for as a purchase and CNW's financial results were consolidated with UPC beginning in May 1995.

NATURAL RESOURCES DIVESTITURE - In July 1995, UPC's Board of Directors approved a formal plan to dispose of its oil, gas and mining business by an initial public offering (IPO) of 17% of the common stock of Union Pacific Resources Group Inc. (Resources) followed by a distribution of UPC's remaining interest in Resources to the Corporation's stockholders on a tax-free, pro-rata basis (the Spin-Off) (see Note 3 to the Financial Statements). In October 1995, Resources completed the IPO, and after UPC's receipt of a favorable Internal Revenue Service ruling as to the tax-free nature of the Spin-Off in September 1996, UPC completed its divestiture of Resources. The Corporation's share of Resources' financial results through September 1996 are presented as discontinued operations in the Corporation's consolidated financial statements.

SOUTHERN PACIFIC RAIL CORPORATION (SOUTHERN PACIFIC OR SP) ACQUISITION - In September 1995, UPC acquired 25% of Southern Pacific, and in September 1996, it acquired the remaining 75% after receipt of a favorable decision from the Surface Transportation Board of the U.S. Department of Transportation (STB) on the Corporation's acquisition of SP. 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. The statement of consolidated income includes equity income equal to 25% of Southern Pacific's net income through September 10, 1996, reflecting UPC's ownership of Southern Pacific during such period and 100% of Southern Pacific's net income thereafter. Southern Pacific's results were fully consolidated with the Corporation's results effective October 1, 1996 (see Note 2 to the Financial Statements).

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 and providing several North/South corridors to key Mexican gateways.

MEXICAN RAILWAY CONCESSION - During 1997, the Corporation's major subsidiary, Union Pacific Railroad Company (UPRR and collectively with SP's rail operations, the Railroad), and a consortium of partners were granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines in Mexico and a 25% stake in the Mexico City Terminal Company at a price of $525 million. The Railroad holds a 13% ownership share and has accounted for its interest by the equity method. The consortium expects to assume operational control of both lines in early 1998.

1997 YEAR IN REVIEW

The Corporation began 1997 with the primary goal of integrating Southern Pacific's rail operations with those of UPRR. Although operational difficulties began in the third quarter, the integration is expected to be substantially complete in 1999.

In the third quarter, congestion began to adversely impact operations and earnings. System congestion started in the Gulf Coast area and spread throughout the system as the Railroad shifted resources to help

STOCK PRICE
PER SHARE AT YEAR-END
UNION PACIFIC CORPORATION

Dollars

[CHART]

93	94	95	96*	97
$62.63	$45.38	$66.00	$84.69	$62.63

* Year-end value of Resources shares distributed in the Spin-Off

BOOK VALUE
UNION PACIFIC CORPORATION

Dollars Per Share

[CHART]

93	94	95	96	97
23.81	24.92	30.96	33.35	33.30

mitigate the problem in the Gulf Coast. Factors leading to the congestion included, among other things, crew shortages and necessary track maintenance on SP lines, increased demand, washouts due to severe weather, derailments and congestion in the major Texas/Mexico gateways prior to privatization of the Mexican railroad system.

To restore service to acceptable levels, the Railroad implemented a Service Recovery Plan (the Plan). 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. The cost of the congestion-related problems in 1997 was approximately $450 million, after tax, which reflected the combined effects of lost business, higher costs associated with congestion, costs associated with implementation of the Plan, alternate transportation and customer claims. Although progress has been made in improving service and recovering lost business, the Railroad expects some adverse impact of these problems in 1998 financial results.

Overnite Transportation Company (Overnite), the Corporation's interstate trucking company specializing in less-than-truckload (LTL) shipments, returned to profitability in 1997, having successfully realigned its operations to be more competitive in the current trucking industry environment. Net income for 1997 was $24 million (excluding goodwill amortization).

Also in 1997, UPC adopted a plan to sell its investment in Skyway Freight Systems, Inc. (Skyway), a wholly-owned subsidiary engaged in contract logistics and supply chain management. In connection with the planned sale, UPC recognized a $40 million after tax loss.

1997 COMPARED TO 1996

CONSOLIDATED RESULTS

The Corporation reported net income of $432 million ($1.76 per basic share and $1.74 per diluted share) in 1997 compared to $904 million ($4.17 per basic share and $4.14 per diluted share) in 1996, which included Resources as discontinued operations.

RESULTS OF CONTINUING OPERATIONS

CONSOLIDATED - In 1997, the Corporation reported income from continuing operations of $432 million ($1.76 per basic share and $1.74 per diluted share), compared to 1996 results of $733 million ($3.38 per basic share and $3.36 per diluted share). This decline in earnings is the result of congestion and related service issues that arose in the third quarter.

Operating revenues increased $2.29 billion (26%) to $11.08 billion in 1997, reflecting increased volumes at the Railroad (the result of the full-year effect of the Southern Pacific merger, which was offset by declines resulting from congestion and related service problems and slightly lower volumes at Overnite.

Operating expenses increased $2.57 billion (35%) to $9.83 billion in 1997, primarily the result of the addition of Southern Pacific's operations, congestion costs at the Railroad and inflation. These factors resulted in increases in salaries, wages and employee benefits ($906 million); equipment and other rents ($454 million); fuel and utility costs ($252 million); purchased services ($202 million); and materials and supplies ($91 million). Depreciation charges rose $281 million, primarily due to the addition of SP and UPC's continued reinvestment in its equipment and rail infrastructure. Other costs increased $387 million, primarily related to the service and congestion issues ($138 million); personal injury costs ($78 million); other taxes ($43 million); repair and maintenance expenses ($27 million); and casualty costs ($18 million).

CARLOADINGS
UNION PACIFIC RAILROAD

Thousands

93	94	95	96	96	97
4,619	4,991	5,568	8,814*	6,632	8,453

* Carloadings on a pro forma basis

COMMODITY
REVENUE DIVERSITY
UNION PACIFIC RAILROAD

[PIE CHART]

Energy	19.7%
Chemical	17.8%
Automotive	9.8%
Agriculture	14.6%
Intermodal	17.8%
Industrial Products	20.3%

Consolidated operating income declined $280 million (18%) to $1.25 billion in 1997, the result of a $349 million decrease at the Railroad, partially offset by improved results at Overnite. Other income declined $45 million, primarily attributable to the loss recognized in connection with the Corporation's investment in Skyway. Interest expense increased $104 million, the result of higher debt levels associated with the Southern Pacific acquisition. Income from continuing operations as a percentage of operating revenues declined to 3.9% from 8.3% in 1996. Return on average common stockholders' equity dropped to 5.3% in 1997 from 12.4% a year ago, reflecting the impact of the service and congestion issues.

RAILROAD - The following discussion is based upon pro forma 1996 results which assumes the SP acquisition occurred on January 1, 1996:

The Railroad earned $620 million in 1997 compared to $871 million a year ago. This decline in earnings is the result of the service and congestion issues that arose in the third quarter.

Operating revenues were 1% lower in 1997. Average commodity revenue per car increased 3% resulting from improved traffic mix, but carloadings declined 4%. Offsetting increases and decreases in commodity revenues occurred in some areas, as noted below:

COMMODITY REVENUE Millions of Dollars	1997	% Change Versus Pro Forma 1996
Automotive......................	$ 953	1.9
Agricultural....................	1,419	(4.9)
Intermodal......................	1,728	0.9
Chemicals.......................	1,728	(2.2)
Energy..........................	1,913	0.9
Industrial......................	1,972	(2.0)
Total..........................	$9,713	(1.1)

Operating income declined $418 million (25%) to $1.25 billion in 1997, while the operating ratio increased from 83.5 to 87.4 in 1997.

Revenue Summary (Pro Forma) - Carloadings for the year were down 4% from 1996 loads. Declines were principally caused by traffic congestion and related service problems, implementation of the Service Recovery Plan and the first quarter 1997 sale of the Duck Creek North line. Overall, average revenue per car (ARC) was up $35 to $1,149 for the year, as a result of improved traffic mix.

Agricultural Products - Carloadings fell 9% and related commodity revenue fell $73 million (5%) to $1.42 billion. These decreases reflected a reduction in base business carloadings in most lines of business, the result of slow cycle times on wheat and corn shuttles as well as congestion problems and related equipment shortages. Strong worldwide wheat competition in the first half of 1997 hurt wheat exports and contributed to a 13% decline in wheat carloadings. Meals and oils reported a 5% increase in volume, the result of strong export markets in Mexico. Average commodity revenue per car rose 4% resulting from more longer-haul export traffic and higher rates from maintaining a car inventory available for grain customers.

Automotive - Commodity revenue grew 1.9% to $953 million as carloadings increased 3% on continued auto industry sales growth. Strong import and domestic demand caused finished vehicle carloadings to increase 3%, in spite of industry-wide equipment shortages and unscheduled auto plant shutdowns. Auto parts volumes grew by 2%, as strong Mexico volumes exceeded congestion-related diversions of traffic. Average commodity revenue per car declined $10 or 1%.

Chemicals - Carloadings were flat while commodity revenue fell 2% to $1.73 billion in 1997. Strong market demand could not be met due to the system congestion and equipment shortages. This resulted in some diversion of business to alternate transportation modes and competitors. Average commodity revenue per car fell $32 or 2%, due to strong competitive pressures and a shift in the business mix (increased short-haul business of low-ARC products).

TONNAGE BY CATEGORY
OVERNITE TRANSPORTATION

[PIE CHART]

Less-Than-Truckload	93.4%
Truckload	6.6%

REVENUE PER
HUNDREDWEIGHT
OVERNITE TRANSPORTATION

Dollars

[CHART]

93	94	95	96	97
9.28	9.82	9.55	9.97	11.24

Energy - Commodity revenue (primarily coal) was essentially flat at $1.91 billion in 1997, while carloadings fell 2%. Average commodity revenue per car increased 3%, driven by higher-rated business and an improved business mix. Volume decreases reflected the impact of congestion on the ability of the Railroad to meet both domestic and foreign utilities' demand for low-sulfur, Powder River Basin (PRB) coal. Severe weather, derailments in key corridors and congestion had a significant impact on PRB train cycles in 1997. During the worst of the congestion, daily trains out of the PRB averaged only 21 trains per day versus 25 trains per day prior to the congestion and 24 trains per day in 1996.

Industrial Products - Carloadings decreased 15% and commodity revenue declined 2% to $1.97 billion. Volume decreases primarily reflected the impact of congestion and the first quarter 1997 sale of the Duck Creek North line. The largest decline was seen in metallic minerals (55%), due to reduced iron ore shipments associated with the Duck Creek North line and smaller decreases in most other industrial product lines. Average commodity revenue per car grew 16%, reflecting a longer average length of haul due to the above-mentioned line sale.

Intermodal - Commodity revenue was flat at $1.73 billion, as traffic also remained essentially unchanged. Strong market demand and new business opportunities were offset by congestion issues later in the year, including the temporary suspension of business in specific areas as part of the Service Recovery Plan, industry-wide equipment shortages and related diversions to truck and other railroads. Average commodity revenue per car remained flat compared to 1996.

Expense Summary (Pro Forma) - Operating expenses rose $286 million (3%) to $8.73 billion in 1997, primarily from congestion costs and inflation, offset somewhat by merger benefits and cost containment programs. Salaries, wages and employee benefits increased $50 million, the result of higher recrew rates due to congestion in the latter part of 1997, one-time merger severance payments and wage inflation from new national labor agreements. This was offset by reduced volumes and staff levels from merger-related severance and productivity and other gains. Equipment and other rent expense increased $139 million from longer congestion-related car cycle times and incremental costs associated with providing grain cars, more operating leases and price increases, which were somewhat offset by reduced volumes and merger efficiencies. Fuel and utility costs rose $3 million, the result of a slight increase in fuel prices (net of fuel hedging), slightly offset by a reduced fuel consumption rate and lower volumes. Depreciation charges rose $72 million, primarily reflecting the Railroad's continued reinvestment in its equipment and rail infrastructure. Other miscellaneous costs increased $40 million, primarily reflecting congestion costs including alternate transportation and customer claims, as well as one-time merger costs. These were somewhat offset by spending reductions and merger benefits.

