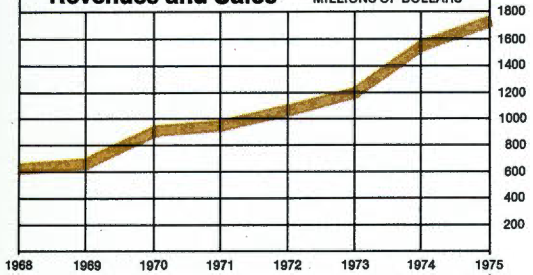
UNION PACIFIC CORPORATION

1975 ANNUAL REPORT

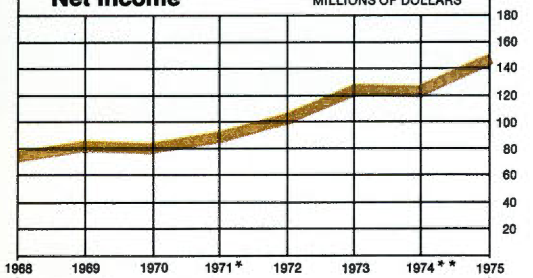
Union Pacific Corporation Annual Report for 1975

Contents

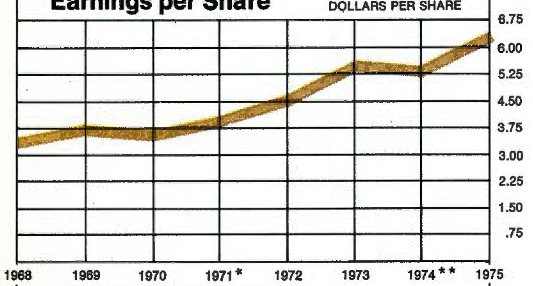
Revenues and Sales MILLIONS OF DOLLARS



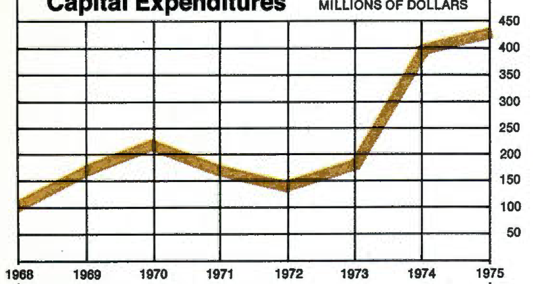
Net Income MILLIONS OF DOLLARS



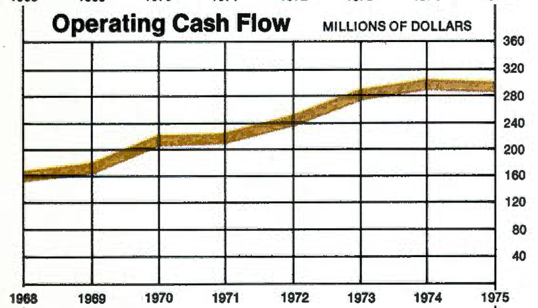
Earnings per Share DOLLARS PER SHARE



Capital Expenditures MILLIONS OF DOLLARS



Operating Cash Flow MILLIONS OF DOLLARS



*Before Extraordinary Item
**After Restatement

Highlights

	1975	1974
Gross Revenues and Sales	**$1,755,309,000**	$1,599,416,000
Net Income	**$ 148,620,000***	$ 125,179,000**
Per Share of Common Stock:		
Net Income	**$6.42**	$5.46**
Dividends Declared	**$2.80**	$2.60
Operating Cash Flow	**$ 299,613,000***	$ 300,458,000
Capital Expenditures	**$ 439,750,000**	$ 404,013,000
Working Capital (end of year)	**$ 118,189,000**	$ 63,863,000
Stockholders' Equity (end of year)	**$1,825,133,000**	$1,729,562,000**
Stockholders of Record—Common and Preferred (end of year)	**71,046**	72,809
Average Number of Employees	**28,191**	30,169

*Net income includes a $40,628,000 gain after income taxes from sale of interests in British North Sea. Operating cash flow excludes the gain.

**Retroactively restated for changes in methods of accounting. See notes 6 and 8 to Financial Statements for detailed explanation.

Opposite Page—Expansion of Champlin Petroleum's Corpus Christi, Tex. refinery will nearly double its capacity when completed in 1977. New crude oil processing units visible in the photo include a distillation column (left), crude oil preheating furnaces (left, behind column), vacuum tower (center) and two boiler stacks.

To Our Stockholders:

The year 1975 was difficult and uncertain for U.S. business. Most companies, including Union Pacific, were adversely affected by the sluggish economy and continuing inflation. However, despite this frustrating business climate, the Corporation attained higher earnings and gross revenues and sales in 1975. Earnings were $148.6 million or $6.42 per share, compared with 1974 restated net income of $125.2 million or $5.46 per share.

Net income included $40.6 million or $1.76 per share after-tax profit resulting from the sale of Champlin Petroleum Company's interests in the British North Sea. Net income was reduced $31.6-million or $1.37 per share by a special reserve to cover the balance of Champlin's investment in nine offshore Florida oil leases. A similar reserve in 1974 reduced that year's earnings by $31.2 million or $1.37 per share.

Earnings for 1974 were adjusted downward by $5.2 million or $.23 per share to reflect deferred Federal income tax expense on intangible drilling costs in connection with adoption of Financial Accounting Standards Board Statement Number 9. (Please see page 36.)

Gross revenues and sales for 1975 were $1.76 billion, up $156 million from the 1974 total of $1.60 billion.

Union Pacific Railroad achieved steady improvement in quarter-to-quarter earnings throughout 1975. Although a significant decline in rail traffic in the early part of the year adversely affected operating income, the Railroad, helped by much-needed but delayed rate relief and stringent cost controls, ended the year in a promising trend.

Union Pacific's carloadings declined 11 percent in 1975, while revenue ton-miles decreased 7 percent.

Despite the lower traffic volume, the Railroad in 1975 continued its high level of expenditures for equipment, track structure and facilities to sustain its position as one of the best maintained rail transportation systems in the world.

Champlin Petroleum's earnings were up substantially from a year ago. It benefited from the North Sea sale and the increased production of crude oil at the Wilmington and Brady Fields, partially offset by the provision for losses on unsuccessful foreign exploration ventures and the repeal of the depletion allowance.

The company continued to pursue a broad program of exploration, primarily in North America and particularly in the Rocky Mountain region. This program achieved important natural gas discoveries in the Green River Basin of Wyoming. Late in 1975 Champlin also joined Texaco Inc. in successful bids on five offshore California oil leases.

Champlin proceeded ahead of schedule on its $210-million program to expand its Corpus Christi refinery. When fully operational in early 1977, the Corpus Christi refinery will be able to process more grades of crude oil, including high-sulfur crude oil, and will have greater product flexibility.

Rocky Mountain Energy had a very successful year, tripling its net income and making a significant contribution to the Corporation's results. It accelerated the development of Union Pacific's large reserves of low-sulfur coal and trona (natural soda ash). One joint-venture coal mine started up early in 1975 and a second one will begin to operate in the spring of 1976. Progress was also made toward bringing additional joint-venture coal mines on-stream.

Rocky Mountain Energy's royalty and equity income from trona nearly doubled as demand for natural soda ash con-

James H. Evans

Frank E. Barnett

Elbridge T. Gerry

tinued to increase. It also announced plans with Mono Power Company, a subsidiary of Southern California Edison Company, to construct a uranium mine-mill complex in eastern Wyoming. Scheduled to start up in mid-1977, this mill will have the capacity to process 1,000 tons of uranium ore a day. Its total output has been contracted to Southern California Edison and San Diego Gas and Electric Company.

Key Rail Legislation
The Rail Revitalization and Regulatory Reform Act of 1976 which President Ford signed on February 5 has great significance for the entire rail industry. In this Act, Congress has established a long-term, coherent and committed program for financing, on reasonable terms, the massive foreseeable cash needs of ConRail, the new rail carrier designed to acquire scaled-down operating properties of the bankrupt Northeast railroads. The Act provides up to $2.1 billion for this purpose. We have strongly supported the three-year effort to bring about this legislation, bearing in mind that Union Pacific interchanges 23 percent of its traffic to and from the 17 northeastern states. While only the future can tell the success of the ConRail reorganization, the Act does provide authority and a funding mechanism that should do the job.

The Act is significant for several important reasons extending beyond the Northeast Region: it permits greater freedom and flexibility in railroad ratemaking; streamlines Interstate Commerce Commission procedures, particularly in the handling of merger applications; and prohibits state and local tax practices which discriminate against railroads. The Act also provides a $1.6 billion financial assistance program for nationwide rail rehabilitation and $485 million in Federal subsidies to help to provide rail service on light-density rail lines.

These long-sought changes improve the prospects for all carriers and strengthen our view that railroading is indeed a growth industry. They also symbolize a growing public awareness that this industry plays an indispensable role in the country's economic progress.

Sale of British North Sea Interests
On October 30, Union Pacific completed the cash sale of Champlin Petroleum's interests in the British North Sea to Deutsche Erdölversorgungsgesellschaft m.b.H.-Deminex, a West German company with refining and marketing operations in Europe. As stated above, the after-tax profit from this sale was $40.6 million.

After a careful study of all factors, including the British tax and participation policies and rapidly mounting development costs, your management concluded that the sale of these interests offered the most attractive option for our stockholders.

Management Changes
William T. Smith, 53, was elected President of Champlin Petroleum Company and a Director of Union Pacific Corporation on September 25. As President of Champlin, Mr. Smith succeeded Roger S. Plummer, Jr., who elected to take early retirement. Mr. Smith was formerly Executive Vice President of Amoco Production Company, the largest operating subsidiary of Standard Oil Company of Indiana.

John P. Halan, 47, was elected to the newly-created position of Vice President—Employee Relations of Union Pacific Corporation effective February 17, 1975. Mr. Halan was formerly Vice President—Employee Relations for Citicorp, the parent company of First National City Bank.

On June 3, Bruce J. Relyea, 48, was named Vice President—Finance and Administration of Champlin Petroleum.

On July 31, Chester A. Rose, 45, was elected Controller of Union Pacific Corporation, succeeding Mr. Relyea. Mr. Rose was formerly Vice President—Finance, Canadian General Electric Co., Ltd.

Outlook

Union Pacific's operating results strengthened as the year progressed and the nation's economy improved. It is generally conceded that the worst recession in more than 30 years is behind us, and we are reasonably confident that business activity will continue its gradual recovery. We therefore expect our operating results in 1976 to resume the growth pattern that was adversely affected by the economic downturn.

We expect the Railroad's carloadings to increase over 1975 and to approximate the high level achieved in 1974. Shipments of field crops, food products, lumber, metal products, motor vehicles and parts, and soda ash are expected to improve from their depressed 1975 levels and coal should achieve another significant increase. It is evident, however, that the railroad industry will require prompt rate relief to offset the inflationary impact of higher wages and fringe benefits, as well as increased costs of materials and fuel.

Although the recently enacted Energy Policy and Conservation Act and companion Federal Energy Administration regulations may slow development of the nation's energy resources, they are not expected to have a significant effect on Champlin's financial results in 1976. We believe that the economy's upturn will stimulate demand and stabilize markets for refined products during 1976. With this improvement, plus a full year of increased production from Brady Field, we expect Champlin's growth to continue during the year.

Rocky Mountain Energy will open its jointly-owned Stansbury coal mine in 1976 and is currently negotiating several other joint ventures for coal development. Rocky Mountain Energy can anticipate continued expansion of trona output and it will begin to construct a mill this year for production of uranium beginning in 1977.

With an excellent financial position, and many profitable opportunities, we believe that Union Pacific will achieve a good earnings performance in 1976 and is well-positioned for continued growth.

On behalf of the Board of Directors we express our deep appreciation for the continuing support of our stockholders, customers, dealers and distributors, especially during a trying year. We also thank all the members of the Union Pacific organization for their high level of loyalty and service.

Frank E. Barnett
CHAIRMAN OF
THE BOARD OF DIRECTORS

James H. Evans
PRESIDENT

Elbridge T. Gerry
CHAIRMAN OF
THE EXECUTIVE COMMITTEE

New York, N.Y.
February 10, 1976

Rail Freight Transportation: Modern and Efficient

By linking key Missouri River gateways with major West Coast ports, Union Pacific Railroad plays a vital role in the economic progress of one of the most rapidly expanding regions of the country. Over its modern, efficient 9,700-mile system the Railroad moves a wide array of minerals, farm products and manufactured goods to both ends of its territory as well as along the line. The Railroad's average haul of 606 miles—among the longest in the industry—is a key to its continued profitable growth.

Another key is Union Pacific's consistently well-maintained and equipped system. During the last decade the Railroad has spent $1.5 billion for new locomotives, freight cars, intermodal facilities, repair centers, computer systems and communication networks. By maintaining its track, roadbed and fleet to the highest standards of physical excellence, Union Pacific efficiently moves high volumes of freight over its extensive territory.

Union Pacific Railroad people take great pride in providing fast and reliable service. This is a report of their progress in 1975.

Union Pacific Railroad continues to make improvements that increase speed and efficiency along its main line. Expansion of the Green River, Wyo. classification yard **(top)** will handle the rapidly growing coal and natural soda ash traffic that originates in southwestern Wyoming. Near Edson, Wyo. a major S-curve was removed **(bottom)**. Now trains can maintain speed instead of slowing to 45 miles per hour.

Freight Operations—Union Pacific Railroad's consolidated revenues reached a new high of $1,004,342,000 in 1975, up slightly from the 1974 record level of $1,000,266,000. The cumulative effect of much-needed freight-rate increases offset the drop in traffic volume caused by the general business recession.

Revenue ton-miles in 1975 totalled 52.2 billion, down 7 percent from 1974's all-time high of 55.9 billion ton-miles. Carloadings were down 11 percent from 1974. The difference in the rates of decline between revenue ton-miles and carloadings reflected the greater proportion of heavy commodities such as coal hauled by the Railroad.

The economic strength of the territory served by Union Pacific was demonstrated by the fact that 1975 carloadings originated on-line were off 9 percent from the previous year, compared to the 14-percent drop in carloadings received from connecting roads.

Coal was the only important commodity to experience a substantial gain in 1975, with tonnage increasing more than 22 percent over 1974's record figure. The Railroad hauled predominantly low-sulfur coal from southern Wyoming, Utah and Colorado to meet the energy needs of customers in 20 states. Regular shipments went as far east as Illinois and Indiana and test shipments went to New York, Pennsylvania and Florida.


UNION PACIFIC
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We can handle it.
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UP
UNION

Soda ash, mined phosphate and intermodal traffic held up well in 1975, but the weakness of the economy resulted in lower shipments of many other commodities, particularly farm products, primary metals, lumber products, electrical machinery and equipment, automobiles and auto parts, and construction materials.

The tonnage contribution and percentage of change in each major commodity are shown in the Commodities Chart on page 8.

Despite vigorous cost reduction programs, the Railroad's operating expenses rose $44.1 million last year. The chief cause was an 11-percent increase in labor expense resulting from the nationwide settlements negotiated in 1975. Material prices also continued to rise, as did state and local taxes. To help alleviate the burden of increased expenses, most of the nation's railroads, including Union Pacific, petitioned the Interstate Commerce Commission in mid-January 1976 for a general freight-rate increase, subject to a number of exceptions and holddowns applicable to various commodities.

As a result of higher costs and nearly level revenues, Union Pacific's operating ratio (operating expenses as a percentage of revenues) increased to 76.58 compared to 73.99 in 1974.

Marketing Advances—Throughout 1975, Union Pacific utilized its strategic location, well-maintained physical plant and efficient operations to offer highly competitive services to its many shippers.

