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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

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.)

1400 DOUGLAS STREET, OMAHA, NEBRASKA
(Address of principal executive offices)

68179
(Zip Code)

(402) 544-5000
(Registrant's telephone number, including area code)

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

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

☐ Yes ☒ No

As of April 21, 2017, there were 807,439,232 shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

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Condensed Consolidated Statements of Income (Unaudited)
Union Pacific Corporation and Subsidiary Companies

Millions, Except Per Share Amounts, for the Three Months Ended March 31,		***2017***		*2016*
Operating revenues:				
Freight revenues	**$**	**4,794**	$	4,502
Other revenues		**338**		327
Total operating revenues		**5,132**		4,829
Operating expenses:				
Compensation and benefits		**1,257**		1,213
Purchased services and materials		**566**		569
Depreciation		**520**		502
Fuel		**460**		320
Equipment and other rents		**276**		289
Other		**260**		249
Total operating expenses		**3,339**		3,142
Operating income		**1,793**		1,687
Other income (Note 6)		**67**		46
Interest expense		**(172)**		(167)
Income before income taxes		**1,688**		1,566
Income taxes		**(616)**		(587)
Net income	**$**	**1,072**	$	979
Share and Per Share (Note 8):				
Earnings per share - basic	**$**	**1.32**	$	1.16
Earnings per share - diluted	**$**	**1.32**	$	1.16
Weighted average number of shares - basic		**811.5**		844.0
Weighted average number of shares - diluted		**814.8**		846.7
Dividends declared per share	**$**	**0.605**	$	0.55

Condensed Consolidated Statements of Comprehensive Income (Unaudited)
Union Pacific Corporation and Subsidiary Companies

Millions, for the Three Months Ended March 31,		***2017***		*2016*
Net income	**$**	**1,072**	$	979
Other comprehensive income/(loss):				
Defined benefit plans		**11**		8
Foreign currency translation		**9**		(21)
Total other comprehensive income/(loss) [a]		**20**		(13)
Comprehensive income	**$**	**1,092**	$	966

[a] Net of deferred taxes of $(14) million and $5 million during the three months ended March 31, 2017, and 2016, respectively.
The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Financial Position (Unaudited)
Union Pacific Corporation and Subsidiary Companies

Millions, Except Share and Per Share Amounts	***March 31, 2017***	*December 31, 2016*
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,049**	$ 1,277
Short-term investments (Note 13)	**90**	60
Accounts receivable, net (Note 10)	**1,279**	1,258
Materials and supplies	**760**	717
Other current assets	**410**	284
Total current assets	**3,588**	3,596
Investments	**1,480**	1,457
Net properties (Note 11)	**50,550**	50,389
Other assets	**282**	276
Total assets	**$ 55,900**	$ 55,718
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Accounts payable and other current liabilities (Note 12)	**$ 3,125**	$ 2,882
Debt due within one year (Note 14)	**723**	758
Total current liabilities	**3,848**	3,640
Debt due after one year (Note 14)	**14,310**	14,249
Deferred income taxes	**16,157**	15,996
Other long-term liabilities	**1,862**	1,901
Commitments and contingencies (Note 16)		
Total liabilities	**36,177**	35,786
Common shareholders' equity:		
Common shares, $2.50 par value, 1,400,000,000 authorized; 1,111,444,916 and 1,110,986,415 issued; 809,169,124 and 815,824,413 outstanding, respectively	**2,779**	2,777
Paid-in-surplus	**4,406**	4,421
Retained earnings	**33,167**	32,587
Treasury stock	**(19,377)**	(18,581)
Accumulated other comprehensive loss (Note 9)	**(1,252)**	(1,272)
Total common shareholders' equity	**19,723**	19,932
Total liabilities and common shareholders' equity	**$ 55,900**	$ 55,718

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

Condensed Consolidated Statements of Cash Flows (Unaudited)
Union Pacific Corporation and Subsidiary Companies

Millions, for the Three Months Ended March 31,	*2017*	*2016*
Operating Activities		
Net income	**$ 1,072**	$ 979
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	**520**	502
Deferred and other income taxes	**145**	169
Other operating activities, net	**94**	(74)
Changes in current assets and liabilities:		
Accounts receivable, net	**(21)**	1
Materials and supplies	**(43)**	20
Other current assets	**(132)**	(37)
Accounts payable and other current liabilities	**(186)**	(58)
Income and other taxes	**434**	671
Cash provided by operating activities	**1,883**	2,173
Investing Activities		
Capital investments	**(811)**	(687)
Purchases of short-term investments (Note 13)	**(90)**	-
Maturities of short-term investments (Note 13)	**60**	-
Proceeds from asset sales	**17**	29
Other investing activities, net	**(19)**	(14)
Cash used in investing activities	**(843)**	(672)
Financing Activities		
Common share repurchases (Note 17)	**(759)**	(706)
Dividends paid	**(492)**	(465)
Debt issued (Note 14)	**200**	1,278
Debt repaid	**(184)**	(282)
Other financing activities, net	**(33)**	(44)
Cash used in financing activities	**(1,268)**	(219)
Net change in cash and cash equivalents	**(228)**	1,282
Cash and cash equivalents at beginning of year	**1,277**	1,391
Cash and cash equivalents at end of period	**$ 1,049**	$ 2,673
Supplemental Cash Flow Information		
Non-cash investing and financing activities:		
Capital investments accrued but not yet paid	**$ 94**	$ 100
Common shares repurchased but not yet paid	**43**	7
Cash (paid for)/received from:		
Income taxes, net of refunds	**$ (3)**	$ 282
Interest, net of amounts capitalized	**(203)**	(215)

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

Condensed Consolidated Statements of Changes in Common Shareholders' Equity (Unaudited)
Union Pacific Corporation and Subsidiary Companies

Millions	*Common Shares*	*Treasury Shares*	*Common Shares*	*Paid-in-Surplus*	*Retained Earnings*	*Treasury Stock*	*AOCI [a]*	*Total*
Balance at January 1, 2016	1,110.4	(261.2)	$ 2,776	$ 4,417	$ 30,233	$ (15,529)	$ (1,195)	$ 20,702
Net income			-	-	979	-	-	979
Other comprehensive loss			-	-	-	-	(13)	(13)
Conversion, stock option exercises, forfeitures, and other	0.6	0.4	2	(36)	-	19	-	(15)
Share repurchases (Note 17)	-	(9.3)	-	-	-	(713)	-	(713)
Cash dividends declared ($0.55 per share)	-	-	-	-	(465)	-	-	(465)
Balance at March 31, 2016	1,111.0	(270.1)	$ 2,778	$ 4,381	$ 30,747	$ (16,223)	$ (1,208)	$ 20,475
Balance at January 1, 2017	1,111.0	(295.2)	$ 2,777	$ 4,421	$ 32,587	$ (18,581)	$ (1,272)	$ 19,932
Net income			-	-	1,072	-	-	1,072
Other comprehensive income			-	-	-	-	20	20
Conversion, stock option exercises, forfeitures, and other	0.4	0.5	2	(15)	-	6	-	(7)
Share repurchases (Note 17)	-	(7.5)	-	-	-	(802)	-	(802)
Cash dividends declared ($0.605 per share)	-	-	-	-	(492)	-	-	(492)
Balance at March 31, 2017	**1,111.4**	**(302.2)**	**$ 2,779**	**$ 4,406**	**$ 33,167**	**$ (19,377)**	**$ (1,252)**	**$ 19,723**

[a] AOCI = Accumulated Other Comprehensive Income/(Loss) (Note 9)
The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For purposes of this report, unless the context otherwise requires, all references herein to the “Corporation”, “Company”, “UPC”, “we”, “us”, and “our” mean Union Pacific Corporation and its subsidiaries, including Union Pacific Railroad Company, which will be separately referred to herein as “UPRR” or the “Railroad”.

1. Basis of Presentation

Our Condensed Consolidated Financial Statements are unaudited and reflect all adjustments (consisting of normal and recurring adjustments) that are, in the opinion of management, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, this Quarterly Report on Form 10-Q should be read in conjunction with our Consolidated Financial Statements and notes thereto contained in our 2016 Annual Report on Form 10-K. Our Consolidated Statement of Financial Position at December 31, 2016, is derived from audited financial statements. The results of operations for the three months ended March 31, 2017, are not necessarily indicative of the results for the entire year ending December 31, 2017.

The Condensed Consolidated Financial Statements are presented in accordance with GAAP as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

2. Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes the revenue recognition guidance in Topic 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in the exchange for those goods or services. This may require the use of more judgment and estimates in order to correctly recognize the revenue expected as an outcome of each specific performance obligation. Additionally, this guidance will require the disclosure of the nature, amount, and timing of revenue arising from contracts so as to aid in the understanding of the users of financial statements.

This standard is effective for annual reporting periods beginning after December 15, 2017, and can be adopted either retrospectively or as a cumulative effect adjustment as of the date of adoption. We intend to adopt the standard beginning in 2018. We are currently evaluating the implications of this standard and its impacts on our revenue reporting, including performing a review of commercial contracts and identifying relevant changes to processes, controls and disclosures. At this time, ASU 2014-09 is not expected to have a material impact on our consolidated financial position, results of operations, or cash flows.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01), *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. ASU 2016-01 provides guidance for the recognition, measurement, presentation, and disclosure of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted. ASU 2016-01 is not expected to have a material impact on our consolidated financial position, results of operations, or cash flows.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Subtopic 842)*. ASU 2016-02 will require companies to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. For public companies, this standard is effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted. Management is currently evaluating the impact of this standard on our consolidated financial position, results of operations, and cash flows, but expects that the adoption will result in a significant increase in the Company’s assets and liabilities.

