

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

FORM 10-K405

(Mark One)

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

For the fiscal year ended December 31, 1999

OR

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

For the transition period from _____ to _____

Commission File Number 1-6075

UNION PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

UTAH

(State or other jurisdiction of
incorporation or organization)

13-2626465

(I.R.S. Employer
Identification No.)

1416 DODGE STREET, OMAHA, NEBRASKA
(Address of principal executive offices)

68179
(Zip Code)

(402) 271-5777
(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 -----
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Common Stock (Par Value \$2.50 per share)	New York Stock Exchange, Inc.
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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 the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

As of February 29, 2000, the aggregate market value of the registrant's Common Stock held by non-affiliates (using the New York Stock Exchange closing price) was approximately \$8,880,699,484.

The number of shares outstanding of the registrant's Common Stock as of February 29, 2000 was 247,842,346.

Portions of the following documents are incorporated by reference into this Report; (1) registrant's Annual Report to Shareholders for the year ended December 31, 1999 (Annual Report) (Parts I, II and IV); and (2) registrant's definitive Proxy Statement for the annual meeting of stockholders to be held on April 21, 2000 (Part III).

PART I

Item 1. Business and Item 2. Properties

Corporate Structure

Union Pacific Corporation (UPC or the Corporation) was incorporated in Utah in 1969. The Corporation operates primarily in the areas of rail transportation, through its subsidiary Union Pacific Railroad Company; and trucking, through its subsidiary Overnite Transportation Company.

In 1999, the Corporation continued implementing its strategy of refocusing on its core rail transportation business. The implementation of this strategy began with the 1994 sale of the Corporation's waste management business. Since then, the Corporation disposed of its oil and gas operations, sold its logistics business and attempted to sell its trucking operations. At the same time, the Corporation invested heavily in rail assets. The Corporation's rail investments included the 1995 purchase of the Chicago and North Western Transportation Company (CNW), the 1996 acquisition of Southern Pacific Rail Corporation (Southern Pacific), and the 1997 and 1999 investments in the Pacific-North and Chihuahua Pacific lines in Mexico.

Key strategic transactions in 1999, 1998 and 1997 were as follows:

Mexican Railway Concession - In 1999, the Railroad increased its investment in the Pacific-North and Chihuahua Pacific lines in Mexico. During 1997, the Railroad and a consortium of partners were granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines and a 25% stake in the Mexico City Terminal Company at a price of \$525 million. The consortium assumed operational control of both lines in 1998. In March 1999, the Railroad purchased an additional 13% ownership interest for \$87 million from one of its partners. The Railroad now holds a 26% ownership share in the consortium and accounts for the investment under the equity method.

Overnite Divestiture - In May 1998, the Corporation's Board of Directors approved a formal plan to divest of UPC's investment in Overnite through an initial public offering. However, market conditions deteriorated to the point that UPC decided not to consummate the offering.

Skyway - In November 1998, the Corporation completed the sale of Skyway Freight Systems, Inc. (Skyway), a wholly owned subsidiary. Skyway provided contract logistics and supply chain management services. The proceeds were used to repay outstanding debt. The sale of Skyway generated a net after-tax loss of \$50 million, of which \$40 million was recognized in 1997 (see Notes 3 and 13 to the Consolidated Financial Statements in the Annual Report).

Southern Pacific - During 1999, UPC continued its integration of Southern Pacific's rail operations. This process is expected to be completed over the next 24 months (see Note 2 to the Consolidated Financial Statements in the Annual Report). UPC consummated the acquisition of Southern Pacific in September 1996 for \$4.1 billion. Sixty percent of the outstanding Southern Pacific common shares were converted into UPC common stock and the remaining 40% of the outstanding shares were acquired for cash. UPC initially funded the cash portion of the acquisition with credit facility borrowings, all of which have been subsequently refinanced with other borrowings. The acquisition of Southern Pacific has been accounted for using the purchase method.

Operations

Union Pacific Corporation consists of one reportable segment, rail transportation, and UPC's other product lines (Other Operations). The rail segment includes the operations of the Corporation's wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR's subsidiaries and rail affiliates (the Railroad). UPRR included as of May 1, 1995, CNW, and, as of October 1, 1996, Southern Pacific. The Corporation finalized the integration of CNW in 1996 and expects to complete the integration of the operations of Southern Pacific over the next 24 months. Other Operations include the trucking product line (Overnite Transportation Company or Overnite), as well as the "other" product lines that include technology, self-insurance activities, corporate holding company operations, which largely support the Railroad, and all appropriate consolidating entries.

Rail

Operations - The Railroad is a Class I railroad that operates in the United States. It has over 33,000 route miles linking Pacific Coast and Gulf Coast ports to the Midwest and eastern United States gateways and providing several north/south corridors to key Mexican gateways. The Railroad serves the western two-thirds of the country and maintains coordinated schedules with other carriers for the handling of freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada and Mexico. Export and import traffic is moved through Gulf Coast and Pacific Coast ports and across the Mexican and (primarily through interline connections) Canadian borders. The Railroad is subject to price and service competition from other railroads, motor carriers and barge operators.

Employees - Approximately 87% of the Railroad's 52,000 employees are represented by rail unions. During 1996, nearly all of UPRR's unionized workforce ratified five-year national agreements, which include a combination of general wage increases and lump-sum payments. In addition, the agreements provide for increased flexibility in work rules. Negotiations under the Railway Labor Act for a new national agreement for all crafts began in late 1999 and are in the initial stages. 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 SP rail systems can be fully integrated. The Railroad has successfully reached agreements with the shopcraft, carmen, clerical and maintenance-of-way unions. By the end of 1999, negotiations with other operating crafts were nearly complete, with only one hub-and-spoke agreement (Los Angeles) left to implement in early 2000. The terms of ratified and pending labor agreements are not expected to have a material adverse effect on the Corporation's results of operations.

A separate Annual Report on Form 10-K for the year ended December 31, 1999, will be filed by UPRR and will contain additional information concerning that company.

Other Operations

Trucking Product Line

Operations - Overnite Transportation Company, a wholly owned subsidiary of the Corporation, is a major interstate trucking company specializing in less-than-truckload shipments. Overnite serves all 50 states and portions of Canada and Mexico through 166 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.

Employees - As one of the nation's largest predominantly non-union single operating trucking companies, Overnite is periodically targeted at many of its service centers by major labor organization efforts instituted by the International Brotherhood of Teamsters (Teamsters). The Teamsters conducted a brief job action in July 1999 and began another job action in October 1999 that continued into 2000. Since year-end 1994, Overnite has received 90 petitions for union elections at 67 of its 166 service centers. Twenty-two service centers, representing approximately 14% of Overnite's 13,000 employee nationwide workforce, voted for union representation; and the Teamsters have been certified and

recognized as the bargaining representative for such employees. Eleven of these locations filed decertification petitions in 1999. Elections affecting approximately 400 additional employees are unresolved, and there are no elections currently scheduled. Additionally, proceedings are pending in certain cases where a Teamsters' local union lost a representation election. To date, Overnite has not entered into any collective bargaining agreements with the Teamsters.

Operational Initiatives - During 1999, 1998 and 1997, Overnite benefited from several initiatives aimed at better matching its operations to the 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. Overnite has also benefited from growth in its customer base generated by continuing improvements in its service levels.

Other Product Lines

Other - Included in the "Other" product lines are the results of the corporate holding company; Union Pacific Technologies, a provider of transportation-related technologies; Wasatch Insurance Limited, a captive insurance company; and all necessary consolidating entries.

Other Information

Additional information regarding UPC's operations is presented on pages 6 through 15, in Note 1 to the Consolidated Financial Statements on pages 38 through 41 and on pages 52 and 53 of the Annual Report, and such information (excluding photographs on pages 6 through 15, none of which supplements the text and which are not otherwise required to be disclosed herein) is incorporated herein by reference. The map of the Corporation's operations on pages 16 and 17 of the Annual Report is also incorporated herein by reference.

Governmental Regulation - UPC's operations are currently subject to a variety of federal, state and local regulations. The most significant areas of regulation are described below. See also the discussion of certain regulatory proceedings in "Item 3. Legal Proceedings".

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

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

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

The 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 cleanup, 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. The Company is subject to potential liability under CERCLA as an owner or operator of facilities at which hazardous substances have been disposed of, or as a generator or a transporter of hazardous substances disposed of at other locations. 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 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 of the Corporation's facilities may be required to obtain such permits. In addition, in December 1997 the EPA issued final regulations which require that most locomotives purchased or remanufactured after 1999 or 2000 meet certain stringent emissions criteria. While the cost of meeting these requirements may be significant, expenditures are not expected to affect materially the Corporation's financial condition or results of operations.

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

Information concerning environmental claims and contingencies and estimated attendant remediation costs is set forth in Note 12 to the Consolidated Financial Statements on page 50 of the Annual Report. Such information is incorporated herein by reference.

Cautionary Information

Certain statements in this report are, and statements in other material filed or to be filed with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Corporation) are or will be, forward-looking within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, without limitation, statements regarding: expectations as to operational improvements; expectations as to cost savings, revenue growth and earnings; the time by which certain objectives will be achieved; estimates of costs relating to environmental remediation and restoration; expectations as to product applications; expectations that claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on its consolidated financial position, results of operations or liquidity; and statements concerning projections, predictions, expectations, estimates or forecasts as to the Corporation's and its subsidiaries' business, financial and operational results, and future economic performance, statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Important factors that could cause such differences include, but are not limited to, whether the Corporation and its subsidiaries are fully successful in implementing their financial and operational initiatives; industry competition, conditions, performance and consolidation; legislative and/or regulatory developments, including possible enactment of initiatives to re-regulate the rail business; natural events such as severe weather, floods and earthquakes; the effects of adverse general economic conditions, both within the United States and globally; changes in fuel prices; changes in labor costs; labor stoppages; the impact of latent year 2000 systems problems; and the outcome of claims and litigation, including claims arising from environmental investigations or proceedings.

Forward-looking statements speak only as of the date the statement was made. The Corporation assumes no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If the Corporation does update one or more forward-looking statements, no inference should be drawn that the Corporation will make additional updates with respect thereto or with respect to other forward-looking statements.

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 by UPC, subject to various conditions. The acquisition was consummated on September 11, 1996. Various appeals were filed with respect to the Decision, and all such appeals were ultimately consolidated in the U.S. Court of Appeals for the District of Columbia Circuit, and all of the appeals have since been withdrawn or denied.

Among the conditions to the STB's approval of the Southern Pacific acquisition was the requirement that the STB retain oversight jurisdiction for five years to examine whether the conditions imposed under the Decision remain effective to address the competitive harms caused by the merger. On November 30, 1999, the STB served a decision in the third annual general oversight proceeding to review the implementation of the merger and the effectiveness of the conditions imposed under the Decision. The Board concluded that merger implementation continued to be positive, the conditions ensured effective competition and no new conditions were warranted. The STB established July 3, 2000 as the date for the next comprehensive summary to be filed by the Railroad. The STB order also requires interested parties to file comments concerning the next annual oversight proceeding on August 18, 2000, with replies being due September 5, 2000.

Bottleneck Proceedings

The STB initiated a proceeding in 1996 on the issue of whether it should modify existing laws regarding a railroad's obligation to offer, and a shipper's rights to challenge, rates for rail service over a bottleneck segment. A bottleneck segment is a line of railroad that is served by only one railroad between a junction and an exclusively served shipper facility. The STB proceeding also encompassed motions to dismiss individual complaint proceedings filed by shippers challenging class rates charged for or allegedly applicable to the movement of coal, two of which named UPRR and Southern Pacific as defendants. On December 31, 1996, the STB served a decision that generally reaffirmed earlier rulings holding that a rail carrier is not obligated to provide rates for bottleneck segments and confirmed the right of all rail carriers to set rates differentially based upon demand. It created an exception, requiring a bottleneck carrier that does not have its own route between origin and destination to provide a common-carrier rate, challengeable by a shipper, for the bottleneck segment when the shipper obtains a contract rate for the remainder of the movement. It also dismissed the two complaint proceedings in which UPRR and SP were defendants. The STB subsequently served a decision

generally declining to reconsider its December 31, 1996 decision. Shippers appealed the STB decisions to the U.S. Court of Appeals for the Eighth Circuit. In February 1999, the Court of Appeals affirmed the STB's decision and the dismissal of the two complaints against the Railroad and Southern Pacific. A petition for a writ of certiorari filed in the United States Supreme Court was denied in October 1999. The Court of Appeals also dismissed as premature a cross-appeal by the railroads challenging the contract rate exception.

In a separate case, the Railroad sought review of the contract rate exception. A December 1997 STB decision required the Railroad to publish separately challengeable bottleneck segment rates for the shipper's use in connection with a contract rate on another carrier. On February 15, 2000, the U.S. Court of Appeals for the District of Columbia affirmed the STB's decision and the exception. The shipper's complaint concerning the Railroad's rates and other rates is awaiting decision by the STB.

Customer Claims

Some customers have submitted claims for damages related to shipments delayed by the Railroad as a result of congestion problems in 1997 and 1998, and certain customers have filed lawsuits seeking relief related to such delays. Some customers have asserted that they have the right to cancel contracts as a result of alleged material breaches of such contracts by the Railroad. The Corporation accrued amounts for these claims in 1998 and 1997. No additional amounts were accrued in 1999.

Shareholder Litigation

The Corporation and certain of its directors and officers (who are also directors of the Railroad) are defendants in two purported class actions that have been consolidated into one proceeding. The consolidated complaint alleges, among other things, that the Corporation violated the federal securities laws by failing to disclose material facts and making materially false and misleading statements concerning the service, congestion and safety problems encountered following the Corporation's acquisition of Southern Pacific in 1996. These lawsuits were filed in late 1997 in the United States District Court for the Northern District of Texas and seek to recover unspecified amounts of damages. Management believes that the plaintiffs' claims are without merit and has been defending them vigorously. The defendants moved to dismiss this action, and the motion was briefed and submitted to the Court for decision in 1998. In February 2000, prior to a ruling on the motion, the parties jointly advised the Court that they were engaged in discussions concerning the possible settlement of the action and asked the Court to defer ruling on the motion to dismiss pending the outcome of these discussions. The Court entered an order dated February 29, 2000 agreeing to such deferral, subject to the motion of either party to reactivate the action and the pending motion to dismiss at any time. Although settlement discussions are proceeding in good faith, there can be no assurance that they will be successful.

In addition to the class action litigation, a purported derivative action was filed on behalf of the Corporation and the Railroad in September 1998 in the District Court for Tarrant County, Texas, naming as defendants the then-current and certain former directors of the Corporation and the Railroad and, as nominal defendants, the Corporation and the Railroad. The derivative action alleges, among other things, that the named directors breached their fiduciary duties to the Corporation and the Railroad by approving and implementing the Southern Pacific merger without informing themselves of its impact or ensuring that adequate controls were put in place and by causing UPC and the Railroad to make misrepresentations about the Railroad's service problems to the financial markets and regulatory authorities. The Corporation's Board of Directors established a special litigation committee consisting of three independent directors to review the plaintiff's allegations and determine whether it is in UPC's best interest to pursue them. In February 1999, the committee rendered its report, in which it unanimously concluded that further prosecution of the derivative action on behalf of the Corporation and the Railroad is not in the best interest of either such company. Accordingly, the Corporation and the Railroad have filed a motion with the Court to dismiss the derivative action. The plaintiff has not yet responded to the motion. The individual defendants also believe that these claims are without merit and intend to defend them vigorously.

Other Matters

On August 29, 1997, an Amtrak train, operating on the Railroad's tracks, struck a car at a crossbuck-protected crossing near Warrensburg, Missouri, injuring Kimberley R. Alcorn, a passenger in the car. Ms. Alcorn brought suit against the Railroad and Amtrak in the Circuit Court of Jackson County, Missouri Division No. 10. On September 24, 1999, a jury found that Amtrak and the Railroad were negligent in causing the accident. The jury awarded Ms. Alcorn approximately \$40.3 million in compensatory damages, and, on September 29, 1999, found the Railroad liable for an additional \$120 million in punitive damages. On January 19, 2000, the Circuit Court reduced the jury's award to \$25 million for compensatory damages and \$50 million for punitive damages, an amount that is less than ten percent of the Railroad's current assets on December 31, 1999. The Railroad believes that the damage awards are not supported by the facts or the law, and is continuing to assist Amtrak's appeal to the Missouri Supreme Court seeking a new trial or relief from the damage awards. Under the terms of an existing agreement, Amtrak will continue to defend the Railroad's interests in this litigation and appeal, and the Railroad believes that Amtrak and its insurers, under the terms of the agreement, will hold the Railroad harmless from any final judgment.

Labor Matters

The General Counsel of the National Labor Relations Board (NLRB) is seeking a bargaining order remedy in 11 cases involving Overnite where a Teamsters local union lost a representation election. 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. In these eleven cases an administrative law judge has ruled that the bargaining order remedy is warranted. Overnite appealed those rulings to the NLRB. The NLRB has upheld the decision of the administrative law judge in four cases, and Overnite has appealed the NLRB's ruling to the United States Court of Appeals for the Fourth Circuit. Overnite's appeal with respect to the remaining seven cases is pending before the NLRB. In a twelfth case, the administrative law judge found that a bargaining order remedy was not warranted. 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 in the bargaining order cases and intends to continue to defend them aggressively.

Environmental Matters

The Railroad was named as a defendant in a civil action brought by the California Department of Fish and Game, Office of Spill Prevention and Response on April 10, 1998. The complaint alleged violations of California Fish and Game Code Section 5650, California Business and Professions Code Section 17200, Civil Code Sections 3479 and 3480, and damage to the waters of California for which the Department of Fish and Game allege trusteeship. The complaint resulted from derailments and alleged releases of diesel fuel oil during 1995 in the Feather River Canyon in Butte County, California. The complaint sought penalties, exemplary damages, natural resource damages and unspecified injunctive relief. In 1999, a settlement was reached in this case between the Railroad and the governmental entities in which the Railroad agreed to various measures to assess and mitigate rockslide hazards and to pay stipulated civil penalties for future releases.

The Railroad was named as a defendant in a criminal misdemeanor action brought by the State of California in the Municipal Court of Placer County, California on February 24, 1998. The complaint alleged a violation of California Fish and Game Code Section 5650 as a result of a diesel fuel spill in Norden, California in February 1997. In addition, the California Department of Fish and Game sought penalties, monitoring costs and natural resource damages under state water statutes, and the EPA sought penalties for violation of the Clean Water Act in connection with the same incident. In 1999, a settlement was reached in this case between the Railroad and the governmental entities in which the Railroad had agreed to remediate the spill and pay total penalties of approximately \$305,000.

The Railroad received approximately 20 Notices of Violation (NOVs) from the South Coast Air Quality Management District (the District) relating to fumes emitted from idling diesel locomotives at Slover siding near the Railroad's yard in West Colton, California. Trains awaiting crews or room to enter the West Colton yard were parked at Slover siding with their engines running for various amounts of time, causing exhaust fumes to enter the backyards and homes of residents living along the siding. The District had cited the Railroad for creating a public nuisance pursuant to the California Health and Safety Code and the District's regulations. Each violation carried a maximum civil penalty of \$25,000 per day, which could be increased in some circumstances to \$50,000 per day. Although the Railroad modified its operating procedures for trains entering the West Colton yard to reduce the problem, the District entered an order with respect to the situation which the Railroad believed to be an impermissible burden on interstate commerce preempted by applicable federal law. In 1999, the Railroad and the government reached a settlement in this case. Under the terms of the settlement, the Railroad paid a penalty of \$500,000 and made certain operating changes.

The Railroad received notification that the District Attorney for San Bernardino County, California opened an investigation into the Railroad's handling of several hazardous material spills in Barstow and West Colton, California. The incident in Barstow involved a rear-end collision between two trains near Barstow in August 1997 that resulted in a spillage of locomotive diesel fuel and leakage from two tank cars containing toxic chemicals. Three incidents in the West Colton yard in 1998 involved leaking tank cars and spills of diesel fuel from a derailed locomotive. The District Attorney's office was investigating allegations that cleanup procedures were not undertaken promptly and required notices were not given in connection with these incidents. In 1999, the Railroad and the government reached a settlement in this case. Under the terms of the settlement, the Railroad paid a civil penalty of \$350,000 and agreed to certain spill handling and reporting requirements.

In March 1998, the Railroad received notice that the Railroad and Clean Harbors, a waste disposal firm, were the subjects of a criminal investigation by the EPA and the Federal Bureau of Investigation. Tank cars containing hazardous waste billed to Clean Harbors' transload facility in Sterling, Colorado were held in the Railroad's Sterling, Colorado rail yard for periods longer than ten days prior to placement in Clean Harbors' facility, allegedly in violation of hazardous waste regulations. The Railroad is cooperating with the investigation and has responded to grand jury subpoenas. A finding of violation could result in significant criminal or civil penalties.

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

Information concerning environmental claims and contingencies and estimated attendant remediation costs is set forth in Note 12 to the Consolidated Financial Statements on page 50 of the Annual Report. Such information is incorporated herein by reference.