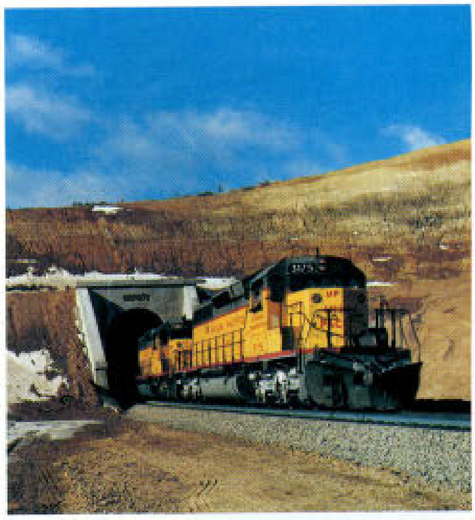
The Railroad added eight unit coal trains to its schedule, bringing its total to 22 a week. These are run-through trains which operate over the lines of more than one railroad without changing locomotives. Originating in Wyoming, Utah and Colorado, these unit trains deliver coal in large volumes and at a steady rate to customers in eight states, from California to Indiana.

The Railroad also operates unit trains for iron ore and mined phosphate, depending upon seasonal factors and world market conditions. During 1975, Union Pacific participated in a major movement of 230,000 tons of mined phosphate from southeastern Idaho to Houston, Texas for export to Germany.

Capital Improvements—In 1975 the Railroad continued its high level of capital expenditures to maintain its position as one of the finest transportation systems in the world. For the second consecutive year, it invested approximately $200-million in new and improved equipment, right-of-way and facilities.

Union Pacific increased its capital expenditures for new transportation equipment by 7 percent, from nearly $144 million in 1974 to $154.1 million in 1975. The bulk of this expenditure, $114.5 million, was for 3,782 freight-train cars. Capital expenditures for rolling stock remained high, despite lower carloadings, in order to capitalize on traffic growth in commodities requiring specific car types. For example, 1975 purchases included 2,069 hopper cars to handle the increasing coal, soda ash, mined phosphate and grain traffic.

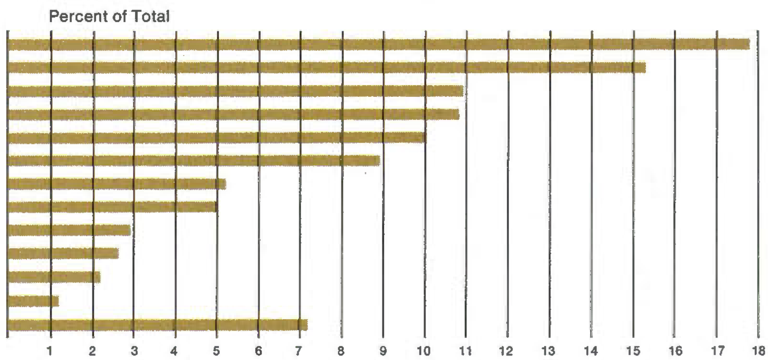
Opposite Page—Union Pacific freight train travels through Bear River Canyon in Utah carrying coal and other commodities on the Railroad's line between Ogden, Utah and Pocatello, Idaho.



Top—Now about five feet deeper, the Aspen Tunnel on the main line in western Wyoming can handle the oversized loads frequently transported by the Railroad. The project to enlarge the tunnel was completed in December.

Throughout 1975 Maintenance of Way crews kept Union Pacific's track and roadbed in top shape... from yards in Iowa **(middle photo)** to the main line in California **(bottom)**.

Freight Traffic by Commodities in 1975:	Tons Carried	Percent Increase (Decrease)
Coal	15,386,196	22.2
Farm Products	13,170,469	(16.3)
Non-Metallic Ores	9,332,269	2.6
Food and Kindred Products	9,293,722	(6.9)
Soda Ash, Other Chemicals and Allied Products	8,631,754	(2.3)
Lumber, Wood Products, Furniture and Fixtures	7,629,943	(14.8)
Iron and Metallic Ores	4,450,865	(16.2)
Stone, Clay and Glass Products	4,362,567	(6.9)
Petroleum Products and Coke	2,530,425	(2.8)
Primary Metal Products	2,253,452	(26.6)
Pulp, Paper and Allied Products	1,890,075	(12.3)
Motor Vehicles and Parts	1,001,681	(21.1)
Miscellaneous	6,228,269	(14.8)
	86,161,687	(5.9)



Railroad—continued

Because Union Pacific has one of the best-maintained and most efficient diesel locomotive fleets in the industry, it is able to curtail its purchase of power units during periods of traffic decline while continuing to provide reliable service to shippers. In 1975, the Railroad acquired 49 locomotives for $19.6 million compared to 120 locomotives for $41.3-million in 1974.

Union Pacific spent more than $20-million for diesel main engines, auto racks and containers and work equipment in addition to the $134.1 million spent on locomotives and freight-train cars.

Improvements in Right-of-Way—Union Pacific continued to maintain its 9,700-mile system at the peak of operating efficiency throughout the year. Four major capital projects strengthened its capacity to offer on-time service to customers.

In August, the Railroad completed a broad $14-million program of improvements on its important 290-mile line from North Platte, Nebraska to Kansas City. This increased the Railroad's capacity to handle the growing volume of freight on its key link to the rapidly expanding South and Southwest.

Union Pacific unit trains began hauling coal in early 1975 from the new Medicine Bow coal mine, a joint venture of Rocky Mountain Energy and Arch Mineral, near Hanna, Wyo. Coal was the Railroad's strongest commodity in 1975 in total tonnage and in percentage gain over 1974 levels.

In November, Union Pacific completed a $1.9 million line change on the Edson section between Hanna and Rawlins, Wyoming, in the heart of the expanding coal region. The Railroad removed a sharp S-curve in this heavily-used segment of main-line track, which handles an average of 50 trains a day. This line change enables long, heavy trains to travel at normal speeds over the Edson section without having to waste the time and fuel required to slow down for a 45 m.p.h. zone.

In early December, Union Pacific completed the $7-million enlargement of the Aspen Tunnel, near Evanston, Wyoming. Constructed in 1901, the mile-long Aspen Tunnel was the only bottleneck for high and wide loads on the Railroad's 1,000-mile double-track main line between Omaha and Ogden. Until the enlargement, the companion single-track Altamont Tunnel was required to handle oversized loads moving in both directions.

During 1975, the Railroad invested $6.3 million to install centralized traffic control (CTC) systems over more than 255 miles of line in Wyoming, Utah and Kansas. CTC is an electronic signalling and switching system which increases the capacity of single-line track by approximately 80 percent. It also permits trains to operate in either direction on each of the double tracks on the main line.

Yards—In mid-year, the Railroad began a $3.9 million project to expand the capacity of its yards at Green River and Rock Springs, Wyoming. This project will enable Union Pacific to continue to handle the area's increasing coal and natural soda ash traffic with maximum efficiency.

Repair Facilities—The Railroad continued to expand and upgrade its repair facilities under a $43.3 million program which started in 1971. During 1975, Union Pacific modernized its extensive maintenance shops at Salt Lake City and Omaha and built an assembly line in its Albina, Oregon car shop to facilitate construction of open-top hopper cars.

Maintenance Programs—Union Pacific spent an all-time high of $118.2 million to maintain its equipment in 1975, an increase of nearly 7 percent or $7.3-million over 1974. The Railroad also spent $126.9 million on maintenance-of-way, compared to $124.1 million in 1974. It installed 381 miles of rail, including 271 miles of continuous-welded rail, in 1975. The Railroad now has a total of more than 1,600 miles of continuous-welded rail on the main line. Union Pacific placed a total of 753,690 cross ties in 1975, including 171,494 cross ties used on new spur lines and extensions to existing lines. The Railroad also resurfaced and reballasted 1,228 miles of track.

Technological Progress—Union Pacific has extended its COIN II (**C**omplete **O**perating **IN**formation) real-time computer system over the entire rail network. This system utilizes Union Pacific microwave communications and rapidly provides information to improve train operations, car utilization and locomotive maintenance.

The Railroad further expanded the technical scope of COIN II by connecting it by microwave with Southern Pacific Railroad's computer system. This link-up represents a first in the industry. The computer-to-computer linkage eliminates duplication of work, and provides more accurate, advanced waybill information on traffic between the two railroads. Union Pacific exchanged more freight in 1975 with Southern Pacific than with any other carrier. The Railroad expects to make similar electronic connections with other major rail computer systems in the future.

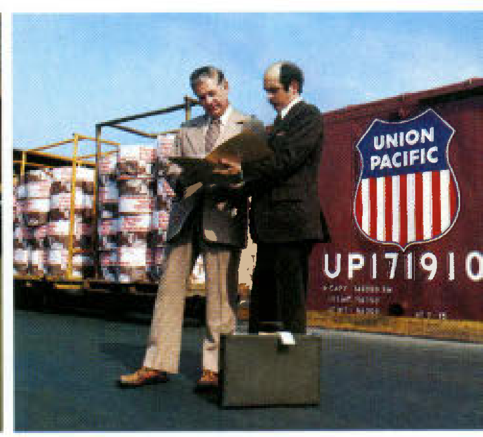
The Railroad also began development of a computer system for maintaining an inventory of car traffic within its terminals. Terminal operations are among the most complex and time-consuming functions in the rail industry. When the new computer system is fully installed, Union Pacific expects to be able to speed up the movement of trains through its modern terminals.

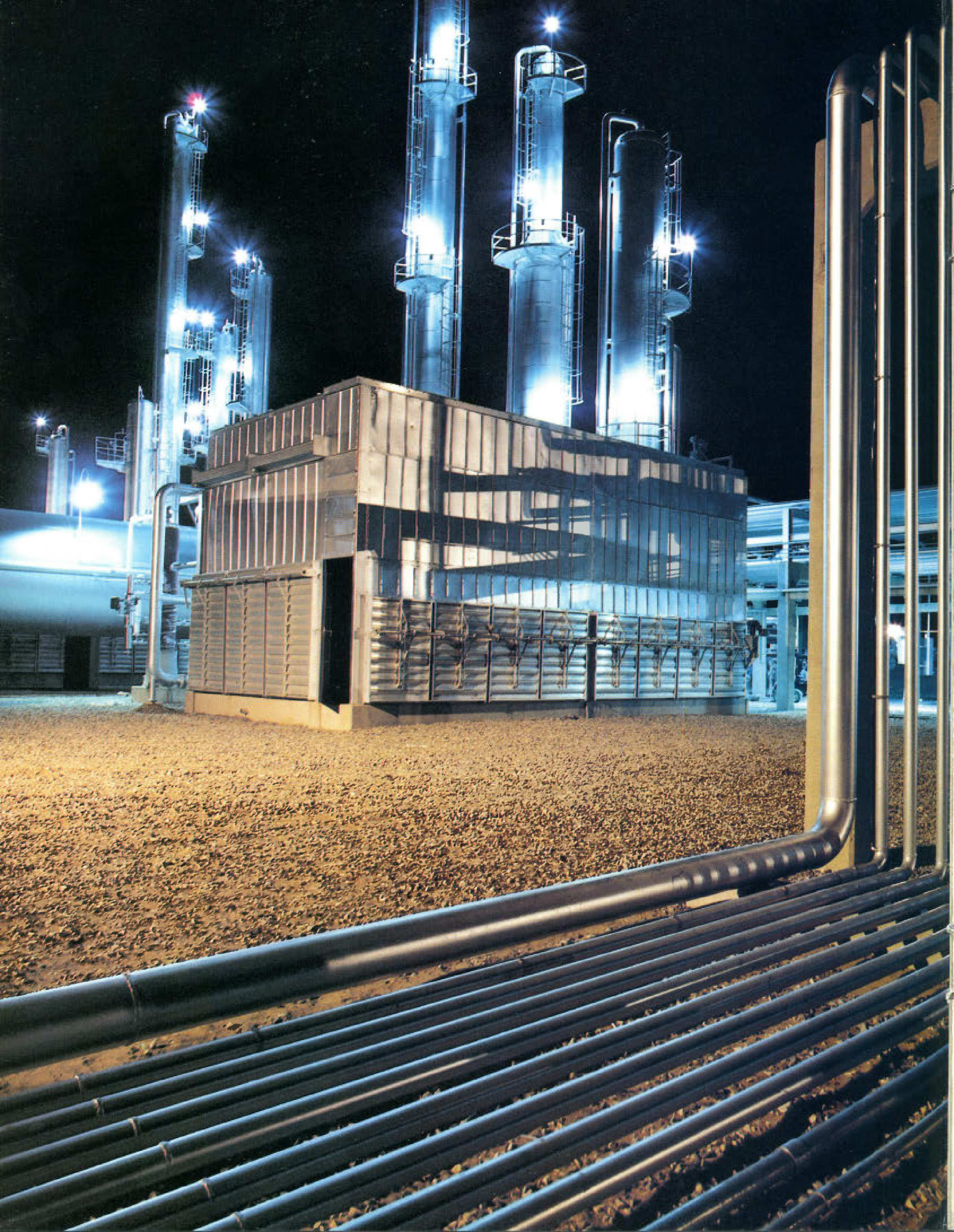
Rock Island Status—In 1964 Union Pacific Railroad and the Chicago, Rock Island and Pacific Railroad Company sought authority from the Interstate Commerce Commission to merge the Rock Island into the Railroad and to sell the southern portion of the Rock Island to the Southern Pacific Transportation Company. More than 10 years later, on December 3, 1974, the ICC issued its Report and Order approving the transaction, subject to various conditions.

On March 17, 1975 the Rock Island filed for reorganization under Section 77 of the Federal Bankruptcy Act. On March 27, the Board of Directors of the Union Pacific Railroad terminated the merger agreement with the Rock Island, and on April 4 the Railroad requested the ICC to enter a final order denying the merger application, vacating its December 3 Order and preserving the record for a year.

In response to the Railroad's petition and to the petition of other parties, the ICC issued an order on January 12, 1976 dismissing the merger application, effective July 10, 1976. In the interim any interested parties may negotiate with the Rock Island and file applications with the ICC to acquire some portion of the Rock Island line.

Customer service is one of the strong points in the Railroad's marketing efforts. At the Kansas City Traffic Office **(below left)**, a UP sales representative, foreground, handles a customer inquiry by phone and **(below right)** calls on a shipper.





Oil and Gas: Finding and Developing Energy Resources

Champlin Petroleum Company is a fully integrated petroleum operation which is engaged in exploration, development and production of crude oil and natural gas; and refining, transporting and marketing of petroleum products. Champlin's long-term exploration and development strategy places primary emphasis on North America, including high-potential offshore areas. The company continues to evaluate carefully selected foreign opportunities.

Like the rest of the petroleum industry, Champlin was forced to operate throughout 1975 in an atmosphere of Government regulation, delay and uncertainty. The Federal regulations regarding entitlements and import fees penalized the company's operations, particularly in the second half of the year when there was a softer demand for refined products. Champlin's net income was reduced by more than $13-million because of the repeal of the depletion allowance for oil production and the related deferred tax adjustment for intangible drilling costs.

Exploration and Development—The company continued to carry out a vigorous program of exploration and development during 1975. This program is focused on the Rocky Mountain region, where Champlin moved forward in developing the Brady Field and discovered significant new sources of natural gas in the Green River Basin. In another important region, Champlin and Texaco Inc. submitted successful bids on five offshore California tracts of 5,760 acres each.

By the end of 1975, Champlin held oil and gas leases on more than 772,000 acres, which consisted of more than 334,000 acres held by production and 438,000 leasehold acres not under current production.

Further Development of Brady Field—The Brady Field gas-processing plant in Sweetwater County, Wyoming went into operation in late December to tap the field's largest reserve, the Weber Formation. By early January, Brady was producing 13,300 barrels of crude oil and retrograde liquids per day, 56 million cubic feet of gas per day and 840 barrels of plant liquids per day. Thirty-million cubic feet of this gas were being reinjected every day into the Weber Formation to maintain pressure.

