

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Non-GAAP Measures Reconciliation to GAAP (unaudited)

Return on Average Common Shareholders' Equity

Millions, Except Percentages	2020	2019	2018	2014
Net income	\$ 5,349	\$ 5,919	\$ 5,966	\$ 5,180
Average equity	\$ 17,543	\$ 19,276	\$ 22,640	\$ 21,207
Return on average common shareholders' equity	30.5%	30.7%	26.4%	24.4%

Return on Invested Capital as Adjusted (ROIC)*

Millions, Except Percentages	2020	2019	2018	2014
Net income	\$ 5,349	\$ 5,919	\$ 5,966	\$ 5,180
Interest expense	1,141	1,050	870	561
Interest on average operating lease liabilities	64	76	82	158
Taxes on interest	(282)	(266)	(218)	(273)
Net operating profit after taxes as adjusted (a)	\$ 6,272	\$ 6,779	\$ 6,700	\$ 5,626
Average equity	\$ 17,543	\$ 19,276	\$ 22,640	\$ 21,207
Average debt	25,965	23,796	19,668	10,469
Average operating lease liabilities	1,719	2,052	2,206	2,980
Average invested capital as adjusted (b)	\$ 45,227	\$ 45,124	\$ 44,514	\$ 34,656
Return on invested capital as adjusted (a/b)	13.9%	15.0%	15.1%	16.2%

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

	2020	2019	2018	2014
Return on invested capital as adjusted	13.9%	15.0%	15.1%	16.2%
Factors Affecting Comparability:				
Brazos yard impairment [a]	0.4	N/A	N/A	N/A
Comparable return on invested capital as adjusted	14.3%	15.0%	15.1%	16.2%

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

* 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%. At December 31, 2014, operating leases were discounted using our effective interest rate on debt of 5.3%.

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Cash Flow Conversion Rate (Millions)*

<i>Millions</i>			
<i>for the Twelve Months Ended</i>			
	2020	2019	2018
Cash provided by operating activities	\$ 8,540	\$ 8,609	\$ 8,686
Cash used in capital investing	(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.

* 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

Non-GAAP Measures Reconciliation to GAAP (unaudited)

2020 Financial Performance Adjusted for Brazos Yard Impairment**

<i>Millions, Except Per Share Amounts and Percentages</i>	<i>Reported results (GAAP)</i>	<i>Brazos Yard Impairment</i>	<i>Adjusted results (non-GAAP)</i>
<i>For the Year Ended December 31, 2020</i>			
Operating expense	11,699	(278)	11,421
Net income	\$ 5,349	\$ 209	\$ 5,558
Operating ratio	59.9%	(1.4)pts	58.5%
<i>As of December 31, 2020</i>			
Shareholders' Equity	\$ 16,958	\$ 209	\$ 17,167

** The above table reconciles our results for the year ended and as of December 31, 2020, to adjust results that exclude the impact of certain items identified as affecting comparability. We use adjusting operating expense, adjusted net income, 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, operating expense, net income, operating ratio, and shareholders' equity as indicators of operating performance.