

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES*Non-GAAP Measures Reconciliation to GAAP (unaudited)***Free Cash Flow***

<i>Millions</i>	2022	2021
Cash provided by operating activities	\$ 9,362	\$ 9,032
Cash used in investing activities	(3,471)	(2,709)
Dividends paid	(3,159)	(2,800)
Free cash flow	\$ 2,732	\$ 3,523

Cash Flow Conversion Rate*

<i>Millions, Except Percentages, For the Twelve Months Ended</i>	2022	2021
Cash provided by operating activities	\$ 9,362	\$ 9,032
Cash used in capital investing	(3,620)	(2,936)
Total (a)	\$ 5,742	\$ 6,096
Net Income (b)	6,998	6,523
Cash flow conversion rate (a/b)	82%	93%

* Free cash flow is defined as cash provided by operating activities less cash used in investing activities and dividends paid. Cash flow conversion rate is cash provided by operating activities less cash used for capital investments as a ratio of net income. Free cash flow and 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 free cash flow and 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. Free cash flow and 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)***Adjusted Debt / Adjusted EBITDA***

<i>Millions, Except Ratios For the Twelve Months Ended</i>	Dec. 31, 2022	Dec. 31, 2021
Net income	\$ 6,998	\$ 6,523
Add:		
Income tax expense/(benefit)	2,074	1,955
Depreciation	2,246	2,208
Interest expense	1,271	1,157
EBITDA	\$ 12,589	\$ 11,843
Adjustments:		
Other income, net	(426)	(297)
Interest on operating lease liabilities**	54	56
Adjusted EBITDA (a)	\$ 12,217	\$ 11,602
Debt	\$ 33,326	\$ 29,729
Operating lease liabilities	1,631	1,759
Unfunded pension and OPEB, net of tax cost of \$0 and \$0 [a]	-	-
Adjusted debt (b)	\$ 34,957	\$ 31,488
Adjusted debt / adjusted EBITDA (b/a)	2.9	2.7

[a] Prior periods were recast to conform to the current year presentation, which removes the impact of pension and other postretirement benefit (OPEB) when the net amount represents a funded amount.

* Total debt plus operating lease liabilities plus after-tax unfunded pension and OPEB liabilities 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, and adjustments for 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 provide a reconciliation from net income to adjusted EBITDA and debt to adjusted debt. At December 31, 2022 and 2021, the incremental borrowing rate on operating lease liabilities was 3.3% and 3.2%, 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.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES*Non-GAAP Measures Reconciliation to GAAP (unaudited)****Return on Average Common Shareholders' Equity***

<i>Millions, Except Percentages</i>	2022	2021
Net income	\$ 6,998	\$ 6,523
Average equity	\$ 13,162	\$ 15,560
Return on average common shareholders' equity	53.2%	41.9%

Return on Invested Capital as Adjusted (ROIC)*

<i>Millions, Except Percentages</i>	2022	2021
Net income	\$ 6,998	\$ 6,523
Interest expense	1,271	1,157
Interest on average operating lease liabilities	56	54
Taxes on interest	(304)	(280)
Net operating profit after taxes as adjusted (a)	\$ 8,021	\$ 7,454
Average equity	\$ 13,162	\$ 15,560
Average debt	31,528	28,229
Average operating lease liabilities	1,695	1,682
Average invested capital as adjusted (b)	\$ 46,385	\$ 45,471
Return on invested capital as adjusted (a/b)	17.3%	16.4%

* ROIC 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 efficiency and effectiveness of our long-term capital investments. In addition, we currently use ROIC as a performance criterion in determining certain elements of equity compensation for our executives. 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 a reconciliation from return on average common shareholders' equity to ROIC. At December 31, 2022 and 2021, the incremental borrowing rate on operating lease liabilities was 3.3% and 3.2%, respectively.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
Non-GAAP Measures Reconciliation to GAAP
Adjusted Incremental Margin*

<i>Millions, Except Percentages, For the Three Months Ended December 31,</i>	4th Quarter		<i>Incremental Difference</i>
	2022	2021	
Reported operating revenue (a)	\$ 6,180	\$ 5,733	\$ 447
Fuel surcharge adjustment to 2021 prices	-	449	(449)
Adjusted operating revenues (c)	\$ 6,180	\$ 6,182	\$ (2)
Reported operating expenses (b)	3,768	3,293	475
Fuel adjustment for expense 2021 prices	-	259	(259)
Adjusted operating expenses (d)	\$ 3,768	\$ 3,552	\$ 216
Operating margin (a - b) / a	39%	43%	
Incremental margin (a - b) / a			(6%)
Adjusted incremental margin (c - d) / c			U

<i>Millions, Except Percentages, For the Twelve Months Ended December 31,</i>	Full Year		<i>Incremental Difference</i>
	2022	2021	
Reported operating revenue (a)	\$ 24,875	\$ 21,804	\$ 3,071
Fuel surcharge adjustment to 2021 prices	-	2,058	(2,058)
Adjusted operating revenues (c)	\$ 24,875	\$ 23,862	\$ 1,013
Reported operating expenses (b)	14,958	12,466	2,492
Fuel adjustment for expense 2021 prices	-	1,300	(1,300)
Labor accrual adjustment [a]	(92)	-	(92)
Adjusted operating expenses (d)	\$ 14,866	\$ 13,766	\$ 1,100
Operating margin (a - b) / a	40%	43%	
Incremental margin (a - b) / a			19%
Adjusted incremental margin (c - d) / c			(9%)

[a] Impact for a one-time change to prior period accounting estimates related to labor agreements with our unions.

* Adjusted incremental margin 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 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.

Financial Performance **

<i>Millions, Except Percentages For the Twelve Months Ended December 31, 2022</i>	<i>Reported results (GAAP)</i>	<i>Labor accrual adjustment</i>	<i>Adjusted results (non-GAAP)</i>
Operating expense	\$ 14,958	\$ (92)	\$ 14,866
Operating ratio	60.1%	(0.3) pts	59.8%

** The above table reconciles our results for the twelve months ended December 31, 2022, to adjust results that exclude the impact of certain items identified as affecting comparability. We use adjusted operating expense and adjusted operating ratio, 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 and operating ratio as indicators of operating performance.