Champlin has a 41.25 percent interest in approximately 15,700 acres of pooled lands within the 39,012-acre unit, which covers the Brady and North Brady Fields. The company also receives royalties and production allocated to its pooled lands and acreage leased by it to others. Since 1972, Champlin, as operator, has been systematically developing the seven major formations in which oil and/or gas has been found. A total of 28 oil and gas wells have been drilled with only one dry hole. Champlin is studying sites for another six prospective drilling locations.

Green River Basin Gas Discoveries—During August Champlin made three promising natural gas discoveries in the Rocky Mountain region: two in Wyoming and one in Colorado.

Champlin and Texaco Inc., the operator, made the first significant natural gas discovery in the deep Madison Formation of the Green River Basin in Sweetwater County, Wyoming. This find, in the Table Rock Unit, has the possibility of becoming a major new gas supply source. The discovery well, Table Rock No. 19, tested at rates of up to 20 million cubic feet of natural gas per day in the Madison Formation. The Table Rock Unit of 12,691 acres is owned 50.05 percent by Champlin, the remainder by Texaco. Further development is scheduled in 1976.

As operator, Champlin also tested significant quantities of natural gas in two formations of the Higgins Unit Well No. 1 in the Green River Basin, Wyoming. The Nugget Formation flowed gas at a rate of 6.8 million cubic feet per day, and the deeper Weber Formation flowed gas at 2.2 million cubic feet per day. Higgins No. 2 was spudded in mid-January 1976. The company holds a 43.20 percent interest in the 3,817-acre pooled area where Higgins No. 1 is located and 32 percent in the 20,211 acres

Opposite Page—In southwestern Wyoming, the Brady gas plant went into full operation in December 1975, enabling Champlin to tap the Weber Formation, the Brady Field's largest reserve. As a result, production from the field increased by more than 10,000 barrels of crude oil, condensate and plant liquids a day. This is the process area of the new plant.

The deep water channel at Champlin's Corpus Christi, Tex. refinery enables it to receive crude oil from all over the world and to ship refined products to many U.S. markets. Some of the facilities being enlarged at the refinery are in the center of photo, directly behind the white storage tanks.

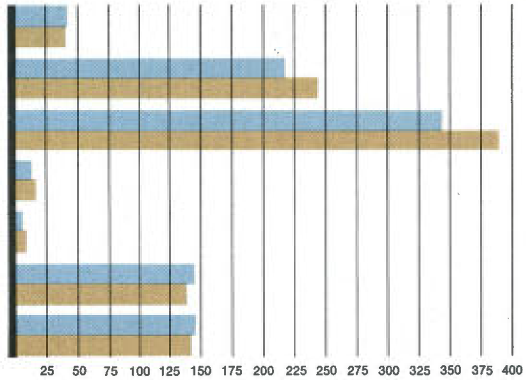
Summary of Production and Refinery Runs

1975

1974

Net crude oil & field condensate, barrels	42,361	41,937
Net interest in gas from all sources, thousand cubic feet	217,392	244,964
Gas processed, thousand cubic feet	344,956	391,369
Plant products recovered, barrels	14,249	15,543
Net interest in plant products from all sources, barrels	7,941	8,758
Net production from refineries, barrels	144,006	138,511
Petroleum product sales, barrels	145,767	142,981

(Daily Average in Thousands)



Champlin—continued

committed to the unit agreement.

Champlin made a third natural gas discovery on the Green River trend in northwestern Colorado. This discovery, Shell Creek Unit Well No. 2, tested at a rate of 6.9 million cubic feet per day from the shallow Fort Union Formation. The Shell Creek Well No. 2 is being drilled to 19,800 feet to evaluate the deeper Nugget and Weber Formations and to test the Madison Formation which was found productive in the Table Rock Unit 50 miles northwest. The company holds a 76.19 percent interest in the 840-acre drilling block formed for the discovery well.

The Amoco Drilling Agreement—Champlin was paid $3.1 million by Amoco Production Company, a subsidiary of Standard Oil Company of Indiana, to renew its 1969 Agreement for oil and gas exploration rights on Union Pacific lands in Wyoming, Colorado and Utah for a one-year period beginning November, 1975. Thus far, the total payments received to maintain this Agreement in force are $23 million. Of 1,760 wells drilled, 822 were successful oil and gas wells, and Champlin has received $6 million in royalty payments for production. The company has also participated in the drilling of 74 successful wells on acreage retained under terms of the Agreement. From 1969 through 1975,

Top Left—Rocky Mountain states are a prime area for Champlin's exploration activity. At Brady Field in Wyoming, Champlin has completed 27 successful oil and gas wells.

Middle—The Higgins Unit Well No. 1 was one of several successful deep gas discovery wells completed in Wyoming during 1975. Two gas-bearing formations have been found and another well is now being drilled in the Unit.

Bottom—First significant gas discovery in the deep Madison Formation of the Green River Basin was Table Rock Unit Well No. 19, drilled in partnership with Texaco in Sweetwater County, Wyo.

Champlin's share of production from these wells totalled $11.1 million. Another 88 wells were under way at the beginning of 1976 on a number of sites on the 4.8 million acres still covered by the Agreement.

Statistics alone are not a full measure of the significance of the Champlin-Amoco Agreement. This arrangement covers one of the largest and most promising areas in the continental United States still to be developed for oil and gas exploration. It triggered a drilling program which has already attracted 100 operators who have spent more than $190 million in exploration.

Champlin receives a 15 percent royalty on production from lands leased by Amoco and has retained oil and gas rights on one-quarter of each section of land involved in the Agreement. Therefore, Champlin will be able to direct its future drilling efforts to areas that have been identified as promising.

Offshore California Leases Acquired—In mid-December, the company joined with Texaco Inc. in submitting successful bids of $93.6 million to the U.S. Department of the Interior for five 5,760-acre tracts off the coast of Southern California. Champlin's share of the total bids was $31.2 million. Champlin has sold at cost one-sixth of its interest in three of the tracts for $4.25 million.

Four of the five tracts are located about 115 miles west of San Diego, with water depths ranging from about 250 to 600 feet. The fifth tract, with a water depth of about 200 feet, is located approximately 12 miles south of the company's Wilmington Field. It is anticipated that Texaco, the operator, will apply for drilling permits in the area some time in 1976.

Offshore Florida—On July 31, the Union Pacific Board of Directors approved a second-quarter $60.8 million before-tax increase in the reserve against Champlin's investment in nine offshore

Florida oil leases. The Board approved the increase because, in the opinion of management, seven consecutive unsuccessful exploratory wells drilled to both the shallow and deep levels had indicated little or no potential value in the nine 5,760-acre tracts.

The Board had earlier established a $60-million before-tax reserve, effective December 31, 1974, because exploratory drilling results at that time had indicated a reduced potential of Champlin's investment. The increased reserve of July 31 fully covers the company's $120.8 million interest in the nine offshore Florida leases.

Peru/The Philippines/Indonesia—Champlin participated in drilling operations under service contracts in Peru, The Philippines and Indonesia during 1974 and 1975, without discovering commercial quantities of hydrocarbons. All but $3.3 million of the company's investment in these ventures has been expensed or reserved for, and no further drilling activities are planned.

British North Sea Interests Sold—On October 30, Union Pacific completed the cash sale of Champlin's interests in the British North Sea to Deutsche Erdölversorgungsgesellschaft m.b.H.—Deminex, a West German company with refining and marketing operations in Europe. The final cash settlement was $97.5 million. After-tax profit from this sale was $40.6 million.

The sale involved Champlin's 22.5 percent interest in License P236, covering Block 211/18 in the British North Sea, northeast of Scotland. This Block includes most of the Thistle Field.

After a careful study of all factors, including the British tax and participation policies and rapidly mounting development costs, management concluded that the sale of these interests offered the most attractive option for Union Pacific stockholders.

Production in 1975—Champlin's production of crude oil and condensate increased from 15.3 million barrels to 15.5 million barrels in 1975. Increased production from Brady Field and a full year of higher output resulting from the waterflood project at the mature Wilmington, California Field offset the normal decline experienced in other mature fields.

Wilmington's production throughout 1975 averaged 23,000 barrels per day, a 21 percent increase over the April 1974 low-point of 19,000 barrels per day. The turnaround in Wilmington's output was achieved by means of a $15-million secondary-recovery project. Each day, 500,000 barrels of water are pumped into a complex network of injection wells, thereby forcing more oil to the surface.

The company's net interest in natural gas production was 79.3 billion cubic feet in 1975, compared to 89.4 billion cubic feet in 1974.

Refining—Champlin's total refinery throughput averaged 144,000 barrels per day in 1975, which represented an increase of 5,500 barrels per day over 1974. This improvement was achieved by continual plant modifications and increased processing efficiency.

The company's three refineries at Corpus Christi, Texas; Enid, Oklahoma; and Wilmington, California operated at an average of almost 95 percent of their FEA-certified capacity throughout the year.

Champlin is expanding and modernizing its Corpus Christi refinery. When this expanded facility comes into operation in early 1977, it will nearly double the refinery's capacity to 125,000 barrels of oil per day. More importantly, it will enable the Corpus Christi refinery to process more grades of crude oil, including high-sulfur crude oil.

This expansion program will also give Corpus the flexibility to produce large quantities of distillates and petrochemical feedstocks, along with low-sulfur oils and high-octane gasoline.

Marketing—Champlin markets a full stream of petroleum products, including gasolines, diesel fuels, heating oil, jet fuel, automotive and industrial lubricants, asphalt, coke and certain petrochemicals, through wholesale and retail channels of distribution. Champlin's retail sales are handled by 1,130 branded service stations and truck stops in 18 mid-continental states. Of its total refinery output, the company markets approximately 75 percent of its products within wholesale channels.

Champlin's 1975 sales volume matched its record high of 1974, permitting total utilization of its refinery output. Margins in 1975 were lower than in 1974, principally because of the higher crude costs and the lower demand which resulted from the recession.

Milder-than-predicted winter weather in 1975 reduced heating oil sales. Sales of unleaded gasoline, a product introduced by Champlin in mid-1974 to meet EPA regulations, surpassed expectations for 1975 and will increase as more new automobiles designed to use unleaded gasoline enter the marketplace.

Pipeline Operations—The Calnev Pipe Line Company, a wholly-owned interstate carrier operating between Colton, California and Las Vegas, Nevada, delivered 15.9 million barrels of jet fuel and gasoline in 1975. This figure exceeded 1974's total by 3 percent.

Some Champlin marketers are testing self-service islands at their gas stations. This merchandising technique increases volume while lowering overhead by appealing to economy-minded drivers.


MEDICINE BOW COAL CO.

Coal, Trona, Uranium: The Quickening Pace

Rocky Mountain Energy is responsible for developing Union Pacific's large reserves of coal, trona (natural soda ash) and uranium. The demand for these natural resources is accelerating rapidly. A key national energy goal is to double U.S. coal production by 1990. The demand for natural soda ash will continue to rise with the growth in production of glass and chemicals. The U.S. Energy Research and Development Administration estimates that the country's known uranium reserves will satisfy less than one-third of the nation's requirements over the next 20 years. Against this background, Rocky Mountain Energy made good progress in developing all three minerals in 1975.

Coal Development—Rocky Mountain Energy has reserves of coal estimated to exceed 10-billion tons, most of which contain less than one-percent sulfur. These reserves, located primarily in Wyoming, Colorado and Utah, are being developed to help meet the nation's urgent need for economical, environmentally acceptable fuel.

The pace of coal development quickened in 1975. One joint venture began producing, two others moved toward production and several more prospective joint ventures entered the negotiation stage.

In 1975 nearly 6.5 million tons of coal were mined from lands in which Rocky Mountain Energy holds an interest, compared to 5.3 million tons in 1974. This output is expected to increase by nearly 30 percent in 1976.

Coal benefits Union Pacific in several significant ways: Rocky Mountain Energy receives income from coal mined on leased lands and from joint ventures, and the Railroad receives freight revenues for hauling coal.

Joint-Venture Operations—With the startup of the Medicine Bow surface mine at Hanna, Wyoming early in 1975, Rocky Mountain Energy entered a new phase in its coal development. For the first time, equity income began to represent a significant portion of its total income from coal.

The Medicine Bow joint venture with Arch Mineral Corporation reached full production in March. The mine's output was 2.5 million tons in 1975 and, with a full year of operation in 1976, Medicine Bow is expected to achieve its planned annual production rate of more than three-million tons of low-sulfur coal. This coal is committed to major electric utilities in the Midwest.

Stansbury—In a joint venture with Ideal Basic Industries, Inc., Rocky Mountain Energy is redeveloping and expanding the underground Stansbury mine near Rock Springs, Wyoming. This mine, which is scheduled to start up in spring 1976, will initially produce at a rate of more than one-million tons of low-sulfur coal a year. It has an estimated recoverable reserve of 100-million tons. The Stansbury output is committed to industrial users and electric utilities in the Rocky Mountain and Midwest areas.

Black Butte—A joint venture with Peter Kiewit Sons' Inc. will produce coal from a surface mine on the Black Butte property east of Rock Springs. Idaho Power Company has already contracted to take more than three-million tons of low-sulfur coal a year from the mine, starting in 1980 and continuing through the next two decades.

Red Rim—Rocky Mountain Energy and Iowa Public Service Company have executed a letter of intent to form a joint venture which will develop surface coal reserves in the Red Rim area, west of Rawlins, Wyoming. Development of the mine, which is subject to acquisition of Federal coal leases, is expected to begin in the late 1970's. Iowa Public Service, which will apply for the intervening Federal acreage, has contracted for the mine's entire output. Its planned production rate is two-million tons a year. A subsidiary of Iowa Public Service will operate the mine.

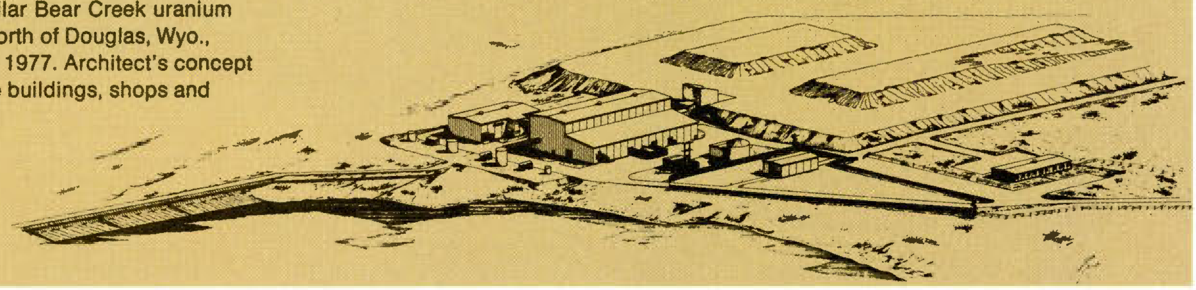
China Butte—Rocky Mountain Energy and Arch Mineral Corporation have entered into an agreement to form a joint venture to develop surface coal reserves in the China Butte region, southwest of Rawlins. Arch Mineral, the operator, will apply for the intervening Federal acreage and will secure a market for the coal. The production rate of the mine, which is expected to start up in the late 1970's, will reach three to four million tons a year.

Hanna—The feasibility of forming a joint venture to develop an underground mine near Hanna, Wyoming is being investigated by Rocky Mountain Energy. Negotiations are under way with a southern

Opposite Page—Rocky Mountain Energy and joint-venture partner Arch Mineral mine coal from a seam at a shallow depth in Medicine Bow mine near Hanna, Wyo. When the coal has been removed, the overburden will be replaced and the area will be restored to its natural state.

