COVER

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, 1996

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.)
Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania	18018
(Address of principal executive offices)	(Zip Code)

(610) 861-3200
(Registrant's telephone number, including area code)

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 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. [X].

As of February 28, 1997 the aggregate market value of the registrant's Common Stock held by non-affiliates (using the New York Stock Exchange closing price) was approximately $14,872,259,119.

The number of shares outstanding of the registrant's Common Stock as of February 28, 1997 was 246,842,475.

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, 1996 (Parts I, II and IV); and (2) registrant's definitive Proxy Statement for the annual meeting of stockholders to be held on April 18, 1997 (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 include Union Pacific Railroad Company (including Missouri Pacific Railroad Company (MPRR), which was merged with Union Pacific Railroad Company on January 1, 1997)(UPRR), and the rail subsidiaries of Southern Pacific Rail Corporation (Southern Pacific or SP)(collectively, the Railroad), the acquisition of which was completed in September 1996. The Corporation's trucking operations principally consist of Overnite Transportation Company (Overnite). Each of the foregoing subsidiaries is either directly or indirectly wholly owned by the Corporation. During 1996 and 1995, UPC completed several strategic transactions that refocused the Corporation's business objectives on its core transportation operations (see "Corporate Reorganization" 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 in September 1996, UPC completed its divestiture of Resources.

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 ($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.

Continuing Operations

Rail Transportation - The Railroad is the largest railroad in the United States (measured in both track miles and freight revenue), operating nearly 36,000 route miles linking Pacific Coast and Gulf Coast ports with the Midwest. 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 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 (primarily through interline connections) Canadian borders. Major categories of freight hauled by the Railroad are agricultural products, automotive, chemicals, energy (primarily coal), industrial products and intermodal. In 1996, energy was the largest commodity hauled, representing 39.3% of the Railroad's revenue ton-miles and 22.0% 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 1996 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 and magnified by aggressive motor carrier pricing caused by overcapacity within the trucking industry. 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 54,000 employees are represented by rail unions. During 1996, nearly all UPRR's unionized workforce ratified five-year national agreements that include a combination of general wage increases and lump-sum payments. In addition, the contracts provide for increased flexibility in work rules. The Railroad has implemented two-person crews for all through-freight trains and for a portion of yard and local operations. Expansion of two-person crews is planned for other sections of the system. With respect to Southern Pacific's unionized workforce, 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 SP rail systems can be fully integrated. UPRR has begun negotiations with the union leadership representing Southern Pacific's workforce and expects union agreements to be ratified in 1997 and 1998. To date, the leadership of certain regional shopcraft, carmen and clerical unions (collectively representing approximately 40% of SP's unionized workforce) has negotiated agreements relating to the consolidation and coordination of UPRR's and Southern Pacific's operations.

A separate Annual Report on Form 10-K for the year ended December 31, 1996, was filed by UPRR and contains additional information concerning that company.

Trucking - Overnite, a major interstate trucking company, serves all 50 states and portions of Canada and Mexico through 161 service centers located throughout the United States. As one of the largest trucking companies in the United States, Overnite serves 95% of the U.S. population, specializing in less-than-truckload shipments and offering a comprehensive array of services. 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, which has been amplified by overcapacity in the trucking industry. Overcapacity and intense competition will likely continue well into 1997. During 1996, Overnite launched several strategic initiatives aimed at better matching its operations to the current trucking 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 the nation's largest non-union trucking company, Overnite is periodically targeted by major labor organization efforts and is currently the subject of an organizational campaign instituted by the International Brotherhood of Teamsters (Teamsters) at many of its service centers. Since year-end 1994, over 50 of Overnite's 161 service centers have received petitions for union elections. Where elections have been held, 29 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. Thirteen service centers, representing approximately 8% 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. Seven other service centers, representing another 9% of Overnite's nationwide workforce, have 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 certified service centers and does not anticipate that these negotiations will have a significant impact on its future operating results.

Discontinued Operations

Natural Resources - Resources is an independent oil and gas company engaged in the exploration for and production of natural gas, crude oil and associated products.

A separate Annual Report on Form 10-K for the year ended December 31, 1996 was filed by Resources, which contains additional information concerning that company.

Other Information

Additional information for UPC's principal businesses is presented on pages 8 through 21, 39, 40, 49 and 50 of the Annual Report and such information (excluding photographs on pages 8 through 21, none of which supplements the text and which are not otherwise required to be disclosed herein) is incorporated herein by reference. Information on business segments on page 33 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

UPC's operations are currently subject to a variety of Federal, state and local regulation. The most significant areas of regulation are described below.

The operations of the Railroad and Overnite are subject to the regulatory jurisdiction of the STB, the successor to the Interstate Commerce Commission (ICC), 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.

As a result of the ICC Termination Act of 1995, effective January 1, 1996, state agencies no longer have authority to regulate intrastate rail rates, practices and services. In addition, in January 1995, the Federal government deregulated intrastate trucking, lifting state oversight of rates, routes and service. However, 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 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 January 1997, the EPA issued proposed regulations which, if adopted in the proposed form, would require that 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 affect materially 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 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 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 as to the Corporation's financial 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 industry competition and regulatory developments, natural events such as floods and earthquakes, the effects of adverse general economic conditions, fuel prices and the ultimate outcome of environmental investigations or proceedings and other types of claims and litigation.

Item 3. Legal Proceedings

Southern Pacific Acquisition

On August 12, 1996, the STB served a decision (the "Decision") approving the acquisition of control of Southern Pacific and its rail affiliates by the Corporation and its affiliates, the merger of SP with an affiliate of the Corporation, and certain related transactions, subject to various conditions. The acquisition was consummated on September 11, 1996.

On August 29, 1996, the Corporation and its affiliates filed a petition equesting that the STB clarify certain conditions set forth in the Decision that would allow the Burlington Northern and Santa Fe Railway Company ("BNSF") to serve new transloading facilities and other new facilities on SP rail lines of UPRR or SP over which BNSF has received trackage rights. The STB denied this petition. In addition, various other parties requested that the STB (a) clarify certain aspects of the condition requiring that the Corporation and its affiliates modify contracts with shippers at "2-to-1" points to allow BNSF to access at least 50% of the volume, (b) remove the restriction that it imposed on the traffic that the Texas Mexican Railway Company ("Tex Mex") could transport over trackage rights granted to Tex Mex in the Decision, (c) expand the trackage rights that it made available to Dow Chemical Company for use in connection with a possible build-out from its Freeport, Texas, facility, (d) allow Utah Railway Company access to the facility of Railco, Inc., in Carbon City, Utah, (e) reconsider its decision not to impose labor protective conditions on the settlement agreement between certain rail affiliates of the Corporation and the Gateway Western Railway Company, (f) reconsider its decision to grant BNSF access to shippers in Lake Charles, Louisiana, as a condition to the merger, and (g) reconsider its approval of the merger. The STB resolved all of these petitions against the petitioners and in favor of the Corporation and its affiliates.

On January 24, 1997, the Corporation and its affiliates, as well as Kansas City Southern Railway Company ("KCS"), BNSF and Texas Utilities Electric Company ("TUE"), submitted to the STB their proposals regarding the implementation of the STB's condition requiring that, in order to preserve TUE's competitive options for the movement of coal to/from its Martin Lake, Texas generating station, BNSF be permitted to use its trackage rights over UPRR and SP lines to handle future TUE coal trans via interchange with KCS at two locations. The STB is considering the parties' dispute concerning the scope of interchange rights that would appropriately implement this condition.

The City of Reno, Nevada (the "City"), filed a complaint on July 12, 1996 in the U.S. District Court for the District of Nevada seeking a writ of mandamus directing the STB to prepare, with regard to the alleged impacts of the merger on Reno and the surrounding area, an environmental impact statement pursuant to the National Environmental Policy Act and a conformity determination pursuant to the Clean Air Act. The District Court dismissed the complaint for lack of jurisdiction and denied the City's petition to transfer the suit to the U.S. Court of Appeals for the Ninth Circuit. The City subsequently filed a petition for review of the Decision in the U.S. Court of Appeals for the Ninth Circuit on August 21, 1996. The City's petition was ordered consolidated in the U.S. Court of Appeals for the District of Columbia Circuit with the petitions for review described below.

Judicial appeals with respect to the Decision were filed in the U.S. Court of Appeals for the District of Columbia Circuit by various parties. The Corporation and its affiliates filed a petition for review of the STB's decision to impose a condition permitting BNSF to serve new transloading facilities on lines of the merging railroads over which BNSF will have overhead trackage rights, and also seeking review of the STB's approval of the trackage rights applications of Tex Mex. BNSF also filed petitions for review of the grant of trackage rights to Tex Mex. The City of Wichita and Sedgwick County, Kansas, filed a petition seeking review of the Decision insofar as it may require parties other than the Corporation and its affiliates to contribute to the costs of mitigating the effects of increased rail traffic in those locations. Enterprise Products Company filed a petition for review of the Decision insofar as it did not identify Enterprise's Mont Belvieu, Texas, facility as a "2-to-1" facility. The Western Coal Traffic League ("WCTL") filed a petition for review on the grounds that the Decision approving the merger and denying conditions sought by WCTL was arbitrary and capricious and based on a misapplication of the facts and law. Geneva Steel Company filed three petitions for review, contending that the Decision and certain STB decisions resolving petitions for clarification or reconsideration were arbitrary, capricious, an abuse of discretion, unsupported by substantial evidence, or otherwise contrary to law. Tex Mex filed a petition for review of the STB's decision to impose a restriction on traffic that the Tex Mex can transport over trackage rights granted to Tex Mex in the Decision, as well as the STB's decision refusing to reopen or reconsider the Decision. The United Transportation Union-General Committee of Adjustment filed a petition for review of the Decision and of the STB's decision denying a petition to reopen the Decision. KCS filed petitions for review of the Decision raising challenges to STB determinations (a) to grant rights to BNSF to handle traffic of shippers in the Lake Charles area, (b) not to require UPRR and SP to ensure that KCS could interchange traffic with BNSF at Beaumont, Texas, for movements to Houston, Texas, and at Lake Charles, Louisiana, for movements to New Orleans, Louisiana, (c) granting trackage rights to BNSF over certain KCS trackage, (d) imposing limitations on the rights granted to Tex Mex, (e) addressing environmental aspects of the proceeding, and (f) declining to expand the procedural schedule.

All of the petitions for review have been consolidated. No briefing schedule has yet been established. An STB motion to sever the petitions for review filed by the City of Reno, Nevada, and the City of Wichita and Sedgwick County, Kansas, and hold briefing in those two cases in abeyance is currently pending. The Corporation believes that it is unlikely that the disposition of these appeals will have a material impact on its results of operations.

The Decision provided for an 18-month process to conduct studies to assess environmental impacts in the areas of Reno, Nevada, and Wichita, Kansas, and arrive at mitigation measures to address those impacts. Both studies are currently underway, and the STB's environmental section has indicated that it expects to issue preliminary recommendations for public comment by mid-summer.

On December 4, 1996, the Corporation and its affiliates filed a demand for arbitration with the American Arbitration Association relating to the implementation of a proportional rate arrangement that was part of the settlement agreement between BNSF and the Corporation and its affiliates related to the SP acquisition. On January 8, 1997, the parties signed a letter agreement resolving in principle their disputes, and agreed to suspend the arbitration proceeding pending completion of a formal agreement.