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In March 2017, the FASB issued Accounting Standards Update No. 2017-07 (ASU 2017-07), *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*. ASU 2017-07 requires the service cost component be reported separately from the other components of net benefit costs in the income statement, provides explicit guidance on the presentation of the service cost component and the other components of net benefit cost in the income statement, and allows only the service cost component of net benefit cost to be eligible for capitalization. This standard is effective for annual and interim reporting periods beginning after December 15, 2017, and requires retrospective adoption. Early adoption is permitted. ASU 2017-07 is not expected to have a material impact on our consolidated financial position, results of operations, or cash flows.

3. Operations and Segmentation

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although we provide and analyze revenue by commodity group, we treat the financial results of the Railroad as one segment due to the integrated nature of our rail network. The following table provides freight revenue by commodity group:

Millions, for the Three Months Ended March 31,	***2017***	*2016*
Agricultural Products	**$ 942**	$ 882
Automotive	**504**	510
Chemicals	**885**	878
Coal	**648**	519
Industrial Products	**907**	834
Intermodal	**908**	879
Total freight revenues	**$ 4,794**	$ 4,502
Other revenues	**338**	327
Total operating revenues	**$ 5,132**	$ 4,829

Although our revenues are principally derived from customers domiciled in the U.S., the ultimate points of origination or destination for some products we transport are outside the U.S. Each of our commodity groups includes revenue from shipments to and from Mexico. Included in the above table are freight revenues from our Mexico business which amounted to $566 million and $535 million, respectively, for the three months ended March 31, 2017, and March 31, 2016.

4. Stock-Based Compensation

We have several stock-based compensation plans under which employees and non-employee directors receive stock options, nonvested retention shares, and nonvested stock units. We refer to the nonvested shares and stock units collectively as "retention awards". We have elected to issue treasury shares to cover option exercises and stock unit vestings, while new shares are issued when retention shares are granted. Information regarding stock-based compensation appears in the table below:

Millions, for the Three Months Ended March 31,	***2017***	*2016*
Stock-based compensation, before tax:		
Stock options	**$ 4**	$ 4
Retention awards	**22**	13
Total stock-based compensation, before tax	**$ 26**	$ 17
Excess tax benefits from equity compensation plans	**$ 22**	$ 10

Stock Options – We estimate the fair value of our stock option awards using the Black-Scholes option pricing model. The table below shows the annual weighted-average assumptions used for valuation purposes:

Weighted-Average Assumptions	***2017***	*2016*
Risk-free interest rate	**2.0%**	1.3%
Dividend yield	**2.3%**	2.9%
Expected life (years)	**5.3**	5.1
Volatility	**21.7%**	23.2%
Weighted-average grant-date fair value of options granted	**$ 18.19**	$ 11.36

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant; the expected dividend yield is calculated as the ratio of dividends paid per share of common stock to the stock price on the date of grant; the expected life is based on historical and expected exercise behavior; and expected volatility is based on the historical volatility of our stock price over the expected life of the option.

A summary of stock option activity during the three months ended March 31, 2017, is presented below:

	Options (thous.)	*Weighted-Average Exercise Price*	*Weighted-Average Remaining Contractual Term*	*Aggregate Intrinsic Value (millions)*
Outstanding at January 1, 2017	6,162	$ 73.13	5.9 yrs.	$ 205
Granted	1,086	107.30	N/A	N/A
Exercised	(348)	39.34	N/A	N/A
Forfeited or expired	(58)	88.78	N/A	N/A
Outstanding at March 31, 2017	6,842	$ 80.14	6.4 yrs.	$ 194
Vested or expected to vest at March 31, 2017	6,787	$ 79.79	6.4 yrs.	$ 193
Options exercisable at March 31, 2017	4,419	$ 71.65	5.0 yrs.	$ 161

Stock options are granted at the closing price on the date of grant, have ten-year contractual terms, and vest no later than three years from the date of grant. None of the stock options outstanding at March 31, 2017, are subject to performance or market-based vesting conditions.

At March 31, 2017, there was $33 million of unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.9 years. Additional information regarding stock option exercises appears in the table below:

	Three Months Ended March 31,	
Millions	***2017***	*2016*
Intrinsic value of stock options exercised	**$ 23**	$ 10
Cash received from option exercises	**20**	9
Treasury shares repurchased for employee payroll taxes	**(7)**	(3)
Tax benefit realized from option exercises	**9**	4
Aggregate grant-date fair value of stock options vested	**19**	19

Retention Awards – The fair value of retention awards is based on the closing price of the stock on the grant date. Dividends and dividend equivalents are paid to participants during the vesting periods.

Changes in our retention awards during the three months ended March 31, 2017, were as follows:

	Shares (thous.)	*Weighted-Average Grant-Date Fair Value*
Nonvested at January 1, 2017	2,789	$ 84.68
Granted	562	107.30
Vested	(791)	67.91
Forfeited	(39)	90.57
Nonvested at March 31, 2017	2,521	$ 94.89

Retention awards are granted at no cost to the employee or non-employee director and vest over periods lasting up to four years. At March 31, 2017, there was $128 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 2.3 years.

Performance Retention Awards – In February 2017, our Board of Directors approved performance stock unit grants. The basic terms of these performance stock units are identical to those granted in February 2016, except for different annual return on invested capital (ROIC) performance targets. The 2016 and 2017 plans also include relative operating income growth (OIG) as a modifier compared to the companies included in the S&P 500 Industrials Index. We define ROIC as net operating profit adjusted for interest expense (including interest on the present value of operating leases) and taxes on interest divided by average invested capital adjusted for the present value of operating leases. The modifier can be up to +/- 25% of the award earned based on the ROIC achieved.

Stock units awarded to selected employees under these grants are subject to continued employment for 37 months and the attainment of certain levels of ROIC, and for the 2016 and 2017 plans, modified for the relative OIG. We expense the fair value of the units that are probable of being earned based on our forecasted ROIC over the 3-year performance period, and with respect to the third year of the 2016 and 2017 plans, the relative OIG modifier. We measure the fair value of these performance stock units based upon the closing price of the underlying common stock as of the date of grant, reduced by the present value of estimated future dividends. Dividend equivalents are paid to participants only after the units are earned.

The assumptions used to calculate the present value of estimated future dividends related to the February 2017 grant were as follows:

	2017
Dividend per share per quarter	$ 0.605
Risk-free interest rate at date of grant	1.5%

Changes in our performance retention awards during the three months ended March 31, 2017, were as follows:

	Shares (thous.)	*Weighted-Average Grant-Date Fair Value*
Nonvested at January 1, 2017	1,145	$ 86.23
Granted	461	101.38
Vested	(255)	83.06
Unearned	(110)	83.06
Forfeited	(34)	91.93
Nonvested at March 31, 2017	1,207	$ 92.81

At March 31, 2017, there was $61 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 2.3 years. This expense is subject to achievement of the performance measures established for the performance stock unit grants.

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5. Retirement Plans

Pension and Other Postretirement Benefits

Pension Plans – We provide defined benefit retirement income to eligible non-union employees through qualified and non-qualified (supplemental) pension plans. Qualified and non-qualified pension benefits are based on years of service and the highest compensation during the latest years of employment, with specific reductions made for early retirements.

Other Postretirement Benefits (OPEB) – We provide medical and life insurance benefits for eligible retirees. These benefits are funded as medical claims and life insurance premiums are paid.

Expense

Both pension and OPEB expense are determined based upon the annual service cost of benefits (the actuarial cost of benefits earned during a period) and the interest cost on those liabilities, less the expected return on plan assets. The expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a five-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns on assets and expected returns based on long-term rate of return assumptions. Differences in actual experience in relation to assumptions are not recognized in net income immediately, but are deferred in accumulated other comprehensive income and, if necessary, amortized as pension or OPEB expense.

The components of our net periodic pension and OPEB cost were as follows for the three months ended March 31:

	Pension		*OPEB*	
Millions	***2017***	*2016*	***2017***	*2016*
Service cost	**$ 23**	$ 22	**$ -**	$ 1
Interest cost	**35**	35	**3**	3
Expected return on plan assets	**(66)**	(67)	**-**	-
Amortization of:				
Prior service credit	**-**	-	**-**	(2)
Actuarial loss	**20**	20	**3**	2
Net periodic benefit cost	**$ 12**	$ 10	**$ 6**	$ 4

Cash Contributions

For the three months ended March 31, 2017, we did not make any cash contributions to the qualified pension plan. Any contributions made during 2017 will be based on cash generated from operations and financial market considerations. Our policy with respect to funding the qualified plans is to fund at least the minimum required by law and not more than the maximum amount deductible for tax purposes. At March 31, 2017, we do not have minimum cash funding requirements for 2017.

6. Other Income

Other income included the following:

Millions, for the Three Months Ended March 31,		***2017***		*2016*
Rental income	**$**	**37**	$	25
Net gain on non-operating asset dispositions [a]		**34**		25
Interest income		**2**		2
Non-operating environmental costs and other		**(6)**		(6)
Total	**$**	**67**	$	46

[a] Includes $26 million and $17 million related to a real estate sale in 2017 and 2016, respectively.

7. Income Taxes

Internal Revenue Service (IRS) examinations have been completed and settled for all years prior to 2011, and the statute of limitations bars any additional tax assessments. In 2016, UPC amended its 2011 and 2012 income tax returns to claim deductions resulting from the resolution of IRS examinations for years prior to 2011. The IRS is currently reviewing the 2011 amended return.