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	58	(1)
James R. Young	Executive Vice President - Finance of UPC and Chief Financial Officer of the Railroad	47	(2)
L. Merrill Bryan, Jr.	Senior Vice President - Information Technologies	56	(3)
Barbara W. Schaefer	Senior Vice President - Human Resources	46	(4)
Robert F. Starzel	Senior Vice President - Corporate Relations	59	(5)
Carl W. von Bernuth	Senior Vice President, General Counsel and Corporate Secretary	56	(6)
Charles R. Eisele	Vice President - Strategic Planning and Administration	50	(7)
Bernie R. Gutschewski	Vice President - Taxes	49	(8)
Mary E. McAuliffe	Vice President - External Relations	53	Current Position
Richard J. Putz	Vice President and Controller	52	(9)
Mary S. Jones	Vice President and Treasurer	47	(10)
Gary F. Schuster	Vice President - Corporate Relations	58	Current Position
James A. Shattuck	Vice Chairman of the Railroad	60	(11)
Ivor J. Evans	President and Chief Operating Officer of the Railroad	57	(12)
Dennis J. Duffy	Executive Vice President - Operations of the Railroad	49	(13)
John J. Koraleski	Executive Vice President - Marketing and Sales of the Railroad	49	(14)
R. Bradley King	Executive Vice President - Network Design and Integration of the Railroad	52	(15)
Leo H. Suggs	Chairman and Chief Executive Officer of Overnite	61	(16)

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 until August 1995, Chairman of the Railroad until November 1996 and Chairman and Chief Executive Officer of the Railroad since November 1996.
- (2) Mr. Young was elected Executive Vice President-Finance of UPC and Chief Financial Officer of the Railroad effective December 1, 1999. He was elected Controllor of UPC and Senior Vice President - Finance of the Railroad effective March 1999 and Senior Vice President - Finance of UPC effective June 1998. He served as Treasurer of the Railroad from June 1998 to March 1999. He was Vice President - Customer Service Planning and Quality of the Railroad from April 1998 to June 1998, Vice President - Quality and Operations Planning from September 1997 to April 1998, Vice President - Finance and Quality from September 1995 to September 1997, and prior thereto he was Vice President - Re-engineering of the Railroad.
- (3) Mr. Bryan was elected to his current position effective May 1997. Prior thereto, he was President and Chief Executive Officer of Union Pacific Technologies, Inc., a former subsidiary of UPC.
- (4) Ms. Schaefer was elected to her current position effective April 1997. From April 1994 to April 1997 she was Vice President - Human Resources of the Railroad. Prior thereto, she was Director of Compensation and Human Resources Information Services of UPC.
- (5) Mr. Starzel was elected to his current position effective April 1998. From September 1996 to April 1998 he was Vice President - Western Region of the Railroad and prior thereto he was Vice Chairman of Southern Pacific Rail Corporation.
- (6) Mr. von Bernuth was elected Corporate Secretary effective April 1997. He has been Senior Vice President and General Counsel during the past five years.
- (7) Mr. Eisele was elected to his current position effective March 1999. He was Vice President-Strategic Planning from September 1997 to March 1999. He was Vice President - Purchasing for the Railroad from April 1994 to September 1997. Prior thereto, he was Vice President - Human Resources for the Railroad.
- (8) Mr. Gutschewski was elected Vice President - Taxes effective August 1998. Prior thereto, he was Assistant Vice President - Tax and Financial Management of the Railroad.
- (9) Mr. Putz was elected Vice President and Controllor of UPC and Chief Accounting Officer of the Railroad effective December 1, 1999. Prior thereto, he was Assistant Vice President and Controllor of the Railroad.
- (10) Ms. Jones was elected to her current position effective March 1999. She served as Vice President - Investor Relations from June 1998 to March 1999. She was Assistant Vice President - Treasury and Assistant Treasurer of UPC from September 1996 to June 1998 and prior thereto she was Assistant Treasurer of UPC.
- (11) Mr. Shattuck was elected to his current position effective March 1999. Prior thereto, he served as Executive Vice President - Marketing and Sales of the Railroad.
- (12) Mr. Evans was elected to his current position effective September 1998. Prior thereto, he was Senior Vice President of Emerson Electric Company, a company engaged in the design, manufacture and sale of electrical, electromechanical, and electronic products and systems.

- (13) Mr. Duffy was elected to his current position effective September 1998. He was Senior Vice President - Safety Assurance and Compliance Process from October 1997 to September 1998. He was Senior Vice President - Customer Service and Planning of the Railroad from November 1995 to October 1997. From May 1995 to November 1995 he was Vice President - Quality and Network Planning of the Railroad. Prior thereto, he was Vice President - Quality of the Railroad.
- (14) Mr. Koraleski was elected to this position effective March 1999. He served as Controller of UPC from August 1998 to March 1999 and as Executive Vice President - Finance of the Railroad from May 1996 to March 1999. Prior to May 1996, he was Executive Vice President - Finance and Information Technologies of the Railroad.
- (15) Mr. King was elected to his current position effective September 1998. He was Executive Vice President - Operations from October 1997 to September 1998. He was Vice President - Transportation of the Railroad from November 1995 to October 1997. Prior thereto, he was Vice President - Risk Management of the Railroad.
- (16) Mr. Suggs was elected to his current position in April 1996. Prior thereto, he was President and Chief Executive Officer of Preston Trucking Company, Inc., a company engaged in truck transportation.

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, 2000 is set forth under Selected Quarterly Data and Stockholders and Dividends on page 52 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 the Consolidated Financial Statements on page 45 of the Annual Report. All 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 54 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 financial condition, changes in financial condition, results of operations, cash flows, liquidity and capital resources, and other matters is set forth in the Financial Review on pages 18 through 32 of the Annual Report. All such information is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Information concerning market risk sensitive instruments is set forth under Other Matters on page 30 of the Annual Report and in Note 4 to the Consolidated Financial Statements on pages 42 and 43 of the Annual Report. All such information is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The Corporation's Consolidated Financial Statements, Significant Accounting Policies, Notes to the Financial Statements and Independent Auditors' Report are presented on pages 33 through 51 of the Annual Report. Selected quarterly

financial data are set forth under Selected Quarterly Data on page 52 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 Election of 12 Directors segment 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 Section 16(a) Beneficial Ownership Reporting Compliance segment of the Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

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

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information as to the number of shares of UPC's equity securities beneficially owned as of February 11, 2000 by each of its directors and nominees for director, its five most highly compensated executive officers, its directors and executive officers as a group and certain beneficial owners is set forth in the Election of 12 Directors, Security Ownership of Management, and Security Ownership of Certain Beneficial Owners 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 Consolidated Financial Statements, Significant Accounting Policies, Notes to the Financial Statements and Independent Auditors' Report on pages 33 through 51, 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 consolidated financial statements referred to above.

(3) Exhibits

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

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

3(b) By-Laws of UPC, as amended effective as of November 19, 1998, are incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed November 25, 1998.

4 Pursuant to various indentures and other agreements, UPC has issued long-term debt. No such agreement has securities or obligations covered thereby which exceed 10% of the Corporation's total consolidated assets. UPC agrees to furnish the Commission with a copy of any such indenture or agreement upon request by the Commission.

10(a) Amended and Restated Anschutz Shareholders Agreement, dated as of July 12, 1996, among UPC, UPRR, The Anschutz Corporation (TAC), Anschutz Foundation (the Foundation) and Mr. Philip F. Anschutz, is incorporated herein by reference to Annex D to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).

10(b) Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, TAC and the Foundation is incorporated herein by reference to Annex H to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).

10(c) Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, UP Holding Company, Inc., Union Pacific Merger Co. and Southern Pacific Rail Corporation (SP) is incorporated herein by reference to Annex J to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).

10(d) Agreement, dated September 25, 1995, among UPC, UPRR, Missouri Pacific Railroad Company (MPRR), SP, Southern Pacific Transportation Company (SPT), The Denver & Rio Grande Western Railroad Company (D&RGW), St. Louis Southwestern Railway Company (SLSRC) and SPCSL Corp. (SPCSL), on the one hand, and Burlington Northern Railroad Company (BN)

and The Atchison, Topeka and Santa Fe Railway Company (Santa Fe), on the other hand, is incorporated by reference to Exhibit 10.11 to UPC's Registration Statement on Form S-4 (No. 33-64707).

- 10(e) Supplemental Agreement, dated November 18, 1995, between UPC, UPRR, MPRR, SP, SPT, D&RGW, SLSRC and SPCSL, on the one hand, and BN and Santa Fe, on the other hand, is incorporated herein by reference to Exhibit 10.12 to UPC's Registration Statement on Form S-4 (No. 33-64707).
- 10(f) The Executive Incentive Plan of UPC, amended April 27, 1995, is incorporated herein by reference to Exhibit 10(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.
- 10(g) The Executive Stock Purchase Incentive Plan of UPC is incorporated herein by reference to Exhibit 10(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
- 10(h) Written Description of Premium Exchange Program Pursuant to 1993 Stock Option and Retention Stock Plan of UPC is incorporated herein by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
- 10(i) 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(j) Letter Agreement, dated September 8, 1998, between UPC and Mr. Ivor J. Evans, is incorporated herein by reference to Exhibit 10.1 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.
- 10(k) Letter Agreement, dated November 18, 1999, amending Letter Agreement dated September 8, 1999 between UPC and Mr. Ivor J. Evans.
- 10(l) Letter Agreement, dated September 11, 1996, between UPC and Robert Starzel is incorporated herein by reference to Exhibit 10(i) the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998.
- 10(m) Employment Agreement, dated as of October 26, 1994, between SP and SPT, on the one hand, and Robert F. Starzel, on the other hand, is incorporated herein by reference to Exhibit 10.10 to SP's Annual Report on Form 10-K for the year ended December 31, 1994.
- 10(n) The 1988 Stock Option and Restricted Stock Plan of UPC, as amended as of September 24, 1998, is incorporated herein by reference to Exhibit 10.3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.
- 10(o) The 1993 Stock Option and Retention Stock Plan of UPC, as amended May 27, 1999, is incorporated herein by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.
- 10(p) 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(q) The Executive Life Insurance Plan of UPC, as amended October 1997, is incorporated herein by reference to Exhibit 10(t) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997.
- 10(r) The UPC Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, as amended May 27, 1999, is incorporated herein by reference to Exhibit 10(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.
- 10(s) Charitable Contribution Plan for Non-Employee Directors of Union Pacific Corporation is incorporated herein by reference to Exhibit 10(z) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.
- 10(t) Written Description of Other Executive Compensation Arrangements of Union Pacific Corporation is incorporated herein by reference to Exhibit 10(q) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998.
- 12 Ratio of Earnings to Fixed Charges.
- 13 Pages 6 through 54, inclusive, of UPC's Annual Report to Shareholders for the year ended December 31, 1999, but excluding photographs set forth on pages 6 through 17, none of which supplements the text and which are not otherwise required to be disclosed in this Annual Report on Form 10-K.
- 21 List of the Corporation's significant subsidiaries and their respective states of incorporation.
- 23 Independent Auditors' Consent.
- 24 Powers of attorney executed by the directors of UPC.
- 27 Financial Data Schedule.
- 99(a) Financial Statements for the Fiscal Year ended December 31, 1999 required by Form 11-K for the UPC Thrift Plan - to be filed by amendment.
- 99(b) Financial Statements for the Fiscal Year ended December 31, 1999 required by Form 11-K for the Union Pacific Fruit Express Company Agreement Employee 401(k) Retirement Thrift Plan - to be filed by amendment.
- 99(c) Financial Statements for the Fiscal Year ended December 31, 1999 required by Form 11-K for the Union Pacific Agreement Employee 401(k) Retirement Thrift Plan - to be filed by amendment.
- 99(d) Financial Statements for the Fiscal Year ended December 31, 1999 required by Form 11-K for the Chicago and North Western Railway Company Profit Sharing and Retirement Savings Program - to be filed by amendment.
- 99(e) Financial Statements for the Fiscal Year ended December 31, 1999 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 January 20, 2000, UPC filed a Current Report on Form 8-K announcing UPC's financial results for the fourth quarter of 1999.

On March 9, 2000, UPC filed a Current Report on Form 8-K filing the Union Pacific Corporation 2000 Directors' Stock Plan, which will be considered for approval at the UPC 2000 Annual Meeting of Shareholders.

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 27th day of March, 2000.

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 27th day of March, 2000, 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:

/s/ James R. Young

James R. Young,
Executive Vice President - Finance
Chief Financial Officer

PRINCIPAL ACCOUNTING OFFICER:

/s/ Richard J. Putz

Richard J. Putz,
Vice President and Controller

SIGNATURES - (Continued)

DIRECTORS:

Philip F. Anschutz*

Spencer F. Eccles*

Robert P. Bauman*

Ivor J. Evans*

Richard B. Cheney*

Elbridge T. Gerry, Jr.*

E. Virgil Conway*

Judith Richards Hope*

Richard K. Davidson*

Richard J. Mahoney*

Thomas J. Donohue*

Richard D. Simmons*

* By /s/ Thomas E. Whitaker

Thomas E. Whitaker, Attorney-in-fact

Union Pacific Corporation
Exhibit Index

Exhibit No. Description
----- -----

Filed with this Statement

- 10(k) Letter Agreement, dated November 18, 1999, amending Letter Agreement dated September 8, 1999 between UPC and Mr. Ivor J. Evans.
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November 18, 1999

Mr. Ivor J. Evans
President and Chief Operating Officer
Union Pacific Railroad Company
1416 Dodge Street, Room 1230
Omaha, NE 68179

Dear Ike:

With reference to your letter agreement of September 8, 1998, providing for a guaranteed minimum bonus of \$300,000 for 1999, payable in 2000, this will confirm that you may elect to exchange all or a portion of your right to receive such guaranteed bonus for a grant of retention stock units under the Union Pacific 1993 Stock Option and Retention Stock Plan equal to 150% of the bonus foregone. The terms of such restricted stock units shall be otherwise in accordance with the terms of the Company's Executive Incentive Premium Exchange Program.

If you concur with the above, please sign the second copy of this letter and return it to me no later than November 26, 1999.

Sincerely,

/s/ Dick

DD/ss

cc: Barbara W. Schaefer

Approved: /s/ Ivor J. Evans

Dated: 11/23/99

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars, Except for Ratio)

	1999	1998 (b)(c)	1997	1996(a)	1995
Earnings from continuing operations.....	\$ 783	\$(633)	\$ 432	\$ 733	\$ 619
Undistributed equity earnings.....	(45)	(44)	(37)	(47)	(29)
Total.....	738	(677)	395	686	590
Income taxes.....	419	(63)	244	380	314
Fixed charges:					
Interest expense including amortization of debt discount.....	733	714	605	501	450
Portion of rentals representing an interest factor.....	186	181	166	135	66
Total.....	919	895	771	636	516
Earnings available for fixed charges.....	\$2,076	\$ 155	\$1,410	\$1,702	\$1,420
Fixed charges as above.....	\$ 919	\$ 895	\$ 771	\$ 636	\$ 516
Interest capitalized.....	-	-	-	-	-
Total.....	\$ 919	\$ 895	\$ 771	\$ 636	\$ 516
Ratio of earnings to fixed charges.....	2.3	0.2	1.8	2.7	2.8

(a) 1996 information reflected the Corporation's waste management business as discontinued operations.

(b) Excluding the impact of the one-time goodwill charge of \$547 million pre- and after-tax in 1998, the ratio of earnings to fixed charges would have been 0.8.

(c) 1998 earnings were inadequate to cover fixed charges by \$740 million.

On the cover - Intermodal, coal and manifest trains travel along UP's triple track west of Kearney, Nebraska.

Contents

1	Letter from the Chairman
6	Strengthening the Franchise
8	Transforming the Company
10	Re-energizing Quality
12	Innovation
14	Advantage Overnite
16	Franchise Map
18	Financial Review
34	Financial Statements
52	Supplementary Information
54	Ten-Year Financial Summary
55	Board of Directors
56	Senior Officers
57	Corporate Information

Financial Highlights

Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, Except Ratios and Per Share Amounts	1999 [a]	1998 [b]	1997

For the Year			
Operating Revenues.....	\$11,273	\$10,553	\$11,079
Operating Income (Loss).....	1,804	(171)	1,144
Income (Loss) from Continuing Operations.....	783	(633)	432
Income from Discontinued Operations.....	27	-	-
Net Income (Loss).....	810	(633)	432
Per Share - Basic:			
Income (Loss) from Continuing Operations.....	3.17	(2.57)	1.76
Income from Discontinued Operations.....	0.11	-	-
Net Income (Loss).....	3.28	(2.57)	1.76
Per Share - Diluted:			
Income (Loss) from Continuing Operations.....	3.12	(2.57)	1.74
Income from Discontinued Operations.....	0.10	-	-
Net Income (Loss).....	3.22	(2.57)	1.74
Dividends Per Share.....	0.80	0.80	1.72
Operating Cash Flow.....	1,869	565	1,600
Capital Investments.....	1,834	2,111	2,101

At Year-End			
Assets.....	\$29,888	\$29,374	\$28,860
Total Debt.....	8,640	8,692	8,518
Common Stockholders' Equity.....	8,001	7,393	8,225
Equity Per Common Share.....	32.29	29.88	33.30

Financial Ratios (%)			
Operating Ratio.....	84.0	101.6	89.7
Debt to Capital Employed.....	47.6	49.4	50.9
Return on Average Common Stockholders' Equity.....	10.5	(8.1)	5.3

[a] 1999 income from discontinued operations included a one-time, after-tax gain of \$27 million from the adjustment of a liability established in connection with the discontinued operations of a former subsidiary (see Note 3 to the Consolidated Financial Statements).

[b] 1998 operating loss and net loss included a \$547 million pre- and after-tax charge for the revaluation of Overnite goodwill (see Note 1 to the Consolidated Financial Statements).

Operating Revenues
Union Pacific Corporation

\$ Millions

95	96	97	98	99
--	--	--	--	--
7,486	8,786	11,079	10,553	11,273

Operating Income
Union Pacific Corporation

\$ Millions

95	96	97	98	99
--	--	--	--	--
1,242	1,432	1,144	171*	1,804

* 376 - Excluded \$547 million Overnite goodwill revaluation.

Income from Continuing Operations
Union Pacific Corporation

\$ Millions

95	96	97	98	99
--	--	--	--	--
619	733	432	(633)**	783

** (86) Excluded \$547 million Overnite goodwill revaluation.

FRONT COVER

LETTER FROM THE CHAIRMAN
Fellow shareholders,

1999 was a year of transition and renewal for Union Pacific and a year of tremendous progress on many fronts. As we began the year, we re-committed ourselves to a straightforward vision - to be a company where our customers want to do business, our employees are proud to work and value is created for our shareholders. This vision has been the cornerstone of our efforts throughout 1999. We are strengthening our franchise, transforming our culture and re-energizing the quality focus that is fundamental to realizing the long-term value of our company.

Financial Results

The results of these efforts could be seen quarter-by-quarter in 1999 as we gained both operating and financial momentum. For the year, net income totaled \$810 million or \$3.22 per diluted share, with income from continuing operations improving sequentially through the quarters. This was a welcome improvement over the \$633 million net loss in 1998.

These results were achieved through a combination of top-line growth and productivity improvements. The Railroad's commodity revenue gained strength through the year and totaled \$9.9 billion. This was a 9% increase over 1998, with growth in all six of our major commodity groups. It translates to an incremental \$779 million of revenue as customers voted their confidence in our service by returning their business. These higher volumes were also handled more efficiently than a year ago as improvements in the Railroad's operating fundamentals took hold. Average system velocity improved 24% year-over-year, while recrew rates declined 47%. This drove Union Pacific's operating ratio (excluding Overnite) to 82.5%, a 14-point improvement over the previous year.

Strengthening the Rail Franchise

The improvements in performance trends throughout 1999 reflect, in part, the strength and resilience of the new Union Pacific network. The combination of the Union Pacific, the Southern Pacific and the Chicago and North Western has created a rail franchise that is second to none. With the service difficulties behind us, we have been working to complete this integration. In 1999 we had the benefit of our first full year under a single computer operating system. By year end all but one of the hub-and-spoke locations were unified under new labor agreements, and key merger projects were completed.

One of these merger milestones was construction of the new J.R. Davis classification facility in Roseville, California. This yard is now the most technologically advanced rail facility in the western United States and is a key operating component of the new merged franchise. We also removed a critical bottleneck on the Railroad with completion of the triple track project on the Central Corridor. We now have three main lines across the heart of our railroad, allowing us to improve customer service and take advantage of such growth opportunities as Powder River Basin coal.

Transforming the Culture

The railroad franchise is the backbone of our ability to deliver value to customers and ultimately to shareholders. But to achieve the potential of this franchise, we need a culture and an organizational structure that enable our

1999 Quarterly Income from Continuing Operations Union Pacific Corporation

\$ Millions

1Q	2Q	3Q	4Q
--	--	--	--
129	194	218	242

people to do their best. We learned this the hard way during our service difficulties. We wanted to make sure that these hard-earned lessons were not forgotten but were put to work to make Union Pacific a stronger company.

In last year's annual report, we talked about our plans for this transformation process. During 1999 we set about the implementation of those plans. We decentralized our operations to streamline decision making and improve operating efficiency. We established a network design process to coordinate and optimize the way we use our resources. And, finally, we began to change the culture of our company, uniting our employees under a common vision and a common set of values. While perhaps the most difficult to quantify, we believe this culture change will result in the most positive and far-reaching impact of all.

Re-energizing Quality

One critical value stressed in our transformation has been a re-emphasis on quality processes. Quality has been a driving force at UP since 1987, but with the distractions of the mergers and the difficulties of the service crisis, we lost our quality discipline. During 1999 we set about regaining a focused approach to reducing failure costs and improving service to customers. The results have been heartening. Through the quality process and our transformation efforts, UP's coal team has dramatically improved service to coal customers during the year while delivering record coal volumes. In key Gulf Coast corridors, chemical customers have seen service improve rapidly since the service difficulties. In fact, we have been honored for our quality efforts by several major customers, including Air Products and Chemicals, Rail Van and the General Electric Transportation Association Council. UP has also been recertified as satisfying ISO 9002 standards.

1999 Capacity Improvement Union Pacific Railroad

Network capacity is a critical element in improving customer service and operating efficiency. Capacity spending totaled \$324 million in 1999. Major capital projects included double and triple track on the central corridor and key coal routes and completion of the Roseville yard. Yard capacity and track connections were built to support business growth in Southern California. Double track, sidings, and yard capacity were added in Texas to better serve Gulf coast chemical customers and accommodate Mexican rail traffic growth.

