UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
Non-GAAP Measures Reconciliation to GAAP

Free Cash Flow*

Millions, For the Years Ended December 31,	***2019***	*2018*
Cash provided by operating activities	**$ 8,609**	$ 8,686
Cash used in investing activities	**(3,435)**	(3,411)
Dividends paid	**(2,598)**	(2,299)
Free cash flow	**$ 2,576**	$ 2,976

* Free cash flow is defined as cash provided by operating activities less cash used in investing activities and dividends paid. Free cash flow 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 our financial performance and measures our ability to generate cash without additional external financing. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities.

Adjusted Debt / Adjusted EBITDA*

Millions, Except Ratios for the Twelve Months Ended	***Dec. 31, 2019***	*Dec. 31, 2018*	*Dec. 31, 2017*	*Dec. 31, 2016*	*Dec. 31, 2015*
Net income	**$ 5,919**	$ 5,966	$ 10,712	$ 4,233	$ 4,772
Add:					
Income tax expense/(benefit)	**1,828**	1,775	(3,080)	2,533	2,884
Depreciation	**2,216**	2,191	2,105	2,038	2,012
Interest expense	**1,050**	870	719	698	622
EBITDA	**$ 11,013**	$ 10,802	$ 10,456	$ 9,502	$ 10,290
Adjustments:					
Other income	**(243)**	(94)	(245)	(221)	(196)
Interest on operating lease liabilities**	**68**	84	98	114	131
Adjusted EBITDA	**$ 10,838**	$ 10,792	$ 10,309	$ 9,395	$ 10,225
Debt	**$ 25,200**	$ 22,391	$ 16,944	$ 15,007	$ 14,201
Operating lease liabilities***	**1,833**	2,271	2,140	2,435	2,726
Unfunded pension and OPEB, net of taxes of $124, $135, $238, $261, and $280	**400**	456	396	436	463
Adjusted debt	**$ 27,433**	$ 25,118	$ 19,480	$ 17,878	$ 17,390
Adjusted debt / Adjusted EBITDA	**2.5**	2.3	1.9	1.9	1.7

* Total debt plus operating lease liabilities plus after-tax unfunded pension and OPEB obligation divided by net income plus income tax expense, depreciation, amortization, interest expense and adjustments for other income and interest on operating lease liabilities. Adjusted debt to adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, other income 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 December 31, 2019 and December 31, 2018, the incremental borrowing rate on operating leases was 3.7%. At December 31, 2017, 2016, and 2015, operating leases were discounted using our effective interest rate on debt of 4.6%, 4.7%, and 4.8%, respectively.

** 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.

*** Effective January 1, 2019, the Company adopted Accounting Standards Update No. 2016-02 (ASU 2016-02), Leases. ASU 2016-02 requires companies to recognize lease assets and lease liabilities on the balance sheet. Prior to adoption, the present value of operating leases was used in this calculation.

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Return on Average Common Shareholders' Equity

Millions, Except Percentages	***2019***	*2018*	*2017*
Net income	**$ 5,919**	$ 5,966	$ 10,712
Average equity	**$ 19,276**	$ 22,640	$ 22,394
Return on average common shareholders' equity	**30.7%**	26.4%	47.8%

Return on Invested Capital as Adjusted (ROIC)*

Millions, Except Percentages	***2019***	*2018*	*2017*
Net income	**$ 5,919**	$ 5,966	$ 10,712
Interest expense	**1,050**	870	719
Interest on average operating lease liabilities	**76**	82	105
Taxes on interest	**(266)**	(218)	(309)
Net operating profit after taxes as adjusted	**$ 6,779**	$ 6,700	$ 11,227
Average equity	**$ 19,276**	$ 22,640	$ 22,394
Average debt	**23,796**	19,668	15,976
Average operating lease liabilities	**2,052**	2,206	2,288
Average invested capital as adjusted	**$ 45,124**	$ 44,514	$ 40,658
Return on invested capital as adjusted	**15.0%**	15.1%	27.6%

The table below reconciles ROIC as calculated above to Net ROIC for items affecting comparability.

Net Return on Invested Capital as Adjusted (Net ROIC)*

	2019	*2018*	*2017*
Return on invested capital as adjusted	**15.0%**	15.1%	27.6%
Factors Affecting Comparability:			
Adjustments for Tax Cuts and Jobs Act [a]	N/A	N/A	(13.9)
Net Return on Invested Capital as Adjusted	**15.0%**	15.1%	13.7%

[a] Adjustments remove the impact of $5.9 billion and $139 million from both 12/31/17 Net Income and 12/31/17 Shareholders' Equity.

* ROIC and Net ROIC are considered non-GAAP financial measures 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 these measures are important to management and investors in evaluating the efficiency and effectiveness of our long-term capital investments. In addition, we currently use ROIC as a performance criteria in determining certain elements of equity compensation for our executives. We use Net ROIC to demonstrate year over year comparability for significant items. ROIC and Net ROIC should be considered in addition to, rather than as a substitute for, other information provided in accordance with GAAP. The most comparable GAAP measure is Return on Average Common Shareholders' Equity.