Several state tax authorities are examining our state tax returns for years 2006 through 2014.

At March 31, 2017, we had a net liability for unrecognized tax benefits of $123 million.

8. Earnings Per Share

The following table provides a reconciliation between basic and diluted earnings per share:

Millions, Except Per Share Amounts, for the Three Months Ended March 31,		***2017***		*2016*
Net income	**$**	**1,072**	$	979
Weighted-average number of shares outstanding:				
Basic		**811.5**		844.0
Dilutive effect of stock options		**1.8**		1.3
Dilutive effect of retention shares and units		**1.5**		1.4
Diluted		**814.8**		846.7
Earnings per share – basic	**$**	**1.32**	$	1.16
Earnings per share – diluted	**$**	**1.32**	$	1.16
Stock options excluded as their inclusion would be anti-dilutive		**1.6**		3.0

9. Accumulated Other Comprehensive Income/(Loss)

Reclassifications out of accumulated other comprehensive income/(loss) for the three months ended March 31, 2017, and 2016, were as follows (net of tax):

Millions	*Defined benefit plans*	*Foreign currency translation*	*Total*
Balance at January 1, 2017	$ (1,132)	$ (140)	$ (1,272)
Other comprehensive income/(loss) before reclassifications	(3)	9	6
Amounts reclassified from accumulated other comprehensive income/(loss) [a]	14	-	14
Net quarter-to-date other comprehensive income/(loss), net of taxes of $(14) million	11	9	20
Balance at March 31, 2017	$ (1,121)	$ (131)	$ (1,252)
Balance at January 1, 2016	$ (1,103)	$ (92)	$ (1,195)
Other comprehensive income/(loss) before reclassifications	(5)	(21)	(26)
Amounts reclassified from accumulated other comprehensive income/(loss) [a]	13	-	13
Net quarter-to-date other comprehensive income/(loss), net of taxes of $5 million	8	(21)	(13)
Balance at March 31, 2016	$ (1,095)	$ (113)	$ (1,208)

[a] The accumulated other comprehensive income/(loss) reclassification components are 1) prior service cost/(credit) and 2) net actuarial loss which are both included in the computation of net periodic pension cost. See Note 5 Retirement Plans for additional details.

10. Accounts Receivable

Accounts receivable includes freight and other receivables reduced by an allowance for doubtful accounts. The allowance is based upon historical losses, credit worthiness of customers, and current economic conditions. At March 31, 2017, and December 31, 2016, our accounts receivable were reduced by $3 million and $5 million, respectively. Receivables not expected to be collected in one year and the associated allowances are classified as other assets in our Condensed Consolidated Statements of Financial Position. At March 31, 2017, and December 31, 2016, receivables classified as other assets were reduced by allowances of $18 million and $17 million, respectively.

Receivables Securitization Facility –The Railroad maintains a $650 million, 3-year receivables securitization facility (the Receivables Facility) maturing in July 2019. Under the Receivables Facility, the Railroad sells most of its eligible third-party receivables to Union Pacific Receivables, Inc. (UPRI), a consolidated, wholly-owned, bankruptcy-remote subsidiary that may subsequently transfer, without recourse, an undivided interest in accounts receivable to investors. The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad do not have recourse to the assets of UPRI.

The amount outstanding under the Receivables Facility was $200 million and $0 at March 31, 2017, and December 31, 2016, respectively. The Receivables Facility was supported by $1.0 billion of accounts receivable as collateral at both March 31, 2017, and December 31, 2016, which, as a retained interest, is included in accounts receivable, net in our Condensed Consolidated Statements of Financial Position.

The outstanding amount the Railroad is allowed to maintain under the Receivables Facility, with a maximum of $650 million, may fluctuate based on the availability of eligible receivables and is directly affected by business volumes and credit risks, including receivables payment quality measures such as default and dilution ratios. If default or dilution ratios increase one percent, the allowable outstanding amount under the Receivables Facility would not materially change.

The costs of the Receivables Facility include interest, which will vary based on prevailing benchmark and commercial paper rates, program fees paid to participating banks, commercial paper issuance costs, and fees of participating banks for unused commitment availability. The costs of the Receivables Facility are included in interest expense and were $1 million and $2 million for the three months ended March 31, 2017, and 2016, respectively.

11. Properties

The following tables list the major categories of property and equipment, as well as the weighted-average estimated useful life for each category (in years):

Millions, Except Estimated Useful Life As of March 31, 2017	*Cost*	*Accumulated Depreciation*	*Net Book Value*	*Estimated Useful Life*
Land	$ 5,207	$ N/A	$ 5,207	N/A
Road:				
Rail and other track material	15,974	5,781	10,193	43
Ties	9,900	2,782	7,118	33
Ballast	5,281	1,455	3,826	34
Other roadway [a]	18,290	3,297	14,993	47
Total road	49,445	13,315	36,130	N/A
Equipment:				
Locomotives	9,651	3,900	5,751	20
Freight cars	2,251	970	1,281	24
Work equipment and other	914	241	673	19
Total equipment	12,816	5,111	7,705	N/A
Technology and other	1,010	405	605	11
Construction in progress	903	-	903	N/A
Total	$ 69,381	$ 18,831	$ 50,550	N/A

Millions, Except Estimated Useful Life As of December 31, 2016	*Cost*	*Accumulated Depreciation*	*Net Book Value*	*Estimated Useful Life*
Land	$ 5,220	$ N/A	$ 5,220	N/A
Road:				
Rail and other track material	15,845	5,722	10,123	40
Ties	9,812	2,736	7,076	33
Ballast	5,242	1,430	3,812	34
Other roadway [a]	18,138	3,226	14,912	47
Total road	49,037	13,114	35,923	N/A
Equipment:				
Locomotives	9,692	3,939	5,753	20
Freight cars	2,243	972	1,271	24
Work equipment and other	905	232	673	19
Total equipment	12,840	5,143	7,697	N/A
Technology and other	974	412	562	11
Construction in progress	987	-	987	N/A
Total	$ 69,058	$ 18,669	$ 50,389	N/A

[a] Other roadway includes grading, bridges and tunnels, signals, buildings, and other road assets.

12. Accounts Payable and Other Current Liabilities

Millions		***Mar. 31, 2017***		*Dec. 31, 2016*
Income and other taxes payable	**$**	**901**	$	472
Accounts payable		**789**		955
Accrued wages and vacation		**393**		387
Accrued casualty costs		**194**		185
Interest payable		**170**		212
Equipment rents payable		**101**		101
Other		**577**		570
Total accounts payable and other current liabilities	**$**	**3,125**	$	2,882

13. Financial Instruments

Short-Term Investments – The Company's short-term investments consist of time deposits ($90 million as of March 31, 2017). These investments are considered level 2 investments and are valued at amortized cost, which approximates fair value. All short-term investments have a maturity of less than one year and are classified as held-to-maturity. There were no transfers out of Level 2 during the three months ended March 31, 2017.

Fair Value of Financial Instruments – The fair value of our short- and long-term debt was estimated using a market value price model, which utilizes applicable U.S. Treasury rates along with current market quotes on comparable debt securities. All of the inputs used to determine the fair market value of the Corporation's long-term debt are Level 2 inputs and obtained from an independent source. At both March 31, 2017, and December 31, 2016, the fair value of total debt was $15.9 billion, approximately $0.9 billion more than the carrying value. The fair value of the Corporation's debt is a measure of its current value under present market conditions. It does not impact the financial statements under current accounting rules. At both March 31, 2017, and December 31, 2016, approximately $155 million of debt securities contained call provisions that allow us to retire the debt instruments prior to final maturity, with the payment of fixed call premiums, or in certain cases, at par. The fair value of our cash equivalents approximates their carrying value due to the short-term maturities of these instruments.

14. Debt

Credit Facilities – At March 31, 2017, we had $1.7 billion of credit available under our revolving credit facility, which is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on the facility during the three months ended March 31, 2017. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated, investment-grade borrowers. The facility allows for borrowings at floating rates based on London Interbank Offered Rates, plus a spread, depending upon credit ratings for our senior unsecured debt. The facility matures in May 2019 under a five-year term and requires UPC to maintain a debt-to-net-worth coverage ratio.

The definition of debt used for purposes of calculating the debt-to-net-worth coverage ratio includes, among other things, certain credit arrangements, capital leases, guarantees and unfunded and vested pension benefits under Title IV of ERISA. At March 31, 2017, the debt-to-net-worth coverage ratio allowed us to carry up to $39.4 billion of debt (as defined in the facility), and we had $15.1 billion of debt (as defined in the facility) outstanding at that date. Under our current capital plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a $125 million cross-default provision and a change-of-control provision.

During the three months ended March 31, 2017, we did not issue or repay any commercial paper, and at March 31, 2017, we had no commercial paper outstanding. Our revolving credit facility supports our outstanding commercial paper balances, and, unless we change the terms of our commercial paper program, our aggregate issuance of commercial paper will not exceed the amount of borrowings available under the facility.

Shelf Registration Statement and Significant New Borrowings – In 2016, the Board of Directors reauthorized the issuance of up to $4.0 billion of debt securities. Under our shelf registration, we 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. At March 31, 2017, we had remaining authority to issue up to $3.55 billion of debt securities under our shelf registration.

