
FORM 10-Q

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 September 30, 2003

-- OR --

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

For the transition period from _____ to _____

Commission file number 1-6075

UNION PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

UTAH
(State or other jurisdiction of
incorporation or organization)

13-2626465
(I.R.S. Employer
Identification No.)

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

68179
(Zip Code)

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

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 NO

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

As of October 31, 2003, there were 255,181,800 shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements****Consolidated Statements of Income (Unaudited)***Union Pacific Corporation and Subsidiary Companies*

	Millions, Except Per Share Amounts, For the Three Months Ended September 30,	2003	2002
Revenues		\$2,956	\$2,850
Operating expenses:			
Salaries, wages and employee benefits		977	919
Equipment and other rents		308	316
Depreciation		267	288
Fuel and utilities		330	277
Materials and supplies		104	119
Casualty costs		109	88
Purchased services and other costs		269	224
Total operating expenses		2,364	2,231
Operating income		592	619
Other income		15	160
Interest expense		(140)	(157)
Income before income taxes		467	622
Income taxes		(167)	(234)
Income from continuing operations		300	388
Income from discontinued operations, net of income tax expense (benefit) of \$12 and \$(24)		17	49
Net income		\$ 317	\$ 437
Share and Per Share			
Basic:			
Income from continuing operations		\$ 1.18	\$ 1.54
Income from discontinued operations		0.07	0.19
Net income		\$ 1.25	\$ 1.73
Diluted:			
Income from continuing operations		\$ 1.15	\$ 1.45
Income from discontinued operations		0.06	0.18
Net income		\$ 1.21	\$ 1.63
Weighted average number of shares (Basic)		254.3	252.5
Weighted average number of shares (Diluted)		265.0	277.3
Dividends		\$ 0.23	\$ 0.20

The accompanying notes are an integral part of these Consolidated Financial Statements.

[Table of Contents](#)**Consolidated Statements of Income (Unaudited)***Union Pacific Corporation and Subsidiary Companies*

	Millions, Except Per Share Amounts, For the Nine Months Ended September 30,	2003	2002
Revenues		\$8,586	\$8,334
Operating expenses:			
Salaries, wages and employee benefits		2,893	2,745
Equipment and other rents		916	939
Depreciation		795	858
Fuel and utilities		1,005	770
Materials and supplies		306	365
Casualty costs		315	269
Purchased services and other costs		812	697
Total operating expenses		7,042	6,643
Operating income		1,544	1,691
Other income		32	216
Interest expense		(440)	(478)
Income before income taxes		1,136	1,429
Income taxes		(413)	(532)
Income from continuing operations before cumulative effect of accounting change		723	897
Income from discontinued operations, net of income tax expense (benefit) of \$25 and \$(12)		37	66
Cumulative effect of accounting change, net of income tax expense of \$167		274	—
Net income		\$1,034	\$ 963
Share and Per Share			
Basic:			
Income from continuing operations before cumulative effect of accounting change		\$ 2.85	\$ 3.56
Income from discontinued operations		0.14	0.27
Cumulative effect of accounting change		1.08	—
Net income		\$ 4.07	\$ 3.83
Diluted:			
Income from continuing operations before cumulative effect of accounting change		\$ 2.79	\$ 3.40
Income from discontinued operations		0.13	0.24
Cumulative effect of accounting change		1.02	—
Net income		\$ 3.94	\$ 3.64
Weighted average number of shares (Basic)		253.9	251.8
Weighted average number of shares (Diluted)		269.1	276.5
Dividends		\$ 0.69	\$ 0.60

The accompanying notes are an integral part of these Consolidated Financial Statements.

[Table of Contents](#)**Consolidated Statements of Financial Position (Unaudited)***Union Pacific Corporation and Subsidiary Companies*

Millions of Dollars	Sept. 30, 2003	Dec. 31, 2002
Assets		
Current assets:		
Cash and temporary investments	\$ 223	\$ 367
Accounts receivable, net	540	557
Inventories	269	277
Current deferred income taxes	498	498
Other current assets	252	199
Total current assets	<u>1,782</u>	<u>1,898</u>
Investments:		
Investments in and advances to affiliated companies	681	649
Other investments	41	50
Total investments	<u>722</u>	<u>699</u>
Properties:		
Cost	38,029	36,860
Accumulated depreciation	(7,908)	(7,856)
Net properties	<u>30,121</u>	<u>29,004</u>
Other assets	397	381
Assets of discontinued operations	793	782
Total assets	<u>\$33,815</u>	<u>\$32,764</u>
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 533	\$ 430
Accrued wages and vacation	387	365
Accrued casualty costs	398	419
Income and other taxes	268	227
Dividends and interest	219	253
Debt due within one year	162	275
Other current liabilities	509	554
Total current liabilities	<u>2,476</u>	<u>2,523</u>
Debt due after one year	8,058	7,428
Deferred income taxes	9,057	8,550
Accrued casualty costs	619	658
Retiree benefits obligation	817	762
Other long-term liabilities	371	385
Liabilities of discontinued operations	341	307
Company-obligated mandatorily redeemable convertible preferred securities	500	1,500
Commitments and contingencies		
Common shareholders' equity	<u>11,576</u>	<u>10,651</u>
Total liabilities and common shareholders' equity	<u>\$33,815</u>	<u>\$32,764</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

[Table of Contents](#)**Consolidated Statements of Cash Flows (Unaudited)**

Union Pacific Corporation and Subsidiary Companies

	Millions of Dollars, For the Nine Months Ended September 30,	2003	2002
Operating Activities			
Net income		\$ 1,034	\$ 963
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations		(37)	(66)
Cumulative effect of accounting change		(274)	—
Depreciation		795	858
Deferred income taxes		346	455
Cash paid to fund pension plan		(50)	—
Other, net		(81)	(216)
Changes in current assets and liabilities, net		38	(177)
Cash provided by operating activities		1,771	1,817
Investing Activities			
Capital investments		(1,300)	(1,301)
Proceeds from asset sales		85	291
Other investing activities, net		89	(48)
Cash used in investing activities		(1,126)	(1,058)
Financing Activities			
Dividends paid		(175)	(151)
Debt repaid		(1,398)	(1,032)
Cash received from exercise of stock options		58	121
Financings, net		726	647
Cash used in financing activities		(789)	(415)
Net change in cash and temporary investments		(144)	344
Cash and temporary investments at beginning of period		367	103
Cash and temporary investments at end of period		\$ 223	\$ 447
Changes in Current Assets and Liabilities, Net			
Accounts receivable, net		\$ 17	\$ (133)
Inventories		8	1
Other current assets		(53)	(59)
Accounts, wages and vacation payable		125	38
Other current liabilities		(59)	(24)
Total		\$ 38	\$ (177)
Supplemental cash flow information:			
Non-cash locomotive lease financings		\$ 188	\$ 126
Cash (paid) received during the period for:			
Interest		(474)	(515)
Income taxes, net		14	(98)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Changes in Common Shareholders' Equity (Unaudited)

Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, For the Nine Months Ended September 30, 2003	[a] Common Shares	Paid-in- Surplus	Retained Earnings	[b] Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Total
					Minimum Pension Liability Adjustments	Foreign Currency Translation Adjustments	Derivative Adjustments		
Balance at January 1, 2003	\$689	\$3,946	\$7,597	\$(1,347)	\$ (232)	\$ (9)	\$ 7	\$(234)	\$10,651
Net income	—	—	1,034	—	—	—	—	—	1,034
Other comprehensive loss									
From continuing operations, net of tax of \$6	—	—	—	—	—	(7)	(3)	(10)	(10)
Comprehensive income									1,024
Conversion, exercises of stock options, forfeitures and other	—	8	—	68	—	—	—	—	76
Dividends declared (\$0.69 per share)	—	—	(175)	—	—	—	—	—	(175)
Balance at September 30, 2003	\$689	\$3,954	\$8,456	\$(1,279)	\$ (232)	\$ (16)	\$ 4	\$(244)	\$11,576

[a] Common stock \$2.50 par value; 500,000,000 shares authorized; 275,579,367 shares issued at beginning of period; 275,668,956 shares issued at end of period

[b] 21,920,238 treasury shares at beginning of period, at cost; 20,832,058 treasury shares at end of period, at cost

The accompanying notes are an integral part of these Consolidated Financial Statements.

UNION PACIFIC CORPORATION AND 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 Consolidated Statement of Financial Position at December 31, 2002 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 Annual Report on Form 10-K for Union Pacific Corporation (the Corporation or UPC) for the year ended December 31, 2002. The results of operations for the three months and nine months ended September 30, 2003 are not necessarily indicative of the results for the entire year ending December 31, 2003. Certain prior year amounts have been reclassified to conform to the 2003 financial statement presentation.

2. Stock-Based Compensation – At September 30, 2003, the Corporation had several stock-based employee compensation plans. The Corporation accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and related Interpretations. No stock option expense is reflected in net income as all options granted under those plans had an exercise price equal to the market value of the Union Pacific Corporation common stock on the date of grant. Stock-based employee compensation expense related to restricted stock and other incentive plans is reflected in net income. The following table illustrates the effect on net income and earnings per share if the Corporation had applied the fair value recognition provisions of FASB Statement No. 123, “Accounting for Stock-Based Compensation”, to stock-based employee compensation. See note 6 to the Consolidated Financial Statements for reconciliation between basic earnings per share and diluted earnings per share.

Millions of Dollars, Except Per Share Amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income, as reported	\$ 317	\$ 437	\$1,034	\$ 963
Stock-based employee compensation expense included in reported net income, net of tax	3	5	15	15
Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(8)	(11)	(32)	(31)
Pro forma net income	\$ 312	\$ 431	\$1,017	\$ 947
EPS — basic, as reported	\$1.25	\$1.73	\$ 4.07	\$3.83
EPS — basic, pro forma	\$1.22	\$1.71	\$ 4.01	\$3.76
EPS — diluted, as reported	\$1.21	\$1.63	\$ 3.94	\$3.64
EPS — diluted, pro forma	\$1.19	\$1.61	\$ 3.90	\$3.58

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. The following were the weighted-average assumptions for options granted during both the three months and nine months ended September 30, 2003: risk-free interest rate of 2.9%; dividend yield of 1.5%; expected lives of 5 years; and volatility of 28.4%. Assumptions for both the three months and nine months ended September 30, 2002 were: risk-free interest rate of 4.4%; dividend yield of 1.3%; expected lives of 5 years; and volatility of 28.8%.

3. Segmentation and Operations – Union Pacific Corporation has one reportable business segment that operates primarily in the area of rail transportation, through its indirect wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR’s subsidiaries and rail affiliates (collectively, the Railroad). The Consolidated Financial Statements also include discontinued trucking operations, consisting of Overnite Transportation Company (OTC) and Motor Cargo Industries, Inc. (Motor Cargo), both operating as separate and distinct subsidiaries of Overnite, Inc. (Overnite), an indirect wholly owned subsidiary of UPC (see note 11 to the Consolidated Financial Statements regarding the reclassification of the Corporation’s trucking segment as a discontinued operation).

