

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

(Mark One)

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

For the quarterly period ended March 31, 2001

- OR -

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-6075

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

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

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

68179  
(Zip Code)

(402) 271-5777  
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
Registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.

YES X NO  
-----

As of April 30, 2001, there were 247,884,955 shares of the Registrant's  
Common Stock outstanding.

UNION PACIFIC CORPORATION  
INDEX

PART I. FINANCIAL INFORMATION

| Item 1: | Consolidated Financial Statements:  | Page Number<br>----- |
|---------|---|----------------------|
|         | CONSOLIDATED STATEMENTS OF INCOME (Unaudited)<br>For the Three Months Ended March 31, 2001 and 2000.....                          | 1                    |
|         | CONSOLIDATED STATEMENTS OF FINANCIAL POSITION<br>At March 31, 2001 (Unaudited) and December 31, 2000.....                         | 2                    |
|         | CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)<br>For the Three Months Ended March 31, 2001 and 2000.....                      | 3                    |
|         | CONSOLIDATED STATEMENT OF CHANGES IN COMMON<br>SHAREHOLDERS' EQUITY (Unaudited)<br>For the Three Months Ended March 31, 2001..... | 4                    |
|         | NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited).....   | 5-11                 |
| Item 2: | Management's Discussion and Analysis of Financial<br>Condition and Results of Operations.....                                     | 12-17                |
| Item 3: | Quantitative and Qualitative Disclosures About Market Risk.....   | 17                   |

PART II. OTHER INFORMATION

|         |  |    |
|---------|--|----|
| Item 1: | Legal Proceedings.....                                   | 17 |
| Item 4: | Submission of Matters to a Vote of Security Holders..... | 18 |
| Item 6: | Exhibits and Reports on Form 8-K.....                    | 18 |
|         | Signatures.....  | 19 |

## PART I - FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
 Union Pacific Corporation and Subsidiary Companies  
 For the Three Months Ended March 31

|                    | Millions, Except Per Share and Ratios             | 2001     | 2000     |
|--------------------|---|----------|----------|
|                    |   | -----    | -----    |
| OPERATING REVENUES | Rail, trucking and other .....                    | \$ 2,943 | \$ 2,906 |
| OPERATING EXPENSES | Salaries, wages and employee benefits .....       | 1,085    | 1,065    |
|                    | Equipment and other rents .....                   | 329      | 315      |
|                    | Depreciation .....                                | 292      | 282      |
|                    | Fuel and utilities .....                          | 352      | 311      |
|                    | Materials and supplies .....                      | 139      | 156      |
|                    | Casualty costs .....                              | 98       | 94       |
|                    | Other costs .....                                 | 209      | 231      |
|                    | Total .....                                       | 2,504    | 2,454    |
| INCOME             | Operating Income .....                            | 439      | 452      |
|                    | Other income - net .....                          | 30       | 20       |
|                    | Interest expense .....                            | (181)    | (182)    |
|                    | Income before Income Taxes .....                  | 288      | 290      |
|                    | Income taxes .....                                | (107)    | (105)    |
|                    | Net Income .....                                  | \$ 181   | \$ 185   |
| PER SHARE          | Basic - Net Income .....                          | \$ 0.73  | \$ 0.75  |
|                    | Diluted - Net Income .....                        | \$ 0.72  | \$ 0.74  |
|                    | Weighted Average Number of Shares (Basic) .....   | 246.9    | 246.4    |
|                    | Weighted Average Number of Shares (Diluted) ..... | 271.0    | 269.3    |
|                    | Dividends .....                                   | \$ 0.20  | \$ 0.20  |
|                    | Ratio of Earnings to Fixed Charges .....          | 2.4      | 2.6      |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 Union Pacific Corporation and Subsidiary Companies

| Millions of Dollars                               |   | (unaudited)<br>March 31,<br>2001 | Dec. 31,<br>2000 |
|---|---|----------------------------------|------------------|
|   |   | -----                            | -----            |
| <b>ASSETS</b>                                     |   |                                  |                  |
| <b>Current Assets</b>                             |   |                                  |                  |
|   | Cash and temporary investments .....                      | \$ 73                            | \$ 105           |
|   | Accounts receivable - net .....                           | 631                              | 597              |
|   | Inventories .....   | 340                              | 360              |
|   | Current deferred tax asset .....                          | 111                              | 89               |
|   | Other current assets .....                                | 147                              | 134              |
|   |   | -----                            | -----            |
|   | Total .....   | 1,302                            | 1,285            |
|   |   | -----                            | -----            |
| <b>Investments</b>                                |   |                                  |                  |
|   | Investments in and advances to affiliated companies ..... | 657                              | 644              |
|   | Other investments .....                                   | 100                              | 96               |
|   |   | -----                            | -----            |
|   | Total .....   | 757                              | 740              |
|   |   | -----                            | -----            |
| <b>Properties</b>                                 |   |                                  |                  |
|   | Cost .....  | 35,629                           | 35,458           |
|   | Accumulated depreciation .....                            | (7,348)                          | (7,262)          |
|   |   | -----                            | -----            |
|   | Net .....   | 28,281                           | 28,196           |
|   |   | -----                            | -----            |
| <b>Other</b>                                      |   |                                  |                  |
|   | Other assets .....  | 412                              | 278              |
|   |   | -----                            | -----            |
|   | Total Assets .....  | \$ 30,752                        | \$ 30,499        |
|   |   | -----                            | -----            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |   |                                  |                  |
| <b>Current Liabilities</b>                        |   |                                  |                  |
|   | Accounts payable .....                                    | \$ 509                           | \$ 658           |
|   | Accrued wages and vacation .....                          | 434                              | 422              |
|   | Accrued casualty costs .....                              | 411                              | 409              |
|   | Income and other taxes .....                              | 236                              | 234              |
|   | Dividends and interest .....                              | 252                              | 265              |
|   | Debt due within one year .....                            | 203                              | 207              |
|   | Other current liabilities .....                           | 705                              | 767              |
|   |   | -----                            | -----            |
|   | Total .....   | 2,750                            | 2,962            |
|   |   | -----                            | -----            |
| <b>Other Liabilities and Shareholders' Equity</b> |   |                                  |                  |
|   | Debt due after one year .....                             | 8,435                            | 8,144            |
|   | Deferred income taxes .....                               | 7,241                            | 7,143            |
|   | Accrued casualty costs .....                              | 805                              | 834              |
|   | Retiree benefits obligation .....                         | 748                              | 745              |
|   | Other long-term liabilities .....                         | 462                              | 509              |
|   | Commitments and contingencies                             |                                  |                  |
|   | Company-obligated Mandatorily Redeemable                  |                                  |                  |
|   | Convertible Preferred Securities .....                    | 1,500                            | 1,500            |
|   | Common shareholders' equity .....                         | 8,811                            | 8,662            |
|   |   | -----                            | -----            |
|   | Total Liabilities and Shareholders' Equity .....          | \$ 30,752                        | \$ 30,499        |
|   |   | -----                            | -----            |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
 Union Pacific Corporation and Subsidiary Companies  
 For the Three Months Ended March 31

