

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Reconciliation of Non-GAAP Financial Measures

Financial Performance*

<i>Millions, Except Per Share Amounts and Percentages For the Three Months Ended December 31, 2020</i>	<i>Reported results (GAAP)</i>	<i>Brazos Yard Impairment</i>	<i>Adjusted results (non-GAAP)</i>
Other expense	\$ 513	\$ (278)	\$ 235
Operating expense	3,135	(278)	2,857
Operating income	2,006	278	2,284
Income taxes	413	69	482
Net income	\$ 1,380	\$ 209	\$ 1,589
Diluted EPS	\$ 2.05	\$ 0.31	\$ 2.36
Operating ratio	61.0 %	(5.4)pts	55.6 %

<i>Millions, Except Per Share Amounts and Percentages For the Year Ended December 31, 2020</i>	<i>Reported results (GAAP)</i>	<i>Brazos Yard Impairment</i>	<i>Adjusted results (non-GAAP)</i>
Other expense	\$ 1,345	\$ (278)	\$ 1,067
Operating expense	11,699	(278)	11,421
Operating income	7,834	278	8,112
Income taxes	1,631	69	1,700
Net income	\$ 5,349	\$ 209	\$ 5,558
Diluted EPS	\$ 7.88	\$ 0.31	\$ 8.19
Operating ratio	59.9 %	(1.4) pts	58.5 %

As of December 31, 2020

Shareholders' equity	\$ 16,958	\$ 209	\$ 17,167
----------------------	-----------	--------	-----------

- * The above tables reconcile our results for the three-months and year ended December 31, 2020, and as of December 31, 2020, to adjust results that exclude the impact of certain items identified as affecting comparability. We use adjusted other expense, adjusted operating expense, adjusted operating income, adjusted income taxes, adjusted net income, adjusted diluted earnings per share (EPS), adjusted operating ratio, and adjusted shareholders' equity, as applicable, among other measures, to evaluate our actual operating performance. We believe these non-GAAP financial measures provide valuable information regarding earnings and business trends by excluding specific items that we believe are not indicative of our ongoing operating results of our business, providing a useful way for investors to make a comparison of our performance over time and against other companies in our industry. Since these are not measures of performance calculated in accordance with GAAP, they should be considered in addition to, rather than as a substitute for, other expense, operating expense, operating income, income taxes, net income, diluted EPS, operating ratio, and shareholders' equity as indicators of operating performance.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Reconciliation of Non-GAAP Financial Measures

Cash Flow Conversion Rate*

<i>For the Year Ended December 31, 2020</i>	2020	2019	2018
Cash provided by operating activities	\$ 8,540	\$ 8,609	\$ 8,686
Cash used in capital investments	(2,927)	(3,453)	(3,437)
Total (a)	5,613	5,156	5,249
Net Income (b)	5,349	5,919	5,966
Cash flow conversion rate (a/b)	105 %	87 %	88 %

Comparable Cash Flow Conversion Rate*

	2020	2019	2018
Cash flow conversion rate	105 %	87 %	88 %
Factors Affecting Comparability:			
Brazos yard impairment [a]	(4)	N/A	N/A
Comparable cash flow conversion rate	101 %	87 %	88 %

[a] Adjustments remove the impact of \$209 million from net income for the year ended December 31, 2020. See page 1 for a reconciliation to GAAP.

* Cash flow conversion rate is cash provided by operating activities less cash used for capital investments as a ratio of net income. Cash flow conversion rate and comparable cash flow conversion rate 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 cash flow conversion rate and comparable 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. Cash flow conversion rate and comparable cash flow conversion rate should be considered in addition to, rather than as a substitute for, cash provided by operating activities.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Reconciliation of Non-GAAP Financial Measures