Top—The Medicine Bow mine is now producing low-sulfur coal at an annual rate of 3.3 million tons, all of it hauled by Union Pacific Railroad to electric utilities in the Midwest.

Bottom—A trainload of coal can be stored in this large underground silo recently constructed at the Stansbury mine, near Rock Springs, Wyo. The silo prevents coal dust from escaping into the air.



The multi-million-dollar Bear Creek uranium mine-mill complex north of Douglas, Wyo., will be operational in 1977. Architect's concept shows mill and office buildings, shops and ore storage areas.

Rocky Mountain Energy—continued

utility to contract for the mine's output.

Rocky Mountain Energy is currently negotiating other joint-venture possibilities. It is also doing extensive development drilling to select the next areas where new coal mines can be brought into profitable operation.

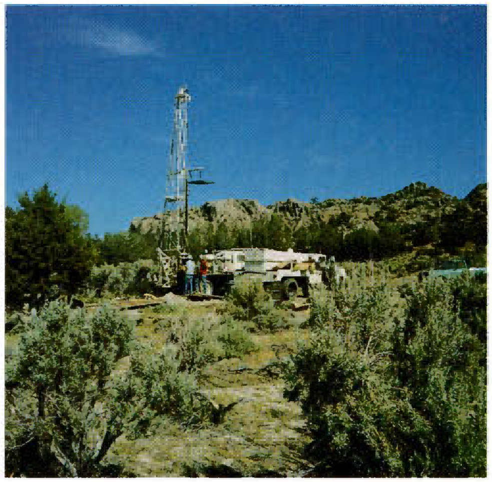
Trona Production Expands—Rocky Mountain Energy is participating in the development of the world's largest known deposit of trona, or natural soda ash, which is located in the Green River Basin of southern Wyoming. Rocky Mountain Energy receives both royalty and equity income from the extensive trona operations in this region. This income nearly doubled in 1975.

Trona ore is being mined and processed by Stauffer Chemical Company of Wyoming (in which Rocky Mountain Energy has a 49 percent interest), FMC Corporation and Allied Chemical Corporation. In mid-1976, Texasgulf, Inc. will become the fourth producer of natural soda ash in the Green River area, with the start up of a one-million-ton-per-year facility.

Allied Chemical completed and began to operate an expanded refinery unit which has an annual production capacity of 2.2 million tons of soda ash. FMC has completed an expansion of its Green River plant, which increased its soda ash production capacity from nearly 1.8 to 2.5 million tons a year.

Natural soda ash is an important ingredient in the manufacture of glass, detergents, baking soda and alkaline cleaners. Because of the general economic downturn in 1975, the demand for natural soda ash slackened in the first nine months, but during the last quarter natural soda ash demand recovered so strongly that total 1975 production in the U.S. surpassed 1974's output.

In 1975, Stauffer Chemical of Wyoming began a multi-million-dollar expansion of its processing mill to capitalize on the long-term growth trend forecasted for natural soda ash. This expansion, which is expected to be completed in mid-1977, will increase Stauffer's production capacity from 1.35 to 1.52 million tons a year.



Left—Core drilling in areas such as this remote part of Wyoming develops data for formation analysis, a basic step in Rocky Mountain Energy's joint uranium exploration program with Southern California Edison.

Right—Calcining and drying section of plant of Stauffer Chemical Company of Wyo. (49 percent owned by Rocky Mountain Energy) where trona ore is converted to natural soda ash. A major expansion of this plant will increase output 13 percent by mid-1977.

The frequent curtailments of natural gas deliveries to Stauffer have been substantially alleviated in the near-term by the development of an intrastate natural gas program. Stauffer has contracted for new gas reserves which, when added to its regular supplies, will satisfy its near-term processing requirements. Stauffer is still considering the conversion of certain operations to coal-firing as a long-term energy solution.

Uranium Production Due in 1977—Rocky Mountain Energy and Mono Power Company, a subsidiary of Southern California Edison Company, have been exploring for uranium under a joint agreement since 1970, using the most advanced exploration techniques to locate new reserves. During 1975, this exploration program was doubled to approximately $24 million, to be spent over the next six years. Mono Power will pay 75 percent of the exploration costs and Rocky Mountain Energy 25 percent.

In December, Rocky Mountain Energy and Mono Power announced plans to construct a multi-million-dollar mine-mill complex near Bear Creek, Wyoming. The two companies are equal partners in the project, and Rocky Mountain Energy is operator. Southern California Edison and San Diego Gas and Electric Company have contracted for the mill's entire uranium output.

Construction of a mill which will have the capacity to process 1,000 tons of uranium ore a day is scheduled to begin in mid-1976, subject to issuance of a Source Material License by the U.S. Nuclear Regulatory Commission. The mill's startup is planned for mid-1977. The mine-mill complex will be constructed using a design which incorporates the latest techniques in environmental protection. The mine is an open-pit operation and land reclamation will go on simultaneously with the mining. Based upon reserves now controlled by Rocky Mountain Energy and Mono Power, the mine and mill are expected to operate for at least 12 years.

Land: Prime Properties for Industry

Upland Industries Corporation, Union Pacific's land development company, owns choice industrial and commercial properties located in a number of growing population centers served by the Union Pacific Railroad. Upland is principally engaged in developing these prime properties for sale or lease to industrial and commercial clients. Upland is also the industrial development agent for the Railroad, attracting new traffic-generating business to sites served by Union Pacific.

Industrial Development—Among the most significant urban centers served by Upland industrial parks are Omaha, Kansas City, Denver, Portland, Seattle, Salt Lake City and Los Angeles.

During 1975, Upland developed three major industrial parks—the Columbia Boulevard Industrial Park at Portland, the first phase of the Centennial Park at Salt Lake City, and the Upland Industrial Park at Rock Springs, Wyoming—for construction of Railroad-served plant and distribution facilities. Each of these parks is complete with access roadways, grading, power and water facilities, and drainage systems.

Upland dedicated the 53-acre Columbia Boulevard Park in June and consummated its first sale on the site to a major developer in August. Construction of a Western Auto Supply distribution center is completed, and the Railroad has constructed lead track to serve it. Columbia Boulevard is the first industrial park to be developed within the Portland city limits in the last decade.

The first rail-served projects being built on the newly-developed, 138-acre initial phase of the 1,512-acre Centennial Park in Salt Lake City are a paper products warehouse and office facility; and a multi-tenant office/warehouse complex. Both are expected to be completed by the spring of 1976.

During 1975, Upland helped 172 firms to select sites served by Union Pacific Railroad. These are ultimately expected to generate an estimated $21 million in annual traffic revenues. Some examples of industrial locations in 1975 follow:

A $12-million terminal grain elevator expansion at Portland, Oregon.

A $10-million expansion of a cereal food processing plant at Omaha.

A $5-million electrical appliance manufacturing plant at Ogden, Utah.

A $3-million spice processing plant and office building in the Union Pacific Industrial Center, Carson, California.

A $3.7-million paper box and container manufacturing facility at Wallula, Washington.

Commercial and Residential Development—Upland is helping alleviate the community-impact problems resulting from the rapid growth of industry in Sweetwater County, Wyoming.

In Rock Springs, Upland is developing a 60-acre unit known as Springland Addition, which will provide 230 permanent residences. Springland is being developed for employees of the Stansbury coal mine, which is expected to start up in spring 1976.

In nearby Green River, Upland is developing 309 permanent single-family dwellings in close cooperation with city and county officials. In addition, 516 temporary mobile-home spaces have been completed. These will be converted into 258 single-family lots over a three-year period.

Top—Centennial Park, Salt Lake City, Utah, is one of Upland's major new industrial parks served by Union Pacific Railroad. A warehouse distribution center and office business park are among facilities under construction in the initial phase of development.

Upper Middle—Union Pacific Industrial Center at Carson and Long Beach, Calif. is an Upland park in the advanced stage of development. This distribution and office center for Formosa Plastics, an importer, was recently completed.

Lower Middle—Upland sold more than 18 acres on Terminal Island to the Los Angeles Harbor Department in 1975. The tract is being developed with container handling facilities and expanded wharves for a major shipping company. Substantial Union Pacific Railroad traffic is already generated through this company and more is expected when the Terminal Island operation is fully developed.

Bottom—Upland has been helping to relieve the acute housing shortage in Sweetwater County, Wyo. by creating residential areas to meet different local needs. Areas range from temporary mobile home sites to lots for permanent individual homes. Shown here near Green River are new Upland sections known as Carriage Park, Fremont, Hickok and Glenarms additions.

Board of Directors

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***James H. Evans,** President, New York, N.Y.

Earl Baldridge, Former Chairman of the Executive Committee, Champlin Petroleum Company, Fort Worth, Tex.

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William S. Cook, Executive Vice President, New York, N.Y.

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Artemus L. Gates, Corporate Director of several companies, Locust Valley, N.Y.

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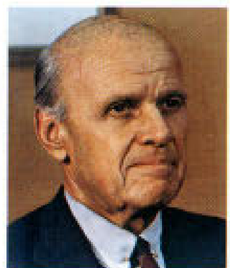
William T. Smith, President, Champlin Petroleum Company, Fort Worth, Tex.

Vernon F. Taylor, Jr., President, Westhoma Oil Company, oil, gas and mineral exploration, Denver, Colo.

*Executive Committee


E. R. Harriman


G. S. Moore


C. C. Brown


W. D. Grant


M. F. Miller

J. D. Robinson, III

J. H. Evans

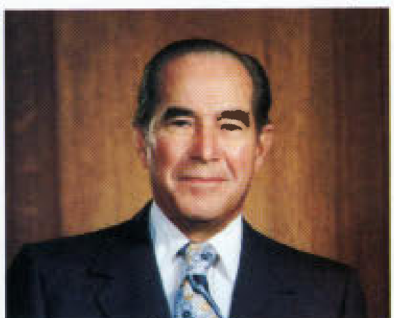
F. E. Barnett

E. T. Gerry

R. A. Lovett

J. C. Kenefick

W. S. Cook



G. S. Eccles

A. L. Gates

H. B. Mitchell

M. K. Milliken

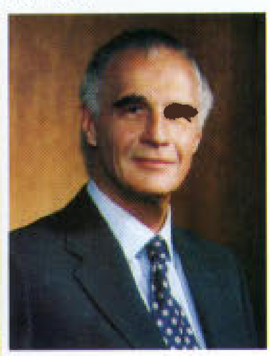
W. T. Smith

O. T. Lawler

E. Baldridge

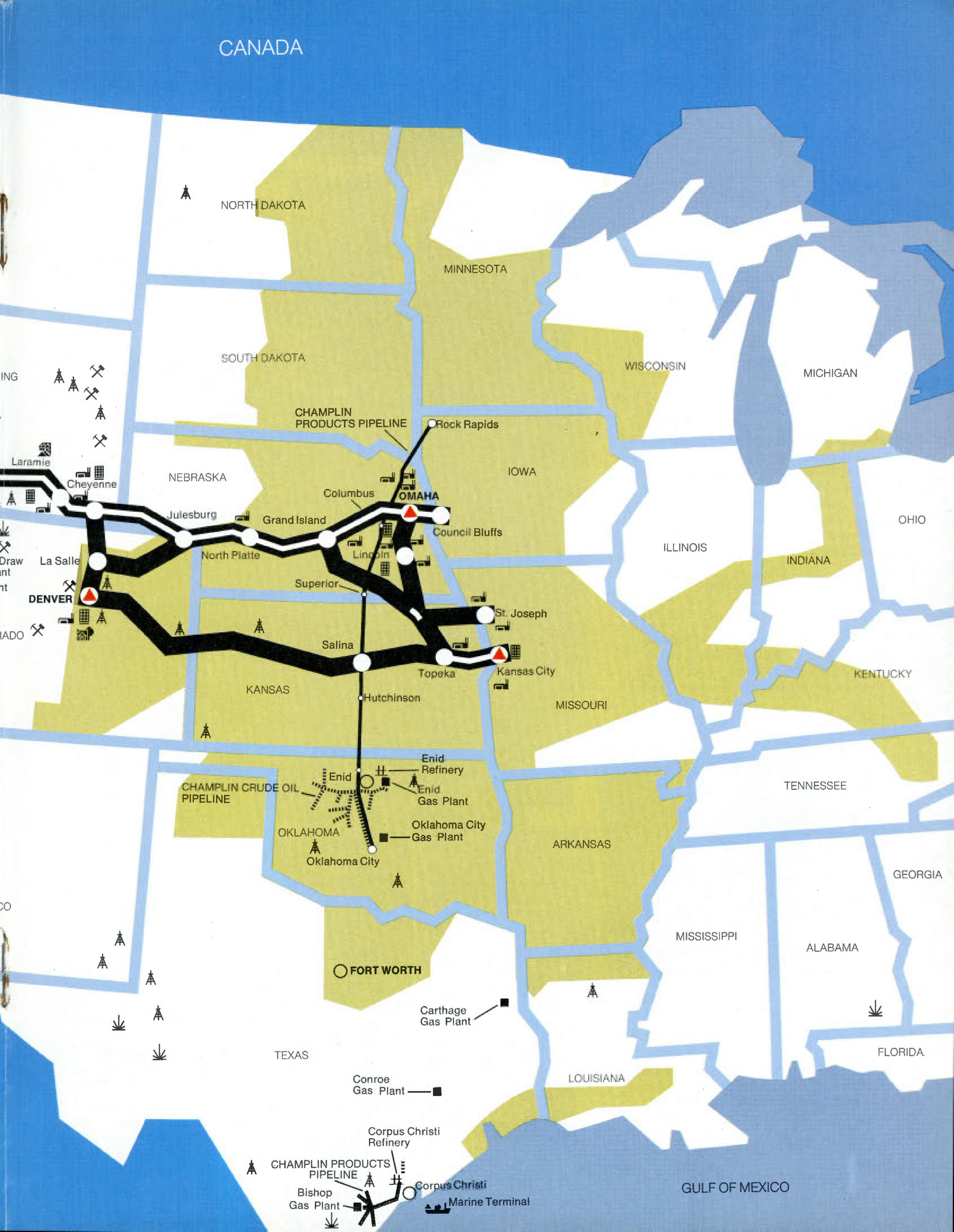
J. B. M. Place

R. W. Roth



V. F. Taylor, Jr.


ALASKA
NORTHWEST TERRITORIES
YUKON
BRITISH COLUMBIA
ALBERTA
WASHINGTON
Seattle
Tacoma
Aberdeen
Hoquiam
Spokane
Eastport
Yakima
Walla Walla
Portland
Hinkle
La Grande
MONTANA
Butte
OREGON
IDAHO
Boise–Nampa
Idaho Falls
WYOMIN
Twin Falls
Pocatello
McCammon
Granger
Ogden
Rock Springs–
Green River
Salt Lake City
Patrick Dr
Gas Plant
Brady Gas Plant
Provo
UTAH
NEVADA
CALIFORNIA
COLORA
PACIFIC OCEAN
Las Vegas
CALNEV PIPE LINE
Los Angeles
Wilmington Refinery
Long Beach
ARIZONA
NEW MEXICO
MEXICO
UNION PACIFIC
UNION PACIFIC CORPORATION
Areas of Petroleum Drilling Activity
Areas of Seismic Activity
Areas of Mineral Activity
Areas of Coal Activity
Union Pacific Railroad Single Track Line
Union Pacific Railroad Double Track Line
Major Intermodal Trailer–Container Terminals
Commercial Property
Industrial Property
Residential Property
Champlin Retail Marketing Area
Product Pipelines
Crude Pipelines
Refineries
Gas Processing Plant
Area of Trona Activity


CANADA
NORTH DAKOTA
MINNESOTA
SOUTH DAKOTA
WISCONSIN
MICHIGAN
CHAMPLIN PRODUCTS PIPELINE
Rock Rapids
IOWA
Laramie
Cheyenne
NEBRASKA
Columbus
OMAHA
Julesburg
Grand Island
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OHIO
ILLINOIS
INDIANA
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North Platte
Lincoln
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DENVER
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Topeka
Kansas City
KENTUCKY
KANSAS
Hutchinson
MISSOURI
Enid Refinery
Enid
CHAMPLIN CRUDE OIL PIPELINE
Enid Gas Plant
TENNESSEE
OKLAHOMA
Oklahoma City Gas Plant
ARKANSAS
Oklahoma City
GEORGIA
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ALABAMA
FORT WORTH
Carthage Gas Plant
TEXAS
FLORIDA
Conroe Gas Plant
LOUISIANA
Corpus Christi Refinery
CHAMPLIN PRODUCTS PIPELINE
Corpus Christi
Marine Terminal
GULF OF MEXICO
Bishop Gas Plant

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Elbridge T. Gerry, Chairman of the Executive Committee
William S. Cook, Executive Vice President
William J. McDonald, Senior Vice President—Law
William F. Surette, Vice President—Finance
William P. Raines, Vice President—Corporate Relations
John P. Halan, Vice President—Employee Relations
Richard N. Little, Vice President
Harry B. Shuttleworth, Treasurer
Chester A. Rose, Controller
Charles N. Olsen, Secretary
Paul J. Coughlin, Jr., General Counsel

*Photos of Messrs. Barnett, Evans, Gerry and Cook are shown on page 19, since they also are directors.