4. Financial Instruments

Strategy and Risk - The Corporation and its subsidiaries use derivative financial instruments in limited instances for other than trading purposes to manage risk related to changes in fuel prices and to achieve the Corporation's interest rate objectives. The Corporation uses swaps, collars, futures and/or forward contracts to mitigate the downside risk of adverse price movements and hedge the exposure to variable cash flows. The use of these instruments also limits future benefits from favorable movements. The Corporation uses interest rate swaps to manage its exposure to interest rate changes. 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 with value fluctuations that 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. At September 30, 2003, the Corporation has not been required to provide collateral, nor has UPC received collateral relating to its hedging activities.

Determination of Fair Value - The fair values of the Corporation's derivative financial instrument positions at September 30, 2003 and December 31, 2002, detailed below, were determined based upon current fair 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, London Interbank Offered Rates (LIBOR) or 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 as one of the tools to obtain the targeted mix. In addition, the Corporation also obtains flexibility in managing interest costs and the interest rate mix within its debt portfolio by evaluating the issuance of and managing outstanding callable fixed-rate debt securities.

Swaps allow the Corporation to convert debt from fixed rates to variable rates and thereby hedge the risk of changes in the debt's fair value attributable to the changes in the benchmark interest rate (LIBOR). The swaps have been accounted for using the short-cut method as allowed by Financial Accounting Standard (FAS) 133; therefore, no ineffectiveness has been recorded within the Corporation's Consolidated Financial Statements.

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 use swaps, collars, 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 for continuing operations at September 30, 2003 and December 31, 2002:

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	Millions, Except Percentages and Average Commodity Prices	Sept. 30, 2003	Dec. 31, 2002
Interest rate hedging:			
Amount of debt hedged		\$ 998	\$ 898
Percentage of total debt portfolio		12%	12%
Fuel hedging			
Swaps and swaptions:			
Number of gallons hedged for 2002 [a]		—	552
Average price of 2002 hedges (per gallon) [b]		\$ —	\$0.56
Number of gallons hedged for the remainder of 2003 [c]		79	88
Average price of 2003 hedges outstanding (per gallon) [b]		\$0.66	\$0.58
Collars:			
Number of gallons hedged for the remainder of 2003		22	—
Average cap price for 2003 collars outstanding		\$0.77	\$ —
Average floor price for 2003 collars outstanding		\$0.67	\$ —
Average ceiling price for 2003 collars outstanding		\$0.88	\$ —
Number of gallons hedged for 2004		28	—
Average cap price for 2004 collars outstanding		\$0.78	\$ —
Average floor price for 2004 collars outstanding		\$0.67	\$ —
Average ceiling price for 2004 collars outstanding		\$0.88	\$ —

[a] Fuel hedges expired December 31, 2002. Fuel hedges included the swap portion of a swaption with a base term expiring December 31, 2002.

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

[c] Fuel hedges which are in effect during 2003. These hedges expire December 31, 2003.

The fair value asset positions of the Corporation's outstanding derivative financial instruments for continuing operations at September 30, 2003 and December 31, 2002 were as follows:

	Millions of Dollars	Sept. 30, 2003	Dec. 31, 2002
Interest rate hedging:			
Gross fair value asset position		\$42	\$ 52
Gross fair value (liability) position		—	—
Rail fuel hedging:			
Gross fair value asset position		9	12
Gross fair value (liability) position		—	—
Total fair value asset position for continuing operations		\$51	\$ 64

Fuel hedging positions will be reclassified from accumulated other comprehensive income to fuel expense over the life of the hedge as fuel is consumed.

The Corporation's use of derivative financial instruments had the following impact on pre-tax income from continuing operations for the three months and nine months ended September 30, 2003 and 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	Millions of Dollars			
Decrease in interest expense from interest rate hedging	\$ 8	\$ 8	\$23	\$20
Decrease in fuel expense from fuel hedging	4	15	15	15
Decrease in fuel expense from fuel swaptions	—	4	—	17
	—	—	—	—
Decrease in operating expenses	12	27	38	52
Increase in other income from interest rate swap cancellation	—	—	5	—
Increase in other income from fuel swaptions	—	1	—	4
	—	—	—	—
Increase in pre-tax income from continuing operations	\$12	\$28	\$43	\$56
	—	—	—	—

Through September 30, 2003, the Corporation had recorded less than \$1 million for fuel hedging ineffectiveness.

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Sale of Receivables – The Railroad has sold, on a 364-day revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable to third parties through a bankruptcy-remote subsidiary. Receivables are sold at carrying value, which approximates fair value. The third parties have designated the Railroad to service the sold receivables. 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. Payments collected from sold receivables can be reinvested in new receivables on behalf of the buyers. Should the Corporation's credit rating fall below investment grade, the amount of receivables sold would be reduced, and in certain cases, the buyers have the right to discontinue this reinvestment, thus requiring the Railroad to fund the receivables. At September 30, 2003 and December 31, 2002, accounts receivable are presented net of \$590 million and \$600 million of receivables sold, respectively. On August 7, 2003, the sale of receivables program was renewed for one year without any significant term changes.

5. Debt

Credit Facilities – On September 30, 2003, the Corporation had \$1.925 billion in revolving credit facilities available, of which \$925 million expires in March 2004, with the remaining \$1.0 billion expiring in 2005. The facilities, which were entered into during March 2003 and March 2000, respectively, are designated for general corporate purposes and none of the credit facilities were used as of September 30, 2003. Commitment fees and interest rates payable under the facilities are similar to fees and rates available to comparably rated investment-grade borrowers.

Convertible Preferred Securities – Union Pacific Capital Trust (the Trust), a statutory business trust sponsored and wholly owned by the Corporation, has issued 6-1/4% Convertible Preferred Securities (the CPS) with an aggregate liquidation amount of \$1.5 billion. 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 interest expense in the Consolidated Statements of Income.

Redemption of Convertible Preferred Securities – On May 16, 2003, the Corporation exercised its option to redeem \$500 million of the \$1.5 billion CPS. On July 7, 2003, the Corporation exercised its option to redeem an additional \$500 million of the CPS. The CPS were originally offered on April 1, 1998 at a price of \$50 each and were redeemed at a price of \$50.52, which includes a one percent redemption premium. The Corporation recorded a pre-tax charge of approximately \$15 million associated with the redemptions in each of the two quarters. On November 5, 2003, the Corporation announced it would utilize the proceeds from the sale of Overnite to redeem all of the remaining outstanding CPS. The redemption will occur on December 5, 2003, and the Corporation will incur a pre-tax charge of approximately \$15 million associated with the redemption.

Shelf Registration Statement and Significant New Borrowings – Under the current shelf registration statement, the Corporation may issue, from time to time, any combination of debt securities, preferred stock, common stock or warrants for debt securities or preferred stock in one or more offerings. During February 2003, under the shelf registration, the Corporation issued \$250 million of 3-7/8% fixed rate debt with a maturity of February 15, 2009. The proceeds of the issuance were used for repayment of debt and other general corporate purposes. On June 5, 2003, the Corporation issued \$300 million of 3-5/8% fixed rate debt with a maturity of June 1, 2010 and \$200 million of 5-3/8% fixed rate debt with a maturity of June 1, 2033. The proceeds of the issuance were used to redeem \$500 million of CPS on July 7, 2003. At September 30, 2003, the Corporation had \$250 million remaining for issuance under the shelf registration.

During May 2003, UPRR entered into a capital lease covering new locomotives. The related capital lease obligation totaled approximately \$188 million and is included in the Consolidated Statements of Financial Position as debt.

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6. Earnings Per Share - The following table provides a reconciliation between basic and diluted earnings per share for the three months and nine months ended September 30, 2003 and 2002:

Millions, Except Per Share Amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Income statement data:				
Income from continuing operations before cumulative effect of accounting change	\$ 300	\$ 388	\$ 723	\$ 897
Income from discontinued operations	17	49	37	66
Cumulative effect of accounting change	—	—	274	—
Net income available to common shareholders — basic	317	437	1,034	963
Dilutive effect of interest associated with the CPS	5	14	28	44
Net income available to common shareholders — diluted	\$ 322	\$ 451	\$1,062	\$1,007
Weighted average number of shares outstanding:				
Basic	254.3	252.5	253.9	251.8
Dilutive effect of stock options	1.6	1.6	1.3	1.9
Dilutive effect of retention shares, stock units and restricted stock	1.8	1.4	1.8	1.0
Dilutive effect of CPS	7.3	21.8	12.1	21.8
Diluted	265.0	277.3	269.1	276.5
Earnings per share — basic:				
Income from continuing operations before cumulative effect of accounting change	\$ 1.18	\$ 1.54	\$ 2.85	\$ 3.56
Income from discontinued operations	0.07	0.19	0.14	0.27
Cumulative effect of accounting change	—	—	1.08	—
Net income	\$ 1.25	\$ 1.73	\$ 4.07	\$ 3.83
Earnings per share — diluted:				
Income from continuing operations before cumulative effect of accounting change	\$ 1.15	\$ 1.45	\$ 2.79	\$ 3.40
Income from discontinued operations	0.06	0.18	0.13	0.24
Cumulative effect of accounting change	—	—	1.02	—
Net income	\$ 1.21	\$ 1.63	\$ 3.94	\$ 3.64

Common stock options totaling 2.4 million and 3.9 million shares for the three months and nine months ended September 30, 2003, respectively, and 2.4 million and 2.2 million for the three months and nine months ended September 30, 2002, respectively, were excluded from the computation of diluted EPS because the exercise prices of these options exceeded the average market price of the Corporation's common stock for the respective periods, and the effect of their inclusion would be antidilutive. Also excluded from the nine months ended September 30, 2003, were 3.2 million weighted average shares related to the CPS redeemed in May 2003, as the inclusion of these securities would result in an antidilutive effect on earnings per share of continuing operations.

7. Other Income - Other income included the following for the three months and nine months ended September 30, 2003 and 2002:

Millions of Dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net gain on non-operating asset dispositions	\$ 22	\$155	\$ 46	\$196
Rental income	14	12	39	38
Interest income	2	3	6	9
Early retirement of debt and convertible preferred securities	(15)	—	(32)	(1)
Other, net	(8)	(10)	(27)	(26)
Total	\$ 15	\$160	\$ 32	\$216

8. Commitments and Contingencies

Unasserted Claims - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries, in addition to unasserted claims. It is not possible at this time for the Corporation to determine fully the effect of all such claims on its consolidated financial condition, results of operations or liquidity; however, to the extent possible, where unasserted claims can be reasonably estimated and where such claims are considered probable, the Corporation has recorded a liability. The Corporation does not expect that any known lawsuits or claims, including unasserted claims, will have a material adverse effect on its consolidated financial condition, results of operations or liquidity.

