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

FORM 10-Q

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

For the quarterly period ended March 31, 2021
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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol	Name of each exchange on which registered
Common Stock (Par Value $2.50 per share)	UNP	New York Stock Exchange

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.

x Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

x Yes ☐ No

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

Large Accelerated Filer	☑	Accelerated Filer	☐	Non-Accelerated Filer	☐
Smaller Reporting Company	☐	Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

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

☐ Yes x No

As of April 16, 2021, there were 664,302,521 shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

Millions, Except Per Share Amounts, for the Three Months Ended March 31,		***2021***		*2020*
Operating revenues:				
Freight revenues	**$**	**4,649**	$	4,880
Other revenues		**352**		349
Total operating revenues		**5,001**		5,229
Operating expenses:				
Compensation and benefits		**1,026**		1,059
Depreciation		**549**		547
Purchased services and materials		**490**		521
Fuel		**411**		434
Equipment and other rents		**212**		227
Other		**320**		298
Total operating expenses		**3,008**		3,086
Operating income		**1,993**		2,143
Other income, net (Note 6)		**51**		53
Interest expense		**(290)**		(278)
Income before income taxes		**1,754**		1,918
Income taxes		**(413)**		(444)
Net income	**$**	**1,341**	$	1,474
Share and Per Share (Note 7):				
Earnings per share - basic	**$**	**2.01**	$	2.15
Earnings per share - diluted	**$**	**2.00**	$	2.15
Weighted average number of shares - basic		**667.6**		684.3
Weighted average number of shares - diluted		**669.2**		686.2

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

Millions, for the Three Months Ended March 31,		***2021***		*2020*
Net income	**$**	**1,341**	$	1,474
Other comprehensive income/(loss):				
Defined benefit plans		**25**		22
Foreign currency translation		**(26)**		5
Total other comprehensive income/(loss) [a]		**(1)**		27
Comprehensive income	**$**	**1,340**	$	1,501

[a] Net of deferred taxes of ($8) million and ($7) million during the three months ended March 31, 2021 and 2020, 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, 2021***		*December 31, 2020*
Assets				
Current assets:				
Cash and cash equivalents	**$**	**1,183**	$	1,799
Short-term investments (Note 12)		**60**		60
Accounts receivable, net (Note 9)		**1,610**		1,505
Materials and supplies		**659**		638
Other current assets		**207**		212
Total current assets		**3,719**		4,214
Investments		**2,167**		2,164
Properties, net (Note 10)		**54,062**		54,161
Operating lease assets		**1,581**		1,610
Other assets		**264**		249
Total assets	**$**	**61,793**	$	62,398
Liabilities and Common Shareholders' Equity				
Current liabilities:				
Accounts payable and other current liabilities (Note 11)	**$**	**3,306**	$	3,104
Debt due within one year (Note 13)		**1,565**		1,069
Total current liabilities		**4,871**		4,173
Debt due after one year (Note 13)		**25,117**		25,660
Operating lease liabilities		**1,171**		1,283
Deferred income taxes		**12,307**		12,247
Other long-term liabilities		**2,073**		2,077
Commitments and contingencies (Note 14)				
Total liabilities		**45,539**		45,440
Common shareholders' equity:				
Common shares, $2.50 par value, 1,400,000,000 authorized; 1,112,478,704 and 1,112,227,784 issued; 665,134,519 and 671,351,360 outstanding, respectively		**2,781**		2,781
Paid-in-surplus		**4,874**		4,864
Retained earnings		**52,019**		51,326
Treasury stock		**(41,826)**		(40,420)
Accumulated other comprehensive loss (Note 8)		**(1,594)**		(1,593)
Total common shareholders' equity		**16,254**		16,958
Total liabilities and common shareholders' equity	**$**	**61,793**	$	62,398

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,*		***2021***		*2020*
Operating Activities				
Net income	**$**	**1,341**	$	1,474
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation		**549**		547
Deferred and other income taxes		**54**		91
Other operating activities, net		**(131)**		(64)
Changes in current assets and liabilities:				
Accounts receivable, net		**(105)**		(74)
Materials and supplies		**(21)**		59
Other current assets		**(1)**		1
Accounts payable and other current liabilities		**(67)**		(168)
Income and other taxes		**339**		289
Cash provided by operating activities		**1,958**		2,155
Investing Activities				
Capital investments		**(536)**		(807)
Maturities of short-term investments (Note 12)		**24**		70
Purchases of short-term investments (Note 12)		**(24)**		(70)
Proceeds from asset sales		**17**		8
Other investing activities, net		**14**		(8)
Cash used in investing activities		**(505)**		(807)
Financing Activities				
Share repurchase programs (Note 15)		**(1,347)**		(2,556)
Dividends paid		**(650)**		(660)
Debt repaid		**(47)**		(305)
Net issuance of commercial paper (Note 13)		**(15)**		(1)
Debt issued (Note 13)		**-**		2,996
Accelerated share repurchase programs pending final settlement		**-**		(400)
Other financing activities, net		**(14)**		(71)
Cash used in financing activities		**(2,073)**		(997)
Net change in cash, cash equivalents and restricted cash		**(620)**		351
Cash, cash equivalents, and restricted cash at beginning of year		**1,818**		856
Cash, cash equivalents, and restricted cash at end of period	**$**	**1,198**	$	1,207
Supplemental Cash Flow Information				
Non-cash investing and financing activities:				
Capital investments accrued but not yet paid	**$**	**99**	$	169
Common shares repurchased but not yet paid		**55**		-
Cash (paid for)/received from:				
Income taxes, net of refunds	**$**	**(1)**	$	(11)
Interest, net of amounts capitalized		**(394)**		(349)
Reconciliation of cash, cash equivalents, and restricted cash				
to the Condensed Consolidated Statement of Financial Position:				
Cash and cash equivalents	**$**	**1,183**	$	1,130
Restricted cash equivalents in other current assets		**3**		65
Restricted cash equivalents in other assets		**12**		12
Total cash, cash equivalents and restricted cash equivalents per above	**$**	**1,198**	$	1,207

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, 2020	1,112.0	(419.9)	$ 2,780	$ 4,523	$ 48,605	$ (36,424)	$ (1,356)	$ 18,128
Net income			-	-	1,474	-	-	1,474
Other comprehensive income			-	-	-	-	27	27
Conversion, stock option exercises, forfeitures, and other	0.3	0.5	1	(11)	-	(12)	-	(22)
Share repurchase programs (Note 15)	-	(14.3)	-	(400)	-	(2,556)	-	(2,956)
Cash dividends declared ($0.97 per share)	-	-	-	-	(660)	-	-	(660)
Balance at March 31, 2020	1,112.3	(433.7)	$ 2,781	$ 4,112	$ 49,419	$ (38,992)	$ (1,329)	$ 15,991
Balance at January 1, 2021	1,112.2	(440.9)	$ 2,781	$ 4,864	$ 51,326	$ (40,420)	$ (1,593)	$ 16,958
Net income			-	-	1,341	-	-	1,341
Other comprehensive loss			-	-	-	-	(1)	(1)
Conversion, stock option exercises, forfeitures, and other	0.3	0.2	-	10	-	(4)	-	6
Share repurchase programs (Note 15)	-	(6.7)	-	-	-	(1,402)	-	(1,402)
Cash dividends declared ($0.97 per share)	-	-	-	-	(648)	-	-	(648)
Balance at March 31, 2021	**1,112.5**	**(447.4)**	**$ 2,781**	**$ 4,874**	**$ 52,019**	**$ (41,826)**	**$ (1,594)**	**$ 16,254**

[a] AOCI = Accumulated Other Comprehensive Income/Loss (Note 8)

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 2020 Annual Report on Form 10-K. Our Consolidated Statement of Financial Position at December 31, 2020, is derived from audited financial statements. The results of operations for the three months ended March 31, 2021, are not necessarily indicative of the results for the entire year ending December 31, 2021.