Other Income and Expense Summary (Pro Forma)- Other income and expense, net, improved $48 million to $301 million, primarily the result of refinancing activities, lower interest rates and higher asset sales - including real estate, rail line and other assets.

TRUCKING - Throughout 1997, Overnite continued to benefit from several strategic initiatives implemented in 1996 to better compete in the current trucking industry environment. Actions taken included workforce reductions, service center consolidations, centralization of the linehaul management process and pricing initiatives targeting Overnite's lowest margin customers. As a result, Overnite reported a net income of $4 million in 1997 compared to a net loss of $43 million in 1996. Results for both periods included goodwill amortization of $20 million.

Overnite's operating revenues decreased $15 million (2%) to $946 million as a 13% decrease in volumes more than offset a similar increase in average

REVENUES PER EMPLOYEE
UNION PACIFIC CORPORATION

$ Thousands

93	94	95	96	97
136.3	143.0	151.4	160.3	168.9

prices resulting from Overnite's pricing initiatives. Lower volumes were driven by a 10% decrease in LTL tonnage and a 38% decrease in truckload tonnage.

Operating expenses decreased $93 million to $936 million. Salaries, wages and employee benefit costs decreased $51 million, reflecting improved productivity, workforce reductions and lower volumes, partially offset by wage and benefit inflation. A shift from the use of intermodal rail service to contract linehaul carriers in 1997 caused a $16 million decrease in purchased services. Fuel and utility costs declined $10 million, driven by a 7% decrease in fuel prices, a 13% volume-related reduction in fuel consumption and improved fuel economy resulting from an upgraded fleet. Overnite reported 1997 operating income of $10 million, compared to an operating loss of $68 million in 1996, while Overnite's operating ratio (including goodwill amortization) decreased to 98.9 in 1997 from 107.0 in 1996.

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) increased $28 million to $192 million in 1997. This increase largely reflects the relocation of the corporate offices to Texas and the loss recognized in connection with the planned sale of Skyway, offset by income realized in connection with UPC's sale of three aircraft. Other operating units reported a net operating loss of $1 million in 1997, no change from the operating loss of $1 million reported in 1996.

1996 COMPARED TO 1995

CONSOLIDATED RESULTS

The Corporation reported net income of $904 million ($4.17 per basic share and $4.14 per diluted share) in 1996 compared to $946 million ($4.62 per basic share and $4.60 per diluted share) in 1995.

RESULTS OF CONTINUING OPERATIONS

CONSOLIDATED - In 1996, the Corporation reported income from continuing operations of $733 million ($3.38 per basic share and $3.36 per diluted share), compared to 1995 results of $619 million ($3.02 per basic share and $3.01 per diluted share). This earnings improvement resulted primarily from continued strong financial performance at the Railroad.

Operating revenues increased $1.30 billion (17%) to $8.79 billion in 1996, reflecting increased volumes at the Railroad (the result of increased base business, the addition of Southern Pacific volumes from October 1, 1996 and the full-year effect of the CNW acquisition), slightly offset by lower volumes at Overnite.

Operating expenses increased $1.11 billion (18%) to $7.25 billion in 1996. The addition of Southern Pacific's fourth quarter 1996 operations, a full year of CNW operations, base rail volume growth and inflation were the primary factors causing increases in salaries, wages and employee benefits ($434 million); equipment and other rents ($190 million); materials and supplies ($92 million); purchased services ($81 million); casualty accruals ($48 million); and other taxes ($16 million). Fuel and utility costs rose $216 million (38%), the result of increased volumes at the Railroad and a 14% increase in fuel prices. Depreciation charges rose $120 million, primarily due to the addition of Southern Pacific and CNW properties and UPC's continued reinvestment in its equipment and rail infrastructure. Repair and maintenance expenses decreased $66 million, reflecting the Railroad's more efficient maintenance practices, improved equipment utilization and increased credits related to repairs of other railroads' freight cars. Insurance costs decreased $17 million, principally reflecting the refund of premiums associated with the liquidation of an insurance company investment, slightly offset by Southern Pacific insurance costs.

Consolidated operating income advanced $192 million (14%) to $1.53 billion in 1996, the result of a $218 million improvement at the Railroad, partially offset by weaker results at UPC's other businesses.

REVENUE TON-MILES
PER EMPLOYEE
UNION PACIFIC RAILROAD

$ Millions

93	94	95	96	97
7.66	8.21	8.82	9.40	8.68

Other income rose $41 million, principally reflecting higher gains on property sales. Interest expense increased $51 million, the result of higher debt levels associated with the CNW and Southern Pacific acquisitions, partially offset by the favorable impact of the Resources' IPO dividend and debt refinancing activities. Income from continuing operations as a percentage of operating revenues remained unchanged from 1995 at 8.3%. Return on average common stockholders' equity declined to 12.4% in 1996 from 16.5% a year ago, reflecting the additional stock issued in connection with the Southern Pacific acquisition.

RAILROAD - The Railroad earned $940 million in 1996 compared to $867 million in 1995. Earnings improvements reflected base volume growth, the full-year effect of the CNW acquisition and the addition of Southern Pacific's fourth quarter 1996 operations. Earnings from these acquisitions more than offset the incremental interest costs incurred in 1996 associated with related acquisition financings.

Operating revenues grew $1.35 billion (21%) to $7.68 billion in 1996. This increase primarily relates to a $1.31 billion (22%) increase in commodity revenue, reflecting the addition of Southern Pacific and CNW volumes, base business growth and a 2% increase in average commodity revenue per car, resulting from a longer average length of haul. Carloadings grew 19% (over one million cars), detailed as follows:

Agricultural Products - Carloadings rose 13% and commodity revenue increased $138 million (13%) to $1.22 billion. These increases reflect the addition of CNW carloadings offset by a reduction in base business carloadings, the result of low U.S. corn inventories, reduced export demand and the absence of a record 1995 grain harvest. Average commodity revenue per car was unchanged from 1995.

Automotive - Commodity revenue rose 20% to $767 million as carloadings increased 20% on continued auto industry sales growth and the addition of Southern Pacific volumes. Finished autos and auto parts carloadings rose 16% and 28%, respectively, reflecting strong Mexico business. Average commodity revenue per car was unchanged from 1995.

Chemicals - Carloadings advanced 14% and commodity revenue increased $169 million (14%) to $1.34 billion, principally from the addition of Southern Pacific volumes and increased base business sparked by growth in domestic fertilizer shipments and a rise in automotive industry plastics demand. Average commodity revenue per car was unchanged from 1995.

Energy - Commodity revenue (primarily coal) rose 26% to $1.63 billion in 1996, driven by a 13% increase in carloadings and a 12% increase in average commodity revenue per car. Volume increases reflected demand from both domestic and foreign utilities for low-sulfur, Powder River Basin coal and the addition of Southern Pacific volumes. The Railroad averaged 24 longer and heavier trains per day out of the Powder River Basin in 1996 compared to 23 trains per day in 1995. Average commodity revenue per car improvements resulted from a longer average length of haul related to the CNW integration.

Industrial Products - Carloadings increased 26% and commodity revenue rose $287 million (28%) to $1.33 billion, principally resulting from the addition of Southern Pacific and CNW volumes. Average commodity revenue per car grew 2%, reflecting a longer average length of haul.

Intermodal - Commodity revenue rose 29% to $1.14 billion as a 26% increase in carloadings - the result of new business, the addition of Southern Pacific and CNW volumes and strengthening domestic intermodal demand - combined with a 2% customer-mix-related increase in average commodity revenue per car.

Operating expenses rose $1.14 billion (23%) to $6.08 billion in 1996. The addition of Southern Pacific's fourth quarter 1996 operations, a full year of CNW operations, base rail volume growth and inflation were the primary factors causing increases in salaries, wages and employee benefits ($438 million); equipment and other rents ($188 million); materials and supplies ($92 million); purchased services ($79 million); casualty accruals ($53 million); and other taxes ($20 million). Fuel and utility costs rose $211 million, the result of increased volumes and a 13% increase in fuel prices (net of fuel hedging), slightly offset by an improved fuel consumption rate. Depreciation charges rose $118 million, primarily reflecting the addition of Southern Pacific and CNW properties and the Railroad's continued reinvestment in its equipment and rail infrastructure. Repair and maintenance expenses decreased $67 million, resulting from more efficient maintenance practices, improved equipment utilization and increased credits related to repairs of other railroads' freight cars. Insurance costs decreased $16 million, principally due to the refund of premiums associated with the liquidation of an insurance company investment, slightly offset by Southern Pacific insurance costs.

Operating income improved $218 million (16%) to $1.60 billion in 1996, while the operating ratio increased to 79.1 in 1996 from 78.1 last year. On a pro forma basis, including Southern Pacific and CNW for a full year in both periods, the operating ratio would have improved to 83.5 in 1996 from 84.2 in 1995. Interest expense increased $149 million, principally from higher debt levels associated with Southern Pacific and CNW acquisition financings. Other income increased $38 million, the result of increased real estate sales activity.

TRUCKING - During 1996, Overnite implemented several strategic initiatives aimed at better matching its operations to the current trucking industry environment. Actions taken included workforce reductions, service center consolidations, centralization of the linehaul management process and pricing initiatives targeting Overnite's lowest margin customers. Nonetheless, aggressive pricing from regional LTL and truckload carriers continued to impact Overnite's operating results. For these reasons, Overnite reported a net loss of $43 million in 1996 compared to a net loss of $30 million in 1995. Results for both periods included goodwill amortization of $20 million.

Overnite's operating revenues decreased $15 million (2%) to $961 million as a 6% decrease in volumes more than offset a 4% increase in average prices resulting from Overnite's pricing initiatives. Lower volumes resulted from a 3% decrease in LTL tonnage and a 29% decrease in truckload volumes.

Operating expenses increased $4 million to $1.03 billion. Salaries, wages and employee benefit costs decreased $8 million, reflecting workforce reductions and lower volumes, partially offset by wage and benefit inflation and a $3 million workforce reduction charge. The use of intermodal rail service and contract linehaul carriers in the first half of 1996 caused a $7 million increase in purchased services. Fuel costs rose $5 million, driven by a 24% increase in fuel prices that was partially offset by a 7% volume-related reduction in fuel consumption. Overnite's operating loss grew $19 million to $68 million in 1996, while Overnite's operating ratio (including goodwill amortization) increased to 107.0 in 1996 from 105.0 in 1995.

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 $54 million to $164 million in 1996. This decrease largely reflects lower Corporate interest costs resulting from the utilization of Resources' IPO dividend to reduce debt levels. Other operating units generated an operating loss of $1 million in 1996 compared to operating income of $6 million in 1995.

RESULTS OF DISCONTINUED OPERATIONS

Resources reported net income of $207 million through September 26, 1996 (the record date for the Spin-Off), compared to $351 million for the full year of 1995. As a result of Resources' October 1995 IPO

CASH FROM CONTINUING OPERATIONS
UNION PACIFIC CORPORATION

$ Millions

93	94	95	96	97
975	1,079	1,454	1,657	1,600

CAPITAL INVESTMENTS
UNION PACIFIC CORPORATION

$ Millions

93	94	95	96	97
899	876	1,058	1,360	2,101

and the subsequent Spin-Off, UPC recognized $171 million (approximately 83%) of Resources' net income through September 1996 in discontinued operations. The Corporation's 1995 results included 100% of Resources' net income to the date of the IPO and approximately 83% of Resources' net income thereafter in discontinued operations. These percentages reflected the Corporation's ownership of Resources during the indicated periods.

Resources' 1996 results benefitted from higher hydrocarbon sales volumes and prices, offset by a volume-related increase in exploration and production costs, additional general and administrative expenses related to operating Resources as a stand-alone company and higher interest charges resulting from debt incurred in connection with Resources' IPO dividend to UPC.

CASH FLOWS, LIQUIDITY AND FINANCIAL RESOURCES

In 1997, cash from continuing operations was $1.60 billion, compared to $1.66 billion in 1996. This $60 million decrease primarily reflects lower earnings and additional merger-related spending partially offset by a higher proportion of non-cash expenses included in net income.

Cash used in investing activities was $1.77 billion in 1997 compared to $1.09 billion in 1996. This increase primarily reflects higher capital expenditures ($741 million), reflecting the capital spending requirements resulting from the Southern Pacific acquisition.