Map of the Western Continental United States with highlighted points: Roseville Yard, L.A. Basin, Tucumcari Line, Austin to Laredo, Gulf Coast, Coal Line

Cost of Quality Union Pacific Railroad

Percent of Revenue

95	96	97	98	99
--	--	--	--	--
13	15	19	21	14

Delivering Value at Overnite

At Overnite Transportation, we have maintained that same focus on delivering value through quality service to customers. During 1999 the company rolled out its new Advantage Overnite program in Texas and the northeastern states. This expedited one- and two-day service has been well received by customers.

The focus on quality service has continued even with the disruptions caused by the Teamsters union this past fall. Overnite's customers are being served as 94% of Overnite employees continue to come to work. Customer service has remained at consistently high levels, averaging 97% on time during the fourth quarter. However, Teamster activities have increased the company's costs due largely to increased security measures to ensure the safety of Overnite employees and to maintain customer service. As a result, while Overnite's net income declined 28% year-over-year to \$29 million, it generated strong cash flow of \$43 million to the Corporation.

While we continue to believe that Overnite is not a long-term strategic fit for our company, we could not have been prouder of the entire Overnite team this past year as they have maintained their unrelenting commitment to quality and customer service.

Innovation at UP Technologies

We have also been working to enhance the value of our company through continued innovation at UP Technologies. In addition to marketing the company's computer operating systems to other railroads around the world, UP has several new products that use systems technology to improve customers' logistics processes. One example is a wireless communications technology developed by our AMCI unit for use in remote work locations. UP's systems developments

Operating Measures
Union Pacific Railroad

Recrew Rate
Percent

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	13.1	11.0	10.1	9.2	10.0	10.1	10.2	11.3	9.1	8.3	7.0	6.6
1998	15.9	20	22.4	20.4	18.6	20.3	19.8	16.8	15.7	15.8	17	16

Average Terminal Dwell
Hours

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	31.0	27.5	27.7	26.5	26.9	27.2	27.9	28.9	27.6	27.9	29.6	29.4
1998	37.1	40.1	40	36.5	36.7	36.9	35.7	35.5	35.1	31.8	32.1	32.1

1999 On-Time
Service Performance
Overnite Transportation
Percent

1Q	2Q	3Q	4Q
--	--	--	--
96.4	94.8	95.8	96.9

are on the leading edge of the information technology revolution and should have applications for customers well beyond the railroad industry in the years ahead.

Union Pacific on the Internet

The recent explosion in systems technology has brought new opportunities to our core rail business as well. E-commerce and particularly business over the Internet are well-suited to the rail industry. We have a wide variety of service offerings and a large customer base, broadly dispersed throughout the country. New systems technologies can provide tremendous opportunities to bring customers and services together. In fact, e-commerce and the Internet are already helping to streamline and simplify these interactions. Today customers can obtain prices, provide shipping instructions and trace shipments over the Internet, and we are initiating new Web capabilities at a rapid pace. Looking ahead, we believe that e-commerce will be much more than a way to streamline existing applications. We see it as a means of changing the way we do business - developing customer-specific sites, new product offerings and new business relationships. The end result should be a vast improvement in the ease of doing business with our company, which should lead to greater customer satisfaction and new market opportunities.

Achieving the Vision

As we review the accomplishments of 1999, I am very pleased to be able to report such strong progress. But I want to assure our customers, our employees and our shareholders that we are not resting here. We have regained our momentum and enormous potential lies ahead. Our job is to translate that potential into tangible results. As we continue to strengthen our service to customers, we believe our improved route structure should help the Railroad

Monthly Document Hits Union Pacific Railroad

Jan 1998.....	239,000
Jan 1999.....	1,090,866
Nov 1999.....	1,814,000

Customer Satisfaction

	Mar-97 -----	Aug-98 -----	Dec-99 -----
Dissatisfied.....	7	54	2
Neutral.....	8	21	20
Satisfied.....	85	25	78

grow its top line at a faster rate than the economy. Merger efficiencies and reduced failure costs should increase productivity and help drive our operating ratio into the mid-to-low 70s over time. At the end of the day, our goal is to generate strong cash flow, increase earnings and enhance the value of our company by improving the return on our total capital investment. This effort will take discipline and hard work, but we believe the potential is there and we are going after it.

Union Pacific has been a part of the American landscape since the 1800s. In its early days, it was a catalyst for economic growth and expansion as it helped unite the country. Today, as we enter the 21st century, the franchise is stronger and better positioned to serve our customers than ever before. Our people are pulling together with renewed energy. With our merger benefits and our expanding technology capabilities, we have the potential to take our company to new levels of service and profitability. We are committed to achieving that vision and delivering that value for our customers, our employees and our shareholders.

Dick Davidson
Chairman and Chief Executive Officer
February 24, 2000

1999 Coal Train Cycle Performance
Union Pacific Railroad

Percent

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
79.8	87.4	84.2	86.7	82.4	75.3	85.1	85.6	90.3	89.9	94.9	96.5

1999 Carload Growth
Union Pacific Railroad

Percent of Growth by Commodity

Automotive.....	10.3
Agricultural.....	8.5
Intermodal.....	8.2
Energy.....	5.9
Industrial.....	5.8
Chemicals.....	3.4
Total.....	7.0

Strengthening the Franchise

Cutting edge technology at the ultra-modern J.R. Davis Yard in Roseville, California, expedites service for customers on the West Coast and beyond. Completed on time and on budget, the \$145 million, computer-driven facility is a cornerstone for delivering premium services promised by the UP/SP merger. By allowing UP to close several less efficient yards and reduce switching, the Roseville yard is improving service in the I-5 and Central Corridors and reducing costs. Customers shipping perishables, forest products and other products now moving by truck will benefit from the introduction of premium rail service made possible by Roseville.

UP followed its launching of the rebuilt Roseville yard in May by completing a four-year project to triple-track 108 miles of the Central Corridor in Nebraska. By removing a bottleneck at the heart of its system, fluid capacity doubled to 160 trains per day, while train speed increased 65% compared to one year earlier. Acquisition and rehabilitation of the North East Kansas & Missouri (NEKM) line and the extension of double track between Gibbon and Kansas City smoothed the flow of Powder River Basin coal.

Critical and precisely targeted capacity projects in Texas and Louisiana delivered significant benefits. These helped deliveries of coal, movements of chemicals and flows of automotive and grain traffic to and from Mexico.

Time-sensitive shipments benefit from capacity being added on the Tucumcari line between El Paso and Kansas City. This former SP line not only offers a more direct route between Southern California and Chicago, but also helps to improve service over the Central Corridor. By shifting more intermodal and automotive trains to the Tucumcari line, UP can concentrate expedited, lighter-weight trains on the Southern Corridor and bulk and manifest trains on the Central Corridor - effectively increasing the capacity of both.

In 1999 UP built strength by increasing capacity and improving service. In turn, these upgrades improved UP's financial performance by reducing operating costs and growing revenue. Going forward, more reliable service should attract increased and more profitable traffic.

Transforming the Company

By driving decision making to those closest to the work, UP delivered record coal volumes in 1999. UP achieved shorter cycle times, greater productivity and improved service to coal customers with the help of UP's most critical resource - - its employees.

Deliveries of low-sulfur Powder River Basin coal to utility customers increased 16 million tons in 1999 as UP's coal team developed new approaches to managing coal operations. Ideas were gathered throughout the coal delivery process - from utility customers to dispatchers to field personnel. The team used this data to zero in on the key problems to be solved. Roles were then shifted between headquarters and field locations, and between marketing and operations, to make sure those responsible for a task had the authority and the resources to do the job. UP reached an unprecedented agreement with its rail competitor to coordinate the flow of trains in and

out of the Basin based on customer requirements. By the end of the year, the reduced transit times allowed UP to meet customers' needs using significantly fewer cars.

This is just one example of the concrete results coming out of UP's transformation process. Determined to learn from its past service difficulties, UP is changing its organization and its culture. Operations have been decentralized into three regions so day-to-day decision making is more flexible and responsive to customer needs. A new Network Design group ensures that resources are managed to optimize returns while meeting customer requirements. And an all-out effort is under way to re-energize the culture with a new sense of commitment to safety and quality.

Ultimately, the success of transformation at the Railroad rests with its people. President Ike Evans regularly meets with employees around the system to carry the transformation message. He listens to concerns, answers questions and asks for ideas and support. Just as with customers, transformation is beginning to show tangible results for employees. As an example, innovative new labor agreements are being implemented to give train service employees more predictable work schedules while improving crew availability. It is all part of the company's effort to link strategies and values so that UP can achieve its vision.

Re-energizing Quality

Performance excellence requires the involvement of everyone at Union Pacific. The quality cycle of "Plan-Do-Check-Adjust" depends on tools that deliver timely and accurate data and the rigorous evaluation of performance to identify improvements. UP's service to automotive customers includes both the technology and the processes to deliver quality service.

UP's Automotive Delivery and Information Management System (ADIMS) enables customers, contractors and haul-away carriers to use the Web to trace the exact location of each automobile by Vehicle Identification Number. This tool is valuable both to customers managing inventory and to UP in improving utilization of its facilities and equipment. This operating system was the foundation of VINVision, a global vehicle visibility product.

UP strives to continuously improve its service and operations. For automotive customers, that includes on-site workshops at automotive facilities. UP personnel meet with contractors, haul-away carriers and the customer to intensively review the operation and identify ways to improve it. Monthly follow-up calls monitor whether the action plan is being followed and measure improvement. One facility reduced

damage claims by one-third; others improved throughput without capital spending to add capacity.

Achieving performance excellence throughout the company requires innovative programs like IdeaWorks. This program rewards employees for developing ideas to increase customer satisfaction, reduce costs or improve safety. During 1999 another 16,000 UP employees were trained in IdeaWorks, and 570 ideas were registered, saving more than \$19 million.

Quality principles and the pursuit of performance excellence continue to guide Union Pacific operations and its employees. The goal is the same today as it has always been: meeting customer requirements at a competitive cost. The renewed focus on quality in 1999 resulted in the customer satisfaction index increasing 28 points and failure costs falling more than \$500 million.

Innovation

Innovative products and access to telecommunications infrastructure position Union Pacific to meet the rapidly expanding demand for technology to solve logistical challenges for both railroads and customers beyond the railroad industry. 1999 marked a milestone in the development and commercialization of technology at Union Pacific.

AMCI, a technology subsidiary, combines software applications with advanced technology such as the Global Positioning System (GPS) and satellite communications. Its products enable AMCI customers to manage and trade data with mobile resources. For example, users can dispatch repair personnel more efficiently, track equipment and monitor its condition, and improve responses to emergencies by instantly redirecting people and equipment. The ability for both transportation and non-transportation firms to increase productivity while improving customer service by using wireless data technology offers AMCI great market opportunities.

UP Technologies combined railroad operations expertise with leading-edge technology to develop the new TerminalMaster yard management system. TerminalMaster's map-based visuals, sophisticated planning tools and graphic data

representation enable railroads to cut costs and improve service by reducing car dwell time in terminals. Installation will begin in 2000 at yards on two major carriers in the U.S. and Europe.

In 1999 PS Technology, Inc. (PST) rolled out a new version of its crew management and tracking system. Two New York City commuter railroads will install the product in 2000. PST's Logistics Order and Tracking System continues to grow with the intermodal market through both installations and application hosting services. PST installed its new Container Depot Management and Maintenance System for a major firm that manages container yards. PST is preparing an Internet-based application for use by independent container yard operations by 2001.

Shipment Management Solutions (SMS) provides shippers with real-time visibility of products in transit over many North American rail carriers. Vendor Managed Inventory, introduced in 1999, helps shippers manage inventory and plan replenishment more effectively and with less effort.

UP's innovations in software and technology applications, combined with access to its own telecommunications infrastructure, make it a technological leader with proven solutions and demonstrated commercial demand.

Advantage Overnite

Overnite delivered value in 1999 by expanding premium service offerings in both its regional less-than-truckload (LTL) markets and Special Services Division. Success in developing these markets improved Overnite's product mix, resulting in better yield.

The introduction of Advantage Overnite, an expedited service program to make Overnite the preeminent regional LTL carrier with long-haul capabilities, succeeded in increasing the number of one- and two-day lanes. The program was initiated in the Northeast and then expanded into Texas and the Southwest. More than 3,900 such lanes have been added in the Northeast and Texas, with full-state coverage now in 27 states. The geographic expansion of Advantage Overnite will continue in 2000.

Overnite was also successful in growing revenue in its Special Services Division, which provides drayage and truckload services for dedicated customers. The Special Services Division was created in 1992 to expand Overnite's reach into the growing truckload sector.

Overnite posted operating income of \$20 million for the year compared to \$54 million in 1998 (excluding goodwill amortization and impairment). Teamster-led work action negatively impacted Overnite's financial results during the last part of the year.

The Teamsters are certified and recognized to represent fewer than one in seven of Overnite's employees and only 22 of Overnite's 166 service centers. At the beginning of July, they picketed 11 Overnite locations over the course of a few days. More recently the Teamsters called for a nationwide job action against Overnite that began in the last week of October and has continued into the beginning of 2000. More than 94% of Overnite's employees choose to ignore picket lines and continue to work. Failing to garner support for the job action, the Teamsters were forced to engage Teamsters from other companies and hire temporary workers to man picket lines.

Overcoming distractions and steadfast in their commitment to customers, Overnite employees continued to provide high quality service to customers. Their dedication resulted in an unprecedented on-time performance level of 97% for the fourth quarter.

UNION PACIFIC CORPORATION

MAP OF UNITED STATES

MAP DESCRIPTION

- - - - -

Two-page light beige map of the Continental United States on a white background.

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

A. Union Pacific Corporation

1. Headquarters in Omaha, Nebraska.

B. Union Pacific Railroad

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

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 Arkansas, Arizona, California, Colorado, Illinois, Iowa, Kansas, Louisiana, Minnesota, Missouri, Nebraska, Nevada, Oklahoma, Oregon, Tennessee, Texas, Utah, Washington, and Wisconsin.

D. Union Pacific Technologies

1. Headquarters in St. Louis, Missouri.
2. Development sites in Denver, Colorado; Omaha, Nebraska; St. Louis, Missouri; Houston, Texas

MAP OF UNITED STATES (continued)

MAP DESCRIPTION

- - - - -

Two-page light beige map of the Continental United States on a white background.

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

E. Union Pacific Corporation

1. Headquarters in Omaha, Nebraska.

F. Union Pacific Railroad

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

G. 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 Arkansas, Arizona, California, Colorado, Illinois, Iowa, Kansas, Louisiana, Minnesota, Missouri, Nebraska, Nevada, Oklahoma, Oregon, Tennessee, Texas, Utah, Washington, and Wisconsin.

H. Union Pacific Technologies

1. Headquarters in St. Louis, Missouri.
2. Development sites in Denver, Colorado; Omaha, Nebraska; St. Louis, Missouri; Houston, Texas

FINANCIAL REVIEW

This review should be read in combination with the consolidated financial statements, notes to the consolidated financial statements and supplementary information.

Union Pacific Corporation (UPC or the Corporation) consists of one reportable segment, rail transportation, and UPC's other product lines (Other Operations). The rail segment includes the operations of Union Pacific Railroad Company (UPRR), its subsidiaries and rail affiliates (collectively, the Railroad). Other Operations include the trucking product line (Overnite Transportation Company or Overnite), as well as the "other" product lines that include technology and self-insurance activities, corporate holding company operations, which largely support the Railroad, and all appropriate consolidating entries (see Note 1 to the Consolidated Financial Statements).

Corporate Structure

In 1999, the Corporation continued implementing its strategy of refocusing on its core rail transportation business. The implementation of this strategy began with the 1994 sale of the Corporation's waste management business. Since then, the Corporation disposed of its oil and gas operations, sold its logistics business and attempted to sell its trucking operations. At the same time, the Corporation invested heavily in rail assets. The Corporation's rail investments included the 1995 purchase of the Chicago and North Western Transportation Company, the 1996 acquisition of Southern Pacific Rail Corporation (Southern Pacific), and the 1997 and 1999 investments in the Pacific-North and Chihuahua Pacific lines in Mexico.

Key strategic transactions in 1999, 1998 and 1997 were as follows:

Mexican Railway Concession - In 1999, the Railroad increased its investment in the Pacific-North and Chihuahua Pacific lines in Mexico. During 1997, the Railroad and a consortium of partners were granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines and a 25% stake in the Mexico City Terminal Company at a price of \$525 million. The consortium assumed operational control of both lines in 1998. In March 1999, the Railroad purchased an additional 13% ownership interest for \$87 million from one of its partners. The Railroad now holds a 26% ownership share in the consortium and accounts for the investment under the equity method.

Overnite Divestiture - In May 1998, the Corporation's Board of Directors approved a formal plan to divest of UPC's investment in Overnite through an initial public offering. However, market conditions deteriorated to the point that UPC decided not to consummate the offering.

Skyway - In November 1998, the Corporation completed the sale of Skyway Freight Systems, Inc. (Skyway), a wholly owned subsidiary. Skyway provided contract logistics and supply chain management services. The proceeds were used to repay outstanding debt. The sale of Skyway generated a net after-tax loss of \$50 million, of which \$40 million was recognized in 1997 (see Notes 3 and 13 to the Consolidated Financial Statements).

Southern Pacific - During 1999, UPC continued its integration of Southern Pacific's rail operations. This process is expected to be completed over the next 24 months (see Note 2 to the Consolidated Financial Statements). UPC consummated the acquisition of Southern Pacific in September 1996 for \$4.1 billion. Sixty percent of the outstanding Southern Pacific common shares were converted into UPC common stock and the remaining 40% of the outstanding shares were acquired for cash. UPC initially funded the cash portion of the acquisition with credit facility borrowings, all of which have been subsequently refinanced with other borrowings. The acquisition of Southern Pacific has been accounted for using the purchase method.

Assets

Union Pacific Corporation

\$ Millions

95	96	97	98	99
---	--	--	--	--
19,500	27,990	28,860	29,374	29,888

1999 Compared to 1998
Results of Operations

Consolidated

Net Income - The Corporation reported net income of \$810 million (\$3.28 per basic share and \$3.22 per diluted share) in 1999 compared to a net loss of \$633 million (\$2.57 per basic and diluted share) in 1998. Improved operations and service levels at the Railroad, which resulted in higher revenues and lower expenses, drove the increase in net income over 1998. Net income for 1999 included a one-time, after-tax gain of \$27 million (\$0.11 per basic share and \$0.10 per diluted share) from the adjustment of a liability established in connection with the discontinued operations of a former subsidiary (see Note 3 to the Consolidated Financial Statements). Net loss for 1998 included a one-time revaluation of Overnite's goodwill of \$547 million pre- and after-tax (\$2.22 per basic and diluted share) (see Note 1 to the Consolidated Financial Statements).

Operating Revenues - Operating revenues increased \$720 million (7%) to \$11.3 billion in 1999, reflecting higher volumes in all the Railroad's commodity lines and increased revenues at Overnite, partially offset by the impact of selling Skyway in November of 1998. Skyway generated \$152 million in revenue during 1998.

Operating Expenses - Excluding the \$547 million goodwill revaluation in 1998, operating expenses decreased \$708 million (7%) to \$9.5 billion in 1999, reflecting improved operations and service levels at the Railroad and continuing benefits from the integration of Southern Pacific operations, partially offset by increased expenses at Overnite. Salaries, wages and employee benefits decreased \$63 million (1%) in 1999 due to improved productivity and lower corporate expenses, partially offset by higher rail volume and inflation. Equipment and other rents expense decreased \$90 million (6%) from 1998 primarily as a result of improved rail cycle times, partially offset by higher rail volumes. Depreciation expense increased \$13 million (1%) in 1999 as a result of increased capital spending for the Railroad's extensive capital programs, partially offset by lower overall depreciation rates for equipment and track assets. Fuel and utilities costs were \$11 million (1%) lower than 1998 as lower fuel prices, favorable fuel hedging (see Note 4 to the Consolidated Financial Statements), and improved fuel efficiency more than offset volume-driven increases in fuel consumption. Materials and supplies increased \$25 million (4%) in 1999, due to higher rail volume and increased fleet maintenance. Casualty costs decreased \$97 million (20%) in 1999, due to lower than expected settlement costs at the Railroad. The \$485 million (33%) decrease in other costs in 1999 reflected the impact in 1998 of customer claims expense, the impact of the 1998 sale of Skyway and lower state and local taxes (primarily sales and property taxes) in 1999.

Operating Income - Operating income increased \$2.0 billion to \$1.8 billion in 1999, reflecting improved operations and service levels at the Railroad, which resulted in decreased rail operating expenses and increased rail revenues. Operating income for 1998 included a one-time revaluation of Overnite's goodwill of \$547 million (see Note 1 to the Consolidated Financial Statements).

Non-Operating Items - Other income decreased \$58 million (31%), due to the impact in 1998 of a telecommunications contract buyout, sale of a company aircraft, sale of the Southern Pacific headquarters building and an insurance recovery for 1997 flood damage received in 1998. Interest expense increased \$19 million (3%) as a result of increased average debt levels year-over-year caused by increased borrowings in 1998. Income taxes for 1999 increased \$482 million as a result of higher income before income taxes, partially offset by settlements related to prior tax years.

Key Measures - Net income as a percentage of operating revenues improved to 7.2% from (0.8%) in 1998 (excluding the one-time revaluation of goodwill at Overnite in 1998). Return on average common stockholders' equity was 10.5% in 1999, up from (1.1%) in 1998 (excluding the one-time revaluation of goodwill at Overnite in 1998), reflecting improved service levels and operations at the Railroad. The Corporation's operating ratio was 84.0% in 1999 compared to 96.4% in 1998 (excluding the one-time revaluation of goodwill at Overnite in 1998).

Rail

Net Income - During 1999, the Railroad continued the earnings improvements that began in the third quarter of 1998. The Railroad continued to benefit from the service recovery process implemented in 1997 and 1998 described on page 24. Rail operations reported net income of \$854 million compared to net income of \$27 million in 1998. The increase resulted from improved operations and service levels, increased revenues in all commodity lines and lower operating costs.