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 December 2019, the FASB issued Accounting Standards Update No. 2019-12 (ASU 2019-12), *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting and disclosure requirements for income taxes by clarifying existing guidance to improve consistency in application of Accounting Standards Codification (ASC) 740. The company adopted the ASU on January 1, 2021 (the effective date), and it did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In March 2020, the FASB issued Accounting Standards Update No. 2020-04 (ASU 2020-04), *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying GAAP principles to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued due to reference rate reform. This guidance was effective beginning on March 12, 2020, and can be adopted on a prospective basis no later than December 31, 2022, with early adoption permitted. The Company is currently evaluating the effect that the new guidance will have on our consolidated financial statements and related disclosures.

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 three commodity groups, we treat the financial results of the Railroad as one segment due to the integrated nature of our rail network. Our operating revenues are primarily derived from contracts with customers for the transportation of freight from origin to destination.

The following table represents a disaggregation of our freight and other revenues:

Millions, for the Three Months Ended March 31,		***2021***		*2020*
Bulk	**$**	**1,512**	$	1,534
Industrial		**1,656**		1,894
Premium		**1,481**		1,452
Total freight revenues	**$**	**4,649**	$	4,880
Other subsidiary revenues		**177**		214
Accessorial revenues		**161**		117
Other		**14**		18
Total operating revenues	**$**	**5,001**	$	5,229

Although our revenues are principally derived from customers domiciled in the U.S., the ultimate points of origin 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 $565 million and $583 million, respectively, for the three months ended March 31, 2021 and 2020.

4. Stock-Based Compensation

We have several stock-based compensation plans under which employees receive nonvested stock options, nonvested retention shares, and nonvested stock units. We refer to the nonvested shares and stock units collectively as “retention awards”. We 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,		***2021***		*2020*
Stock-based compensation, before tax:				
Stock options	**$**	**4**	$	4
Retention awards		**16**		18
Total stock-based compensation, before tax	**$**	**20**	$	22
Excess tax benefits from equity compensation plans	**$**	**15**	$	33

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		***2021***		*2020*
Risk-free interest rate		**0.4%**		1.5%
Dividend yield		**1.9%**		2.1%
Expected life (years)		**4.6**		4.9
Volatility		**28.3%**		23.4%
Weighted-average grant-date fair value of options granted	**$**	**39.97**	$	32.20

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, 2021, is presented below:

	Options (thous.)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (millions)
Outstanding at January 1, 2021	2,569	$ 132.49	6.4 yrs.	$ 195
Granted	387	204.45	N/A	N/A
Exercised	(252)	122.76	N/A	N/A
Forfeited or expired	(34)	136.24	N/A	N/A
Outstanding at March 31, 2021	2,670	$ 143.79	6.7 yrs.	$ 204
Vested or expected to vest at March 31, 2021	2,644	$ 143.51	6.7 yrs.	$ 203
Options exercisable at March 31, 2021	1,814	$ 123.73	5.6 yrs.	$ 175

Stock options are granted at the closing price on the date of grant, have 10 year contractual terms, and vest no later than 3 years from the date of grant. None of the stock options outstanding at March 31, 2021, are subject to performance or market-based vesting conditions.

At March 31, 2021, there was $27 million of unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.7 years. Additional information regarding stock option exercises appears in the following table:

Millions, for the Three Months Ended March 31,	***2021***	*2020*
Intrinsic value of stock options exercised	**$ 23**	$ 48
Cash received from option exercises	**30**	33
Treasury shares repurchased for employee taxes	**(6)**	(8)
Tax benefit realized from option exercises	**4**	11
Aggregate grant-date fair value of stock options vested	**14**	14

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, 2021, were as follows:

	Shares (thous.)	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2021	1,476	$ 141.06
Granted	279	204.55
Vested	(409)	107.82
Forfeited	(16)	156.98
Nonvested at March 31, 2021	1,330	$ 164.41

Retention awards are granted at no cost to the employee and vest over periods lasting up to 4 years. At March 31, 2021, there was $129 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 2.2 years.

Performance Retention Awards – In February 2021, our Board of Directors approved performance stock unit grants. This plan is based on performance targets for annual return on invested capital (ROIC) and operating income growth (OIG) compared to companies in the S&P 100 Industries Index plus the Class I railroads. We define ROIC as net operating profit adjusted for interest expense (including interest on average operating lease liabilities) and taxes on interest divided by average invested capital adjusted for average operating lease liabilities.

The February 2021 stock units awarded to selected employees are subject to continued employment for 37 months, the attainment of certain levels of ROIC, and the relative three-year OIG. We expense two-thirds of 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 plan, the remaining one-third of the fair value is subject to the relative three-year OIG. 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. Dividend equivalents are accumulated during the service period and paid to participants only after the units are earned.

Changes in our performance retention awards during the three months ended March 31, 2021, were as follows:

	Shares (thous.)	*Weighted-Average Grant-Date Fair Value*
Nonvested at January 1, 2021	773	$ 148.17
Granted	227	204.45
Vested	(140)	129.60
Unearned	(150)	128.78
Forfeited	(13)	185.87
Nonvested at March 31, 2021	697	$ 173.70

At March 31, 2021, there was $34 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 1.9 years. This expense is subject to achievement of the performance measures established for the performance stock unit grants.

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. Non-union employees hired on or after January 1, 2018, are no longer eligible for pension benefits, but are eligible for an enhanced 401(k) plan.

Other Postretirement Benefits (OPEB) – We provide medical and life insurance benefits for eligible retirees hired before January 1, 2004. 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 5 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/loss and, if necessary, amortized as pension or OPEB expense.

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

Millions, for the Three Months Ended March 31,	*Pension*		*OPEB*	
	2021	*2020*	***2021***	*2020*
Service cost	**$ 30**	$ 27	**$ -**	$ -
Interest cost	**26**	34	**1**	1
Expected return on plan assets	**(67)**	(70)	**-**	-
Amortization of:				
Prior service cost/(credit)	**-**	-	**(4)**	(3)
Actuarial loss	**36**	28	**2**	2
Net periodic benefit cost	**$ 25**	$ 19	**$ (1)**	$ -

Cash Contributions

For the three months ended March 31, 2021, cash contributions totaled $0 to the qualified pension plan. Any contributions made during 2021 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, 2021, we do not have minimum cash funding requirements for 2021.