Receivables Securitization Facility – During the first quarter of 2017, we drew $200 million on our Receivables Facility. As of March 31, 2017, and December 31, 2016, we recorded $200 million and $0, respectively, of borrowings under our Receivables Facility as secured debt. (See further discussion of our receivables securitization facility in Note 10).

Subsequent Event - On April 5, 2017, we issued the following unsecured, fixed-rate debt securities under our current shelf registration:

Description of Securities
$500 million of 3.000% Notes due April 15, 2027
$500 million of 4.000% Notes due April 15, 2047

Proceeds from this offering are for general corporate purposes, including the repurchase of common stock pursuant to our share repurchase program. These debt securities include change-of-control provisions. After this issuance, we had remaining authority to issue up to $2.55 billion of debt securities under our shelf registration.

15. Variable Interest Entities

We have entered into various lease transactions in which the structure of the leases contain variable interest entities (VIEs). These VIEs were created solely for the purpose of doing lease transactions (principally involving railroad equipment and facilities) and have no other activities, assets or liabilities outside of the lease transactions. Within these lease arrangements, we have the right to purchase some or all of the assets at fixed prices. Depending on market conditions, fixed-price purchase options available in the leases could potentially provide benefits to us; however, these benefits are not expected to be significant.

We maintain and operate the assets based on contractual obligations within the lease arrangements, which set specific guidelines consistent within the railroad industry. As such, we have no control over activities that could materially impact the fair value of the leased assets. We do not hold the power to direct the activities of the VIEs and, therefore, do not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, we do not have the obligation to absorb losses of the VIEs or the right to receive benefits of the VIEs that could potentially be significant to the VIEs.

We are not considered to be the primary beneficiary and do not consolidate these VIEs because our actions and decisions do not have the most significant effect on the VIE's performance and our fixed-price purchase options are not considered to be potentially significant to the VIEs. The future minimum lease payments associated with the VIE leases totaled $2.1 billion as of March 31, 2017.

16. Commitments and Contingencies

Asserted and Unasserted Claims – Various claims and lawsuits are pending against us and certain of our subsidiaries. We cannot fully determine the effect of all asserted and unasserted claims on our consolidated results of operations, financial condition, or liquidity. To the extent possible, we have recorded a liability where asserted and unasserted claims are considered probable and where such claims can be reasonably estimated. We do not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities, or guarantees will have a material adverse effect on our consolidated results of operations, financial condition, or liquidity after taking into account liabilities and insurance recoveries previously recorded for these matters.

Personal Injury – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use an actuarial analysis to measure the expense and liability, including unasserted claims. The Federal Employers' Liability Act (FELA) governs compensation for work-related accidents. Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements. We offer a comprehensive variety of services and rehabilitation programs for employees who are injured at work.

Our personal injury liability is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 94% of the recorded liability is related to asserted claims and approximately 6% is related to unasserted claims at March 31, 2017. Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to settle these claims may range from approximately $291 million to $318 million. We record an accrual at the low end of the range as no amount of loss within the range is more probable than any other. Estimates can vary over time due to evolving trends in litigation.

Our personal injury liability activity was as follows:

Millions, for the Three Months Ended March 31,		***2017***		*2016*
Beginning balance	**$**	**290**	$	318
Current year accruals		**19**		21
Changes in estimates for prior years		**4**		(10)
Payments		**(22)**		(13)
Ending balance at March 31	**$**	**291**	$	316
Current portion, ending balance at March 31	**$**	**65**	$	61

We have insurance coverage for a portion of the costs incurred to resolve personal injury-related claims, and we have recognized an asset for estimated insurance recoveries at March 31, 2017, and December 31, 2016. Any changes to recorded insurance recoveries are included in the above table in the Changes in estimates for prior years category.

Asbestos – We are a defendant in a number of lawsuits in which current and former employees and other parties allege exposure to asbestos. We assess our potential liability using a statistical analysis of resolution costs for asbestos-related claims. This liability is updated annually and excludes future defense and processing costs. The liability for resolving both asserted and unasserted claims was based on the following assumptions:

- The ratio of future claims by alleged disease would be consistent with historical averages adjusted for inflation.
- The number of claims filed against us will decline each year.
- The average settlement values for asserted and unasserted claims will be equivalent to historical averages.
- The percentage of claims dismissed in the future will be equivalent to historical averages.

Our liability for asbestos-related claims is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 18% of the recorded liability related to asserted claims and approximately 82% related to unasserted claims at March 31, 2017.

Our asbestos-related liability activity was as follows:

Millions, *for the Three Months Ended March 31,*		***2017***		*2016*
Beginning balance	**$**	**111**	$	120
Accruals		**-**		-
Payments		**(1)**		(2)
Ending balance at March 31	**$**	**110**	$	118
Current portion, ending balance at March 31	**$**	**8**	$	6

We have insurance coverage for a portion of the costs incurred to resolve asbestos-related claims, and we have recognized an asset for estimated insurance recoveries at March 31, 2017, and December 31, 2016.

We believe that our estimates of liability for asbestos-related claims and insurance recoveries are reasonable and probable. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims filed each year, average settlement costs, and insurance coverage issues, could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates also may vary in the future if strategies, activities, and outcomes of asbestos litigation materially change; federal and state laws governing asbestos litigation increase or decrease the probability or amount of compensation of claimants; and there are material changes with respect to payments made to claimants by other defendants.

Environmental Costs – We are subject to federal, state, and local environmental laws and regulations. We have identified 300 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 32 sites that are the subject of actions taken by the U.S. government, 20 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When we identify an environmental issue with respect to property owned, leased, or otherwise used in our business, we perform, with assistance of our consultants, environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. Our environmental liability is not discounted to present value due to the uncertainty surrounding the timing of future payments.

Our environmental liability activity was as follows:

Millions, *for the Three Months Ended March 31,*		***2017***		*2016*
Beginning balance	**$**	**212**	$	190
Accruals		**2**		19
Payments		**(11)**		(17)
Ending balance at March 31	**$**	**203**	$	192
Current portion, ending balance at March 31	**$**	**53**	$	56

The environmental liability includes future costs for remediation and restoration of sites, as well as ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. The ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. Estimates of liability may vary over time due to changes in federal, state, and local laws governing environmental remediation. Current obligations are not expected to have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

Insurance – The Company has a consolidated, wholly-owned captive insurance subsidiary (the captive), that provides insurance coverage for certain risks including FELA claims and property coverage which are subject to reinsurance. The captive entered into annual reinsurance treaty agreements that insure workers compensation, general liability, auto liability and FELA risk. The captive cedes a portion of its FELA exposure through the treaty and assumes a proportionate share of the entire risk. The captive receives direct premiums, which are netted against the Company's premium costs in other expenses in the Condensed Consolidated Statements of Income. The treaty agreements provide for certain protections against the risk of treaty participants' non-performance, and we do not believe our exposure to treaty participants' non-performance is material at this time. In the event the Company leaves the reinsurance program, the Company is not relieved of its primary obligation to the policyholders for activity prior to the termination of the treaty agreements. We record both liabilities and reinsurance receivables using an actuarial analysis based on historical experience in our Condensed Consolidated Statements of Financial Position.

Guarantees – At both March 31, 2017, and December 31, 2016, we were contingently liable for $43 million in guarantees. The fair value of these obligations as of both March 31, 2017, and December 31, 2016 was $0. We entered into these contingent guarantees in the normal course of business, and they include guaranteed obligations related to our affiliated operations. The final guarantee expires in 2022. We are not aware of any existing event of default that would require us to satisfy these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

Indemnities – We are contingently obligated under a variety of indemnification arrangements, although in some cases the extent of our potential liability is limited, depending on the nature of the transactions and the agreements. Due to uncertainty as to whether claims will be made or how they will be resolved, we cannot reasonably determine the probability of an adverse claim or reasonably estimate any adverse liability or the total maximum exposure under these indemnification arrangements. We do not have any reason to believe that we will be required to make any material payments under these indemnity provisions.

Operating Leases – At March 31, 2017, we had commitments for future minimum lease payments under operating leases with initial or remaining non-cancelable lease terms in excess of one year of approximately $2.9 billion.

Gain Contingency – UPRR and Santa Fe Pacific Pipelines (SFPP, a subsidiary of Kinder Morgan Energy Partners, L.P.) currently are engaged in a proceeding to resolve the fair market rent payable to UPRR commencing on January 1, 2004, for pipeline easements on UPRR rights-of-way (*Union Pacific Railroad Company vs. Santa Fe Pacific Pipelines, Inc., SFPP, L.P., Kinder Morgan Operating L.P. "D" Kinder Morgan G.P., Inc., et al., Superior Court of the State of California for the County of Los Angeles, filed July 28, 2004*). In February 2007, a trial began to resolve this issue, and in May 2012, the trial judge rendered an opinion establishing the fair market rent and entering judgment for back rent, including prejudgment interest. SFPP appealed the judgment. On November 5, 2014, the Second District Circuit Court of Appeal in California issued an opinion holding that UPRR was not entitled to collect rent from SFPP for easements on the portions of the property acquired solely through federal government land grants issued during the 1800s. The Appellate Court also reversed the award of prejudgment interest and remanded the case to the trial court. A favorable final judgment may materially affect UPRR's results of operations in the period of any monetary recoveries. Due to the uncertainty regarding the amount and timing of any recovery or any subsequent proceedings, we consider this a gain contingency and have not recognized any amounts in the Condensed Consolidated Financial Statements as of March 31, 2017.