| Millions of Dollars                       |   | 2001     | 2000     |
|---|---|----------|----------|
|   |   | -----    | -----    |
| OPERATING ACTIVITIES                      | Net Income .....  | \$ 181   | \$ 185   |
|   | Non-cash charges to income:                                       |          |          |
|   | Depreciation .....  | 292      | 282      |
|   | Deferred income taxes .....                                       | 77       | 91       |
|   | Other - net .....   | (84)     | (61)     |
|   | Changes in current assets and liabilities .....                   | (261)    | (142)    |
|   | Cash Provided by Operating Activities .....                       | 205      | 355      |
| INVESTING ACTIVITIES                      | Capital investments .....   | (361)    | (360)    |
|   | Proceeds from sale of assets and other investing activities ..... | (133)    | 6        |
|   | Cash Used in Investing Activities .....                           | (494)    | (354)    |
| FINANCING ACTIVITIES                      | Dividends paid .....  | (49)     | (52)     |
|   | Debt repaid .....   | (214)    | (168)    |
|   | Net financings .....  | 520      | 104      |
|   | Cash Provided by (Used in) Financing Activities .....             | 257      | (116)    |
|   | Net Change in Cash and Temporary Investments .....                | (32)     | (115)    |
|   | Cash and Temporary Investments at Beginning of Period ....        | 105      | 175      |
|   | Cash and Temporary Investments at End of Period .....             | \$ 73    | \$ 60    |
| CHANGES IN CURRENT ASSETS AND LIABILITIES | Accounts receivable .....   | \$ (34)  | \$ (37)  |
|   | Inventories .....   | 20       | 13       |
|   | Other current assets .....  | (35)     | (28)     |
|   | Accounts, wages and vacation payable .....                        | (137)    | (25)     |
|   | Debt due within one year .....                                    | (4)      | 11       |
|   | Other current liabilities .....                                   | (71)     | (76)     |
|   | Total .....   | \$ (261) | \$ (142) |
| SUPPLEMENTAL CASH FLOW INFORMATION        | Cash paid (received) during the year for:                         |          |          |
|   | Interest .....  | \$ 197   | \$ 212   |
|   | Income taxes - net .....  | --       | (3)      |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN COMMON SHAREHOLDERS' EQUITY (Unaudited)  
 Union Pacific Corporation and Subsidiary Companies  
 For the Three Months Ended March 31, 2001

| Millions of Dollars  | [a]<br>Common<br>Shares | Paid-in-<br>Surplus | Retained<br>Earnings | [b]<br>Treasury<br>Stock | Accumulated Other<br>Comprehensive Income (Loss) |   |                          | Total  | Total    |
|--|-------------------------|---------------------|----------------------|--------------------------|--|---|--------------------------|--------|----------|
|  |                         |                     |                      |                          | Minimum<br>Pension<br>Liability<br>Adjustment    | Foreign<br>Currency<br>Translation<br>Adjustments | Derivative<br>Adjustment |        |          |
| Balance at December 31, 2000 .....                                       | \$ 688                  | \$ 4,024            | \$ 5,699             | \$ (1,749)               | \$ (2)   | \$ 2  | \$ --                    | \$ --  | \$ 8,662 |
| Net Income .....   | --                      | --                  | 181                  | --                       | --   | --  | --                       | --     | 181      |
| Other Comprehensive Income<br>(Loss), net of tax:                        |                         |                     |                      |                          |  |   |                          |        |          |
| Minimum Pension Liability ....   | --                      | --                  | --                   | --                       | --   | --  | --                       | --     | --       |
| Adjustment   |                         |                     |                      |                          |  |   |                          |        |          |
| Foreign Currency Translation .   | --                      | --                  | --                   | --                       | --   | (4)   | --                       | (4)    | (4)      |
| Adjustments  |                         |                     |                      |                          |  |   |                          |        |          |
| Derivative Adjustments .....   | --                      | --                  | --                   | --                       | --   | --  | 1                        | 1      | 1        |
| Comprehensive Income .....   | --                      | --                  | --                   | --                       | --   | --  | --                       | --     | 178      |
| Conversion, exercises of stock<br>options, forfeitures<br>and other..... | 1                       | (18)                | --                   | 38                       | --   | --  | --                       | --     | 21       |
| Dividends declared (\$0.20 per<br>share) .....                           | --                      | --                  | (50)                 | --                       | --   | --  | --                       | --     | (50)     |
| Balance at March 31, 2001 .....  | \$ 689                  | \$ 4,006            | \$ 5,830             | \$ (1,711)               | \$ (2)   | \$ (2)  | \$ 1                     | \$ (3) | \$ 8,811 |

[a] Common stock \$2.50 par value; 500,000,000 shares authorized; 275,233,975 shares issued at beginning of period; 275,494,350 shares issued at end of period.

[b] 27,860,454 treasury shares at end of period, at cost.

The accompanying notes are an integral part of these consolidated financial statements.