Cash provided by financing activities was $71 million in 1997 compared to cash used by financing activities of $602 million in 1996. This change resulted from increased debt levels as a result of the fourth quarter losses at the Railroad. The ratio of debt to capital employed increased to 50.9% at December 31, 1997 compared to 49.4% a year ago. In the event congestion and related service problems continue to impact earnings, the Corporation's cost of borrowing may be adversely affected.

In December 1996, the Corporation completed the registration of $1 billion of securities for public issuance. Issuances under the registration statement are expected to occur during 1998 and 1999, and will be used for general corporate purposes, including repayment of borrowings, working capital requirements and capital expenditures.

At year-end 1997, the Corporation had $2.8 billion of outstanding credit facilities expiring in 2001, of which $0.9 billion was available for use.

OTHER MATTERS

FEDERAL RAILROAD ADMINISTRATION (FRA) REVIEW - The Railroad suffered a number of severe accidents in 1997. As a result of these incidents, the FRA reviewed the Railroad's operations and made several recommendations, including creating a joint committee of Railroad management, labor and the FRA to review and monitor all aspects of safety, adding an executive position for safety reporting directly to the President of the Railroad, creating a safety hotline (direct to the Railroad's President), re-evaluating all existing training programs and increasing the monitoring of train crew performance, crew fatigue and crew scheduling. All such FRA proposals have been implemented by the Railroad. The Railroad has also implemented a guaranteed time-off program for train and engine employees.

The Railroad has established extensive safety initiatives focused on improving safety in the workplace. Over the past five years, these initiatives have significantly reduced the number of reportable injuries, lost work days and grade crossing accidents.

STB PROCEEDINGS - In October 1997, the STB instituted a proceeding to investigate rail service problems in the West. As a result of this proceeding, UPRR regularly reports to the STB concerning the recent service problems and the Service Recovery Plan. In late

LOCOMOTIVES AT YEAR-END
UNION PACIFIC RAILROAD

Locomotives

93	94	95	96	97
3,142	3,132	4,136	6,755	6,966

October, the STB issued an emergency service order, which imposed several temporary measures designed, among other things, to allow the Texas Mexican Railway Company (Tex Mex) to divert some traffic from UPRR in order to reduce congestion on UPRR lines in Houston, Texas. The STB also directed UPRR to suspend rail transportation service contract obligations of all shippers at Houston that wish to route shipments over the Tex Mex instead of UPRR during the period of the service order. On December 3, 1997, the STB opted to extend the emergency service order until March 15, 1998 and expanded the order in certain other respects. Unless UPRR is successful in recovering from the congestion and related service problems, certain parties may request the STB to order UPRR to take additional actions, including, among other things, further diversions of traffic or the transfer of certain UPRR rail lines or other facilities to other railroads.

PERSONAL INJURY - Over the past 10 years, work-related injuries have declined by more than 10% annually, reflecting aggressive safety and training programs. In addition, after several years of rising costs, the average settlement cost per claim in 1997 has declined. Annual expenses for the Railroad's injury-related events were $328 million in 1997 (which includes a full year of Southern Pacific), $251 million in 1996 and $222 million in 1995. Compensation for work-related accidents is governed by the Federal Employers' Liability Act (FELA). Under FELA, damages are assessed based on a finding of fault through litigation or on out-of-court settlements. The Railroad offers a comprehensive variety of services and rehabilitation programs for employees who are injured at work.

ENVIRONMENTAL COSTS - The Corporation generates and transports hazardous and nonhazardous waste in its current and former operations, and is subject to Federal, state and local environmental laws and regulations. The Corporation has identified approximately 350 sites, including close to 60 sites currently on the Superfund National Priorities List, at which it is or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. Certain Federal legislation imposes joint and several liability for the remediation of identified sites; consequently, the Corporation's ultimate environmental liability may include costs relating to other parties, in addition to costs relating to its own activities at each site.

A liability of $240 million has been accrued for future costs at all sites where the Corporation's obligation is probable and where such costs can be reasonably estimated; however, the ultimate cost could be lower or as much as 25% higher. The liability includes future costs for remediation and restoration of sites, as well as for ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates were based on information available for each site, financial viability of other potentially responsible parties (PRPs), and existing technology, laws and regulations. The Corporation believes that it has adequately accrued for its ultimate share of costs at sites subject to joint and several liability. However, the ultimate liability for remediation is difficult to determine with certainty because of the number of PRPs involved, site-specific cost sharing arrangements with other PRPs, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and/or the speculative nature of remediation costs.

Remediation of identified sites previously used in operations, used by tenants or contaminated by former owners required spending of $46 million in 1997 and $28 million in 1996. The Corporation is also engaged in reducing emissions, spills and migration of hazardous materials, and spent $7 million and $10 million in 1997 and 1996, respectively, for control and prevention, a portion of which has been capitalized. In 1998, the Corporation anticipates spending $60 million for remediation and $8 million for control and prevention. In addition, in connection with the integration of UPRR and Southern Pacific rail systems, UPC may spend up to $20 million in remediation costs related to the closure of major Southern Pacific shops and facilities in 1998. The majority of

FUEL CONSUMPTION RATE
UNION PACIFIC RAILROAD

Gallons per thousand gross ton-miles

93	94	95	96	97
1.44	1.41	1.38	1.39	1.43

the December 31, 1997 environmental liability is expected to be paid out over the next five years, funded by cash generated from operations. Future environmental obligations are not expected to have a material impact on the results of operations or financial condition of the Corporation.

LABOR MATTERS - Approximately 90% of the Railroad's 52,000 employees are represented by rail unions. Under the conditions imposed by the STB in connection with the Southern Pacific acquisition, labor agreements between the Railroad and the unions must be negotiated before the UPRR and Southern Pacific rail systems can be fully integrated. To date, the Railroad has successfully reached agreements with the shopcraft, carmen, clerical and maintenance of way unions. The negotiations with the operating crafts are proceeding on schedule, with seven hub-and-spoke agreements having been reached. Under the hub-and spoke concept, all operating employees in a central "hub" are placed under a single set of collective bargaining agreements with the ability to work on the "spokes" running into and out of the hub. The terms of ratified and pending labor agreements are not expected to have a material adverse effect on the Corporation's results of operations.

Overnite continues to oppose the efforts of the Teamsters to unionize Overnite service centers. Since year-end 1994, 59 of Overnite's 164 service centers have received petitions for union elections. Where elections have been held, 35 Overnite service centers voted against representation and two elections remain unresolved. The employees of three service centers that previously voted for union representation filed petitions with the National Labor Relations Board (NLRB) to decertify the Teamsters as their union bargaining representative. Nineteen service centers, representing approximately 12% of Overnite's nationwide workforce, have voted for union representation, and the Teamsters have been certified as the bargaining representative for such employees without challenge by Overnite. Five other service centers, representing another 5% of Overnite's nationwide workforce, have either voted for union representation or it is unclear how such employees have voted. Such elections are currently being challenged by Overnite before the NLRB or the Federal courts. Overnite has begun negotiations with the Teamsters at the certified service centers.

INFLATION - The cumulative effect of long periods of inflation has significantly increased asset replacement costs for capital-intensive companies such as the Railroad and Overnite. As a result, depreciation charges on an inflation-adjusted basis, assuming that all operating assets are replaced at current price levels, would be substantially greater than historically reported amounts.

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 by using 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.

Interest Rates - The Corporation manages its overall exposure to fluctuations in interest rates by adjusting 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 each as debt matures or incremental borrowings are required. The Corporation also obtains additional flexibility in managing interest costs and the interest rate mix within its debt portfolio by issuing callable fixed rate debt securities.

Fuel - Over the past three years, fuel costs approximated 10% of the Corporation's total operating costs. As a result of the significance of fuel costs and the historical volatility of fuel prices, the Corporation periodically uses swaps, futures and forward fuel contracts

DIVIDENDS DECLARED
UNION PACIFIC CORPORATION

$ Millions

93	94	95	96	97
315	341	353	371	423

to mitigate the risk 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.

Sensitivity Analysis - UPC had a limited number of interest rate swaps and fuel hedging contracts in place at year-end 1997 (see Note 4 to the Financial Statements). If market interest rates changed by 5%, the related change in the value of interest rate swaps would be less than $2 million. If fuel costs changed by 10%, the related change in the value of fuel hedging contracts would not have a significant impact (approximately $28 million) on the Corporation's operating results.

ACCOUNTING PRONOUNCEMENTS - The American Institute of Certified Public Accountants issued Statement of Position 96-1, "Environmental Remediation Liabilities," effective for 1997, which clarifies the accounting for environmental remediation liabilities. Adoption did not have a significant impact on UPC's operating results or financial condition.

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 128, "Earnings Per Share," effective for 1997, which replaces Accounting Principles Board Opinion No. 15, "Earnings Per Share." Basic earnings per share are calculated on the weighted-average number of common shares outstanding during each period. Diluted earnings per share includes shares issuable upon exercise of outstanding stock options. All prior period earnings per share amounts have been restated in accordance with FASB No. 128.

In June 1997, the FASB issued Statement No. 130, "Reporting Comprehensive Income" that will be effective in 1998. The Corporation anticipates minimal impact from this Statement.

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

THE OUTLOOK

GENERAL ECONOMIC FACTORS - The Corporation's future results can be affected by changes in the economic environment and by fluctuations in fuel prices. Several of the commodities transported by both Overnite and the Railroad come from industries with cyclical business operations. As a result, prolonged negative changes in U.S. and global economic conditions can have an adverse effect on the Corporation's operating results. In addition, operating results at the Railroad and Overnite can be affected adversely by increases in diesel fuel costs, to the extent that such costs are not recovered through higher revenues and improved fuel conservation or mitigated by hedging activity.

1998 CAPITAL SPENDING - The Corporation's 1998 capital expenditures, debt service requirements and payments related to the integration of Southern Pacific's rail operations will be funded primarily through cash generated from operations, additional debt financings and the sale or lease of various operating and nonoperating properties. The Corporation expects that such sources will continue to provide sufficient funds to meet cash requirements in the foreseeable future.

The Corporation expects to increase its level of capital spending to approximately $2.5 billion in 1998, including over $450 million to integrate the UPRR and Southern Pacific rail systems. Railroad-related capital expenditures will be used to continue capacity expansion on its main lines, upgrade and augment equipment to meet customer needs and develop and implement new technologies. Overnite will continue to maintain its truck fleet and upgrade technology.

1998 BUSINESS OUTLOOK - Financial results in 1998 will be affected by the congestion and related service problems; however, management expects that rail volumes will improve as the Railroad makes progress in resolving these problems.

The acquisition of Southern Pacific is anticipated to yield significant annual benefits to operating income, once Southern Pacific's operations have been fully integrated with UPRR's existing operations. The

ASSETS
UNION PACIFIC CORPORATION

$ Millions

93	94	95	96	97
13,797	14,543	19,446	27,927	28,764

Railroad will continue the merger implementation which is expected to be substantially complete in 1999.

Overnite will continue to streamline its business operations to compete in the current trucking industry environment. As a result of these efforts, UPC anticipates that Overnite will continue to improve its financial results during 1998.

YEAR 2000 - In 1995, UPC began modifying its computer systems to process transactions involving the year 2000 and beyond. Costs to convert these systems, estimated to total $61 million, are expensed as incurred. At year-end 1997, approximately 50% of the Corporation's systems have been modified, and the majority of the remaining systems are expected to be modified by year-end 1998. During 1999, systems will be tested to assure compliance with year 2000 requirements.

UPC is in the process of contacting entities with whom it exchanges data to determine the status of their year 2000 modification efforts. In addition, the Corporation is working with vendors who supply equipment and/or software that could experience year 2000 problems.

The Corporation believes its systems will be successfully and timely modified. However, failure to do so or failure on the part of third parties with whom UPC does business could materially impact operations and financial results in the year 2000.

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 the Securities Act of 1933, as amended, and 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 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 its Service Recovery Plan, industry competition, 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.