17. Share Repurchase Program

Effective January 1, 2017, our Board of Directors authorized the repurchase of up to 120 million shares of our common stock by December 31, 2020, replacing our previous repurchase program. As of March 31, 2017, we repurchased a total of $19.9 billion of our common stock since the commencement of our repurchase programs in 2007. The table below represents shares repurchased in the first quarter of 2017 under our new repurchase program, and shares repurchased in the first quarter of 2016 under our previous repurchase program.

	Number of Shares Purchased		*Average Price Paid*	
	2017	*2016*	***2017***	*2016*
First quarter	**7,531,300**	9,315,807	**$ 106.55**	$ 76.49
Remaining number of shares that may be repurchased under current authority				112,468,700

Management's assessments of market conditions and other pertinent factors guide the timing and volume of all repurchases. We expect to fund any share repurchases under this program through cash generated from operations, the sale or lease of various operating and non-operating properties, debt issuances, and cash on hand. Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

From April 1, 2017 through April 26, 2017, we repurchased 2.1 million shares at an aggregate cost of approximately $228 million.

18. Related Parties

UPRR and other North American railroad companies jointly own TTX Company (TTX). UPRR has a 36.79% economic and voting interest in TTX while the other North American railroads own the remaining interest. In accordance with ASC 323 *Investments - Equity Method and Joint Venture*, UPRR applies the equity method of accounting to our investment in TTX.

TTX is a railcar pooling company that owns railcars and intermodal wells to serve North America’s railroads. TTX assists railroads in meeting the needs of their customers by providing railcars in an efficient, pooled environment. All railroads have the ability to utilize TTX railcars through car hire by renting railcars at stated rates.

UPRR had $890 million and $877 million recognized as investments related to TTX in our Condensed Consolidated Statements of Financial Position as of March 31, 2017, and December 31, 2016, respectively. TTX car hire expenses of $86 million and $90 million for the three months ended March 31, 2017, and 2016, respectively, are included in equipment and other rents in our Condensed Consolidated Statements of Income. In addition, UPRR had accounts payable to TTX of $55 million and $61 million as of March 31, 2017, and December 31, 2016, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
RESULTS OF OPERATIONS

Three Months Ended March 31, 2017, Compared to
Three Months Ended March 31, 2016

For purposes of this report, unless the context otherwise requires, all references herein to "UPC", "Corporation", "Company", "we", "us", and "our" shall mean Union Pacific Corporation and its subsidiaries, including Union Pacific Railroad Company, which we separately refer to as "UPRR" or the "Railroad".

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and applicable notes to the Condensed Consolidated Financial Statements, Item 1, and other information included in this report. Our Condensed 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 their fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP).

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable business segment. Although we provide and analyze revenue by commodity group, we treat the financial results of the Railroad as one segment due to the integrated nature of our rail network.

Available Information

Our Internet website is www.up.com. We make available free of charge on our website (under the "Investors" caption link) our Annual Reports on Form 10-K; our Quarterly Reports on Form 10-Q; eXtensible Business Reporting Language (XBRL) documents; our current reports on Form 8-K; our proxy statements; Forms 3, 4, and 5, filed on behalf of directors and executive officers; and amendments to any such reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). We also make available on our website previously filed SEC reports and exhibits via a link to EDGAR on the SEC's Internet site at www.sec.gov. We provide these previously filed reports as a convenience and their contents reflect only information that was true and correct as of the date of the report. We assume no obligation to update this historical information. Additionally, our corporate governance materials, including By-Laws, Board Committee charters, governance guidelines and policies, and codes of conduct and ethics for directors, officers, and employees are available on our website. From time to time, the corporate governance materials on our website may be updated as necessary to comply with rules issued by the SEC and the New York Stock Exchange or as desirable to promote the effective and efficient governance of our company. Any security holder wishing to receive, without charge, a copy of any of our SEC filings or corporate governance materials should send a written request to: Secretary, Union Pacific Corporation, 1400 Douglas Street, Omaha, NE 68179.

References to our website address in this report, including references in Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 2, are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

Critical Accounting Policies and Estimates

We base our discussion and analysis of our financial condition and results of operations upon our Condensed Consolidated Financial Statements. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenues, expenses, assets, and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ materially from actual results, the impact on the Condensed Consolidated Financial Statements may be material. Our critical accounting policies are available in Item 7 of our 2016 Annual Report on Form 10-

K. There have not been any significant changes with respect to these policies during the first three months of 2017.

RESULTS OF OPERATIONS

Quarterly Summary

We reported earnings of $1.32 per diluted share on net income of $1.1 billion in the first quarter of 2017 compared to earnings of $1.16 per diluted share on net income of $1.0 billion for the first quarter of 2016. Freight revenues increased 6%, or $292 million, in the first quarter compared to the same period in 2016. Volume growth of 2% and a 4% increase in average revenue per car (ARC) resulting from higher fuel surcharge revenue, core pricing gains, and mix of traffic drove the freight revenue growth. Demand for coal and shale drilling improved frac sand shipments compared to relatively low volume levels in the first quarter of 2016. In addition, shipments of grain, automotive parts, and international intermodal also contributed to the year-over-year growth. Conversely, shipments of crude oil, rock, finished vehicles, and domestic intermodal decreased versus 2016.

Operationally, we encountered considerable weather challenges in the West including snow, rain and flooding. Network operations were disrupted, resulting in an approximately $0.03 negative earnings per share impact for the quarter due to deferred or lost revenue and additional costs. As a result, average train speed, as reported to the Association of American Railroads (AAR), decreased 6% to 25.7 miles per hour, and average terminal dwell time increased 7% to 30.6 hours.

Despite these challenges, we continued to right size critical resources with current market demands. While volumes grew 2%, our work force levels decreased 4%, demonstrating continued momentum on our resource productivity initiatives. At the end of the first quarter, approximately 2,300 employees across all crafts were either furloughed or in alternate work status, and approximately 1,400 locomotives were in storage.

Operating Revenues

Millions, for the Three Months Ended March 31,		***2017***		*2016*	***% Change***
Freight revenues	**$**	**4,794**	$	4,502	**6 %**
Other revenues		**338**		327	**3**
Total	**$**	**5,132**	$	4,829	**6 %**

We generate freight revenues by transporting freight or other materials from our six commodity groups. Freight revenues vary with volume (carloads) and ARC. Changes in price, traffic mix and fuel surcharges drive ARC. We provide some of our customers with contractual incentives for meeting or exceeding specified cumulative volumes or shipping to and from specific locations, which we record as reductions to freight revenues based on the actual or projected future shipments. We recognize freight revenues as shipments move from origin to destination. We allocate freight revenues between reporting periods based on the relative transit time in each reporting period and recognize expenses as we incur them.

Other revenues include revenues earned by our subsidiaries, revenues from commuter rail operations that we manage, accessorial revenues, which we earn when customers retain equipment owned or controlled by us or when we perform additional services such as switching or storage, and miscellaneous contract revenue. We recognize other revenues as we perform services or meet contractual obligations.

Freight revenues increased during the first quarter of 2017 compared to 2016 driven by volume growth in coal, agriculture, and industrial products shipments, higher fuel surcharge revenue, core pricing gains and mix of traffic.

Each of our commodity groups includes revenue from fuel surcharges. Freight revenues from fuel surcharge programs were $212 million in the first quarter of 2017 compared to $113 million in the same period of 2016. Higher fuel surcharge revenue resulted from higher fuel prices and volume growth, partially offset by the lag in fuel surcharge recovery (it can generally take up to two months for changing fuel prices to affect fuel surcharge recoveries).

Other revenues increased in the first quarter 2017 compared to 2016 due to higher subsidiary revenues, primarily those that broker intermodal and automotive services.

The following tables summarize the year-over-year changes in freight revenues, revenue carloads, and ARC by commodity type:

Freight Revenues *Millions, for the Three Months Ended March 31,*	***2017***	*2016*	***% Change***
Agricultural Products	**$ 942**	$ 882	**7 %**
Automotive	**504**	510	**(1)**
Chemicals	**885**	878	**1**
Coal	**648**	519	**25**
Industrial Products	**907**	834	**9**
Intermodal	**908**	879	**3**
Total	**$ 4,794**	$ 4,502	**6 %**

Revenue Carloads *Thousands, for the Three Months Ended March 31,*	***2017***	*2016*	***% Change***
Agricultural Products	**250**	235	**6 %**
Automotive	**212**	217	**(2)**
Chemicals	**257**	268	**(4)**
Coal	**304**	262	**16**
Industrial Products	**278**	274	**1**
Intermodal [a]	**787**	788	**-**
Total	**2,088**	2,044	**2 %**

Average Revenue per Car *for the Three Months Ended March 31,*	***2017***	*2016*	***% Change***
Agricultural Products	**$ 3,773**	$ 3,749	**1 %**
Automotive	**2,373**	2,350	**1**
Chemicals	**3,448**	3,272	**5**
Coal	**2,134**	1,985	**8**
Industrial Products	**3,261**	3,041	**7**
Intermodal [a]	**1,154**	1,116	**3**
Average	**$ 2,297**	$ 2,202	**4 %**

[a] Each intermodal container or trailer equals one carload.

Agricultural Products – Freight revenue from agricultural products shipments increased in the first quarter of 2017 compared to 2016 due to volume growth, core pricing gains, and higher fuel surcharge revenue, partially offset by mix of traffic. Volumes increased 6% in the first quarter compared to 2016 driven by a 15% increase in grain shipments. Ample U.S. grain supply and competitiveness in the global market drove strong demand for grain exports.