## UNION PACIFIC CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. **RESPONSIBILITIES FOR FINANCIAL STATEMENTS** - The consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods presented. The Statement of Consolidated Financial Position at December 31, 2000 is derived from audited financial statements. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Union Pacific Corporation's (the Corporation or UPC) Annual Report to Shareholders incorporated by reference in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000. The results of operations for the three months ended March 31, 2001 are not necessarily indicative of the results for the entire year ending December 31, 2001. Certain prior year amounts have been reclassified to conform to the 2001 financial statement presentation.
2. **SEGMENTATION** - Union Pacific Corporation consists of one reportable segment, rail, and UPC's other product lines (other operations). The rail segment includes the operations of the Corporation's wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR's subsidiaries and rail affiliates (collectively, the Railroad). Other operations include the trucking product line (Overnite Transportation Company or Overnite), as well as the "other" product lines that include the corporate holding company (which largely supports the Railroad), Fenix LLC and affiliated technology companies (Fenix), self-insurance activities, and all appropriate consolidating entries.

The following tables detail reportable financial information for UPC's rail segment and other operations for the three months ended March 31, 2001 and 2000, respectively:

| Millions of Dollars      | Three Months Ended |                   |
|--------------------------|--------------------|-------------------|
|                          | March 31,<br>2001  | March 31,<br>2000 |
| Operating revenues [a]:  |                    |                   |
| Rail .....               | \$ 2,655           | \$ 2,630          |
| Trucking .....           | 280                | 269               |
| Other .....              | 8                  | 7                 |
| Consolidated .....       | \$ 2,943           | \$ 2,906          |
| Operating income (loss): |                    |                   |
| Rail .....               | \$ 449             | \$ 465            |
| Trucking .....           | 9                  | 1                 |
| Other .....              | (19)               | (14)              |
| Consolidated .....       | \$ 439             | \$ 452            |
| Assets:                  |                    |                   |
| Rail .....               | \$ 29,664          | \$ 28,914         |
| Trucking .....           | 659                | 671               |
| Other .....              | 429                | 324               |
| Consolidated .....       | \$ 30,752          | \$ 29,909         |

[a] The Corporation has no significant intercompany sales activities.

## 3. ACQUISITIONS

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

Merger Consolidation Activities - In connection with the acquisition and continuing integration of UPRR and Southern Pacific's rail operations, UPC will complete the elimination of 5,200 duplicate positions in 2001, primarily employees involved in activities other than train, engine and yard activities. UPC will also complete the relocation of 4,700 positions, merging or disposing of redundant facilities, and disposing of certain rail lines. In addition, the Corporation will cancel and settle the remaining uneconomical and duplicative SP contracts, including payroll-related contractual obligations in accordance with the original merger plan.

Merger Liabilities - In 1996, UPC recognized a \$958 million pre-tax liability in the SP purchase price allocation for costs associated with SP's portion of these activities. Merger liability activity reflected cash payments for merger consolidation activities and reclassification of contractual obligations from merger liabilities to contractual liabilities. In addition, where merger implementation has varied from the original merger plan, the Corporation has adjusted the merger liability and the fair value allocation of SP's purchase price to fixed assets to eliminate the variance. Where the merger implementation has caused the Corporation to incur more costs than were envisioned in the original merger plan, such costs are charged to expense in the period incurred. For the three months ended March 31, 2001, the Corporation charged \$2 million against the merger liability. The remaining merger payments will be made during 2001 as labor negotiations are completed and implemented, and related merger consolidation activities are finalized.

The components of the merger liability as of March 31, 2001 were as follows:

| Millions of Dollars  | Original<br>Liability | Cumulative<br>Activity | Mar. 31, 2001<br>Liability |
|--|-----------------------|------------------------|----------------------------|
|  | -----                 | -----                  | -----                      |
| Labor protection related to legislated and contractual obligations ..... | \$ 361                | \$ 361                 | \$ --                      |
| Severance and related costs .....  | 343                   | 273                    | 70                         |
| Contract cancellation fees and facility and line closure costs .....     | 145                   | 141                    | 4                          |
| Relocation costs .....   | 109                   | 96                     | 13                         |
| Total .....  | \$ 958                | \$ 871                 | \$ 87                      |
|  | -----                 | -----                  | -----                      |

## 4. FINANCIAL INSTRUMENTS

ADOPTION OF STANDARD - Effective January 1, 2001, the Corporation adopted Financial Accounting Standards Board Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133) and Financial Accounting Standards Board Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (FAS 138). FAS 133 and FAS 138 requires that the changes in fair value of all derivative financial instruments the Corporation uses for fuel or interest rate hedging purposes be recorded in the Corporation's consolidated statements of financial position. In addition, to the extent fuel hedges are ineffective due to pricing differentials resulting from the geographic dispersion of the Corporation's operations, income statement recognition of the ineffective portion of the hedge position will be required. The adoption of FAS 133 and FAS 138 resulted in the recognition of a \$2 million asset on January 1, 2001. Activity through March 31, 2001, is disclosed within the following narrative and tables.

STRATEGY AND RISK - The Corporation and its subsidiaries use derivative financial instruments in limited instances and for other than trading purposes to manage risk related to changes in fuel prices and interest rates. The Corporation uses swaps, futures and/or forward contracts to mitigate the downside risk of adverse price and rate movements and hedge the exposure to variable cash flows. The use of these instruments also limits future gains from favorable movements. The purpose of these programs is to protect the Corporation's operating margins and overall profitability from adverse fuel price changes or interest rate fluctuations.

MARKET AND CREDIT RISK - The Corporation addresses market risk related to derivative financial instruments by selecting instruments whose value fluctuations highly correlate with the underlying item being hedged. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring high credit standards for counterparties and periodic settlements. The total credit risk associated with the Corporation's counterparties was \$2 million at both March 31, 2001 and December 31, 2000. The Corporation has not been required to provide collateral; however, UPC has received collateral relating to its hedging activity where the concentration of credit risk was substantial.

DETERMINATION OF FAIR VALUE - The fair market values of the Corporation's derivative financial instrument positions at March 31, 2001 and December 2000, detailed below, were determined based upon current fair market values as quoted by recognized dealers or developed based upon the present value of expected future cash flows discounted at the applicable U.S. Treasury rate and swap spread.