Adjusted Debt / Adjusted EBITDA*

<i>Millions, Except Ratios for the Twelve Months Ended</i>	Dec. 31, 2020	<i>Dec. 31, 2019</i>	<i>Dec. 31, 2018</i>	<i>Dec. 31, 2017</i>	<i>Dec. 31, 2016</i>
Net income	\$ 5,349	\$ 5,919	\$ 5,966	\$ 10,712	\$ 4,233
Add:					
Income tax expense/(benefit)	1,631	1,828	1,775	(3,080)	2,533
Depreciation	2,210	2,216	2,191	2,105	2,038
Interest expense	1,141	1,050	870	719	698
EBITDA	\$ 10,331	\$ 11,013	\$ 10,802	\$ 10,456	\$ 9,502
Adjustments:					
Other income	(287)	(243)	(94)	(245)	(221)
Interest on operating lease liabilities**	59	68	84	98	114
Adjusted EBITDA	\$ 10,103	\$ 10,838	\$ 10,792	\$ 10,309	\$ 9,395
Debt	\$ 26,729	\$ 25,200	\$ 22,391	\$ 16,944	\$ 15,007
Operating lease liabilities***	1,604	1,833	2,271	2,140	2,435
Unfunded pension and OPEB, net of taxes of \$195, \$124, \$135, \$238 and \$261	637	400	456	396	436
Adjusted debt	\$ 28,970	\$ 27,433	\$ 25,118	\$ 19,480	\$ 17,878
Adjusted debt / Adjusted EBITDA	2.9	2.5	2.3	1.9	1.9

Comparable Adjusted Debt / Adjusted EBITDA*

	Dec. 31, 2020	<i>Dec. 31, 2019</i>	<i>Dec. 31, 2018</i>	<i>Dec. 31, 2017</i>	<i>Dec. 31, 2016</i>
Adjusted debt / Adjusted EBITDA	2.9	2.5	2.3	1.9	1.9
Factors Affecting Comparability					
Brazos yard impairment [a]	(0.1)	N/A	N/A	N/A	N/A
Comparable Adjusted Debt / Adjusted EBITDA*	2.8	2.5	2.3	1.9	1.9

[a] Adjustments remove the impact of \$209 million from net income and \$69 million from income tax expense for the year ended December 31, 2020. See page 1 for a reconciliation to GAAP.

* 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) and comparable adjusted debt to adjusted EBITDA 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 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 and comparable adjusted debt to adjusted EBITDA should be considered in addition to, rather than as a substitute for, net income. The tables above provide reconciliations from net income to adjusted debt to adjusted EBITDA and comparable adjusted debt to adjusted EBITDA. At December 31, 2020, 2019, and 2018, the incremental borrowing rate on operating leases was 3.7%.

** 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.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Reconciliation of Non-GAAP Financial Measures

Return on Average Common Shareholders' Equity

<i>Millions, Except Percentages</i>	2020	2019	2018
Net income	\$ 5,349	\$ 5,919	\$ 5,966
Average equity	\$ 17,543	\$ 19,276	\$ 22,640
Return on average common shareholders' equity	30.5 %	30.7 %	26.4 %

Return on Invested Capital as Adjusted (ROIC)*

<i>Millions, Except Percentages</i>	2020	2019	2018
Net income	\$ 5,349	\$ 5,919	\$ 5,966
Interest expense	1,141	1,050	870
Interest on average operating lease liabilities	64	76	82
Taxes on interest	(282)	(266)	(218)
Net operating profit after taxes as adjusted	\$ 6,272	\$ 6,779	\$ 6,700
Average equity	\$ 17,543	\$ 19,276	\$ 22,640
Average debt	25,965	23,796	19,668
Average operating lease liabilities	1,719	2,052	2,206
Average invested capital as adjusted	\$ 45,227	\$ 45,124	\$ 44,514
Return on invested capital as adjusted	13.9 %	15.0 %	15.1 %

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

	2020	2019	2018
Return on invested capital as adjusted	13.9 %	15.0 %	15.1 %
Factors Affecting Comparability:			
Brazos yard impairment [a]	0.4	N/A	N/A
Comparable return on invested capital as adjusted	14.3 %	15.0 %	15.1 %

[a] Adjustments remove the impact of \$209 million from both net income for the year ended and shareholders' equity as of December 31, 2020. See page 1 for a reconciliation to GAAP.

* ROIC and comparable 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. ROIC and comparable 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. The tables above provide reconciliations from return on average common shareholders' equity to ROIC and comparable ROIC. At December 31, 2020, 2019, and 2018, the incremental borrowing rate on operating leases was 3.7%.