Personal Injury and Occupational Illness - The cost of injuries to employees and others related to Railroad activities is charged to expense based on actuarial estimates of the ultimate cost and number of incidents each year. The Corporation's expenses from continuing operations for personal injury-related events were \$66 million and \$58 million for the three months ended September 30, 2003 and 2002, respectively. The Corporation's expenses from continuing operations for personal injury-related events for the nine months ended September 30, 2003 and 2002 were \$187 million and \$174 million, respectively. As of September 30, 2003, the Corporation had a liability related to continuing operations of \$632 million accrued for personal injury costs, of which \$274 million was recorded as a current liability.

The Railroad has additional amounts accrued for claims related to certain occupational illnesses. Compensation for Railroad work-related accidents is governed by the Federal Employers' Liability Act (FELA). Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements. The Railroad offers a comprehensive variety of services and rehabilitation programs for employees who are injured at work.

Environmental - The Corporation generates and transports hazardous and nonhazardous waste in its current operations and has done so in its former operations, and it is subject to federal, state and local environmental laws and regulations. For its continuing operations, the Corporation has identified approximately 417 sites at which it is or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 57 sites that are the subject of actions taken by the U.S. government, 32 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, the Corporation's ultimate environmental liability may include costs relating to other parties, in addition to costs relating to its own activities at each site.

When an environmental issue has been identified with respect to the property owned, leased or otherwise used in the conduct of the Corporation's business, the Corporation and its external consultants perform environmental assessments on such property. The Corporation expenses the cost of the assessments as incurred. The Corporation accrues the cost of remediation where its obligation is probable and such costs can be reasonably estimated.

As of September 30, 2003, the Corporation had a liability from continuing operations of \$195 million accrued for future environmental costs, of which \$59 million was recorded in current liabilities as accrued casualty costs. The liability includes future costs for remediation and restoration of sites, as well as for ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties and existing technology, laws and regulations. The Corporation believes that it has adequately accrued for its ultimate share of costs at sites subject to joint and several liability. However, the ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties involved, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites and/or the speculative nature of remediation costs. The Corporation expects to pay out the majority of the September 30, 2003 environmental liability over the next five years, funded by cash generated from continuing operations. The impact of current obligations is not expected to have a material adverse effect on the results of operations, financial condition or liquidity of the Corporation.

Other Matters - 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 reasonably 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.

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At September 30, 2003, the Corporation had unconditional purchase obligations of \$180 million for the acquisition of locomotives as part of the Corporation's multi-year capital asset acquisition plan. In addition, the Corporation was contingently liable for \$402 million in guarantees and \$49 million in letters of credit for continuing operations at September 30, 2003. These contingent guarantees were entered into in the normal course of business and include guaranteed obligations of affiliated operations. The Corporation is not aware of any existing event of default, which would require it to satisfy these guarantees.

As described in note 10 to the Consolidated Financial Statements, Item 8, in the Annual Report on Form 10-K, the Railroad has a synthetic operating lease arrangement to finance a new headquarters building. The Corporation has guaranteed a residual value equal to 85% of the total construction related costs upon completion of the building. During construction, the Corporation guarantees 89.9% of the construction costs incurred. At September 30, 2003, the Corporation's guarantee related to the building was \$92 million. The guarantee will be approximately \$220 million upon completion of the building. At September 30, 2003, the Corporation had a liability recorded of approximately \$7 million related to the fair value of this guarantee.

9. Accounting Pronouncements – In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. As described in note 10 to the Consolidated Financial Statements, Item 8, in the Annual Report on Form 10-K, the Railroad has a synthetic operating lease arrangement to finance a new headquarters building, which falls within the guidance of FIN 46. In June 2003, the Railroad restructured the synthetic lease resulting in no effect to the Consolidated Financial Statements due to the adoption of FIN 46.

In October 2003, the FASB issued FASB Staff Position Number FIN 46-6 (FSP 46-6) which provides public entities an opportunity to delay implementation of FIN 46, for agreements entered into prior to February 1, 2003, until periods ending after December 15, 2003. FSP 46-6 does not impact the Corporation, as the Corporation has already adopted FIN 46.

10. Cumulative Effect of Accounting Change – Surface Transportation Board (STB) accounting rules require that railroads accrue the cost of removing track structure over the expected useful life of these assets. Railroads historically used this prescribed accounting for reports filed with both the STB and SEC. In August 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations" (FAS 143). This statement was effective for the Corporation beginning January 1, 2003, and prohibits the accrual of removal costs unless there is a legal obligation to remove the track structure at the end of its life. The Corporation concluded that it did not have a legal obligation to remove the track structure, and therefore, under generally accepted accounting principles, the Corporation could not accrue the cost of removal in advance. Reports filed with the SEC will reflect the expense of removing these assets in the period in which they are removed. For STB reporting requirements only, the Corporation will continue to follow the historical method of accruing in advance, as prescribed by the STB. FAS 143 also requires the Corporation to record a liability for legally obligated asset retirement costs associated with tangible long-lived assets. In the first quarter of 2003, the Corporation recorded income from a cumulative effect of accounting change, related to the adoption of FAS 143, of \$274 million, net of tax of \$167 million. The accounting change had no effect on the Corporation's liquidity. Had the change been retroactively applied, the change would have had an immaterial impact on net income and earnings per share.

11. Discontinued Operations – On November 5, 2003, UPC completed the sale of its entire trucking interest through an initial public offering. In order to facilitate this offering, immediately prior to the consummation of the offering, Overnite Corporation, a newly formed corporation, acquired from UPC all of the outstanding common stock of Overnite Holding, Inc., a wholly owned subsidiary of UPC and the ultimate parent holding company of OTC and Motor Cargo. In exchange, Overnite Corporation issued to UPC (1) all of its outstanding common stock and (2) a \$1.0 million promissory note payable by Overnite Corporation six months following the date of consummation of the acquisition. In addition, subsequent to this transaction but immediately prior to the consummation of the offering, Overnite Holding, Inc. paid to UPC a previously declared dividend consisting of \$128 million in cash and the forgiveness of net intercompany advances from Overnite to UPC as of the date of the transaction between Overnite Corporation and UPC. The cash portion of the dividend payable to UPC was made from the proceeds of an initial borrowing under a new Overnite credit facility. UPC, as the selling shareholder, sold all of the common stock of Overnite Corporation in an underwritten initial public offering and received all of the proceeds of the offering, less discounts and commissions paid to the underwriters and estimated expenses.

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The entire trucking segment of UPC was reclassified as a discontinued operation during the period covered by this report, which includes the reclassification of the segment as a discontinued operation for the first and second quarters of 2003 and all periods presented.

The following table presents a statement of financial position for the discontinued operations as of September 30, 2003 and December 31, 2002:

Millions of Dollars	Sept. 30, 2003	Dec. 31, 2002	Consolidating Adjustments	S-1 Dec. 31, 2002
Current assets	\$243	\$254	\$154	\$ 408
Properties, net	500	501	(1)	500
Other assets	50	27	96	123
Total assets	793	782	249	1,031
Current liabilities	195	179	(3)	176
Noncurrent liabilities	146	128	96	224
Total liabilities	341	307	93	400
Net assets of discontinued operations	\$452	\$475	\$156	\$ 631
Accumulated other comprehensive income	\$ 84	\$ 83	\$ —	\$ 83

The December 31, 2002 numbers vary from those recorded in the Overnite Corporation final Prospectus dated October 30, 2003, due primarily to the classification of deferred taxes, as well as the elimination of intercompany receivables for consolidated financial statement purposes.

The following table presents the revenues and income before income taxes for the discontinued operations for the three months and nine months ending September 30, 2003:

Millions of Dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues	\$384	\$355	\$1,097	\$1,001
Income before income taxes	\$ 29	\$ 25	\$ 62	\$ 54

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 and Nine Months Ended September 30, 2003 Compared to
Three Months and Nine Months Ended September 30, 2002**

Union Pacific Corporation (UPC or the Corporation) has one reportable business segment that operates primarily in the area of rail transportation, through its indirect wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR's subsidiaries and rail affiliates (collectively, the Railroad). The Consolidated Financial Statements also include discontinued trucking operations, consisting of Overnite Transportation Company (OTC) and Motor Cargo Industries, Inc. (Motor Cargo), both operating as separate and distinct subsidiaries of Overnite, Inc. (Overnite), an indirect wholly owned subsidiary of UPC (see note 11 to the Consolidated Financial Statements regarding the reclassification of the Corporation's trucking segment as a discontinued operation and see "Discontinued Operations" under this Item 2 for a description of the disposition of the trucking segment).

A copy of this Quarterly Report on Form 10-Q, as well as certain other filings made by the Corporation, including the Corporation's 2002 Annual Report on Form 10-K, current reports on Form 8-K and any amendments to such reports are available free of charge on the Internet at the Corporation's website at www.up.com/investors. Additionally, the Corporation's corporate governance materials, including Board Committee charters, governance guidelines and policies and codes of conduct and ethics for directors, officers and employees may also be found on the Internet at the Corporation's website at www.up.com/investors.

Critical Accounting Policies and Estimates

The Corporation's discussion and analysis of its financial condition and results of operations are based upon its Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenues, expenses, assets and liabilities. The Corporation bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ materially from actual results, the impact on the Consolidated Financial Statements may be material. The Corporation's critical accounting policies are available in the Corporation's 2002 Annual Report on Form 10-K, Item 7.

Consolidated

Net Income - The Corporation reported net income of \$317 million (\$1.25 per basic share and \$1.21 per diluted share) in the third quarter of 2003, compared to \$437 million (\$1.73 per basic share and \$1.63 per diluted share) in the third quarter of 2002. Net income from continuing operations was \$300 million (\$1.18 per basic share and \$1.15 per diluted share) versus \$388 million (\$1.54 per basic share and \$1.45 per diluted share) in 2002. Year-to-date net income was \$1.0 billion (\$4.07 per basic share and \$3.94 per diluted share) compared to \$963 million (\$3.83 per basic share and \$3.64 per diluted share) for the same period in 2002. Year-to-date income before discontinued operations and the cumulative effect of accounting change (see notes 10 and 11 to the Consolidated Financial Statements) was \$723 million (\$2.85 per basic share and \$2.79 per diluted share) compared to \$897 million (\$3.56 per basic share and \$3.40 per diluted share) for the same period in 2002. The decrease in net income before discontinued operations and the cumulative effect of accounting change in the third quarter and nine month period was driven by higher fuel prices, inflation, volume-related expenses, lower gains from real estate sales and debt redemption expenses which more than offset revenue gains, lower interest expense and productivity improvements. Productivity is calculated as both gross ton miles per inflation-adjusted expense dollar and gross ton miles per employee.