Operating Revenues - Rail operating revenues increased \$808 million (9%) to \$10.2 billion. Revenue carloads increased 7% over 1998 with gains in each commodity group. The increase in revenue carloads resulted from improved service, market share recovery and a strong economy.

1999 Commodity Revenue Mix
Union Pacific Railroad

TOTAL REVENUE: \$9.9 BILLION

Pie Chart

Agricultural.....	14%
Automotive.....	11%
Intermodal.....	18%
Chemicals.....	16%
Energy.....	22%
Industrial.....	19%

Commodity Revenue
Union Pacific Railroad

\$ MILLIONS

Chart

95	96	97	98	99
--	--	---	---	---
6,105	7,419	9,712	9,072	9,851

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

Commodity Revenue In Millions of Dollars	1999	1998	Change
Agricultural	\$1,419	\$1,303	9%
Automotive	1,048	937	12%
Chemicals	1,595	1,535	4%
Energy	2,168	1,996	9%
Industrial Products	1,896	1,785	6%
Intermodal	1,725	1,516	14%
Total	\$9,851	\$9,072	9%

Revenue Carloads In Thousands	1999	1998	Change
Agricultural	911	840	8%
Automotive	707	641	10%
Chemicals	930	899	3%
Energy	1,872	1,767	6%
Industrial Products	1,398	1,320	6%
Intermodal	2,738	2,531	8%
Total	8,556	7,998	7%

Average Revenue Per Car	1999	1998	Change
Agricultural	\$1,558	\$1,552	-
Automotive	1,481	1,461	1%
Chemicals	1,715	1,708	-
Energy	1,158	1,130	2%
Industrial Products	1,357	1,352	-
Intermodal	630	599	5%
Total	\$1,151	\$1,134	2%

Agricultural - Revenue increased 9%, reflecting an 8% improvement in carloads. Carloads increased primarily due to stronger exports and improved service levels, which resulted in increased shipments of wheat, corn, meals and oils, fresh products and beverages. Carloads also increased due to pre-harvest shipments of stored crops to clear storage. Average revenue per car was flat, as longer hauls in meals and oils and a price increase on wheat shipments were offset by a shift in corn movements to shorter-haul Gulf Coast moves versus longer-haul Pacific Northwest moves.

Automotive - Revenue increased 12%, as a result of a 10% increase in carloads and a 1% rise in average revenue per car. The year-over-year increase was driven by improved market coverage and price increases in a year of record vehicle production. Improvements in service and the negative impact in 1998 of a strike against a major auto

manufacturer also contributed to the increase in revenue. These gains were partially offset by the negative impact on rail traffic, due to the implementation of the joint acquisition of Conrail by two other major railroads. Average revenue per car increased 1% due to a change in mix and pricing actions.

Chemicals - A 3% increase in chemical carloads drove a 4% increase in revenue. Shipments increased due to improved service levels and increased demand for plastics, liquid and dry chemicals and phosphorous. These gains were partially offset by lower sulfur moves resulting from decreased production in response to weak demand, and a decline in fertilizer moves resulting from depressed demand for U.S. farm commodities. Average revenue per car was level, reflecting traffic improvements in longer-haul plastics offset by shorter-haul petroleum and export sulfur moves.

Energy - Revenue was up 9%, as a result of a 6% improvement in carloads and a 2% rise in average revenue per car. The volume increase was due to increases in the number of Powder River Basin trains per day, tons per car and average train length. Colorado and Utah volumes also increased, due to improved service. Average revenue per car increased resulting from longer-haul Powder River Basin traffic and an increase in tons per car.

Industrial Products - Revenue increased 6%, due to stronger demand and improved service. Carloads were up 6% because of increases in lumber, stone and cement moves, caused by strong construction demand; shipments of recyclables grew through new business. Gains were partially offset by decreased steel and ferrous scrap carloads due to higher imports of lower-priced foreign steel and lost volumes from a major steel producer who filed for bankruptcy. Gains were also partially offset by the negative impact on rail traffic, due to the implementation of the joint acquisition of Conrail by two other major railroads.

Intermodal - Revenue increased 14%, driven by an 8% increase in carloads and a 5% increase in average revenue per car. Carloads improved due to strong demand from growth in imports from Asia, service improvements and a new premium service offering. Average revenue per car increased, due to longer-haul shipments and demand-driven price increases.

Operating Ratio
Union Pacific Railroad

PERCENT

Chart

95	96	97	98	99
---	----	----	----	----
78.1	79.1	87.4	95.4	82.1

Operating Expenses - Operating expenses decreased \$581 million (7%) to \$8.4 billion in 1999. The lower expenses reflected improved operating efficiency and service levels and benefits resulting from the continuing integration of Southern Pacific operations.

Salaries, Wages and Employee Benefits - Labor costs decreased \$29 million (1%), due to productivity gains that resulted in reduced crew costs and lower crew rates, partially offset by increases resulting from volume and inflation and one-time costs recorded in 1999 related to the Southern Pacific merger (see Note 2 to the Consolidated Financial Statements).

Equipment and Other Rents - Expenses decreased \$90 million (7%), due primarily to improvements in cycle time as well as lower prices, partially offset by higher volume.

Depreciation - Expenses increased \$31 million (3%), reflecting increased capital spending in recent years, partially offset by lower depreciation rates for equipment and track assets. Capital spending totaled \$1.8 billion in 1999 compared to \$2.0 billion in 1998.

Fuel and Utilities - Expenses were down \$9 million (1%). The decrease was driven by lower fuel prices and improved consumption rates, partially offset by higher volume. The Railroad hedged 68% of its fuel consumption for 1999 at an average of 41 cents per gallon (excluding taxes, transportation charges and regional pricing spreads), which decreased fuel costs by \$53 million. At December 31, 1999, expected fuel consumption for 2000 was 10% hedged at an average of 40 cents per gallon (excluding taxes, transportation charges and regional pricing spreads). At December 31, 1998, 64% of 1999 expected fuel consumption was hedged (see Note 4 to the Consolidated Financial Statements).

Materials and Supplies - Costs increased \$25 million (5%), reflecting higher volumes and increased fleet maintenance.

Casualty Costs - Costs declined \$89 million (21%), primarily due to the effect of lower than expected settlement costs. The decline also reflected an insurance refund received in 1999 and decreased costs for repairs on cars from other railroads.

Other Costs - Costs decreased \$420 million (33%), reflecting lower state and local taxes (primarily sales and property taxes), and the impact in 1998 of customer claims expense.

Operating Income - Operating income increased \$1.4 billion to \$1.8 billion in 1999. Both 1999 and 1998 operating income included the impact of one-time costs related to the Southern Pacific merger for severance, relocation and training of employees. The operating ratio in 1999 was 82.1%, 13.3 percentage points better than 1998's 95.4% operating ratio.

Non-Operating Items - Other income decreased \$71 million (38%) in 1999, due to the impact in 1998 of a telecommunications contract buyout, sale of a company aircraft, sale of the Southern Pacific headquarters building and an insurance recovery for 1997 flood damage received in 1998. Interest expense increased \$15 million (2%) in 1999, as a result of higher average debt levels year-over-year caused by increased borrowings during 1998. Income taxes increased \$476 million in 1999, reflecting higher income before income taxes, partially offset by settlements related to prior tax years.

Other Operations

Trucking Product Line

Net Income - Trucking net income was \$29 million in 1999 compared to a \$522 million net loss in 1998. Overnite's 1998 loss included \$15 million of goodwill amortization and a \$547 million charge for a revaluation of goodwill related to the acquisition of Overnite by UPC in 1986 (see Note 1 to the Consolidated Financial Statements). Overnite's 1999 net income was adversely impacted by a 7% reduction in volume in the fourth quarter and expenses related to Overnite's contingency plan in response to activity by the International Brotherhood of Teamsters (Teamsters). See "Other Matters - Labor Matters - Trucking" on page 30.

Operating Revenues - Trucking revenues increased \$28 million (3%) to \$1.1 billion in 1999. The revenue increase resulted from yield initiatives as well as a new product offering in the northeast United States and Texas.

Revenue Per Hundredweight Overnite Transportation

\$ MILLIONS

Chart

95	96	97	98	99
--	--	--	--	--
9.55	9.97	11.24	11.98	12.26

Operating Expenses - Trucking operating expenses increased \$62 million (6%) to \$1.0 billion in 1999 (excluding the goodwill revaluation and \$15 million goodwill amortization in 1998), approximately \$27 million of which relates to expenses incurred implementing the work stoppage contingency plan. Salaries, wages and employee benefit costs increased \$35 million (6%) to \$651 million, reflecting wage and benefit enhancements. Fuel and utilities costs increased \$3 million (7%) to \$49 million in 1999, due to higher consumption and increased fuel price per gallon (54 cents in 1999 compared to 53 cents in 1998), partially offset by favorable hedge activity. Overnite hedged 40% of 1999 fuel consumption at an average price of 45 cents per gallon, which decreased fuel costs by \$1 million. At December 31, 1999, 10% of Overnite's estimated 2000 fuel consumption was hedged at an average of 39 cents per gallon (excluding taxes, transportation charges and regional pricing spreads). At December 31, 1998, 41% of Overnite's expected 1999 fuel consumption was hedged (see Note 4 to the Consolidated Financial Statements). Equipment and other rents increased \$12 million (14%) over 1998 due to contingency plan activity and initial expenses in connection with new business gained as a result of closure of a regional competitor.

Operating Income - Trucking operations generated operating income of \$20 million in 1999. In 1998 Overnite reported an operating loss of \$508 million (including the goodwill revaluation). The operating ratio for trucking operations increased to 98.1% in 1999 from 96.2% in 1998 (excluding the goodwill revaluation).

Other Product Lines

The other product lines include technology and self-insurance activities, as well as corporate holding company operations and all necessary consolidating entries (see Note 1 to the Consolidated Financial Statements). In

1999 operating revenue declined \$116 million (77%) over 1998, due primarily to the sale of Skyway in November 1998. Operating expenses decreased \$174 million (70%), reflecting the absence of 1999 costs associated with Skyway and the consolidation of portions of the corporate staff with the Railroad's staff in Omaha, Nebraska. Operating losses declined \$58 million (60%), and losses from continuing operations declined \$38 million (28%), due to the corporate consolidation and improved operations at the Corporation's technology product line.

1998 Compared to 1997 Results of Operations

Service Issues

The Corporation's results in 1998 were adversely affected by the congestion on the Railroad's system that began in the third quarter of 1997. However, the Railroad's service recovery efforts resulted in significant improvements in operating and financial results beginning in the latter half of 1998. Congestion issues and the Railroad's service recovery efforts are discussed below.

Consolidated

Net Income - In 1998, the Corporation reported a net loss of \$633 million (a loss of \$2.57 per basic and diluted share), reflecting a one-time revaluation of Overnite's goodwill of \$547 million pre- and after-tax (see Note 1 to the Consolidated Financial Statements) and the effects of system congestion at the Railroad. Excluding the effect of the one-time revaluation of goodwill at Overnite, the Corporation would have returned to profitability in the second half of 1998, as the Railroad began to see the benefits of its service recovery process. Despite service improvements in the second half of 1998, service problems and congestion significantly affected year-over-year results. The Corporation recorded earnings of \$432 million (\$1.76 per basic share and \$1.74 per diluted share) in 1997.

Operating Revenues - Operating revenue declined \$526 million (5%) to \$10.6 billion in 1998, reflecting lower volumes at the Railroad, the result of system congestion, partially offset by higher revenues at Overnite.

Operating Expenses - Excluding the \$547 million goodwill revaluation, operating expenses increased to \$10.2 billion for 1998, \$242 million (2%) higher than 1997 operating costs of \$9.9 billion. Salaries, wages and employee benefit costs were \$182 million (4%) higher than 1997. Higher train crew levels and other congestion-related labor cost overruns at the Railroad, inflation, and higher volumes at Overnite all contributed to higher labor costs. These higher costs were partially offset by lower rail volumes and the elimination of duplicative positions as part of the Southern Pacific merger implementation. Rent expense was up \$22 million (2%) versus 1997, caused by slower average train speeds at the Railroad (car cycle times ran 2 days above 1997 levels at 16 versus 14 days), locomotives leased for service recovery and higher volumes at Overnite. Depreciation expense grew \$27 million (3%) to \$1.1 billion, driven by the Railroad's extensive capital programs in 1997 and 1998. Fuel and utilities expenses were down \$199 million (19%) from 1997. A year-over-year reduction of 4% in gross-ton miles at the Railroad generated volume-related fuel savings, while fuel prices fell 13% and 16% at the Railroad and Overnite, respectively. Materials and supplies costs were up \$5 million (1%) to \$565 million from 1997, reflecting price inflation, increased maintenance of locomotives and freight cars, partially offset by merger consolidation benefits and lower material transportation costs. Lower volumes due to slower train speeds partially offset these higher materials and supplies costs. Casualty costs declined \$3 million to \$475 million, as lower personal injury costs were offset by increased insurance and damaged freight costs. Other costs increased \$208 million (17%) from 1997, largely reflecting the impact of customer claims expense (see Note 12 to the Consolidated Financial Statements).

Operating Income - Operating income declined \$1.3 billion to a loss of \$171 million in 1998, reflecting operating declines at the Railroad of \$820 million and the goodwill revaluation of \$547 million at Overnite. The decline in operating income reflected the impact of congestion at the Railroad and was partially offset by operating improvements at Overnite.

Non-Operating Items - Other income improved \$52 million to \$189 million, reflecting higher year-over-year asset sales. Interest costs increased \$109 million over 1997 to \$714 million, reflecting higher borrowings to fund capital investments that could not be funded from operating cash flow at the Railroad due to the effects of system congestion. State and federal income taxes were favorable by \$307 million compared to \$244 million in 1997, the result of lower pre-tax income.

Key Measures - Net income (excluding the one-time revaluation of goodwill at Overnite) as a percentage of operating revenue declined to (0.8)% from 3.9% in 1997. Return on average common stockholders' equity (excluding the one-time revaluation of goodwill at Overnite) dropped to (1.1)% in 1998 from 5.3% in 1997, reflecting the impact of congestion at the Railroad. In addition, the Corporation's operating ratio, excluding the one-time revaluation of goodwill, was 96.4% in 1998 compared to 89.7% in 1997.

Rail

Service Recovery - Congestion in and around Houston and the coastal areas of Texas and Louisiana (the Gulf Coast region) began in the third quarter of 1997. System congestion started in the Gulf Coast region and spread throughout the system during the third and fourth quarters of 1997, and continued to adversely affect the Railroad's operations and financial results in 1998. In response to its operational difficulties, the Railroad adopted certain measures beginning in 1997 designed to alleviate the congestion problems and improve the efficiency and flexibility of rail operations. To ease system congestion, the Railroad focused on reducing the number of cars on the system and restoring system velocity by hiring additional train and engine employees, accelerating and expanding locomotive purchases and leases, improving management of train crews, and using outside carriers for haulage and train switching in congested areas. In 1998, these efforts were supplemented by the institution of directional running in parts of the Gulf Coast region, establishment of a joint dispatching center in Texas, and extensive track maintenance and capacity expansion efforts in UPRR's Central Corridor and southern tier. While in some cases the Railroad's actions temporarily slowed service, they resulted in improved system velocity. Also in 1998, UPRR instituted several key initiatives including a new long-term strategy to improve the effectiveness of the organization. This effort focused on culture change, business process improvement and decentralization, each of which was designed to improve customer satisfaction, increase employee involvement and improve operational efficiency and financial results. The combination of all of the steps described above (the service recovery process) allowed the Railroad to alleviate congestion and improve operations throughout its system. However, despite these improvements, the Railroad's operations and financial results were significantly impacted by congestion in 1998.

Weather and Other Congestion Issues - During 1998, service in the Railroad's Central Corridor between Chicago and Utah was slowed by track maintenance and capacity expansion work. The Railroad also experienced congestion on its lines in northern California, in the Los Angeles Basin and on the Sunset Route west of El Paso, Texas. This was caused in part by two derailments that occurred in July 1998, tight crew supply and limited track capacity in that region, and the learning curve associated with the integration of the computer system of Southern Pacific in the region with the Railroad's computer system, which commenced in July 1998. The Railroad alleviated this congestion by various measures, including temporarily rerouting trains from this region to other portions of its system. Late in the third quarter and early in the fourth quarter of 1998, the Railroad's operations were also adversely affected by severe weather in the southern portion of its system, including Hurricane Georges, which disrupted operations in New Orleans and other parts of Louisiana at the end of September, heavy rains that moved from northern Texas through Oklahoma and into the Kansas City area in early October, heavy rains that resulted in severe flooding in central and southern Texas later in October, and heavy rains and flooding across parts of Oklahoma and Kansas in early November. The Railroad was able to respond quickly to these problems by rerouting traffic, repairing damages caused by washouts and restoring service without severe or lengthy disruptions to the Railroad's operations, which reflected the success of the Railroad's service recovery process in addressing service and congestion problems. Despite these external difficulties, the Railroad was able to recoup the financial loss generated in the first half of 1998 and reported net income for the full year of 1998.

Net Income - The Railroad returned to profitability in the third quarter of 1998, by posting net income of \$67 million after three consecutive quarterly losses, and continued its earnings improvement in the fourth quarter of 1998, posting net income of \$114 million, as the Railroad began to see the benefits of implementing its service recovery process. Despite service improvements in the second half of 1998, year-over-year results were significantly affected by the congestion problems discussed above. As a result, the Railroad reported net income of \$27 million in 1998 compared to \$620 million in 1997.

1998 Commodity Revenue Mix
Union Pacific Railroad

TOTAL REVENUE: \$9.1 BILLION

Pie Chart

Agricultural.....	14%
Automotive.....	10%
Intermodal.....	17%
Chemicals.....	17%
Energy.....	22%
Industrial.....	20%

Operating Revenues - 1998 rail operating revenues were down \$613 million over 1997 (6%) to \$9.4 billion. Revenue carloads for 1998 of 8.0 million were down 5% from 1997 loads of 8.5 million. These declines resulted from system congestion, which significantly lowered overall train velocity and efficiency, weakening demand for whole grain exports (due to strong worldwide crop yields), and a soft export market caused by the Asian economic crisis. Average revenue per car was down 1% for 1998 at \$1,134 per car from \$1,149 in 1997, driven by a shift in corn shipments from long-haul Pacific Northwest moves to shorter-haul Gulf Coast traffic and large volumes of empty repositioning moves for intermodal traffic, partially offset by longer-haul coal traffic.

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

Commodity Revenue In Millions of Dollars	1998	1997	Change
Agricultural	\$1,303	\$1,438	(9)%
Automotive	937	950	(1)%
Chemicals	1,535	1,715	(10)%
Energy	1,996	1,914	4 %
Industrial Products	1,785	1,954	(9)%
Intermodal	1,516	1,741	(13)%
Total	\$9,072	\$9,712	(7)%

Revenue Carloads In Thousands	1998	1997	Change
Agricultural	840	907	(7)%
Automotive	641	638	-
Chemicals	899	972	(8)%
Energy	1,767	1,736	2 %
Industrial Products	1,320	1,430	(8)%
Intermodal	2,531	2,770	(9)%
Total	7,998	8,453	(5)%

Average Revenue Per Car	1998	1997	Change
Agricultural	\$1,552	\$1,585	(2)%
Automotive	1,461	1,490	(2)%
Chemicals	1,708	1,764	(3)%
Energy	1,130	1,102	3 %
Industrial Products	1,352	1,366	(1)%
Intermodal	599	629	(5)%
Total	\$1,134	\$1,149	(1)%

Agricultural - Revenue fell 9% for 1998, as loads finished down 7% and average revenue per car decreased 2%. Low export demand due to strong worldwide crop yields, the Asian economic crisis and falling corn prices caused a decline in corn volumes. System congestion limited traffic for canned and packaged products, fresh fruit and vegetables, beverages, frozen products and food grains. Livestock feed declined 16%, as feed additives were replaced by less expensive corn. These volume declines were partially offset by higher wheat and meals and oils traffic. Average revenue per car declined 2%, as a result of a drop in longer-haul Pacific Northwest corn moves, due to weak export markets.

Automotive - Revenue was down 1%, reflecting flat volume and a 2% decrease in average revenue per car. Finished vehicles volumes were up 3%, reflecting new business and growth in existing business, partially mitigated by the effects of an automotive strike in mid-1998. Parts volumes lost 4% year-over-year as volumes fell because of the Railroad's equipment shortages. Average revenue per car fell 2%, as a result of the new business that generated a shorter length of haul than existing business.

Chemicals - Carloads fell 8%, and revenues dropped 10% compared to 1997. Congestion-related diversions to truck, barge and other railroads plagued most business lines (especially liquid and dry chemicals and petroleum products). Liquid propane gas traffic was hurt by the introduction of new pipelines, while

the Asian crisis significantly reduced the movements of soda ash. In addition, an unplanned furnace shutdown reduced shipments of phosphorous. The 3% decline in average revenue per car was largely due to more short-haul storage-in-transit moves, fewer high-average revenue per car liquid and dry chemical and soda ash moves, and the loss of long-haul business due to system congestion.

Energy - Carloads were up 2%, and revenue was up 4% from 1997 levels. Congestion caused by, among other things, maintenance and capacity expansion in the Central Corridor and diversion of Illinois traffic hampered coal volumes throughout 1998. However, efficiency gains in both Powder River Basin trains per day and train length helped boost year-over-year volumes despite the effects of congestion caused by maintenance and track expansion in the Railroad's Central Corridor. Colorado and Utah volumes increased due to better service performance. The 3% increase in average revenue per car was primarily a result of more high-average revenue per car Powder River Basin traffic.