On February 11, 1997, BNSF filed a demand for arbitration with the American Arbitration Association relating to the condition of a rail line that BNSF had obtained as part of the settlement agreement between BNSF and the Corporation and its affiliates related to the SP acquisition. BNSF contends that it is entitled to a $10.5 million escrow that SP established in connection with this dispute, while the UPRR and SP maintain that BNSF is not entitled to any of the escrowed funds. The Corporation and SP answered BNSF's demand on February 25, 1997, and the arbitration proceeding is pending.

Bottleneck Proceedings

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 is 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 Southern Pacific Transportation Company (SPT) as a party thereto. Neither complaint proceeding individually involves 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 rail carriers' right to differentially price traffic. It also dismissed the two complaint proceedings in which UPRR and SPT were defendants. The STB decision is pending on appeal before the Eighth Circuit Court of Appeals.

Labor Matters

The General Counsel of the NLRB is seeking a bargaining order remedy in 15 cases involving Overnite where a Teamster local union lost a representation election. These cases are pending before a 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 EPA has brought a civil action against SPT and its subsidiary, The Denver and Rio Grande Western Railroad Company, 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 a claim for natural resource damages in the range of $90,000 - $100,000. UPRR is analyzing the claim and expects to resolve this matter during the first half of 1997.

The Corporation and its affiliates have received notices from the EPA and state environmental agencies alleging that it is or may be liable under certain Federal or state environmental legislation for remediation costs associated with requirements 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 11 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	55	(1)
L. White Matthews, III	Executive Vice President - Finance	51	(2)
Carl W. von Bernuth	Senior Vice President and General Counsel	53	Current Position
John B. Gremillion, Jr. ...	Vice President - Taxes	50	Current Position
Mary E. McAuliffe	Vice President - External Relations	51	Current Position
Joseph E. O'Connor, Jr. ...	Vice President and Controller	39	(3)
Gary F. Schuster	Vice President - Corporate Relations	55	Current Position
Gary M. Stuart	Vice President and Treasurer	56	Current Position
Judy L. Swantak	Vice President and Corporate Secretary	41	Current Position
Jerry R. Davis.............	President and Chief Operating Officer of the Railroad	58	(4)
Leo H. Suggs...............	Chairman and Chief Executive Officer of Overnite	57	(5)

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. Matthews was elected to his present position effective April 1992. Prior thereto, he served as Senior Vice President - Finance of UPC.

(3) 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.

(4) 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). Prior thereto, he was Executive Vice President - Operations of CSXT and held various executive positions at the Railroad.

(5) 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, 1997 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 44 and 45 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 22 through 31 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 32 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 Union Pacific'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 Union Pacific's equity securities beneficially owned as of February 12, 1997 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 32 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.

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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.
9	Voting Trust Agreement, dated as of August 3, 1995, among UPC, UP Acquisition Corporation and Southwest Bank of St. Louis, is incorporated herein by reference to Annex K to the Joint Proxy Statement/Prospectus included in UPC's Registration Statement on Form S-4 (No. 33-64707).

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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).

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10(l) 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(m) 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(n) Agreement, dated as of January 1, 1997, between UPC and Drew Lewis.

10(o) 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(p) 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(q) 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(r) The 1993 Stock Option and Retention Stock Plan of UPC, as amended April 21, 1995, is incorporated herein by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.

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, adopted August 2, 1994, is incorporated herein by reference to Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.

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.

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(11) Computation of earnings per share.

(12) Computation of ratio of earnings to fixed charges.

(13) Pages 8 through 53, inclusive, of UPC's Annual Report to Stockholders for the year ended December 31, 1996, but excluding photographs set forth on pages 8 through 21, 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.

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(99) (g) Financial Statements for the Fiscal Year ended December 31, 1996 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 17, 1996, the Corporation filed Amendment No. 1 to a Current Report on Form 8-K dated September 16, 1996. Such Amendment contained certain pro forma financial information related to the Southern Pacific acquisition and the Spin-Off as required by Regulation S-X.

On October 21, 1996, the Corporation filed a Current Report on Form 8-K disclosing the completion of the Spin-Off. Such Report also included a press release dated October 17, 1996 containing earnings information for UPC for the third quarter of 1996 and the nine months ended September 30, 1996.

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 26th day of March, 1997.

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 26th day of March, 1997, 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)

EXHIBIT INDEX

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Exhibit 10(n)

CONSULTING AGREEMENT

AGREEMENT (the "Agreement"), made as of the 1st day of January, 1997, by and between Union Pacific Corporation, a Utah corporation ("UPC"), and Drew Lewis ("Consultant").

W I T N E S S E T H:

WHEREAS, Consultant is retiring as Chairman and Chief Executive Officer of UPC on December 31, 1996; and

WHEREAS, UPC appreciates the value of Consultant's advice and counsel and wishes to retain him to provide consulting services relating to governmental affairs, strategic matters and such other matters on which his advice may be requested by UPC (the "Consulting Services"), and Consultant is willing to provide the Consulting Services, on the terms and conditions referred to herein.

NOW THEREFORE, in consideration of the foregoing and the respective covenants and agreements of the parties herein contained, the parties hereto agree as follows:

1. Engagement. UPC hereby agrees to engage the Consultant to provide the Consulting Services to UPC and its affiliates, and the Consultant hereby agrees to accept such engagement, on the terms and conditions set forth herein, for the period commencing January 1, 1997 and expiring on December 31, 2001.

2. Services. The Consultant agrees, during the Term, to use his best efforts to provide Consulting Services to UPC and its affiliates, at the direction and request of the Chief Executive Officer of UPC, devoting such time as UPC may reasonably request, not to exceed 120 hours in any three month period unless Consultant agrees to a greater amount of time.

3. Independent Contractor. The Consultant shall be deemed to be an independent contractor; the Consultant shall not be considered an employee or agent of UPC or its affiliates for any purpose and shall not be entitled or eligible to participate in any benefits or privileges given or extended by UPC or its affiliates to their employees. The Consultant shall have no power or right to enter into contracts or commitments on behalf of UPC or its affiliates.

4. Fees and Expenses.

(a) Fees. In consideration of the Consulting Services as contemplated by this Agreement, UPC shall pay to the Consultant during the Term the sum of Seven Hundred Fifty Thousand Dollars ($750,000.00) per year payable annually in advance on or about the first business day of each year in the Term.

(b) Reimbursement of Expenses. During the Term, UPC shall reimburse the Consultant for all reasonable and necessary business expenses incurred by him in accordance with and on the terms of UPC's customary expense reimbursement policies.

5. Termination of Engagement. UPC shall have the right to terminate the engagement of the Consultant under this Agreement prior to the end of the Term for any reason, with or without cause.

6. Effect of Termination. In the event the engagement of Consultant is terminated by UPC for any reason (other than breach by Consultant of his obligations hereunder), or in the event of Consultant's death, he shall be entitled to receive all fees specified under Section 4(a) for the remainder of the Term. Except as expressly provided herein to the contrary, upon termination of the Consultant's engagement hereunder, all rights and duties of the Consultant and UPC hereunder shall cease. Notwithstanding the foregoing, no termination shall affect the Consultant's duties and obligations to UPC under Sections 7 and 8 of this Agreement.

7. Confidential Information.

(a) The Consultant shall not, without the written consent of the Board of Directors of UPC or a person authorized thereby or pursuant to lawful process, while engaged by UPC or at any time thereafter, directly or indirectly publish or disclose to any person, firm, corporation or other entity, whether or not a competitor of UPC or any affiliate thereof, except as necessary in connection with the performance by the Consultant of his duties to UPC, any Confidential Information. For purposes of this Agreement, "Confidential Information" means all information about UPC and its affiliates obtained or developed by Employee while an employee of or consultant to UPC including, but not limited to, information regarding directors, officers and other key personnel of UPC and its affiliates, financial information or plans and other matters, and which UPC has requested be held in confidence or which it could reasonably be expected to desire to be held in confidence, or the disclosure of which would likely be disparaging or disadvantageous to UPC or any of such employees and directors, but shall not include information already in the public domain.

(b) The Consultant acknowledges that the provisions of this Section 7 are reasonable and necessary for the protection of UPC and that UPC will be irrevocably damaged if such covenants are not specifically enforced. Accordingly, the Consultant agrees that, in addition to any other relief to which UPC may be entitled in the form of actual or punitive damages, UPC shall be entitled to seek and obtain injunctive relief from a court of competent jurisdiction (without the posting of any bond therefor) for the purposes of restraining the Consultant from any actual or threatened breach of such covenants. UPC shall also be entitled to terminate the engagement of Consultant and cease all payments under Section 4 in the event of a breach of this Section 7 during the Term.

8. Noncompetition.

(a) During the Term and for one year from the expiration of the Term, the Consultant will not directly or indirectly own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, partner, director, consultant or otherwise with, or have any financial interest in (except through the ownership of less than 5% of the outstanding shares of capital stock of publicly held corporations), or aid or assist anyone else in the conduct of, any business of the same type and character as the business UPC or any of its affiliates is conducting at that time (or at the time the Consultant's engagement hereunder was terminated if the Consultant is no longer engaged by UPC), including without limitation the business of providing transportation services, in any location in which UPC or its affiliates does business at the time (or at the time the Consultant's engagement hereunder was terminated if the Consultant is no longer engaged by UPC.)

(b) The Consultant and UPC have attempted to specify a reasonable period of time, a reasonable area and reasonable restrictions to which this Section 8 shall apply. The Consultant and UPC agree that if a court or administrative body should subsequently determine that the terms of this Section 8 are greater than reasonably necessary to protect UPC's interests, UPC agrees to waive those terms that are found by a court or administrative body to be greater than reasonably necessary to protect UPC's interests and to request that the court or administrative body reform this Agreement specifying a reasonable period of time and such other reasonable restrictions as the court or administrative body deems necessary.

(c) In addition to any other relief to which UPC may be entitled, UPC shall be entitled to terminate the engagement of Consultant and cease all payments under Section 4 in the event of a breach of this Section 8 during the Term.

9. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Consultant, to:

Drew Lewis
P.O. Box 70
Lederach, PA 19450

If to UPC, to:

Union Pacific Corporation
Martin Tower
Eighth and Eaton Avenues
Bethlehem, PA 18018
Attn: Chief Executive Officer

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

10. Amendment and Waiver. No provisions of this Agreement may be amended, waived or discharged unless such amendment, waiver or discharge is agreed to in writing and signed by the Consultant and the Chief Executive Officer of UPC or another officer of UPC specifically designated by the Board of Directors of UPC. No waiver by any party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other

party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

11. Prior Agreement; Integration. The parties hereto agree that the Employment Agreement, dated January 30, 1986, between the parties is hereby terminated and no further obligations remain thereunder. This Agreement contains the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter.

12. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

13. Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity and enforceability of any other provision of this Agreement, which other provisions shall remain in full force and effect.

14. Assignment; Binding Agreement. This Agreement may not be transferred or assigned by either party, but shall be binding on the successors and permitted assigns of each party. This Agreement and all rights of the Consultant hereunder shall inure to the benefit of and be enforceable by the Consultant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

UNION PACIFIC CORPORATION

By: /s/ Richard K. Davidson
____
Richard K. Davidson
Chairman, President and
Chief Executive Officer

CONSULTANT

By: /s/ Drew Lewis
____
Drew Lewis

Exhibit 11

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
COMPUTATION OF EARNINGS PER SHARE

For the Years Ended December 31, 1996, 1995 and 1994
(In Thousands, Except Per Share Amounts)

	1996	1995	1994
Weighted average number of shares outstanding (a)	216,685	204,930	205,105
Average shares issuable on exercise of stock options less shares repurchasable from proceeds	1,548	825	502
Weighted average number of shares used in computation of earnings per share	218,233	205,755	205,607
Income from continuing operations	$732,860	$619,289	$568,631
Income (loss) from discontinued operations (b)	170,673	326,542	(22,429)
Net Income	$903,533	$945,831	$546,202
Earnings per share:			
Income from continuing operations	$ 3.36	$ 3.01	$ 2.76
Income (loss) from discontinued operations (b)	0.78	1.59	(0.10)
Net Income	$ 4.14	$ 4.60	$ 2.66

(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. As a result, average common stock outstanding used in the computation of earnings per share will increase in future periods. See Note 2 to the Financial Statements.