INDEPENDENT AUDITORS' REPORT

[DELOITTE & TOUCHE LLP LOGO]

Union Pacific Corporation, its Directors and Stockholders:

We have audited the accompanying statement of consolidated financial position of Union Pacific Corporation and subsidiary companies as of December 31, 1997 and 1996, and the related statements of consolidated income, changes in common stockholders' equity and consolidated cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Union Pacific Corporation and subsidiary companies at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
January 22, 1998

RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The accompanying financial statements, which consolidate the accounts of Union Pacific Corporation and its subsidiaries, have been prepared in conformity with generally accepted accounting principles.

The integrity and objectivity of data in these financial statements and accompanying notes, including estimates and judgments related to matters not concluded by year-end, are the responsibility of management as is all other information in this Annual Report. Management devotes ongoing attention to review and appraisal of its system of internal controls. This system is designed to provide reasonable assurance, at an appropriate cost, that the Corporation's assets are protected, that transactions and events are recorded properly and that financial reports are reliable. The system is augmented by a staff of corporate traveling auditors supplemented by internal auditors in the subsidiary operating companies; careful attention to selection and development of qualified financial personnel; programs to further timely communication and monitoring of policies, standards and delegated authorities; and evaluation by independent auditors during their audits of the annual financial statements.

The Audit Committee of the Board of Directors, composed entirely of outside directors, as identified on page 55, meets regularly with financial management, the corporate auditors and the independent auditors to review the work of each. The independent auditors and corporate auditors have free access to the Audit Committee, without management representatives present, to discuss the results of their audits and their comments on the adequacy of internal controls and the quality of financial reporting.

/s/ DICK DAVIDSON

Chairman, President and Chief Executive Officer

/s/ L. WHITE MATTHEWS

Executive Vice President-Finance

/s/ JOSEPH E. O'CONNOR JR.

Vice President and Controller

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

	Millions of Dollars	1997	1996	1995
OPERATING REVENUES	Railroad	$ 9,981	$ 7,680	$ 6,326
	Trucking	946	961	976
	Corporate services and other operations	152	145	184
	Total	$ 11,079	$ 8,786	$ 7,486
OPERATING INCOME (LOSS)	Railroad	$ 1,253	$ 1,602	$ 1,384
	Trucking	10	(68)	(49)
	Corporate services and other operations	(10)	(1)	6
	Total	$ 1,253	$ 1,533	$ 1,341
INCOME (LOSS) FROM CONTINUING OPERATIONS	Railroad	$ 620	$ 940	$ 867
	Trucking	4	(43)	(30)
	Corporate services and other operations	(192)	(164)	(218)
	Total	$ 432	$ 733	$ 619
CASH FROM CONTINUING OPERATIONS	Railroad	$ 1,759	$ 1,767	$ 1,486
	Trucking	79	47	37
	Corporate services and other operations	(238)	(157)	(69)
	Total	$ 1,600	$ 1,657	$ 1,454
ASSETS (AT YEAR-END)	Railroad	$ 26,891	$ 26,278	$ 15,694
	Trucking	1,189	1,225	1,270
	Corporate services and other operations	684	424	2,482
	Total	$ 28,764	$ 27,927	$ 19,446
DEPRECIATION AND AMORTIZATION	Railroad	$ 972	$ 686	$ 568
	Trucking	62	65	64
	Corporate services and other operations	9	11	10
	Total	$ 1,043	$ 762	$ 642
CAPITAL INVESTMENTS	Railroad	$ 2,035	$ 1,339	$ 970
	Trucking	40	10	49
	Corporate services and other operations	26	11	39
	Total	$ 2,101	$ 1,360	$ 1,058

This information should be read in conjunction with the accompanying accounting policies and notes to the financial statements.

STATEMENT OF CONSOLIDATED INCOME

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

	Millions of Dollars, Except Per Share Amounts	1997	1996	1995
OPERATING REVENUES	Railroad, trucking and other...........	$ 11,079	$ 8,786	$ 7,486
OPERATING EXPENSES	Salaries, wages and employee benefits..	4,166	3,260	2,826
	Equipment and other rents	1,339	885	695
	Fuel and utilities (Note 4)	1,042	790	574
	Depreciation and amortization	1,043	762	642
	Purchased services	743	541	410
	Materials and supplies	560	469	377
	Other costs	933	546	621
	Total	9,826	7,253	6,145
INCOME	Operating Income......................	1,253	1,533	1,341
	Other income (Note 13)	137	182	141
	Interest expense (Notes 3, 4 and 7) ...	(605)	(501)	(450)
	Corporate expenses	(109)	(101)	(99)
	Income before Income Taxes	676	1,113	933
	Income taxes (Note 6)	(244)	(380)	(314)
	Income from Continuing Operations	432	733	619
	Income from Discontinued Operations (Note 3)	--	171	327
	Net Income	$ 432	$ 904	$ 946
PER SHARE	BASIC			
	Income from Continuing Operations...	$ 1.76	$ 3.38	$ 3.02
	Income from Discontinued Operations.	--	0.79	1.60
	Net Income	1.76	4.17	4.62
	DILUTED			
	Income from Continuing Operations...	$ 1.74	$ 3.36	$ 3.01
	Income from Discontinued Operations.	--	0.78	1.59
	Net Income	1.74	4.14	4.60
	Dividends	$ 1.72	$ 1.72	$ 1.72

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

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

	Millions of Dollars	1997	1996
ASSETS			
Current Assets	Cash and temporary investments	$ 90	$ 191
	Accounts receivable (Note 4)	631	507
	Inventories	296	304
	Other current assets (Note 6)	398	345
	Total	1,415	1,347
Investments	Investments in and advances to affiliated companies	443	387
	Other investments	181	226
	Total	624	613
Properties	Cost (Notes 2, 5 and 7)	31,514	30,097
	Accumulated depreciation (Note 5)	(5,537)	(5,053)
	Net	25,977	25,044
Other	Excess acquisition costs - net	619	700
	Other assets	129	223
	Total Assets	$ 28,764	$ 27,927
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities	Accounts payable	$ 758	$ 705
	Accrued wages and vacation	421	427
	Accrued casualty costs	333	332
	Dividends and interest	295	293
	Income and other taxes	268	250
	Debt due within one year (Note 7)	233	127
	Other current liabilities (Note 2)	939	922
	Total	3,247	3,056
Other Liabilities and Stockholders' Equity	Debt due after one year (Notes 2, 3 and 7)	8,285	7,900
	Deferred income taxes (Note 6)	6,252	5,939
	Accrued casualty costs	695	670
	Retiree benefits obligation (Note 9)	828	720
	Other long-term liabilities (Notes 2 and 12)	1,232	1,417
	Common stockholders' equity (page 35)	8,225	8,225
	Total Liabilities and Stockholders' Equity	$ 28,764	$ 27,927

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

STATEMENT OF CONSOLIDATED CASH FLOWS

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

	Millions of Dollars	1997	1996	1995
CASH FROM CONTINUING OPERATIONS	Net Income	$ 432	$ 904	$ 946
	Non-cash charges to income:			
	Depreciation and amortization	1,043	762	642
	Deferred income taxes (Note 6)	300	166	151
	Other - net	(196)	(559)	358
	Income from discontinued operations (Note 3)	--	(171)	(327)
	Changes in current assets and liabilities (Note 2)	21	555	(316)
	Cash from Continuing Operations	1,600	1,657	1,454
INVESTING ACTIVITIES	Capital investments	(2,101)	(1,360)	(1,058)
	Cash provided by discontinued operations (Note 3)	--	41	467
	Proceeds from Resources' notes receivable repayment (Note 3)	--	650	--
	Investments and acquisitions (Note 2)	--	(539)	(2,146)
	Proceeds from sale of assets and other investing activities	329	114	168
	Cash Used in Investing Activities	(1,772)	(1,094)	(2,569)
EQUITY AND FINANCING ACTIVITIES	Dividends paid	(422)	(353)	(353)
	Debt repaid	(572)	(2,047)	(1,531)
	Financings (Notes 2 and 7)	1,092	1,741	2,275
	Proceeds from Resources' stock offering (Note 3)	--	--	844
	Other - net	(27)	57	(5)
	Cash Provided by (Used in) Equity and Financing Activities	71	(602)	1,230
	Net Change in Cash and Temporary Investments	$ (101)	$ (39)	$ 115
CHANGES IN CURRENT ASSETS AND LIABILITIES (Excluding SP Assets and Liabilities Acquired in 1996)	Accounts receivable	$ (124)	$ 1	$ 47
	Inventories	8	12	19
	Other current assets	(53)	762	(281)
	Accounts, wages and vacation payable	47	4	80
	Debt due within one year	106	(62)	(295)
	Other current liabilities	37	(162)	114
	Total	$ 21	$ 555	$ (316)

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

STATEMENT OF CHANGES IN COMMON STOCKHOLDERS' EQUITY

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

	Millions of Dollars	1997	1996	1995
COMMON STOCK	Common Stock, $2.50 par value (authorized 500,000,000 shares)			
	Balance at beginning of year (274,595,151 shares issued in 1997; 232,317,010 in 1996; 231,837,976 in 1995)...	$ 686	$ 581	$ 580
	Common stock issued in Southern Pacific acquisition (38,089,704 shares)(Note 2).....	--	95	--
	Conversions, exercises of stock options and other (1,452,405 shares in 1997; 4,188,437 in 1996; 479,034 in 1995)	4	10	1
	Balance at end of year (276,047,556 shares issued in 1997; 274,595,151 in 1996; 232,317,010 in 1995)	690	686	581
PAID-IN SURPLUS	Balance at beginning of year	4,009	2,111	1,428
	Common stock issued in Southern Pacific acquisition (Note 2)	--	2,381	--
	Distribution of investment in Resources (Note 3)..........................	--	(638)	--
	Issuance of Resources' no par common stock (Note 3)	--	--	638
	Conversions, exercises of stock options and other	57	155	45
	Balance at end of year	4,066	4,009	2,111
RETAINED EARNINGS	Balance at beginning of year..................	5,262	5,327	4,734
	Net Income	432	904	946
	Total	5,694	6,231	5,680
	Cash dividends declared	(423)	(371)	(353)
	Distribution of investment in Resources (Note 3)..........................	--	(598)	--
	Balance at end of year (Note 7)...............	5,271	5,262	5,327
TREASURY STOCK	Balance at end of year, at cost (29,045,938 shares in 1997; 27,935,628 in 1996; 26,737,806 in 1995)...............	(1,802)	(1,732)	(1,655)
	Total Common Stockholders' Equity (Note 10) ...	$ 8,225	$ 8,225	$ 6,364

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

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Union Pacific Corporation (the Corporation or UPC) and all of its subsidiaries. Investments in affiliated companies (20% to 50% owned) are generally accounted for on the equity method. All material intercompany transactions are eliminated.

CASH AND TEMPORARY INVESTMENTS

Temporary investments are stated at cost that approximates fair value and consist of investments with original maturities of three months or less.

INVENTORIES

Inventories consist of materials and supplies carried at the lower of cost or market.

PROPERTY AND DEPRECIATION

Properties are carried at cost. Provisions for depreciation are computed principally on the straight-line method based on estimated service lives of depreciable property.

The cost (net of salvage) of depreciable rail property retired or replaced in the ordinary course of business is charged to accumulated depreciation. A gain or loss is recognized in other income for all other property upon disposition.

LONG-LIVED AND INTANGIBLE ASSETS

Amortization of costs in excess of the fair value of net assets of acquired businesses is generally recorded over 40 years on a straight-line basis. The Corporation regularly assesses the recoverability of its long-lived and intangible assets through a review of undiscounted cash flows and fair values of those assets.

REVENUE RECOGNITION

Transportation revenues are recognized on a percentage-of-completion basis, while delivery costs are recognized as incurred.

HEDGING TRANSACTIONS

The Corporation periodically hedges fuel purchases and interest rates. Unrealized gains and losses from swaps, futures and forward contracts are deferred and recognized as the fuel is consumed. The differential to be paid or received on interest rate swaps is accrued as interest rates change and recognized as interest expense over the life of the agreements (see Note 4).

EARNINGS PER SHARE

Earnings per share (EPS) are calculated in accordance with Financial Accounting Standards Board (FASB) Statement No. 128, "Earnings Per Share" (FASB 128). Basic earnings per share are calculated on the weighted-average number of common shares outstanding during each period. Diluted earnings per share include shares issuable upon exercise of outstanding stock options (see Note 10). All prior period earnings per share amounts have been restated in accordance with FASB 128.