Industrial Products - Volumes declined 8%, while average revenue per car declined 1%, resulting in a 9% drop in revenues. Volumes continued to be plagued by equipment shortages and service issues caused by slowed local switching and congestion. A large portion of industrial product moves occurred in the Railroad's southern region, where congestion hit hardest, although service levels improved in 1998. Shipments of ferrous scrap and steel were lower due to congestion and higher steel imports. Metallic minerals and paperboard, newsprint and non-metallic products were affected by congestion. In addition, several of the same commodities were also affected by Central Corridor congestion due to, among other things, maintenance and capacity expansion and congestion in the western portion of the Railroad's system, as the final portion of UPRR's computerized operating system was brought on-line in Southern Pacific's western territory in the third quarter of 1998. Average revenue per car fell 1% due to product mix issues and shortfalls of high-average revenue per car steel traffic, lumber and metallic minerals.

Intermodal - Revenue declined 13% as volumes fell 9% and average revenue per car fell 5%. Congestion-related diversions severely affected several intermodal segments, especially Intermodal Marketing Company/ truckload and less-than-truckload/premium. Volumes also suffered from weak exports due to the Asian crisis. A partial offset was increased import volumes from various steamship lines. Average revenue per car fell due to changes in traffic mix and increased volumes of empty repositioning moves caused by equipment imbalances.

Operating Expenses - Operating expenses were \$8.9 billion for 1998, \$207 million (2%) higher than 1997 operating expenses of \$8.7 billion. However, second half 1998 operations improved significantly from the first half of 1998. The following statistical table reflects the improvements in the Railroad's operating performance in the second half of 1998:

Averages, Except Ratios	1997			1998			
	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Seven-Day Loadings (000).....	170.7	165.9	153.6	152.5	154.9	155.3	160.6
Train Speed (MPH).....	18.4	15.0	13.2	13.8	14.0	14.4	15.5
Car Cycle Times (Days).....	12.7	15.2	17.5	17.6	16.4	15.9	14.4
Operating Ratios (%).....	80.9	82.0	102.5	97.7	105.1	90.5	88.7

Salaries, Wages and Employee Benefits - Labor expenses were \$140 million (4%) higher than 1997. Slower train speeds increased the recrew rate. Higher recrew rates, inflation and other congestion- and service-related cost overruns contributed to higher labor costs. These higher costs were partially offset by lower volumes (gross-ton miles were down 4%) and the elimination of duplicative positions as part of the Southern Pacific merger implementation.

Equipment and Other Rents - Expenses were up \$19 million (1%) versus 1997. Cycle times were up 2 days from 1997 causing the Railroad to rent more equipment due to the decrease in equipment utilization. Locomotives leased to alleviate congestion and support service recovery also increased equipment costs, as slower train speeds lowered locomotive utilization and increased the need for additional locomotive power. However, these increases were partially offset by lower traffic levels due to congestion-related volume shortfalls.

Depreciation - Expense grew \$31 million (3%) to \$1.0 billion, driven by the Railroad's extensive capital programs in 1997 and 1998. The Railroad spent over \$2.0 billion on capital projects in 1998 (including \$400 million of SP integration projects).

Fuel and Utilities - Expenses were down \$195 million (20%) from 1997. A reduction of 4% in gross-ton miles year-over-year generated volume-related fuel savings of \$36 million versus 1997. Prices were down 9 cents per gallon to 62 cents, saving \$106 million. The fuel consumption rate of 1.39 gallons per thousand gross-ton miles improved 2% from 1997's 1.42, lowering the Railroad's fuel costs by \$23 million. Hedges of 57% of 1998 fuel volumes increased fuel costs by \$87 million, or 8 cents per gallon (included in the cost per gallon information above).

Materials and Supplies - Costs for 1998 were down \$2 million from 1997 to \$513 million caused by favorable contract pricing from economies of scale achieved from the Southern Pacific merger and lower material transportation costs, reflecting UPRR's ability to move materials on its rail system rather than by truck, partially offset by increased fleet maintenance.

Casualty Costs - Costs decreased \$9 million to \$423 million in 1998. Lower personal injury costs resulted from a decline in average settlement costs and were partially offset by higher insurance and damaged freight costs.

Other Costs - Expenses increased \$223 million (21%) from 1997, reflecting increased costs for congestion-related customer claims and liquidated damages on coal contracts. Increased use of trackage rights by competitors and merger-related cost savings on computers and contract pricing partially offset these cost increases.

Operating Income - Operating income of \$433 million for 1998 compares to \$1.3 billion in 1997, reflecting a year-over-year increase in pre-tax congestion costs and lost revenues, as congestion issues began late in the third quarter of 1997. The operating ratio for 1998 was 95.4%, up 8 points from 1997's 87.4%. Lost revenues and costs related to service performance were the key drivers of the change.

Non-Operating Items - Other income was \$14 million above 1997, reflecting increased asset sales and recovery of funds from insurers for 1997 floods. Interest costs were \$130 million (28%) unfavorable to 1997 at \$603 million, reflecting borrowings to fund capital investments that could not be funded from cash generated at the Railroad due to the effects of system congestion. State and federal income taxes were \$343 million less than 1997, the result of lower pre-tax income.

Other Operations

Trucking Product Line

Net Income - During 1998, the Corporation changed its method of measuring an impairment of enterprise level goodwill from an undiscounted cash flow method to one based on discounted cash flows (see Note 1 to the Consolidated Financial Statements). The Corporation believes that a discounted cash flow approach is preferable in that it provides a more current and realistic valuation than the undiscounted method and more closely approximates Overnite's fair value. In connection with the change in accounting policy with respect to measurement of goodwill impairment described above, Overnite recorded a \$547 million charge for a revaluation of goodwill in 1998. The goodwill was related to the acquisition of Overnite by UPC in 1986. Generally accepted accounting principles preclude the recognition of tax benefits associated with goodwill charges to income. Should the Corporation divest Overnite in the future, a gain from the recognition of the tax benefit associated with the goodwill may be recognized. As a result of the \$547 million one-time goodwill revaluation charge, Overnite posted a net loss of \$522 million, compared to net income of \$4 million in 1997.

Operating Revenues - Operating revenue improved \$88 million (9%) to \$1.0 billion, reflecting a 2% rise in volumes combined with a 7% improvement in price, as Overnite continued to benefit from its focus on eliminating low margin business and continuing its pricing initiatives. Improved volumes included a 4% improvement in less-than-truckload tonnage partially offset by a 16% decrease in truckload tonnage, reflecting Overnite's focus on its core less-than-truckload business.

Operating Expenses - Operating expenses increased \$606 million to \$1.5 billion. Excluding the goodwill revaluation, operating expenses increased \$59 million (6%) to \$995 million. Salaries, wages and employee benefits were up \$44 million, reflecting volume growth and inflation that more than offset productivity improvements. Equipment rents increased \$7 million (9%) reflecting higher volumes and increased use of third-party transportation. Depreciation and amortization declined \$2 million, as the effect of capital spending was more than countered by lower goodwill amortization caused by the goodwill write-down. Materials and supplies costs were up \$8 million, reflecting higher repair activities. Fuel costs declined \$4 million, driven by a 16% decrease in fuel prices, which was partially mitigated by a 2% increase in shipments. Other costs rose \$7 million due to a volume-related increase in damaged freight costs and higher property and use taxes.

Operating Income - Overnite reported a 1998 operating loss of \$508 million, including the \$547 million goodwill revaluation compared to operating income of \$10 million in 1997, while Overnite's operating ratio (including goodwill amortization but excluding the goodwill revaluation) was 96.2% in 1998 compared to 98.9% in 1997. Excluding goodwill amortization, the operating ratio declined to 94.8% in 1998 from 96.8% in 1997, a two-point improvement.

Other Product Lines

The other product lines include technology and self-insurance activities, as well as corporate holding company operations and all necessary consolidating entries (see Note 1 to the Consolidated Financial Statements). Operating revenue declined \$1 million year-over-year. Operating expenses decreased \$24 million, reflecting the absence of 1997 costs associated with the relocation of the corporate office and cost savings from reductions in the corporate staff. Operating losses declined \$23 million, also due to the corporate consolidation and improved operations at the Corporation's technology product line. Net losses from these operations declined \$54 million, largely due to the absence of the 1997 loss provision for the sale of Skyway and the benefits of corporate consolidation.

Cash Flows, Liquidity and Financial Resources

Financial Condition

In 1999, cash from operations was \$1.9 billion compared to \$565 million in 1998. This increase reflects higher net income at the Railroad. Working capital improved due to continued emphasis on receivable collection efforts at the Railroad.

Cash used in investing activities was \$1.6 billion in 1999 compared to \$1.9 billion in 1998. This decrease primarily reflects lower rail capital spending, including merger-related spending, offset by the purchase of an additional 13% ownership interest in the consortium operating the Pacific-North and Chihuahua Pacific lines in Mexico for \$87 million (see Note 2 to the Consolidated Financial Statements).

Cash used by equity and financing activities was \$256 million in 1999 compared to \$1.4 billion provided by equity and financing activities in 1998. This decrease reflects lower net borrowings (\$637 million in 1999 compared to \$3.5 billion in 1998), offset by debt repaid (\$692 million in 1999 compared to \$1.8 billion in 1998), reflecting the private placement of the Convertible Preferred Securities (the CPS) on April 1, 1998 (see Note 7 to the Consolidated Financial Statements). Including the CPS as an equity instrument, the ratio of debt to total capital employed was 47.6% at December 31, 1999 and 49.4% at December 31, 1998.

Cash from continuing Operations Union Pacific Corporation

\$ MILLIONS

Chart

95	96	97	98	99
--	--	--	--	--
1,454	1,657	1,600	565	1,869

Capital Investments Union Pacific Corporation

\$ MILLIONS

Chart

95	96	97	98	99
--	--	--	--	--
1,058	1,360	2,111	2,111	1,834

Financing Activities

Credit Facilities - The Corporation has a \$2.8 billion credit facility with various banks designated for general corporate purposes, all of which was unused at December 31, 1999. The facility expires in April 2001. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated investment-grade corporate borrowers.

Shelf Registration - Under currently effective shelf registration statements, the Corporation may issue, from time to time, any combination of debt securities, preferred stock or warrants for debt securities or preferred stock in one or more offerings. At December 31, 1999, the Corporation had \$850 million remaining for issuance under the shelf registration. The Corporation has no immediate plans to issue equity securities.

Significant New Borrowings - During January 1999 the Corporation issued \$600 million of 65/8% debentures with a maturity date of February 1, 2029. During September 1999 the Corporation issued \$150 million of 73/8% notes with a maturity date of September 15, 2009. The proceeds from the issuance of these debentures and notes were used for repayment of debt and other general corporate purposes.

Other Matters

Personal Injury - The average cost of the Railroad's injury-related claims settled in 1999 continued to decline, decreasing 15% compared to the cost of claims settled in 1998. Annual expenses for the Railroad's personal injury-related events were \$228 million in 1999, reflecting lower-than-expected settlement costs, \$311 million in 1998 and \$328 million in 1997. In 1999, the Railroad's work-related injuries that resulted in lost job time declined 3% compared to 1998. 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 400 sites, including 45 sites that are the subject of enforcement actions by the U.S. government, 28 of which are currently on the Superfund National Priorities List, at which it is or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, the Corporation's ultimate environmental liability may include costs relating to other parties, in addition to costs relating to its own activities at each site.

As of December 31, 1999, the Corporation has accrued a liability of \$197 million for future costs where its obligation is probable and where such costs can be reasonably estimated. However, the actual costs could be lower or significantly 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 are based on information available for each site, financial viability of other potentially responsible parties, 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 because of the number of potentially responsible parties involved, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and/or the speculative nature of remediation costs. The majority of the December 31, 1999 environmental liability is expected to be paid out over the next five years, funded by cash generated from operations.

Remediation of identified sites previously used in operations, used by tenants or contaminated by former owners required spending of \$56 million in 1999, \$58 million in 1998, and \$46 million in 1997. The Corporation is also engaged in reducing emissions, spills and migration of hazardous materials, and spent \$5 million and \$9 million in 1999 and 1998, respectively, for control and prevention. In 2000, the Corporation anticipates spending \$60 million for remediation and \$6 million for control and prevention. The impact of current obligations is not expected to have a material adverse effect on the results of operations or financial condition of the Corporation.

Labor Matters

Rail - Approximately 87% of the Railroad's 52,000 employees are represented by rail unions. Under the conditions imposed by the STB in connection with the Southern Pacific acquisition, labor agreements between the Railroad and the unions must be negotiated before the UPRR and Southern Pacific rail systems can be fully integrated. The Railroad has successfully reached agreements with the shopcraft, carmen, clerical and maintenance-of-way unions. By the end of 1999, negotiations with other operating crafts were nearly complete, with only one hub-and-spoke agreement (Los Angeles) left to implement in early 2000. Under the hub-and-spoke concept, all operating employees in a central "hub" are placed under a single set of collective bargaining agreements with the ability to work on the "spokes" running into and out of the hub. Negotiations under the Railway Labor Act for a new national labor agreement for all crafts began in late 1999 and are in the initial stages.

Trucking - Overnite continues to oppose the efforts of the Teamsters to unionize Overnite service centers. Since year-end 1994, Overnite has received 90 petitions for union elections at 67 of its 166 service centers. Twenty-two service centers, representing approximately 14% of Overnite's 13,000 employee nationwide workforce, have voted for union representation, and the Teamsters have been certified and recognized as the bargaining representative for such employees. Eleven of these 22 locations filed decertification petitions in 1999. Elections affecting approximately 400 additional employees are unresolved, and there are no elections currently scheduled. Additionally, proceedings are pending in certain cases where a Teamsters' local union lost a representation election. To date, Overnite has not entered into any collective bargaining agreements with the Teamsters. The Teamsters conducted a brief job action in July, and on October 24, 1999, began another job action at certain Overnite facilities that continued into 2000. As of February 10, 2000, 31 Overnite terminals had some employees who did not cross picket lines, and approximately 740 employees, less than 6% of Overnite's workforce, did not report to work. During the work stoppage, Overnite will operate under its contingency plan, which includes added security, volunteers and replacement workers at the picketing locations to provide safety for its employees and to maintain service to its customers.

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 and its subsidiaries use derivative financial instruments, which are subject to market risk, in limited instances for other than trading purposes to manage risk related to changes in fuel prices and interest rates. The Corporation uses swaps, futures and/or forward contracts to mitigate the downside risk of adverse price and rate movements; however, the use of these instruments also limits future gains from favorable movements (see Note 4 to the Consolidated Financial Statements). The sensitivity analyses presented below illustrate the economic effect that hypothetical changes in interest rates or fuel prices could have on the Corporation's financial instruments. These hypothetical changes do not consider other factors that would impact actual results.

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.

The Corporation has variable-rate debt representing approximately 6% of its total debt, and interest rate swaps on notional amounts of \$54 million at December 31, 1999. If interest rates average 10% higher in 2000 than the December 31, 1999 rate, the Corporation's interest expense would increase by less than \$5 million after tax. This amount is determined by considering the impact of the hypothetical interest rates on the balances of the Corporation's variable-rate debt and interest rate swap agreements at December 31, 1999.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical 10% decrease in interest rates as of December 31, 1999, and amounts to approximately \$340 million at December 31, 1999. The fair values of the Corporation's fixed-rate debt were estimated by considering the impact of the hypothetical interest rates on quoted market prices and current borrowing rates.

Fuel - Fuel costs are a significant portion 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's transportation subsidiaries periodically use swaps, futures and forward contracts to mitigate the impact of fuel price volatility. The purpose of this program is to protect the Corporation's operating margins and overall profitability from adverse fuel price changes.

As of December 31, 1999, the Corporation had hedged approximately 10% of its forecasted 2000 fuel consumption. If fuel prices decrease 10% from the December 31, 1999 level, the corresponding decrease in the value of the Corporation's fuel hedging contracts would be approximately \$5 million after tax.

Commitments and Contingencies - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. In addition, the Corporation and its subsidiaries are subject to various federal, state

and local environmental laws and are currently participating in the investigation and remediation of various sites. A discussion of certain claims, lawsuits, guarantees and contingencies is set forth in Note 12 to the Consolidated Financial Statements.

Year 2000 - The Corporation experienced no significant problems related to the Year 2000 (Y2K) conversion either internally or with its electronic commerce systems that exchange information with customers, vendors, other railroads and financial institutions. The Corporation expended approximately \$57 million to convert its systems and does not expect to incur any material future expense related to Y2K. The Corporation's Y2K command center has been demobilized and any subsequent Y2K issues that arise will be handled in the normal course of operations. The Corporation believes its systems have been successfully modified. Although minor Y2K conversion issues may be uncovered during monthly or quarterly processing cycles, the Corporation believes that these will be handled by normal support staff and that any future problems related to Y2K issues would not materially impact operations or financial results.

Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), that would have been effective January 1, 2000. In June 1999, the Financial Accounting Standards Board issued Statement No. 137, "Accounting for Derivatives Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133", postponing the effective date for implementing FAS 133 to fiscal years beginning after June 15, 2000. While management is still in the process of determining the full effect FAS 133 will have on the Corporation's consolidated financial statements, management has determined that FAS 133 will increase the volatility of the Corporation's asset, liability and equity (comprehensive income) positions as the change in the fair market value of all financial instruments the Corporation uses for fuel or interest rate hedging purposes will, upon adoption of FAS 133, be recorded in the Corporation's Statement of Consolidated Financial Position (see Note 4 to the Consolidated Financial Statements). In addition, to the extent fuel hedges are ineffective due to pricing differentials resulting from the geographic dispersion of the Corporation's operations, income statement recognition of the ineffective portion of the hedge position will be required. Management does not anticipate that the final adoption of FAS 133 will have a material impact on UPC's consolidated financial statements.

A Look Forward

2000 Business Outlook

Rail - The Railroad anticipates revenue growth as it continues to recover market share lost during its service difficulties, as well as from increased demand for transportation and the introduction of new service offerings. Operating efficiency is also anticipated to improve in 2000, as higher train velocity generates improvements in cycle times, lowering costs for equipment and crews. Fuel prices began to rise in late 1999, and are expected to continue to increase in 2000. As a result, the Railroad will continue to look for opportunities to decrease future fuel expense. Ten percent of forecasted 2000 fuel consumption was hedged at December 31, 1999. The Railroad will also continue to implement the Southern Pacific merger integration plan to achieve the operational and financial benefits associated with the merger.

Trucking - Overnite will continue to focus on new and expanded product offerings and maximizing its product mix to be competitive in the trucking industry environment. Through these efforts, Overnite will work to improve its financial results during 2000. Overnite's financial results are likely to be negatively impacted as a result of expense and decreased volume related to the Teamsters' job action. Fuel prices began to rise in late 1999 and are also expected to be higher in 2000. Ten percent of forecasted fuel consumption was hedged at December 31, 1999. Overnite will continue to look for opportunities to decrease future fuel expense.

2000 Capital Investments - The Corporation's 2000 capital expenditures, debt service requirements and payments related to the integration of Southern Pacific's rail operations are expected to be funded through cash generated from operations, additional debt financings and the sale or lease of various operating and non-operating properties. The Corporation expects that these sources will continue to provide sufficient funds to meet cash requirements in the foreseeable future. The Corporation expects to spend between \$1.9 billion and \$2.1 billion on capital projects in 2000. Railroad-related capital expenditures will be used to continue capacity expansion on its main lines, maintain track and structures, upgrade and augment equipment to better meet customer needs, build infrastructure in the Texas area and develop and implement new technologies. Overnite will continue to maintain its truck fleet and upgrade technology.

Cautionary Information

Certain statements in this report are, and statements in other material filed or to be filed with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Corporation) are or will be, forward-looking within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, without limitation, statements regarding: expectations as to operational improvements; expectations as to cost savings, revenue growth and earnings; the time by which certain objectives will be achieved; estimates of costs relating to environmental remediation and restoration; expectations as to product applications; expectations that claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on its consolidated financial position, results of operations or liquidity; and statements concerning projections, predictions, expectations, estimates or forecasts as to the Corporation's and its subsidiaries' business, financial and operational results, and future economic performance, statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Important factors that could cause such differences include, but are not limited to, whether the Corporation and its subsidiaries are fully successful in implementing their financial and operational initiatives; industry competition, conditions, performance and consolidation; legislative and/or regulatory developments, including possible enactment of initiatives to re-regulate the rail business; natural events such as severe weather, floods and earthquakes; the effects of adverse general economic conditions, both within the United States and globally; changes in fuel prices; changes in labor costs; labor stoppages; the impact of latent year 2000 systems problems; and the outcome of claims and litigation, including claims arising from environmental investigations or proceedings.

Forward-looking statements speak only as of the date the statement was made. The Corporation assumes no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If the Corporation does update one or more forward-looking statements, no inference should be drawn that the Corporation will make additional updates with respect thereto or with respect to other forward-looking statements.

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, 1999 and 1998, 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, 1999. 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, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

Omaha, Nebraska
January 20, 2000

Responsibility 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.