(b) All computations reflect Resources and USPCI 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)

	1996	1995	1994	1993	1992
Earnings from continuing operations (b/c)	$ 732,860	$ 619,289	$ 568,631	$ 411,775	$ 455,967
Undistributed equity earnings	(50,235)	(23,893)	(43,663)	(32,426)	(22,278)
Total	682,625	595,396	524,968	379,349	433,689
Income taxes (c)	380,560	313,590	329,586	317,913	265,536
Fixed charges:					
Interest expense including amortization of debt discount	500,580	450,182	347,188	311,698	342,479
Portion of rentals representing an interest factor	135,615	65,258	41,975	33,224	34,897
Total	636,195	515,440	389,163	344,922	377,376
Earnings available for fixed charges	$1,699,380	$1,424,426	$1,243,717	$1,042,184	$1,076,601
Fixed charges - as above	$ 636,195	$ 515,440	$ 389,163	$ 344,922	$ 377,376
Interest capitalized	--	--	--	224	50
Total	$ 636,195	$ 515,440	$ 389,163	$ 345,146	$ 377,426
Ratio of earnings to fixed charges	2.7	2.8	3.2	3.0	2.9

(a) All information presented reflects Resources and USPCI 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

UNION PACIFIC CORPORATION

Pages 8 through 53, inclusive, of Union Pacific's Annual Report to Stockholders for the year ended December 31, 1996, but excluding photographs set forth on pages 8 through 21, none of which supplements the text and which are not otherwise required to be disclosed in this Annual Report on Form 10-K.

Union Pacific Railroad

	1996	1995	1994
Operating revenues (millions)	$7,680	$6,326	$5,318
Operating income (millions)	$1,602	$1,384	$1,173
Carloadings (thousands)	6,632	5,568	4,991
Operating ratio	79.1	78.1	77.9

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

In 1996, the Railroad scripted a new chapter in its long history that may well be the most significant of the century, transforming itself into a company providing customers with the most comprehensive and efficient rail service in the industry today. The historic merger with Southern Pacific, significant gains in quality, safety and productivity, plus operational and customer service innovations have catapulted UPRR into a new era of railroading.

On the strength of revenue growth and system-wide productivity gains, UPRR, including the effects of the SP merger, realized net income of $940 million, an 8 percent increase over last year's $867 million. Carloadings rose approximately 19 percent, including incremental traffic from SP.

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

Union Pacific's operating ratio was 79.1, compared to 78.1 in 1995. Through quality programs, better asset utilization and new locomotives, UPRR, on a stand-alone basis without SP, lowered its operating ratio to 77.1 in 1996. Revenue per car improved to $1,119, a 2 percent gain from 1995, primarily a result of longer hauls.

Highlights for 1996

Results by individual commodities on a stand-alone basis -- without SP -- were mixed, but a strong showing in traditional market segments helped the Railroad increase carloadings in 1996.

Coal was the leading commodity for the Railroad, as it hauled approximately nearly 1.6 million carloadings, up 13 percent from 1995. The Powder River Basin, which had the largest rate of growth, supplied nearly 110 million tons of coal, approximately 60 percent of all coal hauled. With additional track capacity, the use of distributed power (placing locomotives in the middle of the train) and 286,000-pound capacity cars, UPRR is now running more efficient 135-car coal trains and is well-positioned to achieve further market growth.

Revisions in planning coal train operations reduced the time that coal trains "cycle" between mines and utilities by 17 percent, while the number of train sets in coal service was cut 17 percent.

Auto traffic was strong again in 1996. Continued growth in Mexico, sustained levels in the domestic auto business and further efficiencies in vehicle handling helped UPRR raise its auto carloading volume and revenue nearly 20 percent. With new business and a continued industry switch to building more utility vehicles, the Railroad anticipates steady auto traffic through 1997.

Intermodal business improved sharply in the last half of 1996, with shipments of auto parts from stamping plants and other suppliers in the Midwest to the West Coast and Mexico leading the way. To handle future growth, the Railroad has invested in upgrades in both new and existing intermodal facilities.

While petrochemical business was flat throughout the year, certain chemical commodities performed well. As anticipated, the plastics market expanded, and export markets for soda ash improved. In the second half of the year, potash shipments, especially those out of Canada, increased, and the Railroad expects strong growth in this segment for 1997.

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

These results reflect the application of new technology and trend-setting approaches to railroad operations:

> The addition of 185 high-horsepower, AC-traction locomotives reduced many train consists to two locomotives, while increasing pulling power.
> Increased fuel prices were offset by superior fuel conservation; in September, employees set an all-time record low for monthly fuel consumption.
> Innovations by the Customer Service Planning and Delivery group improved train, terminal and rail car performance throughout the system.

Business with Mexico

Business with Mexico showed record growth for Union Pacific Railroad, increasing nearly 25 percent. Revenues in the automotive segment, chemicals, energy, agricultural and industrial products all increased, and intermodal traffic, especially in automotive parts, rebounded strongly from a sharp downturn in 1995. Although the Railroad was unsuccessful in its bid to acquire Mexico's northeast rail line, it will continue to pursue other business opportunities there.

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

Southern Pacific Merger

The Railroad took a number of initiatives to ensure that the Southern Pacific merger would be well-executed. UPRR established five working teams, supported by 73 subgroups, that are responsible for directing all facets of the SP consolidation. While the integration could take at least two years to complete, the teams are moving on or ahead of schedule.

The Railroad also divided the integration of Southern Pacific operations into four distinct phases. The first, scheduled for the second quarter of 1997, will be on the central corridor, which runs from Kansas City through the Rockies to northern California. The Cotton Belt, SP's operation between Texas and Chicago, will be phased in during the third quarter of 1997, followed by the Sunset Route, running from New Orleans to Los Angeles. The final phase of consolidation, scheduled for the second quarter of 1998, will tie operations in southern California to Seattle and Canada with the first-ever single-line service along the West Coast's Interstate-5 corridor.

As soon as the merger took effect, UPRR made a number of operating improvements that had an immediate and positive impact on the former SP lines. The Railroad increased locomotive availability by dispatching nearly 100 units to SP, improved the Service Delivery Index by 7 percentage points, achieved record coal loadings from SP-served mines, and increased network velocity 5 percent by improving average train speed while reducing average daily freight car inventory.

With 36,000 miles of track in 23 states to manage, the Railroad divided its system into four operating sections -- each with its own regional headquarters and general manager.

The first major commercial success of the UP-SP merger occurred late in 1996 when Ford Motor Company awarded UPRR a major portion of its finished-vehicle traffic out of its Kansas City "mixing center" beginning in January, 1998. The Railroad's new single-line service and routing efficiencies were paramount to securing Ford's business -- amounting to more than 900,000 cars and trucks annually.

Improved Customer Service

Throughout the year, the Railroad consistently worked to provide customer service that is faster, better and safer. Foremost, it identified five key factors -- locomotive power, freight cars, manpower, and mainline and terminal capacity -- that, through careful management, continue to bring added reliability and, in turn, greater customer satisfaction.

For its larger shippers, the Railroad launched integrated, cross-functional customer improvement teams that examine their needs, as well as rail corridors and networks, to find viable solutions to their unique shipping requirements.

With new technological resources and tools, UPRR is able to take operating efficiencies one step further.

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

The Railroad developed a decision support system to help commodities groups, along with a Rail Yard Manager system to make information available to all crews, and a Service Delivery Index -- derived from several service performance measures -- that quantifies UPRR's performance and provides real-time knowledge of what's going on throughout the Railroad.

Also playing a significant part in the Railroad's successes was its attention to safety. UPRR lowered its number of reportable injuries by 34 percent over 1995, and lost work-day cases dropped by nearly 40 percent.

A Footnote To History

In June, the Railroad completely shut down 160 miles of North America's busiest freight corridor to complete -- in less than six days -- a maintenance project that normally would be spread over six months. The maintenance was performed between South Morrill, Nebraska, gateway to the Powder River Basin, and UPRR's North Platte classification yard, the world's largest. By squeezing this maintenance into six days, the Railroad was able to run an extra 100 coal trains in 1996, a benefit to its customers and a real boost to UPRR's productivity, equipment utilization and operational efficiency.

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

Overnite Transportation

	1996	1995	1994
Operating revenues (millions)	$ 961	$ 976	$1,037
Operating (loss) income (millions)	$ (68)	$ (49)	$ 67
Operating ratio (a)	105.0	103.0	91.3

(a) Excludes goodwill amoritization.

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

Overnite Transportation had a net loss of $23 million before goodwill in 1996, compared to a loss of $10 million before goodwill in 1995, but it achieved its best financial results of the year in the fourth quarter and anticipates a continuing financial turnaround in 1997.

In mid-year 1996, Overnite began to implement a far-ranging strategy to return the company to its status as one of the most profitable, service-oriented trucking companies in the industry. Under Leo Suggs, its new chairman and chief executive officer, Overnite has, in a sense, returned to basics by carrying out a four-pronged program to provide better customer service, cut costs, raise yields and improve profitable revenue growth. The first three phases of this program have been very successful or have shown marked improvement, while the fourth - -- profitable revenue growth -- will be the key theme for 1997.

Improving Service; Reducing Costs

On the operating side of the business, Overnite focused on improving service reliability and reducing costs. Both thrusts made immediate headway. On-time performance, for example, was 86 percent in April, 1996, but reengineering efforts, combined with stringent discipline and micro-management, helped on-time service to reach nearly 97 percent by year-end -- the high end of trucking industry standards. Quality showed a similar improvement. Exception frequency -- a measure of lost or damaged freight -- was driven down from a high of 2.00 shipments per hundred in mid-year to 1.51 by year-end.

Overnite intends to improve both measurements -- on-time delivery and exceptions -- in 1997, along with cycle time, bringbacks, dock productivity and every other measure of heightened efficiency. Overnite, for example, intends to reduce the number of bringbacks to zero.

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

Bringbacks are deliveries brought back to the service center because of an inability to deliver shipments to the customer for whatever reason. Among other achievements, the company's load average per trailer went from a low of 12,100 to nearly 13,200 pounds from April to December, and linehaul costs per hundredweight were reduced from $3.72 to $3.27 during the same period. All of these improvements have helped drive down costs.

On the marketing side of the business, Overnite has improved its yield by relentlessly focusing on its most profitable traffic. Much of Overnite's business with the large customers shipping at least $50,000 worth of goods a month failed to cover variable costs. Overnite went to these customers and renegotiated rates upward, which, in some cases,

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

resulted in losing business. These efforts -- coupled with a concentration on smaller and more profitable traffic opportunities -- raised Overnite's overall yield by 10 percent.

Increasing Profitable Revenue

In order to continue improving its yield, Overnite launched a vigorous campaign to increase its profitable revenue growth. This campaign represents a full-court press by every employee to become a sales representative for the newer, more efficient, on-time Overnite. This effort is summed up in a successful program called BINGO -- Bring In New Growth for Overnite. A companion focus is the inside sales initiative, wherein a new headquarters sales group generates additional business from customers who have had successful experiences with the company. The strategic target is to add as much high-yield revenue as possible to an increasingly efficient company so that more money will flow to the bottom line. This goal will dominate 1997.

