FORM 10-Q

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

(Mark One)

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

For the quarterly period ended June 30, 2001

\- OR -

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

For the transition period from ___________________ to ________________

Commission file number 1-6075

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

UTAH	13-2626465
(State or other jurisdiction of incorporation or organization)	(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 X NO

As of July 31, 2001, there were 248,345,605 shares of the Registrant's Common Stock outstanding.

UNION PACIFIC CORPORATION
INDEX

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Three Months Ended June 30,

	Millions, Except Per Share and Ratios	2001	2000
OPERATING REVENUES	Rail, trucking and other	$2,998	$2,966
OPERATING EXPENSES	Salaries, wages and employee benefits	1,063	1,040
	Equipment and other rents	331	310
	Depreciation	293	283
	Fuel and utilities	338	311
	Materials and supplies	145	155
	Casualty costs	87	84
	Other costs	247	241
	Total	2,504	2,424
INCOME	Operating Income	494	542
	Other income - net	75	24
	Interest expense	(178)	(180)
	Income before Income Taxes	391	386
	Income taxes	(148)	(142)
	Net Income	$ 243	$ 244
PER SHARE	Basic - Net Income	$ 0.98	$ 0.99
	Diluted - Net Income	$ 0.95	$ 0.96
	Weighted Average Number of Shares (Basic)	247.7	246.4
	Weighted Average Number of Shares (Diluted)	271.9	269.4
	Dividends Declared	$ 0.20	$ 0.20
	Ratio of Earnings to Fixed Charges	3.1	2.7

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

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Six Months Ended June 30,

	Millions, Except Per Share and Ratios	2001	2000
OPERATING REVENUES	Rail, trucking and other	$5,941	$5,872
OPERATING EXPENSES	Salaries, wages and employee benefits	2,148	2,105
	Equipment and other rents	660	625
	Depreciation	585	565
	Fuel and utilities	690	622
	Materials and supplies	284	311
	Casualty costs	185	178
	Other costs	456	472
	Total	5,008	4,878
INCOME	Operating Income	933	994
	Other income - net	105	44
	Interest expense	(359)	(362)
	Income before Income Taxes	679	676
	Income taxes	(255)	(247)
	Net Income	$ 424	$ 429
PER SHARE	Basic - Net Income	$ 1.71	$ 1.74
	Diluted - Net Income	$ 1.67	$ 1.70
	Weighted Average Number of Shares (Basic)	247.3	246.4
	Weighted Average Number of Shares (Diluted)	271.4	269.4
	Dividends Declared	$ 0.40	$ 0.40
	Ratio of Earnings to Fixed Charges	2.8	2.6

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

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Union Pacific Corporation and Subsidiary Companies

	Millions of Dollars	(Unaudited) June 30, 2001	Dec. 31, 2000
ASSETS			
Current Assets	Cash and temporary investments........................	$ 130	$ 105
	Accounts receivable - net	640	597
	Inventories...	309	360
	Current deferred tax asset............................	118	89
	Other current assets..................................	162	134
	Total...	1,359	1,285
Investments	Investments in and advances to affiliated companies...	667	644
	Other investments.....................................	100	96
	Total...	767	740
Properties	Cost..	35,755	35,458
	Accumulated depreciation..............................	(7,330)	(7,262)
	Net...	28,425	28,196
Other	Other assets..	440	278
	Total Assets..	$30,991	$30,499
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities	Accounts payable......................................	$ 580	$ 658
	Accrued wages and vacation............................	433	422
	Accrued casualty costs................................	407	409
	Income and other taxes................................	251	234
	Dividends and interest................................	260	265
	Debt due within one year	200	207
	Other current liabilities	627	767
	Total...	2,758	2,962
Other Liabilities and Shareholders' Equity	Debt due after one year	8,299	8,144
	Deferred income taxes.................................	7,377	7,143
	Accrued casualty costs................................	772	834
	Retiree benefits obligation...........................	751	745
	Other long-term liabilities	501	509
	Commitments and contingencies		
	Company-obligated Mandatorily Redeemable Convertible Preferred Securities	1,500	1,500
	Common shareholders' equity	9,033	8,662
	Total Liabilities and Shareholders' Equity............	$30,991	$30,499

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Six Months Ended June 30

	Millions of Dollars	2001	2000
OPERATING ACTIVITIES	Net Income	$ 424	$ 429
	Non-cash charges to income:		
	Depreciation	585	565
	Deferred income taxes	203	200
	Other - net	(116)	(134)
	Changes in current assets and liabilities	(253)	(26)
	Cash Provided by Operating Activities	843	1,034
INVESTING ACTIVITIES	Capital investments	(792)	(817)
	Proceeds from sale of assets and other investing activities	(111)	(155)
	Cash Used in Investing Activities	(903)	(972)
FINANCING ACTIVITIES	Dividends paid	(99)	(101)
	Debt repaid	(439)	(539)
	Financings	623	475
	Cash Provided by (Used in) Financing Activities	85	(165)
	Net Change in Cash and Temporary Investments	25	(103)
	Cash and Temporary Investments at Beginning of Period	105	175
	Cash and Temporary Investments at End of Period	$ 130	$ 72
CHANGES IN CURRENT ASSETS AND LIABILITIES	Accounts receivable	$ (43)	$ 12
	Inventories	51	13
	Other current assets	(57)	(8)
	Accounts, wages and vacation payable	(67)	56
	Debt due within one year	(7)	(8)
	Other current liabilities	(130)	(91)
	Total	$ (253)	$ (26)
SUPPLEMENTAL CASH FLOW INFORMATION	Cash paid during the year for:		
	Interest	$ 371	$ 397
	Income taxes - net	1	7

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
For the Six Months Ended June 30, 2001

Millions of Dollars	[a] Common Shares	Paid-in-Surplus	Retained Earnings	[b] Treasury Stock	Accumulated Other Comprehensive Income (Loss): Minimum Pension Liability Adjustment	Foreign Currency Translation Adjustments	Derivative Adjustments	Total	Total
Balance at December 31, 2000	$ 688	$ 4,024	$ 5,699	$ (1,749)	$ (2)	$ 2	$ --	$ --	$8,662
Net Income	--	--	424	--	--	--	--	--	424
Other Comprehensive Income (Loss), net of tax:									
Minimum Pension Liability Adjustment	--	--	--	--	--	--	--	--	--
Foreign Currency Translation Adjustments	--	--	--	--	--	4	--	4	4
Derivative Adjustments	--	--	--	--	--	--	--	--	--
Comprehensive Income	428								
Conversion, exercises of stock options, forfeitures and other ...	1	(37)	--	78	--	--	--	--	42
Dividends declared ($0.40 per share)	--	--	(99)	--	--	--	--	--	(99)
Balance at June 30, 2001	$ 689	$ 3,987	$ 6,024	$ (1,671)	$ (2)	$ 6	--	$ 4	$9,033

[a] Common stock $2.50 par value; 500,000,000 shares authorized; 275,233,975 shares issued at beginning of period; 275,488,325 shares issued at end of period.