USE OF ESTIMATES

The consolidated financial statements of the Corporation include estimates and assumptions regarding certain assets, liabilities, revenues and expenses and the disclosure of certain contingent assets and liabilities. Actual future results may differ from such estimates.

CHANGE IN PRESENTATION

Certain prior year amounts have been reclassified to conform to the 1997 financial statement presentation. Union Pacific Resources Group Inc. (Resources) is classified as a discontinued operation (see Note 3).

1. NATURE OF OPERATIONS

UPC consists of two major transportation segments, railroad and trucking, operating principally in the United States.

RAILROAD - The Corporation's largest segment is Union Pacific Railroad Company (UPRR) (including as of May 1, 1995, Chicago and North Western Transportation Company (CNW)), and as of October 1, 1996, Southern Pacific Rail Corporation (Southern Pacific or SP)(see Note 2)(collectively the Railroad). The Railroad is 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 and providing several north/south corridors to key Mexican gateways. The Railroad serves the western two-thirds of the country and maintains coordinated schedules with other carriers for the handling of freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada and Mexico. Export and import traffic is moved through Gulf Coast and Pacific Coast ports and across the Mexican and (primarily through interline connections) Canadian borders. The Railroad is subject to price and service competition from other railroads, motor carriers and barge operators. The Corporation completed the integration of CNW in 1996 and expects to complete the integration of the operations of Southern Pacific during 1999.

Approximately 90% of the Railroad's 52,000 employees are represented by rail unions. During 1996, nearly all of UPRR's unionized workforce ratified five-year national agreements, which include a combination of general wage increases and lump-sum payments. In addition, the agreements provide for increased flexibility in work rules. Under the conditions imposed by the Surface Transportation Board of the U.S. Department of Transportation (STB) in connection with the Southern Pacific acquisition, labor agreements between the Railroad and the unions representing SP employees must be negotiated before the UPRR and Southern Pacific rail systems can be fully integrated. The Corporation has begun negotiations with these unions and expects the remaining revised agreements to be ratified in 1998.

During 1997, the Railroad and a consortium of partners were granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines in Mexico, and a 25% stake in the Mexico City Terminal Company at a price of $525 million. The Railroad holds a 13% ownership share and has accounted for its interest by the equity method. The consortium expects to assume operational control of both lines in early 1998.

TRUCKING - The Corporation's other major line of business is truck transportation. Overnite Transportation Company (Overnite), a major interstate trucking company specializing in less-than-truckload shipments, serves all 50 states and portions of Canada and Mexico through 164 service centers located throughout the United States. Overnite transports a variety of products, including machinery, tobacco, textiles, plastics, electronics and paper products. Overnite experiences intense service and price competition from both regional and national motor carriers.

As the nation's largest non-union single operating trucking company, Overnite is periodically targeted by major labor organization efforts instituted by the International Brotherhood of Teamsters (Teamsters) at many of its service centers. Since year-end 1994, 59 of Overnite's 164 service centers have received petitions for union elections. Where elections have been held, 35 Overnite service centers voted against representation and two elections remain unresolved. The employees of three service centers that previously voted for union representation filed petitions with the National Labor Relations Board (NLRB) to decertify the Teamsters as their union bargaining representative. Nineteen service centers, representing approximately 12% of Overnite's nationwide workforce, voted for union representation, and the Teamsters have been certified as the bargaining representative for such employees without challenge by Overnite. Five other service centers, representing another 5% of Overnite's nationwide workforce, either voted for union representation or it is unclear how such employees have voted. Such elections are currently being challenged by Overnite before the NLRB or the Federal courts. Overnite has begun negotiations with the Teamsters at the service centers where the Teamsters have been certified as the bargaining representative.

During 1997 and 1996, Overnite continued to benefit from several initiatives implemented in 1996 which were aimed at better matching its operations to the current trucking industry environment. These actions included workforce reductions, service center consolidations, centralization of the linehaul management process and pricing initiatives targeting Overnite's lowest margin customers.

CONSOLIDATED - The Corporation's future results can be affected by, among other things, system congestion, changes in the economic environment and fluctuations in fuel prices. Several of the commodities transported by both Overnite and the Railroad come from industries with cyclical business operations. As a result, prolonged negative changes in U.S. and global economic conditions can have an adverse effect on the Corporation's ongoing results. In addition, operating results at the Railroad and Overnite can be affected adversely by increases in diesel fuel costs, to the extent that such costs are not recovered through higher revenues and improved fuel conservation, or mitigated by hedging activity.

Business Segments on page 31 provides additional financial information related to the Corporation's operations.

2. ACQUISITIONS

SOUTHERN PACIFIC - UPC consummated the acquisition of Southern Pacific in September 1996 by acquiring the remaining 75% of Southern Pacific common shares not previously owned by the Corporation for $25.00 per SP share in cash, 0.4065 shares of the Corporation's common stock per SP share, or a combination thereof, at the holder's election and subject to proration. As a result of the initial cash tender offer in 1995 for 25% of Southern Pacific's outstanding shares and the acquisition of the remaining 75% of Southern Pacific shares, 60% of the outstanding Southern Pacific shares were converted into 38.1 million shares of UPC common stock, and the remaining 40% of the outstanding shares were acquired for $1.56 billion in cash. UPC initially funded the cash portion of the acquisition with credit facility borrowings, all of which have been subsequently refinanced with other borrowings.

The acquisition of Southern Pacific has been accounted for using the purchase method. Results for 1996 include equity income equal to 25% of Southern Pacific's net income through September 10, 1996, reflecting UPC's ownership of SP during such period, and 100% of Southern Pacific's net income thereafter. SP's results have been fully consolidated with the Corporation effective October 1, 1996. The purchase price was determined as follows and was based on a market value of the Corporation's common stock at the time the merger was announced of $65.00 per share.

Millions of Dollars, Except Per Share Amounts	
Initial 25% investment in SP on September 15, 1995 including equity income	$ 990
Second-step cash purchase (23.4 million shares at $25.00 per SP share) on September 11, 1996	586
Merger exchange of SP shares (93.7 million SP shares converted into 38.1 million shares of UPC common stock at $65.00 per share) on September 11, 1996	2,476
Transaction costs	45
Purchase price to be allocated	$4,097

The Southern Pacific purchase price has been allocated as follows:

Millions of Dollars	
Purchase price to be allocated	$ 4,097
Pre-tax merger costs:	
Current	532
Long-term	426
Equity acquired	(1,083)
Unallocated purchase price	$ 3,972
Purchase price allocation:	
Property and equipment	
Land	$ 3,509
Roadway, equipment & other	2,522
Debt and preference share revaluation	(200)
Deferred income taxes (including the effect of merger costs)	(1,859)
Total	$ 3,972

In connection with the acquisition and continuing integration of UPRR and Southern Pacific's rail operations, UPC is in the process of eliminating 5,200 duplicate positions, which are primarily non-train crews. In addition, UPC is relocating 4,700 positions, merging or disposing of redundant facilities, and disposing of certain rail lines. The Corporation is also canceling uneconomical and duplicative SP contracts and has refinanced $621 million of SP's debt obligations. UPC recognized a $958 million liability in the SP purchase price allocation for costs associated with SP's portion of these activities.

The components of the $958 million liability are as follows:

Millions of Dollars	
Labor protection related to legislated and contractual obligations to SP union employees.................	$ 361
Severance costs......................	343
Contract cancellation fees	145
Relocation costs	109
Total................................	$ 958

Through December 31, 1997, approximately $280 million in merger-related costs were paid by the Corporation and charged against these reserves, principally comprised of $153 million and $65 million, respectively, for severance and relocation payments made to approximately 3,500 Southern Pacific employees. 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 $235 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 1997 includes $60 million for acquisition-related operating costs, net of tax.

The pro forma results presented below have been prepared to reflect the consummation of the Southern Pacific acquisition and the subsequent pro-rata distribution of the shares of Resources owned by the Corporation to UPC's stockholders (see Note 3), as if such events occurred at the beginning of each period presented. The pro forma results presented below do not reflect synergies expected to result from the integration of UPRR's and Southern Pacific's rail operations, and accordingly, do not account for any potential increase in revenue or operating income, estimated cost savings, or one-time costs associated with the elimination of UPC's duplicate facilities and relocation or severance payments to UPC employees. The effects of the foregoing could be substantial. This unaudited pro forma information is not necessarily indicative of the results of operations that might have occurred had the Southern Pacific acquisition and the distribution of Resources shares actually occurred on the date indicated, or of future results of operations of the resulting entity. Pro forma results for the year ended December 31, 1995 also reflect the pro forma effect of UPC's acquisition of CNW as if such transaction had occurred at the beginning of that period.

Millions of Dollars,	Pro Forma	
Except Per Share Amounts	1996	1995
Operating Revenues.....	$ 11,219	$ 11,031
Operating Income	1,606	1,523
Net Income	664	583
EPS (basic)	2.73	2.40
EPS (diluted)	2.71	2.39

CNW - In April 1995, UPC completed the acquisition of the remaining 71.6% of CNW's outstanding common stock not previously owned by the Corporation for approximately $1.2 billion, funded by the issuance of additional long-term debt. The acquisition of CNW has been accounted for as a purchase, and CNW's financial results were consolidated with the Corporation effective May 1, 1995.

3. DIVESTITURES

SKYWAY - In January 1998, the Corporation announced its intention to sell its investment in Skyway Freight Systems, Inc., a wholly-owned subsidiary engaged in contract logistics and supply chain management. In connection with the planned sale, the Corporation recognized a $40 million after tax loss.

RESOURCES - In July 1995, the Corporation's Board of Directors approved a formal plan to divest UPC's natural resources business through an initial public offering (IPO) by Resources, followed by a pro-rata distribution of the Resources shares owned by the Corporation to its stockholders (the Spin-Off).

The IPO of 42.5 million Resources shares at $21.00 per share was completed in October 1995 and generated net proceeds of $844 million. At that time, Resources distributed to UPC a dividend of $1.62 billion ($912 million in cash, $650 million in 8.5% notes due within 90 days of the Spin-Off and a $59 million intercompany balance owed by the Corporation). UPC used the cash proceeds from the IPO dividend to repay outstanding commercial paper.

In September 1996, after UPC's receipt of a favorable Internal Revenue Service ruling as to the tax-free nature of the Spin-Off, the Corporation's Board of Directors declared a special dividend consisting of the shares of Resources common stock owned by UPC. As a result of the Spin-Off, each of the Corporation's stockholders received 0.846946 of a share of Resources common stock for each UPC share of common stock held by such stockholder at the September 26, 1996 record date for the distribution. In October 1996, Resources repaid $650 million in notes to UPC, the proceeds of which were used by the Corporation to repay outstanding commercial paper. The Spin-Off was recorded as a reduction in paid-in surplus (representing the equity generated by the IPO) and retained earnings (see Page 35).

Resources' results have been reported as discontinued operations in the Corporation's consolidated financial statements for 1996 and 1995. UPC's results reflect 100% of Resources' net income up to the date of the IPO and approximately 83% of Resources' net income from the date of the IPO to the Spin-Off. The Corporation's share of Resources' net income was $171 million and $327 million in 1996 and 1995, respectively. These amounts are net of income taxes of $82 million and $100 million in 1996 and 1995, respectively. For the years ended December 31, 1996 and 1995, Resources' operating revenues were $1.83 billion and $1.48 billion, respectively.

4. FINANCIAL INSTRUMENTS

RISK MANAGEMENT

The Corporation and its subsidiaries use derivative financial instruments (in limited instances and 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 highly correlate with the underlying item being hedged. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring high credit standards for counterparties and periodic settlements. The total risk associated with the Corporation's counterparties was $61 million at December 31, 1997. The Corporation has not been required to provide, nor has it received, any collateral relating to its hedging activity.

The fair market values of the Corporation's derivative financial instrument positions at December 31, 1997 and 1996 described below were determined based on current fair market values as quoted by recognized dealers, or developed based on the present value of expected future cash flows discounted at the applicable zero coupon U.S. treasury rate and swap spread.

INTEREST RATES - The Corporation controls its overall risk of 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 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 costs and the interest rate mix within its debt portfolio by issuing callable fixed rate debt securities.