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

Skyway Freight Systems

The markets for logistical services are changing, with customers demanding more information, better-integrated programs and lower costs. Skyway's new services, advanced technology and a continuing focus on quality provide an edge to its customers in the intensely competitive race for the best value chain. In 1996, the company strengthened its revenue base and diversified its customer portfolio. Large and long-

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

term contracts were signed with several major customers, including Corning Consumer Products, EDS, Entex Information Systems, Gateway 2000 and NordicTrack.

As companies become increasingly focused on logistics, their leaders are broadening their vision to embrace value chain management, which includes everything that happens between customer need and satisfaction. In 1996, Skyway introduced a number of support services to provide an edge to its customers in this highly competitive field.

Better Tracking Flexibility

Skyway's website, www.skyway.com, became an immediate success with customers, providing them with new capabilities in electronic commerce. Since its launch, customers have been given even better tracking flexibility, along with the ability to view and to print proof-of-delivery images directly from their computers.

Regional Order Fulfillment Centers provide the industry's first network of automated order-fulfillment centers, using cross-dock techniques and advanced technology to consolidate orders from multiple origins into cost-effective and service-oriented deliveries.

Another new service, the Virtual Warehouse, coordinates order fulfillment between a major computer reseller and its manufacturers. This allows part of an order to be shipped directly from the manufacturer, while the rest is shipped from the reseller. The shipments merge in transit and arrive at the customer as one complete order.

As global competition increases and value chains become more complex, the increased need to share information and to move product less becomes extremely important for Skyway's customers. With this in mind, it has developed tools that allow the company to provide value chain management services such as global transportation management, order management and vendor-managed inventory programs, all with international product visibility. As a value chain integrator, Skyway will link companies with their customers and suppliers, providing information that can reduce assets and eliminate redundant activities. This process will increase speed to market and simultaneously take cost out of value chains.

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

Union Pacific Technologies

With a strong combination of well-trained people, sophisticated software products and broad transportation experience, Union Pacific Technologies achieved another successful year, supporting the Union Pacific companies and bringing a wide range of products and services to the commercial marketplace.

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

Internal Business

Foremost for Technologies has been its support of the company's merger with Southern Pacific. Immediately after the merger was approved, a communication network between UP and SP employees was established, giving them access to each others' transportation systems and e-mail. Additionally, extensive systems were implemented to manage the Burlington Northern/Santa Fe haulage and trackage rights agreement. All of this set the stage for the more complex process of installing the Transportation Control System (TCS) on the SP, beginning in the second quarter of 1997 and continuing into 1998.

Technologies helped Overnite management implement strict operational performance guidelines by providing daily information summarizing key performance indicators for management review. New capabilities have also been added to the computerized Central Dispatching System to improve efficiencies in linehaul operations.

UPT continues to support the development of Skyway's highly advanced, integrated supply chain services, a new concept for providing global third-party logistics and management systems. These services will be delivered with specific control software and systems that can build logistics programs from a standard set of tools.

Commercial Business

Technologies' Shipment Management Services, which tracks both rail and truck shipments against predetermined schedules, now handles over 65,000 shipments each month for almost 200 subscribers. Building on this comprehensive shipment tracking service, Technologies will introduce in 1997 a new product, the Equipment and Maintenance Service, for large private fleet owners to support the mechanical maintenance of rail cars.

Business in Mexico continues to grow as Technologies helps the National Railway of Mexico (FNM) divide the single, state-owned railroad into regional systems as part of its privatization efforts. Technologies will be creating capabilities to help the new owners exchange information, track the movement of cars from one line to another, and divide revenues.

Building upon its experience in providing the FNM with a Spanish version of the TCS to manage rail operations, Technologies is planning to market with a partner an expanded and improved version of this software to Mexico's new regional railroads and throughout Latin America. Technologies has also formed a similar partnership with Integrated Systems Solutions Corporation, a division of IBM, to market rail infrastructure engineering applications worldwide.

(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

During 1996 and 1995, Union Pacific Corporation (UPC or the Corporation) completed several strategic transactions that refocused the Corporation's business objectives 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 (see Note 2 to the Financial Statements).

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 and CNW acquisitions, UPC now operates the largest rail system in the United States, with 36,000 route miles linking Pacific Coast and Gulf Coast ports to the Midwest and eastern U.S. gateways. The Corporation also owns Overnite Transportation Company (Overnite), a major interstate trucking company specializing in less-than-truckload (LTL) shipments.

1996 Compared to 1995

Consolidated Results

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

Results of Continuing Operations

Consolidated - In 1996, the Corporation reported income from continuing operations of $733 million ($3.36 per share), compared to 1995 results of $619 million ($3.01 per share). This earnings improvement resulted primarily from continued strong financial performance at Union Pacific Railroad Company and its affiliates (collectively, 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.

(Graph of Union Pacific Railroad Carloadings)

Thousands

	1992	1993	1994	1995	1996
Carloadings	4,458	4,619	4,991	5,568	6,632

(Graph of Union Pacific Railroad Commodity Revenue Diversity-Pie Chart)

Commodity Revenue Diversity
Union Pacific Railroad

Automotive	10.4%
Agricultural Products	16.4
Intermodal	15.3
Industrial Products	17.9
Energy	22.0
Chemicals	18.0

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 business segments. 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 a year ago. Earnings improvements reflected base volume growth and the full-year effect of the CNW acquisition. Earnings from these acquisitions more than offset the incremental interest cost 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 1.0 million cars), detailed as follows:

Agricultural Products: 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: 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: 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: 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

(Graph of Union Pacific Railroad Powder River Basin Coal Volumes)

	1992	1993	1994	1995	1996
Millions of Tons Originated	56	74	86	101	110

(Graph of Union Pacific Railroad Fuel Consumption Rate)

	1992	1993	1994	1995	1996
Gallons per Thousand Gross Ton-Miles	1.44	1.44	1.41	1.38	1.37

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: 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: 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 business environment. Actions taken included workforce reductions, service center consolidations, centralization of the linehaul management process and pricing initiatives targeting Overnite's lowest margin customers. 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 comprised 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 were partially offset by a 7% volume-related reduction in fuel consumption.

(Graph of Overnite Transportation Tonnage by Category-Pie Chart)

Less-than-truckload	90.8%
Truckload	9.2%

(Graph of Overnite Transportation Revenue Per Hundredweight)

Dollars

	1992	1993	1994	1995	1996
Revenue Per Hundredweight	9.03	9.28	9.82	9.55	9.97

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 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.

1995 COMPARED TO 1994

Consolidated Results

The Corporation's 1995 net income was $946 million ($4.60 per share), compared to $546 million ($2.66 per share) in 1994. Results for 1995 included the effects of the acquisition of CNW and the receipt by Resources of a $79 million after-tax bankruptcy settlement from Columbia Gas Transmission Company (Columbia). Results for 1994 included a $404 million after-tax loss from the sale of UPC's waste management business and the benefit of a $116 million after-tax gain resulting from the sale of Resources' Wilmington field.

Results of Continuing Operations

Consolidated - Income from continuing operations improved $51 million (9%) in 1995 to $619 million ($3.01 per share), as a $113 million improvement at the Railroad was partially offset by a $71 million earnings decline at Overnite.

Consolidated operating revenues increased $994 million (15%) to $7.49 billion in 1995, as the Railroad's operating revenue improvement of just more than $1 billion (reflecting the acquisition of CNW, increased base carloadings and a higher average commodity revenue per car) was slightly tempered by a $61 million decline in operating revenues at Overnite. Consolidated operating expenses rose $897 million to $6.15 billion. The addition of CNW operations, rail volume growth, rail traffic congestion in 1995 and inflation were the primary reasons for increases in salaries, wages and employee benefits ($366 million); equipment and other rents ($153 million); fuel and utility costs ($94 million); purchased services ($42 million); materials and supplies ($33 million); and repair and maintenance expenses ($22 million). Depreciation charges advanced $101 million, reflecting the CNW properties acquired and the Corporation's continued capital spending. Other increases also occurred in personal injury costs ($29 million), resulting from the acquisition of CNW and higher claims costs; the cost of real estate sold ($16 million),

(Graph of Union Pacific Railroad Revenue Ton-Miles Per Employee)

Millions

	1992	1993	1994	1995	1996
Revenue Ton-Miles Per Employee	7.21	7.66	8.21	8.82	9.40

resulting from higher non-rail real estate sales activity; other taxes ($14 million), reflecting the addition of CNW; and insurance costs ($7 million) due to the absence of 1994 premium refunds.

Consolidated operating income advanced $97 million (8%) to $1.34 billion in 1995, resulting from a $211 million improvement at the Railroad, partially offset by weaker operating results at Overnite. Other income increased $41 million from interest associated with 1995 Railroad Retirement Tax claim settlements and higher gains on property sales. Interest expense rose $103 million, principally from the higher debt levels associated with the CNW acquisition and the Southern Pacific first-step cash tender offer. Income from continuing operations as a percentage of operating revenues fell to 8.3% in 1995 from 8.7% in 1994, reflecting Overnite's performance decline. Return on average common stockholders' equity improved to 16.5% in 1995 from 10.9% in 1994, reflecting 1995 net income growth.

Railroad - The Railroad earned $867 million in 1995, a 15% increase from $754 million in 1994. Earnings improvements reflected the addition of CNW, base volume growth and improvements in average prices, which more than offset a $65 million after-tax increase in interest cost related to financing the CNW acquisition and the Southern Pacific cash tender offer.

Revenues improved $1.01 billion (19%) to $6.33 billion, as CNW business of approximately $800 million combined with a 5% improvement in average commodity revenue per car, reflecting a longer average length of haul, favorable traffic mix shifts and pricing improvements. Carloadings grew 12% (nearly 577,000 cars) year-over-year, resulting from net incremental volumes from the acquisition of CNW and business expansion.

Operating expenses rose $797 million to $4.94 billion in 1995. Incremental CNW volumes, inflation and system congestion (caused by the late arrival of new power and amplified by the CNW integration) were the principal drivers causing an escalation in salaries, wages and employee benefits ($301 million); rent expense ($150 million); fuel and utility costs ($92 million); materials and supplies expense ($32 million); purchased services ($31 million); and repair and maintenance expenses ($22 million). Depreciation rose $100 million, reflecting the addition of CNW properties and continued capital spending. Personal injury expense rose $28 million, reflecting the addition of CNW and higher average settlement costs, while other taxes increased $19 million--primarily the result of the CNW consolidation.

Operating income improved $211 million (18%) to $1.38 billion in 1995, while the operating ratio increased to 78.1 in 1995 from 77.9 in 1994. On a pro forma basis, including CNW in 1994 results, the operating ratio would have been flat year-over-year.

Trucking - Overnite's operating environment was extremely difficult throughout 1995. The major factors affecting Overnite's operations were aggressive pricing from regional LTL and truckload carriers, soft volumes caused by industry overcapacity, incremental expenses associated with attempts by the International Brotherhood of Teamsters (Teamsters) to unionize certain Overnite service centers and ongoing operational inefficiencies associated with declining volumes. As a result, Overnite reported a $30 million net loss in 1995, compared to $41 million of net income in 1994. Results include goodwill amortization of $20 million in 1995, $3 million less than 1994, because of a favorable tax settlement related to the deductibility of intangible assets.