Operating Revenues - Operating revenue is comprised of rail commodity revenue and other revenues. Other revenues primarily include subsidiary revenue from various companies that are wholly owned or majority owned by the Railroad, revenue from the Chicago commuter rail operations and accessorial revenue earned due to customer detainment of Railroad owned or controlled equipment. Operating revenues increased \$106 million (4%) to \$3.0 billion in the third quarter and \$252 million (3%) to \$8.6 billion in the nine-month period compared to 2002. Commodity revenue increased \$101 million (4%) in the third quarter to \$2.8 billion, led by growth in the Agricultural Products, Energy and Industrial Products commodity groups. Third quarter revenue carloads were essentially flat compared to a year ago. Average revenue per car for the period increased 3% to \$1,195 driven by

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positive mix, fuel surcharges, pricing gains and index-based contract escalators. Year-to-date rail commodity revenue grew 3% to \$8.2 billion compared to 2002. Revenue carloads were flat and average revenue per car showed a 3% increase to \$1,192 when compared to a year ago. Other revenues increased \$5 million (4%) to \$129 million in the third quarter compared to a year ago and increased \$26 million (7%) year-to-date when compared to 2002 as a result of higher subsidiary revenue and accessorial revenue.

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

Three Months Ended September 30,			Commodity Revenue Millions of Dollars	Nine Months Ended September 30,		
2003	2002	% Change		2003	2002	% Change
\$ 411	\$ 373	10%	Agricultural	\$ 1,158	\$ 1,096	6%
276	285	(3)	Automotive	898	893	1
400	399	—	Chemicals	1,187	1,186	—
628	591	6	Energy	1,791	1,743	3
572	535	7	Industrial Products	1,643	1,542	6
540	543	—	Intermodal	1,521	1,512	1
\$ 2,827	\$ 2,726	4%	Total	\$ 8,198	\$ 7,972	3%

Three Months Ended September 30,			Revenue Carloads Thousands	Nine Months Ended September 30,		
2003	2002	% Change		2003	2002	% Change
225	215	5%	Agricultural	645	642	—
189	193	(2)	Automotive	610	605	1
225	231	(3)	Chemicals	670	681	(2)
563	540	4	Energy	1,621	1,605	1
390	379	3	Industrial Products	1,112	1,077	3
775	801	(3)	Intermodal	2,220	2,253	(1)
2,367	2,359	—	Total	6,878	6,863	—

Three Months Ended September 30,			Average Revenue Per Car	Nine Months Ended September 30,		
2003	2002	% Change		2003	2002	% Change
\$ 1,828	\$ 1,740	5%	Agricultural	\$ 1,796	\$ 1,708	5%
1,455	1,479	(2)	Automotive	1,471	1,476	—
1,780	1,729	3	Chemicals	1,773	1,742	2
1,116	1,095	2	Energy	1,105	1,086	2
1,467	1,410	4	Industrial Products	1,476	1,432	3
697	667	3	Intermodal	685	671	2
\$ 1,195	\$ 1,156	3%	Total	\$ 1,192	\$ 1,162	3%

Agricultural - Revenue increased 10% in the third quarter and 6% for the year-to-date period of 2003 over the comparable periods in 2002. Third quarter volume increased 5% while year-to-date volume was flat over last year. Average revenue per car increased 5% in both periods. Demand for domestic wheat and Gulf export wheat led the improvement over 2002. Ethanol shipments also increased due to heightened demand for the fuel additive. Average revenue per car increased due to price increases, the positive mix impact of longer average length of haul shipments and fuel surcharges.

Automotive - Revenue declined 3% for the third quarter but increased 1% for the year-to-date period of 2003 over the comparable periods in 2002. The third quarter revenues from domestic manufacturers decreased compared to the same period last year, as the softening economy weakened demand for finished vehicles and forced production cuts. The year-to-date revenue growth was the result of increased volume due to market share gains for materials shipments. Average revenue per car decreased 2% in the third quarter but was flat for the year-to-date period as price increases and fuel surcharges were offset by the mix impact of disproportionate growth in materials shipments, which move at a lower average revenue per car than finished vehicles.

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Chemicals - Revenue was flat for both the third quarter and year-to-date period of 2003 over the comparable periods of 2002, as declining carloads in both periods were partially offset by an increase in average revenue per car. Reduced plastics volume led the decline in carloads in both periods, as the soft economy combined with higher input costs caused producers to lower inventories and reduce shipments. Increased market demand for domestic and export soda ash partially offset the decline. Average revenue per car increased 3% for the third quarter and 2% year-to-date, due to a mix shift toward longer average length of haul, price increases, fewer cars in storage in transit and fuel surcharges.

Energy - Revenue increased 6% for the third quarter and 3% for the year-to-date period of 2003 over the comparable periods of 2002. First quarter volume was hampered by the absence of export traffic from the Colorado and Utah mining regions, which Japan is now sourcing from other Far Eastern producers. Severe weather in February and March also negatively impacted coal volumes. Strong utility demand due to lower inventories in the second and third quarter resulted in a 1% increase in year-to-date carloads. Average revenue per car increased 2% in both periods, due to index-based contract escalators and longer average length of haul.

Industrial Products - Revenue increased 7% for the third quarter and 6% for the year-to-date period of 2003 over the comparable periods of 2002, due to increases in carloads and average revenue per carload. The volume increase was led by lumber, as housing starts and low interest rates continued to drive business. Government shipments of military equipment and ammunition in support of the war effort also contributed to the increase. Steel and scrap shipments increased as the weakening dollar created higher domestic and export demand for U.S. produced steel, augmented by market share gains. Average revenue per car increased 4% in the third quarter and 3% year-to-date, primarily due to positive mix, fuel surcharges and price increases.

Intermodal - Revenue was flat for the third quarter and increased 1% for the year-to-date period of 2003 over the comparable periods of 2002, as a decline in carloads in the third quarter was more than offset by an increase in average revenue per car. Domestic carloads were up in both periods while international carloads decreased in the third quarter and year-to-date due to penetration losses, partially offset by strong first quarter market growth. Average revenue per car for the three and nine month periods increased due to fuel surcharges and price increases.

Mexico Business - Included in the rail commodity revenue reported above is Mexican related revenue, which increased 1% to \$218 million for the third quarter and was flat at \$650 million for the year-to-date period of 2003 over the comparable periods of 2002. Business growth was led by strong grain export movements and penetration gains from motor carriers in auto part shipments. Reduced steel and scrap along with finished vehicle imports partially offset the increase.

Operating Expenses - Operating expenses increased \$133 million (6%) to \$2.4 billion in the third quarter of 2003 and \$399 million (6%) year-to-date when compared to 2002. The increase in operating expenses is due primarily to higher fuel prices, in addition to wage and benefit inflation and volume-related costs as gross ton miles for the quarter and year-to-date periods increased 3% and 2% respectively. A reduction in employment levels, lower depreciation expense (see *Depreciation* discussion) and cost control efforts partially offset the increase. Cost control efforts are defined as focused actions to reduce discretionary spending and failure costs. Expenses in the third quarter were also negatively impacted by increased crew and asset utilization costs.

Salaries, Wages and Employee Benefits - Salaries, wages and employee benefits increased \$58 million (6%) in the third quarter of 2003 compared to 2002. Year-to-date, wage and benefit expenses rose \$148 million (5%). Increases were driven by the adoption of FAS 143 (see note 10 to the Consolidated Financial Statements), inflation, protection costs, increased crew utilization costs due to a shortage of available crews and increased pension expenses. A 3% and 2% reduction in employee force levels for the third quarter and year-to-date periods, respectively, as well as improvements in productivity partially offset the effects of inflation and protection costs for both periods. Protection cost represents the differential payment when the wage earned for active employment is lower than an employee's "protected" rate of pay. An individual's protected rate is imposed by the Surface Transportation Board for employees adversely affected by a merger or is established by collective bargaining agreements in other cases. The adoption of FAS 143 accounted for \$30 million and \$87 million of the increases for the third quarter and year-to-date, respectively.

Equipment and Other Rents - Equipment and other rents primarily includes rental expense UPRR pays for freight cars owned by other railroads or private companies; freight car, intermodal and locomotive leases; other specialty equipped vehicle leases; and office and other rentals. Expenses decreased \$8 million (3%) in the third quarter and \$23 million (2%) year-to-date compared to 2002. The third quarter decrease was due primarily to reduced rental prices for private freight cars, partially offset by increased car cycle times driven by higher inventory levels due to slower network train speed. Equipment and other rents decreased year-to-date due to lower rental prices for private cars and a reduction in lease expenses due to lower car cycle times and lower general car expenses in the first quarter

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of 2003, partially offset by higher locomotive lease expense. The higher locomotive lease expense is due to UPRR's increased leasing of new, more reliable and fuel efficient locomotives. These new locomotives replaced older, non-leased models in the fleet, which helped reduce expenses for depreciation, labor, materials and fuel during the period.

Depreciation - The majority of depreciation expense relates to track structure, including rail, ties and other track material. Depreciation expense decreased \$21 million (7%) in the third quarter and \$63 million (7%) year-to-date over 2002. The adoption of FAS 143 (see note 10 to the Consolidated Financial Statements) decreased depreciation expense in the third quarter by \$24 million and \$73 million year-to-date. Additionally, implementation of the recent depreciation study required and approved by the Surface Transportation Board resulted in lower depreciation expense of \$12 million and \$37 million for the third quarter and first nine months of 2003, respectively, due to a reduction in depreciation rates for certain track assets (effective January 1, 2003), offset by increased rates for locomotives and other assets (effective July 1, 2003). Capital spending in recent years has increased the total value of the Corporation's depreciable assets. Capital spending totaled \$1.3 billion in both nine month periods ended September 30, 2003 and 2002.

Fuel and Utilities - Fuel and utilities is comprised of locomotive fuel, utilities other than telephone, gasoline and other fuels. Expenses increased \$53 million (19%) in the third quarter and \$235 million (31%) year-to-date 2003 compared to a year ago. The increase was driven by higher fuel prices minimally offset by a lower fuel consumption rate, as measured by gallons consumed per thousand gross ton miles. Fuel prices averaged 90 cents per gallon in the third quarter of 2003 compared to 75 cents per gallon in the third quarter of 2002 (price includes taxes and transportation costs). Year-to-date, fuel prices averaged 93 cents per gallon compared to 70 cents per gallon in 2002. Higher fuel prices in 2003 resulted in a \$48 million increase in fuel expense in the third quarter and a \$227 million increase year-to-date compared to 2002. The lower consumption rate decreased fuel expense by \$4 million in the third quarter and \$15 million year-to-date. A 3% increase in gross ton miles for the third quarter and a 2% increase year-to-date resulted in additional fuel expense of \$6 million and \$13 million, respectively. The Railroad hedged approximately 7% of its fuel consumption for the third quarter and year-to-date, which decreased fuel costs by \$4 million in the third quarter and \$15 million year-to-date. Gasoline, utilities and propane expenses increased \$3 million in the third quarter and \$10 million year-to-date primarily due to higher fuel prices.