At December 31, 1997, the Corporation had outstanding interest rate swaps on $255 million of notional principal amount of debt (3% of the total debt portfolio) with a gross fair market value asset position of $61 million and a gross fair market value liability position of $23 million. These contracts mature over the next one to eight years. At December 31, 1996, the Corporation had outstanding interest rate swaps on $265 million of notional principal amount of debt (3% of the total debt portfolio) with a gross fair market value asset position of $31 million and a gross fair market value liability position of $12 million. Interest rate hedging activity increased interest expense by $5 million in 1997, $3 million in 1996 and $7 million in 1995, raising the weighted-average borrowing rate by no more than 20 basis points in any year.

FUEL - Over the past three years, fuel costs approximated 10% of the Corporation's total operating expenses. As a result of the significance of 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. However, the use of these contracts also limits the benefit of favorable fuel price changes.

At December 31, 1997, the Railroad and Overnite had hedged 42% and 34% of their forecasted 1998 fuel consumption, respectively. At December 31, 1996, neither the Railroad nor Overnite had hedged any of its forecasted 1997 fuel consumption. In addition, at year-end 1997, the Railroad had outstanding swap agreements covering its fuel purchases in 1998 of $298 million, with gross and net liability positions of $13 million. Fuel hedging had no significant effect on the Railroad's 1997 fuel costs, lowered 1996 fuel costs by $34 million and had no significant effect on 1995 fuel costs. At year-end 1997, Overnite had outstanding swap agreements of $10 million, with gross and net liability positions of $1 million. Fuel hedging had no significant effect on fuel costs for Overnite for the periods presented.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Corporation's long- and short-term debt has been estimated using quoted market prices or current borrowing rates. At December 31, 1997, the fair value of total debt exceeded the carrying value by approximately 3%. Of the Corporation's total debt portfolio, approximately $1.6 billion of fixed rate debt securities contain call provisions that allow the Corporation to retire the debt instruments prior to final maturity, subject in certain cases to the payment of premiums.

The carrying value of all other financial instruments approximates fair value.

SALE OF RECEIVABLES

The Corporation has sold, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable. At December 31, 1997 and 1996, accounts receivable are presented net of the $650 million of receivables sold.

5. PROPERTIES

Major property accounts are as follows:

Millions of Dollars	1997	1996
Railroad:		
Road and other....	$23,610	$22,665
Equipment	7,084	6,573
Total Railroad	30,694	29,238
Trucking	750	736
Other	70	123
Total	$31,514	$30,097

Accumulated depreciation accounts are as follows:

Millions of Dollars	1997	1996
Railroad:		
Road and other ...	$2,938	$2,551
Equipment	2,270	2,181
Total Railroad	5,208	4,732
Trucking	297	272
Other	32	49
Total	$5,537	$5,053

6. INCOME TAXES

Components of income tax expense, excluding discontinued operations, are as follows:

Millions of Dollars	1997	1996	1995
Current:			
Federal	$ (50)	$ 200	$ 166
State	(6)	14	(3)
Total current ..	(56)	214	163
Deferred:			
Federal	270	149	130
State	30	17	21
Total Deferred ...	300	166	151
Total	$ 244	$ 380	$ 314

Deferred tax liabilities (assets), excluding discontinued operations, comprise the following:

Millions of Dollars	1997	1996
Net current deferred tax asset	$ (127)	$ (118)
Excess tax over book depreciation	7,050	6,891
State taxes - net	504	517
SP merger reserves	(235)	(357)
Long-term liabilities	(208)	(292)
Retirement benefits	(307)	(288)
Alternative minimum tax	(201)	(173)
Net operating loss	(528)	(560)
Other	177	201
Net long-term deferred tax liability ...	6,252	5,939
Net deferred tax liability	$ 6,125	$ 5,821

The Corporation has a deferred tax asset reflecting the benefits of

$1.5 billion in Southern Pacific net operating loss carryforwards (NOL), which expire as follows:

Millions of Dollars	
Expiring December 31:	
2002	$ 455
2003	262
2004	134
2005	136
2006	226
2007	--
2008	202
2009	94
Total	$ 1,509

The Internal Revenue Code of 1986, as amended, limits a corporation's ability to utilize its NOLs with certain changes in the ownership of a corporation's stock. The Corporation does not expect that those limitations will have an adverse impact on its ability to utilize the NOLs. The Corporation has analyzed its NOLs and other deferred tax assets and believes a valuation allowance is not necessary.

A reconciliation between statutory and effective tax rates of continuing operations is as follows:

	1997	1996	1995
Statutory tax rate	35.0%	35.0%	35.0%
State taxes - net	2.3	1.8	1.2
Goodwill amortization ...	1.3	0.7	0.9
Dividend exclusion	(1.6)	(1.4)	(2.3)
Tax settlement	(0.9)	(2.3)	--
Other	(0.1)	0.3	(1.1)
Effective tax rate	36.0%	34.1%	33.7%

Net payments of income taxes were $64 million in 1997, $108 million in 1996 and $91 million in 1995.

7. DEBT

Total debt is summarized below:

Millions of Dollars	1997	1996
Notes and debentures, 3.00% to 10.00% due through 2054	$ 3,929	$ 4,051
Capitalized leases	1,251	1,137
Equipment obligations, 5.80% to 10.30% due through 2012	910	1,048
Commercial paper and bid notes, average of 6.10% in 1997 and 5.82% in 1996	1,743	899
Term floating rate debt, 5.71% to 6.16% due through 2002	392	392
Mortgage bonds, 4.25% to 5.00% due through 2030	176	176
Credit facility borrowings, average of 5.70% in 1996	--	175
Tax-exempt financings, 3.99% to 4.27% due through 2026	168	168
Unamortized discount	(51)	(19)
Total debt	8,518	8,027
Less current portion	(233)	(127)
Total long-term debt	$ 8,285	$ 7,900

Debt maturities for each year, 1998 through 2002, are $233 million, $426 million, $620 million, $2.4 billion and $612 million, respectively. Interest payments approximate gross interest expense.

Approximately 24% of all rail equipment and other railroad properties secures outstanding equipment obligations and mortgage bonds.

The Corporation has $2.8 billion of credit facilities with various banks designated for general corporate purposes, of which $0.9 billion is unused at December 31, 1997. These facilities expire in 2001. Commitment fees and interest rates payable under these facilities are similar to fees and rates available to comparably rated corporate borrowers.

To the extent the Corporation has long-term credit facilities available, commercial paper borrowings and other current maturities of long-term debt of $1.9 billion, which are due within one year, have been classified as long-term debt maturing in the year 2001. This classification reflects the Corporation's intent to refinance these short-term borrowings and current maturities of long-term debt on a long-term basis through the issuance of additional commercial paper or new long-term financings, or by using currently available long-term credit facilities if alternative financing is not available.

The Corporation is subject to certain restrictions related to the payment of cash dividends. The amount of retained earnings available for dividends under the most restrictive test was $2.7 billion at December 31, 1997.

8. LEASES

The Corporation leases certain locomotives, freight cars, trailers and other property. Future minimum lease payments for capital and operating leases with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 1997 are as follows:

Millions of Dollars	Operating Leases	Capital Leases
1998	$ 419	$ 170
1999	394	183
2000	342	169
2001	280	186
2002	218	163
Later years	1,659	1,447
Total minimum payments	$3,312	2,318
Amount representing interest		(1,067)
Present value of minimum lease payments		$ 1,251

Rent expense for operating leases with terms exceeding one month was $387 million in 1997, $350 million in 1996 and $236 million in 1995. Contingent rentals and sub-rentals are not significant.

9. RETIREMENT PLANS

The Corporation provides defined benefit pension plan benefits to eligible non-union employees through qualified and non-qualified (supplemental) pension plans. Railroad employees are covered by the Railroad Retirement System (System). Contributions made to the System are expensed as incurred and amounted to approximately $392 million in 1997, $275 million in 1996 and $200 million in 1995. In addition, retiree medical benefits and life insurance are provided for eligible non-union employees through unfunded benefit plans.

PENSION BENEFITS

Qualified and non-qualified pension benefits are based on years of service and the highest compensation during the latest years of employment. The qualified plans are funded based on the Projected Unit Credit actuarial funding method and are funded at not less than the minimum funding standards set forth in the Employee Retirement Income Security Act of 1974, as amended. The Corporation has settled a portion of the non-qualified unfunded supplemental plan's accumulated benefit obligation by purchasing annuities.

Pension cost includes the following components:

Millions of Dollars	1997	1996	1995
Service cost - benefits earned during the period ...	$ 33	$ 31	$ 28
Interest on projected benefit obligation	122	89	80
Return on assets:			
Actual (gain)loss	(271)	(163)	(181)
Deferred gain (loss)	152	77	111
Net amortization costs	1	6	8
Charge to operations	$ 37	$ 40	$ 46

The projected benefit obligation was determined using a discount rate of 7.00% and 7.50% in 1997 and 1996, respectively. The estimated rate of salary increase approximated 5.00% and 5.50% in 1997 and 1996, respectively. The expected long-term rate of return on plan assets was 8.00% in both years. The change in assumptions will not significantly affect 1998 pension cost. As of year-end 1997 and 1996, approximately 32% and 37%, respectively, of the funded plans' assets were held in fixed-income and short-term securities, with the remainder in equity securities.

The funded status of the Corporation's defined benefit pension plans is as follows:

Millions of Dollars	Assets Exceed Accumulated Benefits 1997	1996	Accumulated Benefits Exceed Assets (a) 1997	1996
Plan assets at fair value	$ 1,436	$ 1,239	$ 421	$ 395
Actuarial present value of benefit obligations:				
Vested benefits	1,108	904	501	431
Non-vested benefits	80	58	6	11
Accumulated benefit obligation	1,188	962	507	442
Additional benefits based on estimated future salaries	139	132	16	54
Projected benefit obligation	1,327	1,094	523	496
Plan assets (over) under projected benefit obligation	(109)	(145)	102	101
Unamortized net transaction asset (obligation)	20	24	(5)	(11)
Unrecognized prior service cost	(119)	(38)	2	(26)
Unrecognized net gain	415	324	3	2
Minimum liability	--	--	32	42
Pension liability	$ 207	$ 165	$ 134	$ 108

(a) Includes the Corporation's non-qualified supplemental pension plan and the Southern Pacific qualified pension plan in both 1997 and 1996.

OTHER POSTRETIREMENT BENEFITS

The Corporation also provides medical and life insurance benefits on a cost sharing basis for qualifying non-union employees.

Components of the postretirement health care and life insurance benefit expense are as follows:

Millions of Dollars	1997	1996	1995
Service cost - benefits earned during the period	$ 8	$ 7	$ 8
Interest costs on accumulated benefit obligation	29	22	20
Net amortization costs	(9)	(8)	(12)
Charge to operations	$ 28	$ 21	$ 16

The liability for postretirement benefit plans is as follows:

Millions of Dollars	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	$290	$294
Fully eligible active employees	39	34
Other active employees	96	89
Total accumulated postretirement benefit obligation	425	417
Unrecognized prior service gain	32	39
Unrecognized net gain	55	54
Postretirement benefit liability	$512	$510

The accumulated postretirement benefit obligation was determined using a discount rate of 7.00% and 7.50% in 1997 and 1996, respectively. This change in assumption will not significantly affect 1998 postretirement benefit costs. The health care cost trend rate is assumed to decrease gradually from 9.00% for

1998 to 4.50% for 2005 and all future years. If the assumed health care cost trend rates are increased by one percentage point, the aggregate of the service and interest cost components of annual postretirement benefit expense would increase by $3 million, and the accumulated postretirement benefit obligation would rise by $34 million.

UNION RETIREE BENEFIT PLANS

Certain of the Corporation's union retirees participate in defined contribution medical and life insurance programs. The costs of these plans are expensed as payments are made.

10. STOCK OPTION PLANS, RETENTION STOCK PLANS AND OTHER CAPITAL STOCK

The FASB issued Statement No. 123, "Accounting for Stock-Based Compensation," (FASB 123) which was effective for 1996 financial statements. FASB 123 requires either recognition of compensation expense for stock options and other stock-based compensation or supplemental disclosure of the impact such expense recognition would have had on the Corporation's results of operations had the Corporation recognized such expense. The Corporation has elected the supplemental disclosure option.