6. Other Income

Other income included the following:

Millions, for the Three Months Ended March 31,	***2021***	*2020*
Rental income	**$ 33**	$ 31
Gain on non-operating asset dispositions	**9**	11
Net periodic pension and OPEB costs	**6**	8
Interest income	**1**	6
Non-operating environmental costs and other	**2**	(3)
Total	**$ 51**	$ 53

7. 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,	***2021***	*2020*
Net income	**$ 1,341**	$ 1,474
Weighted-average number of shares outstanding:		
Basic	**667.6**	684.3
Dilutive effect of stock options	**0.8**	0.9
Dilutive effect of retention shares and units	**0.8**	1.0
Diluted	**669.2**	686.2
Earnings per share – basic	**$ 2.01**	$ 2.15
Earnings per share – diluted	**$ 2.00**	$ 2.15
Stock options excluded as their inclusion would be anti-dilutive	**0.3**	0.7

8. Accumulated Other Comprehensive Income/Loss

Reclassifications out of accumulated other comprehensive income/loss for the three months ended March 31, 2021 and 2020, were as follows (net of tax):

Millions		*Defined benefit plans*		*Foreign currency translation*		*Total*
Balance at January 1, 2021	$	(1,381)	$	(212)	$	(1,593)
Other comprehensive income/(loss) before reclassifications		(1)		(26)		(27)
Amounts reclassified from accumulated other comprehensive income/(loss) [a]		26		-		26
Net year-to-date other comprehensive income/(loss), net of taxes of ($8) million		25		(26)		(1)
Balance at March 31, 2021	$	(1,356)	$	(238)	$	(1,594)
Balance at January 1, 2020	$	(1,150)	$	(206)	$	(1,356)
Other comprehensive income/(loss) before reclassifications		2		5		7
Amounts reclassified from accumulated other comprehensive income/(loss) [a]		20		-		20
Net year-to-date other comprehensive income/(loss), net of taxes of ($7) million		22		5		27
Balance at March 31, 2020	$	(1,128)	$	(201)	$	(1,329)

[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.

9. Accounts Receivable

Accounts receivable includes freight and other receivables reduced by an allowance for doubtful accounts. The allowance is based upon historical losses, creditworthiness of customers, and current economic conditions. At both March 31, 2021, and December 31, 2020, our accounts receivable were reduced by $17 million. 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, 2021, and December 31, 2020, receivables classified as other assets were reduced by allowances of $43 million and $51 million, respectively.

Receivables Securitization Facility – The Railroad maintains an $800 million, 3-year receivables securitization facility (the Receivables Facility) maturing in July 2022. 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 recorded under the Receivables Facility was $0 at both March 31, 2021, and December 31, 2020. The Receivables Facility was supported by $1.3 billion and $1.2 billion of accounts receivable as collateral at March 31, 2021, and December 31, 2020, respectively, 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 $800 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 $3 million for the three months ended March 31, 2021 and 2020, respectively.

Subsequent Event – On April 12, 2021, we drew $400 million on our Receivables Facility, increasing the amount recorded to $400 million in the second quarter. We used the net proceeds for general corporate purposes, including the repurchase of common stock pursuant to our share repurchase programs.

10. 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, 2021	*Cost*	*Accumulated Depreciation*	*Net Book Value*	*Estimated Useful Life*
Land	$ 5,245	$ N/A	$ 5,245	N/A
Road:				
Rail and other track material	17,693	6,698	10,995	43
Ties	11,121	3,387	7,734	34
Ballast	5,956	1,785	4,171	34
Other roadway [a]	21,058	4,386	16,672	48
Total road	55,828	16,256	39,572	N/A
Equipment:				
Locomotives	9,322	3,605	5,717	17
Freight cars	2,157	801	1,356	25
Work equipment and other	1,108	361	747	18
Total equipment	12,587	4,767	7,820	N/A
Technology and other	1,211	535	676	12
Construction in progress	749	-	749	N/A
Total	$ 75,620	$ 21,558	$ 54,062	N/A

Millions, Except Estimated Useful Life As of December 31, 2020	*Cost*	*Accumulated Depreciation*	*Net Book Value*	*Estimated Useful Life*
Land	$ 5,246	$ N/A	$ 5,246	N/A
Road:				
Rail and other track material	17,620	6,631	10,989	42
Ties	11,051	3,331	7,720	34
Ballast	5,926	1,753	4,173	34
Other roadway [a]	21,030	4,329	16,701	48
Total road	55,627	16,044	39,583	N/A
Equipment:				
Locomotives	9,375	3,555	5,820	17
Freight cars	2,118	789	1,329	25
Work equipment and other	1,107	351	756	18
Total equipment	12,600	4,695	7,905	N/A
Technology and other	1,199	520	679	13
Construction in progress	748	-	748	N/A
Total	$ 75,420	$ 21,259	$ 54,161	N/A

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

11. Accounts Payable and Other Current Liabilities

Millions		***Mar. 31, 2021***		*Dec. 31, 2020*
Income and other taxes payable	**$**	**974**	$	635
Accounts payable		**634**		612
Accrued wages and vacation		**345**		340
Current operating lease liabilities		**294**		321
Interest payable		**205**		326
Accrued casualty costs		**177**		177
Equipment rents payable		**101**		101
Other		**576**		592
Total accounts payable and other current liabilities	**$**	**3,306**	$	3,104

12. Financial Instruments

Short-Term Investments – All of the Company's short-term investments consist of time deposits and government agency securities. These investments are considered Level 2 investments and are valued at amortized cost, which approximates fair value. As of March 31, 2021, the Company had $70 million of short-term investments, of which $10 million are in a trust for the purpose of providing collateral for payment of certain other long-term liabilities, and as such are classified as other assets. All short-term investments have a maturity of less than one year and are classified as held-to-maturity.

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 March 31, 2021, the fair value of total debt was $29.3 billion, approximately $2.6 billion more than the carrying value. At December 31, 2020, the fair value of total debt was $31.9 billion, approximately $5.1 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. The fair value of our cash equivalents approximates their carrying value due to the short-term maturities of these instruments.

13. Debt

Credit Facilities – At March 31, 2021, we had $2.0 billion of credit available under our revolving credit facility (the Facility), which is designated for general corporate purposes and can be used to support the issuance of commercial paper. Credit facility withdrawals totaled $0 during the three months ended March 31, 2021. 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 LIBOR, plus a spread, depending upon credit ratings for our senior unsecured debt. The 5 year facility, set to expire on June 8, 2023, requires UPC to maintain a debt-to-EBITDA (earnings before interest, taxes, depreciation, and amortization) coverage ratio.

The definition of debt used for purposes of calculating the debt-to-EBITDA coverage ratio includes, among other things, certain credit arrangements, finance leases, guarantees, unfunded and vested pension benefits under Title IV of ERISA, and unamortized debt discount and deferred debt issuance costs. At March 31, 2021, the Company was in compliance with the debt-to-EBITDA coverage ratio, which allows us to carry up to $36.2 billion of debt (as defined in the Facility), and we had $28.2 billion of debt (as defined in the Facility) outstanding at that date. 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 $150 million cross-default provision and a change-of-control provision.