Materials and Supplies - Materials used for the maintenance of the Railroad's lines, structures and equipment is the principal component of materials and supplies expense. Office, small tools and other supplies along with the costs of freight services purchased to ship company materials are also included. Expenses decreased \$15 million (13%) in the third quarter and \$59 million (16%) year-to-date, primarily due to the adoption of FAS 143 (see note 10 to the Consolidated Financial Statements), fewer locomotive and freight car repairs, reduced material freight charges, cost control measures and a shift to more contracting of locomotive repairs, which resulted in a corresponding increase to Purchased Services and Other Costs. The decreases were partially offset by increased costs for locomotive materials.

Casualty Costs - The largest component of casualty costs is personal injury expense. Freight and property damage, insurance, environmental matters and occupational illness expense are also included in casualty costs. Costs increased \$21 million (24%) in the third quarter compared to 2002 and \$46 million (17%) year-to-date due primarily to higher personal injury expense and insurance costs.

Purchased Services and Other Costs - Purchased services and other costs include the costs of services purchased from outside contractors, state and local taxes, net costs of operating facilities jointly used by UPRR and other railroads, transportation and lodging for train crew employees, trucking and contracting costs for intermodal containers, leased automobile maintenance expenses, telephone and cellular expense, employee travel expense and computer and other general expenses. Expenses increased \$45 million (20%) in the third quarter and \$115 million (16%) year-to-date when compared to last year. In the third quarter of 2003, higher expenses were driven by increased state and local taxes, increased spending for contract services and higher expenses for jointly operated facilities. Expenses increased year-to-date primarily due to increased contract services, higher state and local taxes, increased intermodal volume costs, joint facility expenses, and crew transportation costs.

Operating Income - Third quarter operating income decreased \$27 million (4%) to \$592 million while operating income year-to-date declined \$147 million (9%) to \$1.5 billion as higher fuel prices, wage and benefit inflation, volume and resource utilization costs offset higher revenues, lower depreciation expense and cost control efforts.

Non-Operating Items - Interest expense decreased \$17 million (11%) in the third quarter and \$38 million (8%) year-to-date due to lower interest rates and a lower average debt level in 2003. In the three months ended September 30, 2003, the Corporation's average debt level, including the Convertible Preferred Securities (CPS), decreased to

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\$8.9 billion from \$9.5 billion for the same period in 2002. Year to date, the Corporation's average debt level, including CPS, decreased to \$9.1 billion from \$9.6 billion for the same period in 2002. The Corporation's effective interest rate was 6.3% during the third quarter of 2003 compared to 6.6% in 2002. For the year-to-date period, the effective interest rate was 6.5% compared to 6.7% in 2002. Other income decreased \$145 million (91%) in the third quarter and \$184 million (85%) year-to-date compared to 2002 due to lower gains from real estate sales (2002 land and track sale to the Utah Transit Authority with a pre-tax value of \$141 million) and expenses associated with the redemption of \$1 billion of CPS. Income tax expense decreased \$67 million (29%) in the third quarter and \$119 million (22%) year-to-date compared to 2002 due to lower pre-tax income and higher state tax incentives in 2003.

Other Key Measures - Operating margin (operating income as a percentage of operating revenues) decreased to 20.0% in the third quarter of 2003 from 21.7% in the same period of 2002. Year-to-date the operating margin was 18.0% in 2003, down from 20.3% in 2002.

Discontinued Operations

On November 5, 2003, UPC completed the sale of its entire trucking interest through an initial public offering. In order to facilitate this offering, immediately prior to the consummation of the offering, Overnite Corporation, a newly formed corporation, acquired from UPC all of the outstanding common stock of Overnite Holding, Inc., a wholly owned subsidiary of UPC and the ultimate parent holding company of OTC and Motor Cargo. In exchange, Overnite Corporation issued to UPC (1) all of its outstanding common stock and (2) a \$1.0 million promissory note payable by Overnite Corporation six months following the date of consummation of the acquisition. In addition, subsequent to this transaction but immediately prior to the consummation of the offering, Overnite Holding, Inc. paid to UPC a previously declared dividend consisting of \$128 million in cash and the forgiveness of net intercompany advances from Overnite to UPC as of the date of the transaction between Overnite Corporation and UPC. The cash portion of the dividend payable to UPC was made from the proceeds of an initial borrowing under a new Overnite credit facility. UPC, as the selling shareholder, sold all of the common stock of Overnite Corporation in an underwritten initial public offering and received all of the proceeds of the offering, less discounts and commissions paid to the underwriters and estimated expenses, totaling approximately \$610 million. The Corporation will record a gain from discontinued operations of approximately \$200 million in the fourth quarter of 2003.

The entire trucking segment of UPC was reclassified as a discontinued operation during the period covered by this report, which includes the reclassification of the segment as a discontinued operation for the first and second quarters of 2003 and all periods presented.

In the third quarter, trucking revenues increased \$29 million (8%) to \$384 million compared to the same period in 2002. Year-to-date trucking revenues increased \$96 million (10%) when compared to last year. Operating income increased \$3 million (13%) to \$29 million in the third quarter. The operating margin for the third quarter was 7.5%, compared to 7.2% in 2002. Year-to-date operating income improved \$8 million (15%) and operating margin increased from 5.4% in 2002 to 5.7% in 2003. Income from discontinued operations was \$17 million in the third quarter compared to \$49 million for the same period in 2002. Year-to-date, income from discontinued operations was \$37 million compared to \$66 million in 2002. Income from discontinued operations for the three months and nine months ended September 30, 2002, included a one-time benefit of \$34 million as a result of the resolution of certain tax matters with the Internal Revenue Service, which was accounted for as a reduction of income tax expense during the period.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

Cash provided by operations was \$1.77 billion in the first nine months of 2003 compared to \$1.82 billion in the first nine months of 2002, decreasing 3% due to lower income from continuing operations and before the cumulative effect of accounting change, lower depreciation expense, and lower deferred income taxes, all of which were partially offset by improved working capital.

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Cash used in investing activities was \$1.13 billion in the first nine months of 2003 compared to \$1.06 billion in the first nine months of 2002. The increased use of cash is due to lower proceeds from asset sales partially offset by the receipt of \$96 million of dividends from Grupo Ferroviario Mexicano, S.A. de C.V. in the first quarter of 2003. The following table details capital expenditures for the nine months ended September 30, 2003 and 2002 (includes capital leases of \$188 million and \$126 million, respectively):

Capital Expenditures Millions	2003	2002
Track	\$ 971	\$ 979
Locomotives	278	160
Freight cars	13	7
Facilities and other	226	281
Total	\$1,488	\$1,427

Cash used by financing activities was \$789 million in the first nine months of 2003 compared to \$415 million in the first nine months of 2002. The increase in cash used is due to higher debt repayments (\$1.4 billion in 2003, including the redemption of \$1.0 billion of CPS, compared to \$1.0 billion in 2002), less cash received from option exercises (\$58 million in 2003 versus \$121 million in 2002) and higher dividend payments. This increase was partially offset by higher financings (\$726 million in 2003 compared to \$647 million in 2002).

For the three months and nine months ended September 30, 2003, the Corporation's ratio of earnings to fixed charges was 3.5 and 3.1, respectively, compared to 4.6 and 3.7 for the three months and nine months ended September 30, 2002, respectively. The ratio of earnings to fixed charges is based on continuing operations. Earnings represent income before discontinued operations and cumulative effect of accounting change, less equity in undistributed earnings of unconsolidated affiliates, plus fixed charges and income taxes. Fixed charges represent interest charges, amortization of debt discount and the estimated amount representing the interest portion of rental charges.

Contractual Obligations and Commercial Commitments

As described in the notes to the Consolidated Financial Statements and as referenced in the tables below, the Corporation has contractual obligations and commercial commitments that may affect the financial condition of the Corporation. However, based on management's assessment of the underlying provisions and circumstances of the material contractual obligations and commercial commitments of the Corporation, including material sources of off-balance sheet and structured finance arrangements, there is no known trend, demand, commitment, event or uncertainty that is reasonably likely to occur which would have a material effect on the Corporation's financial condition, results of operations or liquidity. In addition, the commercial obligations, financings and commitments made by the Corporation are customary transactions, which are similar to those of other comparable industrial corporations, particularly within the transportation industry.

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The following tables identify material obligations and commitments for continuing operations as of September 30, 2003:

Contractual Obligations Millions of Dollars	Payments Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
Debt [a]	\$ 6,636	\$ 58	\$1,391	\$1,289	\$3,898
Operating leases	2,991	409	739	548	1,295
Capital lease obligations [b]	2,567	216	420	367	1,564
Unconditional purchase obligations [c]	180	180	—	—	—
Total contractual obligations	\$12,374	\$863	\$2,550	\$2,204	\$6,757

- [a] Excludes capital lease obligations of \$1,554 million, and market value adjustments for debt with qualifying hedges that are recorded as assets on the Consolidated Statements of Financial Position
- [b] Represents total obligations, including interest component
- [c] Unconditional purchase obligations represent multi-year contractual commitments to purchase or acquire assets at fixed prices and fixed volumes. These commitments are made in order to take advantage of pricing opportunities and to ensure availability of assets to meet quality and operational requirements. Excluded are contracts that do not meet the disclosure requirements of Statement of Financial Accounting Standards No. 47 "Disclosure of Long-term Obligations."

Other Commercial Commitments Millions of Dollars	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
Credit facilities [a]	\$1,925	\$ 925	\$1,000	\$—	\$ —
Convertible Preferred Securities [b]	500	500	—	—	—
Sale of receivables [c]	600	600	—	—	—
Guarantees [d]	402	21	14	12	355
Standby letters of credit [e]	49	49	—	—	—
Total commercial commitments	\$3,476	\$2,095	\$1,014	\$12	\$355

- [a] None of the credit facilities were used as of September 30, 2003.
- [b] \$1 billion of the Convertible Preferred Securities were redeemed in the first nine months of 2003. The remaining \$500 million will be redeemed in the fourth quarter
- [c] \$590 million of the facility was utilized at September 30, 2003.
- [d] Includes guaranteed obligations of affiliated operations
- [e] None of the letters of credit were drawn upon as of September 30, 2003.

Financing Activities

Credit Facilities - On September 30, 2003, the Corporation had \$1.925 billion in revolving credit facilities available, of which \$925 million expires in March 2004, with the remaining \$1.0 billion expiring in 2005. The facilities, which were entered into during March 2003 and March 2000, respectively, are designated for general corporate purposes and none of the credit facilities were used as of September 30, 2003. Commitment fees and interest rates payable under the facilities are similar to fees and rates available to comparably rated investment-grade borrowers.

