

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

<i>Millions, Except Per Share Amounts and Percentages For the Three Months Ended December 31, 2017</i>	<i>Operating Income</i>	<i>Income Taxes</i>	<i>Net Income</i>	<i>Diluted EPS</i>	<i>Operating Ratio</i>
Reported results (GAAP)	\$ 2,251	\$ (5,186)	\$ 7,278	\$ 9.25	58.7 %
Factors Affecting Comparability:					
Adjustments for Tax Cuts and Jobs Act					
Equity-method affiliates	(212)	(73)	(139)	(0.18)	3.9 pts
Deferred taxes	-	5,935	(5,935)	(7.54)	-
Adjusted results (non-GAAP)	\$ 2,039	\$ 676	\$ 1,204	\$ 1.53	62.6 %

<i>Millions, Except Per Share Amounts and Percentages For the Year Ended December 31, 2017</i>	<i>Operating Income</i>	<i>Income Taxes</i>	<i>Net Income</i>	<i>Diluted EPS</i>	<i>Operating Ratio</i>
Reported results (GAAP)	\$ 8,061	\$ (3,080)	\$ 10,712	\$ 13.36	62.0 %
Factors Affecting Comparability:					
Adjustments for Tax Cuts and Jobs Act					
Equity-method affiliates	(212)	(73)	(139)	(0.17)	1.0 pts
Deferred taxes	-	5,935	(5,935)	(7.40)	-
Adjusted results (non-GAAP)	\$ 7,849	\$ 2,782	\$ 4,638	\$ 5.79	63.0 %

* The above tables reconcile our results for the quarter and year ended December 31, 2017 to adjusted results that exclude the impact of certain items identified as affecting comparability. We use adjusted operating income, adjusted income taxes, adjusted net income, adjusted diluted earnings per share ("EPS") and adjusted operating ratio, as applicable, among other measures, to evaluate our actual operating performance. We believe these non-GAAP measures provide relevant and useful information for management and investors because they clarify our actual operating performance by excluding certain significant items that are not considered indicative of future financial trends and allow investors to review performance in the same way as our management. 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 income, income taxes, net income, diluted EPS, and operating ratio, as indicators of operating performance.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Non-GAAP Measures Reconciliation to GAAP

Free Cash Flow*

<i>Millions,</i>			
<i>For the Years Ended December 31,</i>		2017	2016
Cash provided by operating activities		\$ 7,230	\$ 7,525
Cash used in investing activities		(3,086)	(3,393)
Dividends paid**		(1,982)	(1,879)
Free cash flow		\$ 2,162	\$ 2,253

* 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*

<i>Millions, Except Ratios</i>	2017	2016	2015	2014	2013
Operating income	\$ 8,061	\$ 7,272	\$ 8,052	\$ 8,753	\$ 7,446
Depreciation	2,105	2,038	2,012	1,904	1,777
EBITDA	\$ 10,166	\$ 9,310	\$ 10,064	\$ 10,657	\$ 9,223
Interest on present value of operating leases	98	114	131	154	174
Adjusted EBITDA (a)	\$ 10,264	\$ 9,424	\$ 10,195	\$ 10,811	\$ 9,397
Debt	\$ 16,944	\$ 15,007	\$ 14,201	\$ 11,413	\$ 9,524
Net present value of operating leases	2,140	2,435	2,726	2,902	3,057
Unfunded pension and OPEB, net of taxes of \$238, \$261, \$280, \$319, and \$103	396	436	463	523	170
Adjusted debt (b)	\$ 19,480	\$ 17,878	\$ 17,390	\$ 14,838	\$ 12,751
Adjusted debt / Adjusted EBITDA (b/a)	1.9	1.9	1.7	1.4	1.4

* Total debt plus net present value of operating leases plus after-tax unfunded pension and OPEB obligation divided by operating income plus depreciation plus interest on present value of operating leases. Operating leases were discounted using 4.6%, 4.7%, 4.8%, 5.3%, and 5.7% at December 31, 2017, 2016, 2015, 2014, and 2013, respectively. Adjusted debt to adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) 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.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Non-GAAP Measures Reconciliation to GAAP

Return on Average Common Shareholders' Equity

<i>Millions, Except Percentages</i>	2017	2016	2015
Net income	\$ 10,712	\$ 4,233	\$ 4,772
Average equity	\$ 22,394	\$ 20,317	\$ 20,946
Return on average common shareholders' equity	47.8%	20.8%	22.8%

Return on Invested Capital as Adjusted (ROIC)*

<i>Millions, Except Percentages</i>	2017	2016	2015
Net income	\$ 10,712	\$ 4,233	\$ 4,772
Interest expense	719	698	622
Interest on average present value of operating leases	105	121	135
Taxes on interest	(309)	(306)	(285)
Net operating profit after taxes as adjusted (a)	\$ 11,227	\$ 4,746	\$ 5,244
Average equity	\$ 22,394	\$ 20,317	\$ 20,946
Average debt	15,976	14,604	12,807
Average present value of operating leases	2,288	2,581	2,814
Average invested capital as adjusted (b)	\$ 40,658	\$ 37,502	\$ 36,567
Return on invested capital as adjusted (a/b)	27.6%	12.7%	14.3%

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

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

	2017	2016	2015
Return on invested capital as adjusted	27.6%	12.7%	14.3%
Factors Affecting Comparability:			
Adjustments for Tax Cuts and Jobs Act [a]	(13.9)	N/A	N/A
Net Return on Invested Capital as Adjusted	13.7%	12.7%	14.3%

[a] Adjustments remove the impact of \$5,935 million 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.