During the three months ended March 31, 2021, we issued $300 million and repaid $315 million of commercial paper with maturities ranging from 20 to 48 days, and at March 31, 2021, we had $60 million of commercial paper outstanding. Our revolving credit facility can be used to support 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.

In May 2020, we entered into three bilateral revolving credit lines which mature by May 18, 2021, totaling $600 million of available credit. During the three months ended March 31, 2021, we drew $0 and repaid $0, and at March 31, 2021, we had $0 outstanding.

Shelf Registration Statement and Significant New Borrowings – We filed an automatic shelf registration statement with the SEC that became effective on February 10, 2021. The Board of Directors authorized the issuance of up to $6 billion of debt securities, replacing the prior Board authorization in November 2019, which had $2.25 billion of authority remaining. 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.

During the three months ended March 31, 2021, we did not issue any debt securities under this registration statement. At March 31, 2021, we had remaining authority from the Board of Directors to issue up to $6 billion of debt securities under our shelf registration.

Receivables Securitization Facility – As of both March 31, 2021, and December 31, 2020, we recorded $0 of borrowings under our Receivables Facility as secured debt. (See further discussion of our receivables securitization facility in Note 9).

Subsequent Event – On April 6, 2021, we exchanged approximately $1.7 billion of various outstanding notes and debentures due between 2028 and 2065 (Existing Notes) for $701 million of 2.891% notes due April 6, 2036 (New 2036 Notes) and $1.0 billion of 3.799% notes due April 6, 2071 (New 2071 Notes), plus cash consideration of approximately $257 million in addition to $14 million for accrued and unpaid interest on the Existing Notes. In accordance with ASC 470-50-40, *Debt-Modifications and Extinguishments-Derecognition*, this transaction was accounted for as a debt exchange, as the exchanged debt instruments are not considered to be substantially different. The cash consideration was recorded as an adjustment to the carrying value of debt, and the balance of the unamortized discount and issue costs from the Existing Notes is being amortized as an adjustment of interest expense over the terms of the new notes. No gain or loss was recognized as a result of the exchange. Costs related to the debt exchange that were payable to parties other than the debt holders totaled approximately $12 million and were included in interest expense during the quarter ended March 31, 2021.

14. 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, 2021. 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 $293 million to $320 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,		***2021***		*2020*
Beginning balance	**$**	**270**	$	265
Current year accruals		**18**		18
Changes in estimates for prior years		**21**		2
Payments		**(16)**		(15)
Ending balance at March 31	**$**	**293**	$	270
Current portion, ending balance at March 31	**$**	**60**	$	62

We reassess our estimated insurance recoveries annually and have recognized an asset for estimated insurance recoveries at both March 31, 2021, and December 31, 2020. Any changes to recorded insurance recoveries are included in the above table in the changes in estimates for prior years category.

Environmental Costs – We are subject to federal, state, and local environmental laws and regulations. We have identified 368 sites where we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 26 sites that are the subject of actions taken by the U.S. government, 16 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,		***2021***		*2020*
Beginning balance	**$**	**233**	$	227
Accruals		**12**		15
Payments		**(11)**		(16)
Ending balance at March 31	**$**	**234**	$	226
Current portion, ending balance at March 31	**$**	**63**	$	64

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. We record both liabilities and reinsurance receivables using an actuarial analysis based on historical experience in our Condensed Consolidated Statements of Financial Position. Effective January 2019, the captive insurance subsidiary no longer participates in the reinsurance treaty agreement. The Company established a trust in the fourth quarter of 2018 for the purpose of providing collateral as required under the reinsurance treaty agreement for prior years' participation.

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.

15. Share Repurchase Programs

Effective April 1, 2019, our Board of Directors authorized the repurchase of up to 150 million shares of our common stock by March 31, 2022. 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. As of March 31, 2021, we repurchased a total of $42.3 billion of our common stock since commencement of our repurchase programs in 2007. The table below represents shares repurchased under repurchase programs in the first quarter of 2021 and 2020:

	Number of Shares Purchased		*Average Price Paid [a]*	
	2021	*2020*	***2021***	*2020*
First quarter [b]	**6,691,421**	14,305,793	**$ 209.50**	$ 178.66
Remaining number of shares that may be repurchased under current authority				104,331,549

[a] In the period of the final settlement, the average price paid under the accelerated share repurchase programs is calculated based on the total program value less the value assigned to the initial delivery of shares. The average price of the completed 2020 accelerated share repurchase programs was $155.86.
[b] Includes 8,786,380 shares repurchased in February 2020 under accelerated share repurchase programs.

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. Open market repurchases are recorded in treasury stock at cost, which includes any applicable commissions and fees.

From April 1, 2021, through April 21, 2021, we repurchased 1.1 million shares at an aggregate cost of approximately $237 million.

Accelerated Share Repurchase Programs – The Company has established accelerated share repurchase programs (ASRs) with financial institutions to repurchase shares of our common stock. These ASRs have been structured so that at the time of commencement, we pay a specified amount to the financial institutions and receive an initial delivery of shares. Additional shares may be received at the time of settlement. The final number of shares to be received is based on the volume weighted average price of the Company's common stock during the ASR term, less a discount and subject to potential adjustments pursuant to the terms of such ASR.

On February 19, 2020, the Company received 8,786,380 shares of its common stock repurchased under ASRs for an aggregate of $2.0 billion. Upon settlement of these ASRs in the third quarter of 2020, we received 4,045,575 additional shares.

ASRs are accounted for as equity transactions, and at the time of receipt, shares are included in treasury stock at fair market value as of the corresponding initiation or settlement date. The Company reflects shares received as a repurchase of common stock in the weighted average common shares outstanding calculation for basic and diluted earnings per share.

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

UPRR had $1.5 billion recognized as investments related to TTX in our Condensed Consolidated Statements of Financial Position as of both March 31, 2021, and December 31, 2020. TTX car hire expenses of $96 million for both the three months ended March 31, 2021 and 2020, are included in equipment and other rents in our Condensed Consolidated Statements of Income. In addition, UPRR had accounts payable to TTX of $64 million and $59 million as of March 31, 2021, and December 31, 2020, 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, 2021, Compared to
Three Months Ended March 31, 2020

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.

Cautionary Information

Statements in this Form 10-Q/filing, including forward-looking statements, speak only as of and are based on information we have learned as of April 22, 2021. We assume no obligation to update any such information to reflect subsequent developments, changes in assumptions, or changes in other factors affecting forward-looking information. If we do update one or more of these statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other statements.