Convertible Preferred Securities - Union Pacific Capital Trust (the Trust), a statutory business trust sponsored and wholly owned by the Corporation, has issued 6-1/4% Convertible Preferred Securities (the CPS) with an aggregate liquidation amount of \$1.5 billion. 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 interest expense in the Consolidated Statements of Income.

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Redemption of Convertible Preferred Securities – On May 16, 2003, the Corporation exercised its option to redeem \$500 million of the \$1.5 billion CPS. On July 7, 2003, the Corporation exercised its option to redeem an additional \$500 million of the CPS. The CPS were originally offered on April 1, 1998 at a price of \$50 each and were redeemed at a price of \$50.52, which includes a one percent redemption premium. The Corporation recorded a pre-tax charge of approximately \$15 million associated with the redemptions in each of the two quarters. On November 5, 2003, the Corporation announced it would utilize the proceeds from the sale of Overnite to redeem all of the remaining outstanding CPS. The redemption will occur on December 5, 2003, and the Corporation will incur a pre-tax charge of approximately \$15 million associated with the redemption. The net 2003 earnings benefit from the elimination of the CPS will be approximately \$0.04 per diluted share, including the one-time impact of redemption costs totaling nearly \$45 million. In 2004, the net full year earnings benefit of the CPS redemptions is estimated to be \$0.26 per diluted share on an incremental basis over the 2003 benefit.

Shelf Registration Statement and Significant New Borrowings – Under the current shelf registration statement, the Corporation may issue, from time to time, any combination of debt securities, preferred stock, common stock or warrants for debt securities or preferred stock in one or more offerings. During February 2003, under the shelf registration, the Corporation issued \$250 million of 3-7/8% fixed rate debt with a maturity of February 15, 2009. The proceeds of the issuance were used for repayment of debt and other general corporate purposes. On June 5, 2003, the Corporation issued \$300 million of 3-5/8% fixed rate debt with a maturity of June 1, 2010 and \$200 million of 5-3/8% fixed rate debt with a maturity of June 1, 2033. The proceeds of the issuance were used to redeem \$500 million of CPS on July 7, 2003. At September 30, 2003, the Corporation had \$250 million remaining for issuance under the shelf registration.

During May 2003, UPRR entered into a capital lease covering new locomotives. The related capital lease obligation totaled approximately \$188 million and is included in the Consolidated Statements of Financial Position as debt.

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 8 to the Consolidated Financial Statements, which discussion is incorporated herein by reference.

Network Performance – The Railroad's operating efficiency has been adversely impacted due to record-level volumes, an expanded summer maintenance program and a shortage of trainmen, engineers and yardmasters. Programs are being put in place which the Railroad believes should remediate the situation by early next year including, among other things, hiring and training additional employees and acquiring additional locomotives.

Pensions – During the first quarter of 2003, the Corporation decreased its assumed rate of return on pension plan assets from 9% to 8%. This assumption change will result in an increase to 2003 pension expense from continuing operations of \$14 million. During the first nine months of 2003, the Railroad voluntarily contributed \$50 million to its pension plan.

Accounting Pronouncements – In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. As described in note 10 to the Consolidated Financial Statements, Item 8, in the Annual Report on Form 10-K, the Railroad has a synthetic operating lease arrangement to finance a new headquarters building, which falls within the guidance of FIN 46. In June 2003, the Railroad restructured the synthetic lease resulting in no effect to the Consolidated Financial Statements due to the adoption of FIN 46.

In October 2003, the FASB issued FASB Staff Position Number FIN 46-6 (FSP 46-6) which provides public entities an opportunity to delay implementation of FIN 46, for agreements entered into prior to February 1, 2003, until periods ending after December 15, 2003. FSP 46-6 does not impact the Corporation, as the Corporation has already adopted FIN 46.

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 statements as defined by 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 the Corporation's 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 that, 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 affect the Corporation's and its subsidiaries' future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements 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 regulatory developments, including possible enactment of new tax rates and possible enactment of initiatives to re-regulate the rail industry;
- natural events such as severe weather, fire, floods and earthquakes;
- the effects of adverse general economic conditions, both within the United States and globally;
- any adverse economic or operational repercussions from terrorist activities and any governmental response thereto;
- war or risk of war;
- changes in fuel prices;
- changes in labor costs;
- labor stoppages; and
- the outcome of claims and litigation, including those related to environmental contamination, personal injuries, and occupational illnesses arising from hearing loss, repetitive motion and exposure to asbestos and diesel fumes.

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 Corporation's Annual Report on Form 10-K for the year ended December 31, 2002.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer (CEO) and Executive Vice President — Finance (EVP — Finance), of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the CEO and the EVP — Finance concluded that, as of the end of the period covered by this report, the Corporation's disclosure controls and procedures are effective in alerting them, in a timely manner, to material information relating to the Corporation (including its consolidated subsidiaries) required to be included in the Corporation's periodic SEC filings.

Additionally, as of the end of the period covered by this report, the CEO and EVP — Finance determined that there have been no changes to the Corporation's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

ENVIRONMENTAL MATTERS

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

Information concerning environmental claims and contingencies and estimated remediation costs is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations — Other Matters — Environmental Costs, Item 2, and in note 8 to the Consolidated Financial Statements, Item 1.

SHAREHOLDER LITIGATION

As previously reported, a purported derivative action was filed by nine individuals, seven of whom are members of the Teamsters, on behalf of the Corporation on June 21, 2001, in the Chancery Court of Shelby County, Tennessee, naming as defendants current and certain former directors of the Corporation and various present and former officers and employees of OTC, as well as OTC, and, as a nominal defendant, the Corporation. The derivative action alleged, among other things, that the named defendants breached their fiduciary duties to the Corporation, wasted its assets and mismanaged OTC by opposing the efforts of the Teamsters to organize the employees of OTC. Plaintiffs claimed that the "anti-union" campaign allegedly waged by the defendants cost millions of dollars and caused a substantial decline in the value of OTC. On July 31, 2001, the defendants filed a motion to dismiss the action on various grounds, and on July 1, 2002, the court granted the defendants' motion and dismissed the derivative action on procedural grounds. The plaintiffs filed an appeal with the Tennessee Court of Appeals, and on October 7, 2003, the Court of Appeals affirmed the decision of the Chancery Court to dismiss the action on procedural grounds.

OTHER MATTERS

As previously reported, Western Resources, Inc. (Western) filed a complaint on January 24, 2000, in the U.S. District Court for the District of Kansas alleging that UPRR and The Burlington Northern and Santa Fe Railway Company (BNSF) materially breached their service obligations under the transportation contract to deliver coal in a timely manner to Western's Jeffrey Energy Center. The original complaint sought recovery of consequential damages and termination of the contract, excusing Western from further performance. In an amended complaint filed September 1, 2000, Western claimed the right to retroactive termination and added a claim for restitution. The matter went to trial before a jury on August 20, 2002. On September 12, 2002, the jury returned a verdict finding that the contract had not been breached by the railroads, and the judgment dismissing the case was entered by the court on September 16, 2002. Western filed a motion for new trial on September 30, 2002, which was denied by the court on March 6, 2003. Western filed notice of its intent to appeal the verdict to the 10th Circuit Court of Appeals on April 4, 2003. The parties reached a settlement on October 22, 2003. Western is in the process of dismissing its appeal in return for the payment to Western of \$50,000 by the railroads and waiving their respective rights to recover costs from Western.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibits are listed in the exhibit index on page 29.

(b) Reports on Form 8-K

On November 5, 2003, UPC furnished a Current Report on Form 8-K announcing its intention to redeem the remaining Convertible Preferred Securities issued by the Union Pacific Capital Trust.*

On November 5, 2003, UPC filed a Current Report on Form 8-K announcing the completion of the sale of its Overnite trucking subsidiary through an initial public offering.

On October 31, 2003, UPC filed a Current Report on Form 8-K announcing the pricing of the initial public offering of Overnite.

On October 23, 2003, UPC furnished a Current Report on Form 8-K announcing UPC's financial results for the third quarter of 2003.*

On August 4, 2003, UPC filed a Current Report on Form 8-K announcing the SEC filing for an initial public offering of Overnite.

On July 24, 2003, UPC furnished a Current Report on Form 8-K announcing UPC's financial results for the second quarter of 2003.*

* These reports were furnished under Item 9 or Item 12 of Form 8-K and are referenced herein for informational purposes only. Therefore, they are not, and none of their contents should be deemed, incorporated by reference into any registration statements filed by UPC with the SEC under the Securities Act of 1933, as amended.

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: November 13, 2003

UNION PACIFIC CORPORATION
(Registrant)

By /s/ James R. Young

James R. Young,
Executive Vice President — Finance
(Principal Financial Officer)

By /s/ Richard J. Putz

Richard J. Putz,
Vice President and Controller
(Principal Accounting Officer)

UNION PACIFIC CORPORATION
EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Exhibits Filed with this Statement</u>
10	The Executive Incentive Plan of UPC, as amended July 31, 2003.
12(a)	Ratio of Earnings to Fixed Charges for the Three Months Ended September 30, 2003 and 2002.
12(b)	Ratio of Earnings to Fixed Charges for the Nine Months Ended September 30, 2003 and 2002.
31(a)	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 — Richard K. Davidson.
31(b)	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 — James R. Young.
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Richard K. Davidson and James R. Young.
<hr/> Description of Exhibits Incorporated by Reference <hr/>	
3(a)	Revised Articles of Incorporation of UPC, as amended through April 25, 1996, are incorporated herein by reference to Exhibit 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.
3(b)	By-Laws of UPC, as amended, effective as of January 1, 2003, are incorporated herein by reference to Exhibit 3(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002.

EXECUTIVE INCENTIVE PLAN
OF
UNION PACIFIC CORPORATION
AND SUBSIDIARIES

Effective January 1, 1971

Amended and Restated as of April 15, 1988

Amended October 26, 1989

Amended September 24, 1992

Amended September 30, 1993

Amended April 21, 1995

Amended April 27, 1995

Amended November 16, 2000

Amended May 31, 2001

Amended July 31, 2003

**EXECUTIVE INCENTIVE PLAN OF UNION PACIFIC CORPORATION
AND SUBSIDIARIES**

Effective January 1, 1971

Amended and Restated as of April 15, 1988

Amended October 26, 1989

Amended September 24, 1992

Amended September 30, 1993

Amended April 21, 1995

Amended April 27, 1995

Amended November 16, 2000

Amended May 31, 2001

Amended July 31, 2003

PURPOSE OF PLAN

The purpose of this Plan is to promote the success of Union Pacific Corporation and Subsidiaries by providing additional compensation for services rendered during any year by key executives who contribute in a significant manner to the operations and business of the Company and such Subsidiaries.

1. DEFINITIONS

Section 1.01 The following terms shall have the following meanings:

“Accountholder” means any person who has received a Deferred Award.