INTEREST RATE STRATEGY - The Corporation manages its overall exposure to fluctuations in interest rates by adjusting the proportion of fixed and floating rate debt instruments within its debt portfolio over a given period. The mix of fixed and floating rate debt is largely managed through the issuance of targeted amounts of each as debt matures or as incremental borrowings are required. Derivatives are used in limited circumstances as one of the tools to obtain the targeted mix. In addition, the Corporation also obtains additional flexibility in managing interest costs and the interest rate mix within its debt portfolio by issuing callable fixed-rate debt securities.

FUEL STRATEGY - Fuel costs are a significant portion of the Corporation's total operating expenses. As a result of the significance of fuel costs and the historical volatility of fuel prices, the Corporation's transportation subsidiaries periodically use swaps, futures and/or forward contracts to mitigate the impact of adverse fuel price changes.

The following is a summary of the Corporation's derivative financial instruments at March 31, 2001 and December 31, 2000:

| Millions<br>Except Percentages and Average Commodity Prices     | March 31,<br>2001 | December 31,<br>2000 |
|---|-------------------|----------------------|
| Interest Rate Hedging:  |                   |                      |
| Amount of debt hedged .....                                     | --                | --                   |
| Percentage of total debt portfolio .....                        | --                | --                   |
| Rail Fuel Hedging:  |                   |                      |
| Number of gallons hedged for the remainder of 2001 [a] .....    | 76                | 101                  |
| Percentage of forecasted 2001 fuel consumption hedged .....     | 8%                | 8%                   |
| Average price of 2001 hedges outstanding (per gallon) [b] ..... | \$ 0.68           | \$ 0.68              |
| Trucking Fuel Hedging:  |                   |                      |
| Number of gallons hedged for the remainder of 2001 .....        | --                | --                   |
| Percentage of forecasted 2001 fuel consumption hedged .....     | --                | --                   |
| Average price of 2001 hedges outstanding (per gallon) [b] ..... | --                | --                   |

[a] Rail fuel hedging transactions expire December 31, 2001.

[b] Excluding taxes, transportation costs and regional pricing spreads.

The asset and liability positions of the Corporation's outstanding derivative financial instruments at March 31, 2001 and December 31, 2000 were as follows:

| Millions of Dollars                          | March 31,<br>2001 | December 31,<br>2000 |
|--|-------------------|----------------------|
| Interest Rate Hedging:                       |                   |                      |
| Gross fair market asset position .....       | \$ --             | \$ --                |
| Gross fair market (liability) position ..... | --                | --                   |
| Rail Fuel Hedging:                           |                   |                      |
| Gross fair market asset position .....       | 2                 | 2                    |
| Gross fair market (liability) position ..... | --                | --                   |
| Trucking Fuel Hedging:                       |                   |                      |
| Gross fair market asset position .....       | --                | --                   |
| Gross fair market (liability) position ..... | --                | --                   |
| Total net asset position .....               | \$ 2              | \$ 2                 |

These positions will be reclassified from accumulated other comprehensive income to fuel expense over the next nine months as fuel is consumed.

The Corporation's use of derivative financial instruments had the following impact on pre-tax income for the three months ended March 31, 2001 and March 31, 2000:

| Millions of Dollars                                       | Three Months Ended March 31, |       |
|---|------------------------------|-------|
|   | 2001                         | 2000  |
| Decrease in fuel expense from rail fuel hedging .....     | \$ 2                         | \$ 10 |
| Decrease in fuel expense from trucking fuel hedging ..... | --                           | 1     |
| Increase in pre-tax income .....                          | \$ 2                         | \$ 11 |

At March 31, 2001, there was no ineffectiveness recorded within fuel expense for hedging.

SALE OF RECEIVABLES - The Railroad has sold, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable to third parties through a bankruptcy-remote subsidiary (the Subsidiary). The Subsidiary is collateralized by a \$66 million note from UPRR. The amount of receivables sold fluctuates based upon the availability of the designated pool of receivables and is directly affected by changing business volumes and credit risks. At March 31, 2001 and December 31, 2000, accounts receivable are presented net of \$600 million receivables sold.

5. DEBT

CREDIT FACILITIES - On March 31, 2001, the Corporation had \$2.0 billion in revolving credit facilities, of which \$1.0 billion expires in March 2002, with the remaining \$1.0 billion expiring in 2005. The facilities, which were entered into during March 2001 and March 2000, respectively, are designated for general corporate purposes.

CONVERTIBLE PREFERRED SECURITIES - Union Pacific Capital Trust (the Trust), a statutory business trust sponsored and wholly owned by the Corporation, has issued \$1.5 billion aggregate liquidation amount of 6-1/4% Convertible Preferred Securities (the CPS). Each of the CPS has a stated liquidation amount of \$50 and is convertible, at the option of the holder, into shares of UPC's common stock, par value \$2.50 per share (the Common Stock), at the rate of 0.7257 shares of Common Stock for each of the CPS, equivalent to a conversion price of \$68.90 per share of Common Stock, subject to adjustment under certain circumstances. The CPS accrue and pay cash distributions quarterly in arrears at the annual rate of 6-1/4% of the stated liquidation amount. The Corporation owns all of the common securities of the Trust. The proceeds from the sale of the CPS and the common securities of the Trust were invested by the Trust in \$1.5 billion aggregate principal amount of the Corporation's Convertible Junior Subordinated Debentures due 2028, which debentures represent the sole assets of the Trust. For financial reporting purposes, the Corporation has recorded distributions payable on the CPS as an interest charge to earnings in the consolidated statements of income.

SHELF REGISTRATION STATEMENT - Under currently effective shelf registration statements, the Corporation may issue, from time to time, any combination of debt securities, preferred stock, or warrants for debt securities or preferred stock in one or more offerings. During January 2001, the Corporation issued debt securities totaling \$400 million under the shelf registration. At March 31, 2001, the Corporation had \$200 million remaining for issuance under the shelf registration. The Corporation has no immediate plans to issue equity securities.