Operating revenues declined $61 million (6%) in 1995 to $976 million. Volumes were down 4%, while average prices declined 3%. Operating expenses increased $55 million in 1995 to just over $1 billion. Salaries, wages and employee benefit costs increased $39 million, caused by wage and benefit inflation. General and administrative costs increased $12 million--reflecting costs incurred in response to unionization efforts, an increased provision for uncollectible accounts and higher insurance costs. In addition, depreciation expense increased $5 million, reflecting continued capital spending. Overnite recorded an operating loss of $49 million in 1995, compared to operating income of $67 million in 1994, as the operating ratio (including goodwill amortization) increased to 105.0 from 93.6 in 1994.

(Graph of Union Pacific Corporation Cash from Continuing Operations)

$ Millions

	1992	1993	1994	1995	1996
Cash from Continuing Operations	842	975	1,079	1,454	1,657

(Graph of Union Pacific Corporation Capital Investments)

$ Millions

	1992	1993	1994	1995	1996
Capital Investments	864	899	876	1,058	1,360

Corporate Services and Other Operations - Expenses related to Corporate Services and Other Operations decreased $9 million to $218 million in 1995. The decrease was largely the result of a favorable payroll tax settlement and lower professional fees. Other operating units generated operating income of $6 million in 1995, compared to operating income of $4 million in 1994--reflecting improved operating results at the Corporation's other operations.

Results of Discontinued Operations

Income from discontinued operations increased $349 million to $327 million in 1995, reflecting the absence of a loss from the sale of UPC's waste management unit in 1994. Resources' 1995 earnings declined $39 million from 1994 to $351 million, as lower natural gas prices, higher interest costs caused by debt incurred by Resources in connection with its IPO dividend to UPC and the absence of the 1994 Wilmington field sale were only partially mitigated by the 1995 Columbia bankruptcy settlement and higher sales volumes. As a result of Resources' October 1995 IPO, UPC recognized $327 million of Resources' 1995 net income in discontinued operations, reflecting the Corporation's ownership of Resources.

CASH FLOWS, LIQUIDITY AND FINANCIAL RESOURCES

In 1996, cash from continuing operations was $1.66 billion, compared to $1.45 billion in 1995. This $203 million increase primarily reflects higher income from continuing operations ($114 million), lower CNW merger-related payments and a higher proportion of non-cash expenses included in net income.

Cash used in investing activities was $1.09 billion in 1996 compared to $2.57 billion in 1995. This decrease primarily reflects proceeds from the collection of IPO-related notes receivable ($650 million) and reduced cash payments for strategic acquisitions ($1.61 billion). These items were tempered by higher capital expenditures ($302 million), reflecting the capital spending requirements resulting from the Southern Pacific and CNW acquisitions, reduced cash provided by Resources ($201 million) and the absence of $225 million in proceeds from the sale of UPC's waste management unit, collected in January 1995.

Cash used in financing activities was $602 million in 1996 compared to cash provided by financing activities of $1.23 billion in 1995. This change in cash reflects debt repayments in excess of borrowings (principally from reduced acquisition financings) and the absence of proceeds from Resources' IPO. The ratio of debt to capital employed decreased to 49.4% at December 31, 1996 compared to 50.0% a year ago. This improvement resulted from increased debt levels associated with the purchase of Southern Pacific shares in September 1996 and the consolidation of Southern Pacific's debt, which were more than offset by the 1996 stockholders' equity increase.

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 1997 and 1998, and will be used for general corporate purposes, including repayment of borrowings, working capital requirements and capital expenditures.

In October 1996, the Corporation completed its tender offer for Southern Pacific's $375 million principal amount of 9-3/8% Senior Notes due 2005 (the Notes). In connection with the tender offer, UPC retired approximately 90% of the Notes. Investors tendering their Notes were also required to consent to certain amendments to the Indenture pursuant to which the Notes were issued, which eliminated or modified certain restrictive covenants under the Indenture. The Corporation also repaid certain other higher cost Southern Pacific debt, including $250 million in borrowings under Southern Pacific Transportation Company's (SPT) credit facility and $30 million principal amount of SPT's First and Refunding Mortgage 8.20% Bonds, Series B, due 2001. The Corporation issued comercial paper to fund the refinancing activities.

(Graph of Union Pacific Corporation Shareholder Value)

	1992	1993	1994	1995	1996
Stock Price at Year-End	58.50	62.63	45.38	66.00	84.69

At year-end 1996, the Corporation had $2.8 billion of outstanding credit facilities expiring in 2001, of which $2.6 billion was available for use.

OTHER MATTERS

Personal Injury - Over the past 10 years work-related injuries have declined by more than 10% annually (reflecting aggressive safety and training programs), while the average settlement cost per claim has continued to rise significantly. Annual expenses for injury-related events were $251 million in 1996, $222 million in 1995 and $194 million in 1994. 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 390 sites, including approximately 60 sites currently on the Superfund National Priorities List or state superfund lists, 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 $231 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 $28 million in both 1996 and 1995. The Corporation is also engaged in reducing emissions, spills and migration of hazardous materials, and spent $10 million and $11 million in 1996 and 1995, respectively, for control and prevention, a portion of which has been capitalized. In 1997, the Corporation anticipates spending $68 million for remediation and $14 million for control and prevention. In addition, in connection with the integration of the Union Pacific Railroad Company and its affiliate Missouri Pacific Railroad Company (MPRR)(collectively UPRR) and Southern Pacific rail systems, in 1997, UPC may spend up to $30 million in remediation costs related to the closure of major Southern Pacific shops and facilities. The majority of the December 31, 1996 environmental liability is expected to be paid out over the next five years, funded by cash generated from operations. However, 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 54,000 employees are represented by rail unions. During 1996, nearly all of UPRR's unionized workforce of ratified five-year national agreements that include a combination of general wage increases and lump-sum payments. In addition, the contracts provide for increased flexibility in work rules. With respect to Southern Pacific's unionized workforce, under the conditions imposed by the

(Graph of Union Pacific Corporation Dividends Declared)

$ Millions

	1992	1993	1994	1995	1996
Dividends Declared	289	315	341	353	371

(Graph of Union Pacific Corporation Book Value)

$ per Share

	1992	1993	1994	1995	1996
Book Value	22.75	23.81	24.92	30.93	33.35

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. UPRR has begun negotiations with the union leadership representing Southern Pacific's workforce and expects union agreements to be ratified in 1997 and 1998. To date, the leadership of certain regional shopcraft, carmen and clerical unions (collectively representing approximately 40% of Southern Pacific's unionized workforce) have negotiated agreements relating to the consolidation and coordination of UPRR's and Southern Pacific's operations. 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, over 50 of Overnite's 161 service centers have received petitions for union elections. Where elections have been held, 29 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. Thirteen service centers, representing approximately 8% 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. Seven other service centers, representing another 9% of Overnite's nationwide workforce, have 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 certified service centers and does not anticipate that these negotiations will have a significant impact on its future operating results.

Management - At year-end 1996, Drew Lewis retired as Chairman and Chief Executive Officer of the Corporation. Richard K. Davidson, the Corporation's former President and Chief Operating Officer, was elected by the Board of Directors as Chairman, President and Chief Executive Officer.

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 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.

(Graph of Union Pacific Railroad Locomotives at Year-End)

Locomotives

	1992	1993	1994	1995	1996
Locomotives	3,074	3,142	3,132	4,136	6,755

Sensitivity Analysis - UPC had a limited number of interest rate swaps in place at year-end 1996 (see Note 4 to the Financial Statements). If market interest rates changed 5%, the related change in value of interest rate swaps would not have a significant impact on the Corporation's interest expense or net income.

Pending Accounting Pronouncements - The Financial Accounting Standards Board issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which provides consistent standards for determining if transfers of financial assets are sales or secured borrowings and which revises the accounting rules for liabilities extinguished by an in-substance defeasance. This statement is effective for transfers of financial assets and extinguishments of liabilities occurring after December 31, 1996 and is not expected to have any impact on UPC's operating results or financial condition.

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 is not expected to have a significant impact on UPC's operating results or financial condition.

A LOOK FORWARD

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.

1997 Capital Spending - The Corporation's 1997 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 and additional debt financings. 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 $2.1 billion in 1997, including over $500 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. A portion of these expenditures is anticipated to be funded from the sale or lease of various operating and nonoperating properties of Southern Pacific. Overnite will continue to maintain its truck fleet and upgrade technology.

1997 Business Outlook - Rail volumes are anticipated to improve across all commodities in 1997, as a result of base business growth, a full year of Southern Pacific operations and Railroad consolidation efficiencies. Continued strong demand for low-sulfur coal and coal corridor productivity improvements are expected to drive the continued expansion of energy business. A strong 1996 fall harvest and normal harvest conditions in 1997 should result in rebounding grain carloadings. Continued strength in the economy should escalate automotive, chemicals and intermodal volumes. Automotive traffic will be further enhanced by continued auto parts and finished autos business with Mexico, while intermodal volumes should benefit from the introduction of a new premium train service linking California to Chicago and Memphis. Average commodity revenue per car is also expected to improve in 1997, reflecting the effects of longer average hauls, favorable product mix changes and price improvements.

(Graph of Union Pacific Corporation Assets)

$ Millions

	1992	1993	1994	1995	1996
Assets	12,901	13,797	14,543	19,446	27,914

(Graph of Union Pacific Corporation Revenues Per Employee)

$Thousands

	1992	1993	1994	1995	1996
Revenues per Employee	135.0	136.3	143.0	151.4	160.3

In January 1997, a continuation of record snowfalls followed by heavy rains in northern California and the Pacific Northwest have caused flooding and mud slides in these regions, resulting in track closings and washouts on the I-5 corridor and the Feather River Canyon route. Although damage estimates are significant, the Railroad expects that a substantial portion of these costs will be recovered through insurance settlements. The Railroad has avoided any significant impact on its service by rerouting trains to unaffected lines.

The acquisition of Southern Pacific is anticipated to yield annual benefits to operating income of $820 million, once Southern Pacific's operations have been fully integrated with UPRR's existing operations over the five-year period ending in 2001. The Railroad will consolidate Southern Pacific's and UPRR's operations by region, beginning in mid-1997.

In January 1997, the Railroad merged MPRR into Union Pacific Railroad Company. In connection with this merger, Union Pacific Railroad Company assumed all debt obligations of MPRR. This merger is expected to reduce administrative costs, simplify billing and enhance customer service opportunities.

Overnite will continue the reorganization of its business operations to meet the current trucking industry environment. As a result of these efforts, UPC anticipates that Overnite will improve its financial results during 1997.

Year 2000 Costs - In 1995, UPC began modifying its computer system programming to process transactions in the year 2000. Anticipated spending for this modification will be expensed as incurred and is not expected to have a significant impact on the Corporation's ongoing results of operations.

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 as to the Corporation's financial 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 industry competition and regulatory developments, natural events such as floods and earthquakes, the effects of adverse general economic conditions, fuel prices and the ultimate outcome of environmental investigations or proceedings and other types of claims and litigation.