[b] 27,183,695 treasury shares at end of period, at cost.

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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 Statement of Consolidated Financial Position at December 31, 2000 is derived from audited financial statements. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Union Pacific Corporation's (the Corporation or UPC) Annual Report to Shareholders incorporated by reference in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000. The results of operations for the three months and six months ended June 30, 2001 are not necessarily indicative of the results for the entire year ending December 31, 2001. Certain prior year amounts have been reclassified to conform to the 2001 financial statement presentation.

2. SEGMENTATION - Union Pacific Corporation consists of two reportable segments, rail and trucking, and UPC's other product lines (other operations). The rail segment includes the operations of the Corporation's wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR's subsidiaries and rail affiliates (collectively, the Railroad). The trucking segment includes the Corporation's wholly owned subsidiary, Overnite Transportation Company (Overnite). The Corporation's "other" product lines are comprised of the corporate holding company (which largely supports the Railroad), Fenix LLC and affiliated technology companies (Fenix), self-insurance activities, and all appropriate consolidating entries.

The following table details reportable financial information for UPC's segments and other operations for the three months and six months ended June 30, 2001 and 2000:

	Three Months Ended		Six Months Ended	
Millions of Dollars	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Operating revenues[a]:				
Rail	$ 2,700	$ 2,674	$ 5,355	$ 5,304
Trucking	290	283	570	552
Other	8	9	16	16
Consolidated	$ 2,998	$ 2,966	$ 5,941	$ 5,872
Operating income (loss):				
Rail	$ 491	$ 539	$ 940	$ 1,004
Trucking	16	17	25	17
Other	(13)	(14)	(32)	(27)
Consolidated	$ 494	$ 542	$ 933	$ 994
Assets:				
Rail	$ 29,827	$ 29,087	$ 29,827	$ 29,087
Trucking	654	657	654	657
Other	510	458	510	458
Consolidated	$ 30,991	$ 30,202	$ 30,991	$ 30,202

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

3. ACQUISITIONS

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

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

Merger Liabilities - In 1996, UPC recognized a $958 million pre-tax liability in the SP purchase price allocation for costs associated with SP's portion of these activities. Merger liability activity reflected cash payments for merger consolidation activities and reclassification of contractual obligations from merger liabilities to contractual liabilities. In addition, where merger implementation has varied from the original merger plan, the Corporation has adjusted the merger liability and the fair value allocation of SP's purchase price to fixed assets to eliminate the variance. Where the merger implementation has caused the Corporation to incur more costs than were envisioned in the original merger plan, such costs are charged to expense in the period incurred. For the three months and six months ended June 30, 2001, the Corporation charged $9 million and $11 million, respectively, against the merger liability. The remaining merger payments will be made during 2001 as labor negotiations are implemented, and related merger consolidation activities are finalized.

The components of the merger liability as of June 30, 2001 were as follows:

Millions of Dollars	Original Liability	Cumulative Activity	June 30, 2001 Liability
Labor protection related to legislated and contractual obligations	$ 361	$ 361	$ --
Severance and related costs	343	281	62
Contract cancellation fees and facility and line closure costs	145	141	4
Relocation costs	109	97	12
Total	$ 958	$ 880	$ 78

4. FINANCIAL INSTRUMENTS

ADOPTION OF STANDARD - Effective January 1, 2001, the Corporation adopted Financial Accounting Standards Board Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133) and Financial Accounting Standards Board Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (FAS 138). FAS 133 and FAS 138 requires that the changes in fair value of all derivative financial instruments the Corporation uses for fuel or interest rate hedging purposes be recorded in the Corporation's consolidated statements of financial position. In addition, to the extent fuel hedges are ineffective due to pricing differentials resulting from the geographic dispersion of the Corporation's operations, income statement recognition of the ineffective portion of the hedge position will be required. The adoption of FAS 133 and FAS 138 resulted in the recognition of a $2 million asset on January 1, 2001. Activity through June 30, 2001, is disclosed within the following narrative and tables.

STRATEGY AND RISK - The Corporation and its subsidiaries use derivative financial instruments in limited instances and for other than trading purposes to manage risk related to changes in fuel prices and to achieve the Corporation's interest rate objectives. The Corporation uses swaps, 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 gains 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 whose value fluctuations highly correlate with the underlying item being hedged. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring high credit standards for counterparties and periodic settlements. There was no credit risk associated with the Corporation's counterparties at June 30, 2001. There was a $2 million credit risk associated with the Corporation's counterparties at December 31, 2000. The Corporation has not been required to provide collateral; however, UPC has received collateral relating to its hedging activity where the concentration of credit risk was substantial.

DETERMINATION OF FAIR VALUE - The fair market values of the Corporation's derivative financial instrument positions at June 30, 2001 and December 31, 2000, detailed below, were determined based upon current fair market values as quoted by recognized dealers or developed based upon the present value of expected future cash flows discounted at the applicable U.S. Treasury rate and swap spread.

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

In May 2001, the Corporation entered into an interest rate swap on $200 million of debt with a maturity date of May 2004. The swap allowed the Corporation to convert the debt from a fixed rate to a variable rate and thereby hedge the risk of changes in the debt's fair value attributable to the changes in the benchmark interest rate (LIBOR). The swap has been accounted for using the short-cut method as allowed by FAS 133; and 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 periodically use swaps, futures and/or forward contracts to mitigate the impact of adverse fuel price changes.

The following is a summary of the Corporation's derivative financial instruments at June 30, 2001 and December 31, 2000:

Millions Except Percentages and Average Commodity Prices	June 30, 2001	December 31, 2000
Interest Rate Hedging:		
Amount of debt hedged	$ 200	$ --
Percentage of total debt portfolio	2%	--
Rail Fuel Hedging:		
Number of gallons hedged for the remainder of 2001 [a]	50	101
Percentage of forecasted 2001 fuel consumption hedged	8%	8%
Average price of 2001 hedges outstanding (per gallon) [b]	$ 0.68	$ 0.68
Trucking Fuel Hedging:		
Number of gallons hedged for the remainder of 2001	--	--
Percentage of forecasted 2001 fuel consumption hedged	--	--
Average price of 2001 hedges outstanding (per gallon) [b]	--	--

[a] Rail fuel hedges expire December 31, 2001.

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

The asset and liability positions of the Corporation's outstanding derivative financial instruments at June 30, 2001 and December 31, 2000 were as follows:

Millions of Dollars	June 30, 2001	December 31, 2000
Interest Rate Hedging:		
Gross fair market asset position	$ --	$ --
Gross fair market (liability) position	--	--
Rail Fuel Hedging:		
Gross fair market asset position	--	2
Gross fair market (liability) position	--	--
Trucking Fuel Hedging:		
Gross fair market asset position	--	--
Gross fair market (liability) position	--	--
Total net asset position	$ --	$ 2

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

The Corporation's use of derivative financial instruments had the following impact on pre-tax income for the three months and six months ended June 30, 2001 and June 30, 2000:

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of Dollars	2001	2000	2001	2000
Decrease in interest expense from interest rate hedging	$ --	$ --	$ --	$ --
Decrease in fuel expense from rail fuel hedging	2	10	4	20
Decrease in fuel expense from trucking fuel hedging	--	--	--	1
Increase in pre-tax income	$ 2	$ 10	$ 4	$ 21

At June 30, 2001, there was no ineffectiveness recorded within fuel expense for hedging.