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 forward-looking statements within the meaning of Section 27A Securities Act of 1933 and the Section 21E of the Exchange Act. These forward-looking statements and information include, without limitation, the statements and information set forth under the caption "Effects from COVID-19" in Item 2 regarding the impact of the coronavirus (COVID-19) pandemic on our business and operations; "Liquidity and Capital Resources" in Item 2 regarding our capital plan, contractual obligations, and commercial commitment; and statements under the caption "Other Matters." Forward-looking statements and information also include any other statements or information in this report regarding: potential impacts of the COVID-19 pandemic on our business operations, financial results, liquidity, and financial position, and on the world economy (including our customers and supply chains), including as a result of decreased volume and carloadings; closing of customer manufacturing, distribution or production facilities; 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 risks and uncertainties over which management has little or no influence or control, and many of these risks and uncertainties are currently amplified by and may continue to be amplified by, or in the future may be amplified by, the COVID-19 pandemic. The Risk Factors in Item 1A of our 2020 Annual Report on Form 10-K, filed February 5, 2021, 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. 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.

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 2020 Annual Report on Form 10-K. There have not been any significant changes with respect to these policies during the first three months of 2021.

RESULTS OF OPERATIONS

Quarterly Summary

The Company reported earnings of $2.00 per diluted share on net income of $1.3 billion and an operating ratio of 60.1% in the first quarter of 2021 compared to earnings of $2.15 per diluted share on net income of $1.5 billion and an operating ratio of 59.0% for the first quarter of 2020. Freight revenues decreased 5% in the quarter compared to the same period in 2020 driven by a 4% lower average revenue per car (ARC) and a 1% volume decline resulting from one less day in the current quarter compared to the leap year in 2020. The ARC decrease was due to negative mix of traffic (for example, a relative increase in intermodal shipments, which have a lower ARC) and lower fuel surcharge revenue, partially offset by core pricing gains. The weather events in February, including heavy snow in the Pacific Northwest, snow and arctic temperatures across the Midwest, and snow and ice across Texas, Arkansas, and Louisiana, had a significant impact on our operations and that of our customers. Despite the weather events and softer economic conditions created by the pandemic, some market segments saw growth from the muted Lunar New Year impact, tightening truck capacity, contract wins, export grain demand, and strength in the housing market. Cost savings from productivity and lower volume drove operating expenses down 3% from 2020. These reductions were not enough to offset the revenue decline resulting in a 7% decrease in operating income in the first quarter compared to the same period in 2020.

Effects from COVID-19

A year into the pandemic our business levels continue to be impacted by slower economic activity and disruptions in supply chains, most notably the semiconductor chip shortage impacting the automotive industry, driving a decline in automotive shipments of 13% in the first quarter of 2021. As this shortage persists, our customers have idled or extended plant shutdowns that will impact our second quarter and potentially the remainder of the year depending on how quickly the semiconductor chips become available. Other markets negatively impacted in the first quarter of 2021 include ethanol, petroleum, and food and refrigerated goods. As society's behavior changes and adapts to the pandemic, certain markets have seen growth, including parcel shipments, lumber due to repairs and remodels, shelf stable canned products, and brown paper used for boxes.

The safety of our employees, our customers, and the communities we serve remains a high priority. In an effort to mitigate the spread of COVID-19, we are promoting and encouraging all of our employees to receive a vaccination. We continually update employees with the status of state vaccination plans, and we have been able to offer on-site vaccination clinics at our headquarters building and a few other locations, including Bailey Yard in North Platte, Nebraska.

Although the economy is slowly recovering, the speed of recovery still remains uncertain as governments and consumers react to the vaccine roll-out and the trends in new infections. Therefore, the impact of the pandemic on our 2021 financial and operating results could be material, but ultimately, we continue to focus on what we can manage, such as providing excellent service to our customers, seeking new business opportunities, increasing productivity, and protecting our employees, customers, and communities.

Operating Revenues

Millions, for the Three Months Ended March 31,		***2021***		*2020*	***% Change***	
Freight revenues	**$**	**4,649**	$	4,880	**(5)**	**%**
Other subsidiary revenues		**177**		214	**(17)**	
Accessorial revenues		**161**		117	**38**	
Other		**14**		18	**(22)**	
Total	**$**	**5,001**	$	5,229	**(4)**	**%**

We generate freight revenues by transporting freight or other materials from our three commodity groups. Freight revenues vary with volume (carloads) and ARC. Changes in price, traffic mix, and fuel surcharges drive ARC. Customer incentives, which are primarily provided for shipping to/from specific locations or based on cumulative volumes, are recorded as a reduction to operating revenues. Customer incentives that include variable consideration based on cumulative volumes are estimated using the expected value method, which is based on available historical, current, and forecasted volumes, and recognized as the related performance obligation is satisfied. We recognize freight revenues over time as shipments move from origin to destination. The allocation of revenue between reporting periods is based on the relative transit time in each reporting period with expenses recognized as incurred.

Other revenues consist primarily of revenues earned by our other subsidiaries (primarily logistics and commuter rail operations) and accessorial revenues. Other subsidiary revenues are generally recognized over time as shipments move from origin to destination. The allocation of revenue between reporting periods is based on the relative transit time in each reporting period with expenses recognized as incurred. Accessorial revenues are recognized at a point in time as performance obligations are satisfied.

Freight revenue decreased 5% during the first quarter of 2021 compared to 2020, resulting from negative mix of traffic, lower fuel surcharges, and a 1% volume decline, partially offset by core pricing gains. Volume declines in automotive, coal, petroleum, rock, and industrial chemicals were partially offset by strength in intermodal and grain.

Each of our commodity groups includes revenue from fuel surcharges. Freight revenues from fuel surcharge programs were $260 million in the first quarter of 2021 compared to $351 million in the same period of 2020. The decline was driven by the lag impact on fuel surcharge recovery (it can generally take up to two months for changing fuel prices to affect fuel surcharge recoveries), slightly lower fuel prices, and reduced volume.

Other subsidiary revenues decreased in the first quarter compared to 2020 driven primarily by the disruption of the automotive supply chain, which drove lower revenue at our subsidiary that brokers intermodal and transload logistics services. Accessorial revenue increased in the first quarter driven by increased intermodal shipments.

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,*	***2021***	*2020*	*%* ***Change***
Grain & grain products	**$ 766**	$ 689	**11 %**
Fertilizer	**170**	174	**(2)**
Food & refrigerated	**235**	250	**(6)**
Coal & renewables	**341**	421	**(19)**
Bulk	**1,512**	1,534	**(1)**
Industrial chemicals & plastics	**435**	495	**(12)**
Metals & minerals	**375**	469	**(20)**
Forest products	**316**	303	**4**
Energy & specialized markets	**530**	627	**(15)**
Industrial	**1,656**	1,894	**(13)**
Automotive	**447**	524	**(15)**
Intermodal	**1,034**	928	**11**
Premium	**1,481**	1,452	**2**
Total	**$ 4,649**	$ 4,880	**(5) %**

Revenue Carloads *Thousands,* *for the Three Months Ended March 31,*	***2021***	*2020*	*%* ***Change***
Grain & grain products	**203**	175	**16 %**
Fertilizer	**44**	46	**(4)**
Food & refrigerated	**45**	48	**(6)**
Coal & renewables	**174**	208	**(16)**
Bulk	**466**	477	**(2)**
Industrial chemicals & plastics	**140**	154	**(9)**
Metals & minerals	**146**	174	**(16)**
Forest products	**60**	56	**7**
Energy & specialized markets	**139**	162	**(14)**
Industrial	**485**	546	**(11)**
Automotive	**180**	208	**(13)**
Intermodal [a]	**796**	709	**12**
Premium	**976**	917	**6**
Total	**1,927**	1,940	**(1) %**