INDEPENDENT AUDITORS' REPORT

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, 1996 and 1995, 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, 1996. 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, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

New York, New York
January 23, 1997

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, III

Executive Vice President-Finance

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

Vice President and Controller

BUSINESS SEGMENTS
Union Pacific Corporation and Subsidiary Companies

	Millions of Dollars	1996	1995	1994
Operating Revenues	Railroad	$ 7,680	$ 6,326	$ 5,318
	Trucking	961	976	1,037
	Corporate services and other operations	145	184	137
	Total	$ 8,786	$ 7,486	$ 6,492
Operating Income (Loss)	Railroad	$ 1,602	$ 1,384	$ 1,173
	Trucking.	(68)	(49)	67
	Corporate services and other operations.	(1)	6	4
	Total	$ 1,533	$ 1,341	$ 1,244
Income (Loss) from Continuing Operations	Railroad	$ 940	$ 867	$ 754
	Trucking	(43)	(30)	41
	Corporate services and other operations.	(164)	(218)	(227)
	Total.	$ 733	$ 619	$ 568
Cash from Continuing Operations	Railroad	$ 1,767	$ 1,486	$ 1,061
	Trucking	47	37	116
	Corporate services and other operations.	(157)	(69)	(98)
	Total	$ 1,657	$ 1,454	$ 1,079
Assets (at Year-End)	Railroad.	$26,265	$15,694	$10,455
	Trucking	1,225	1,270	1,420
	Corporate services and other operations.	424	2,482	2,668
	Total.	$27,914	$19,446	$14,543
Depreciation and Amortization	Railroad	$ 686	$ 568	$ 468
	Trucking	65	64	63
	Corporate services and other operations	11	10	10
	Total.	$ 762	$ 642	$ 541
Capital Investments	Railroad	$ 1,339	$ 970	$ 769
	Trucking.	10	49	93
	Corporate services and other operations	11	39	14
	Total.	$ 1,360	$ 1,058	$ 876

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	1996	1995	1994
Operating Revenues	Railroad, trucking and other	$ 8,786	$ 7,486	$ 6,492
Operating Expenses	Salaries, wages and employee benefits	3,260	2,826	2,460
	Equipment and other rents	885	695	542
	Fuel and utilities (Note 4)	790	574	480
	Depreciation and amortization	762	642	541
	Purchased services	491	410	368
	Materials and supplies	469	377	344
	Other costs	596	621	513
	Total	7,253	6,145	5,248
Income	Operating Income	1,533	1,341	1,244
	Other Income (Note 12)	182	141	100
	Interest Expense (Notes 2, 3, 4 and 7)	(501)	(450)	(347)
	Corporate Expenses	(101)	(99)	(99)
	Income before Income Taxes	1,113	933	898
	Income Taxes (Note 6)	(380)	(314)	(330)
	Income from Continuing Operations	733	619	568
	Income (Loss)from Discontinued Operations (Note 3)	171	327	(22)
	Net Income	$ 904	$ 946	$ 546
Per Share	Income from Continuing Operations	$ 3.36	$ 3.01	$ 2.76
	Income(Loss)from Discontinued Operations	0.78	1.59	(0.10)
	Net Income	4.14	4.60	2.66
	Dividends	1.72	1.72	1.66

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	1996	1995
Assets			
Current Assets	Cash and temporary investments . . .	$ 191	$ 230
	Accounts receivable (Note 4).	494	349
	Inventories	304	238
	Notes receivable from Resources (Note 3).	--	650
	Other current assets (Note 6)	345	212
	Total	1,334	1,679
Investments	Investments in and advances to affiliated companies (Note 2). . . .	387	1,260
	Other investments	226	187
	Total	613	1,447
Properties	Cost (Notes 2 and 5)	30,097	18,748
	Accumulated depreciation (Note 5) . .	(5,053)	(4,643)
	Net	25,044	14,105
Other	Excess Acquisition Costs - Net . . .	700	730
	Net Assets of Discontinued Operations (Note 3)	--	1,312
	Other Assets.	223	173
	Total Assets.	$27,914	$19,446
Liabilities and Stockholders' Equity			
Current Liabilities	Accounts payable.	$ 705	$ 436
	Accrued wages and vacation.	427	284
	Accrued casualty costs.	332	192
	Dividends and interest.	293	203
	Income and other taxes.	250	178
	Debt due within one year (Note 7) . .	127	132
	Other current liabilities (Note 2). .	922	474
	Total	3,056	1,899
Other Liabilities and Stockholders' Equity	Debt Due after One Year (Notes 2, 3, and 7)	7,900	6,232
	Deferred Income Taxes (Note 6) . . .	5,939	3,498
	Accrued Casualty Costs.	730	352
	Retiree Benefits Obligation (Note 9).	720	588
	Other Long-Term Liabilities (Notes 2 and 11)	1,344	297
	Minority Interest in Consolidated Subsidiary (Note 3)	--	216
	Common Stockholders' Equity (page 37)	8,225	6,364
	Total Liabilities and Stockholders' Equity	$27,914	$19,446

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	1996	1995	1994
Cash from Continuing Operations	Net income	$ 904	$ 946	$ 546
	Non-cash charges to income:			
	Depreciation and amortization . . .	762	642	541
	Deferred income taxes (Note 6) . . .	166	151	175
	Other - net	(572)	358	(260)
	(Income)loss from discontinued operations (Note 3)	(171)	(327)	22
	Changes in current assets and liabilities (Note 2).	568	(316)	55
	Cash from Continuing Operations. . .	1,657	1,454	1,079
Investing Activities	Capital investments	(1,360)	(1,058)	(876)
	Cash provided (used) by discontinued operations (Note 3)	41	467	(295)
	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	114	168	28
	Cash Used in Investing Activities. .	(1,094)	(2,569)	(1,143)
Equity and Financing Activities	Dividends paid	(353)	(353)	(334)
	Debt repaid	(2,047)	(1,531)	(319)
	Financings (Note 2)	1,741	2,275	731
	Proceeds from Resources' stock offering (Note 3)	--	844	--
	Other - net	57	(5)	(1)
	Cash (Used in) Provided by Equity and Financing Activities.	(602)	1,230	77
	Net Change in Cash and Temporary Investments	$ (39)	$ 115	$ 13
Changes in Current Assets and Liabilities (Excluding SP Assets/ Liabilities Acquired)	Accounts receivable	$ 14	$ 47	$ (19)
	Inventories	12	19	(29)
	Other current assets.	762	(281)	(307)
	Accounts, wages and vacation payable	4	80	(21)
	Debt due within one year.	(62)	(295)	345
	Other current liabilities	(162)	114	86
	Total.	$ 568	$ (316)	$ 55

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	1996	1995	1994
Common Stock	Common Stock, $2.50 par value (authorized 500,000,000 shares)			
	Balance at beginning of year (232,317,010 issued shares in 1996; 231,837,976 in 1995; 230,788,175 in 1994)	$ 581	$ 580	$ 577
	Common stock issued in Southern Pacific acquisition (38,089,704 shares)(Note 2)	95	--	--
	Conversions, exercises of stock options and other (4,188,437 shares in 1996; 479,034 in 1995; 1,049,801 in 1994)	10	1	3
	Balance at end of year (274,595,151 issued shares in 1996; 232,317,010 in 1995; 231,837,976 in 1994)	686	581	580
Paid-in Surplus	Balance at beginning of year	2,111	1,428	1,383
	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	155	45	45
	Balance at end of year	4,009	2,111	1,428
Retained Earnings	Balance at beginning of year	5,327	4,734	4,529
	Net income	904	946	546
	Total	6,231	5,680	5,075
	Cash dividends declared	(371)	(353)	(341)
	Distribution of investment in Resources (Note 3)	(598)	--	--
	Balance at end of year (Note 7)	5,262	5,327	4,734
Treasury Stock	Balance at end of year, at cost (27,935,628 shares in 1996; 26,737,806 in 1995; 25,900,775 in 1994)	(1,732)	(1,655)	(1,611)
	Total Common Stockholders' Equity (Note 10)	$8,225	$6,364	$5,131

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 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 are based on the weighted average number of common shares outstanding during the periods, plus shares issuable upon exercise of outstanding stock options (see Note 10).

Minority Interest

Minority interest represents the minority stockholders' proportionate share of the equity of Union Pacific Resources Group Inc. (Resources). At December 31, 1995, the Corporation owned approximately 83% of Resources' outstanding common stock, which UPC distributed via a special dividend to its stockholders in 1996 (see Note 3).

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 1995 and 1994 amounts have been restated to conform to the 1996 financial statement presentation. Resources and USPCI, Inc. (USPCI) are classified as discontinued operations (see Note 3).

1. Nature of Operations

UPC consists of two major business segments operating principally in the United States and engaging in rail transportation and trucking.

Railroad - The Corporation's largest segment is Union Pacific Railroad Company (including Missouri Pacific Railroad Company and, as of May 1, 1995, Chicago and North Western Transportation Company (CNW))(UPRR), 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 36,000 route miles linking Pacific Coast and Gulf Coast ports to the Midwest and eastern U.S. 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 expects to integrate the operations of Southern Pacific with UPRR during 1997 and 1998.

Approximately 90% of the Railroad's 54,000 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 contracts 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 revised agreements to be ratified in 1997 and 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 161 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 trucking company, Overnite is periodically targeted by major labor organization efforts and is currently the subject of an organizational campaign instituted by the International Brotherhood of Teamsters (Teamsters) at many of its service centers. Since year-end 1994, over 50 of Overnite's 161 service centers have received petitions for union elections. Where elections have been held, 29 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. Thirteen service centers, representing approximately 8% 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. Seven other service centers, representing another 9% of Overnite's nationwide workforce, have 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 1996, Overnite's operating environment continued to be extremely difficult. However, during the year, Overnite implemented several strategic initiatives 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 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 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 33 provides additional financial information related to the Corporation's operations.

2. Acquisitions

Southern Pacific - In August 1996, the STB issued a written decision approving the acquisition of Southern Pacific by UPC with certain conditions. 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 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 $1,562 million in cash. UPC initially funded the cash portion of the acquisition with credit facility 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 of $65.00 per share, the value at the time of the announcement of the merger agreement between the Corporation and Southern Pacific.

Millions of Dollars	
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	317
Long-term	746
Equity acquired	(1,083)
Unallocated purchase price.	$4,077
Purchase price allocation:	
Property and equipment	$6,160
Debt and preference share revaluation.	(220)
Deferred income taxes (including the effect of merger costs).	(1,863)
Total	$4,077

In connection with the acquisition and subsequent consolidation of UPRR's and Southern Pacific's rail operations, UPC plans to eliminate duplicate positions, relocate certain functions, merge or dispose of redundant facilities and dispose of certain rail lines. The Corporation also expects to cancel uneconomical and duplicative SP contracts and repay certain of Southern Pacific's debt obligations. UPC has recognized an estimated $1,063 million liability in the Southern Pacific purchase price allocation for costs associated with these activities.

Through year-end 1996, the Corporation charged $44 million to these reserves, principally comprising costs to reduce Southern Pacific's workforce. The Corporation expects the remaining acquisition-related payments to be made in 1997 through 1999 as the Southern Pacific rail system is integrated with UPRR.

In addition, the Corporation expects to incur approximately $250 million in acquisition-related costs for severing or relocating UPC employees and disposing of UPC facilities. Results for 1996 include $8 million of acquisition-related operating expenses. The Corporation anticipates charging the remaining acquisition-related payments for UPC employees and facilities to operating expense in 1997 through 1999 as definitive plans are refined and communicated and relocation and other costs are incurred.

The amounts recorded for Southern Pacific-related costs and estimated costs for UPC severance, relocation and facility closings are subject to refinement as more information becomes available and UPC's management finalizes merger implementation plans. The results of union negotiations, the actual portion of terminated or relocated UPC and SP employees, and the resolution of certain litigation and other claims will be determined and disclosed during the first half of 1997. As a result, the amounts included in purchase accounting reserves and to be expensed by UPC in the future could change. Any revision required is not expected to be material to the Corporation's financial position or ongoing results of operations.