SALE OF RECEIVABLES - The Railroad has sold, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable to third parties through a bankruptcy-remote subsidiary. The amount of receivables sold fluctuates based upon the availability of the designated pool of receivables and is directly affected by changing business volumes and credit risks. At June 30, 2001 and December 31, 2000, accounts receivable are presented net of approximately $600 million receivables sold.

5. DEBT

CREDIT FACILITIES - On June 30, 2001, the Corporation had $2.0 billion in revolving credit facilities, of which $1.0 billion expires in March 2002, with the remaining $1.0 billion expiring in 2005. The facilities, which were entered into during March 2001 and March 2000, respectively, are designated for general corporate purposes.

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

SHELF REGISTRATION STATEMENT AND SIGNIFICANT NEW BORROWINGS - During May 2001, under an existing shelf registration statement, the Corporation issued the remaining $200 million of debt securities available as fixed rate debt with a maturity date of May 25, 2004. Simultaneously, the Corporation entered into a swap converting the debt from a fixed rate to a variable rate (see note 4 to the consolidated financial statements). The proceeds from the issuance of this debt were used for repayment of debt and other general corporate purposes.

In June 2001, the Corporation filed a $1.0 billion shelf registration statement, which became effective June 14, 2001. Under the 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. The total offering price of these securities, in the aggregate, will not exceed $1.0 billion. At June 30, 2001, the Corporation had $1.0 billion remaining for issuance under this shelf registration. The Corporation has no immediate plans to issue equity securities.

6. EARNINGS PER SHARE - The following table provides a reconciliation between basic and diluted earnings per share for the three months and six months ended June 30, 2001 and 2000:

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions, Except Per Share Amounts	2001	2000	2001	2000
Income Statement Data:				
Net income available to common shareholders - Basic	$ 243	$ 244	$ 424	$ 429
Dilutive effect of interest associated with the CPS	15	15	30	30
Net income available to common shareholders - Diluted	$ 258	$ 259	$ 454	$ 459
Weighted-Average Number of Shares Outstanding:				
Basic	247.7	246.4	247.3	246.4
Dilutive effect of common stock equivalents	24.2	23.0	24.1	23.0
Diluted	271.9	269.4	271.4	269.4
Earnings Per Share:				
Basic	$ 0.98	$ 0.99	$ 1.71	$ 1.74
Diluted	$ 0.95	$ 0.96	$ 1.67	$ 1.70

7. OTHER INCOME - Other income included the following for the three months and six months ended June 30, 2001 and 2000:

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of Dollars	2001	2000	2001	2000
Net gain on non-operating asset dispositions	$ 64	$ 12	$ 81	$ 22
Rental income	19	15	36	29
Interest income	3	3	5	5
Other - net	(11)	(6)	(17)	(12)
Total	$ 75	$ 24	$ 105	$ 44

8. RATIO OF EARNINGS TO FIXED CHARGES - The ratio of earnings to fixed charges has been computed on a consolidated basis. Earnings represent net income less equity in undistributed earnings of unconsolidated affiliates, plus income taxes and fixed charges. Fixed charges represent interest, amortization of debt discount and the estimated interest portion of rental charges.

9. COMMITMENTS AND CONTINGENCIES - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to federal, state and local environmental laws and regulations, pursuant to which it is currently participating in the investigation and remediation of numerous sites. For environmental sites where remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. At June 30, 2001, the Corporation had accrued $177 million for estimated future environmental costs and believes it is reasonably possible that actual environmental costs may differ from such estimate.

In addition, the Corporation and its subsidiaries periodically enter into financial and other commitments in connection with their businesses. It is not possible at this time for the Corporation to determine fully the effect of all unasserted claims on its consolidated financial condition, results of operations or liquidity; however, to the extent possible, where unasserted claims can be estimated and where such claims are considered probable, the Corporation has recorded a liability. The Corporation does not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities or guarantees will have a material adverse effect on its consolidated financial condition, results of operations or liquidity.

10. ACCOUNTING PRONOUNCEMENTS - In September 2000, the Financial Accounting Standards Board issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 140), replacing Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125). FAS 140 revises criteria for accounting for securitizations, other financial asset transfers and collateral, and introduces new disclosures. FAS 140 was effective for fiscal 2000 with respect to the new disclosure requirements and amendments of the collateral provisions originally presented in FAS 125. All other provisions are effective for transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001. The provisions are to be applied prospectively with certain exceptions. The obligation of FAS 140 did not have a significant impact on the Corporation's consolidated financial statements.

In July 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations" (FAS 141). FAS 141 revises the method of accounting for business combinations and eliminates the pooling method of accounting. FAS 141 is effective for all business combinations that are initiated or completed after June 30, 2001. Management believes the financial impact that FAS 141 will have on the Corporation's consolidated financial statements will not be significant.

Also in July 2001, the Financial Accounting Standards Board issued Statement No. 142, "Goodwill and Other Intangible Assets" (FAS 142). FAS 142 revises the method of accounting for goodwill and other intangible assets. FAS 142 does not allow the amortization of goodwill, but requires goodwill to be tested for impairment at least annually at a reporting unit level. FAS 142 is effective for the Corporation's fiscal year beginning January 1, 2002. Management believes the financial impact that FAS 142 will have on the Corporation's consolidated financial statements will not be significant.

In addition, in July 2001, the Financial Accounting Standards Board voted to issue Statement No. 143, "Accounting for Asset Retirement Obligations" (FAS 143). FAS 143 requires the Corporation to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and is effective for the Corporation's fiscal year beginning January 1, 2003. Management is in the process of evaluating the impact this standard will have on the Corporation's consolidated financial statements.

11. WORK FORCE REDUCTION PLAN - Prompted by signs of an economic slowdown, the Corporation's Board of Directors approved a work force reduction plan (the Plan) in the fourth quarter of 2000. The Plan calls for the elimination of approximately 2,000 Railroad positions during 2001. The positions will be eliminated through a combination of attrition, subsidized early retirement and involuntary layoffs and will affect agreement and non-agreement employees across the entire 23-state Railroad system. As of June 30, 2001, 1,336 positions had been identified for elimination in accordance with the Plan. Of those eliminations, 895 will be made through subsidized early retirements and involuntary layoffs with the remaining coming through attrition.

The Corporation accrued $115 million pre-tax or $72 million after-tax in the fourth quarter of 2000 for costs related to the Plan. The expense was charged to salaries, wages and employee benefits in the Corporation's 2000 consolidated statement of income. Plan liability activity in 2001 includes $30 million paid in cash or reclassified to contractual liabilities for severance benefits to 390 employees. The remaining $60 million of plan liability activity reflects subsidized early retirement benefits covering 480 employees.