Average Revenue per Car *for the Three Months Ended March 31,*	***2021***	*2020*	*%* ***Change***
Grain & grain products	**$ 3,782**	$ 3,940	**(4) %**
Fertilizer	**3,852**	3,768	**2**
Food & refrigerated	**5,234**	5,277	**(1)**
Coal & renewables	**1,958**	2,022	**(3)**
Bulk	**3,246**	3,219	**1**
Industrial chemicals & plastics	**3,113**	3,205	**(3)**
Metals & minerals	**2,563**	2,697	**(5)**
Forest products	**5,244**	5,457	**(4)**
Energy & specialized markets	**3,828**	3,866	**(1)**
Industrial	**3,417**	3,469	**(1)**
Automotive	**2,485**	2,525	**(2)**
Intermodal [a]	**1,299**	1,307	**(1)**
Premium	**1,517**	1,583	**(4)**
Average	**$ 2,413**	$ 2,516	**(4) %**

[a] For intermodal shipments each container or trailer equals one carload.

Bulk – Bulk includes shipments of grain and grain products, fertilizer, food and refrigerated goods, and coal and renewables. Freight revenue from bulk shipments decreased in the first quarter of 2021 compared to 2020 due to a 2% volume decline and lower fuel surcharge revenue, partially offset by positive mix of traffic and core pricing gains. Coal and renewable carloads were down 16% in the first quarter of 2021 compared to 2020 as a result of continued high customer inventory levels, a contract loss, and weather related challenges, partially offset by higher natural gas prices. The COVID-19 pandemic impacted production of some food products and the demand for ethanol, which contributed to the year-over-year declines in the first quarter compared to the same period in 2020. Strong demand for export grain drove a 16% increase in shipments of grain and grain products, which partially offset the losses.

Industrial – Industrial includes shipments of industrial chemicals and plastics, metals and minerals, forest products, and energy and specialized markets. Freight revenue from industrial shipments decreased in the first quarter compared to the same period in 2020 due to lower volume, lower fuel surcharge revenue, and negative mix of traffic, partially offset by core pricing gains. In the first quarter of 2021, many of our customers in the Gulf Coast experienced weather interruptions for an extended period of time causing a significant impact on the industrial chemicals and plastics and metals and minerals industries. Market softness in rock, pipe and steel also contributed to the year-over-year decline in metals and minerals shipments. Petroleum and sand shipments continue to decline due to lower demand for crude oil, along with unfavorable regional crude oil pricing spreads impacting petroleum shipments. Forest product shipments increased due to high demand for cardboard boxes and lumber.

Premium – Premium includes shipments of finished automobiles, automotive parts, and merchandise in intermodal containers, both domestic and international. Premium freight revenue increased 2% in the first quarter compared to 2020 due to a 6% volume increase and core pricing gains, partially offset by negative mix of traffic and lower fuel surcharge revenue. Intermodal shipments increased 12% compared to the first quarter of 2020 driven by a muted Lunar New Year holiday as China's factories reduced normal closures due to demand and to discourage traveling during the holiday, contract wins, tight truck capacity, and continued strength of e-commerce parcel shipments, partially offset by weather disruptions. A 13% decline in automotive shipments was driven by the shortage of semiconductors and weather disruptions.

Mexico Business – Each of our commodity groups includes revenue from shipments to and from Mexico. Revenue from Mexico business decreased 3% to $565 million in the first quarter of 2021 compared to 2020 driven by a 4% volume decline and lower fuel surcharge revenue, partially offset by core pricing gains. The volume decline was driven by the shortage of semiconductors impacting the automotive industry.

Operating Expenses

Millions, for the Three Months Ended March 31,		***2021***		*2020*	***% Change***	
Compensation and benefits	**$**	**1,026**	$	1,059	**(3)**	**%**
Depreciation		**549**		547	**-**	
Purchased services and materials		**490**		521	**(6)**	
Fuel		**411**		434	**(5)**	
Equipment and other rents		**212**		227	**(7)**	
Other		**320**		298	**7**	
Total	**$**	**3,008**	$	3,086	**(3)**	**%**

Operating expenses decreased $78 million in the first quarter compared to 2020 driven by productivity initiatives, volume declines, and slightly lower fuel prices. Partially offsetting these decreases compared to 2020 were inflation, weather-related expenses, casualty expenses, and incentive compensation.

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, expenses decreased 3% compared to 2020 due to productivity initiatives and declines in carload volumes resulting in a 12% decline in employee levels, partially offset by wage inflation, weather-related expenses, and incentive compensation.

Depreciation – The majority of depreciation relates to road property, including rail, ties, ballast, and other track material. Depreciation expense was essentially flat for the first quarter of 2021 compared to 2020.

Purchased Services and Materials – Expense for purchased services and materials includes the costs of services purchased (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 6% in the first quarter compared to 2020 primarily due to lower volume-related costs for transload services incurred by one of our subsidiaries and lower locomotive and freight car maintenance expenses due to a smaller active fleet, partially offset by weather-related expenses.

Fuel – Fuel includes locomotive fuel and fuel for highway and non-highway vehicles and heavy equipment. Fuel expense decreased in the first quarter of 2021 compared to the same period in 2020 driven by a 4% decline in gross ton-miles and a 1% decline in locomotive diesel fuel prices, which averaged $1.85 and $1.87 per gallon (including taxes and transportation costs) in the first quarter of 2021 and 2020, respectively. The fuel consumption rate, computed as gallons of fuel consumed divided by gross ton-mile in thousands, was essentially flat versus the first quarter in 2020 as extreme cold temperatures offset the Company's conservation initiatives.

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 decreased 7% in the first quarter compared to 2020 driven by higher equity income from our investment in TTX Company.

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 increased 7% in the first quarter driven by casualty expenses including personal injury, destroyed equipment, and damaged freight.

Non-Operating Items

Millions, *for the Three Months Ended March 31,*	***2021***	*2020*	***% Change***
Other income, net	**$ 51**	$ 53	**(4) %**
Interest expense	**(290)**	(278)	**4**
Income taxes	**(413)**	(444)	**(7)**

Other Income, net – Other income decreased in the first quarter of 2021 compared to 2020 driven by lower interest income and smaller gains from real estate sales.

Interest Expense – Interest expense increased in the first quarter of 2021 compared to 2020 due to a higher effective interest rate of 4.2% in 2021 compared to 4.1% in 2020 as a result of the debt exchange fees incurred in the first quarter of 2021, partially offset by a decrease in the weighted-average debt level of $26.7 billion in 2021 compared to $27.3 billion in 2020.

Income Taxes – Income taxes decreased in the first quarter of 2021 compared to 2020 due to lower pre-tax income. Our effective tax rates for the first quarter of 2021 and 2020 were 23.5% and 23.1%, respectively.