Automotive – Freight revenue from automotive shipments decreased in the first quarter of 2017 compared to 2016 due to volume declines and mix of traffic, partially offset by higher fuel surcharge revenue and core pricing gains. Volumes declined 2% in the first quarter compared to 2016 as finished vehicle shipments decreased 8% resulting from a partial contract loss as well as reduced vehicle production for certain auto manufacturers. Automotive parts shipments grew 5% in the first quarter, driven by growth in truck-to-rail conversions.

Chemicals – Freight revenue from chemical shipments increased in the first quarter of 2017 compared to 2016 primarily due to core pricing gains and higher fuel surcharge revenue, partially offset by volume declines. Petroleum shipments declined 34%, driven by continued declines in crude oil volumes impacted by low crude oil prices and available pipeline capacity. The decrease was partially offset by growth in soda ash, plastics, and liquid petroleum shipments compared to 2016.

Coal – Volume growth, mix of traffic, and higher fuel surcharge revenue drove the increase in freight revenue from coal shipments in the first quarter of 2017 compared to 2016. Shipments out of the Powder River Basin (PRB) increased 17% versus 2016 due to declining inventory levels at utilities and higher year-over-year natural gas prices. Shipments out of Colorado and Utah increased 26% compared to the first quarter of 2016 driven by stronger export demand to Asia.

Industrial Products – Freight revenue from industrial products shipments increased compared to the first quarter of 2016 as a result of mix of traffic, volume growth, core pricing gains, and higher fuel surcharge revenue. Increased shale drilling activity and proppant intensity per drilling well drove volume growth in non-metallic mineral (frac sand) shipments compared to 2016. Conversely, rock shipments decreased versus 2016 due to inclement weather in the West and changes in construction activity in South Texas compared to 2016.

Intermodal – Higher fuel surcharge revenue drove an increase in freight revenue from intermodal shipments in the first quarter of 2017 compared to the same period in 2016, partially offset by mix of traffic. Volume levels were flat versus 2016 as a 1% increase in international shipments was offset by a 1% decrease in domestic traffic due to available truck capacity.

Mexico Business – Each of our commodity groups includes revenue from shipments to and from Mexico. Revenue from Mexico business increased 6% to $566 million in the first quarter compared to the same period in 2016 primarily due to a 2% increase in volume levels, core pricing gains, and higher fuel surcharge revenue. Double digit volume growth in chemicals, coal, and agricultural shipments more than offset declines in industrial products and intermodal shipments compared to 2016.

Operating Expenses

Millions, for the Three Months Ended March 31,	***2017***	*2016*	***% Change***
Compensation and benefits	**$ 1,257**	$ 1,213	**4 %**
Purchased services and materials	**566**	569	**(1)**
Depreciation	**520**	502	**4**
Fuel	**460**	320	**44**
Equipment and other rents	**276**	289	**(4)**
Other	**260**	249	**4**
Total	**$ 3,339**	$ 3,142	**6 %**

Operating expenses increased 6%, or $197 million in the first quarter, compared to 2016 due to higher fuel prices, volume and weather-related costs, inflation, depreciation, and higher casualty expenses, which were partially offset by productivity gains and continued resource alignments.

Compensation and Benefits – Compensation and benefits include wages, payroll taxes, health and welfare costs, pension costs, other postretirement benefits, and incentive costs. For the first quarter of 2017, expenses increased 4% compared to 2016, driven by wage and benefit inflation, volume and weather-related costs, partially offset by resource productivity gains.

Purchased Services and Materials – Expense for purchased services and materials includes the costs of services purchased from outside contractors and other service providers (including equipment maintenance and contract expenses incurred by our subsidiaries for external transportation services); materials used to maintain the Railroad's lines, structures, and equipment; costs of operating facilities jointly used by UPRR and other railroads; transportation and lodging for train crew employees; trucking and contracting costs for intermodal containers; leased automobile maintenance expenses; and tools and supplies. Purchased services and materials decreased 1% in the first quarter of 2017 compared to the same period of 2016. Primary drivers included lower joint facility expenses and locomotive material costs which were mostly offset by higher subsidiary contract service costs, and weather and incident-related expenses.

Depreciation – The majority of depreciation relates to road property, including rail, ties, ballast, and other track material. A higher depreciable asset base, reflecting recent years' higher capital spending, increased depreciation expense in the first quarter of 2017 compared to 2016. These increases were partially offset by our recent depreciation studies that resulted in lower depreciation rates for some asset classes.

Fuel – Fuel includes locomotive fuel and fuel for highway and non-highway vehicles and heavy equipment. Locomotive diesel fuel prices, which averaged $1.75 per gallon (including taxes and transportation costs) in the first quarter of 2017, compared to $1.25 per gallon in the same period in 2016, increased expenses by $127 million. In addition, fuel costs were higher as gross ton-miles increased 7% compared to the same period in 2016. The fuel consumption rate (c-rate), computed as gallons of fuel consumed divided by gross ton-miles in thousands, improved 4% compared to the first quarter of 2016.

Equipment and Other Rents – Equipment and other rents expense primarily includes rental expense that the Railroad pays for freight cars owned by other railroads or private companies; freight car, intermodal, and locomotive leases; and office and other rentals. Equipment and other rents expense in the first quarter of 2017 decreased 4% compared to the same period in 2016, mainly driven by lower locomotive lease expense and mix of traffic.

Other – Other expenses include state and local taxes; freight, equipment and property damage; utilities, insurance, personal injury, environmental, employee travel, telephone and cellular, computer software, bad debt and other general expenses. Other costs in the first quarter increased 4% compared to 2016, as a result of higher personal injury expense, costs associated with destroyed equipment owned by third parties, and state and local taxes. These increases were partially offset by lower environmental expense.

Non-Operating Items

Millions, for the Three Months Ended March 31,	***2017***	*2016*	***% Change***
Other income	**$ 67**	$ 46	**46 %**
Interest expense	**(172)**	(167)	**3**
Income taxes	**(616)**	(587)	**5**

Other Income – Other income increased in the first quarter 2017 compared to 2016 as a result of higher gains from real estate sales and increased rental income.

Interest Expense – Interest expense increased in the first quarter of 2017 compared to 2016 due to an increased weighted-average debt level of $15.0 billion in 2017 compared to $14.4 billion in 2016. These increases were partially offset by a lower effective interest rate of 4.6% compared to 4.7% in 2016.

Income Taxes – Income taxes were higher in the first quarter of 2017 compared to 2016, driven by higher pre-tax income. Our effective tax rates for the first quarter of 2017 and 2016 were 36.5% and 37.5%, respectively.

OTHER OPERATING/PERFORMANCE AND FINANCIAL STATISTICS

We report a number of key performance measures weekly to the AAR. We provide this data on our website at www.up.com/investor/aar-stb_reports/index.htm.

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Operating/Performance Statistics

Railroad performance measures are included in the table below:

For the Three Months Ended March 31,	***2017***	*2016*	***% Change***
Average train speed (miles per hour)	**25.7**	27.3	**(6) %**
Average terminal dwell time (hours)	**30.6**	28.6	**7 %**
Gross ton-miles (billions)	**218.9**	205.5	**7 %**
Revenue ton-miles (billions)	**114.1**	104.7	**9 %**
Operating ratio	**65.1**	65.1	**- pts**
Employees (average)	**42,069**	43,655	**(4) %**

Average Train Speed – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. Average train speed for the first quarter of 2017, as reported to the AAR, decreased 6% compared to the same period in 2016 as weather disruptions in the West hampered network operations and fluidity.

Average Terminal Dwell Time – Average terminal dwell time is the average time that a rail car spends at our terminals. Lower average terminal dwell time improves asset utilization and service. Average terminal dwell time in the first quarter of 2017 increased 7% compared to the same period of 2016, reflecting the impact of weather disruptions on network operations and fluidity.

Gross and Revenue Ton-Miles – Gross ton-miles are calculated by multiplying the weight of loaded and empty freight cars by the number of miles hauled. Revenue ton-miles are calculated by multiplying the weight of freight by the number of tariff miles. Gross ton-miles and revenue ton-miles increased 7% and 9%, respectively, during the first quarter of 2017 compared to 2016, resulting from a 2% increase in carloadings. Changes in commodity mix drove the variances in year-over-year increases between gross ton-miles, revenue ton-miles and carloads.

Operating Ratio – Operating ratio is our operating expenses reflected as a percentage of operating revenue. Our first quarter operating ratio of 65.1% was flat compared to the first quarter of 2016. The positive impact of volume growth, core pricing gains, and resource productivity were offset by higher fuel prices, inflation, fuel surcharge recovery lag, and other costs.

Employees – Employee levels in the first quarter decreased 4% compared to the same period in 2016. The decrease was driven by productivity gains, a smaller capital workforce, fewer management and administrative personnel, partially offset by higher volume levels.