Plan liability activity for 2001 is as follows:

Millions of Dollars	Original Liability	Cumulative Activity	June 30, 2001 Liability
Severance and related costs......	$ 115	$ 90	$ 25

It is expected that the Plan will be completed during the remainder of 2001.

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

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
RESULTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO
THREE AND SIX MONTHS ENDED JUNE 30, 2000

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

CONSOLIDATED

NET INCOME - Net income for the three and six month periods ended June 30, 2001 was $243 million ($0.95 per diluted share) and $424 million ($1.67 per diluted share), respectively, compared to $244 million ($0.96 per diluted share) and $429 million ($1.70 per diluted share) for the comparable periods in 2000. This decrease resulted primarily from wage and benefit inflation and higher fuel prices, partially offset by higher operating revenue, productivity improvements, and real estate sales.

OPERATING REVENUES - Operating revenues increased $32 million (1%) and $69 million (1%) for the three and six month periods ended June 30, 2001, respectively, over the comparable periods in 2000. The growth reflects higher Energy and Agricultural commodity revenue at the Railroad as well as increased revenue at Overnite.

OPERATING EXPENSES - For the three and six month periods ended June 30, 2001, operating expenses increased $80 million (3%) and $130 million (3%), respectively, over the comparable periods in 2000 primarily due to higher fuel prices, rent expense, and salaries, wages and employee benefits expense. Continued improvement in productivity through work force level reductions and cost control initiatives partially offset these increases. Operating expense comparisons by category for the quarters ending June 30, 2001 and June 30, 2000 are discussed below. The factors primarily responsible for the increase or decrease in each category are substantially the same for both the three and six month periods, except as noted.

Salaries, wages, and employee benefits were higher reflecting wage increases and higher benefits expense partially offset by a 2% reduction in employment levels and improved productivity. Equipment and other rents expense also increased as a result of increased locomotive lease expense and longer car cycle times. Car cycle times were adversely affected by lower automotive business levels and poor weather at the Railroad. Depreciation expense increased as a result of the Railroad's capital program in 2000 and the first half of 2001. Fuel and utilities costs rose due to significantly higher fuel prices and increased gross ton miles at the Railroad. The decrease in materials and supplies reflects fewer locomotive overhauls and lower freight car repair costs at the Railroad. Casualty costs increased due to slightly higher settlement costs at the Railroad. Other costs increased 2% and decreased 3% for the three and six month periods, respectively. Cost control and productivity gains at the Railroad for the first six months were partially offset by higher state and local taxes and joint facilities expense at the Railroad during the second quarter of 2001.

OPERATING INCOME - Operating income decreased $48 million (9%) and $61 million (6%) for the three and six month periods ended June 30, 2001, respectively, over the comparable periods in 2000, as higher fuel and wage and benefit expenses more than offset revenue growth and productivity gains at the Railroad and Overnite.

NON-OPERATING ITEMS - Non-operating expense decreased $53 million and $64 million for the three and six months ended June 30, 2001, respectively. The gains were primarily the result of higher income from real estate sales at the Railroad with two transactions accounting for approximately $46 million of the gain. Income taxes for the three and six month periods of 2001 increased $6 million (4%) and $8 million (3%), respectively, over the comparable periods of 2000 reflecting higher pre-tax income and a higher effective state tax rate, in both periods of 2001.

RAIL SEGMENT

NET INCOME - Rail operations reported net income of $262 million and $471 million for the three and six month periods ended June 30, 2001, respectively, compared to net income of $264 million for the second quarter of 2000 and $478 million for the six month period in 2000. Higher fuel prices, labor costs, and rent expense were partially offset by higher commodity revenue, productivity gains, and higher real estate sales income.

OPERATING REVENUES - Rail operating revenues increased $26 million (1%) to a second-quarter record $2.7 billion and $51 million (1%) to a record $5.4 billion for the three and six month periods ended June 30, 2001, respectively, over the comparable periods in 2000. Revenue carloads were flat for the three and six month periods over the comparable periods in 2000 as strong Energy demand offset weakness in the economically sensitive commodities of Automotive, Chemicals, Industrial Products and Intermodal. Second quarter 2001 operating revenue was also adversely affected by flooding in the upper Midwest and in the Houston area.

The following tables summarize rail commodity revenue, revenue carloads and average revenue per car for the periods indicated:

Three Months Ended June 30, 2001	2000	% Change	Commodity Revenue In Millions	Six Months Ended June 30, 2001	2000	% Change
$ 345	$ 334	3	Agricultural	$ 715	$ 684	4
301	307	(2)	Automotive	577	597	(3)
388	424	(9)	Chemicals	778	836	(7)
577	490	18	Energy	1,170	1,019	15
522	525	(1)	Industrial Products	994	1,017	(2)
462	471	(2)	Intermodal	912	912	--
$2,595	$2,551	2	Total	$5,146	$5,065	2

Three Months Ended June 30, 2001	2000	% Change	Revenue Carloads In Millions	Six Months Ended June 30, 2001	2000	% Change
211	213	(1)	Agricultural	430	434	(1)
199	214	(7)	Automotive	384	413	(7)
222	244	(9)	Chemicals	441	476	(7)
516	439	18	Energy	1,053	919	15
374	376	--	Industrial Products	710	731	(3)
689	727	(5)	Intermodal	1,372	1,414	(3)
2,211	2,213	--	Total	4,390	4,387	--

Three Months Ended June 30, 2001	2000	% Change	Average Revenue In Millions	Six Months Ended June 30, 2001	2000	% Change
$1,632	$1,568	4	Agricultural	$1,660	$1,575	5
1,514	1,437	5	Automotive	1,501	1,446	4
1,749	1,741	--	Chemicals	1,764	1,759	--
1,117	1,115	--	Energy	1,111	1,109	--
1,396	1,398	--	Industrial Products	1,400	1,392	1
671	647	4	Intermodal	665	645	3
$1,173	$1,153	2	Total	$1,172	$1,155	1

Agricultural - Agricultural revenue increased for both the three and six month periods of 2001 over the comparable periods in 2000 despite a 1% decline in carloads. Wheat carloads were strong in the first quarter due to Mexico and Gulf exports, however, declined in the second quarter as a result of soft domestic and overseas export demand. Meals and oils shipments showed market share gains from barge traffic and strong European demand. Beverages and fruits and vegetables grew from strong domestic demand and new railroad services introduced last year. Year-to-date, carloads decreased as a result of reduced export demand for corn. Average revenue per car increased primarily due to longer hauls and less low average revenue per car corn shipments.

Automotive - Automotive revenue declined for both the three and six month periods of 2001 over the comparable periods in 2000 as carload volumes fell 7%. These declines were the result of soft consumer demand for vehicles, leading to supplier plant shutdowns to adjust inventories, which also reduced auto materials shipments. Partially offsetting the weak demand was an increase in market share. Average revenue per car increased due to price increases, greater use of boxcars, rather than containers, to support materials shipments and the positive mix impact of fewer materials shipments.