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 the shares of Resources owned by the Corporation actually occurred on the dates 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 Except Per Share Amounts	1996	1995
Operating revenues	$11,219	$11,031
Operating income	1,606	1,523
Net income	664	583
Net income per share	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

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 per share was completed in October 1995 and generated net proceeds of $844 million. At that time, Resources distributed to UPC a dividend of $1,621 million ($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 37).

Resources' results have been reported as a discontinued operation in the Corporation's consolidated financial statements for all periods presented. 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, $327 million and $390 million in 1996, 1995 and 1994, respectively. These amounts are net of income taxes of $82 million, $100 million and $131 million in 1996, 1995 and 1994, respectively. For the years ended December 31, 1996, 1995 and 1994, Resources' operating revenues were $1,831 million, $1,477 million and $1,333 million, respectively.

USPCI - In September 1994, the Corporation's Board of Directors approved a formal plan to dispose of its waste management business, USPCI. At year-end 1994, the Corporation completed the sale of USPCI for $225 million in notes that were subsequently collected in January 1995. The sale resulted in a $404 million after-tax loss (net of tax benefits of $196 million). USPCI's 1994 net loss of $8 million was also recorded in discontinued operations.

Proceeds and cash tax benefits from the sale of USPCI were used for general corporate purposes, including the reduction of outstanding debt. Operating revenues of USPCI for the year ended December 31, 1994 were $342 million.

4. Financial Instruments

Risk Management

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

The Corporation addresses market risk related to these instruments by selecting instruments whose value fluctuations 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 $31 million at December 31, 1996. The Corporation has not been required to provide, nor has it received, any significant amount of collateral relating to its hedging activity.

The fair market values of the Corporation's derivative financial instrument positions at December 31, 1996 and 1995 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 in limited circumstances as one of the tools to obtain the targeted mix. The mix of fixed and floating rate debt is largely managed through the issuance of targeted amounts of such debt as debt maturities occur or as incremental borrowings are required. The Corporation also obtains additional flexibility in managing interest costs and the interest rate mix within its debt portfolio by issuing callable fixed rate debt securities.

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. These contracts mature over the next two to nine years. At December 31, 1995, the Corporation had outstanding interest rate swaps on $219 million of notional principal amount of debt (3% of the total debt portfolio) with gross fair market value asset and liability positions of $13 million, respectively. Interest rate hedging activity increased interest expense by $3 million in 1996, and $7 million in both 1995 and 1994, 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 year-end 1996, neither the Railroad nor Overnite had hedged any of its forecasted 1997 fuel consumption. At December 31, 1995, the Railroad had hedged 7% of its forecasted 1996 fuel consumption at $0.46 per gallon, while Overnite had not hedged any of its 1996 fuel requirements. At year-end 1995, the Corporation had outstanding swap agreements covering fuel purchases of $30 million, with gross and net asset positions of $2 million, respectively. Fuel hedging lowered 1996 fuel costs by $34 million, had no significant effect on 1995 fuel costs and lowered 1994 fuel costs by $10 million.

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, 1996, 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, 1996 and 1995, respectively, accounts receivable are presented net of the $650 million and $400 million of receivables sold.

5. Properties

Major property accounts are as follows:

Millions of Dollars	1996	1995
Railroad:		
Road and other.	$22,665	$12,888
Equipment	6,573	5,004
Total Railroad	29,238	17,892
Trucking	736	744
Other.	123	112
Total.	$30,097	$18,748

Accumulated depreciation accounts are as follows:

Millions of Dollars	1996	1995
Railroad:		
Road and other.	$2,551	$2,331
Equipment	2,181	2,035
Total Railroad	4,732	4,366
Trucking	272	237
Other.	49	40
Total.	$5,053	$4,643

6. Income Taxes

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

Millions of Dollars	1996	1995	1994
Current:			

Federal	$200	$166	$123
State	14	(3)	32
Total current	214	163	155
Deferred:			
Federal	149	130	178
State	17	21	(3)
Total deferred	166	151	175
Total	$380	$314	$330

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

Millions of Dollars	1996	1995
Net current deferred tax asset	$ (118)	$ (119)
Excess tax over book depreciation	6,891	3,697
State taxes - net	517	338
SP merger reserves	(357)	--
Long-term liabilities	(292)	(204)
Retirement benefits	(288)	(226)
Alternative minimum tax	(173)	(111)
Net operating loss	(560)	--
Other	201	4
Net long-term deferred tax liability	5,939	3,498
Net deferred tax liability	$5,821	$3,379

The Corporation has a deferred tax asset reflecting the benefits of $1.6 billion in Southern Pacific net operating loss carryforwards (NOL), which expire as follows:

Millions of Dollars	
Expiring December 31:	
2002	$ 467
2003	266
2004	193
2005	163
2006	245
2008	164
2009	102
Total.	$1,600

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:

	1996	1995	1994
Statutory tax rate	35.0%	35.0%	35.0%
State taxes - net.	1.8	1.2	2.1
Goodwill amortization.	0.7	0.9	1.2
Dividend exclusion	(1.4)	(2.3)	(1.7)
Tax settlement	(2.3)	--	--
Other.	0.3	(1.1)	0.1
Effective tax rate	34.1%	33.7%	36.7%

Net payments of income taxes, including payments made by the Corporation on behalf of Resources, were $108 million in 1996, $91 million in 1995 and $119 million in 1994.

7. Debt

Total debt is summarized below:

Millions of Dollars	1996	1995
Notes and debentures, 3.00% to 10.00% due through 2054	$4,051	$2,924
Equipment obligations, 5.57% to 15.00% due through 2012	1,048	722
Commercial paper and bid notes, average of 5.82% in 1996 and 6.00% in 1995.	899	1,129
Term floating rate debt, 5.66% to 6.20%, due through 2002	392	250
Mortgage bonds, 4.25% to 5.00% due through 2030.	176	177
Credit facility borrowings, average of 5.70% in 1996 and 6.05% in 1995, due 2001	175	834
Tax-exempt financings, 3.83% to 4.10% due through		

2026	168	168
Resources cash management agreement, 8.50% due 1996	--	82
Capitalized leases	1,137	255
Unamortized discount	(19)	(177)
Total debt	8,027	6,364
Less current portion	(127)	(132)
Total long-term debt	$7,900	$6,232

Debt maturities for each year, 1997 through 2001, are $127 million, $255 million, $424 million, $632 million and $1.8 billion, respectively. Interest payments approximate gross interest expense.

Approximately 25% 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. 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 $1.2 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.

In October 1995, the Corporation entered into a cash management agreement with Resources. Under the terms of the agreement, which expired in October 1996, Resources was required to remit to the Corporation all cash generated by its operations and was permitted to borrow up to a maximum of $200 million from the Corporation. At December 31, 1995, the Corporation owed Resources $82 million under this agreement.

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, 1996.

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, 1996 are as follows:

Millions of Dollars	Operating Leases	Capital Leases
1997	$ 494	$ 150
1998	374	146
1999	356	151
2000	306	145
2001	266	162
Later years	1,506	1,401
Total minimum payments	$3,302	2,155
Amount representing interest		(1,018)
Present value of minimum lease payments. . .		$1,137

Rent expense for operating leases with terms exceeding one month was $350 million in 1996, $236 million in 1995 and $101 million in 1994. 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. Contributions made to the System are expensed as incurred and amounted to approximately $275 million in 1996 and $200 million in 1995 and 1994. 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 fnding 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	1996	1995	1994
Service cost - benefits			
earned during the period.	$ 31	$ 28	$ 30
Interest on projected			
benefit obligation.	89	80	73
Return on assets:			
Actual (gain)loss	(163)	(181)	8
Deferred gain (loss).	77	111	(76)

Net amortization costs	6	8	12
Charge to operations	$ 40	$ 46	$ 47

The projected benefit obligation was determined using a discount rate of 7.50% in 1996 and 7.25% in 1995. The estimated rate of salary increase approximated 5.50% in 1996 and 5.25% in 1995. The expected long-term rate of return on plan assets was 8.00% in both years. The change in assumptions will not significantly affect 1997 pension cost. As of year-end 1996 and 1995, approximately 37% and 32%, 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		Accumulated Benefits Exceed Assets (a)	
	1996	1995	1996	1995
Plan assets at fair value. . . .	$1,239	$1,024	$ 395	$ --
Actuarial present value of benefit obligations:				
Vested benefits	904	841	431	34
Non-vested benefits	58	54	11	2
Accumulated benefit obligation.	962	895	442	36
Additional benefits based on estimated future salaries	132	193	54	22
Projected benefit obligation	1,094	1,088	496	58
Plan assets (over) under projected benefit obligation.	(145)	64	101	58
Unamortized net transition asset (obligation).	24	8	(11)	(18)
Unrecognized prior service cost	(38)	(54)	(26)	(27)
Unrecognized net gain(loss). . . .	324	163	2	(25)
Minimum liability.	--	--	42	48
Pension liability.	$ 165	$ 181	$ 108	$ 36

(a) Includes the Corporation's non-qualified supplemental pension plan in both 1996 and 1995, and the Southern Pacific qualified pension plan in 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	1996	1995	1994
Service cost - benefits earned during the period.	$ 7	$ 8	$ 8
Interest costs on accumulated benefit obligation.	22	20	18
Net amortization costs	(8)	(12)	(12)
Charge to operations	$21	$16	$14

The liability for postretirement benefit plans is as follows:

Millions of Dollars	1996	1995
Accumulated postretirement benefit obligation:		
Retirees.	$294	$192
Fully eligible active employees	34	30
Other active employees.	89	91
Total accumulated postretirement benefit obligation.	417	313
Unrecognized prior service gain.	39	50
Unrecognized net gain	54	27
Postretirement benefits liability.	$510	$390

The accumulated postretirement benefit obligation was determined using a discount rate of 7.50% in 1996 and 7.25% in 1995. This change in assumption will not significantly affect 1997 postretirement benefit costs. The health care cost trend rate is assumed to decrease gradually from 9.50% for 1997 to

5.00% 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 $31 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 have been expensed as payments have been made.

10. Stock Option Plans, Retention Stock Plans and Other Capital Stock

The Financial Accounting Standards Board (FASB) has issued Statement No. 123, "Accounting for Stock-Based Compensation," which is effective for 1996 financial statements. Statement No. 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.

The Corporation's net income and earnings per share would have decreased by less than 2% had stock-based compensation been recognized in expense under the provisions of Statement No. 123. Pursuant to the Corporation's stock option, retention and restricted stock plans for directors, officers and key employees, 8,586,773, 10,359,406 and 9,747,370 common shares or options for common shares were available for grant at December 31, 1996, 1995 and 1994, 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 and 1994, with retention requirements extending to 2000 and 1997, respectively. A portion of the 1994 awards was dependent on the achievement of certain UPC stock price targets, which have been met. 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 include the effect of the conversion of CNW employee options into UPC options. In addition, 1995 options expired and surrendered include 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, 1995 and 1994, 1,533,586, 249,860 and 755,230 retention and restricted shares, respectively, were issued at a weighted average market price of $56.78 per share in 1996, $64.75 per share in 1995 and $47.00 per share in 1994. 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, 1995 and 1994 were subject to stock price or performance targets.