W. J. McDonald


W. F. Surette


W. P. Raines

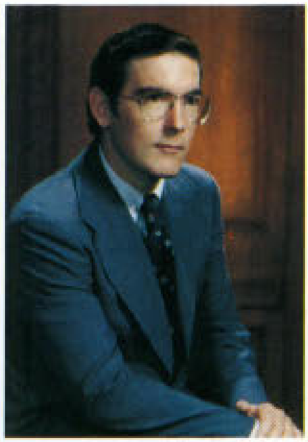

J. P. Halan

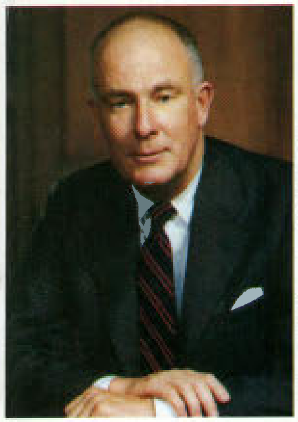

R. N. Little


H. B. Shuttleworth


C. A. Rose


C. N. Olsen


P. J. Coughlin, Jr.



J. C. Kenefick, *President*
Union Pacific Railroad Company

W. J. Fox

W. P. Barrett

C. Howard Burnett

C. B. Schaefer

G. L. Farr

J. P. Deasey

W. T. Smith, *President*
Champlin Petroleum Company

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L. F. Adams

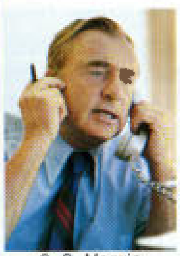
E. H. Chittick, Jr.

B. J. Relyea

C. A. Zubieta

F. L. Jones

J. C. Wilson, *President*
Rocky Mountain Energy Company



S. S. Merwin

E. A. Lang

K. R. Oldham

C. L. Eaton

J. W. Godfrey, *President*
Upland Industries Corporation

H. F. Hansen

J. G. Black

B. D. Strattan

J. H. Dyer

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William J. Fox, Vice President—Operation
Walter P. Barrett, Vice President—Traffic
C. Howard Burnett, Vice President—Executive Dept.
Glen L. Farr, Vice President—Labor Relations
C. Barry Schaefer, Vice President and Western General Counsel
John P. Deasey, Controller
Robert L. Richmond, Asst. Vice President—Operation
Thomas B. Graves, Jr., Asst. Vice President—Marketing
Fred L. Morgan, Asst. Vice President—Sales

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B. F. Abernathy, Vice President—Production
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Wm. E. Biggerstaff, Vice President—Marketing
Edward H. Chittick, Jr., Vice President—Exploration
D. O. Churchill, Vice President—Domestic Land
David Goodwill, Vice President—Pacific Division
Frank L. Jones, Vice President and Regional Mgr.—Houston
Frederick M. Otto, Vice President—Refining
Bruce J. Relyea, Vice President—Finance and Admin.
Roy K. Russell, Vice President—Industrial Relations
G. Henry M. Schuler, Vice President—Governmental Relations & Public Affairs
Charles A. Zubieta, Vice President—General Counsel

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Stuart S. Merwin, Vice President—Business Development
Eugene A. Lang, Vice President—Operations
Kenneth R. Oldham, Vice President and General Counsel
Charles L. Eaton, Controller

UPLAND INDUSTRIES CORPORATION
John W. Godfrey, President
Howard F. Hansen, Vice President—Lands
James G. Black, Vice President—Developments
Byron D. Strattan, Western General Counsel
John H. Dyer, Controller

Employee Relations

Helping Union Pacific People Develop their Potential

Union Pacific Corporation's Employee Relations Program is designed to attract, motivate and retain well-qualified and dedicated employees who will assure the continued success of the Corporation. In 1975 Union Pacific established the office of Vice President—Employee Relations at the Corporate policy level in recognition of the growing importance of this management responsibility.

During 1975, Union Pacific and its consolidated subsidiaries employed an average of 28,191 people compared to 30,169 in 1974. This decline in employment was due entirely to reductions by the Railroad caused by the decreased volume during the year. In 1975, salaries, wages and benefits increased substantially at Union Pacific, amounting to $560 million compared to $539 million in 1974.

Labor Relations—National labor agreements were negotiated with the rail unions and Champlin negotiated labor agreements with unions representing its employees, without a day of work stoppage during 1975. The rail agreements cover a three-year period, from January 1, 1975 to December 31, 1977, and Champlin's agreements cover a two-year period, from January 8, 1975 to January 7, 1977. They provide for substantial increases in wages, cost-of-living adjustments or provision for cost-of-living increases, and improvements in benefits.

Education and Development—Union Pacific provides continuing programs of education, training and development, both on and off the job, for personal and career growth.

Top—Union Pacific Railroad officer training program helps assure executive talent for the future. Here, Terminal Superintendent Herb Crowe, right, and Trainee Ron Moore inspect the Railroad's port facilities in Seattle as part of Ron's orientation.

Middle—The Railroad's management development program uses many techniques. At May conference held in Idaho, the program combined seminars, formal presentations and informal discussions.

Bottom—Summer staffing program of Rocky Mountain Energy increases contact with Western universities and vocational schools through the experience of these able student-workers. Here, RME President James C. Wilson talks with summer staffers.

In 1975, Union Pacific Railroad's Management Conference provided a forum for reviewing achievements and for discussing future programs, goals and objectives. The three-day program included presentations by Union Pacific management as well as other leaders from industry and the academic community.

Union Pacific Corporation's Finance Department conducted its first corporate-wide seminar in 1975. This meeting provided face-to-face interchange of information and ideas concerning financial strategy and organization, and new techniques for improving financial controls and reporting.

Managers from the Railroad, Champlin and Rocky Mountain Energy supplemented their development by attending advanced management programs at Harvard, MIT, Northwestern, Pittsburgh and Syracuse.

Union Pacific also placed heavy emphasis on developing technical skills at all levels. The Railroad continued its training programs for locomotive engineers, signalmen, switchmen, brakemen and mechanical department craftsmen.

Champlin's training program for process operators at the Corpus Christi refinery accelerated the development of personnel needed for the expanding refining operations. A supervisory development program will be started at Corpus Christi during 1976.

During the year, Champlin people working in production, pipeline and refinery operations attended a water-pollution prevention school, which included practical training in oil-spill control. The course was conducted by the Texas Engineering Extension Service, Texas A & M University at Galveston.

Matching Gifts Program—Union Pacific Corporation established a Matching

Gifts Program to provide support for higher education throughout the United States. Under this program, the Corporation will match employee gifts to eligible colleges and universities up to $1,000 per employee for each calendar year. The employee response to the program has been widespread and enthusiastic.

Under a continuing program of assistance, Union Pacific Railroad awarded on a competitive basis 25 scholarships to children of employees in 1975. The program offers $400 scholarships that are renewable for three additional years so long as the student maintains a specified grade point average.

Equal Employment Policy Reaffirmed—The Chairman of the Board and Chief Executive Officer issued a policy statement reaffirming the Corporation's commitment to Equal Employment Opportunity:

> "Union Pacific Corporation, since its inception, has subscribed to the concept of Equal Employment Opportunity. At Union Pacific Corporation individuals are judged on the basis of job-related factors, without regard to race, color, religion, sex or national origin, since we believe this to be the most positive way to attract and retain good employees. Fulfilling this belief of non-discrimination is a real and vital part of everyone's job, a commitment shared by all. Union Pacific Corporation's Affirmative Action Program is dedicated to our belief in maintaining equal opportunity for all."

Employee Retirement Income Security Act of 1974 (ERISA)—In 1974, Congress enacted the Employee Retirement Income Security Act, or ERISA, as it is more commonly known. Many public officials have characterized this act as the most significant social legislation since passage of the Social Security Act.

Union Pacific's additional costs under ERISA's provisions, while initially moderate, are expected to grow due to the increased administrative and reporting requirements of the Act.

Top Right—Family Day at Pocatello, Idaho was one of many open houses for families of employees of the Railroad held at locations across the system during the year. More than 6,500 people attended the Pocatello event.

Bottom Left—At the Railroad's law offices in Omaha, General Attorney Valerie Scott, left, General Solicitor Harry Lustgarten, Jr. and Attorney Margaret Levin review legal aspects of environmental protection programs.

Bottom Center—Two new locomotive engineers, Jim and Sue Krause, met as trainees and were married in 1975.

Bottom Right—Champlin Geologist Gay Praetor correlates formation density logs to evaluate oil-bearing sand conditions at Colorado drilling site.

Financial Review

Index

Management's Discussion and Analysis of Operating Results

Consolidated 1975 revenues and sales of $1.76 billion set a new high for Union Pacific Corporation with an increase of $155.9 million or 10% over 1974. Earnings for 1975 also reached a new high of $148.6 million for an increase of $23.4-million or 19% over restated 1974 net income. Earnings per share of common stock in 1975 were $6.42 compared with a restated $5.46 of a year earlier. Earnings for 1974 were reduced $5.2 million or $.23 per share from amounts previously reported to reflect retroactive application of Financial Accounting Standards Board (FASB) Statement No. 9 issued in 1975 concerning deferred Federal income taxes on capitalized intangible drilling costs.

The table below reflects the respective contributions to gross revenues and sales and net income of each of the Corporation's areas of business for the years ended December 31, 1975 and 1974.

Revenues and Sales

	1975		1974	
	$000	%	$000	%
Railroad	$1,004,342	57%	$1,000,266	63%
Natural Resources	731,703	42	583,629	36
Land	19,264	1	15,521	1
	$1,755,309	100%	$1,599,416	100%

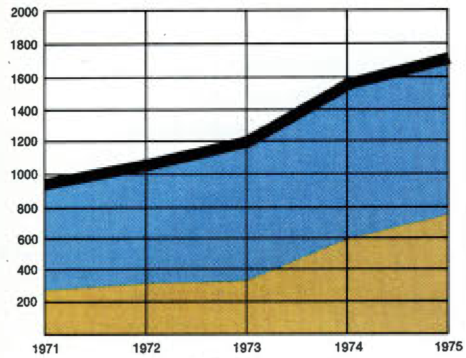
Net Income

	1975		1974	
	$000	%	$000	%
Railroad	$ 83,880	56%	$ 99,177	79%
Natural Resources	64,778	44	30,177*	24
Land	3,568	2	3,324	3
Corporate Interest Costs and Expenses	(3,606)	(2)	(7,499)	(6)
	$ 148,620	100%	$ 125,179*	100%

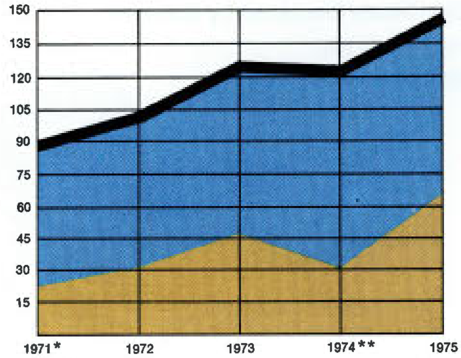
*After restatement

Net income of Union Pacific Railroad Company decreased $15.3 million or 15% while revenues increased by $4.1 million. The slight increase in revenues in 1975 was attributable largely to three general freight rate increases put into effect during the year which more than offset the effect on revenues of a decline in freight volume due to the overall weakness in the economy. Carloadings declined 11% during 1975. Ton-miles of revenue freight moved during 1974 and 1975 were 55.9 and 52.2 billion, respectively, or a decline of 7%. While coal and soda ash shipments showed improvement over 1974 levels, they were more than offset by decreases in most other commodity classifications. Although freight volume was below that of 1974, steady improvement was noted subsequent to the first quarter of 1975 as the economy gradually strengthened. Railroad operating costs increased $44.1-million over 1974. Payroll costs increased $15.4 million in 1975, despite a reduction in the average number of employees, primarily as a result of wage increases granted Railroad employees and generally higher costs of employee benefit programs. Materials and supplies costs increased $11.3 million principally because of an additional $4 million of costs for repairs and replacements of track structure and $6.3 million in higher diesel fuel costs. Other operating costs were adversely affected by a decline of $13.7 million in net equipment rental reimbursements from other railroads as a result of lower business activity.

Net income from natural resources operations (which includes petroleum, coal and other mining activities) was $64.8 million for a 115% increase over the $30.2 million level in 1974. Sales increased $148.1 million or 25%. The 1975 increase in earnings reflects a $40.6 million gain after income taxes resulting from the sale, for $72.8 million, of Champlin Petroleum Company's interests in the British North Sea to



Revenues and Sales MILLIONS OF DOLLARS



Net Income MILLIONS OF DOLLARS

*Before Extraordinary Item
**After Restatement

Five Year Trends by Business Areas

Natural Resources Operations, Including Land

Transportation Operations

Deutsche Erdölversorgungsgesellschaft m.b.H.-Deminex. However, year to year net income was adversely affected by $8.3 million in additional Federal income taxes due to a reduction in percentage depletion.

Champlin Petroleum Company's sales increased $138.2 million or 24% over 1974 primarily as a result of increased refined products sales due to the pass-through to customers of increased crude oil costs, costs of Federal entitlements program purchases, and import fees on foreign oil. Refined product sales volume for 1974 and 1975 amounted to approximately 2,192 and 2,234 million gallons, respectively, as Champlin continued to operate its refineries at near capacity under Federal crude allocation regulations. Sales of crude oil, plant products and natural gas were higher during the year than in 1974 despite slight decreases in production. Such sales were favorably affected by increased market prices for "new-and-released" oil and increased area prices for natural gas allowed by the Federal Power Commission.

Champlin's operating costs increased $156.8 million or 28% over 1974 as a result of continued increases in the cost of crude oil and substantially higher costs incurred in the exploration of crude oil sources. The cost of crude oil and other petroleum raw materials increased $97.0 million or 27% because of higher crude oil prices, entitlements costs and the import fees on foreign oil. Exploration costs were $25.7 million higher in 1975 due primarily to substantially higher dry hole and lease acquisition costs associated with unsuccessful drilling operations in Peru, The Philippines, and Indonesia. The provision for losses-lease acquisition costs for 1975 includes $60.8 million associated with Champlin's interests in nine tracts off the Gulf Coast of Florida. The 1975 provision together with a $60-million provision in 1974 completely reserves the $120.8 million investment in such leases.