OTHER OPERATING/PERFORMANCE AND FINANCIAL STATISTICS

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

Operating/Performance Statistics

Management continuously measures these key operating metrics to evaluate our productivity, asset utilization, and network efficiency in striving to provide a consistent, reliable service product to our customers.

Railroad performance measures are included in the table below:

For the Three Months Ended March 31,	***2021***	*2020*	***% Change***	
Gross ton-miles (GTMs) (billions)	**193.1**	201.3	**(4)**	**%**
Revenue ton-miles (billions)	**97.4**	99.7	**(2)**	
Freight car velocity (daily miles per car) [a]	**209**	211	**(1)**	
Average train speed (miles per hour) [b]	**25.2**	25.4	**(1)**	
Average terminal dwell time (hours) [b]	**23.5**	23.8	**(1)**	
Locomotive productivity (GTMs per horsepower day)	**138**	131	**5**	
Train length (feet)	**9,247**	8,396	**10**	
Intermodal car trip plan compliance (%)	**77**	85	**(8)**	**pts**
Manifest/Automotive car trip plan compliance (%)	**68**	64	**4**	**pts**
Workforce productivity (car miles per employee)	**1,002**	894	**12**	
Total employees (average)	**29,755**	33,872	**(12)**	
Operating ratio	**60.1**	59.0	**1.1**	**pts**

[a] Prior years have been recast to conform to the current year presentation which reflects minor refinements.
[b] As reported to the STB.

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 decreased 4% and 2%, respectively, during the first quarter of 2021 compared to 2020, driven by a 1% decline in carloadings. Changes in commodity mix drove the variance in year-over-year decreases between gross ton-miles, revenue ton-miles, and carloads.

Freight Car Velocity – Freight car velocity measures the average daily miles per car on our network. The two key drivers of this metric are the speed of the train between terminals (average train speed) and the time a rail car spends at the terminals (average terminal dwell time). The weather-related challenges were the primary drivers of the year-over-year decline in freight car velocity as both average terminal dwell and average train speed deteriorated significantly in February of 2021 compared to the same period in 2020. Continued implementation of our new operating plan helped to offset these declines. Despite average terminal dwell time increases in February driven by weather challenges, overall first quarter average terminal dwell time was reduced due to improved terminal processes and transportation plan changes. Average train speed in 2021 declined slightly in the first quarter as weather-related challenges slowed trains, more than offsetting gains achieved through the implementation of our new operating plan.

Locomotive Productivity – Locomotive productivity is gross ton-miles per average daily locomotive horsepower. Locomotive productivity increased in the first quarter compared to the same period in 2020 driven by a reduction in our average active fleet size due to transportation plan changes and lower locomotive dwell times, partially offset by the weather-related challenges.

Train Length – Train length is the average maximum train length on a route measured in feet. Our train length increased 10% in the first quarter compared to same period in 2020 as a result of blending service products and transportation plan changes.

Car Trip Plan Compliance – Car trip plan compliance is the percentage of cars delivered on time in accordance with our original trip plan. Our network trip plan compliance is broken into the intermodal and manifest products. Intermodal trip plan compliance deteriorated in the first quarter of 2021 compared to 2020 as a result of the weather-related challenges and a surge in intermodal shipments. Manifest car trip plan compliance improved in the first quarter compared to 2020 due to improved car connection performance in our yards, partially offset by weather-related challenges impacting train speed.

Workforce Productivity – Workforce productivity is average daily car miles per employee. Workforce productivity improved 12%, as average daily car miles decreased 2% while employees decreased 12% compared to 2020. Lower volume drove the decline in average daily car miles. The 12% decline in employee levels was driven by productivity initiatives, a 1% decline in carload volumes, and a smaller capital workforce.

Operating Ratio – Operating ratio is our operating expenses reflected as a percentage of operating revenue. Our operating ratio of 60.1% deteriorated 1.1 points compared to 2020 mainly due to negative mix of traffic; weather-related lost revenue and additional expense; higher fuel prices, inflation, and other cost increases, partially offset by productivity and core pricing gains.

Adjusted Debt / Adjusted EBITDA

Millions, Except Ratios for the Trailing Twelve Months Ended [a]		***Mar. 31, 2021***		*Dec. 31, 2020*
Net income	**$**	**5,216**	$	5,349
Add:				
Income tax expense		**1,600**		1,631
Depreciation		**2,212**		2,210
Interest expense		**1,153**		1,141
EBITDA	**$**	**10,181**	$	10,331
Adjustments:				
Other income, net		**(285)**		(287)
Interest on operating lease liabilities [b]		**53**		59
Adjusted EBITDA	**$**	**9,949**	$	10,103
Debt	**$**	**26,682**	$	26,729
Operating lease liabilities		**1,465**		1,604
Unfunded pension and OPEB, net of taxes of $190 and $195		**619**		637
Adjusted debt	**$**	**28,766**	$	28,970
Adjusted debt / Adjusted EBITDA		**2.9**		2.9

[a] The trailing twelve month income statement information ended March 31, 2021, is recalculated by taking the twelve months ended December 31, 2020, subtracting the three months ended March 31, 2020, and adding the three months ended March 31, 2021.

[b] Represents the hypothetical interest expense we would incur (using the incremental borrowing rate) if the property under our operating leases were owned or accounted for as finance leases.

Adjusted debt to Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, and adjustments for other income, net and interest on operating lease liabilities) is considered a non-GAAP financial measure 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 this measure is important to management and investors in evaluating the Company's ability to sustain given debt levels (including leases) with the cash generated from operations. In addition, a comparable measure is used by rating agencies when reviewing the Company's credit rating. Adjusted debt to adjusted EBITDA should be considered in addition to, rather than as a substitute for, net income. The table above provides reconciliations from net income to adjusted debt to adjusted EBITDA. At March 31, 2021, and December 31, 2020, the incremental borrowing rate on operating leases was 3.6% and 3.7%, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

Cash Flows *Millions,* *for the Three Months Ended March 31,*	***2021***	*2020*
Cash provided by operating activities	**$ 1,958**	$ 2,155
Cash used in investing activities	**(505)**	(807)
Cash used in financing activities	**(2,073)**	(997)
Net change in cash, cash equivalents and restricted cash	**$ (620)**	$ 351

Operating Activities

Cash provided by operating activities decreased in the first three months of 2021 compared to the same period of 2020 due primarily to lower net income.

Investing Activities

Cash used in investing activities decreased in the first three months of 2021 compared to the same period of 2020 primarily driven by reduced capital investment in all asset categories.

The table below details cash capital investments:

Millions, *for the Three Months Ended March 31,*	***2021***	*2020*
Rail and other track material	**$ 101**	$ 141
Ties	**92**	135
Ballast	**43**	61
Other [a]	**86**	143
Total road infrastructure replacements	**322**	480
Line expansion and other capacity projects	**48**	81
Commercial facilities	**11**	28
Total capacity and commercial facilities	**59**	109
Locomotives and freight cars [b]	**75**	103
Positive train control	**14**	18
Technology and other	**66**	97
Total cash capital investments	**$ 536**	$ 807

[a] Other includes bridges and tunnels, signals, other road assets, and road work equipment.