Chemicals - Chemicals revenue and carloads decreased for both the three and six month periods of 2001 over the comparable periods in 2000 as a slowing economy and lower industrial production reduced demand for plastics and liquid and dry chemicals. High natural gas-based raw materials costs reduced production and demand for plastics and fertilizer. Phosphate rock shipments also declined in the second quarter due to a customer production shutdown. Average revenue per car was flat as the positive impact of fewer low average revenue per car phosphate rock shipments was offset by decreased long-haul plastics shipments.

Energy - The Railroad recorded consecutive quarterly records for revenue, carloads, and average coal trains per day out of the Southern Powder River Basin. The growth for both the three and six month periods was the result of high utility demand and market share gains. Cool winter weather and high prices for natural gas and Eastern-sourced coal reduced utility stockpiles compared to a year ago. Delays due to severe weather in the first quarter and flooding in the second quarter partially offset these increases.

Industrial Products - Industrial Products revenue decreased for both the three and six month periods of 2001 over the comparable periods in 2000 as the slowing economy reduced demand for metallic minerals, newsprint and ferrous scrap. In the second quarter, demand for lumber, stone and cement increased over second quarter 2000 levels due to improving construction demand. All three of these commodities were down in the first quarter compared to 2000. Average revenue per car for the six month period increased slightly as price increases offset growth in low average revenue per car stone and cement carloads.

Intermodal - Intermodal revenue was flat for the six month period of 2001 over the comparable period in 2000, as a 2% increase in the first quarter was offset by a 2% decrease in the second quarter. Total carloads year-to-date declined due to the slow economy that reduced both domestic and import demand. Offsetting the loss of carloads was a higher average revenue per car resulting from price increases.

OPERATING EXPENSES - Operating expenses increased $74 million (3%) and $115 million (3%) for the three and six month periods ended June 30, 2001, respectively. Operating expense comparisons by category for the quarter and six-month period ending June 30, 2001 and 2000 are discussed below. The factors primarily responsible for the increase or decrease in each category are substantially the same for both the three and six month periods, except as noted.

Salaries, Wages and Employee Benefits - Labor costs increased $17 million (2%) and $27 million (2%) for the three and six month periods, respectively, over the comparable periods in 2000. The higher expenses were driven primarily by wage and benefit inflation and costs associated with flooding in the Midwest and Houston area. Partially offsetting these cost increases was a reduction in employees and higher train crew productivity.

Equipment and Other Rents - Expenses increased $20 million (7%) and $38 million (7%) for the three and six month periods, respectively, due primarily to increased cycle times and higher locomotive leases. Lower automotive carloads were a driver of the increased cycle time as excess cars were temporarily stored at assembly plants and unloading facilities. Second quarter flooding and resulting lower train speeds also contributed to the cycle time deterioration. Locomotive leases increased due to the acquisition of new, more reliable and fuel efficient units to replace older models in the fleet.

Depreciation - Depreciation increased $8 million (3%) and $18 million (3%) for the three and six month periods, respectively, over comparable periods in 2000, as a result of the Railroad's capital program in 2000 and the first half of 2001. Capital spending was $780 million in the six months ended June 30, 2001, compared to $812 million in the six months ended June 30, 2000.

Fuel and utilities - Expenses were up $27 million (9%) and $67 million (11%) for the three and six month periods, respectively. Higher fuel prices added $25 million of expense in the second quarter and $61 million of expense in the first six months of 2001 over comparable periods in 2000. Additional costs due to higher gross ton miles were offset by a lower diesel fuel consumption rate. In 2001, the Railroad's fuel consumption was 32% hedged at an average of 69 cents per gallon in the first quarter and 8% hedged at 68 cents per gallon in the second quarter (excluding taxes, transportation charges, and regional pricing spreads), which decreased fuel costs by $2 million each quarter. In 2000, the Railroad hedged approximately 10% of its fuel consumption for the three and six month periods, which decreased fuel costs by $10 million and $20 million, respectively. As of June 30, 2001, expected fuel consumption for the remaining six months of 2001 is 8% hedged at 68 cents per gallon excluding taxes, transportation costs and regional pricing spreads (see note 4 to the consolidated financial statements).

Materials and Supplies - Expenses decreased $11 million (8%) and $32 million (11%) for the three and six month periods, respectively, reflecting decreases in locomotive overhauls as well as freight car repairs and purchasing costs. The decrease in locomotive overhauls is due to the acquisition of newer, more reliable units and the retirement of older models in the fleet.

Casualty Costs - Expenses increased $1 million (1%) and $3 million (2%) for the three and six month periods, respectively, primarily due to slightly higher settlement costs.

Other Costs - Expenses increased $12 million (6%) for the second quarter of 2001 and decreased $6 million (1%) for the first six months compared to the same periods in 2000. Cost control and productivity gains for the first six months were partially offset by flooding-related costs, higher state and local taxes and joint facilities expenses in the second quarter.

OPERATING INCOME - Operating income decreased $48 million (9%) to $491 million and $64 million (6%) to $940 million for the three and six months ended June 30, 2001, respectively. The operating ratio for the second quarter of 2001 was 81.8%, 2.0 percentage points worse than 2000's 79.8% operating ratio. The operating ratio for the six months ended June 30, 2001 was 82.4%, 1.3 percentage points worse than 2000's 81.1%.

NON-OPERATING ITEMS - Non-operating expense decreased $53 million and $66 million for the three and six months ended June 30, 2001, respectively. The gains were primarily the result of higher income from real estate sales and lower interest expense. Income taxes increased $7 million for the second quarter and $9 million for the first six months of 2001 reflecting higher pre-tax income and a higher effective state tax rate in 2001.

TRUCKING SEGMENT

OPERATING REVENUES - For the three and six month periods ended June 30, 2001, trucking revenues increased $7 million (2%) to $290 million and $18 million (3%) to $570 million, respectively, over the comparable periods in 2000 despite a decline in volume. The growth resulted primarily from improved service levels, yield initiatives and a fuel surcharge.

OPERATING EXPENSES - For the three and six month periods ended June 30, 2001, operating expenses increased $8 million (3%) to $274 million and $10 million (2%) to $545 million, respectively, over the comparable periods in 2000. Salaries, wages and employee benefits costs increased $10 million (6%) to $175 million and $16 million (5%) to $346 million for the three and six month periods of 2001, respectively, reflecting wage and benefit increases and a 3% increase in employee levels. Fuel and utilities costs were flat at $17 million for the quarter and $35 million for the six-month period as higher fuel prices were offset by improved fuel economy and a reduction in pounds hauled. In the first six months of 2001, Overnite had no fuel hedges. In the first six months of 2000, fuel consumption was 9% hedged at an average of 39 cents per gallon (excluding taxes, transportation charges, and regional pricing spreads). As of June 30, 2001, no fuel consumption for the remaining six months of 2001 was hedged. Depreciation expense was flat at $12 million and $24 million for the three and six months ended June 30, 2001, respectively. Materials and supplies expenses were flat in the second quarter and up $1 million to $25 million for the six month period ended June 30, 2001 reflecting higher fleet maintenance services. Equipment and other rents was flat at $24 million for the second quarter and decreased $1 million to $46 million for the six-month period over 2000 due to higher contract expenses in 2000. Other expenses decreased $2 million (6%) and $6 million (8%) for the three and six month periods ended June 30, 2001 primarily due to lower security, legal, and travel expenses compared to 2000.