Rocky Mountain Energy Company (RME) net income showed a substantial gain over the preceding year. Increased development of coal resulting from start-up of operations during 1975 of the Medicine Bow, Wyoming joint coal venture contributed significantly to the increase. Largely as a result of more favorable prices for coal and trona, royalty income improved by 67% and equity earnings from Stauffer of Wyoming nearly doubled. These improvements were partially offset by an increase in the cost of exploration and development of coal and uranium as RME continued to expand its development of these resources in response to higher demand.

Net income of $3.6 million for Upland Industries Corporation's land operations increased slightly from 1974. Included in the sales for the year was an 18 acre parcel of property at Terminal Island, California which the City of Los Angeles plans to include in its port facility development. This should enhance the value of the remaining property as well as generate additional freight revenue for the Railroad. Two of the California residential properties, substantially reserved in prior years, were sold in 1975 and virtually all of the remaining properties are in the advanced stages of negotiations. However, economic conditions, particularly high financing costs, continued to hamper real estate development activities.

Cash Flow—Union Pacific's cash flow from operations in 1975 was $299.6-million, approximately the amount of cash flow generated during 1974. Funds provided were utilized to meet current debt obligations, to increase per share dividend payments to common shareholders and to finance a portion of the capital investment program.

Capital Expenditures—During 1975, Union Pacific invested a record of $439.7-million in capital improvements to continue its program of growth to meet the nation's transportation and energy needs. The table below reflects the expenditures by business area as compared with 1974.

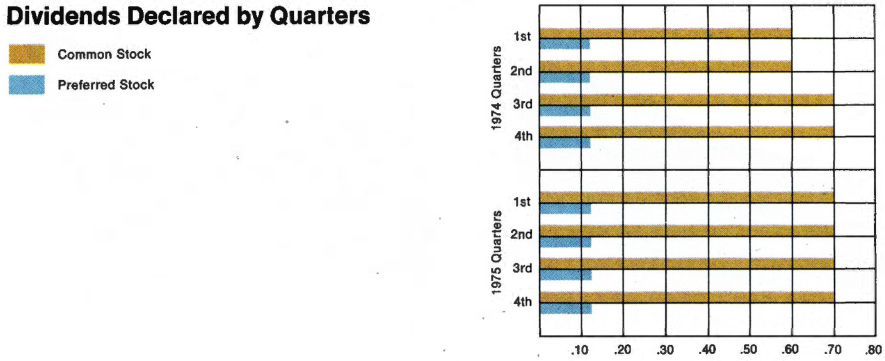
Capital Expenditures by Business Area:

	(In Thousands) 1975	1974
Transportation	$205,780	$195,760
Natural Resources	226,252	198,162
Other	7,718	10,091
	$439,750	$404,013

Transportation capital expenditures included $154.1 million for acquisition of railroad equipment as compared to $143.6 million in 1974 and $51.2 million for road and structures as compared with $51.9 million in 1974. Equipment acquisitions included 49 locomotives and 3,782 freight cars of which 834 freight cars were built in company shops. Natural resources capital expenditures in 1975 include $110 million for the expansion of Champlin's refinery at Corpus Christi, Texas, oil and gas exploration and development programs, and increasing development of coal, trona and uranium reserves.

In 1975, Champlin joined with a venture partner in submitting bids aggregating $93.6 million on five 5,760 acre tracts off the coast of Southern California. Champlin's share amounts to one-third of the total or $31.2 million. Champlin sold at cost one-sixth of its interest in three of the tracts for $4.25 million. Further expenditures will be made under

Dividends Declared by Quarters



the program to evaluate the acquisition and, if deemed feasible, develop the tracts for the production of oil and gas.

Financing—Corporate indebtedness aggregated $754.7 million at December 31, 1975 including $29.6 million maturing within the ensuing year and not expected to be refinanced. While $90.9 million of debt was retired and an additional $9.9-million was converted to common stock during 1975, the Corporation incurred new financing of $283.9 million to fund a significant portion of the capital expenditure program. Included in the new indebtedness was $100 million of 8.6% Notes Due in 1983, $165 million of railroad equipment trust agreements and $18.9 million of pollution control revenue bonds. During 1975, the Corporation used a greater proportion of commercial paper as interim financing, rather than borrowing under its credit agreement, in order to minimize interest costs. At December 31, 1975 the entire $170 million line of credit and credit agreement was available for use. Interest expense of $48.4 million was $8.4 million higher than 1974 due principally to higher levels of borrowings. Debt as a percentage of consolidated capitalization was 26% at December 31, 1975 compared with 22% the year before.

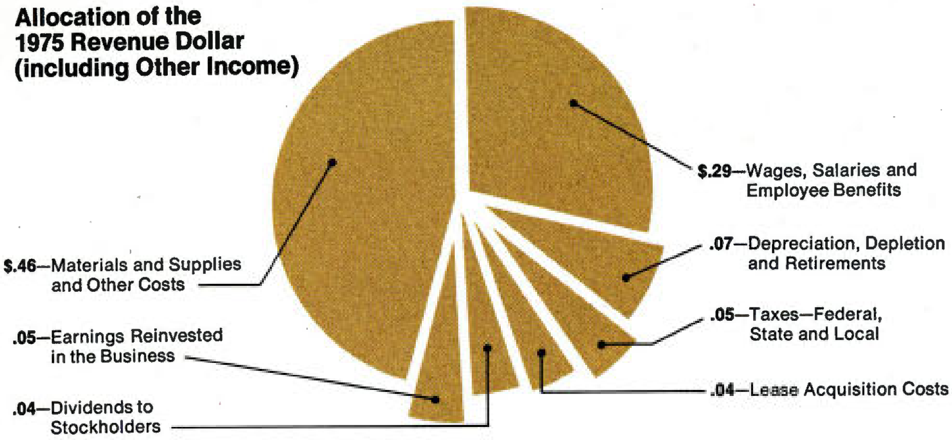
The Corporation filed a registration statement with the Securities and Exchange Commission on February 3, 1976 in connection with plans to sell $150.0 million Sinking Fund Debentures maturing 2001. Approximately $95.0-million of the proceeds will be used to repay commercial paper outstanding and the balance will be added to the general funds of the Corporation. With respect to such Debentures, the Corporation retained its AA and Aa ratings from the two major rating agencies.

Federal Income Taxes—The 1975 provision for Federal income taxes was $39.0-million, a decrease of $16.4 million from 1974. The decrease was due primarily to $13.9 million of higher investment tax credits and $11.2 million of capital gains benefits from the sale of Champlin's interests in the British North Sea, offset in part by $8.3 million in additional taxes due to a reduction in percentage depletion.

Stockholders' Equity—December 31, 1975 stockholders' equity of $1.8 billion represented an increase of $95.6 million over the previous year end. Book value per common share had also increased $3.40 to $78.39 at December 31, 1975. The 23,226,045 shares of common stock outstanding were held by 68,967 stockholders of record on December 31, 1975, while the 455,227 shares outstanding of 4¾ percent convertible preferred stock, Series A, were held by 2,079 stockholders of record. The $39.9 million principal amount of 4¾ percent debentures outstanding at the close of the year were held by 7,644 owners of record.

Market Price:	1975		1974	
	High	Low	High	Low
Common Stock				
1st Quarter	$ 74⅜	$ 62	$ 97¾	$ 74½
2nd Quarter	82¼	67½	82¾	65¼
3rd Quarter	78	61¾	81¼	56½
4th Quarter	78¼	66	77⅝	51⅜
Preferred Stock				
1st Quarter	$ 12⅞	$ 11	$ 17¼	$ 13¼
2nd Quarter	14⅛	11¾	14⅛	11⅜
3rd Quarter	13½	10¾	14⅛	10¼
4th Quarter	13⅝	11¾	13⅜	9¼

Allocation of the 1975 Revenue Dollar (including Other Income)



Common stock dividends declared during 1975 amounted to $64.8 million for an increase from 1974 of $5.3 million or 9%. Union Pacific has paid dividends to its common shareholders in every year since 1900. Dividends of $0.475 per share were paid on outstanding preferred stock.

1974 Operating Results in Retrospect— Union Pacific Corporation revenues and sales for 1974 were $1.6 billion representing an increase of $375.2 million or 31% over 1973. However, net income decreased 2% to $125.2 million after giving effect to the restatement of 1974 net income for deferred Federal income taxes on intangible drilling costs. In addition, 1974 earnings were adversely affected by a $38.7 million or $1.70 per share reduction in net income resulting from establishment of a reserve for possible losses related to nine offshore Florida oil leases and from adoption of the last-in, first-out (LIFO) method of valuing refined products and raw materials inventories.

The financial statements for 1974 have been restated to reflect Statement No. 9 of the Financial Accounting Standards Board issued in 1975 which permits retroactive adjustment of prior years' financial statements. As a result, 1974 net income as previously reported has been reduced $5.2 million to provide for deferred Federal income taxes on capitalized intangible drilling costs of Champlin Petroleum Company. The impact of the accounting change on 1973 was insignificant and, accordingly, net income for that year has not been restated.

Union Pacific Railroad revenues increased by $118.0 million while net income increased by $15.6 million although freight volume was about level with the year 1973. Revenues were favorably affected by freight rate increases during the year. Operating costs increased $104.1 million primarily reflecting $40.8 million of higher wages and employee benefits and $58.5 million in additional materials and supplies costs, including higher Railroad diesel fuel cost of $37.0 million and increased maintenance of way and equipment programs.

Natural resources revenues increased $262.4 million over the year 1973 while net income declined $17.6 million after the $38.7 million impact of the oil lease reserve and the adoption of LIFO. Champlin's refined petroleum products sales increased principally due to higher crude oil costs passed through to customers. Sales of crude oil, plant products and gas increased largely due to higher postings for controlled "old" crude oil and higher prices for "new-and-released" crude production. Champlin's operating costs increased $291.2 million largely as a result of continued escalation in domestic crude oil prices, the purchase of high cost foreign oil necessary to operate the refineries at near capacity, and start-up costs relative to the secondary water recovery program at Wilmington field. Operating costs also included a $60 million before-tax provision for possible losses relating to the nine offshore Florida leases and a $14.5 million before-tax provision reflecting the adoption of the LIFO method of valuing 1974 refined products and raw materials inventories.

Interest expense in 1974 increased $9.3 million from the previous year reflecting an increased level of borrowings and higher interest rates.

Federal income tax expense as restated for 1974 was $55.4 million compared to $70.0 million in 1973. The decrease was attributable principally to future tax benefits relating to the provision for offshore lease costs, higher investment tax credits and increased depletion allowance.

Accountants' Report

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

UNION PACIFIC CORPORATION,
its Directors and Stockholders:

We have examined the consolidated balance sheet of Union Pacific Corporation and subsidiary companies as of December 31, 1975 and 1974 and the related statements of consolidated income, consolidated stockholders' equity and consolidated changes in financial position for the two years ended December 31, 1975. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Union Pacific Corporation and subsidiary companies at December 31, 1975 and 1974 and the results of their operations and the changes in their financial position for the two years ended December 31, 1975, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the changes, with which we concur, in the methods of accounting for deferred taxes on intangible drilling costs and "self-insurance" reserves as described in Notes 6 and 8, respectively, to the financial statements.

Haskins + Sells

January 29, 1976

Statement of Consolidated Income

	1975	1974 (As Restated)
	(Thousands of Dollars)	
Revenues and Sales:		
Transportation revenues	**$1,004,342**	$1,000,266
Sales	**750,967**	599,150
Total	**1,755,309**	1,599,416
Operating Costs:		
Salaries, wages and employee benefits	**534,601**	508,020
Crude oil and other petroleum raw materials	**454,330**	357,345
Materials and supplies	**224,373**	206,614
Depreciation, depletion and retirements (Note 3)	**130,779**	100,071
Provision for losses—lease acquisition costs (Note 4)	**68,476**	63,781
State and local taxes	**52,960**	47,762
Other operating costs	**148,654**	119,235
Total	**1,614,173**	1,402,828
Operating Income	**141,136**	196,588
Other Income:		
Gain on sale of North Sea interests (Note 5)	**59,878**	—
Other—net	**34,915**	23,988
Total	**94,793**	23,988
Interest Expense	**(48,352)**	(39,992)
Income Before Federal Income Taxes	**187,577**	180,584
Federal Income Taxes (Note 6):		
Current	**33,979**	42,477
Deferred	**4,978**	12,928
Total	**38,957**	55,405
Net Income	**$ 148,620**	$ 125,179
Earnings Per Share (Note 13):		
Assuming no dilution	**$6.42**	$5.46
Assuming full dilution	**6.23**	5.28

The accompanying accounting policy disclosures and notes to financial statements are an integral part of these statements.

Consolidated Balance Sheet

	(Thousands of Dollars) December 31, 1975	December 31, 1974 (As Restated)
Assets		
Current Assets		
Cash (Note 7)	$ 33,494	$ 34,467
Temporary cash investments, at cost, which approximates market	1,702	10,074
Accounts receivable—net	218,678	175,564
Inventories (Note 1)	121,822	100,296
Deferred Federal income tax benefit (Note 4)	57,971	—
Other current assets	26,515	27,335
Total Current Assets	460,182	347,736
Investments (Note 2)		
Investments in affiliated companies	68,564	56,761
Other investments	61,107	61,153
Land held for future development, at cost	53,876	59,232
Total Investments	183,547	177,146
Properties (Notes 3 and 7)	3,675,520	3,305,977
Less reserves for depreciation, depletion and amortization	1,050,104	902,585
Properties—Net	2,625,416	2,403,392
Excess of Investment in Consolidated Subsidiaries Over Equities in Recorded Net Assets	71,740	71,740
Other Assets and Deferred Charges	77,363	28,439
Total Assets	$3,418,248	$3,028,453

	December 31, 1975	December 31, 1974 (As Restated)
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts and wages payable	$ 141,443	$ 85,908
Accrued liabilities:		
Federal income taxes (Note 6)	767	14,576
Taxes—other than Federal income taxes	35,968	33,661
Interest	14,321	8,942
Other accrued liabilities	89,422	85,219
Dividends payable	16,843	16,853
Long-term debt due within one year	29,593	20,093
Other current liabilities	13,636	18,621
Total Current Liabilities	341,993	283,873
Long-Term Debt Due After One Year (Note 7)	725,135	551,564
Deferred Federal Income Taxes (Notes 6 and 8)	441,738	380,059
Casualty and Other Reserves (Note 8)	56,037	53,823
Other Liabilities and Deferred Credits	28,212	29,572
Stockholders' Equity (page 33)	1,825,133	1,729,562
Total Liabilities and Stockholders' Equity	$3,418,248	$3,028,453

The accompanying accounting policy disclosures and notes to financial statements are an integral part of these statements.

Statement of Consolidated Changes in Financial Position

	1975	1974 (As Restated)
	(Thousands of Dollars)	
Source of Funds		
Operations:		
Net Income	**$148,620**	$125,179
Gain on sale of North Sea interests—net of income taxes	**(40,628)**	—
Charges not requiring current outlay of working capital:		
Depreciation and other non-cash charges	**116,367**	100,836
Provision for losses—lease acquisition costs	**68,476**	63,781
Provision for deferred Federal income taxes—non-current	**62,949**	12,928
Working capital provided by operations	**355,784**	302,724
Proceeds from long-term financing	**283,900**	130,000
Working capital provided by sale of North Sea interests	**49,902**	—
Other items—net	**32,223**	20,417
	721,809	453,141
Application of Funds		
Dividends declared	**65,011**	59,796
Reduction of long-term debt	**110,329**	53,521
Capital expenditures:		
Transportation	**205,780**	195,760
Natural Resources	**226,252**	198,162
Other (including land $2,620, 1975; $6,311, 1974)	**7,718**	10,091
Changes in funds segregated for capital expenditures	**52,393**	386
	667,483	517,716
Net Increase (Decrease) in Working Capital	**54,326**	(64,575)
Working Capital at Beginning of Year	**63,863**	128,438
Working Capital at End of Year	**$118,189**	$ 63,863
Components of Increases (Decreases) in Working Capital		
Cash and temporary cash investments	**$ (9,345)**	$(40,234)
Accounts receivable	**43,114**	5,119
Inventories	**21,526**	13,559
Deferred Federal income tax benefit	**57,971**	—
Accounts and wages payable	**(55,535)**	(14,954)
Other—net	**(3,405)**	(28,065)
Net Increase (Decrease)	**$ 54,326**	$(64,575)

The accompanying accounting policy disclosures and notes to financial statements are an integral part of these statements.