Chairman, President and Chief Executive Officer

Executive Vice President - Finance

Vice President and Controller

STATEMENT OF CONSOLIDATED INCOME
Union Pacific Corporation and Subsidiary Companies

	Millions of Dollars, Except Per Share Amounts	1999	1998	1997
Operating Revenues	Rail, trucking and other	\$ 11,273	\$ 10,553	\$ 11,079
Operating Expenses	Salaries, wages and employee benefits [Note 9]	4,285	4,348	4,166
	Equipment and other rents	1,336	1,426	1,404
	Depreciation and amortization [Notes 1 and 5]	1,083	1,070	1,043
	Fuel and utilities [Note 4]	832	843	1,042
	Materials and supplies	590	565	560
	Goodwill impairment [Note 1]	-	547	-
	Casualty costs	378	475	478
	Other costs	965	1,450	1,242
	Total	9,469	10,724	9,935
Income	Operating Income (Loss)	1,804	(171)	1,144
	Other income [Note 13]	131	189	137
	Interest expense [Notes 4 and 7]	(733)	(714)	(605)
	Income (Loss) before Income Taxes	1,202	(696)	676
	Income taxes [Note 6]	(419)	63	(244)
	Income (Loss) from Continuing Operations	783	(633)	432
	Income from Discontinued Operations [Note 3]	27	-	-
	Net Income (Loss)	\$ 810	\$ (633)	\$ 432
Per Share [Note 11]	Basic:			
	Income (Loss) from Continuing Operations	\$ 3.17	\$ (2.57)	\$ 1.76
	Income from Discontinued Operations	0.11	-	-
	Net Income (Loss)	\$ 3.28	\$ (2.57)	\$ 1.76
	Diluted:			
	Income (Loss) from Continuing Operations	\$ 3.12	\$ (2.57)	\$ 1.74
	Income from Discontinued Operations	0.10	-	-
	Net Income (Loss)	\$ 3.22	\$ (2.57)	\$ 1.74
	Dividends	\$ 0.80	\$ 0.80	\$ 1.72

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

STATEMENT OF CONSOLIDATED FINANCIAL POSITION
 Union Pacific Corporation and Subsidiary Companies

	Millions of Dollars	1999	1998
Assets			
Current Assets			
	Cash and temporary investments	\$ 175	\$ 176
	Accounts receivable [Note 4]	581	643
	Inventories	337	343
	Current deferred tax asset [Note 6]	111	244
	Other current assets	110	96
	Total	1,314	1,502
Investments			
	Investments in and advances to affiliated companies [Note 1]	657	520
	Other investments	96	171
	Total	753	691
Properties			
	Cost [Notes 5 and 7]	34,370	33,145
	Accumulated depreciation [Note 5]	(6,851)	(6,206)
	Net	27,519	26,939
Other			
	Other assets	302	242
	Total Assets	\$ 29,888	\$ 29,374
Liabilities and Stockholders' Equity			
Current Liabilities			
	Accounts payable	\$ 598	\$ 586
	Accrued wages and vacation	409	410
	Accrued casualty costs	385	400
	Income and other taxes [Note 6]	256	301
	Dividends and interest	290	289
	Debt due within one year [Note 7]	214	181
	Other current liabilities	733	765
	Total	2,885	2,932
Other Liabilities and Stockholders' Equity			
	Debt due after one year [Note 7]	8,426	8,511
	Deferred income taxes [Note 6]	6,715	6,308
	Accrued casualty costs	934	995
	Retiree benefits obligation [Note 9]	791	803
	Other long-term liabilities [Note 12]	636	932
	Company-obligated Mandatorily Redeemable Convertible Preferred Securities [Note 7]	1,500	1,500
	Common stockholders' equity (page 37)	8,001	7,393
	Total Liabilities and Stockholders' Equity	\$ 29,888	\$ 29,374

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	1999	1998	1997
Cash from Continuing Operations	Net Income (Loss)	\$ 810	\$ (633)	\$ 432
	Less Income from Discontinued Operations	27	-	-
	Income (Loss) from Continuing Operations	783	(633)	432
	Non-cash charges to income:			
	Depreciation and amortization	1,083	1,070	1,043
	Goodwill impairment [Note 1]	-	547	-
	Deferred income taxes [Note 6]	529	(74)	300
	Other - net	(666)	(29)	(196)
	Changes in current assets and liabilities	140	(316)	21
	Cash from Continuing Operations	1,869	565	1,600
Investing Activities	Capital investments	(1,834)	(2,111)	(2,101)
	Proceeds from sale of assets and other investing activities [Note 3]	220	213	329
	Cash Used in Investing Activities	(1,614)	(1,898)	(1,772)
Equity and Financing Activities	Dividends paid [Note 7]	(198)	(255)	(422)
	Debt repaid	(692)	(1,789)	(572)
	Financings [Note 7]	637	3,480	1,092
	Other - net	(3)	(17)	(27)
	Cash Provided by (Used in) Equity and Financing Activities	(256)	1,419	71
Net Change in Cash and Temporary Investments	(1)	86	(101)	
Cash at Beginning of Year	176	90	191	
Cash at End of Year	\$ 175	\$ 176	\$ 90	
Changes in Current Assets and Liabilities	Accounts receivable	\$ 62	\$ 84	\$ (157)
	Inventories	6	(47)	8
	Other current assets	119	58	(53)
	Accounts, wages and vacation payable	11	(183)	47
	Debt due within one year	33	(52)	106
	Other current liabilities	(91)	(176)	70
	Total	\$ 140	\$ (316)	\$ 21

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	1999	1998	1997
Common Stock	Common stock, \$2.50 par value: authorized 500,000,000 shares			
	Balance at beginning of year: 276,335,423 shares issued in 1999; 276,047,556 in 1998; 274,595,151 in 1997	\$ 691	\$ 690	\$ 686
	Conversions, exercises of stock options, forfeitures and other - net: (41,206) shares in 1999; 287,867 in 1998; 1,452,405 in 1997	-	1	4
	Balance at end of year: 276,294,217 shares issued in 1999; 276,335,423 in 1998; 276,047,556 in 1997	691	691	690
Paid-in Surplus	Balance at beginning of year	4,053	4,066	4,009
	Conversions, exercises of stock options, forfeitures and other - net	(34)	(13)	57
	Balance at end of year	4,019	4,053	4,066
Retained Earnings	Balance at beginning of year	4,441	5,271	5,262
	Net Income (Loss)	810	(633)	432
	Total	5,251	4,638	5,694
	Cash dividends declared	(198)	(197)	(423)
	Balance at end of year [Note 7]	5,053	4,441	5,271
Treasury Stock	Balance at end of year, at cost: 28,510,907 shares in 1999; 28,885,160 in 1998; 29,045,938 shares in 1997	(1,756)	(1,792)	(1,802)
Accumulated Other Comprehensive Income	Balance at beginning of year	-	-	-
	Minimum pension liability adjustment	(2)	-	-
	Foreign translation adjustment	(4)	-	-
	Balance at end of year [Note 15]	(6)	-	-
	Total Common Stockholders' Equity	\$ 8,001	\$ 7,393	\$ 8,225

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

NOTES TO THE FINANCIAL STATEMENTS

The accompanying accounting policies and notes to the financial statements are an integral part of these 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 or where UPC exercises significant influence over an investee's operations) 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.

The cost of internally developed software is capitalized and amortized over a five-year period. An obsolescence review of capitalized software is performed on a periodic basis.

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 enterprise level goodwill through a review of discounted cash flows.

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 fuel-related 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. The effect of extinguishments, maturities, terminations and sales is recorded in earnings in the period the instrument terminates (Note 4).

Earnings Per Share - Basic earnings per share (EPS) is calculated on the weighted-average number of common shares outstanding during each period (Note 11). Diluted earnings per share include shares issuable upon exercise of outstanding stock options (Note 10) and the potential conversion of the preferred securities (Note 7) where the conversion of such instruments would be dilutive.

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

Change in Presentation - Certain prior year amounts have been reclassified to conform to the 1999 financial statement presentation.

1. Operations and Segmentation

Union Pacific Corporation consists of one reportable segment, rail transportation, and UPC's other product lines (Other Operations). The rail segment includes the operations of the Corporation's wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR's subsidiaries and rail affiliates (the Railroad). Other Operations include the trucking product line (Overnite Transportation Company or Overnite), as well as the "other" product lines that include technology, self-insurance activities, corporate holding company operations, which largely support the Railroad, and all appropriate consolidating entries.

Rail

Operations - The Corporation's only reportable segment is the Railroad, including as of May 1, 1995, Chicago and North Western Transportation Company (CNW), and as of October 1, 1996, Southern Pacific Rail Corporation (Southern Pacific or SP). In addition, during 1997, the Railroad and a consortium of partners were granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines in Mexico (Note 2). The Railroad made an additional investment in the consortium in 1999.

The Railroad has over 33,000 route miles linking Pacific Coast and Gulf Coast ports to the Midwest and eastern United States gateways and providing several north/south corridors to key Mexican gateways. The Railroad serves the western two-thirds of the country and maintains coordinated schedules with other carriers for the handling of freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada and Mexico. Export and import traffic is moved through Gulf Coast and Pacific Coast ports and across the Mexican and (primarily through interline connections) Canadian borders. The Railroad is subject to price and service competition from other railroads, motor carriers and barge operators. The Corporation expects to complete the integration of the operations of Southern Pacific over the next 24 months.

Employees - Approximately 87% of the Railroad's 52,000 employees are represented by rail unions. During 1996, nearly all of UPRR's unionized workforce ratified five-year national agreements, which include a combination of general wage increases and lump-sum payments. In addition, the agreements provide for increased flexibility in work rules. Negotiations under the Railway Labor Act for a new national agreement for all crafts began in late 1999 and are in the initial stages. 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 SP rail systems can be fully integrated. The Railroad has successfully reached agreements with the shopcraft, carmen, clerical and maintenance-of-way unions. By the end of 1999, negotiations with other operating crafts were nearly complete, with only one hub-and-spoke agreement (Los Angeles) left to implement in early 2000. The terms of ratified and pending labor agreements are not expected to have a material adverse effect on the Corporation's results of operations.

Other Operations

Trucking Product Line

Operations - Overnite Transportation Company, a wholly owned subsidiary of the Corporation, is a major interstate trucking company specializing in less-than-truckload shipments. Overnite serves all 50 states and portions of Canada and Mexico through 166 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.

Employees - As one of the nation's largest predominantly non-union single operating trucking companies, Overnite is periodically targeted at many of its service centers by major labor organization efforts instituted by the International Brotherhood of Teamsters (Teamsters). The Teamsters conducted a brief job action in July 1999 and began another job action in October 1999 that continued into 2000. Since year-end 1994, Overnite has received 90 petitions for union elections at 67 of its 166 service centers. Twenty-two service centers, representing approximately 14% of Overnite's 13,000 employee nationwide workforce, voted for union representation; and the Teamsters have been certified and recognized as the bargaining representative for such employees. Eleven of these locations filed decertification petitions in 1999. Elections affecting approximately 400 additional employees are unresolved, and there are no elections currently scheduled. Additionally, proceedings are pending in certain cases where a Teamsters' local union lost a representation election. To date, Overnite has not entered into any collective bargaining agreements with the Teamsters.

Operational Initiatives - During 1999, 1998 and 1997, Overnite benefited from several initiatives aimed at better matching its operations to the 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. Overnite has also benefited from growth in its customer base generated by continuing improvements in its service levels.

Attempted Sale of Overnite - In May 1998, the Corporation's Board of Directors approved a formal plan to divest of UPC's investment in Overnite through an initial public offering. However, market conditions deteriorated to the point that UPC decided not to consummate the offering.

Goodwill Revaluation - During 1998, the Corporation changed its method of measuring impairment of enterprise level goodwill from an undiscounted cash flow method to a fair value method based on discounted cash flows. The Corporation believes that a discounted cash flow approach is preferable since it provides a more current and realistic valuation than the undiscounted method and more closely matches Overnite's fair value. In connection with the change in accounting policy with respect to measurement of goodwill impairment described above, \$547 million of goodwill related to the

acquisition of Overnite was written off during 1998. Generally accepted accounting principles preclude the recognition of tax benefits associated with goodwill charges to income. Should the Corporation divest Overnite in the future, a tax benefit associated with the goodwill write-down may be recognized.

Other Product Lines

Other - Included in the "Other" product lines are the results of the corporate holding company; Union Pacific Technologies, a provider of transportation-related technologies; Wasatch Insurance Limited, a captive insurance company; and all necessary consolidating entries.

The following table details reportable financial information for the Corporation's Rail segment and other operations:

Millions of Dollars	1999	1998	1997
Net sales and revenues from external customers:/[a]/			
Rail	\$10,176	\$ 9,368	\$ 9,981
Trucking	1,062	1,034	946
Other	35	151	152
Consolidated	\$11,273	\$10,553	\$11,079
Depreciation and amortization:/[b]/			
Rail	\$ 1,034	\$ 1,003	\$ 972
Trucking	46	607	62
Other	3	7	9
Consolidated	\$ 1,083	\$ 1,617	\$ 1,043
Operating income (loss):/[b]/			
Rail	\$ 1,822	\$ 433	\$ 1,253
Trucking	20	(508)	10
Other	(38)	(96)	(119)
Consolidated	\$ 1,804	\$ (171)	\$ 1,144
Interest income:			
Rail	\$ 10	\$ 20	\$ 15
Trucking	16	13	11
Other	(8)	(5)	(9)
Consolidated	\$ 18	\$ 28	\$ 17
Interest expense:			
Rail	\$ 618	\$ 603	\$ 473
Trucking	1	1	2
Other	114	110	130
Consolidated	\$ 733	\$ 714	\$ 605
(continued from previous column)	1999	1998	1997
Income tax (benefit) expense:			
Rail	\$ 465	\$ (11)	\$ 332
Trucking	8	24	16
Other	(54)	(76)	(104)
Consolidated	\$ 419	\$ (63)	\$ 244
Earnings of nonconsolidated affiliates:/[c]/			
Rail	\$ 55	\$ 52	\$ 41
Trucking	-	-	-
Other	-	-	-
Consolidated	\$ 55	\$ 52	\$ 41
Net income (loss):/[d]/			
Rail	\$ 854	\$ 27	\$ 620
Trucking	29	(522)	4
Other	(73)	(138)	(192)
Consolidated	\$ 810	\$ (633)	\$ 432
Investments in nonconsolidated affiliates:/[c]/			
Rail	\$ 657	\$ 520	\$ 443
Trucking	-	-	-
Other	-	-	-
Consolidated	\$ 657	\$ 520	\$ 443

Assets:			
Rail	\$28,880	\$28,357	\$27,343
Trucking	865	823	1,351
Other	143	194	166

Consolidated	\$29,888	\$29,374	\$28,860

Capital investments:			
Rail	\$ 1,777	\$ 2,044	\$ 2,035
Trucking	55	59	40
Other	2	8	26

Consolidated	\$ 1,834	\$ 2,111	\$ 2,101

/[a]/ The Corporation does not have significant intercompany sales activities.

/[b]/ Depreciation and amortization included the one-time revaluation of Overnite's goodwill of \$547 million in 1998 and goodwill amortization at Overnite of \$15 million in 1998 and \$20 million in 1997.

/[c]/ The Railroad has equity interests in several railroad-related and other businesses.

/[d]/ "Other" included the \$43 million pre-tax, \$27 million after-tax adjustment of a liability related to the discontinued operations of a former subsidiary in 1999 (Note 3).

Consolidated

Risk Factors - The Corporation's future results may be affected by changes in the economic environment, fluctuations in fuel prices and external factors such as weather. 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. Operating results at the Railroad and Overnite can also 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.

2. Acquisitions

Southern Pacific - UPC consummated the acquisition of Southern Pacific in September 1996. Southern Pacific was acquired for \$4.1 billion (60% of the outstanding Southern Pacific common shares were converted into UPC common stock, and the remaining 40% of the outstanding shares were acquired for cash). UPC initially funded the cash portion of the acquisition with credit facility borrowings, all of which have been subsequently refinanced with other borrowings. The acquisition of Southern Pacific has been accounted for using the purchase method and was fully consolidated into UPC results beginning October 1996.

Merger Consolidation Activities - In connection with the acquisition and continuing integration of UPRR and Southern Pacific's rail operations, UPC is in the process of eliminating 5,200 duplicate positions, primarily employees involved in activities other than train, engine and yard activities. UPC is also relocating 4,700 positions, merging or disposing of redundant facilities, and disposing of certain rail lines. The Corporation is also canceling uneconomical and duplicative SP contracts.

To date UPC has severed 3,100 employees and relocated 4,300 due to merger implementation activities. UPC recognized a \$958 million pre-tax liability in the SP purchase price allocation for costs associated with SP's portion of these activities. In addition, the Railroad expects to incur between \$65 million and \$95 million over the remaining merger implementation period in pre-tax, acquisition-related costs for severing or relocating UPRR employees, disposing of certain UPRR facilities, and training and equipment upgrading. Earnings for 1999 and 1998 included \$63 million pre-tax or \$39 million after-tax, and \$69 million pre-tax or \$43 million after-tax, respectively, for acquisition-related costs for UPRR consolidation activities.

The components of the merger liability as of December 31, 1999 were as follows:

Millions of Dollars	Original Reserve	Cumulative Activity	Current Reserve
Labor protection related to legislated and contractual obligations	\$ 361	\$ 361	\$ -
Severance costs	343	265	78
Contract cancellation fees and facility and line closure costs	145	141	4
Relocation costs	109	92	17
Total	\$ 958	\$ 859	\$ 99

Merger Liabilities - Merger liability activity reflected cash payments for merger consolidation activities and reclassification of contractual obligations from merger liabilities to contractual liabilities. In addition, where merger implementation has varied from the original merger plan, the Corporation has adjusted the merger liability and the fair value allocation of SP's purchase price to fixed assets to eliminate the variance. Where the merger implementation has caused the Corporation to incur more costs than were envisioned in the original merger plan, such costs are charged to expense in the period incurred. The Corporation charged \$45 million and \$474 million against the merger liability in 1999 and 1998, respectively. The Corporation expects that the remaining merger payments will be made over the course of the next 24 months as labor negotiations are completed and implemented, and related merger consolidation activities are finalized.

Mexican Railway Concession - During 1997, the Corporation's rail subsidiary, UPRR, and a consortium of partners were granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines in Mexico and a 25% stake in the Mexico City Terminal Company at a price of \$525 million. The consortium assumed operational control of both lines in 1998. In March 1999, UPRR purchased an additional 13% ownership interest for \$87 million from one of its partners. The Railroad now holds a 26% ownership share in the consortium. The investment is accounted for under the equity method. The Corporation's portion of the consortium's assets and liabilities is translated into U.S. dollars using current exchange rates in effect at the balance sheet date. The Corporation's portion of the consortium's net income is translated into U.S. dollars at weighted-average exchange rates prevail-

ing during the year (Note 15). The resulting translation adjustments are reflected within the stockholders' equity component, accumulated other comprehensive income.

3. Divestitures

Adjustment to 1994 Loss on Disposal of Discontinued Operations - Net income for 1999 included a one-time, after-tax gain of \$27 million, net of taxes of \$16 million, from the adjustment of a liability established in connection with the discontinued operations of a former subsidiary.

Skyway - In November 1998, the Corporation completed the sale of Skyway Freight Systems, Inc. (Skyway), a wholly owned subsidiary. Skyway provided contract logistics and supply chain management services. The proceeds were used to repay outstanding debt. The sale of Skyway generated a net after-tax loss of \$50 million, of which \$40 million was recognized in 1997.

4. Financial Instruments

Strategy and Risk - The Corporation and its subsidiaries use derivative financial instruments in limited instances and for other than trading purposes to manage risk related to changes in fuel prices and interest rates. The Corporation uses swaps, futures and/or forward contracts to mitigate the downside risk of adverse price and rate movements; however, the use of these instruments also limits future gains from favorable movements.

Market and Credit Risk - 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 credit risk associated with the Corporation's counterparties was \$79 million at December 31, 1999. The Corporation has not been required to provide collateral; however, UPC has received collateral relating to its hedging activity where the concentration of credit risk was substantial.

Determination of Fair Value - The fair market values of the Corporation's derivative financial instrument positions at December 31, 1999 and 1998, detailed below, were determined based upon current fair market values as quoted by recognized dealers or developed based upon the present value of expected future cash flows discounted at the applicable U.S. Treasury rate and swap spread.

Interest Rate Strategy - 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 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.

Fuel Strategy - Fuel costs are a significant portion 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 purpose of this program is to protect the Corporation's operating margins and overall profitability from adverse fuel price changes. The following is a summary of the Corporation's financial instruments at December 31, 1999 and December 31, 1998:

Millions, Except Percentages and Average Commodity Prices	1999	1998

Interest Rate Hedging:		
Amount of debt hedged	\$ 54	\$ 150
Percentage of total debt portfolio	1%	2%
Rail Fuel Hedging:		
Number of gallons hedged for 1999	-	844
Percentage of forecasted 1999 fuel consumption hedged	-	64%
Average price of 1999 hedges outstanding (per gallon)/[a]	-	\$0.41
Number of gallons hedged for 2000	126	-
Percentage of forecasted 2000 fuel consumption hedged	10%	-
Average price of 2000 hedges outstanding (per gallon)/[a]	\$0.40	-
Trucking Fuel Hedging:		
Number of gallons hedged for 1999	-	22
Percentage of forecasted 1999 fuel consumption hedged	-	41%
Average price of 1999 hedges outstanding (per gallon)/[a]	-	\$0.45
Number of gallons hedged for 2000	5	-
Percentage of forecasted 2000 fuel consumption hedged	10%	-
Average price of 2000 hedges outstanding (per gallon)/[a]	\$0.39	-

/[a]/ Excluded taxes and transportation costs.

The asset and liability positions of the Corporation's outstanding financial instruments at December 31, 1999 and December 31, 1998 were as follows:

Millions of Dollars	1999	1998
Interest Rate Hedging:		
Gross fair market asset position	\$ 56	\$ 41
Gross fair market (liability) position	(1)	(5)
Rail Fuel Hedging:		
Gross fair market asset position	22	-
Gross fair market (liability) position	-	(49)
Trucking Fuel Hedging:		
Gross fair market asset position	1	-
Gross fair market (liability) position	-	(2)
Total asset (liability) position	\$ 78	\$(15)

The Corporation's use of financial instruments had the following impact on pre-tax income for 1999 and 1998:

Millions of Dollars	1999	1998
Increase in interest expense from interest rate hedging	\$ 1	\$ 4
Increase (decrease) in fuel expense from Rail fuel hedging	(53)	87
Increase (decrease) in fuel expense from Trucking fuel hedging	(1)	3
(Increase) decrease in pre-tax income	\$(53)	\$ 94

Fair Value of Debt 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, 1999, the fair value of total debt was less than the carrying value by approximately \$160 million. Approximately \$1.3 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.

Sale of Receivables - The Railroad has sold, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable to third parties through a bankruptcy-remote subsidiary (the Subsidiary). The Subsidiary is collateralized by a \$66 million note from UPRR. The amount of receivables sold fluctuates based upon the availability of the designated pool of receivables and is directly affected by changing business volumes and credit risks. At December 31, 1999 and December 31, 1998, accounts receivable are presented net of \$576 million and \$580 million, respectively, of receivables sold.