Pursuant to the Corporation's stock option, retention and restricted stock plans for directors, officers and key employees, 8,997,375, 8,586,773 and 10,359,406 common shares or options for common shares were available for grant at December 31, 1997, 1996 and 1995, respectively. Options under the plans are granted at 100% of market value at the date of grant and are exercisable for a period of 10 years from the grant date. Options become exercisable no earlier than one year after grant. In addition, multi-year awards were made in 1996, with retention requirements extending to 2000. Shares under option at the date of the Spin-Off were increased and revalued to reflect the market value change resulting from the Spin-Off. Granted shares in 1995 included the effect of the conversion of CNW employee options into UPC options. In addition, 1995 options expired and surrendered included the forfeiture of UPC options by certain Resources employees in exchange for options of Resources common stock.

The plans also provide for awarding restricted shares of common stock to eligible employees, generally subject to forfeiture if employment terminates during the prescribed restricted period. During 1996 and 1995, 1,533,586 and 249,860 retention and restricted shares, respectively, were issued at a weighted-average fair value of $56.78 and $64.75 per share in 1996 and 1995, respectively. No retention or restricted shares were issued in 1997.

At the Spin-Off date, 472,818 additional retention and restricted shares were issued to reflect the market value change resulting from the Spin-Off. A portion of the retention shares issued in 1996 and 1995 were subject to stock price or performance targets.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for grants in 1996 and 1995, respectively: dividend yields of 3.04% and 2.60%; risk-free interest rates are different for each grant and range from 5.94% to 6.14%; expected lives of four and five years; and volatility of 21.06% and 21.90%. There were no options granted during 1997.

Pro forma net income and earnings per share for 1997, 1996 and 1995 including compensation expense computed pursuant to FASB 123 (as though the value of options were charged to income over the vesting period) are as follows:

	1997	1996	1995
Net Income (millions)	$ 418	$ 901	$ 946
EPS (basic)	$ 1.70	$ 4.16	$ 4.61
EPS (diluted)	$ 1.69	$ 4.13	$ 4.60

Changes in common stock options outstanding are as follows:

	Shares Under Option	Weighted-Average Price Per Share
Balance December 31, 1994	8,450,110	$ 49.06
Granted	681,793	48.31
Exercised	(495,235)	40.46
Expired/Surrendered	(1,545,216)	49.12
Balance December 31, 1995	7,091,452	49.58
Granted	5,687,448	56.35
Exercised	(2,081,752)	39.39
Expired/Surrendered	(326,082)	51.43
Spin-Off Conversion	2,833,601	(16.51)
Balance December 31, 1996	13,204,667	43.42
GRANTED	--	--
EXERCISED	(1,620,648)	32.85
EXPIRED/SURRENDERED	(247,676)	55.61
BALANCE DECEMBER 31, 1997	11,336,343	$ 44.65

Stock options outstanding at December 31, 1997 are as follows:

Range of Exercise Prices	Number of Options	Weighted-Average Years to Expiration	Weighted-Average Exercise Price
$6.02 to $22.80	282,554	3	$ 15.81
$22.91 to $37.99	4,258,096	6	32.10
$42.87 to $56.50	6,795,693	8	53.72
BALANCE AT DEC. 31, 1997.....	11,336,343	7	$44.65

Stock options exercisable at December 31, 1997 are as follows:

Range of Exercise Prices	Number of Options	Weighted-Average Years to Expiration	Weighted-Average Exercise Price
$6.02 to $22.80.............	282,554	3	$ 15.81
$22.91 to $37.99	4,258,096	6	32.10
$42.87 to $56.50	1,465,843	6	43.63
BALANCE AT DEC. 31, 1997......	6,006,493	6	$ 34.14

11. EARNINGS PER SHARE

The FASB issued Statement No. 128, "Earnings Per Share," which is effective for 1997 financial statements. FASB 128 requires dual presentation of basic and diluted EPS, as well as restatement of EPS for all periods for which an income statement or summary of earnings is presented.

The following table provides a reconciliation between basic and diluted earnings per share.

	Income (Numerator)	Shares (Denominator)	Per Share Amount
For the Year Ended 1997 (Millions, Except Per Share Amounts)			
Basic EPS:			
Income available to common stockholders	$432.2	245.7	$ 1.76
Effect of dilutive securities and stock options	--	2.4	
Diluted EPS:			
Income available to common stockholders and assumed conversions	$432.2	248.1	$ 1.74
For the Year Ended 1996 (Millions, Except Per Share Amounts)			
Basic EPS:			
Income available to common stockholders	$903.5	216.7	$ 4.17
Effect of dilutive securities and stock options	--	1.3	
Diluted EPS:			
Income available to common stockholders and assumed conversions	$903.5	218.0	$ 4.14

12. 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 shipments delayed in transit as a result of congestion problems (see the Financial Review section elsewhere in this Annual Report) and certain customers have filed lawsuits seeking to recover damages for such delays. The nature of the damages sought by claimants includes, but is not limited to, freight loss or damages, 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 Railroad is also party to regulatory proceedings at the STB investigating railroad service problems in the West. The STB has imposed certain temporary measures on the Railroad pursuant to this proceeding, including, among other things, the diversion of traffic from the Railroad's lines; and unless the Railroad is successful in recovering from the congestion and related service problems, certain parties may request the STB to order the Railroad to take additional actions, including, among other things, further diversions of traffic or the transfer of certain UPRR rail lines or other facilities to other railroads.

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. At December 31, 1997, the Corporation had accrued $240 million for estimated future environmental costs and believes it is reasonably possible that actual environmental costs could be lower than the recorded reserve or as much as 25% higher. In addition, the Corporation and its subsidiaries periodically enter into financial and other commitments in connection with their businesses, and have retained certain contingent liabilities upon the disposition of formerly-owned operations.

The Corporation and certain of its officers and directors are also 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 properly disclose 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 CNW into UPRR without ensuring that the Corporation or UPRR had adequate systems in place to effectively integrate those companies into the operations of the Corporation and UPRR. Because both the size of the class and the damages are uncertain, the Corporation is 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, operating results or liquidity.

13. OTHER INCOME

Other income includes the following:

Millions of Dollars	1997	1996	1995
Rental income	$ 75	$ 38	$ 22
Net gain on property dispositions	102	92	76
Interest on Resources notes receivable (Note 3)	--	33	15
Loss on planned sale of Skyway	(65)	--	--
Other - net	25	19	28
Total	$ 137	$ 182	$ 141

14. ACCOUNTING PRONOUNCEMENTS

The American Institute of Certified Public Accountants issued Statement of Position 96-1, "Environmental Remediation Liabilities," effective for 1997, which clarified the accounting for environmental remediation liabilities. Adoption did not have a significant impact on UPC's operating results or financial condition.

In June 1997, the FASB issued Statement No. 130, "Reporting Comprehensive Income" that will be effective in 1998. The Corporation anticipates minimal impact from this Statement.

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

SUPPLEMENTARY INFORMATION (UNAUDITED)

SELECTED QUARTERLY DATA

Selected unaudited quarterly data are as follows:

Millions of Dollars Except Per Share Amounts	Mar. 31	Jun. 30	Sep. 30	Dec. 31(d)
1997				
Operating Revenues	$ 2,810	$ 2,883	$ 2,825	$ 2,561
Operating Income (Loss)	345	501	465	(58)
Income (Loss) from Continuing Operations	128	216	240	(152)
Net Income (Loss)	128	216	240	(152)
Per Share (basic):				
Income (Loss) from Continuing Operations	0.52	0.88	0.98	(0.62)
Net Income (Loss)	0.52	0.88	0.98	(0.62)
Per Share (diluted):				
Income (Loss) from Continuing Operations	0.52	0.87	0.96	(0.62)
Net Income (Loss)	0.52	0.87	0.96	(0.62)
Dividends Per Share	0.43	0.43	0.43	0.43
Common Stock Price:				
High	63.63	71.63	72.44	64.75
Low	56.75	56.75	61.81	57.94
1996 - (a)-(b)				
Operating Revenues	$ 1,968	$ 2,012	$ 1,996	$ 2,810
Operating Income	265	389	419	460
Income from Continuing Operations	107	186	211	229
Net Income	156	244	275	229
Per Share (basic):				
Income from Continuing Operations	0.52	0.91	1.00	0.94
Net Income	0.76	1.19	1.30	0.94
Per Share (diluted):				
Income from Continuing Operations	0.52	0.90	0.99	0.93
Net Income	0.76	1.18	1.29	0.93
Dividends Per Share	0.43	0.43	0.43	0.43
Common Stock Price:				
High	73.13	72.25	74.38	62.25(c)
Low	64.13	65.50	66.63	48.75(c)

(a) All information presented reflects Resources as a discontinued operation (see Note 3).

(b) 1996 information includes the effect of the completion of the Southern Pacific acquisition (see Note 2).

(c) Common stock prices for the fourth quarter of 1996 include the downward market adjustment of $24.24 per share resulting from the Spin-Off (see Note 3).

(d) Fourth quarter 1997 information includes $567 million pre-tax ($353 million after tax or $1.42 per diluted share) impact of rail congestion, $65 million pre-tax ($40 million after tax or $.16 per diluted share) loss on planned sale of Skyway and $22 million pre-tax ($13 million after tax or $.05 per diluted share) impact of one-time merger expenses.

STOCKHOLDERS AND DIVIDENDS

The common stock of the Corporation is traded on various stock exchanges, principally the New York Stock Exchange. At January 30, 1998, there were 247,253,860 shares of outstanding common stock and approximately 49,300 common stockholders. At that date, the closing price of the common stock on the New York Stock Exchange was $60.00.

Cash dividends declared on common stock by the Corporation were $1.72 per share in 1997 and 1996. Union Pacific has paid dividends to its common stockholders during each of the past 98 years. See Note 7 to the Financial Statements for a discussion regarding restrictions relating to the payment of cash dividends.

RAIL TRANSPORTATION

Rail transportation data includes Southern Pacific statistics from October 1, 1996 and CNW statistics from May 1, 1995.

COMMODITIES

Revenue ton-miles (RTM) and commodity revenue (CR) for major commodities by percent and in total are as follows:

Percent of Total	1997 RTM	1997 CR	1996 RTM	1996 CR	1995 RTM	1995 CR
Agricultural products ...	15.2%	14.6%	18.0%	16.4%	19.7%	17.6%
Automotive	3.4	9.8	3.3	10.4	3.2	10.5
Chemicals	12.2	17.8	12.3	18.0	12.8	19.1
Energy	36.1	19.7	39.3	22.0	39.8	21.2
Industrial products	17.3	20.3	14.5	17.9	13.3	17.1
Intermodal	15.8	17.8	12.6	15.3	11.2	14.5
Total	100%	100%	100%	100%	100%	100%
Total (billions)	451.8	$ 9.7	369.7	$ 7.4	291.6	$ 6.1

EQUIPMENT

	1997	1996	1995
Owned or leased at year-end:			
Locomotives	6,966	6,755	4,136
Freight cars:			
Covered hoppers	41,193	42,406	37,341
Box cars	21,540	22,934	20,559
Open-top hoppers	20,743	20,989	15,941
Gondolas	16,183	15,325	12,218
Other	18,948	19,675	8,428
Work equipment	10,045	11,631	10,013
Purchased or leased during the year:			
Locomotives	276	245	85
Freight cars	1,525	2,263	2,111
Average age of equipment (years):			
Locomotives	14.4	13.7	13.1
Freight cars	19.3	19.2	20.9
Bad order ratio - freight cars	4.4%	4.1%	4.4%

CAPITAL EXPENDITURES

Millions of Dollars	1997	1996	1995
Roadway and other	$1,534	$ 930	$ 691
Equipment	501	409	279
Total	$2,035	$1,339	$ 970

TRACK

Miles	1997	1996	1995
Main line	27,421	27,406	16,599
Branch line	7,526	8,431	6,186
Yards, sidings and other main line	21,588	21,915	14,977
Total	56,535	57,752	37,762
Track miles of continuous welded rail (at year-end)	23,392	23,172	14,246
Track miles under centralized traffic-control (at year-end)	15,590	15,406	9,932
Track miles of rail replaced:			
New	716	451	492
Used	273	362	475
Track miles re-ballasted	3,557	4,503	3,532
Ties replaced (thousands)	3,853	2,919	2,194

FREIGHT OPERATIONS

	1997	1996	1995
Operating ratio (%)	87.4	79.1	78.1
Carloadings (thousands)	8,453	6,632	5,568
Average commodity revenue per car	$1,149	$1,119	$1,097
Average price of diesel fuel (per gallon)	71.0c.	69.2c.	61.0c.