Statement of Consolidated Changes in Stockholders' Equity

	1975	1974 (As Restated)
	(Thousands of Dollars)	
Capital Stock (Notes 10 and 12):		
Preferred Stock no par value (authorized 10,000,000 shares); 4¾% Convertible Preferred Stock, Series A; $10 stated value—outstanding:		
Balance at beginning of year (534,527 shares in 1975, 665,500 in 1974)	$ 5,345	$ 6,655
Less shares converted into common stock (79,300 shares in 1975, 131,000 in 1974)	793	1,310
Balance at end of year (455,227 shares in 1975, 534,527 in 1974)	4,552	5,345
Common Stock, $10 par value (authorized 30,000,000 shares)—outstanding:		
Balance at beginning of year (22,991,348 shares in 1975, 22,705,371 in 1974)	229,913	227,054
Issuance of Shares due to:		
Conversion of 4¾% Convertible Debentures (173,479 shares in 1975, 227,329 in 1974)	1,735	2,273
Conversion of 4¾% Convertible Preferred Stock (13,868 shares in 1975, 22,898 in 1974)	139	229
Exercise of Stock Options (47,350 shares in 1975, 35,750 in 1974)	473	357
Balance at end of year (23,226,045 shares in 1975, 22,991,348 in 1974)	232,260	229,913
Paid-in Surplus:		
Balance at beginning of year	73,161	60,215
Additions upon issuance of Common Stock in excess of par:		
Conversion of 4¾% Convertible Debentures	8,177	10,715
Conversion of 4¾% Convertible Preferred Stock	654	1,080
Exercise of Stock Options	1,577	1,151
Balance at end of year	83,569	73,161
Retained Earnings (Note 7):		
Balance at beginning of year, as previously reported	1,430,382	1,359,805
Adjustments for changes in methods of accounting:		
Deferred taxes—intangible drilling costs (Note 6)	(20,718)	(15,524)
Self-insurance reserves (Note 8)	11,479	11,479
Balance at beginning of year, as restated	1,421,143	1,355,760
Net Income for the year	148,620	125,179
Total	1,569,763	1,480,939
Dividends Declared:		
4¾% Convertible Preferred Stock, Series A ($.475 per share)	(239)	(302)
Common Stock ($2.80 per share in 1975, $2.60 per share in 1974)	(64,772)	(59,494)
Balance at end of year	1,504,752	1,421,143
Total Stockholders' Equity	$1,825,133	$1,729,562

The accompanying accounting policy disclosures and notes to financial statements are an integral part of these statements.

Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Union Pacific Corporation (Corporation) and all subsidiaries. Investments in affiliated companies (companies in which the Corporation owns between 20% and 50% of the voting stock) have been reflected in the financial statements at equity. All material intercompany transactions have been eliminated.

Inventories—Materials and supplies are valued at average cost. Refined products and raw materials—crude oil are valued at cost under the last-in, first-out method (LIFO). Real estate developed and held for sale is carried at the cost of land and improvements thereto; however, administrative costs, property taxes and other carrying charges are absorbed in income on a current basis. All inventories are valued at the lower of cost or market.

Depreciation—Provisions for depreciation are computed principally on the straight-line method based on estimated service lives of depreciable properties, except for rails, ties and other track material owned by Union Pacific Railroad Company (Railroad). With respect to the latter, the generally accepted industry alternative of replacement accounting is utilized. Under this method, replacements in kind are charged to expense and betterments (improvements) are capitalized.

Depletion and Amortization—Champlin Petroleum Company (Champlin) capitalizes intangible drilling and development costs, leasehold costs, and external geological and geophysical exploration costs applicable to acquired mineral rights. Non-producing leasehold costs are not amortized but are charged against income in whole when the leases are deemed worthless for future exploration purposes or in part when there is deemed to have been a probable diminution in value. Leases applicable to domestic operations (including Canada) are accounted for separately whereas offshore, Alaska, and foreign leases are grouped by area-of-interest for accounting purposes. Provisions for depletion and amortization of producing oil and gas properties have been computed on a unit-of-production method by reference to periodic estimates of remaining reserves of the respective properties. Leasehold and development costs relating to other natural resource operations are capitalized and subsequently amortized when production commences.

Exploratory Costs—Dry hole costs, geological and geophysical costs for unacquired mineral rights, and carrying costs of exploration privileges and mineral rights associated with oil and hard rock mining operations are charged to income.

Retirements—When property is sold or retired, the cost and accumulated depreciation and depletion are written off and related gains and losses are reflected in income, except for railroad equipment or depreciable road property where the cost less salvage value (service value) is charged to accumulated depreciation.

Excess of Investment in Consolidated Subsidiaries over Equities in Recorded Net Assets—Included in this balance sheet item is $68,592,000, representing the excess of the Corporation's investment at cost in Champlin over equity in the underlying net assets at date of acquisition. This excess cost is not being amortized because, in the opinion of management, there has been no diminution in the underlying value of the investment.

Investment Tax Credit—The Corporation employs the "flow-through" method of accounting for the investment tax credit. Under this method tax credits are recorded as a reduction in the Federal income tax provision to the extent available for financial reporting purposes.

Notes to Financial Statements

1. Inventories

Inventories consisted of the following at December 31:

	($000) 1975	1974
Materials and supplies	$ 62,812	$ 47,335
Real estate developed and held for sale	29,927	29,778
Refined products	20,417	15,751
Raw materials—crude oil	8,666	7,432
	$121,822	$100,296

The excess of current replacement cost over the carrying value of inventories for which cost has been determined under the LIFO method at December 31, 1975 and 1974 approximated $20,500,000 and $14,500,000, respectively.

2. Investments

Investments in affiliates are carried at equity. Net income for the years ended December 31, 1975 and 1974 includes equity in net income of affiliates of $5,943,000 and $1,821,000, respectively.

Other investments at December 31, 1975 and 1974 include $46,791,000 of marketable equity securities carried at written down cost. At December 31, 1975, the carrying value for such securities approximated quoted market value with no significant gross unrealized gains or losses; whereas, at December 31, 1974, quoted market value was approximately $14,672,000 less than written down cost.

Marketable equity securities include an investment in 2,149,319 shares of I.C. Industries, Inc. (formerly Illinois Central Industries, Inc.) common stock with a carrying value of $35,195,000 at December 31, 1975. The Corporation has agreed to dispose of the entire investment by 1982. Under a plan of divestiture one-third of the stock is to be sold by the end of 1976; however, the Corporation has retained the right to amend the plan of divestiture depending upon several factors, including market conditions.

3. Properties

Major property accounts and related charges to income in accordance with the Corporation's accounting policies are listed below:

	Properties	Accumulated Depreciation, Depletion and Amortization
	($000)	
	December 31, 1975	
Transportation property:		
Road	$1,108,003	$ 111,101
Equipment	1,643,759	479,926
Other transportation property	12,780	6,622
	2,764,542	597,649
Oil and gas property (Notes 4 and 5)	852,447	441,424
Other property	58,531	11,031
	$3,675,520	$1,050,104
	December 31, 1974	
Transportation property:		
Road	$1,063,593	$ 106,592
Equipment	1,520,466	442,352
Other transportation property	13,576	6,066
	2,597,635	555,010
Oil and gas property (Notes 4 and 5)	652,517	337,085
Other property	55,825	10,490
	$3,305,977	$ 902,585

	($000) 1975	1974
Depreciation, depletion and amortization:		
Transportation property	$ 74,661	$ 69,257
Oil and gas property	21,773	19,503
Other classes of property	1,502	1,419
Dry hole costs	30,670	8,921
Other retirements	2,173	971
Total	$ 130,779	$ 100,071
Repairs and replacement of track structure charged to income	$ 71,890	$ 66,458

4. Provision for Losses—Lease Acquisition Costs

The 1975 provision includes $60,774,000 for possible losses associated with Champlin's interest in nine tracts off the Gulf Coast of Florida based upon unsuccessful drilling results. The 1975 provision together with a $60,000,000 provision recorded in 1974 completely reserves Champlin's $120,774,000 investment in such leases.

The related deferred Federal income tax benefit of $57,971,000 has been classified as a current asset at

December 31, 1975 because management intends to surrender the leases or otherwise relinquish its interest in such leases in 1976.

5. Sale of North Sea Interests

During 1975 Champlin sold its interests in the British North Sea representing a license covering a portion of a major commercial oil field plus related exploration and development expenditures. The transaction resulted in a final cash settlement of $97,537,000 (proceeds from sale of $72,800,000 plus reimbursements principally for capital expenditures from April 1 to October 30, 1975 of $24,737,000) gain before income taxes of $59,878,000 and gain after income taxes of $40,628,000.

6. Federal Income Taxes

A reconciliation between statutory and effective tax rates and an analysis of the components of deferred Federal income tax expense for the years ended December 31, 1975 and 1974 follows:

	1975	1974
Tax rate reconciliation:		
Statutory tax rate	48.0%	48.0%
(Decreases) Increases in tax rate resulting from:		
Investment tax credit	(16.6)	(9.6)
Depletion of natural resources	(2.0)	(6.3)
Capital gains	(7.3)	(1.2)
Dividend exclusions	(.8)	(.8)
Other book-tax differences	(.5)	.6
Effective tax rate	20.8%	30.7%
Tax effect of timing differences recorded as deferred provision for Federal income taxes:	($000)	
Non-current:		
Excess of tax over book depreciation	$27,430	$29,805
Provision for offshore Florida lease acquisition costs	28,800	(28,800)
Intangible drilling costs	2,325	5,194
Other	4,394	6,729
	62,949	12,928
Current—Provision for offshore Florida lease acquisition costs (Note 4)	(57,971)	—
	$ 4,978	$12,928

The Tax Reduction Act of 1975 substantially eliminated percentage depletion as a Federal income tax deduction for Champlin as of January 1, 1975. This change effectively removed the rationale supporting the generally accepted oil and gas industry practice of not providing for deferred taxes on intangible drilling costs (IDC) which, for tax purposes, are expensed as incurred but, for accounting purposes, are capitalized and amortized over the productive periods of the wells to which the costs relate. In accordance with the Financial Accounting Standards Board (FASB) Statement No. 9 issued during 1975, Champlin has retroactively recorded deferred Federal income taxes on capitalized IDC. As a result, retained earnings were reduced by $20,718,000 at January 1, 1975 and by $15,524,000 at January 1, 1974, and 1974 net income was reduced by $5,194,000, or $.23 per share assuming no dilution. Deferred income tax expense in 1975 includes $2,325,000 ($.10 per share assuming no dilution) representing the net change in deferred income taxes on IDC during the year.

Federal income tax returns have been examined by the Internal Revenue Service through 1970 for all companies and settlement made through 1941 for the Railroad. On October 22, 1975, the U.S. Court of Claims rendered its opinion in the Railroad's 1942 Federal tax refund suit. Issues of principal significance were decided adversely to the Railroad which proposes to file a motion for rehearing as to certain of the findings of fact and conclusions of law. Another issue was remanded for reconsideration by the trial judge. It is the opinion of independent tax counsel that in no event will the Corporation be required to pay a net deficiency in connection with such suit. It is the opinion of management, after consultation with independent tax counsel with respect to the years 1942 through 1973, that the Corporation is adequately accrued for Federal income taxes through December 31, 1975.

7. Debt

Long-term debt as of December 31 (including debt due within one year expected to be refinanced) is summarized below:

	($000)	
	1975	1974
Equipment Obligations, 5⅜% to 9%, due serially to 1990	$428,726	$296,233
Notes, 8.6%, due 1983	100,000	—
Commercial Paper	62,095	100,000
Refunding Mortgage Bonds, Series C, 2½%, due 1991	43,279	43,279
Convertible Debentures, 4¾%, due 1999	39,934	49,851
Debenture Bonds, 2⅞%, due 1976	32,201	32,201
Pollution Control Revenue Bonds, Series A, 7⅜%, due 2005	18,900	—
Credit Agreement with participating banks	—	30,000
	$725,135	$551,564

At December 31, 1975, the commercial paper, $43,000,000 of equipment obligations and the debenture bonds, due by their terms during 1976, have been classified as long-term debt because the Corporation intends to refinance such obligations by the issuance of long-term debt.

The Corporation maintains unused commitments available under its noncancelable credit agreement to cover any debt within one year that it classifies as long-term. Unused funds available under the credit agreement amounted to $150,000,000 at December 31, 1975.

A portion of the proceeds from long-term debt issued in 1975 was used to repay commercial paper outstanding at December 31, 1974.

During 1974, the Corporation renegotiated its contractual credit agreements, which would have matured in 1975, into a single five-year agreement for $150,000,000 with interest at prime through June 30, 1977 and prime plus ¼% from July 1, 1977 through June 30, 1979. The Corporation pays a ½% annual commitment fee on the unused portion of the agreement.

The following table summarizes commercial paper and credit agreement activity for the years ended December 31:

	($000) 1975	1974
Commercial paper:		
Maximum month-end outstanding	$100,000	$100,000
Average daily balance	88,604	8,800
Average interest rate	6.5%	9.7%
Average interest rate on year-end balance	5.3%	9.7%
Credit agreements:		
Maximum month-end outstanding	$ 60,000	$135,000
Average daily balance	23,301	99,507
Average interest rate	8.1%	11.3%
Interest rate on year-end balance	—	10.0%

In addition to the credit agreement, the Corporation has a $20,000,000 short-term line of credit of which $5,000,000 was in use at December 31, 1974.

With respect to both of the credit arrangements, the Corporation and its subsidiaries have agreed with the participating banks to maintain aggregate compensating balances equal to 10% of the banks' total commitment and an additional 10% of funds in use. All required compensating balances are on an average annual basis and are unrestricted as to use at any time. During 1975 and 1974 average compensating balances were $19,985,000 and $25,000,000, respectively.

The agreement relating to the refunding mortgage bonds requires annual sinking fund deposits of $430,000. Approximately 3,300 miles of Railroad main and branch line track, certain railway equipment, supplies and other facilities are subject to the lien of the mortgage securing these refunding mortgage bonds. Railway equipment under outstanding equipment trust certificates and purchase contracts is subject to prior lien.

The 4¾% debentures are redeemable at the option of the Corporation through April 1, 1976 at 103.96% of the principal amount and at reduced percentages thereafter. The 4¾% debentures are convertible into common stock through April 1, 1999 at $57.14 per share (subject to adjustment under certain conditions). During 1975 and 1974 $9,917,000 and $12,994,000, respectively, of debentures were converted into shares of common stock.

The credit agreement and an indenture contain restrictions relating to the payment of cash dividends. The amount of retained earnings available for cash dividends, under the most restrictive of the covenants, was $148,992,000 at December 31, 1975.

Maturities of long-term debt for each of the five years 1976 through 1980 are $29,593,000, $39,093,000, $34,829,000, $34,819,000 and $36,329,000, respectively. The 1976 maturities do not include debt due within one year which is expected to be refinanced.