OPERATING INCOME - Operating income decreased $1 million (6%) to $16 million and increased $8 million (47%) to $25 million for the three and six months ended June 30, 2001, respectively. The operating ratio for the second quarter of 2001 was 94.6%, 0.5 percentage points worse than 2000's 94.1% operating ratio. The operating ratio for the six months ended June 30, 2001 was 95.8%, 1.1 percentage points better than 2000's 96.9%.

OTHER OPERATIONS

OTHER PRODUCT LINES

The other product lines include the corporate holding company (which largely supports the Railroad), Fenix LLC, and self-insurance activities, and all appropriate consolidating entries (see note 2 to the consolidated financial statements). For the three and six month periods ended June 30, 2001, operating losses decreased $1 million and increased $5 million, respectively, reflecting increased operating expenses over the same periods of 2000.

CHANGES IN FINANCIAL CONDITION AND OTHER DEVELOPMENTS

FINANCIAL CONDITION - During the first six months of 2001, cash provided by operations was $843 million, compared to $1,034 million in 2000. The decrease is primarily attributable to the timing of large cash payments including payments for the work force reduction.

Cash used in investing activities was $903 million during the first six months of 2001, compared to $972 million in 2000. The decrease in 2001 is a result of lower capital spending and higher asset sales in 2001, partially offset by the receipt of a cash dividend from an affiliate in 2000.

Cash provided by financing activities was $85 million in the first six months of 2001, compared to a use in financing activities of $165 million in 2000. This increase in financing is the result of higher debt and other financings ($623 million in 2001 compared to $475 million in 2000) coupled with lower net debt repayments ($439 million in 2001 versus $539 million in 2000).

Including the Convertible Preferred Stock as an equity instrument, the ratio of debt to total capital employed was 44.7% at June 30, 2001 and 45.1% at December 31, 2000.

FINANCING ACTIVITIES

CREDIT FACILITIES - On June 30, 2001, the Corporation had $2.0 billion in revolving credit facilities, of which $1.0 billion expires in March 2002, with the remaining $1.0 billion expiring in 2005. The facilities, which were entered into during March 2001 and March 2000, respectively, are designated for general corporate purposes.

SHELF REGISTRATION STATEMENT AND SIGNIFICANT NEW BORROWINGS - During May 2001, under the previously effective shelf registration statement, the Corporation issued the remaining $200 million of debt securities available as fixed rate debt with a maturity date of May 25, 2004. Simultaneously, the Corporation entered into a swap converting the debt from a fixed rate to a variable rate (see note 4 to the consolidated financial statements). The proceeds from the issuance of this debt were used for repayment of debt and other general corporate purposes.

In June 2001, the Corporation filed a $1.0 billion shelf registration statement, which became effective June 14, 2001. Under the 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. The total offering price of these securities, in the aggregate, will not exceed $1.0 billion. At June 30, 2001, the Corporation had $1.0 billion remaining for issuance under the shelf registration. The Corporation has no immediate plans to issue equity securities.

OTHER MATTERS

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

ACCOUNTING PRONOUNCEMENTS - In September 2000, the Financial Accounting Standards Board issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 140), replacing Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125). FAS 140 revises criteria for accounting for securitizations, other financial asset transfers and collateral, and introduces new disclosures. FAS 140 was effective for fiscal 2000 with respect to the new disclosure requirements and amendments of the collateral provisions originally presented in FAS 125. All other provisions are effective for transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001. The provisions are to be applied prospectively with certain exceptions. The adoption of FAS 140 did not have a significant impact on the Corporation's consolidated financial statements.

In July 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations" (FAS 141). FAS 141 revises the method of accounting for business combinations and eliminates the pooling method of accounting for business combinations. FAS 141 is effective for all business combinations that are initiated or completed after June 30, 2001. Management believes the financial impact that FAS 141 will have on the Corporation's consolidated financial statements will not be significant.

Also in July 2001, the Financial Accounting Standards Board issued Statement No. 142, "Goodwill and Other Intangible Assets" (FAS 142). FAS 142 revises the method of accounting for goodwill and other intangible assets. FAS 142 does not allow the amortization of goodwill, but requires goodwill to be tested for impairment at least annually at a reporting unit level. FAS 142 is effective for the Corporation's fiscal year beginning January 1, 2002. Management believes the financial impact that FAS 142 will have on the Corporation's consolidated financial statements will not be significant.

In addition, in July 2001, the Financial Accounting Standards Board voted to issue Statement No. 143, "Accounting for Asset Retirement Obligations" (FAS 143). FAS 143 requires the Corporation to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and is effective for the Corporation's fiscal year beginning January 1, 2003. Management is in the process of evaluating the impact this standard will have on the Corporation's consolidated financial statements.

CAUTIONARY INFORMATION

CAUTIONARY INFORMATION

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

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

SHAREHOLDER LITIGATION

A purported derivative action was filed by nine individuals, seven of whom are members of the International Brotherhood of Teamsters (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 Overnite Transportation Company, as well as Overnite, and, as a nominal defendant, the Corporation. The derivative action alleges, among other things, that the named defendants breached their fiduciary duties to the Corporation, wasted its assets and mismanaged the company by opposing the efforts of the Teamsters to organize the employees of Overnite. Plaintiffs claim that the "anti-union" campaign allegedly waged by the defendants cost millions of dollars and caused a substantial decline in the value of Overnite. On July 31, 2001, defendants filed a motion to dismiss the action on various grounds. The Corporation, Overnite and the individual defendants believe that the claims raised by the plaintiffs are without merit and intend to defend them vigorously.

LABOR MATTERS

As previously reported, the General Counsel of the National Labor Relations Board (NLRB) is seeking a bargaining order remedy in 11 cases involving Overnite where a Teamsters local union lost a representation election. In these eleven cases an administrative law judge ruled that the bargaining order remedy is warranted. Overnite appealed those rulings to the NLRB. The NLRB upheld the decision of the administrative law judge in four cases, and Overnite appealed the NLRB's ruling to the United States Court of Appeals for the Fourth Circuit. On February 16, 2001 a two-one majority of a Fourth Circuit panel enforced the NLRB bargaining orders. On July 5, 2001 a majority of judges of the entire Fourth Circuit bench granted Overnite's petition for a rehearing by the entire court. With respect to the other seven bargaining order cases, Overnite's appeal is pending before the NLRB. In a twelfth case, the administrative law judge found that a bargaining order remedy was not warranted. Overnite believes it has substantial defenses in the bargaining order cases and intends to continue to defend them aggressively.