6. EARNINGS PER SHARE - The following table provides a reconciliation between basic and diluted earnings per share for the three months ended March 31, 2001 and 2000:

| Millions, Except Per Share Amounts                          | Three Months<br>2001 | Ended March 31,<br>2000 |
|---|----------------------|-------------------------|
|   | -----                | -----                   |
| Income Statement Data:                                      |                      |                         |
| Net income available to common shareholders - Basic .....   | \$ 181               | \$ 185                  |
| Dilutive effect of interest associated with the CPS .....   | 15                   | 15                      |
|   | -----                | -----                   |
| Net income available to common shareholders - Diluted ..... | \$ 196               | \$ 200                  |
|   | -----                | -----                   |
| Weighted-Average Number of Shares Outstanding:              |                      |                         |
| Basic .....   | 246.9                | 246.4                   |
| Dilutive effect of common stock equivalents .....           | 24.1                 | 22.9                    |
|   | -----                | -----                   |
| Diluted .....   | 271.0                | 269.3                   |
|   | -----                | -----                   |
| Earnings Per Share:   |                      |                         |
| Basic .....   | \$ 0.73              | \$ 0.75                 |
| Diluted .....   | \$ 0.72              | \$ 0.74                 |
|   | -----                | -----                   |

7. OTHER INCOME - Other income included the following for the three months ended March 31, 2001 and 2000:

| Millions of Dollars                                | Three Months<br>2001 | Ended March 31,<br>2000 |
|--|----------------------|-------------------------|
|  | -----                | -----                   |
| Net gain on non-operating asset dispositions ..... | \$ 17                | \$ 10                   |
| Rental income .....                                | 17                   | 14                      |
| Interest income .....                              | 2                    | 2                       |
| Other - net .....                                  | (6)                  | (6)                     |
|  | -----                | -----                   |
| Total .....  | \$ 30                | \$ 20                   |
|  | -----                | -----                   |

8. RATIO OF EARNINGS TO FIXED CHARGES - The ratio of earnings to fixed charges has been computed on a consolidated basis. Earnings represent net income less equity in undistributed earnings of unconsolidated affiliates, plus income taxes and fixed charges. Fixed charges represent interest, amortization of debt discount and the estimated interest portion of rental charges.
9. COMMITMENTS AND CONTINGENCIES - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to federal, state and local environmental laws and regulations, pursuant to which it is currently participating in the investigation and remediation of numerous sites. For environmental sites where remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. At March 31, 2001, the Corporation had accrued \$174 million for estimated future environmental costs and believes it is reasonably possible that actual environmental costs may differ from such estimate. In addition, the Corporation and its subsidiaries periodically enter into financial and other commitments in connection with their businesses. It is not possible at this time for the Corporation to determine fully the effect of all unasserted claims on its consolidated financial condition, results of operations or liquidity; however, to the extent possible, where unasserted claims can be estimated and where such claims are considered probable, the Corporation has recorded a liability. The Corporation does not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities or guarantees will have a material adverse effect on its consolidated financial condition, results of operations or liquidity.

10. ACCOUNTING PRONOUNCEMENTS - In September 2000, the Financial Accounting Standards Board issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 140), replacing Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125). FAS 140 revises criteria for accounting for securitizations, other financial asset transfers and collateral, and introduces new disclosures. FAS 140 was effective for fiscal 2000 with respect to the new disclosure requirements and amendments of the collateral provisions originally presented in FAS 125. All other provisions are effective for transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001. The provisions are to be applied prospectively with certain exceptions. Management believes the financial impact that FAS 140 will have on the Corporation's consolidated financial statements will be immaterial.
11. WORK FORCE REDUCTION PLAN - Prompted by signs of an economic slowdown, the Corporation's Board of Directors approved a work force reduction plan (the Plan) in the fourth quarter of 2000. The Plan calls for the elimination of approximately 2,000 Railroad positions during 2001. The positions will be eliminated through a combination of attrition, subsidized early retirement and involuntary layoffs and will affect agreement and non-agreement employees across the entire 23-state Railroad system. As of March 31, 2001, 776 positions had been identified for elimination in accordance with the Plan. Approximately 450 of those eliminations will be made through subsidized early retirements and involuntary layoffs with the remainder coming through attrition.

The Corporation accrued \$115 million pre-tax or \$72 million after-tax in the fourth quarter of 2000 for costs related to the Plan. The expense was charged to salaries, wages and employee benefits in the Corporation's 2000 consolidated statement of income. Plan liability activity in 2001 of \$17 million reflected severance benefits paid in cash or reclassified to contractual liabilities for future payments to employees severed in the current period.

Plan liability activity reflects severance for approximately half of the 450 eliminations through March 31, 2001. The remaining termination benefits related to early retirements are expected to be reflected in the second quarter as the early retirement program is completed. The components of the Plan liability and 2001 activity are as follows:

| Millions of Dollars              | Original<br>Liability<br>----- | Cumulative<br>Activity<br>----- | March 31, 2001<br>Liability<br>----- |
|----------------------------------|--------------------------------|---------------------------------|--------------------------------------|
| Severance and related costs..... | \$ 115<br>-----                | \$ 17<br>-----                  | \$ 98<br>-----                       |

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES  
RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE  
MONTHS ENDED MARCH 31, 2000

Union Pacific Corporation (UPC or the Corporation) consists of one reportable segment, rail transportation, and UPC's other product lines (Other Operations). The rail segment includes the operations of the Corporation's wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR's subsidiaries and rail affiliates (collectively, the Railroad). Other operations include the trucking product line (Overnite Transportation Company or Overnite), as well as the "other" product lines that include the corporate holding company (which largely supports the Railroad), Fenix LLC and affiliated technology companies (Fenix), and self-insurance activities, and all appropriate consolidating entries (see note 2 to the consolidated financial statements).

CONSOLIDATED

**NET INCOME** - The Corporation reported net income of \$181 million (\$0.73 per basic share and \$0.72 per diluted share) in the first quarter of 2001 compared to \$185 million (\$0.75 per basic share and \$0.74 per diluted share) in 2000. This decrease resulted primarily from higher fuel prices and wage and benefit inflation, partially offset by higher operating revenue and productivity improvements.