Changes in common stock options outstanding are as follows:

	Shares Under Option	Weighted Average Price Per Share
Balance Dec. 31, 1993.	4,696,460	$50.39
Granted.	3,990,200	47.00
Exercised	(205,000)	37.49
Expired/Surrendered.	(31,550)	60.51
Balance Dec. 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 Dec. 31, 1995.	7,091,452	49.58
Granted.	5,686,848	56.35
Exercised	(2,081,752)	39.39
Expired/Surrendered.	(326,082)	51.43
Spin-Off Conversion	2,833,601	(16.51)
Balance Dec. 31, 1996.	13,204,067	43.42

Stock options outstanding at December 31, 1996 are as follows:

Range of Exercise Prices	Number of Options	Weighted Average Years to Expiration	Weighted Average Exercise Price
$ 6.02 to $22.80	354,451	5	$16.21
22.91 to 37.99	5,561,135	7	31.99
42.24 to 56.50	7,288,481	9	53.46
Balance at Dec. 31, 1996	13,204,067	8	43.42

11. Commitments and Contingencies

There are various lawsuits pending against the Corporation and certain of its subsidiaries. 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, 1996, the Corporation had accrued $231 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. The Corporation and its subsidiaries also 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 does not expect that the lawsuits, environmental costs, commitments or contingent liabilities will have a material adverse effect on its consolidated financial position or its results of operations.

12. Other Income

Other Income includes the following:

Millions of Dollars	1996	1995	1994
Rental income.	$ 38	$ 22	$ 32
Net gain on property dispositions.	92	76	67
Interest on Resources notes receivable (Note 3)	33	15	--
Other - net	19	28	1
Total.	$182	$141	$100

13.Accounting Pronouncements

The FASB issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which provides consistent standards for determining if transfers of financial assets are sales or secured borrowings and which revises the accounting rules for liabilities extinguished by an in-substance defeasance. This statement is effective for transfers of financial assets and extinguishments of liabilities occurring after December 31, 1996 and is not expected to have any impact on UPC's operating results or financial condition.

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 is not expected to have a significant impact on UPC's operating results or financial condition.

SUPPLEMENTARY INFORMATION (unaudited)

Selected Quarterly Data (a)

Selected unaudited quarterly data are as follows:

Millions of Dollars Except Per Share Amounts	March 31	Jun. 30	Sep. 30	Dec. 31
1996(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:				
Continuing operations	0.52	0.90	1.00	0.93
Net income	0.76	1.18	1.30	0.93
Dividends	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)
1995 (d)				
Operating revenues	$1,664	$1,874	$1,974	$1,974
Operating income	279	337	379	346
Income from continuing operations	130	150	160	179
Net income	191	224	237	294
Per share:				
Continuing operations	0.63	0.73	0.78	0.87
Net income	0.93	1.09	1.15	1.43
Dividends	0.43	0.43	0.43	0.43
Common stock price:				
High	56.13	56.75	69.50	70.13
Low	45.63	51.75	55.13	61.50

(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) 1995 information includes the effect of the CNW acquisition (see Note 2).

Stockholders and Dividends

The common stock of the Corporation is traded on various stock exchanges, principally the New York Stock Exchange. At January 31, 1997, there were 246,760,245 shares of outstanding common stock and approximately 52,900 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 both 1996 and 1995. Union Pacific has paid dividends to its common stockholders during each of the past 97 years. See Note 7 to the Financial Statements for a discussion regarding restrictirons 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	1996		1995		1994	
Total	RTM	CR	RTM	CR	RTM	CR
Agricultural products	18.0%	16.4%	19.7%	17.6%	18.2%	15.7%
Automotive	3.3	10.4	3.2	10.5	3.8	11.3
Chemicals	12.3	18.0	12.8	19.1	14.3	20.7
Energy	39.3	22.0	39.8	21.2	35.9	18.9
Industrial products	14.5	17.9	13.3	17.1	15.3	17.8
Intermodal	12.6	15.3	11.2	14.5	12.5	15.6
Total	100%	100%	100%	100%	100%	100%

Total (billions)	369.7	$7.4	291.6	$6.1	235.8	$5.2

Equipment

	1996	1995	1994
Owned or leased at year-end:			
Locomotives	6,755	4,136	3,132
Freight cars:			
Covered hoppers	46,350	37,341	24,009
Box cars	31,186	20,559	15,670
Open-top hoppers	27,880	15,941	11,256
Gondolas	18,013	12,218	9,678
Other	21,902	8,428	7,698
Work equipment	9,389	10,013	4,529
Purchased or leased during the year:			
Locomotives	245	85	49
Freight cars	2,263	2,111	1,784
Average age of equipment (years):			
Locomotives	13.7	13.1	13.0
Freight cars	19.2	20.9	20.2
Bad order ratio - Freight cars	4.1%	4.4%	6.4%

Capital Expenditures

Millions of Dollars	1996	1995	1994
Roadway and other	$ 930	$ 691	$ 586
Equipment	409	279	183
Total	$1,339	$ 970	$ 769

Track

Miles	1996	1995	1994
Main Line	27,406	16,599	13,836
Branch line	8,431	6,186	3,663
Yards, sidings and other main line	21,915	14,977	12,279
Total	57,752	37,762	29,778
Track miles of continuous welded rail (at year-end)	23,172	14,246	13,988
Track miles under centralized traffic-control (at year-end)	15,406	9,932	8,900
Track miles of rail replaced:			
New	451	492	278
Used	362	475	252
Track miles re-ballasted	4,503	3,532	2,442
Ties replaced (thousands)	2,025	2,194	1,623

Freight Operations

	1996	1995	1994
Operating ratio	79.1	78.1	77.9
Carloadings (thousands)	6,632	5,568	4,991
Average commodity revenue per carloading	$1,119	$1,097	$1,045
Average price of diesel fuel (per gallon)(cents)	69.2	61.0	58.7

Trucking

Freight Operations

	1996	1995	1994
Shipments (thousands):			
Less-than-truckload	8,184	8,279	8,535
Truckload	39	53	58
Total	8,223	8,332	8,593
Tonnage (thousands):			
Less-than-truckload	4,290	4,430	4,557
Truckload	436	612	667
Total	4,726	5,042	5,224
Revenue per hundredweight	$9.97	$9.55	$9.82
Operating ratio(a)	105.0	103.0	91.3

(a) Excludes goodwill amortization

Equipment and Service Centers

Owned or leased at year-end	1996	1995	1994
Tractors	5,023	5,414	5,364
Trailers	19,479	19,809	18,858
Straight trucks	77	73	87
Automobiles and service units	177	186	214
Service centers	161	175	173
Average age of equipment (years):			
Tractors	7.0	6.8	6.5
Trailers	7.7	7.2	7.0

Capital Expenditures

Millions of Dollars	1996	1995	1994
Revenue equipment	$ 5	$31	$58

Other	5	18	35
Total	$10	$49	$93

TEN-YEAR FINANCIAL SUMMARY(a)

Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, Except Per Share Amounts, Ratios and Employee Statistics

	1996	1995	1994(b)	1993(c)	1992	1991(d)	1990	1989	1988	1987
For the Year										
Operating Revenues. . . . . $	8,786	7,486	6,492	6,002	5,773	5,687	5,739	5,453	5,128	4,522
Operating Income.	1,533	1,341	1,244	1,112	1,082	221	993	993	966	810
Income (Loss) from Continuing Operations . . .	733	619	568	412	456	(123)	374	398	419	377
Net Income.	904	946	546	530	728	64	618	595	644	583
Per Share:										
Continuing Operations . . .	3.36	3.01	2.76	2.00	2.24	(0.60)	1.86	1.88	1.84	1.65
Net Income.	4.14	4.60	2.66	2.58	3.57	0.31	3.08	2.81	2.83	2.55
Dividends	1.72	1.72	1.66	1.54	1.42	1.31	1.18	1.12	1.05	1.00
Cash from Continuing Operations	1,657	1,454	1,079	975	842	794	904	956	978	599
Capital Investments	1,360	1,058	876	899	864	667	674	870	917	540
Total Salaries, Wages and Employee Benefits (e). . . . . . . $	3,603	3,120	2,755	2,689	2,659	2,523	2,538	2,462	2,319	2,123
Average Number of Employees	54,800	49,500	45,400	44,000	42,800	43,800	45,400	45,400	44,100	43,300
Revenues Per Employee . . . $	160.3	151.4	143.0	136.3	135.0	129.9	126.4	120.0	116.4	104.5
At Year-End										
Total Assets. . . . . $	27,914	19,446	14,543	13,797	12,901	12,272	12,063	11,567	11,272	10,112
Total Debt.	8,027	6,364	4,479	4,105	4,035	3,966	3,982	3,975	3,254	2,785
Common Stockholders' Equity.	8,225	6,364	5,131	4,885	4,639	4,163	4,277	3,911	4,482	3,761
Equity Per Common Share . .	33.35	30.93	24.92	23.81	22.75	20.52	21.63	19.50	19.85	17.90
Financial Ratios (%)										
Debt to Capital Employed. .	49.4	50.0	46.6	45.7	46.5	48.8	48.2	50.4	42.1	42.5
Return on Average Common Stockholders' Equity. . .	12.4	16.5	10.9	11.1	16.5	1.5	15.1	14.2	13.4	12.9

(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. In addition, all information presented reflects the Corporation's natural resources and waste management segments as discontinued operations. See Notes 2 and 3 to the Financial Statements.

(b) 1994 net income includes a net after-tax loss of $404 million from the sale of the Corporation's waste management operations (see Note 3 to the Financial Statements). 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 ($2.27 per share) with a return on average common stockholders' equity of 15.7%.

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

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

52 AND 53

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 Bethlehem, Pennsylvania.

B. Union Pacific Railroad

1. Headquarters in Omaha, Nebraska.

2. Single, Double and Triple 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. Classification Yards located in the states of Nebraska, Illinois, Missouri, Arkansas, Louisiana, Texas, Idaho, California and Oregon.

4. 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 and Colorado; and in the Canadian cities of Toronto and Montreal.

D. Skyway Freight Systems

1. Headquarters in Watsonville, California.

2. Key Terminals in the states of Washington, California, Arizona, Utah, Texas, Iowa, Illinois, Indiana, Ohio, Georgia, North Carolina, New Jersey, Minnesota, Delaware, Connecticut and Massachusetts.

3. Support Operations located in Indiana.

E. Union Pacific Technologies

1. Headquarters in St. Louis, Missouri.

Exhibit 21

SIGNIFICANT SUBSIDIARIES OF UNION PACIFIC CORPORATION

Name of Corporation	State of Incorporation
Denver & Rio Grande Western Railroad Company	Delaware
Overnite Transportation Company.	Virginia
St. Louis Southwestern Railway Company	Missouri
Southern Pacific Rail Corporation.	Utah
Southern Pacific Transportation Company.	Delaware
SPCSL Corp	Delaware
Union Pacific Railroad Company	Utah

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. 33-54811, 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 23, 1997, incorporated by reference in the Annual Report on Form 10-K of Union Pacific Corporation for the year ended December 31, 1996.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

New York, New York
March 26, 1997

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 Richard K. Davidson, Judy L. Swantak 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, 1996, 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

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/s/ ROBERT P. BAUMAN

Robert P. Bauman

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/s/ RICHARD B. CHENEY

Richard B. Cheney

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/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/ ROBERT W. ROTH

Robert W. Roth

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/s/ RICHARD D. SIMMONS

Richard D. Simmons

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
STATEMENTS OF CONSOLIDATED INCOME AND CONSOLIDATED FINANCIAL POSITION AND
IS QUALIFIED IN ITS ENTIRETY BE REFERENCE TO SUCH FINANCIAL STATEMENTS.

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DEC-31-1996
DEC-31-1996
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304
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30,097
5,053
27,914
3,056
7,900
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686
7,539
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7,253
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733
171
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