Debt to Capital / Adjusted Debt to Capital

Millions, Except Percentages	***Mar. 31, 2017***	*Dec. 31, 2016*
Debt (a)	**$ 15,033**	$ 15,007
Equity	**19,723**	19,932
Capital (b)	**$ 34,756**	$ 34,939
Debt to capital (a/b)	**43.3%**	43.0%

Millions, Except Percentages	***Mar. 31, 2017***	*Dec. 31, 2016*
Debt	**$ 15,033**	$ 15,007
Net present value of operating leases	**2,295**	2,435
Unfunded pension and OPEB, net of taxes of $248 and $261	**431**	436
Adjusted debt (a)	**17,759**	17,878
Equity	**19,723**	19,932
Adjusted capital (b)	**$ 37,482**	$ 37,810
Adjusted debt to capital (a/b)	**47.4%**	47.3%

Adjusted debt to capital is a non-GAAP financial measure under SEC Regulation G and Item 10 of SEC Regulation S-K, and may not be defined and calculated by other companies in the same manner. We believe this measure is important to management and investors in evaluating the total amount of leverage in our capital structure, including off-balance sheet lease obligations, which we generally incur in connection with financing the acquisition of locomotives and freight cars and certain facilities. Operating leases were discounted using 4.6% at March 31, 2017, and 4.7% at December 31, 2016. The discount rate reflects our effective interest rate. We monitor the ratio of adjusted debt to capital as we manage our capital structure to balance cost-effective and efficient access to the capital markets with the Corporation's overall cost of capital. Adjusted debt to capital should be considered in addition to, rather than as a substitute for, debt to capital. The tables above provide reconciliations from debt to capital to adjusted debt to capital.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

Cash Flows *Millions,* *for the Three Months Ended March 31,*		***2017***		*2016*
Cash provided by operating activities	**$**	**1,883**	$	2,173
Cash used in investing activities		**(843)**		(672)
Cash used in financing activities		**(1,268)**		(219)
Net change in cash and cash equivalents	**$**	**(228)**	$	1,282

Operating Activities

In the first three months of 2017, cash provided by operating activities decreased compared to the same period of 2016 due to the timing of tax payments in 2016 related to bonus depreciation on capital spending. Higher income in the first three months of 2017 versus the same period in 2016 partially offset this decrease.

Investing Activities

Higher capital investment and short term investments increased cash used in investing activities in the first three months of 2017 compared to the same period in 2016.

The table below details cash capital investments:

Millions, *for the Three Months Ended March 31,*		***2017***		*2016*
Rail and other track material	**$**	**154**	$	146
Ties		**118**		126
Ballast		**51**		50
Other [a]		**89**		100
Total road infrastructure replacements		**412**		422
Line expansion and other capacity projects		**11**		40
Commercial facilities		**20**		35
Total capacity and commercial facilities		**31**		75
Locomotives and freight cars [b]		**224**		100
Positive train control		**76**		68
Technology and other		**68**		22
Total cash capital investments	**$**	**811**	$	687

[a] Other includes bridges and tunnels, signals, other road assets, and road work equipment.
[b] Locomotives and freight cars include lease buyouts of $144 million in 2017 and $27 million in 2016.

Capital Plan

As previously stated, we expect our 2017 capital plan to be approximately $3.1 billion, which may be revised if business conditions or the regulatory environment affect our ability to generate sufficient returns on these investments.

Financing Activities

Cash used in financing activities increased $1,049 million in the first three months of 2017 compared to the same period of 2016. A decrease of $1,078 million in debt issued more than offset a decrease of $98 million in debt repaid.

See Note 14 of the Condensed Consolidated Financial Statements for a description of all our outstanding financing arrangements and significant new borrowings.

Free Cash Flow – Free cash flow is defined as cash provided by operating activities less cash used in investing activities and dividends paid.

Free cash flow is not considered a financial measure under GAAP by SEC Regulation G and Item 10 of SEC Regulation S-K and may not be defined and calculated by other companies in the same manner. We believe free cash flow is important to management and investors in evaluating our financial performance and measures our ability to generate cash without additional external financing. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities. The following table reconciles cash provided by operating activities (GAAP measure) to free cash flow (non-GAAP measure):

Millions, for the Three Months Ended March 31,	***2017***	*2016*
Cash provided by operating activities	**$ 1,883**	$ 2,173
Cash used in investing activities	**(843)**	(672)
Dividends paid	**(492)**	(465)
Free cash flow	**$ 548**	$ 1,036

Share Repurchase Program

Effective January 1, 2017, our Board of Directors authorized the repurchase of up to 120 million shares of our common stock by December 31, 2020, replacing our previous repurchase program. As of March 31, 2017, we repurchased a total of $19.9 billion of our common stock since the commencement of our repurchase programs in 2007. The table below represents shares repurchased in the first quarter of 2017 under our new repurchase program, and shares repurchased in the first quarter of 2016 under our previous repurchase program.

	Number of Shares Purchased		*Average Price Paid*	
	2017	*2016*	***2017***	*2016*
First quarter	**7,531,300**	9,315,807	**$ 106.55**	$ 76.49
Remaining number of shares that may be repurchased under current authority				112,468,700

Management's assessments of market conditions and other pertinent factors guide the timing and volume of all repurchases. We expect to fund any share repurchases under this program through cash generated from operations, the sale or lease of various operating and non-operating properties, debt issuances, and cash on hand. Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

From April 1, 2017 through April 26, 2017, we repurchased 2.1 million shares at an aggregate cost of approximately $228 million.

Off-Balance Sheet Arrangements, Contractual Obligations, and Commercial Commitments

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

The following tables identify material obligations and commitments as of March 31, 2017:

Contractual Obligations *Millions*	*Total*	*Apr. 1 through Dec. 31, 2017*	*Payments Due by Dec. 31,* 2018	*2019*	*2020*	*2021*	*After 2021*	*Other*
Debt [a]	$ 25,301	$ 1,004	$ 998	$ 1,240	$ 1,399	$ 1,024	$ 19,636	$ -
Operating leases [b]	2,860	248	394	356	291	252	1,319	-
Capital lease obligations [c]	1,144	94	170	156	165	142	417	-
Purchase obligations [d]	3,415	1,466	984	355	286	226	66	32
Other postretirement benefits [e]	453	35	47	47	47	47	230	-
Income tax contingencies [f]	123	-	-	-	-	-	-	123
Total contractual obligations	$ 33,296	$ 2,847	$ 2,593	$ 2,154	$ 2,188	$ 1,691	$ 21,668	$ 155

[a] Excludes capital lease obligations of $935 million, as well as unamortized discount and deferred issuance costs of ($884) million. Includes an interest component of $10,319 million.

[b] Includes leases for locomotives, freight cars, other equipment, and real estate.

[c] Represents total obligations, including interest component of $209 million.

[d] Purchase obligations include locomotive maintenance contracts; purchase commitments for fuel purchases, locomotives, ties, ballast, and rail; and agreements to purchase other goods and services. For amounts where we cannot reasonably estimate the year of settlement, they are included in the Other column.

[e] Includes estimated other postretirement, medical, and life insurance payments and payments made under the unfunded pension plan for the next ten years.

[f] Future cash flows for income tax contingencies reflect the recorded liabilities and assets for unrecognized tax benefits, including any interest or penalties, as of March 31, 2017. For amounts where the year of settlement is uncertain, they are included in the Other column.

Other Commercial Commitments *Millions*	*Total*	*Apr. 1 through Dec. 31, 2017*	*Amount of Commitment Expiration by Dec. 31,* 2018	*2019*	*2020*	*2021*	*After 2021*
Credit facilities [a]	$ 1,700	$ -	$ -	$ 1,700	$ -	$ -	$ -
Receivables securitization facility [b]	650	-	-	650	-	-	-
Guarantees [c]	43	10	11	7	5	5	5
Standby letters of credit [d]	19	11	8	-	-	-	-
Total commercial commitments	$ 2,412	$ 21	$ 19	$ 2,357	$ 5	$ 5	$ 5

[a] None of the credit facility was used as of March 31, 2017.

[b] $200 million of the receivables securitization facility was utilized as of March 31, 2017, which is accounted for as debt. The full program matures in July 2019.

[c] Includes guaranteed obligations related to our affiliated operations.

[d] None of the letters of credit were drawn upon as of March 31, 2017.

OTHER MATTERS

Asserted and Unasserted Claims – Various claims and lawsuits are pending against us and certain of our subsidiaries. We cannot fully determine the effect of all asserted and unasserted claims on our consolidated results of operations, financial condition, or liquidity. To the extent possible, we have recorded a liability where asserted and unasserted claims are considered probable and where such claims can be reasonably estimated. We do not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities, or guarantees will have a material adverse effect on our consolidated results of operations, financial condition, or liquidity after taking into account liabilities and insurance recoveries previously recorded for these matters.

Indemnities – We are contingently obligated under a variety of indemnification arrangements, although in some cases the extent of our potential liability is limited, depending on the nature of the transactions and the agreements. Due to uncertainty as to whether claims will be made or how they will be resolved, we cannot reasonably determine the probability of an adverse claim or reasonably estimate any adverse liability or the total maximum exposure under these indemnification arrangements. We do not have any reason to believe that we will be required to make any material payments under these indemnity provisions.

Accounting Pronouncements – See Note 2 to the Condensed Consolidated Financial Statements.

CAUTIONARY INFORMATION

Certain statements in this report, and statements in other reports or information filed or to be filed with the SEC (as well as information included in oral statements or other written statements made or to be made by us), are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements and information include, without limitation, the statements and information set forth under the caption “Liquidity and Capital Resources” in Item 2 regarding our capital plan and statements under the caption “Off-Balance Sheet Arrangements, Contractual Obligations, and Commercial Commitments.” Forward-looking statements and information also include any other statements or information in this report regarding: expectations as to operational or service improvements; expectations regarding the effectiveness of steps taken or to be taken to improve operations, service, infrastructure improvements, and transportation plan modifications; expectations as to cost savings, revenue growth, and earnings; the time by which goals, targets, or objectives will be achieved; projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, future economic performance, and general economic conditions; proposed new products and services; estimates of costs relating to environmental remediation and restoration; estimates and expectations regarding tax matters, expectations that claims, litigation, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on our consolidated results of operations, financial condition, or liquidity and any other similar expressions concerning matters that are not historical facts.