**OPERATING REVENUES** - Operating revenues increased \$37 million (1%) to a first-quarter record \$2.9 billion. The growth was driven by higher Energy and Agricultural commodity revenue and by revenue growth at Overnite.

**OPERATING EXPENSES** - Operating expenses increased \$50 million (2%) to \$2.5 billion in the first quarter 2001 compared to the first quarter 2000 resulting primarily from higher fuel prices and higher salaries, wages and employee benefits expense. Continued improvement in productivity partially offset higher fuel prices at the Railroad. Salaries, wages, and employee benefits were higher reflecting wage increases and higher benefit costs. Equipment and other rents expense also increased as a result of increased locomotive lease expense and longer car cycle times. Car cycle times were adversely affected by lower automotive volume. Depreciation expense increased, reflecting 2000 and first quarter 2001 capital spending. Fuel and utilities increased as significantly higher fuel prices were slightly offset by favorable fuel hedging (see note 4 to the consolidated financial statements). The decrease in materials and supplies reflects fewer locomotive overhauls in the first quarter and lower running repair costs. The decrease in other costs is associated with productivity gains and focused cost control, partly offset by higher casualty costs.

**OPERATING INCOME** - Operating income decreased \$13 million (3%) to \$439 million in 2001, as higher fuel and wage and benefit expenses more than offset higher revenue growth and productivity gains at the Railroad.

**NON-OPERATING ITEMS** - Other income increased \$10 million (50%) from 2000 primarily due to higher real estate gains. Interest expense declined \$1 million, as debt levels remained relatively flat. Income taxes for 2001 increased \$2 million despite lower net income due to less state incentive credits.

RAIL SEGMENT

**NET INCOME** - First quarter 2001 net income of \$209 million decreased \$5 million (2%) compared to the first quarter of 2000. Higher fuel prices, wage inflation, and rent expense were partially offset by higher commodity revenue, productivity gains and higher other income.

**OPERATING REVENUES** - Rail operating revenues increased \$25 million (1%) to a first-quarter record \$2.7 billion on 1% commodity revenue gain.

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

| Commodity Revenue<br>In Millions of Dollars | Three Months Ended March 31, |          |        |
|---|------------------------------|----------|--------|
|   | 2001                         | 2000     | Change |
| Agricultural .....                          | \$ 370                       | \$ 350   | 6%     |
| Automotive .....                            | 276                          | 290      | (5)%   |
| Chemicals .....                             | 390                          | 412      | (5)%   |
| Energy .....                                | 593                          | 529      | 12%    |
| Industrial Products .....                   | 472                          | 492      | (4)%   |
| Intermodal .....                            | 450                          | 441      | 2%     |
| Total .....                                 | \$ 2,551                     | \$ 2,514 | 1%     |

| Revenue Carloads<br>In Thousands | Three Months Ended March 31, |       |        |
|----------------------------------|------------------------------|-------|--------|
|                                  | 2001                         | 2000  | Change |
| Agricultural .....               | 219                          | 221   | (1)%   |
| Automotive .....                 | 185                          | 199   | (7)%   |
| Chemicals .....                  | 219                          | 232   | (5)%   |
| Energy .....                     | 537                          | 480   | 12%    |
| Industrial Products .....        | 336                          | 355   | (5)%   |
| Intermodal .....                 | 683                          | 687   | (1)%   |
| Total .....                      | 2,179                        | 2,174 | --%    |

| Average Revenue Per Car   | Three Months Ended March 31, |          |        |
|---------------------------|------------------------------|----------|--------|
|                           | 2001                         | 2000     | Change |
| Agricultural .....        | \$ 1,687                     | \$ 1,582 | 7%     |
| Automotive .....          | 1,486                        | 1,456    | 2%     |
| Chemicals .....           | 1,779                        | 1,777    | --     |
| Energy .....              | 1,106                        | 1,103    | --     |
| Industrial Products ..... | 1,405                        | 1,387    | 1%     |
| Intermodal .....          | 659                          | 642      | 3%     |
| Total .....               | \$ 1,171                     | \$ 1,156 | 1%     |

Agricultural - Revenue increased despite a slight carload decline. Carloads decreased primarily due to weak export demand for corn. Partially offsetting these declines were strong domestic wheat shipments as well as export demand to Mexico and Gulf ports. Average revenue per car was up \$105 primarily due to a mix of longer-haul business and selective price increases.

Automotive - Carloads decreased due to weak consumer demand for finished vehicles and high supplier inventories. Materials carloads were also down due to lower production levels. Average revenue per car increased 2% due to greater use of boxcars, rather than containers, to support materials shipments and a lower mix of lower average revenue per car materials shipments.

Chemicals - Carloads decreased due to a slowing economy that reduced demand for plastics and liquid and dry chemicals. High natural gas prices reduced production and demand for plastics and fertilizer. Fertilizer carloads were further reduced due to poor weather in March 2001.

Energy - The Railroad recorded its best quarter ever for revenue, carloads, and average trains per day out of the Southern Powder River Basin. The growth was the result of high utility demand and market share gains. Cool winter weather and higher natural gas prices reduced utility stockpiles compared to a year ago. Delays due to severe weather partially offset these increases.

Industrial Products - Carloads were lower due to an economic slowdown that decreased demand for lumber, construction materials and consumer goods. A weak domestic steel industry also contributed to the decline. Stone carloads were lower as adverse weather in the Southwest resulted in reduced demand for highway construction materials. Average revenue per car increased slightly as a result of declines in lower average revenue per car stone shipments and selected price increases.

Intermodal - Revenue set a first-quarter record due primarily to an increase in average revenue per car. Carloads decreased slightly as the softening economy reduced demand for domestic intermodal shipments. The domestic decline was partially offset by growth in import carloads from Asia. Average revenue per car increased as a result of demand-driven price increases.

OPERATING EXPENSES - Operating expenses increased \$41 million (2%), reflecting higher fuel prices, inflation, and higher rent expense partially offset by improved productivity and cost control initiatives.

Salaries, Wages, and Employee Benefits - Labor costs increased \$10 million (1%) reflecting wage and benefit increases. Partially offsetting these cost increases were fewer employees and higher train crew productivity.