[b] Locomotives and freight cars include lease buyouts of $23 million in 2021 and $14 million in 2020.

Capital Plan

In 2021, we expect our capital expenditures to be approximately $2.9 billion, essentially flat with 2020. We will continue to harden our infrastructure, replace older assets, and improve the safety and resilience of the network. Although implementation of our new transportation plan has generated capacity, the 2021 plan includes additional investments intended to support growth and improve productivity and operational efficiency. Further revisions may occur 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 in the first three months of 2021 compared to the same period of 2020 driven by a decrease in debt issued, partially offset by lower share repurchases.

See Note 13 of the Condensed Consolidated Financial Statements for a description of all our outstanding financing arrangements and significant new borrowings and Note 15 of the Condensed Consolidated Financial Statements for a description of our share repurchase programs.

Free Cash Flow – Free cash flow is defined as cash provided by operating activities less cash used in investing activities and dividends paid. Cash flow conversion rate is cash from operating activities less cash used for capital investments as a ratio of net income.

Free cash flow and cash flow conversion rate are not considered financial measures 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 and cash flow conversion rate are important to management and investors in evaluating our financial performance and measures our ability to generate cash without additional external financing. Free cash flow and cash flow conversion rate 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,	***2021***	*2020*
Cash provided by operating activities	**$ 1,958**	$ 2,155
Cash used in investing activities	**(505)**	(807)
Dividends paid	**(650)**	(660)
Free cash flow	**$ 803**	$ 688

The following table reconciles cash provided by operating activities (GAAP measure) to cash flow conversion rate (non-GAAP measure):

Millions, for the Three Months Ended March 31,	***2021***	*2020*
Cash provided by operating activities	**$ 1,958**	$ 2,155
Cash used in capital investments	**(536)**	(807)
Total (a)	**$ 1,422**	$ 1,348
Net income (b)	**$ 1,341**	$ 1,474
Cash flow conversion rate (a/b)	**106 %**	91 %

Current Liquidity Status

We are continually evaluating our financial condition and liquidity. We analyze a wide range of economic scenarios and the impact on our ability to generate cash. These analyses inform our liquidity plans and activities outlined below and indicate we have sufficient capacity to sustain an extended period of lower volumes.

During the first quarter, we generated $2.0 billion of cash from operating activities. On March 31, 2021, we had $1.2 billion of cash and cash equivalents, $2.0 billion of credit available under our revolving credit facility, and up to $800 million undrawn on the Receivables Facility, while we had $1.0 billion of debt maturing before the end of the year, including $250 million in term loans and $60 million of commercial paper. Depending upon market conditions, we plan to renew our term loans and continue to maintain the commercial paper program. We have been, and we expect to continue to be, in compliance with our debt covenants. We paid our quarterly dividend on March 31, 2021. In the first quarter, we repurchased $1.4 billion under our share repurchase programs. In April, we completed a $1.7 billion debt exchange and drew $400 million on the Receivables Facility.

As described in the notes to the Condensed Consolidated Financial Statements and as referenced in the table below, we have contractual obligations that may affect our financial condition. However, based on our assessment of the underlying provisions and circumstances of our contractual obligations, 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 table identifies material obligations as of March 31, 2021.

Contractual Obligations *Millions*		*Total*		*Apr. 1 through Dec. 31, 2021*		*Payments Due by Dec. 31, 2022*		*2023*		*2024*		*2025*		*After 2025*		*Other*
Debt [a]	$	48,124	$	1,574	$	2,280	$	2,246	$	2,265	$	2,245	$	37,514	$	-
Purchase obligations [b]		3,289		1,318		872		271		208		162		458		-
Operating leases [c]		1,678		126		284		240		230		226		572		-
Finance lease obligations [d]		462		80		111		81		68		45		77		-
Other postretirement benefits [e]		398		37		45		44		39		39		194		-
Income tax contingencies [f]		76		1		-		-		-		-		-		75
Total contractual obligations	$	54,027	$	3,136	$	3,592	$	2,882	$	2,810	$	2,717	$	38,815	$	75

[a] Excludes finance lease obligations of $403 million, as well as unamortized discount and deferred issuance costs of ($1,523) million. Includes an interest component of $20,322 million.

[b] 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.

[c] Includes leases for locomotives, freight cars, other equipment, and real estate. Includes an interest component of $213 million.

[d] Represents total obligations, including interest component of $59 million.

[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, 2021. For amounts where the year of settlement is uncertain, they are included in the Other column.

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.

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; 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: Corporate 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.

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 2020 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 $1,000,000), and such other pending matters that we may determine to be appropriate.

Environmental Matters

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 2020 Annual Report on Form 10-K.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the risk factors disclosed in our Form 10-K for the year ended December 31, 2020. These risks could materially and adversely affect our business, financial condition, results of operations (including revenues and profitability), and/or stock price. Our business also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

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 2021:

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*	*Maximum Number of Shares That May Be Purchased Under Current Authority [b]*
Jan. 1 through Jan. 31	1,634,874	$ 204.75	1,591,207	109,431,763
Feb. 1 through Feb. 28	2,518,152	206.89	2,347,684	107,084,079
Mar. 1 through Mar. 31	2,773,719	212.25	2,752,530	104,331,549
Total	6,926,745	$ 208.53	6,691,421	N/A

[a] Total number of shares purchased during the quarter includes 235,324 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] Effective April 1, 2019, our Board of Directors authorized the repurchase of up to 150 million shares of our common stock by March 31, 2022. 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.

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	
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 – Jennifer L. Hamann
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 Jennifer L. Hamann
101	The following financial and related information from Union Pacific Corporation's Quarterly Report on Form 10-Q for the period ended March 31, 2021 (filed with the SEC on April 22, 2021), formatted in Inline Extensible Business Reporting Language (iXBRL) includes (i) Condensed Consolidated Statements of Income for the periods ended March 31, 2021 and 2020, (ii) Condensed Consolidated Statements of Comprehensive Income for the periods ended March 31, 2021 and 2020, (iii) Condensed Consolidated Statements of Financial Position at March 31, 2021, and December 31, 2020, (iv) Condensed Consolidated Statements of Cash Flows for the periods ended March 31, 2021 and 2020, (v) Condensed Consolidated Statements of Changes in Common Shareholders' Equity for the periods ended March 31, 2021 and 2020, and (vi) the Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File, formatted in Inline XBRL (contained in Exhibit 101).
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.

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 22, 2021

UNION PACIFIC CORPORATION (Registrant)

By /s/ Jennifer L. Hamann
Jennifer L. Hamann
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)

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 a 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 22, 2021

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

Exhibit 31(b)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jennifer L. Hamann, 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 a 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 22, 2021

/s/ Jennifer L. Hamann
Jennifer L. Hamann
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, 2021, 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 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 22, 2021

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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jennifer L. Hamann, 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 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/ Jennifer L. Hamann
Jennifer L. Hamann
Executive Vice President and
Chief Financial Officer
Union Pacific Corporation

April 22, 2021

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.