TRUCKING

FREIGHT OPERATIONS

	1997	1996	1995
Shipments (thousands):			
Less-than-truckload	7,482	8,184	8,279
Truckload	24	39	53
Total	7,506	8,223	8,332
Tonnage (thousands):			
Less-than-truckload	3,841	4,290	4,430
Truckload	269	436	612
Total	4,110	4,726	5,042
Revenue per hundredweight	$11.24	$9.97	$9.55
Operating ratio (%)(a)	96.8	105.0	103.0

(a) Excludes goodwill amortization.

EQUIPMENT AND SERVICE CENTERS

	1997	1996	1995
Owned or leased at year-end:			
Tractors	4,799	5,023	5,414
Trailers	19,439	19,479	19,809
Straight trucks	77	77	73
Automobiles and service units	162	177	186
Service centers	164	161	175
Average age of equipment (years):			
Tractors	7.1	7.0	6.8
Trailers	8.7	7.7	7.2

CAPITAL EXPENDITURES

Millions of Dollars	1997	1996	1995
Revenue equipment	$24	$ 5	$31
Other	16	5	18
Total	$40	$10	$49

TEN-YEAR FINANCIAL SUMMARY(a)

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Millions of Dollars, Except Per Share Amounts, Ratios and Employee Statistics	1997	1996	1995	1994(b)	1993(c)	1992	1991(d)	1990	1989	1988
FOR THE YEAR										
Operating Revenues	$11,079	8,786	7,486	6,492	6,002	5,773	5,687	5,739	5,453	5,128
Operating Income	1,253	1,533	1,341	1,244	1,112	1,082	221	993	993	966
Income (Loss) from Continuing Operations	432	733	619	568	412	456	(123)	374	398	419
Net Income	432	904	946	546	530	728	64	618	595	644
Per Share (basic) (e):										
Income (Loss) from Continuing Operations	1.76	3.38	3.02	2.77	2.01	2.24	(0.61)	1.87	1.89	1.85
Net Income	1.76	4.17	4.62	2.66	2.59	3.58	0.32	3.09	2.82	2.85
Per Share (diluted) (e):										
Income (Loss) from Continuing Operations	1.74	3.36	3.01	2.76	2.00	2.24	(0.60)	1.86	1.88	1.84
Net Income	1.74	4.14	4.60	2.66	2.58	3.57	0.31	3.08	2.81	2.83
Dividends Per Share	1.72	1.72	1.72	1.66	1.54	1.42	1.31	1.18	1.12	1.05
Cash from Continuing Operations	1,600	1,657	1,454	1,079	975	842	794	904	956	978
Capital Investments	2,101	1,360	1,058	876	899	864	667	674	870	917
Total Salaries, Wages and Employee Benefits (f)	4,789	3,603	3,120	2,755	2,689	2,659	2,523	2,538	2,462	2,319
Average Number of Employees	65,600	54,800	49,500	45,400	44,000	42,800	43,800	45,400	45,400	44,100
Revenues Per Employee (thousands)	$ 168.9	160.3	151.4	143.0	136.3	135.0	129.9	126.4	120.0	116.4
AT YEAR-END										
Total Assets	$28,764	27,927	19,446	14,543	13,797	12,901	12,272	12,063	11,567	11,272
Total Debt	8,518	8,027	6,364	4,479	4,105	4,035	3,966	3,982	3,975	3,254
Common Stockholders' Equity	8,225	8,225	6,364	5,131	4,885	4,639	4,163	4,277	3,911	4,482
Equity Per Common Share	33.30	33.35	30.96	24.92	23.81	22.75	20.52	21.63	19.50	19.85
FINANCIAL RATIOS (%)										
Debt to Capital Employed	50.9	49.4	50.0	46.6	45.7	46.5	48.8	48.2	50.4	42.1
Return on Average Common Stockholders' Equity	5.3	12.4	16.5	10.9	11.1	16.5	1.5	15.1	14.2	13.4

(a) Data include the effects of the acquisitions of Southern Pacific Rail Corporation as of October 1, 1996, Chicago and North Western Transportation Company as of May 1, 1995 and Skyway Freight Systems, Inc. as of May 31, 1993. Information presented reflects the disposition of the Corporation's natural resources segment in 1996 and waste management segment in 1995 as discontinued operations.

(b) 1994 net income includes a net after tax loss of $404 million from the sale of the Corporation's waste management operations. Excluding this loss, 1994 return on average common stockholders' equity would have been 18.2%.

(c) 1993 net income includes a net after tax charge for the adoption of changes in accounting methods for income taxes, postretirement benefits other than pensions and revenue recognition, and a one-time charge for the deferred tax effect of the Omnibus Budget Reconciliation Act of 1993. Excluding the impact of these items, income from continuing operations would have been $468 million ($2.28 per basic share and $2.27 per diluted share) with a return on average common stockholders' equity of 15.7%.

(d) Earnings excluding the 1991 special charges would have been $639 million with a return on average common stockholders' equity of 14.2%.

(e) Earnings per share have been restated in accordance with the provisions of FASB 128.

(f) Includes capitalized salaries, wages and employee benefit costs.

[MAP OF UNITED STATES]

Map Description
- ---------------

Two-page white map of the Continental United States, western provinces of Canada, and Alaska, on an off-white background.

The locations of significant assets and operations are indicated on the map by operating company as follows:

A. Union Pacific Corporation

1. Corporate Headquarters in Dallas, Texas.

B. Union Pacific Railroad

1. Headquarters in Omaha, Nebraska.

2. Single and Double Track located in the states of Nebraska, Iowa, Illinois, Missouri, Kansas, Oklahoma, Arkansas, Tennessee, Arizona, New Mexico, Louisiana, Minnesota, Wisconsin, Texas, Colorado, Wyoming, Utah, Idaho, Montana, Nevada, California, Oregon,, and Washington.

3. Triple and Quadruple Track located in the states of Nebraska, Kansas and Wyoming.

4. Classification Yards located in the states of Nebraska, Kansas and Wyoming.

5. Major Intermodal Trailer/ Container Terminals located in the states of Nebraska, Illinois, Missouri, Arkansas, Tennessee, Louisiana, Texas, Arizona, Oregon, Idaho, Wyoming, Nevada, Colorado, Utah, California, and Washington.

C. Overnite Transportation

1. Headquarters in Richmond, Virginia.

2. Key Terminals spread throughout the eastern half of the Continental United States; and in the Western states of Washington, Oregon, California, Nevada, Utah, Arizona, Texas, Oklahoma, Kansas, Nebraska, Iowa, Minnesota, Missouri, and Colorado; and in the Canadian cities of Toronto and Montreal.

E. Union Pacific Technologies

1. Headquarters in St. Louis, Missouri.

[LEGEND]

[MAP OF UNITED STATES, CONTINUED]

Map Description
- ---------------

Two-page white map of the Continental United States, western provinces of Canada, and Alaska, on an off-white background.

The locations of significant assets and operations are indicated on the map by operating company as follows:

A. Union Pacific Corporation

1. Corporate Headquarters in Dallas, Texas.

B. Union Pacific Railroad

1. Headquarters in Omaha, Nebraska.

2. Single and Double Track located in the states of Nebraska, Iowa, Illinois, Missouri, Kansas, Oklahoma, Arkansas, Tennessee, Arizona, New Mexico, Louisiana, Minnesota, Wisconsin, Texas, Colorado, Wyoming, Utah, Idaho, Montana, Nevada, California, Oregon,, and Washington.

3. Triple and Quadruple Track located in the states of Nebraska, Kansas and Wyoming.

4. Classification Yards located in the states of Nebraska, Kansas and Wyoming.

5. Major Intermodal Trailer/ Container Terminals located in the states of Nebraska, Illinois, Missouri, Arkansas, Tennessee, Louisiana, Texas, Arizona, Oregon, Idaho, Wyoming, Nevada, Colorado, Utah, California, and Washington.

C. Overnite Transportation

1. Headquarters in Richmond, Virginia.

2. Key Terminals spread throughout the eastern half of the Continental United States; and in the Western states of Washington, Oregon, California, Nevada, Utah, Arizona, Texas, Oklahoma, Kansas, Nebraska, Iowa, Minnesota, Missouri, and Colorado; and in the Canadian cities of Toronto and Montreal.

E. Union Pacific Technologies

1. Headquarters in St. Louis, Missouri.

EXHIBIT 21

SIGNIFICANT SUBSIDIARIES OF UNION PACIFIC CORPORATION

NAME OF CORPORATION	STATE OF INCORPORATION
Overnite Transportation Company	Virginia
Southern Pacific Rail Corporation	Utah
Union Pacific Railroad Company	Delaware

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 2-79663, Post-Effective Amendment No. 1 to Registration Statement No. 33-12513, Registration Statement No. 33-18877, Registration Statement No. 33-22106, Registration Statement No. 33-44236, Registration Statement No. 33-53968, Registration Statement No. 33-49785, Registration Statement No. 33-49849, Registration Statement No. 33-51071, Registration Statement No. 33-51735, Registration Statement No. 33-58563, Registration Statement No. 333-10797, Registration Statement No. 333-13115 and Registration Statement No. 333-16563 on Forms S-8 and Registration Statement No. 333-18345 on Form S-3 of our report dated January 22, 1998, incorporated by reference in this Annual Report on Form 10-K of Union Pacific Corporation for the year ended December 31, 1997.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Dallas, Texas
March 17, 1998

EXHIBIT 24

UNION PACIFIC CORPORATION
Powers of Attorney

The undersigned, a director of Union Pacific Corporation, a Utah corporation (the "Company"), hereby appoints each of L. White Matthews, III, Carl W. von Bernuth, Richard J. Ressler and Thomas E. Whitaker his true and lawful attorney-in-fact and agent, to sign on his behalf the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/Philip F. Anschutz

Philip F. Anschutz

The undersigned, a director of Union Pacific Corporation, a Utah corporation (the "Company"), hereby appoints each of L. White Matthews, III, Carl W. von Bernuth, Richard J. Ressler and Thomas E. Whitaker his true and lawful attorney-in-fact and agent, to sign on his behalf the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ ROBERT P. BAUMAN

Robert P. Bauman

The undersigned, a director of Union Pacific Corporation, a Utah corporation (the "Company"), hereby appoints each of L. White Matthews, III, Carl W. von Bernuth, Richard J. Ressler and Thomas E. Whitaker his true and lawful attorney-in-fact and agent, to sign on his behalf the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ RICHARD B. CHENEY

Richard B. Cheney

The undersigned, a director of Union Pacific Corporation, a Utah corporation (the "Company"), hereby appoints each of L. White Matthews, III, Carl W. von Bernuth, Richard J. Ressler and Thomas E. Whitaker his true and lawful attorney-in-fact and agent, to sign on his behalf the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ E. VIRGIL CONWAY

E. Virgil Conway

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/s/ SPENCER F. ECCLES

Spencer F. Eccles

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/s/ ELBRIDGE T. GERRY, JR.

Elbridge T. Gerry, Jr.

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/s/ WILLIAM H. GRAY, III

William H. Gray, III

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/s/ JUDITH RICHARDS HOPE

Judith Richards Hope

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/s/ RICHARD J. MAHONEY

Richard J. Mahoney

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/s/ JOHN R. MEYER

John R. Meyer

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/s/ THOMAS A. REYNOLDS, JR.

Thomas A. Reynolds, Jr.

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/s/ JAMES D. ROBINSON, III

James D. Robinson, III

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/s/ RICHARD D. SIMMONS

Richard D. Simmons

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YEAR
DEC-31-1997
DEC-31-1997
90
0
631
0
296
1,415
31,514
5,537
28,764
3,247
8,285
0
0
690
7,535
28,764
0
11,079
0
9,826
109
0
605
676
244
432
0
0
0
432
1.76
1.74