Equipment and Other Rents - Expenses increased \$18 million (6%) due primarily to increased cycle times. Lower automotive carloads were a driver of the increased cycle time as excess cars were temporarily stored at assembly plants and unloading facilities. Locomotive leases also increased rent expense as more units were leased in the first quarter of 2001 compared to 2000.

Depreciation - Expenses increased \$10 million (4%), reflecting the 2000 and first quarter 2001 capital programs. Capital spending totaled \$355 million in the first quarter 2001 compared to \$359 million in 2000.

Fuel and Utilities - Expenses increased \$40 million (14%), driven by higher fuel prices and utilities expense. In the first quarter 2001, 32% of the Railroad's fuel consumption was hedged at an average of 69 cents per gallon (excluding taxes, transportation charges, and regional pricing spreads), lowering fuel costs by \$2 million. For the first quarter 2000, fuel consumption was 10% hedged at 40 cents per gallon, which resulted in a \$10 million decrease in fuel expense. As of March 31, 2001, projected fuel consumption for the remainder of 2001 is 8% hedged at 68 cents per gallon (see note 4 to the Consolidated Financial Statements).

Materials and Supplies - Costs decreased \$21 million (15%), reflecting decreases in locomotive overhauls and running repairs as well as freight car repairs.

Casualty Costs - Costs increased \$2 million (2%) due to slightly higher settlement costs.

Other Costs - Costs decreased \$18 million (9%), reflecting productivity gains and cost control initiatives.

OPERATING INCOME - Operating income decreased \$16 million (3%) to \$449 million for the first quarter of 2001. The operating ratio in 2001 was 83.1%, 0.8 percentage points higher than 2000's 82.3%.

NON-OPERATING ITEMS - Non-operating expense decreased \$13 million (10%) in 2001 due to lower interest expense, higher real estate sales and other miscellaneous items. Income taxes increased \$2 million in 2001 over the same period in 2000 reflecting lower state incentive credits partially offset by the tax impact of lower income before income taxes.

## OTHER OPERATIONS

## TRUCKING PRODUCT LINE

OPERATING REVENUES - Revenue increased \$11 million (4%) to \$280 million in the first quarter 2001 despite flat volume. The growth resulted from best-ever service performance levels, yield initiatives, a mix of higher-margin traffic, and a fuel surcharge.

OPERATING EXPENSES - Operating expenses increased \$3 million (1%) to \$271 million in the first quarter 2001. Salaries and benefits costs increased \$6 million (4%) to \$171 million reflecting wage and benefit increases. Fuel and utilities costs were flat at \$18 million as higher fuel prices were offset by improved fuel economy. In the first quarter 2001, Overnite had no fuel hedges. In the first quarter of 2000, fuel consumption was 9% hedged at an average of 39 cents per gallon (excluding taxes, transportation charges, and regional pricing spreads). As of March 31, 2001, no fuel consumption for 2001 is hedged. Depreciation expense was flat at \$12 million in the first quarter 2001. Materials and supplies expenses increased \$2 million (18%) to \$13 million reflecting higher fleet maintenance services. Equipment and other rents decreased \$1 million (4%) over 2000 due to higher contract labor expenses in 2000. Other expenses decreased \$4 million (10%), primarily due to higher security, legal, and travel expenses in 2000.

OPERATING INCOME - Trucking operations generated operating income of \$9 million in the first quarter 2001, an \$8 million improvement from 2000. The operating ratio for trucking operations improved to 96.9% in 2001 from 99.8% in 2000.

## OTHER PRODUCT LINES

The other product lines include the corporate holding company (which largely supports the Railroad), Fenix LLC, self-insurance activities, and all appropriate consolidating entries (see note 2 to the Consolidated Financial Statements). First quarter operating losses increased \$5 million reflecting a slight decrease in revenues and an increase in operating expenses.

## CHANGES IN FINANCIAL CONDITION AND OTHER DEVELOPMENTS

## FINANCIAL CONDITION

During the first three months of 2001, cash provided by operations was \$205 million, compared to \$355 million in 2000. The decline in cash provided from operations was driven by timing of cash payments, changes in working capital and lower net income.

Cash used in investing activities was \$494 million during the first quarter 2001, compared to \$354 million in 2000. The year over year change is due to receipt of a cash dividend from an affiliate in 2000 and acquisition of equipment in 2001 that is awaiting financing.

Cash generated by financing activities was \$257 million in the first three months of 2001, compared to a use of \$116 million in 2000. The difference is the result of net borrowings of \$306 million in 2001 compared to net repayments of \$64 million in 2000.

Including the Convertible Preferred Stock as an equity instrument, the ratio of debt to total capital employed was 45.6% at March 31, 2001 and 45.1% at December 31, 2000.

## FINANCING ACTIVITIES

CREDIT FACILITIES - As of March 31, 2001, the Corporation had \$2 billion in revolving credit facilities, of which \$1 billion expires in 2002, with the remaining \$1 billion expiring in 2005. The facilities, which were entered into during March 2001 and March 2000, respectively, are designated for general corporate purposes.

SHELF REGISTRATION STATEMENT - Under currently effective shelf registration statements, the Corporation may issue, from time to time, any combination of debt securities, preferred stock, or warrants for debt securities or preferred stock in one or more offerings. During January 2001, the Corporation issued debt securities amounting to \$400 million under the shelf registration. At March 31, 2001, the Corporation had \$200 million remaining for issuance under the shelf registration. The Corporation has no immediate plans to issue equity securities.

## OTHER MATTERS

COMMITMENTS AND CONTINGENCIES - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to various federal, state and local environmental laws and regulations, pursuant to which it is currently participating in the investigation and remediation of various sites. A discussion of certain claims, lawsuits, contingent liabilities and guarantees is set forth in note 9 to the consolidated financial statements, which is incorporated herein by reference.

ACCOUNTING PRONOUNCEMENTS - In September 2000, the Financial Accounting Standards Board issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 140), replacing Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125). FAS 140 revises criteria for accounting for securitizations, other financial asset transfers and collateral, and introduces new disclosures. FAS 140 was effective for fiscal 2000 with respect to the new disclosure requirements and amendments of the collateral provisions originally presented in FAS 125. All other provisions are effective for transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001. The provisions are to be applied prospectively with certain exceptions. Management believes the financial impact that FAS 140 will have on the Corporation's consolidated financial statements will be immaterial.

