

## UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Non-GAAP Measures Reconciliation to GAAP

### Free Cash Flow\*

Millions, for the Periods Ended June 30,	Year-to-Date	
	2012	2011
Cash provided by operating activities	\$ 2,776	\$ 2,640
Cash used in investing activities	(1,882)	(1,366)
Dividends paid	(575)	(374)
Free cash flow	\$ 319	\$ 900

\* Free cash flow is defined as cash provided by operating activities, less cash used in investing activities and dividends paid. Free cash flow is a non-GAAP measure; however, we believe that it is important to management and investors in evaluating our financial performance and measures our ability to generate cash without incurring additional financing. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities.

### Debt to Capital\*

Millions, Except Percentages	Jun. 30, 2012	Dec. 31, 2011
Debt (a)	\$ 9,416	\$ 8,906
Equity	19,087	18,578
Capital (b)	\$ 28,503	\$ 27,484
Debt to capital (a/b)	33.0%	32.4%

\* Total debt divided by total debt plus equity. Management believes this is an important measure in evaluating our balance sheet strength and is important in managing our credit ratios and financing relationships.

### Adjusted Debt to Capital\*

Millions, Except Percentages	Jun. 30, 2012	Dec. 31, 2011
Debt	\$ 9,416	\$ 8,906
Net present value of operating leases	3,020	3,224
Unfunded pension and OPEB	623	623
Adjusted debt (a)	13,059	12,753
Equity	19,087	18,578
Adjusted capital (b)	\$ 32,146	\$ 31,331
Adjusted debt to capital (a/b)	40.6%	40.7%

\* Total debt plus net present value of operating leases plus after-tax unfunded pension and OPEB obligation divided by total debt plus net present value of operating leases plus after-tax unfunded pension and OPEB obligation plus equity. Operating leases were discounted using 6.1% and 6.2% at June 30, 2012 and December 31, 2011, respectively. The lower discount rate reflects changes to interest rates and our current financing costs. We believe this is an important measure to management and investors in evaluating the total amount of leverage in our capital structure including off-balance sheet obligations.

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***Incremental Margin\****

<i>Millions, Except Percentages, For the Periods Ending June 30,</i>	<b><i>2nd Quarter</i></b>		<i>Incremental Difference</i>
	<i>2012</i>	<i>2011</i>	
Reported operating revenues (a)	\$ 5,221	\$ 4,858	\$ 363
Fuel surcharge adjustment to 2012 prices	-	53	(53)
Flood related revenue lost	-	20	(20)
Adjusted operating revenues (c)	\$ 5,221	\$ 4,931	\$ 290
Reported operating expenses (b)	3,497	3,466	31
Fuel adjustment for locomotive & other vehicles to 2012 prices	-	(23)	23
Flood related operating costs/volume savings	-	(9)	9
Adjusted operating expenses (d)	\$ 3,497	\$ 3,434	\$ 63
Operating Margin (a - b) / a	33%	29%	
Incremental margin (a - b) / a			91%
Incremental margin adjusted for fuel price and flood related issues (c - d) / c			78%

\* We believe this is an important measure to management and investors in evaluating cost changes, excluding the change in fuel price and one-time items, to allow the illustration of cost performance as it related to volume changes. The adjusted incremental margin is not intended to represent, and should not be considered more meaningful than, or as an alternative to incremental margin calculated using amounts in accordance with GAAP.