“Beneficiary” means any person or persons designated in writing by an Accountholder to the Committee on a form prescribed by it for that purpose, which designation shall be revocable at any time by the Accountholder prior to his death, provided that, in the absence of such a designation or the failure of the person or persons so designated to survive the Accountholder, payments or distributions shall be made to the Accountholder’s estate and provided further that no payment or distribution shall be made during the lifetime of the Accountholder to his Beneficiary.

“Board” means the Board of Directors of the Company.

“Business Day” means any day other than a Saturday or Sunday or other day on which the New York Stock Exchange is authorized or obligated to be closed.

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

“Committee” means the Committee provided for in Section 2.01.

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

“Company Stock” means Common Stock, \$2.50 par value per share, of the Company.

“Deferred Award” means an award under the Plan which an Executive to whom the award is made shall have elected to defer until after Termination, in accordance with Section 4.01 or, for awards made with respect to Years beginning with 1982 through 2000, the earlier of either (i) a date or dates certain in any year prior to Termination (but in no event more often than once in each such year or years), or (ii) after Termination, in accordance with Section 4.01 as in effect prior to May 31, 2001 or, for awards with respect to Years beginning with 2001, the earlier of either (i) a date certain in any year prior to Termination or (ii) after Termination, in accordance with Section 4.01 and which until paid shall, subject to paragraph (1) of Section 7.01, be represented by Investment Accounts maintained for such Executive in accordance with Section 5.01.

“Distribution Date” means the date or dates on which an Executive elects to have a Deferred Award paid pursuant to his election under Section 4.01, including any election under Section 4.01 as in effect prior to May 31, 2001.

“Executive” means any person who was a regular employee of the Company or a Subsidiary (including directors who are also such employees) for all or part of the Year in respect of which awards are made under the Plan and who, in the judgment of the Committee, contributed in a significant manner to the operations and business of the Company or a Subsidiary for such Year.

“Immediate Cash Award” means an award under the Plan payable in cash pursuant to Section 4.03 as promptly as practicable after the close of the Year for which the award is made or, in the sole discretion of the Committee, in December of the year for which the award is made.

“Incentive Reserve Account” means the account established by the Company pursuant to Section 3.01.

“Investment Account” means one of the accounts established by the Company pursuant to Section 5.01.

“Plan” means this Executive Incentive Plan as amended from time to time.

“Subsidiary” means any corporation of which the Company owns directly or indirectly at least a majority of the outstanding shares of voting stock and which by action of its board of directors has adopted the Plan.

“Termination” means termination of employment with the Company and its Subsidiaries, for any reason, including retirement and death. The disposition or sale of Overnite Corporation or

an initial public offering of Overnite Corporation will not be considered a termination of employment for purposes of this Plan.

“**Valuation Date**” means each Business Day or any other date on which the Committee determines that a valuation of Investment Accounts shall be made.

“**Year**” means a calendar year.

2. ADMINISTRATION OF THE PLAN

Section 2.01. The Plan shall be administered by a Committee which shall consist of at least three members designated by the Board to serve at its pleasure. Such members shall be members of the Board and shall not be officers or employees of the Company or any Subsidiary. The Committee shall determine the Executives to whom awards are granted under the Plan and the amounts of awards payable to such Executives out of the Incentive Reserve Account, and shall otherwise be responsible for the administration and interpretation of the Plan. The Committee shall supervise and be responsible for the maintenance of the various accounts under the Plan and for determining the amounts and, subject to Sections 4.03 and 6.01, the times of payments or distributions of awards. The Committee may delegate its authority under the Plan to the Senior Vice President-Human Resources of the Company to administer the Plan and may grant authority to such person to execute agreements or other documents relating to the administration of the Plan as such person deems necessary or appropriate. In addition, the Senior Vice President-Human Resources of the Company may make (a) all technical, administrative, regulatory and compliance amendments to the Plan and (b) any other amendment to the Plan that will not significantly increase the cost of the Plan to the Company as such person deems necessary or appropriate. All determinations of the Committee shall be by a majority of its members, and its determinations shall be final. Each member of the Committee, while serving as such, shall be considered to be acting in his capacity as a Director of the Company.

3. INCENTIVE RESERVE ACCOUNT

Section 3.01. The Company shall establish an Incentive Reserve Account to which amounts available for awards to Executives shall be credited and which shall be debited as such awards are made by the Committee. The Board may cause to be credited to such Incentive Reserve Account such amount for each Year, beginning with 1983 during which the Plan remains in effect as it, in its discretion, may determine provided that the amount so credited for any Year shall not exceed the following limitation:

The maximum amount that may be credited to the Incentive Reserve Account for any Year is 1.5% of Net Income for such Year when the Return on Average Annual Total Stockholders' Equity is 10.0% and is 3.0% of Net Income for such Year when the Return on Average Annual Total Stockholders' Equity is 12.0% or more. At intermediate levels of Return on Average Annual Total Stockholders' Equity (between 10.0% and 12.0%), the maximum percentage of Net Income that

may be credited to the Incentive Reserve Account for such Year shall increase 0.075% for each incremental 0.1% increase in the Return on Average Annual Total Stockholders' Equity. Net Income is the consolidated net earnings from continuing operations of the Company (before extraordinary items) determined in conformity with generally accepted accounting principles before giving effect to provisions for amounts to be credited to the Incentive Reserve Account for such year. Average Annual Total Stockholders' Equity is calculated as the average of (i) total stockholders' equity, including preferred stock, as shown on the consolidated financial statements of the Company at the beginning of each year and (ii) total stockholders' equity, including preferred stock, as shown on the consolidated financial statements of the Company at the end of such year, adjusted in the case of clause (ii) to include income from continuing operations before extraordinary items (determined in conformity with generally accepted accounting principles) and amounts to be credited to the Incentive Reserve Account under the Plan for such year.

The amount of Net Income and the percentage Return on Average Annual Total Stockholders Equity shall be computed and reported to the Board and the Committee at the end of each Year by the Company. The Committee shall obtain a report from the Company's independent certified public accountants stating that the computation of the amount credited to the Incentive Reserve Account at the end of the Plan Year was made in accordance with the provisions of the Plan and their report shall be final and binding. Any amounts credited to the Incentive Reserve Account which are not awarded with respect to such Year may, on direction of the Committee, be awarded in future Years during which the Plan remains in effect.

4. AWARDS UNDER THE PLAN

Section 4.01. Prior to September 30 of each Year, beginning with 2001, an Executive shall file with the Committee an election on a form prescribed by the Committee for such purpose specifying the percent in multiples of 1% of any award which may be granted to him with respect to such Year to be in the form of an Immediate Cash Award or a Deferred Award in one or more Investment Accounts.

An Accountholder, whether or not currently employed by the Company or a Subsidiary, may elect to convert the value of his account, if any, in any Investment Account to equivalent value accounts in any other Investment Accounts as of a Valuation Date, provided that the Committee has received such notice of the conversion as the Committee may require, and provided further that, unless the Committee shall in its sole discretion determine otherwise, an Accountholder may make conversions only in such amounts and at such times as are allowable for changes in investment elections under the terms of the Union Pacific Corporation Thrift Plan. The Committee shall cause such conversions to be effected by transferring equivalent amounts from the one such account to the other, all as of such Valuation Date.

In addition, for awards made with respect to Years beginning with 2001, an Executive may also specify on a form prescribed by the Committee for such purpose whether he wishes payment of Deferred Awards to be made on the earlier of either (i) a date certain in any year prior to Termination, such payment to be in full in cash on such date, or (ii) upon Termination in accordance with the provisions of Sections 6.01 through 6.04. For Deferred Awards deferred until Termination, the Executive shall select one of the payment methods outlined in Section 6.01 at the time an election is made.

An election made as to the date for the payment of a Deferred Award shall be subject to change by such Executive before September 30 of any Year on a form prescribed by the Committee for such purpose with respect to any awards made for such Year. An Executive may change the payment method for a Deferred Award deferred until Termination pursuant to Section 6.01 at any time provided, however, that the change in payment method is made at least six (6) months prior to the effective date of Termination and in the tax year prior to the effective date of Termination.

Designation or election shall not entitle an Executive to any award for any Year but the form of award, if any, for any Year to such Executive shall be in accordance with such election. If an Executive has not been so designated as eligible for Deferred Awards, or an election for Deferred Awards is not in effect for him, any award granted to him for any Year shall be in the form of an Immediate Cash Award.

Section 4.02. For awards deferred to a date or dates certain, an Executive may make an election to extend a Distribution Date (a "Redeferral Election") for all or a portion of an award to a future date certain in any year prior to Termination or until Termination or a combination thereof. For Redeferral Elections to a future date certain to be effective, the Committee shall receive the Redeferral Election at least six (6) months prior to the date on which the Deferred Award is payable and in the tax year prior to the Year in which the Deferred Award is payable. For Redeferral Elections to Termination to be effective, the Committee shall receive the Redeferral Election the earlier of at least six (6) months prior to the effective date of Termination or six (6) months prior to the date on which the Deferred Award is payable and in the earlier of the tax year prior to the effective date of Termination or the tax year prior to the Year in which the Deferred Award is payable. The date of the redeferral, whether a future date certain or Termination, shall not be earlier than the Distribution Date previously selected by the Executive.

All Redeferral Elections must be made in writing on such forms and pursuant to such rules as the Committee may prescribe. For awards redeferred until Termination, the Executive shall select one of the payment methods outlined in Section 6.01 at the time a Redeferral Election is made.

Section 4.03. As soon as practicable after the close of each Year, or in December of any Year if so determined by the Committee, beginning with 1971, the Committee may grant awards payable out of the Incentive Reserve Account to such Executives in such dollar amounts as it in its sole discretion shall determine, subject to Section 4.03, and the amount of each such award shall be debited to the Incentive Reserve Account. Except to the extent that Deferred Awards are elected pursuant to Section 4.01, any award under the Plan granted to an Executive for any Year shall be

paid to him or to his Beneficiary in a lump sum in cash as promptly as practicable after such award is granted.

Section 4.04. No Covered Executive shall receive an award for any Year in excess of (i) .25% of Covered Income for such Year, in the case of the Chief Executive Officer of the Company, and (ii) .15% of Covered Income for such Year, in the case of any other Covered Executive. Covered Executive means an Executive whose compensation is subject to the limitations on deductibility set forth in Section 162(m) of the Code. Covered Income for a Year is the greater of (a) the consolidated net earnings from continuing operations of the Company for such Year, before extraordinary items, special charges and the cumulative effect of accounting changes, determined in accordance with generally accepted accounting principles, and (b) such net earnings for the first eleven months of such Year.