## CAUTIONARY INFORMATION

## CAUTIONARY INFORMATION

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

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

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

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

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of the Company's Annual Report on Form 10-K for the year ended December 31, 2000. Disclosure concerning market risk-sensitive instruments is set forth in note 4 to the Consolidated Financial Statements included in Item 1 of Part I of this Report and is incorporated herein by reference.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

#### ENVIRONMENTAL MATTERS

As previously reported, in March 1998, the Railroad received notice that the Railroad and Clean Harbors, a waste disposal firm, were the subjects of a criminal investigation by the Environmental Protection Agency (EPA) and the Federal Bureau of Investigation. Tank cars containing hazardous waste billed to Clean Harbors' transload facility in Sterling, Colorado were held in the Railroad's Sterling, Colorado rail yard for periods longer than ten days prior to placement in Clean Harbors' facility, allegedly in violation of hazardous waste regulations. The Railroad cooperated with the investigation and responded to grand jury subpoenas. A finding of violation could have resulted in significant criminal or civil penalties. The EPA has notified the Railroad verbally that the investigation has been concluded and that no charges will be brought against the Railroad. The EPA also instructed the Railroad to retrieve the documents it produced in response to the subpoenas. The documents have been retrieved. Although no written confirmation has been received, the Railroad anticipates no further legal action.

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

- (a) The annual meeting of shareholders of the Corporation was held on April 20, 2001.
- (b) At the Annual Meeting, the Corporation's shareholders voted for the election of Philip F. Anschutz (219,582,280 shares in favor; 5,843,354 shares withheld), E. Virgil Conway (220,386,205 shares in favor; 5,039,429 shares withheld), Richard K. Davidson (223,153,115 shares in favor; 2,272,519 shares withheld), Thomas J. Donohue (223,446,120 shares in favor; 1,979,514 shares withheld), A. W. Dunham (223,443,276 shares in favor; 1,982,358 shares withheld), Spencer F. Eccles (223,420,789 shares in favor; 2,004,845 shares withheld), Ivor J. Evans (223,393,341 shares in favor; 2,032,293 shares withheld), Elbridge T. Gerry, Jr. (223,413,008 shares in favor; 2,012,626 shares withheld), Judith Richards Hope (220,525,867 shares in favor; 4,899,767 shares withheld), Richard J. Mahoney (223,379,593 shares in favor; 2,046,041 shares withheld), Steven R. Rogel (223,452,308 shares in favor; 1,973,326 shares withheld), R. D. Simmons (223,352,472 shares in favor; 2,073,162 shares withheld), E. Zedillo (223,177,536 shares in favor; 2,248,098 shares withheld), as directors of the Corporation. In addition, the Corporation's shareholders voted to ratify the appointment of Deloitte & Touche LLP as independent auditors of the Corporation (222,680,008 shares in favor; 1,681,207 shares against, 1,064,419 shares withheld); voted to approve the Union Pacific 2001 Stock Incentive Plan (194,659,916 shares in favor; 28,692,101 shares against, 2,073,616 shares withheld); voted to approve a shareholder proposal regarding confidential voting (119,476,386 shares in favor; 73,695,346 shares against, 3,447,211 shares withheld and 28,806,691 shares not voted by brokers); and voted not to approve a shareholder proposal regarding Chairman of the Board (41,810,010 shares in favor; 153,156,020 shares against, 3,572,213 shares withheld and 26,887,391 shares not voted by brokers).

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) EXHIBITS

- 10(a) UPC 2001 Stock Incentive Plan incorporated by reference to Exhibit 99 to the Company's Current Report on Form 8-K dated March 8, 2001.
- 10(b) UP Shares Stock Option Plan of UPC incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (File No. 333-57958) dated March 30, 2001.
- 12 Computation of ratio of earnings to fixed charges.

## (b) REPORTS ON FORM 8-K

- On January 18, 2001, UPC filed a Current Report on Form 8-K announcing UPC's financial results for the fourth quarter of 2000.
- On March 8, 2001, UPC filed a Current Report on Form 8-K filing the Union Pacific Corporation 2001 Stock Incentive Plan considered for approval at the UPC 2001 Annual Meeting of Shareholders.
- On April 26, 2001, UPC filed a Current Report on Form 8-K announcing UPC's financial results for the first quarter of 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 15, 2001

UNION PACIFIC CORPORATION  
(Registrant)

By /s/ Richard J. Putz

-----  
Richard J. Putz  
Vice President and Controller  
(Chief Accounting Officer and Duly Authorized Officer)

UNION PACIFIC CORPORATION  
EXHIBIT INDEX

| EXHIBIT<br>NUMBER<br>----- | DESCRIPTION<br>-----                               |
|----------------------------|--|
| 12                         | Computation of ratio of earnings to fixed charges. |

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (UNAUDITED)

| Millions, Except Ratios                                  | Three Months<br>2001 | Ended March 31,<br>2000 |
|--|----------------------|-------------------------|
|  | -----                | -----                   |
| Earnings:  |                      |                         |
| Net income .....   | \$ 181               | \$ 185                  |
| Undistributed equity earnings .....                      | (14)                 | 73                      |
|  | -----                | -----                   |
| Total earnings .....                                     | 167                  | 258                     |
|  | -----                | -----                   |
| Income taxes .....                                       | 107                  | 105                     |
|  | -----                | -----                   |
| Fixed charges:   |                      |                         |
| Interest expense including amortization of debt discount | 181                  | 182                     |
| Portion of rentals representing an interest factor ..... | 10                   | 45                      |
|  | -----                | -----                   |
| Total fixed charges .....                                | 191                  | 227                     |
| Earnings available for fixed charges .....               | \$ 465               | \$ 590                  |
|  | -----                | -----                   |
| Ratio of earnings to fixed charges .....                 | 2.4                  | 2.6                     |
|  | -----                | -----                   |