ENVIRONMENTAL MATTERS

The State of Illinois filed a complaint against the Railroad with the Illinois Pollution Board on May 14, 2001 seeking penalties for an alleged violation of state air pollution laws arising out of a release of styrene from a tank car near Cora, Illinois, which occurred on August 29, 1997. The car contained styrene monomer, a hazardous substance, stabilized by an inhibitor by the origin shipper. The car was delayed in transit for a number of different reasons including rerouting and reconsignment by the shipper. The Railroad was not notified that such delays could jeopardize the shipment. Eventually the effect of the inhibitor wore off and the styrene went into a reactive state resulting in pressure and venting near Cora, Illinois. A small populated area was evacuated for a few hours. The situation was controlled and remediated promptly. Styrene has since been put on the Railroad's list of time sensitive shipments for special monitoring. The Railroad is vigorously defending the case.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10(a)	UPC Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, as amended May 31, 2001.
10(b)	Executive Incentive Plan of UPC and Subsidiaries, as amended May 31, 2001.
12(a)	Computation of ratio of earnings to fixed charges for the Three Months Ended June 30, 2001.
12(b)	Computation of ratio of earnings to fixed charges for the Six Months Ended June 30, 2001.

(b) REPORTS ON FORM 8-K

On April 26, 2001, UPC filed a Current Report on Form 8-K announcing UPC's financial results for the first quarter of 2001.

On July 19, 2001, UPC filed a Current Report on Form 8-K announcing UPC's financial results for the second quarter of 2001.

SIGNATURES

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

Dated: August 14, 2001

UNION PACIFIC CORPORATION
(Registrant)

By /s/ Richard J. Putz

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

UNION PACIFIC CORPORATION
EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
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EXHIBIT 10(a)

UNION PACIFIC CORPORATION

STOCK UNIT GRANT AND DEFERRED COMPENSATION PLAN

FOR THE

BOARD OF DIRECTORS

(Effective December 1, 1978 - as Amended April 30, 1987, January 1, 1995, January 25, 1996, February 26, 1998, January 28, 1999, May 27, 1999 and May 31, 2001)

Union Pacific Corporation
Stock Unit Grant and Deferred Compensation Plan
for the Board of Directors
As Amended as of May 31, 2001

1. Purpose

The purpose of this Plan is to permit grants of Stock Units to Directors to align their interests with those of stockholders, and to provide a means for deferring payment of all or a portion of any cash compensation, excluding expenses, payable to Directors for their service on the Board of Directors (the "Board") of Union Pacific Corporation (the "Company") in accordance with Article II, Section 4 of the By-Laws of Union Pacific Corporation. Such compensation eligible to be deferred, not including any grants under paragraph 3, is referred to herein as "Compensation".

2. Eligibility

Any individual (a "Director") serving as a member of the Board as of the effective date of this Plan or who subsequently becomes a member is eligible under this Plan, other than members who are employees of the Company or any of its subsidiaries.

3. Stock Unit Grants

(a) Commencing with the second quarter of 1998, each full quarterly installment of a Director's Compensation shall be accompanied by the grant of an amount of whole Stock Units equal to $7,500 (as such amount may be changed from time to time by the Board) divided by the Fair Market Value of one share of the Company's Common Stock on the first business day of the month following the quarter in which such Compensation was earned, plus cash in lieu of any fractional Stock Unit resulting from such calculation. A pro-rata grant of Stock Units will accompany any partial quarterly Compensation installment. "Fair Market Value" on a date means the average of the high and low trading prices per share on that date, as reported in The Wall Street Journal listing of consolidated trading for New York Stock Exchange issues. Stock Units and cash so granted shall be credited to such Director's Stock Unit Account referred to in paragraph 6.

(b) Each person serving as a member of the Board on January 25, 1996 who has elected (the "Election") to forfeit $6,000 of the annual retirement pension under the Directors' Pension Plan pursuant to Section 12 thereof shall receive a grant of an amount of Stock Units equal to the dollar amount set forth in the election form pursuant to which such person made the Election, divided by the Fair Market Value of one share of the Company's Common Stock on the date that the grant is credited to such Directors' Stock Unit Account, plus cash in lieu of any fractional Stock Unit resulting from such calculation. For all persons making the Election who are eligible on January 25, 1996 for benefits under the Directors' Pension Plan, such grant will be credited to such person's Stock Unit Account on February 15, 1996. For all other persons making the Election, such grant will be credited on the date they become eligible for such benefits (or if such date is not a business day, on the next business day).

(c) Each person elected as a member of the Board for the first time after January 25, 1996 shall receive, on the date such person completes five consecutive years of service on the Board (or if such date is not a business day, on the next business day), a grant for immediate credit to such person's Stock Unit Account of an amount of Stock Units equal to $85,000 (as such amount may be changed from time to time by the Board), divided by the Fair Market Value of one share of Common Stock on the date of such grant, plus cash in lieu of any fractional Stock Unit resulting from such calculation. In determining whether a person has completed five consecutive years of service, there shall be disregarded any period of such service during which such person was employed by the Company or any of its subsidiaries and, in the case of any person formerly so employed, any period after termination of such employment if at the time of termination the person is entitled to receive benefits as an employee under any pension plan of the Company or any of its subsidiaries.

4. Deferral Election

An election to defer Compensation is to be made on or before December 31 of any year for Compensation for services as a member of the Board for the following and later calendar years. In addition to deferrals of 1995 Compensation elected in the previous year, at any time prior to March 31, 1995, a Director may elect to defer additional Compensation to be paid for services in the last three quarters of 1995.

An election to defer is a continuing election until changed by the Director on or before December 31 of any year for the then following and later calendar years. However, once an election is made (and effective), subsequent elections will have no effect on the amounts, timing and manner of payment covered by the previous election.

Any newly elected Director who was not a Director on the preceding December 31 may elect, before his term begins, to defer Compensation for services as a member of the Board for the balance of the calendar year following such election.

Forms shall be made available to Directors each year for the purpose of making or changing their election.

5. Amount

All or any portion, in multiples of 1%, of a Director's Compensation may be deferred.

6. Deferred Accounts

Each Director shall have a Stock Unit Account and may have one or more Other Accounts (together, the "Accounts"). Amounts deferred pursuant to paragraph 4 may be credited to any Account, at the election of the Director made at the time of the deferral election, in multiples of 1% of such Director's Compensation. A Director may change the Account to which any quarterly installment of such Director's Compensation so deferred is to be credited at any time on or before the fifth business day prior to the date such quarterly installment is to be credited. Amounts deferred and credited to the Stock Unit Account shall be converted into whole Stock Units on the basis of the Fair Market Value of the Company's Common Stock on the first business day of the month following the quarter in which the Compensation was earned, and cash shall be credited to the Stock Unit Account in lieu of any fractional Stock Unit. In addition, (i) on or prior to March 31, 1995, each Director shall have a one-time election to transfer all or any part of the balance of his or her Other Account to the Stock Unit Account based on the Fair Market Value of the Company's Common Stock on April 3, 1995, (ii) at any time, a Director may transfer all or any part of the balance of any of his or her Other Accounts to another of his or her Other Accounts subject to any regulations regarding such transfer adopted by the Board and (iii) at any time on or after the 30th day after the date of a Director's termination from the Board, such Director may transfer all or any part of the balance of any of his or her Accounts to another of his or her Accounts, pursuant to any regulations regarding such transfers adopted by the Board.