5. Properties

Major property accounts were as follows:

Millions of Dollars	1999	1998
Railroad:		
Road and other	\$25,781	\$24,789
Equipment	7,755	7,545
Total Railroad	33,536	32,334
Trucking	804	785
Other	30	26
Total	\$34,370	\$33,145

Accumulated depreciation accounts were as follows:

Millions of Dollars	1999	1998
Railroad:		
Road and other	\$ 4,218	\$ 3,303
Equipment	2,272	2,568
Total Railroad	6,490	5,871
Trucking	345	325
Other	16	10

Total	\$ 6,851	\$ 6,206
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6. Income Taxes

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

Millions of Dollars	1999	1998	1997
Current:			
Federal	\$ (112)	\$ 13	\$ (50)
State	2	(2)	(6)
Total current	(110)	11	(56)
Deferred:			
Federal	516	261	270
State	13	15	30
Benefit of net operating loss	-	(350)	-
Total deferred	529	(74)	300
Total	\$ 419	\$ (63)	\$ 244

Deferred tax liabilities (assets) comprise the following:

Millions of Dollars	1999	1998
Net current deferred tax asset	\$ (111)	\$ (244)
Excess tax over book depreciation	7,497	7,314
State taxes - net	501	494
SP merger reserves	(35)	(50)
Long-term liabilities	(339)	(362)
Retirement benefits	(315)	(327)
Alternative minimum tax credits	(218)	(192)
Net operating loss	(559)	(754)
Other	183	185
Net long-term deferred tax liability	6,715	6,308
Net deferred tax liability	\$ 6,604	\$ 6,064

The Corporation has a deferred tax asset reflecting the benefits of \$1,596 million in net operating loss carry-forwards, which expire as follows:

Millions of Dollars	
Expiring December 31:	
2002	\$ 139
2003	262
2004	134
2005	136
2006	226
2007-2018	699
Total	\$1,596

The Internal Revenue Code limits a corporation's ability to utilize its net operating loss carryforwards. The Corporation does not expect these limits to impact its ability to utilize its carryforwards. The Corporation has analyzed its 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:

	1999	1998	1997
Statutory tax rate	35.0%	(35.0)%	35.0%
State taxes - net	0.8	(1.6)	2.3
Goodwill amortization and impairment [Note 1]	0.1	28.4	1.3
Dividend exclusion	(1.0)	(1.7)	(1.6)
Tax settlements	(1.3)	-	(0.9)
Other	1.3	0.8	-
Effective tax rate	34.9%	(9.1)%	36.1%

The Corporation is part of the Internal Revenue Service Coordinated Examination Program; therefore every year is examined by the Internal Revenue Service. All years prior to 1986 are either closed or have only immaterial issues outstanding. Years 1986 through 1998 are currently under examination. The Corporation believes it has adequately provided for federal and state income taxes.

Net payments (refunds) of income taxes were \$(110) million in 1999, \$(103) million in 1998 and \$64 million in 1997.

7. Debt

Total debt is summarized below:

Millions of Dollars	1999	1998
Notes and debentures, 0% to 11.5% due through 2054	\$ 4,666	\$ 4,219
Capitalized leases	1,345	1,434
Medium-term notes, 6.3% to 10.0% due through 2020	950	985
Equipment obligations,		

6.0% to 10.3% due through 2019	920	858
Term floating rate debt, 5.3% to 5.7% due through 2012	395	644
Credit facility borrowings, average of 5.6% in 1999	-	200
Mortgage bonds, 4.3% to 5.0% due through 2030	175	175
Tax-exempt financings, 4.2% to 5.7% due through 2026	168	168
Commercial paper and bid notes, average of 5.5% in 1999 and 5.9% in 1998	67	56
Unamortized discount	(46)	(47)

Total debt	8,640	8,692
Less current portion	(214)	(181)

Total long-term debt	\$ 8,426	\$ 8,511

Debt Maturities - For the years 2000 through 2004, debt maturities are \$214 million, \$1.3 billion, \$611 million, \$670 million and \$524 million, respectively. Interest payments approximate gross interest expense.

Mortgaged Properties - Approximately 30% of all rail equipment and other Railroad properties secures outstanding equipment obligations and mortgage bonds.

Credit Facilities - The Corporation has a \$2.8 billion credit facility with various banks designated for general corporate purposes, all of which was unused at December 31, 1999. The facility expires in April 2001. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated investment-grade 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 \$593 million, which

are due within one year, have been reclassified as long-term debt maturing in the year 2001. This reclassification 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 the currently available long-term credit facility if alternative financing is not available.

Convertible Preferred Securities - Union Pacific Capital Trust (the Trust), a statutory business trust sponsored and wholly owned by the Corporation, issued \$1.5 billion aggregate liquidation amount of 61/4% Convertible Preferred Securities (the CPS) in April 1998. Each of the CPS has a stated liquidation amount of \$50 and is convertible, at the option of the holder, into shares of UPC's common stock, par value \$2.50 per share (the Common Stock), at the rate of 0.7257 shares of Common Stock for each of the CPS, equivalent to a conversion price of \$68.90 per share of Common Stock, subject to adjustment under certain circumstances. The CPS accrues and pays cash distributions quarterly in arrears at the annual rate of 61/4% of the stated liquidation amount. The Corporation owns all of the common securities of the Trust. The proceeds from the sale of the CPS and the common securities of the Trust were invested by the Trust in \$1.5 billion aggregate principal amount of the Corporation's 61/4% Convertible Junior Subordinated Debentures due April 1, 2028 (the Debentures). The Debentures represent the sole assets of the Trust. The principal amount of the Debentures held by the Trust at December 31, 1999 was \$1.5 billion.

The Debentures accrue and pay interest quarterly in arrears at the annual rate of 61/4%. The Debentures mature on April 1, 2028, unless previously redeemed or repurchased in accordance with the terms of the indenture (the Indenture). The proceeds from the issuance of the Debentures were used by the Corporation for repayment of corporate borrowings.

The Corporation has guaranteed, on a subordinated basis, distributions and other payments due on the CPS (the Guarantee). Considered together, the Corporation's obligations under the Debentures, the Indenture, the Guarantee and the Amended and Restated Declaration of Trust governing the Trust provide a full and unconditional guarantee by the Corporation of the Trust's obligations under the CPS.

For financial reporting purposes, the Corporation has recorded distributions payable on the CPS as an interest charge to earnings in the statement of consolidated income.

Significant New Borrowings - During January 1999, the Corporation issued \$600 million of 65/8% debentures with a maturity date of February 1, 2029. In September 1999, the Corporation issued \$150 million of 73/8% notes with a maturity date of September 15, 2009. The proceeds from the issuance of these debentures and notes were used for repayment of debt and other general corporate purposes.

Shelf Registration - Under currently effective shelf registration statements, the Corporation may issue, from time to time, any combination of debt securities, preferred stock, or warrants for debt securities or preferred stock in one or more offerings. At December 31, 1999, the Corporation had \$850 million remaining for issuance under the shelf registration. The Corporation has no immediate plans to issue equity securities.

Dividend Restrictions - 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 \$2.5 billion at December 31, 1999.

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, 1999 were as follows:

Millions of Dollars	Operating Leases	Capital Leases
2000	\$ 415	\$ 219
2001	385	220
2002	310	192
2003	231	184
2004	207	197
Later years	1,887	1,175
Total minimum payments	\$3,435	2,187
Amount representing interest		(842)
Present value of minimum lease payments		\$1,345

Rent expense for operating leases with terms exceeding one month was \$707 million in 1999, \$672 million in 1998 and \$590 million in 1997. Contingent rentals and sub-rentals are not significant.

9. Retirement Plans

Benefit Summary - The Corporation provides defined benefit retirement income to eligible non-union employees through qualified and non-qualified (supplemental) pension plans. In addition, all non-union and certain of the Corporation's union employees participate in defined contribution medical and life insurance programs for retirees. All Railroad employees are covered by the Railroad Retirement System (the System).

Funding and Benefit Payments - Qualified and non-qualified pension benefits are based on years of service and the highest compensation during the latest years of employment. The qualified plans are funded based on the Projected Unit Credit actuarial funding method and are funded at not less than the minimum funding standards set forth in the Employee Retirement Income Security Act of 1974, as amended. The Corporation has settled a portion of the non-qualified unfunded supplemental plan's accumulated benefit obligation by purchasing annuities. The Corporation also provides medical and life insurance benefits on a cost sharing basis for qualifying employees. These costs are funded as incurred. In addition, contributions made to the System are expensed as incurred and amounted to approximately \$426 million in 1999, \$411 million in 1998, and \$392 million in 1997.

The following illustrates the change in the Corporation's projected benefit obligation for 1999 and 1998:

Millions of Dollars	Pension Benefits		Other Postretirement Benefits	
	1999	1998	1999	1998
Net benefit obligation at beginning of year	\$2,060	\$1,849	\$ 444	\$ 425
Service cost	46	40	8	8
Interest cost	135	134	29	29
Plan amendments	33	2	(2)	(2)
Actuarial (gain) loss	(283)	137	(32)	12
Gross benefits paid	(108)	(102)	(35)	(28)
Net benefit obligation at end of year	\$1,883	\$2,060	\$ 412	\$ 444

Changes in the Corporation's benefit plan assets are summarized as follows for 1999 and 1998:

Millions of Dollars	Pension Benefits		Other Postretirement Benefits	
	1999	1998	1999	1998
Fair value of plan assets at beginning of year	\$2,100	\$1,858	\$ -	\$ -
Actual return on plan assets	345	331	-	-
Employer contributions	30	13	35	28
Gross benefits paid	(108)	(102)	(35)	(28)
Fair value of plan assets at end of year	\$2,367	\$2,100	\$ -	\$ -

The components of funded status of the benefit plans for 1999 and 1998 were as follows:

Millions of Dollars	Pension Benefits		Other Postretirement Benefits	
	1999	1998	1999	1998
Funded status at end of year	\$ 484	\$ 40	\$(412)	\$(444)
Unrecognized net actuarial gain	(929)	(449)	(75)	(44)
Unrecognized prior service cost (credit)	144	107	(21)	(26)
Unrecognized net transition obligation	(12)	(16)	-	-
Net liability recognized at end of year	\$ (313)	\$ (318)	\$(508)	\$(514)

In 1999 and 1998, \$30 million and \$29 million, respectively, of the total pension and other post-retirement liability were classified as a current liability.

Amounts recognized for the benefit plan liabilities in the statement of consolidated financial position for 1999 and 1998 consisted of:

Millions of Dollars	Pension Benefits		Other Postretirement Benefits	
	1999	1998	1999	1998
Prepaid benefit cost	\$ 2	\$ 1	\$ -	\$ -
Accrued benefit cost	(315)	(319)	(508)	(514)
Additional minimum liability	(31)	(15)	-	-
Intangible assets	28	15	-	-
Accumulated other comprehensive income	3	-	-	-
Net liability recognized at end of year	\$(313)	\$(318)	\$ (508)	\$ (514)

The components of the Corporation's net periodic pension costs for the years ended December 31, 1999, 1998 and 1997 were as follows:

Millions of Dollars	Pension Benefits			Other Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Service cost	\$ 46	\$ 40	\$ 33	\$ 7	\$ 8	\$ 8
Interest cost	135	134	122	29	29	30
Expected return on assets	(158)	(144)	(118)	-	-	-
Amortization of:						
Transition obligation	(4)	1	2	-	-	-
Prior service cost (credit)	15	12	9	(7)	(7)	(7)
Actuarial gain (loss)	(9)	3	(11)	(1)	(3)	(3)
Total net periodic benefit cost	\$ 25	\$ 46	\$ 37	\$ 28	\$ 27	\$ 28

As of year-end 1999 and 1998, approximately 25% and 31%, respectively, of the funded plans' assets were held in fixed-income and short-term securities, with the remainder in equity securities.

The weighted-average actuarial assumptions for the years ended December 31, 1999, 1998 and 1997 were as follows:

Percentages	Pension Benefits			Other Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Discount rate	8.0%	6.75%	7.0%	8.0%	6.75%	7.0%
Expected return on plan assets	10.0	9.0	9.0	N/A	N/A	N/A
Rate of compensation increase	5.0	3.75	4.0	5.0	3.75	4.0
	to 4.75	to 5.0		to 4.75	to 5.0	
Health care cost trend:						
Current	N/A	N/A	N/A	7.7	9.0	9.0
Level in 2005	N/A	N/A	N/A	5.5	4.5	4.5

Assumed health care cost trend rates have a significant effect on the amount reported for health care plans. A one percentage point change in the assumed health care cost trend rates would have the following effects:

Millions of Dollars	One % pt. increase	One % pt. decrease

Effect on total service and interest		
cost components	\$ 4	\$ (3)
Effect on postretirement benefit obligation	40	(34)

10. Stock Options and Other Stock Plans

Options - The Corporation applies Accounting Principles Board Opinion 25 and related interpretations in accounting for its stock plans. Pursuant to the Corporation's stock option and retention stock plans for officers and key employees, 4,807,783, 4,493,578 and 8,997,375 common shares were available for grant at December 31, 1999, 1998 and 1997, respectively. Options are granted at market value on the grant date and are exercisable for a period of 10 years from the grant date. Options generally become exercisable no earlier than one year after grant.

Retention and Restricted Stock - The plans provide for awarding retention shares of common stock or stock units (the right to receive shares of common stock) to eligible employees. These awards are subject to forfeiture if employment terminates during the prescribed retention period or, in some cases, if certain prescribed stock price or other financial criteria are not met. Restricted stock awards are issued to non-employee directors and subject to forfeiture if certain service requirements are not met. During 1999, 26,300 retention shares and stock units were issued at a weighted-average fair value of \$52.41. During 1998, 322,025 retention and restricted shares were issued at a weighted-average fair value of \$51.77. No retention or restricted shares were issued in 1997. A portion of the retention awards issued in 1999 and 1998 are subject to stock price or performance targets. The cost of retention shares is amortized to expense over the vesting period. In 1999, 1998 and 1997, UPC expensed \$3 million, \$16 million and \$24 million, respectively, to amortize retention and restricted stock awards.

Executive Stock Purchase Incentive Plan - The Corporation adopted the plan effective October 1, 1999 in order to encourage and facilitate ownership of common stock by officers and other key executives of the Corporation and its subsidiaries and allow the plan participants to share in the same risks and rewards as the Corporation's other shareholders.

Under the plan, the participants purchased a total of one million shares of the Corporation's common stock with the proceeds of 6.02% interest-bearing, full recourse loans from the Corporation. Loans totaled \$47 million. Deferred cash payments will be awarded to the participants to repay interest and the loan principal if certain performance and retention criteria are met within a forty-month period ending January 1, 2003. The cost of this plan is amortized to expense over the forty-month period. In 1999, UPC expensed \$2 million to amortize the deferred cash payments.

Determination of Fair Value of Options - The fair value of each stock option granted is estimated for the determination of pro forma expense using a Black-Scholes option-pricing model. The expense impact of the option grant is reflected in pro forma results, included in the table below, over the options' vesting period and is determined as of the date of grant. During 1999, 44,250 options were granted at a weighted-average option price of \$54.25. The pro forma expense determination for options granted in 1999 was valued using the following weighted-average assumptions: dividend yield of 1.8%, risk-free interest rate of 6.4%, expected option period of four years, and volatility of 28.3%. During 1998, 15,653,880 options were granted at a weighted-average option price of \$53.10. The pro forma expense determination for options granted in 1998 was based on the following weighted-average assumptions: dividend yield of 1.8%, risk-free interest rate of 4.5%, expected option period of four years, and volatility of 24.2%. The weighted-average fair value of options granted in 1999 and 1998 was \$14.94 and \$11.69, respectively. There were no options granted during 1997.

Pro forma net income (loss) and EPS for 1999, 1998 and 1997, including compensation expense for options that vested in each year, were as follows:

Millions of Dollars, Except Per Share Amounts	1999	1998/[a]/	1997
Net income (loss)	\$ 755	\$ (672)	\$ 418
EPS - Basic	\$3.06	\$(2.73)	\$1.70
EPS - Diluted	\$3.01	\$(2.73)	\$1.69

[a] During 1998, the Corporation implemented a broad-based option program that granted each employee 200 options at \$55.00 per share. This program resulted in 11,236,400 new options in 1998 and generated an after-tax pro forma compensation expense of \$28 million in 1999 and \$21 million in 1998. The conversion of these options will be effected with treasury shares and are not issued under the stock option plan for officers and key employees.

Changes in common stock options outstanding were as follows:

	Shares Under Option	Weighted- Average Option Price Per Share
Balance December 31, 1996	13,204,667	\$ 43.42
Granted	-	-
Exercised	(1,620,648)	32.85
Expired/Surrendered	(247,676)	55.61
Balance December 31, 1997	11,336,343	44.65
Granted/[a]/	15,653,880	53.10
Exercised	(315,528)	27.52
Expired/Surrendered	(175,116)	56.13
Balance December 31, 1998	26,499,579	49.77
Granted	44,250	54.25
Exercised	(921,169)	31.58
Expired/Surrendered	(231,190)	53.06
Balance December 31, 1999	25,391,470	50.41

[a] During 1998, the Corporation implemented a broad-based option program that granted each employee 200 options at \$55.00 per share. This program resulted in 11,236,400 new options in 1998.

Stock options outstanding at December 31, 1999 were as follows:

	Number of Options	Weighted- Average Years to Expiration	Weighted- Average Option Price
Range of Option Prices:			
\$6.02 to \$42.25	3,605,949	4	\$32.16
\$42.87 to \$48.19	5,120,276	8	46.51
\$52.88 to \$62.40	16,665,245	8	55.56
Balance December 31, 1999	25,391,470	7	50.41

Stock options exercisable at December 31, 1999 were as follows:

	Number of Options	Weighted- Average Years to Expiration	Weighted- Average Option Price
Range of Option Prices:			
\$6.02 to \$31.60	2,747,469	5	\$ 30.66
\$32.26 to \$43.75	1,688,309	4	40.09
\$45.69 to \$62.40	7,703,956	8	51.66
Balance December 31, 1999	12,139,734	7	45.30

11. Earnings Per Share

The following table provides a reconciliation between basic and diluted earnings per share for the years ended:

Millions, Except Per Share Amounts	1999	1998	1997
Income Statement Data:			
Income (loss) from continuing operations	\$ 783	\$ (633)	\$ 432
Income (loss) available to common stockholders from continuing operations	783	(633)	432
Gain on disposal of discontinued operations	27	-	-
Net income (loss) available to common stockholders - Basic	810	(633)	432
Dilutive effect of interest associated with the CPS/[a]/	58	-	-

Net income (loss) available to common stockholders - Diluted	\$ 868	\$ (633)	\$ 432

Weighted-Average Number of Shares Outstanding:			
Basic	246.6	246.0	245.7
Dilutive effect of common stock equivalents/[b]/	23.2	-	2.4

Diluted	269.8	246.0	248.1

Earnings Per Share - Basic:			
Income (loss) from continuing operations	\$ 3.17	\$(2.57)	\$ 1.76
Income from discontinued operations	0.11	-	-

Net income (loss)	\$ 3.28	\$(2.57)	\$ 1.76

Earnings Per Share - Diluted:[b]/			
Income (loss) from continuing operations	\$ 3.12	\$(2.57)	\$ 1.74
Income from discontinued operations	0.10	-	-

Net income (loss)	\$ 3.22	\$(2.57)	\$ 1.74

/[a]/ 1998 excluded the anti-dilutive impact of \$44 million of interest associated with the Convertible Preferred Securities (Note 7).

/[b]/ Excluded the effect of anti-dilutive common stock equivalents related to options and Convertible Preferred Securities (Note 7), which were 1.4 million and 16.3 million, respectively, at December 31, 1998.

12. Commitments and Contingencies

There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to federal, state and local environmental laws and regulations, pursuant to which it is currently participating in the investigation and remediation of numerous sites. In addition, 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. It is not possible at this time for the Corporation to determine fully the effect of all unasserted claims on its consolidated financial condition, results of operations or liquidity; however, to the extent possible, where unasserted claims can be estimated and where such claims are considered probable, the Corporation has recorded a liability. The Corporation does not expect that any known lawsuits, claims, environmental costs, commitments or guarantees will have a material adverse effect on its consolidated financial condition, results of operations or liquidity. Certain potentially significant contingencies relating to the Corporation's and its subsidiaries' businesses are detailed below.

Customer Claims - Some customers have submitted claims for damages related to shipments delayed by the Railroad as a result of congestion problems in 1997 and 1998, and certain customers have filed lawsuits seeking relief related to such delays. Some customers also asserted that they have the right to cancel contracts as a result of alleged material breaches of such contracts by the Railroad. The Corporation accrued amounts for these claims in 1998 and 1997. No additional amounts were accrued in 1999.

Environmental Issues - For environmental sites where remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. At December 31, 1999, the Corporation had accrued \$197 million for estimated future environmental costs and believes it is reasonably possible that actual environmental costs could be lower or significantly higher than the recorded reserve.

Shareholder Lawsuits - UPC and certain of its current and former directors and officers are defendants in two purported class actions, which have been consolidated into one proceeding. The consolidated complaint alleges, among other things, that the Corporation violated the federal securities laws by failing to disclose material facts and making materially false and misleading statements concerning the service, congestion and safety problems encountered following the Corporation's acquisition of Southern Pacific in 1996. These lawsuits were filed in late 1997 in the United States District Court for the Northern District of Texas and seek to recover unspecified amounts of damages. Management believes that the plaintiffs' claims are without merit and intends to defend them vigorously. The defendants have moved to dismiss this action, and the motion has been fully briefed and is awaiting a decision by the Court.