5. DEFERRED AWARDS

Section 5.01. The Company shall from time to time establish on its books one or more Investment Accounts. In the case of each Executive, if and when a Deferred Award is granted to him, the Committee shall credit to an account maintained for him in one or more Investment Accounts the equivalent amount of such award in accordance with his election. Each Investment Account shall have such name, and be charged or credited pursuant to such method, as the Committee shall determine upon establishment of such Investment Account, provided such method is consistent with the requirements of Section 162(m) of the Code for performance-based compensation. The Committee may change such names or methods for any Investment Account, but no such change shall reduce any amount previously accrued in an Accountholder's account. The Committee shall cause each Investment Account to be valued as of each Valuation Date by such person or persons as it in its sole discretion shall determine and such valuation shall be conclusive for all purposes of the Plan. The value of any Investment Account for the purpose of making payment of a Deferred Award shall be the value of such Investment Account as of the Valuation Date last preceding such payment. Compensation paid in respect of any Investment Account shall result in corresponding reduction in the value of such accounts. The amounts credited in Investment Accounts shall represent general liabilities of the Company and shall not constitute a trust fund or otherwise create any property interest in any Accountholder or his Beneficiary.

Section 5.02. The provisions of Section 5.01 shall be subject to the provisions of paragraph (1) of Section 7.01.

6. PAYMENT OR DELIVERY OF DEFERRED AWARDS

Section 6.01. Upon termination of an Executive, the Committee shall cause cash in respect of any balances in the accounts maintained for such Executive in any Investment Account to be paid or delivered to him or his Beneficiary as selected by the Executive according to his election as follows:

(i) in a single distribution, an amount in cash equal to the value of the accounts maintained for him in all Investment Accounts, all such cash being paid in the Year of his Termination or in January of the following Year; or,

(ii) over such number of Years, but not exceeding fifteen, in annual installments of an aggregate amount of cash equal in value at the time of each installment payment to the value of the accounts maintained for him in all Investment Accounts at the Valuation Date next preceding payment divided by the remaining number of such annual installments, the first of such installments to be paid or delivered in the Year of his Termination or in January of the following year and subsequent installments to be paid or delivered in January of each subsequent Year; or

(iii) at a specified future date not to exceed 15 years from the date of such Termination in a single distribution, an amount of cash equal to the value of the accounts maintained for him in all Investment Accounts. Income in respect of Investment Accounts would be paid in cash quarterly to such Executive or his Beneficiary commencing with the first day of the month subsequent to such Executive's Termination.

The most recent election of payment method made by the Executive will apply to all Deferred Awards deferred until Termination provided that the election was made at least six (6) months prior to the effective date of Termination and in the tax year prior to the effective date of Termination. The Committee maintains the sole discretion with respect to how any balances in the accounts maintained for such Executive in any Investment Account are paid or delivered to him or to his Beneficiary for any termination occurring prior to the Executive's election becoming effective.

All payments or distributions attributable to each Deferred Award of an Executive after his Termination shall be made by the Company on its behalf or on behalf of the Subsidiary or Subsidiaries by which he was employed during the Year in which such Deferred Award was earned. The Subsidiary shall reimburse the Company in the amount of such paid Deferred Awards.

Section 6.02. Deferred Awards elected to be paid on a date or dates certain in any year or years prior to Termination shall be paid to the Executive in full in cash on such date or dates. In the case of Termination, any Deferred Awards elected to be paid on a date or dates certain shall be paid to the Executive upon Termination or as soon as administratively feasible thereafter.

Section 6.03. At any time before or after Termination of an Executive who shall have elected to receive one or more Deferred Awards, the Committee, if it finds in its sole discretion that continued deferral of such Awards would result in undue hardship to such Executive or his Beneficiary, may accelerate and pay in cash all or any part of such Deferred Award or Deferred Awards by converting the value of the accounts maintained for him in Investment Accounts into the cash equivalent thereof on the same basis as if a payment in cash were being made as provided in Section 6.01. On the death of an Executive after his Termination, the Committee, in

its sole discretion, may accelerate one or more installments, and change the form of payment or distribution in accordance with Section 6.01, of any balance of his Deferred Awards and, in the event of relevant changes in the Federal income tax laws, regulations and rulings or on termination of the Plan, the Committee may, in its sole discretion, so accelerate or change the form of payment or distribution of any or all Deferred Awards.

Section 6.04. If a Change in Control shall be deemed to have occurred under the Union Pacific Key Employee Continuity Plan, then each Executive with an account maintained for him in an Investment Account shall be entitled to receive, at his option, payment in accordance with Section 6.05.

Section 6.05. Notwithstanding the other provisions of the Plan to the contrary, an Executive may request a withdrawal from his accounts maintained for him in any Investment Account by filing a request with the Committee or its designee in writing. Payment will be made to the Executive within thirty (30) days of the approval of such a request. Any withdrawal under this Section will be charged with a 10% early withdrawal penalty that will be withheld from the amount withdrawn and such amount withheld shall be irrevocably forfeited.

Section 6.06. The provisions of Sections 6.01, 6.02 and 6.03 shall be subject to the provisions of paragraph (1) of Section 7.01.

7. GENERAL PROVISIONS

Section 7.01.

(1) Anything in the Plan otherwise to the contrary notwithstanding, the Board may at any time under such circumstances as it in its sole discretion may determine, convert all the accounts of Accountholders in the Investment Accounts into cash credits, with future credits to the accounts of Accountholders being made solely in cash. Accounts shall be so converted on the basis of the value thereof as of the last preceding Valuation Date. Any such cash credits to the accounts of Accountholders shall, after such conversion, solely bear interest until paid to the Accountholder or his Beneficiary compounded annually at such annual rate of interest as may be fixed by the Board. The granting and payment of Deferred Awards in respect of such cash credits shall otherwise be in accordance with the other provisions of the Plan with such adjustments therein as the Committee may deem appropriate.

(2) Neither the Plan nor the payment of benefits hereunder nor any action by the Company, any Subsidiary or the Committee shall be held or construed to confer upon any person any right to be continued in the employ of the Company or of a Subsidiary and the Company and each Subsidiary expressly reserves the right to discharge, without liability, any Executive whenever in its sole discretion its interest may so require.

(3) No member of the Board or the Board of Directors of any Subsidiary or of the Committee or any person to whom the Committee has delegated its authority hereunder shall be liable for any

action, or action hereunder, whether of commission or omission, except in circumstances involving his bad faith, for anything done or omitted to be done by himself.

(4) The Company or any Subsidiary shall not be required to segregate cash for any Investment Account.

(5) Notwithstanding the fact that an Investment Account may use Company Stock to determine amounts credited or debited thereto, no Executive shall have voting or other rights with respect to shares of such Company Stock.

(6) The Company or any Subsidiary shall not, by virtue of any provisions of this Plan or by any action by any person hereunder, be deemed to be a trustee or other fiduciary of any property for any Accountholder or any Beneficiary of an Accountholder and the liabilities of the Company or of any Subsidiary to any Accountholder or his Beneficiary pursuant to the Plan shall be those of a debtor only pursuant to such contractual obligations as are created by the Plan, and no such obligation of the Company or of any Subsidiary shall be deemed to be secured by any pledge or other encumbrance on any property of the Company or of any Subsidiary.

(7) Except to the extent of the rights of the Beneficiary of an Accountholder, no benefit payable under, or interest in, the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void; and no such benefit or interest shall be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of any Accountholder, former Accountholder or his Beneficiary. If any Accountholder, former Accountholder or Beneficiary shall become bankrupt or shall attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit payable under, or interest in, the Plan, then the Committee in its discretion may hold or apply such benefit or interest or any part thereof to or for the benefit of such Accountholder, former Accountholder, or his Beneficiary, his spouse, children, blood relatives or other dependents, or any of them, in such manner and in such proportions as the Committee may consider proper.

(8) The Company shall on its behalf and on behalf of its Subsidiaries withhold from payment of distribution of the Awards the required amounts of income and other taxes.

(9) No member of the Committee shall be eligible for an award under the Plan.

(10) All questions pertaining to the construction, regulation, validity and effect of the Plan shall be determined in accordance with the laws of the State of New York.

8. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

Section 8.01. The Board may from time to time amend, suspend or terminate the Plan in whole or in part, and, if suspended or terminated, may reinstate any of or all of its provisions, except that without the consent of the Executive, or, if he is not living, his Beneficiary, no amendment, suspension or termination of the Plan shall be made which materially adversely affects his rights with respect to awards previously made to him and except that the limitations set forth in Section 3.01 with respect to the amount of awards which may be granted under the Plan may be increased only with the approval of a majority of the stockholders of the Company present, in person or by proxy, at a meeting of such stockholders at which a quorum is present. In the absence of action by the stockholders of the Company, no awards shall be made under the Plan with respect to years after the calendar year 2005 and the Plan shall automatically terminate after all Deferred Awards made prior thereto shall have been paid or distributed. Notwithstanding the foregoing, no amendment which is material for purposes of the shareholder approval requirement of Section 162(m) of the Code shall be effective in the absence of action by the stockholders of the Company.

Ratio of Earnings to Fixed Charges*Union Pacific Corporation and Subsidiary Companies**(Unaudited)*

Millions of Dollars, Except Ratios	Three Months Ended September 30,	
	2003	2002
Earnings:		
Income from continuing operations before cumulative effect of accounting change	\$300	\$388
Undistributed equity earnings	(14)	(18)
Total earnings	286	370
Income taxes	167	234
Fixed charges:		
Interest expense including amortization of debt discount	140	157
Portion of rentals representing an interest factor	40	11
Total fixed charges	180	168
Earnings available for fixed charges	\$633	\$772
Ratio of earnings to fixed charges	3.5	4.6

Ratio of Earnings to Fixed Charges*Union Pacific Corporation and Subsidiary Companies**(Unaudited)*

Millions of Dollars, Except Ratios	Nine Months Ended September 30,	
	2003	2002
Earnings:		
Income from continuing operations before cumulative effect of accounting change	\$ 723	\$ 897
Undistributed equity earnings	24	(39)
Total earnings	747	858
Income taxes	413	532
Fixed charges:		
Interest expense including amortization of debt discount	440	478
Portion of rentals representing an interest factor	118	32
Total fixed charges	558	510
Earnings available for fixed charges	\$1,718	\$1,900
Ratio of earnings to fixed charges	3.1	3.7

**CERTIFICATION
OF PRINCIPAL EXECUTIVE OFFICER**

I, Richard K. Davidson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Union Pacific Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2003

/s/ Richard K. Davidson

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

**CERTIFICATION
OF PRINCIPAL FINANCIAL OFFICER**

I, James R. Young, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Union Pacific Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2003

/s/ James R. Young

James R. Young
Executive Vice President — Finance
Union Pacific Corporation

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Richard K. Davidson, Chairman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Richard K. Davidson

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

November 13, 2003

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, James R. Young, Executive Vice President-Finance of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ James R. Young

James R. Young
Executive Vice President — Finance
Union Pacific Corporation

November 13, 2003

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.