Forward-looking statements and information reflect the good faith consideration by management of currently available information, and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The Risk Factors in Item 1A of our 2016 Annual Report on Form 10-K, filed February 3, 2017, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements, and this report, including this Item 2, should be read in conjunction with these Risk Factors. To the extent circumstances require or we deem it otherwise necessary, we will update or amend these risk factors in a Form 10-Q or Form 8-K. Information regarding new risk factors or material changes to our risk factors, if any, is set forth in Item 1A of Part II of this report. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If we do update one or more forward-looking statements, no inference should be drawn that we 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 were no material changes to the Quantitative and Qualitative Disclosures About Market Risk previously disclosed in our 2016 Annual Report on Form 10-K.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer (CEO) and Executive Vice President and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based upon that evaluation, the CEO and the CFO concluded that, as of the end of the period covered by this report, the Corporation's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Additionally, the CEO and CFO determined that there were no changes to the Corporation's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings, claims, and litigation that occur in connection with our business. We routinely assess our liabilities and contingencies in connection with these matters based upon the latest available information and, when necessary, we seek input from our third-party advisors when making these assessments. Consistent with SEC rules and requirements, we describe below material pending legal proceedings (other than ordinary routine litigation incidental to our business), material proceedings known to be contemplated by governmental authorities, other proceedings arising under federal, state, or local environmental laws and regulations (including governmental proceedings involving potential fines, penalties, or other monetary sanctions in excess of $100,000), and such other pending matters that we may determine to be appropriate.

Environmental Matters

On May 2, 2015, a UPRR train en route from Chicago, IL. to St. Louis, MO. experienced an accidental release of diesel fuel in the vicinity of Sidney, IL. It is believed that the release was caused by a puncture to a fuel tank under one or more of the locomotives attached to the train. The impacted fuel tank(s) released the majority of their contents onto the ground, approximately 400 feet from an unnamed creek. Some of the fuel migrated into that creek, which discharges to the Salt Fork River. We immediately notified federal, state and local authorities and dispatched our own emergency response resources to the scene. On May 29, 2015, we entered into an agreed-upon interim order to perform a comprehensive site investigation and remedial measures at the release site. On March 13, 2017, the State of Illinois issued a demand for $125,000 in civil penalties as part of the ongoing enforcement action. We are currently evaluating the State's demand.

We receive notices from the EPA and state environmental agencies alleging that we are or may be liable under federal or state environmental laws for remediation costs at various sites throughout the U.S., including sites on the Superfund National Priorities List or state superfund lists. We cannot predict the ultimate impact of these proceedings and suits because of the number of potentially responsible parties involved, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs.

Information concerning environmental claims and contingencies and estimated remediation costs is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Environmental, Item 7 of our 2016 Annual Report on Form 10-K.

Other Matters

Antitrust Litigation - As we reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, 20 rail shippers (many of whom are represented by the same law firms) filed virtually identical antitrust lawsuits in various federal district courts against us and four other Class I railroads in the U.S. Currently, UPRR and three other Class I railroads are the named defendants in the lawsuit. The parties are awaiting the results of a class certification hearing that was conducted on September 26, 2016, before the court may commence any proceedings on the merits of the case. For additional information on this lawsuit, please refer to Item 3. Legal Proceedings, under Other Matters, Antitrust Litigation in our most recently filed Annual Report on Form 10-K for the year ended December 31, 2016.

As we reported in our Current Report on Form 8-K, filed on June 10, 2011, the Railroad received a complaint filed in the U.S. District Court for the District of Columbia on June 7, 2011, by Oxbow Carbon & Minerals LLC and related entities (Oxbow). The parties are currently conducting discovery in this matter. For additional information on Oxbow, please refer to Item 3. Legal Proceedings, under Other Matters, Antitrust Litigation in our most recently filed Annual Report on Form 10-K for the year ended December 31, 2016.

We deny the allegations that our fuel surcharge programs violate the antitrust laws or any other laws. We believe that these lawsuits are without merit, and we will vigorously defend our actions. Therefore, we currently believe that these matters will not have a material adverse effect on any of our results of operations, financial condition, and liquidity.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our 2016 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities – The following table presents common stock repurchases during each month for the first quarter of 2017:

Period	*Total Number of Shares Purchased [a]*	*Average Price Paid Per Share*	*Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program [b]*	*Maximum Number of Shares That May Be Purchased Under Current Authority [b]*
Jan. 1 through Jan. 31	2,502,457	$ 105.65	2,500,000	117,500,000
Feb. 1 through Feb. 28	2,579,457	108.03	2,175,000	115,325,000
Mar. 1 through Mar. 31	2,874,701	106.16	2,856,300	112,468,700
Total	7,956,615	$ 106.61	7,531,300	N/A

[a] Total number of shares purchased during the quarter includes 425,315 shares delivered or attested to UPC by employees to pay stock option exercise prices, satisfy excess tax withholding obligations for stock option exercises or vesting of retention units, and pay withholding obligations for vesting of retention shares.

[b] On November 17, 2016, our Board of Directors approved the early renewal of the share repurchase program, authorizing the repurchase of up to 120 million shares of our common stock by December 31, 2020. The new authorization was effective January 1, 2017, and replaces the previous authorization, which expired on December 31, 2016. These repurchases may be made on the open market or through other transactions. Our management has sole discretion with respect to determining the timing and amount of these transactions.

Dividend Restrictions – Our revolving credit facility includes a debt-to-net worth covenant that, under certain circumstances, restricts the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was $12.2 billion and $12.4 billion at March 31, 2017, and December 31, 2016, respectively.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
Filed with this Statement	
12	Ratio of Earnings to Fixed Charges for the Three Months Ended March 31, 2017 and 2016.
31(a)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Lance M. Fritz.
31(b)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Robert M. Knight, Jr.
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Lance M. Fritz and Robert M. Knight, Jr.
101	eXtensible Business Reporting Language (XBRL) documents submitted electronically: 101.INS (XBRL Instance Document), 101.SCH (XBRL Taxonomy Extension Schema Document), 101.CAL (XBRL Calculation Linkbase Document), 101.LAB (XBRL Taxonomy Label Linkbase Document), 101.DEF (XBRL Taxonomy Definition Linkbase Document) and 101.PRE (XBRL Taxonomy Presentation Linkbase Document). The following financial and related information from Union Pacific Corporation's Quarterly Report on Form 10-Q for the period ended March 31, 2017 (filed with the SEC on April 27, 2017), is formatted in XBRL and submitted electronically herewith: (i) Condensed Consolidated Statements of Income for the periods ended March 31, 2017 and 2016, (ii) Condensed Consolidated Statements of Comprehensive Income for the periods ended March 31, 2017 and 2016, (iii) Condensed Consolidated Statements of Financial Position at March 31, 2017 and December 31, 2016, (iv) Condensed Consolidated Statements of Cash Flows for the periods ended March 31, 2017 and 2016, (v) Condensed Consolidated Statements of Changes in Common Shareholders' Equity for the periods ended March 31, 2017 and 2016, and (vi) the Notes to the Condensed Consolidated Financial Statements.
Incorporated by Reference	
3(a)	Restated Articles of Incorporation of UPC, as amended and restated through June 27, 2011, and as further amended May 15, 2014, are incorporated herein by reference to Exhibit 3(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
3(b)	By-Laws of UPC, as amended, effective November 19, 2015, are incorporated herein by reference to Exhibit 3.2 to the Corporation's Current Report on Form 8-K dated November 19, 2015.
4(a)	Form of 3.000% Note due 2027 is incorporated by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated April 5, 2017.
4(b)	Form of 4.000% Note due 2047 is incorporated by reference to Exhibit 4.2 to the Corporation's Current Report on Form 8-K dated April 5, 2017.

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: April 27, 2017

UNION PACIFIC CORPORATION (Registrant)

By /s/ Robert M. Knight, Jr.
Robert M. Knight, Jr.
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/ Todd M. Rynaski
Todd M. Rynaski
Vice President and Controller
(Principal Accounting Officer)

RATIO OF EARNINGS TO FIXED CHARGES (Unaudited)
Union Pacific Corporation and Subsidiary Companies

Millions, Except for Ratios for the Three Months Ended March 31,	***2017***	*2016*
Fixed charges:		
Interest expense including amortization of debt discount	**$ 172**	$ 167
Portion of rentals representing an interest factor	**20**	24
Total fixed charges	**$ 192**	$ 191
Earnings available for fixed charges:		
Net income	**$ 1,072**	$ 979
Equity earnings net of distributions	**(10)**	(21)
Income taxes	**616**	587
Fixed charges	**192**	191
Earnings available for fixed charges	**$ 1,870**	$ 1,736
Ratio of earnings to fixed charges	**9.7**	9.1

Exhibit 31(a)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Lance M. Fritz, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: April 27, 2017

/s/ Lance M. Fritz
Lance M. Fritz
Chairman, President and
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Robert M. Knight, Jr., certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: April 27, 2017

/s/ Robert M. Knight, Jr.
Robert M. Knight, Jr.
Executive Vice President and
Chief Financial Officer

Exhibit 32

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

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Lance M. Fritz, Chairman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Lance M. Fritz
Lance M. Fritz
Chairman, President and
Chief Executive Officer
Union Pacific Corporation

April 27, 2017

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

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

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert M. Knight, Jr., Executive Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Robert M. Knight, Jr.
Robert M. Knight, Jr.
Executive Vice President and
Chief Financial Officer
Union Pacific Corporation

April 27, 2017

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