In addition to the class action litigation, a purported derivative action was filed on behalf of the Corporation and the Railroad in September 1998 in the District Court for Tarrant County, Texas, naming as defendants the then-current and certain former directors of the Corporation and the Railroad and, as nominal defendants, the Corporation and the Railroad. The derivative action alleges, among other things, that the named directors breached their fiduciary duties to the Corporation and the Railroad by approving and implementing the Southern Pacific merger without informing themselves of its impact or ensuring that adequate controls were put in place and by causing UPC and the Railroad to make misrepresentations about the Railroad's service problems to the financial markets and regulatory authorities. The Corporation's Board of Directors established a special litigation committee consisting of three independent directors to review the plaintiff's allegations, and determine whether it is in UPC's best interest to pursue them. The committee has unanimously concluded that further prosecution of the derivative action on behalf of the Corporation and the Railroad is not in the best interest of either such company. Accordingly, the Corporation and UPRR have filed with the Court to dismiss the derivative action. The plaintiff has not yet responded to this motion. The individual defendants believe that these claims are without merit and intend to defend them vigorously.

13. Other Income

Other income included the following:

Millions of Dollars	1999	1998	1997
Net gain on asset dispositions	\$ 74	\$ 125	\$ 102
Rental income	63	55	75
Interest income	18	28	17
Loss on sale of Skyway	-	(18)	(65)
Other - net	(24)	(1)	8
Total	\$ 131	\$ 189	\$ 137

14. Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), that would have been effective January 1, 2000. In June 1999, the Financial Accounting Standards Board issued Statement No. 137, "Accounting for Derivatives Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133" postponing the effective date for implementing FAS 133 to fiscal years beginning after June 15, 2000. While management is still in the process of determining the full effect FAS 133 will have on the Corporation's financial statements, management has determined that FAS 133 will increase the volatility of the Corporation's asset, liability and equity (comprehensive income) positions as the change in the fair market value of all financial instruments the Corporation uses for fuel or interest rate hedging purposes will, upon adoption of FAS 133, be recorded in the Corporation's Statement of Financial Position (Note 4). In addition, to the extent fuel hedges are ineffective due to pricing differentials resulting from the geographic dispersion of the Corporation's operations, income statement recognition of the ineffective portion of the hedge position will be required. Management does not anticipate that the final adoption of FAS 133 will have a material impact on UPC's consolidated financial statements.

15. Comprehensive Income

The components of comprehensive income were as follows:

Millions of Dollars	1999	1998	1997
Net Income (Loss)	\$ 810	\$(633)	\$ 432
Other comprehensive income (loss):			
Minimum pension liability adjustment (net of tax benefit of \$1)	(2)	-	-
Change in accumulated translation adjustment (net of tax benefit of \$2)	(4)	-	-
Total comprehensive income (loss)	\$ 804	\$(633)	\$ 432

SUPPLEMENTARY INFORMATION (unaudited)
Selected Quarterly Data

Selected unaudited quarterly data are as follows:

Millions of Dollars, Except Per Share Amounts				
1999	Mar 31	June 30	Sep 30/[a]/	Dec 31
Operating Revenues	\$2,740	\$2,773	\$2,893	\$2,867
Operating Income	362	441	515	486
Income from				
Continuing Operations	129	194	218	242
Net Income	129	194	245	242
Per Share - Basic:				
Income from				
Continuing Operations	0.52	0.79	0.88	0.98
Net Income	0.52	0.79	0.99	0.98
Per Share - Diluted:				
Income from				
Continuing Operations	0.52	0.77	0.86	0.95
Net Income	0.52	0.77	0.96	0.95
Dividends Per Share	0.20	0.20	0.20	0.20
Common Stock Price:				
High	55.00	67.88	60.69	56.50
Low	44.63	50.88	46.94	39.00
1998	Mar 31	June 30/[b]/	Sep 30	Dec 31/[c]/
Operating Revenues	\$2,586	\$2,623	\$2,660	\$2,684
Operating Income (Loss)	33	(139)	210	(275)
Income (Loss) from				
Continuing Operations	(62)	(154)	34	(451)
Net Income (Loss)	(62)	(416)	34	(189)
Per Share - Basic:				
Income (Loss) from				
Continuing Operations	(0.25)	(0.63)	0.14	(1.83)
Net Income (Loss)	(0.25)	(1.69)	0.14	(0.77)
Per Share - Diluted:				
Income (Loss) from				
Continuing Operations	(0.25)	(0.63)	0.14	(1.83)
Net Income (Loss)	(0.25)	(1.69)	0.14	(0.77)
Dividends Per Share	0.20	0.20	0.20	0.20
Common Stock Price:				
High	63.75	58.25	47.75	49.50
Low	49.00	42.38	37.31	41.56

/[a]/ Included a one-time, after-tax gain of \$27 million from the adjustment of a liability established in connection with the discontinued operations of a former subsidiary (see Note 3 to the Consolidated Financial Statements).

/[b]/ Included a \$262 million provision for the anticipated sale of Overnite (see Note 1 to the Consolidated Financial Statements).

/[c]/ Included a \$547 million charge for the revaluation of Overnite goodwill and the reversal of the \$262 million provision for the potential sale of Overnite (see Note 1 to the Consolidated Financial Statements).

Stockholders and Dividends

The common stock of the Corporation is traded on various stock exchanges, principally the New York Stock Exchange. At January 31, 2000, there were 247,844,032 shares of outstanding common stock and approximately 43,200 common stockholders of record. At that date, the closing price of the common stock on the New York Stock Exchange was \$40.13. Cash dividends declared on common stock by the Corporation were \$0.80 per share in 1999 and 1998. The Corporation has paid dividends to its common stockholders during each of the past 100 years. See Note 7 to the Consolidated Financial Statements for a discussion regarding restrictions relating to the payment of cash dividends.

Rail Transportation

Commodities

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

Percent of Total	1999		1998		1997	
	RTM	CR	RTM	CR	RTM	CR
Agricultural	14.7%	14.4%	14.1%	14.4%	15.3%	14.8%
Automotive	3.2	10.6	3.1	10.3	3.4	9.8
Chemicals	11.3	16.2	11.4	16.9	12.1	17.7
Energy	40.0	22.0	40.1	22.0	36.1	19.7
Industrial Products	16.2	19.3	16.5	19.7	17.2	20.1
Intermodal	14.6	17.5	14.8	16.7	15.9	17.9

Total	100%	100%	100%	100%	100%	100%
Total (billions)	473.1	\$ 9.9	432.1	\$ 9.1	451.8	\$ 9.7

Capital Expenditures

Millions of Dollars	1999	1998	1997
Roadway and other Equipment	\$1,377 400	\$ 1,538 506	\$1,534 501
Total	\$1,777	\$ 2,044	\$2,035

Equipment

	1999	1998	1997
Owned or leased at year-end:			
Locomotives	6,974	7,083	6,966
Freight cars:			
Covered hoppers	39,212	40,097	41,149
Boxcars	20,864	23,263	24,718
Open-top hoppers	19,828	20,324	20,674
Gondolas	18,099	17,828	16,083
Other	16,726	18,264	17,143
Work equipment	9,927	9,218	10,045
Purchased or leased during the year:			
Locomotives	187	256	276
Freight cars	453	2,120	1,525
Average age of equipment (years):			
Locomotives	15.4	14.4	14.4
Freight cars	19.3	20.1	19.3
Bad order ratio - freight cars	5.4%	4.5%	4.4%

Track

Miles	1999	1998	1997
Main line	26,963	27,197	27,421
Branch line	6,378	6,509	7,526
Yards, sidings and other main lines	21,660	21,597	21,588
Total	55,001	55,303	56,535
Track miles of continuous welded rail at year-end	24,771	23,647	23,392
Track miles under centralized traffic control at year-end	16,199	15,944	15,590
Track miles of rail replaced:			
New	950	858	716
Used	444	341	273
Track miles re-ballasted	4,579	3,259	3,557
Ties replaced (thousands)	3,293	2,691	3,853

Rail Operations

	1999	1998	1997
Operating ratio (%)	82.1	95.4	87.4
Carloads (thousands)	8,556	7,998	8,453
Average commodity revenue per car	\$ 1,151	\$ 1,134	\$ 1,149
Average price of diesel fuel per gallon	56c	62c	71c

Trucking

Freight Operations

	1999	1998	1997
Shipments (thousands):			
Less-than-truckload	7,686	7,768	7,482
Truckload	22	21	24
Total	7,708	7,789	7,506
Tonnage (thousands):			
Less-than-truckload	3,974	3,983	3,841
Truckload	224	226	269
Total	4,198	4,209	4,110

Revenue per hundredweight	\$ 12.26	\$ 11.98	\$ 11.24
Operating ratio (%)	98.1	94.8	96.8

[a] Excluded goodwill amortization and the \$547 million one-time goodwill revaluation charge in 1998 and goodwill amortization in 1998 and 1997.

Equipment and Service Centers

	1999	1998	1997
Owned or leased at year-end:			
Tractors	5,288	4,839	4,799
Trailers	20,111	19,460	19,439
Straight trucks	77	77	77
Automobiles and service units	158	160	162
Service centers	166	165	164
Average age of equipment (years):			
Tractors	6.0	6.8	7.1
Trailers	9.0	8.4	8.7

Capital Expenditures

Millions of Dollars	1999	1998	1997
Revenue equipment	\$ 36	\$ 33	\$ 24
Other	19	26	16
Total	\$ 55	\$ 59	\$ 40

TEN-YEAR FINANCIAL SUMMARY/[a]/
 Union Pacific Corporation and
 Subsidiary Companies

	Millions of Dollars, Except Per Share Amounts, Ratios and Employee Statistics									
	1999	1998/[b]/	1997	1996	1995	1994/[c]/	1993/[d]/	1992	1991/[e]/	1990
For the Year										
Operating Revenue	\$11,273	10,553	11,079	8,786	7,486	6,492	6,002	5,773	5,687	5,739
Operating Income (Loss)	1,804	(171)	1,144	1,432	1,242	1,145	1,015	992	139	905
Income (Loss)/[f]/	783	(633)	432	733	619	568	412	456	(123)	374
Net Income (Loss)	810	(633)	432	904	946	546	530	728	64	618
Per Share - Basic:										
Income (Loss)/[f]/	3.17	(2.57)	1.76	3.38	3.02	2.77	2.01	2.24	(0.61)	1.87
Net Income (Loss)	3.28	(2.57)	1.76	4.17	4.62	2.66	2.59	3.58	0.32	3.09
Per Share - Diluted:										
Income (Loss)/[f]/	3.12	(2.57)	1.74	3.36	3.01	2.76	2.00	2.24	(0.60)	1.86
Net Income (Loss)	3.22	(2.57)	1.74	4.14	4.60	2.66	2.58	3.57	0.31	3.08
Dividends Per Share	0.80	0.80	1.72	1.72	1.72	1.66	1.54	1.42	1.31	1.18
Operating Cash Flow	1,869	565	1,600	1,657	1,454	1,079	975	842	794	904
Capital Investments	1,834	2,111	2,101	1,360	1,058	876	899	864	667	674
Average Employees	64,200	65,100	65,600	54,800	49,500	45,500	44,000	42,800	43,800	45,400
Revenues Per Employee (000)	175.6	162.1	168.9	160.3	151.4	143.0	136.3	135.0	129.9	126.4
At Year-End										
Total Assets	\$29,888	29,374	28,860	27,990	19,500	14,543	13,797	12,901	12,272	12,063
Total Debt	8,640	8,692	8,518	8,027	6,364	4,479	4,105	4,035	3,966	3,982
Common Stockholders'										
Equity	8,001	7,393	8,225	8,225	6,364	5,131	4,885	4,639	4,163	4,277
Equity Per Common Share	32.29	29.88	33.30	33.35	30.96	24.92	23.81	22.75	20.52	21.63
Additional Data										
Rail Commodity Revenue	\$ 9,851	9,072	9,712	7,419	6,105	5,216	4,873	4,819	4,708	4,630
Trucking Revenue	1,062	1,034	946	961	976	1,037	939	873	800	805
Rail Carloads	8,556	7,998	8,453	6,632	5,568	4,991	4,619	4,458	4,304	4,158
Trucking Shipments	7,708	7,789	7,506	8,223	8,332	8,593	8,206	7,669	7,106	7,475
Rail Operating Ratio (%)	82.1	95.4	87.4	79.1	78.1	77.9	79.1	79.0	80.4	80.8
Trucking Operating Ratio (%)/[g]/	98.1	94.8	96.8	104.9	103.0	91.3	90.2	90.9	91.9	90.4
Financial Ratios (%)										
Debt to Capital Employed	47.6	49.4	50.9	49.4	50.0	46.6	45.7	46.5	48.8	48.2
Return on Equity/[h]/	10.5	(8.1)	5.3	12.4	16.5	10.9	11.1	16.5	1.5	15.1

/[a]/ Data included 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, and reflects the disposition of the Corporation's natural resources subsidiary in 1996 and waste management subsidiary in 1995.

/[b]/ 1998 operating loss and net loss included a \$547 million pre-and after-tax charge for the revaluation of Overnite goodwill (see Note 1 to the Consolidated Financial Statements).

/[c]/ 1994 net income included a net after-tax loss of \$404 million from the sale of the Corporation's waste management operations.

/[d]/ 1993 net income included 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.

/[e]/ Net income included special charges of \$870 million pre-tax (\$575 million after-tax).

/[f]/ Based on results from continuing operations.

/[g]/ Excluded goodwill amortization in all years, and the revaluation of goodwill in 1998.

/[h]/ Based on average common stockholders' equity.

BOARD OF DIRECTORS

Philip F. Anschutz
Chairman
Anschutz Company
Energy, transportation,
communications and real estate

Robert P. Bauman
Retired Chief Executive
SmithKline Beecham p.l.c.
Pharmaceutical products

Richard B. Cheney
Chairman and Chief Executive Officer
Halliburton Company
Specialized services for the
petroleum industry

E. Virgil Conway
Chairman
Metropolitan Transportation Authority
Public transportation

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

Thomas J. Donohue
President and Chief Executive Officer
U.S. Chamber of Commerce
Business federation

Spencer F. Eccles
Chairman and Chief Executive Officer
First Security Corporation
Bank holding company

Ivor J. Evans
President and Chief Operating Officer
Union Pacific Railroad Company

Elbridge T. Gerry, Jr.
Partner
Brown Brothers Harriman & Co.
Bankers

Judith Richards Hope
Senior Counsel
Paul, Hastings, Janofsky & Walker
Law

Richard J. Mahoney
Retired Chairman and
Chief Executive Officer
Monsanto Company
Agricultural, pharmaceutical and
food products

Richard D. Simmons
Retired President
International Herald Tribune
Communications

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Executive Committee
Philip F. Anschutz, Chair
Robert P. Bauman
E. Virgil Conway
Richard K. Davidson
Elbridge T. Gerry, Jr.
Judith Richards Hope

Compensation and Benefits Committee
E. Virgil Conway, Chair
Robert P. Bauman
Richard B. Cheney
Thomas J. Donohue
Richard D. Simmons

Audit Committee
Judith Richards Hope, Chair
Thomas J. Donohue
Spencer F. Eccles
Richard D. Simmons

Finance Committee
Elbridge T. Gerry, Jr., Chair
Philip F. Anschutz
Spencer F. Eccles
Judith Richards Hope
Richard J. Mahoney

Corporate Governance and Nominating Committee

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Philip F. Anschutz
Richard B. Cheney
Elbridge T. Gerry, Jr.
Richard J. Mahoney

SENIOR OFFICERS

Union Pacific Corporation and Subsidiary Companies

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

Ivor J. Evans
President and Chief Operating Officer
Union Pacific Railroad Company

Leo H. Suggs
Chairman and Chief Executive Officer
Overnite Transportation Company

James A. Shattuck
Vice Chairman
Union Pacific Railroad Company

L. Merrill Bryan, Jr.
Senior Vice President -
Information Technologies
Union Pacific Corporation

Dennis J. Duffy
Executive Vice President - Operations
Union Pacific Railroad Company

Charles R. Eisele
Vice President -
Strategic Planning and Administration
Union Pacific Corporation

Bernard R. Gutschewski
Vice President - Taxes
Union Pacific Corporation

Mary Sanders Jones
Vice President and Treasurer
Union Pacific Corporation

R. Bradley King
Executive Vice President -
Network Design and Integration
Union Pacific Railroad Company

John J. Koraleski
Executive Vice President -
Marketing and Sales
Union Pacific Railroad Company

Mary E. McAuliffe
Vice President - External Relations
Union Pacific Corporation

Richard J. Putz
Vice President and Controller
Union Pacific Corporation

Barbara W. Schaefer
Senior Vice President - Human Resources
Union Pacific Corporation

Gary F. Schuster
Vice President - Corporate Relations
Union Pacific Corporation

Robert F. Starzel
Senior Vice President -
Corporate Relations
Union Pacific Corporation

Carl W. von Bernuth
Senior Vice President,
General Counsel and Secretary
Union Pacific Corporation

James R. Young
Executive Vice President - Finance
Chief Financial Officer
Union Pacific Corporation

CORPORATE INFORMATION

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1416 Dodge Street, Room 1230
Omaha, NE 68179
(402) 271-5777
<http://www.up.com>

Union Pacific Railroad Company
1416 Dodge Street
Omaha, NE 68179
<http://www.uprr.com>

Overnite Transportation Company
1000 Semmes Avenue
PO Box 1216
Richmond, VA 23218-1216
<http://www.overnite.com>

Union Pacific Technologies
7930 Clayton Road
St. Louis, MO 63117-1368
<http://www.up.com/upt/>

External Relations Office
600 13th Street, N.W.
Suite 340
Washington, D.C. 20005

Transfer Agent and Registrar of Stock
Harris Trust and Savings Bank
For U. S. mail
Attn: Shareholder Services 311/11
PO Box A3504
Chicago, IL 60690-3504

For express service deliveries
Attn: Shareholder Services
311 West Monroe Street, 11th Floor
Chicago, IL 60606

Most questions regarding your account may be answered by contacting the automated Harris Shareholder Services Help Line at (800) 317-2512 from your touch-tone phone, 24 hours a day, 7 days a week. Service representatives are available on the Help Line from 8:30 a.m. to 5:00 p.m. Central Time, Monday through Friday, to assist with problems not addressed by the Help Line. You may also write to Harris Trust and Savings at the appropriate address above.

Stock Listing

New York Stock Exchange
Ticker Symbol: UNP

Annual Meeting of Stockholders

April 21, 2000, 8:30 a.m.
Little America Hotel
500 South Main Street
Salt Lake City, UT

Publications

Copies of the Corporation's 1999 Annual Report on Form 10-K, filed with the Securities and Exchange Commission, or the shareholder report, "Commitment to Diversity," may be obtained by writing to:

Secretary
Union Pacific Corporation
1416 Dodge Street, Room 1230
Omaha, NE 68179

Information Sources

Media and public relations inquiries should be directed to Corporate Relations at the Executive Offices address, or call (402) 271-3475. Investors and financial analysts can contact Investor Relations in Omaha or call (402) 271-4227.

Individual shareholder questions should be directed to the Corporation's Transfer Agent as listed at left. News releases, investor fact books and other general information about Union Pacific are also available on the Internet at <http://www.up.com>.

Quarterly Earnings Information

Copies of press releases and Securities and Exchange Commission filings covering quarterly earnings information may be obtained by telephoning (toll-free), or writing the Corporation's Transfer Agent as listed at left. They are also available on the Internet at <http://www.up.com>.

SIGNIFICANT SUBSIDIARIES OF UNION PACIFIC CORPORATION

Name of Corporation -----	State of Incorporation -----
Overnite Transportation Company.....	Virginia
Southern Pacific Rail Corporation.....	Utah
Union Pacific Railroad Company.....	Delaware

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 2-79663, Post-Effective Amendment No. 1 to Registration Statement No. 33-12513, Registration Statement No. 33-18877, Registration Statement No. 33-22106, Registration Statement No. 33-44236, Registration Statement No. 33-53968, Registration Statement No. 33-49785, Registration Statement No. 33-49849, Registration Statement No. 33-51071, Registration Statement No. 33-51735, Registration Statement No. 33-58563, Registration Statement No. 333-10797, Registration Statement No. 333-13115, Registration Statement No. 333-16563, Registration Statement No. 333-88225 and Registration Statement No. 333-88709 on Forms S-8 and Registration Statement No. 333-18345, Registration Statement No. 333-54009, Registration Statement No. 333-75989 and Post-Effective Amendment No. 1 to Registration Statement No. 333-51617 on Forms S-3 of our report dated January 20, 2000 incorporated by reference in this Annual Report on Form 10-K of Union Pacific Corporation for the year ended December 31, 1999.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Omaha, Nebraska
March 27, 2000

UNION PACIFIC CORPORATION

Powers of Attorney

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 1999, 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

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ ROBERT P. BAUMAN

Robert P. Bauman

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ RICHARD B. CHENEY

Richard B. Cheney

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/s/ E. VIRGIL CONWAY

E. Virgil Conway

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/s/ THOMAS J. DONOHUE

Thomas J. Donohue

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/s/ SPENCER F. ECCLES

Spencer F. Eccles

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/s/ IVOR J. EVANS

Ivor J. Evans

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/s/ ELBRIDGE T. GERRY, JR.

Elbridge T. Gerry, Jr.

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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/ RICHARD D. SIMMONS

Richard D. Simmons

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/s/ SPENCER F. ECCLES

Spencer F. Eccles

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/s/ IVOR J. EVANS

Ivor J. Evans

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/s/ ELBRIDGE T. GERRY, JR.

Elbridge T. Gerry, Jr.

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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/ RICHARD D. SIMMONS

Richard D. Simmons

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF UNION PACIFIC CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

YEAR	DEC-31-1999	JAN-01-1999	DEC-31-1999
			175
		0	
	581	0	
		337	
	1,314		34,370
	6,851		
	29,888		
	2,885		8,426
	0		0
		691	
		7,310	
29,888			0
	11,273		0
	9,469		
	0		
	0		
	733		
	1,202		
		419	
	783		
	27		
	0		0
			810
			3.28
			3.22