On the payment date for each cash dividend or other cash distribution with respect to the Company's Common Stock, each Director's Stock Unit Account shall be credited with an amount equal to the amount of the per share dividend or distribution, multiplied by the number of Stock Units in such Account, and, if such Director is then serving as a member of the Board, shall be converted into whole Stock Units on the basis of the Fair Market Value of the Company's Common Stock on the payment date for such dividend or distribution, and cash shall be credited to the Stock Unit Account in lieu of any fractional Stock Units. If a Director is no longer serving as a member of the Board on the payment date for such dividend or distribution, the amount representing such dividend or distribution shall be paid out of the Stock Unit Account to such Director as soon as practicable after the payment date for such dividend or distribution.

Except as provided in the preceding sentence, any cash credited to a Director's Stock Unit Account shall be added to other cash credited to such Account and converted into a whole Stock Unit on the date sufficient cash exists to purchase a whole Stock Unit, based on the Fair Market Value of the Company's Common Stock on such date. In the event of a subdivision or combination of shares of Company Stock, the number of Stock Units credited to the Stock Unit Accounts on the effective date of such subdivision or combination shall be proportionately subdivided or combined as the case may be. No adjustment shall be made in Stock Units in connection with the issuance by the Company of any rights or options to acquire additional shares of Company Common Stock or securities convertible into Company Common Stock. In the event of any stock dividend or reclassification of Company Common Stock, any merger or consolidation to which the Company is a party, or any spinoff of shares or distribution of property other than cash with respect to the Company Common Stock, the Committee shall cause appropriate adjustments, if any, to be made in the Stock Units to reflect such stock dividend, reclassification, merger or consolidation, spinoff or distribution of property.

Other Accounts shall have such name, and be charged or credited pursuant to such method, as the Board shall determine upon establishment of such Other Account, and the Board may change such name or method for any such Other Account, but no such change shall reduce any amount previously accrued in a Director's Other Account.

7. Distribution

All distributions from Accounts shall be made in cash. For purposes of distributions from the Stock Unit Account, each Stock Unit shall be converted into an amount of cash equal to the Fair Market Value of one share of the Company's Common Stock on the first business day of the month in which such distribution is made. The Director must elect the timing and manner of payment: (a) in the case of deferred Compensation, at the same time and on the same form he elects a deferral of Compensation, (b) in the case of a Stock Unit grant under 3.a., on or prior to the time an election to defer the accompanying Compensation would have been required to be made, (c) in the case of a Stock Unit grant under 3.b., at the same time as the Election referred to therein, and (d) in the case of a Stock Unit grant under 3.c., prior to the time the Director receives such grant

- Timing of Payment: Directors may elect to begin distributions from the Accounts (a) following termination from the Board, (b) in a year specified by the Director which, in the case of distributions from the Stock Unit Account, must be after termination from the Board, or (c) in the case of distributions from any Other Account, following retirement from the Director's principal occupation.

- Manner of Payment: The Director may elect to receive payment from the Accounts in a lump sum or in a number of equal annual installments, not to exceed fifteen. A Director may change the foregoing election, provided that any such change must be made: (i) in the case of payments commencing on termination from the Board, one year prior to termination, (ii) in the case of payments commencing in a specified year, one year prior to the earlier to occur of termination from the Board and the commencement of such specified year, and (iii) in the case of payments commencing upon retirement from a principal occupation, one year prior to the earlier to occur of termination from the Board and the such retirement.

  The lump sum or first installment is to be paid in January of the year following the year of termination or retirement or in January of the year selected by the Director, as applicable, and any remaining installments in January of each succeeding year until the total balance is paid. Distributions from the Stock Unit Account in installments shall be based on equal numbers of Stock Units in each installment.

  In the event of the death of a Director then serving as a member of the Board or a terminated or retired Director entitled to a distribution under this Plan, the balance of the Accounts shall be payable to the estate or designated beneficiary in full during the January of the year following the year of such Director's, terminated Director's or retired Director's death.

  The Director may designate his beneficiary at the same time he elects deferral of Compensation. However, the latest designated beneficiary will be the beneficiary or beneficiaries for the total of all distributions from the Accounts. The designated beneficiary may be changed at any time on a form provided by the Corporate Secretary, provided that no designation will be effective unless it is filed with the Corporate Secretary prior to the Director's death.

8. Early Withdrawal with Penalty

A Director may request a withdrawal from an Other Account (not to include the Director's Stock Unit Account) prior to the date specified in the Director's deferral election by filing a request in writing with the Corporate Secretary. Payment will be made to the Director within thirty (30) days of such 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.

9. Unfunded Plan

The liability of the Union Pacific Corporation to any Director, terminated Director, retired Director or his estate or designated beneficiary under the Plan shall be that of a debtor only pursuant to such contractual obligations as are created by the Plan, and no such obligation of Union Pacific Corporation shall be deemed to be secured by any assets, pledges, or other encumbrances on any property of Union Pacific Corporation.

10. Inalienability of Deferred Compensation

Except to the extent of the rights of a designated beneficiary, no distribution pursuant to, or interest in, the Plan may be transferred, assigned, pledged or otherwise alienated and no such distribution or interest shall be subject to legal process or attachment for the payment of any claims against any individual entitled to receive the same.

11. Controlling State Law

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 Utah.

12. Amendment

The Board of Directors of the Union Pacific Corporation at its sole discretion may amend, suspend or terminate the Plan at any time. However, any such amendment, suspension or termination of the Plan may not adversely affect any Director's or his beneficiary's rights with respect to Compensation previously deferred.

13. Administration

Administration of the Plan will be coordinated by the Corporate Finance Department. Administration will include, but not be limited to, crediting of deferred compensation, dividends and accrued interest to individual Director accounts and ultimate disbursement of deferred amounts.

14. Effective Date

This Plan shall become effective December 1, 1978, applicable only to compensation for services after December 31, 1978, provided that the provisions hereof related to Stock Units shall be effective January 1, 1995.

EXHIBIT 10(b)

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

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

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.

"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.

EXHIBIT 12(a)

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)

Millions, Except Ratios	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000
Earnings:		
Net income	$ 243	$ 244
Undistributed equity earnings	(1)	(13)
Total earnings	242	231
Income taxes	148	142
Fixed charges:		
Interest expense including amortization of debt discount	178	180
Portion of rentals representing an interest factor	10	42
Total fixed charges	188	222
Earnings available for fixed charges	$ 578	$ 595
Ratio of earnings to fixed charges	3.1	2.7

EXHIBIT 12(b)

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)

Millions, Except Ratios	Six Months Ended June 30, 2001	2000
Earnings:		
Net income	$ 424	$ 429
Undistributed equity earnings	(15)	60
Total earnings	409	489
Income taxes	255	247
Fixed charges:		
Interest expense including amortization of debt discount	359	362
Portion of rentals representing an interest factor	20	86
Total fixed charges	379	448
Earnings available for fixed charges	$ 1,043	$ 1,184
Ratio of earnings to fixed charges	2.8	2.6