8. Casualty and Other Reserves

FASB Statements Nos. 5 and 11 promulgated in 1975 set forth specific conditions which must be met in order to provide for loss contingencies. In conformity with such pronouncements, the financial statements have been retroactively restated for "self-insurance" reserves of $24,016,000. Accordingly, retained earnings balances as of January 1, 1975 and 1974 have been increased $11,479,000, net of deferred Federal income taxes of $12,537,000. This change in accounting did not impact 1975 net income significantly and due to immateriality did not require restatement of 1974 net income.

9. Pension Plans

The Corporation and its subsidiaries have funded pension plans covering substantially all salaried employees. Actuarial reports issued in 1975 indicate that as of December 31, 1974 unfunded actuarial liabilities amounted to $91,858,000 and the value of vested benefits exceeded market value of pension plan assets by $44,463,000. Under the 1974 Pension Reform Act, the Corporation would be liable in the event of plan terminations for an amount no greater than such excess. Charges to operations for the plans amounted to $13,472,000 in 1975 and $10,925,000 in 1974. Such charges include prior service costs which are being amortized over thirty years.

The Corporation and its subsidiaries also have unfunded pension plans for officers and supervisors and for retirees under a predecessor plan. Actuarial reports issued in 1975 for the unfunded plans indicate that as of December 31, 1974 actuarial liability and vested benefits amounted to $40,346,000 and $37,220,000, respectively. Charges to operations for the unfunded plans are based upon actual payments to retirees and amounted to $4,144,000 in 1975 and $4,272,000 in 1974. In each year actual retirement payments approximate normal costs plus amortization of prior service costs.

10. Stock Options

The Corporation has a stock option plan under which there were 72,600 and 113,600 shares available for granting of additional options to officers and key employees at December 31, 1975 and 1974, respectively. Options may be qualified or non-qualified and are exercisable for a period of five and ten years, respectively, at 100% of market value at the date of grant. All options become exercisable one year after date of grant. Changes in common stock options outstanding during 1975 and 1974 are summarized as follows:

	1975		1974	
	Shares Under Option	Price Range Per Share	Shares Under Option	Price Range Per Share
Balance				
Jan. 1	223,850	$34.38 to $92.14	221,100	$34.38 to $76.94
Granted	43,000	63.94 to 76.88	38,500	57.19 to 92.14
Exercised	(47,350)	34.38 to 60.44	(35,750)	34.38 to 61.57
Expired	(2,000)	76.94		
Balance				
Dec. 31	217,500	$42.13 to $92.14	223,850	$34.38 to $92.14
Exercisable				
Dec. 31	174,500	$42.13 to $92.14	185,350	$34.38 to $76.94

11. Commitments, Contingent Liabilities and Litigation

As of December 31, 1975 the Railroad was contingently liable (a) as guarantor, together with other participating railroads, for principal and interest on certain obligations of various affiliated companies aggregating approximately $44,060,000, of which approximately $9,201,000 is the estimated portion applicable to the Railroad, (b) as a participant with other railroads in a service interruption policy with maximum additional premiums of $25,205,000 applicable to the Railroad and (c) for other commitments which in the opinion of management will not have a material adverse effect on the Railroad's operations or financial position.

At December 31, 1975 Champlin had plans under a contract to expend an additional $85,000,000 in connection with the expansion of the Corpus Christi, Texas refinery.

The Railroad is defendant to an action brought by the City of Los Angeles, in which the City claims ownership of, and seeks an accounting with respect to, 206 acres of alleged tidelands and submerged lands located in the Wilmington oil field, a long-term oil producing property. In the opinion of independent counsel, the Railroad has substantial defenses which, in their view, should be sustained by the Court.

The Railroad and certain of its subsidiary companies are defendants in one suit and the Railroad is a defendant in two other suits filed by REA Express, Inc. against numerous railroads and other defendants. These suits allege, among other things, violations of the Federal anti-trust laws and breach of fiduciary obligations, for which substantial damages are claimed. Independent counsel believes that the Railroad and its subsidiaries have substantial defenses to all the claims made in these suits.

There are several other law suits pending against the Corporation and certain of its subsidiaries not described in these Notes to Financial Statements. It is the opinion of management of the Corporation, after consulting with legal counsel, that such litigation will not have a material adverse effect on the consolidated financial position of the Corporation.

12. Stockholders' Equity

The outstanding preferred stock provides for cumulative cash dividends at an annual rate of $0.475 per share; redemption after June 1, 1976, at the option of the Corporation at an initial price of $11.00 per share; and convertibility into common shares at the rate of 0.175 of a share of common stock for each preferred share.

Of the unissued common stock, 1,068,796 shares (1,303,493 in 1974) are reserved for issuance upon conversion of the convertible debentures and convertible preferred stock, and exercise of stock options.

13. Earnings Per Share

Earnings per share assuming no dilution is based on the weighted average number of common shares outstanding during the year after giving effect to annual preferred stock dividend requirements. Earnings per share assuming full dilution is based on the weighted average number of shares of common stock and dilutive common stock options outstanding during the year and assumes conversion of each share of convertible preferred stock into 0.175 of a share of common stock and conversion of each $100 principal amount of convertible debentures into 1.75 shares of common stock at the beginning of the year and elimination of the convertible preferred stock dividends and the convertible debenture interest, less the related Federal income tax effect.

Eight-Year Financial Review (Dollar Amounts in Thousands)

	1975	1974	1973	1972	1971	1970	1969 (1)	1968 (1)
Revenues and Sales:								
Transportation Revenues	**$1,004,342**	$1,000,266	$ 882,245	$ 779,412	$ 700,469	$ 677,848	$ 638,560	$ 602,411
Sales	**750,967**	599,150	341,963	314,985	276,772	259,497	52,927	46,289
Total	**1,755,309**	1,599,416	1,224,208	1,094,397	977,241	937,345	691,487	648,700
Operating Costs:								
Transportation Operating Expenses	**869,726**	825,646	721,520	635,126	570,619	562,478	537,706	507,980
Cost of Sales	**744,447**	577,182	294,137	285,688	255,210	235,520	34,709	27,359
Total	**1,614,173**	1,402,828	1,015,657	920,814	825,829	797,998	572,415	535,339
Other Income—Net	**94,793**(2)	23,988	19,216	20,415	23,293	16,357	18,287	14,927
Interest Expense	**48,352**	39,992	30,655	33,852	35,377	39,719	13,876	11,017
Federal Income Taxes:								
Current	**33,979**	42,477	32,866	21,809	16,499	(3,835)	16,840	14,578
Deferred	**4,978**	12,928(3)	37,139	33,858	32,685	38,383	22,253	25,389
Income Before Extraordinary Item	**148,620**	125,179(3)	127,107	104,479	90,144(4)	81,437	84,390	77,304
Net Income	**148,620**	125,179(3)	127,107	104,479	25,083(4)	81,437	84,390	77,304
Earnings Per Share:								
Assuming No Dilution:								
Income Before Extraordinary Item	**$6.42**	$5.46(3)	$5.61	$4.62	$4.01(4)	$3.63	$3.76	$3.45
Net Income	**6.42**	5.46(3)	5.61	4.62	1.11(4)	3.63	3.76	3.45
Assuming Full Dilution:								
Income Before Extraordinary Item	**6.23**	5.28(3)	5.37	4.44	3.87(4)	3.52	3.62	—
Net Income	**6.23**	5.28(3)	5.37	4.44	1.11(4)	3.52	3.62	—
Dividends Declared on Common Stock:								
Total	**64,772**	59,494	50,616	45,084	44,903	44,858	44,858	44,858
Per Share	**$2.80**	$2.60	$2.24	$2.00	$2.00	$2.00	$2.00	$2.00
At December 31								
Current Assets	**460,182**	347,736	385,233	394,563	440,696	478,306	357,054	274,957
Current Liabilities	**341,993**	283,873	256,795	332,267	350,646	377,906	276,329	155,288
Working Capital	**118,189**	63,863	128,438	62,296	90,050	100,400	80,725	119,669
Total Assets	**3,418,248**	3,028,453(3)	2,828,376	2,808,610	2,779,662	2,796,828	2,335,347	2,134,535
Long-Term Debt:								
Due Within One Year	**29,593**	20,093	19,511	24,568	34,849	61,785	30,249	24,687
Due After One Year	**725,135**	551,564	475,085	513,116	544,548	572,325	298,972	218,977
Stockholders' Equity:(3)								
Total	**1,825,133**	1,729,562	1,649,684	1,565,617	1,502,988	1,514,465	1,477,886	1,438,354
Per Common Share	**$78.39**	$74.99	$72.36	$69.11	$66.58	$67.52	$65.89	$64.13
For the Year								
Capital Expenditures	**439,750**	404,013	187,541	149,950	178,686	224,560	178,336	110,029
Operating Cash Flow	**299,613**	300,458	283,050	248,020	221,368	218,371	173,048	164,771
Average Number of Employees	**28,191**	30,169	29,350	29,732	30,902	32,097	31,416	32,662
Total Salaries, Wages and Employee Benefits	**559,530**	539,125	486,534	431,309	389,432	370,019	329,393	313,409

(1) Excludes the operating results of Champlin Petroleum Company which was purchased as of January 1, 1970.

(2) Includes a $59,878,000 before tax gain from sale of interests in British North Sea.

(3) Retroactively restated for changes in methods of accounting. See Notes 6 and 8 to Financial Statements for detailed explanations. Net income and related Earnings Per Share amounts for years prior to 1974 have not been restated due to the insignificance in those years of the effect of the accounting changes.

(4) The 1971 extraordinary charge of $65,061,000 (net of income tax of $51,532,000) represents the establishment of reserves for participation in Amtrak. The impact of the charge on primary and fully diluted earnings per share was $2.90 and $2.74, respectively. Fully diluted net income per share for 1971 excludes potentially dilutive securities since inclusion would be anti-dilutive.

Contributing to a Better Society

Corporate responsibility is manifested in many different ways at Union Pacific through formal programs and individual initiative. Accepting the basic premise that business does not operate in a social vacuum, Union Pacific people work to enhance profitability by helping their communities. Besides contributing their time and talents, employees give generously to fund drives for many charitable and civic causes.

Union Pacific Foundation—The Foundation has provided an average of one-millon dollars a year in grants to educational, medical, cultural and community welfare institutions and activities located primarily in the states where Union Pacific operates. Recipients include colleges and universities, hospitals, research centers, united community funds, museums, symphony orchestras, ballet companies and cultural centers. Special grants support fundamental research in fields related to the interests of Union Pacific, such as a study project at Massachusetts Institute of Technology on the impact of railroad line abandonments on communities. Nearly 36 percent of the Foundation's grants in 1975 were for human welfare, including united community funds; 28 percent of the grants were for education, 28 percent for health and research, and 8 percent for cultural and other activities.

Union Pacific Foundation supports several Indian cultural activities, among them the Museum of Native American Cultures, Spokane, Wash. Here, Foundation President Arthur Z. Gray visits the Rev. Wilfred P. Schoenberg, S.J., President of Pacific Northwest Indian Center, Inc., which operates the museum. Sloping lines of the museum recall traditional Indian dwellings.

Scholarship Programs—For 55 years Union Pacific Railroad has been giving recognition to the youth of the agricultural heartland it serves by awarding individual scholarships to young men and women who are members of 4-H Clubs and Future Farmers of America. In 1975, there were 250 winners. Nearly 13,000 young people have been helped by the scholarships since inception of the program in 1921.

Champlin awarded 11 university scholarships or tuition grants in 1975 for studies relevant to its operations: engineering, business and geology.

A youth-recognition program in Wyoming completed its first full year of operation with considerable success. Sponsored by the Wyoming Youth Council, a volunteer organization, and funded by Union Pacific Railroad, the program offers monthly awards based on scholarship and competitive essays on issues that affect young people. The top award in the program, an annual scholarship of $1,000, was won by Helen F. Mullen of Green River. She is now enrolled in the honors program at the University of Wyoming.

Community Programs—All four of Union Pacific's operating companies have been actively involved in helping Wyoming communities cope with the problems of rapid growth. Union Pacific's responsible community participation was lauded by Wyoming Governor Ed Herschler as keynote speaker for the Brady gas plant dedication ceremony. "Corporate citizens such as Union Pacific make my job as governor much easier," he stated.

At Enid, Oklahoma, where Champlin has a major refinery, a gas processing plant and its central accounting functions, the city held "Champlin Appreciation Day" to recognize the company's contribution to the life of the community.

Union Pacific Railroad gives recognition to its historic place in the communities it serves. In 1975, the Railroad donated the Dayton, Washington station to the Dayton Historical Depot Society and important collections of documents to historical societies in Nebraska and Oregon.

Reaction to disaster is another measure of social responsiveness. On May 6, one of the most destructive tornadoes in the nation's history devastated a heavily-populated area in Omaha. The Railroad contributed funds to the relief effort and provided men and equipment to help its employees and their neighbors with the extensive cleanup task.

Environmental Programs—During the past three years, Union Pacific Corporation has spent $29 million on environmental protection programs.

Both the Railroad and Champlin have been investing significant sums in facilities for the control and treatment of waste water and the separation of oil from drainage. At its Enid, Oklahoma and Corpus Christi, Texas refineries, Champlin also has installed new equipment to prevent air pollution through vapor recovery and carbon-monoxide reduction.

All of Rocky Mountain Energy's joint ventures in coal and its planned uranium mine-mill complex involve careful land reclamation, as well as provisions to guard against air and water pollution. Although the Medicine Bow coal mine in Wyoming only began operations in 1975, Rocky Mountain Energy has already spent $268,000 on reclamation and reseeding.

1	2
3	
4	5
6	7

1 Wyoming Governor Ed Herschler, center, joins Union Pacific Chairman of the Board Frank Barnett, right, and Champlin President Bill Smith, to dedicate the new Brady Gas Plant and welcome the community to a special reception. Discoveries at Brady Field have prompted renewed interest in deep exploration drilling in Southwestern Wyoming.

2 Nebraska State Historical Society staff members catalog some of the 492 volumes of executive correspondence donated by the Union Pacific Railroad in 1975. Covering a 40-year period beginning in the early 1860's, the collection is regarded as a highly significant addition to material available to historians.

3 After a devastating tornado hit Omaha on May 6, the Railroad was on the job quickly, contributing relief funds and helping employees and neighbors alike to clean up.

4 One of Union Pacific's famous "Big Boy" steam locomotives, #4023, is on display beside the Omaha Shops where it attracts railfans, students and tourists.

5 Dedication in April, 1975 of Rocky Mountain Energy's joint venture coal mine near Hanna, Wyo. also marked the beginning of regular Union Pacific unit train shipments of coal from the Medicine Bow mine to Midwestern electric utilities.

6 Union Pacific Railroad donated one of its old steel cabooses to the Oregon Museum of Science and Industry for its annual fund-raising auction in Portland. The caboose was one of the largest items ever donated for the popular civic event which raises many thousands of dollars for the Museum.

7 A collection of documents related to early operations of the Union Pacific Railroad and its affiliates in the Pacific Northwest was donated to the Oregon Historical Society. U.S. Circuit Judge John F. Kilkenny, right, Society Director, examines one of the documents with Railroad Vice President C. Howard Burnett, left, and Randall B. Kester, General Solicitor.

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UNION PACIFIC

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Suite 1000, 110 N. Fourteenth St.
Omaha, Nebr. 68102

TRANSFER AGENT
Union Pacific Corporation
120 Broadway, Room 1722
New York, N.Y. 10005

REGISTRAR OF STOCK
U.S. Trust Company of New York
45 Wall Street, New York, N.Y. 10005

STOCK LISTING
New York Stock Exchange
Ticker Symbol—UNP

ANNUAL MEETING OF STOCKHOLDERS
May 11, 1976—12:00 Noon, Hotel Utah,
Salt Lake City, Utah
The proxy statement
and form of proxy will be mailed
in early April.