

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

Non-GAAP Measures Reconciliation to GAAP

Debt to Capital*

<i>Millions, Except Percentages</i>	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Debt** (a)	\$ 14,201	\$ 11,413	\$ 9,524
Equity	20,702	21,189	21,225
Capital (b)	\$ 34,903	\$ 32,602	\$ 30,749
Debt to capital (a/b)	40.7%	35.0%	31.0%

* Total debt divided by total debt plus equity. We believe this measure is important to management and investors in evaluating our balance sheet strength and is important in managing our credit ratios and financing relationships.

** The prior period amount has been adjusted for the retrospective adoption of Accounting Standard Update 2015-03 related to the presentation of deferred debt issuance costs.

Adjusted Debt to Capital, Reconciliation to GAAP*

<i>Millions, Except Percentages</i>	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Debt**	\$ 14,201	\$ 11,413	\$ 9,524
Net present value of operating leases	2,726	2,902	3,057
Unfunded pension and OPEB, after tax	463	523	170
Adjusted debt (a)	17,390	14,838	12,751
Equity	20,702	21,189	21,225
Adjusted capital (b)	\$ 38,092	\$ 36,027	\$ 33,976
Adjusted debt to capital (a/b)	45.7%	41.2%	37.5%

* 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 4.8%, 5.3%, and 5.7% at December 31, 2015, 2014, and 2013, respectively. The discount rate reflects our effective interest rate. Adjusted debt to capital 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 total amount of leverage in our capital structure including off-balance sheet lease obligations.

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Adjusted Debt / Adjusted EBITDA*

<i>Millions, Except Ratios</i>	2015	2014	2013
Operating income	\$ 8,052	\$ 8,753	\$ 7,446
Depreciation	2,012	1,904	1,777
EBITDA	\$ 10,064	\$ 10,657	\$ 9,223
Interest on present value of operating leases	131	154	174
Adjusted EBITDA (a)	\$ 10,195	\$ 10,811	\$ 9,397
Debt**	\$ 14,201	\$ 11,413	\$ 9,524
Net present value of operating leases	2,726	2,902	3,057
Unfunded pension and OPEB, after tax	463	523	170
Adjusted debt (b)	\$ 17,390	\$ 14,838	\$ 12,751
Adjusted debt / Adjusted EBITDA (b/a)	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 4.8%, 5.3%, and 5.7% at December 31, 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.

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Return on Invested Capital as Adjusted (ROIC)*

<i>Millions, Except Percentages</i>	2015	2014	2013
Net income	\$ 4,772	\$ 5,180	\$ 4,388
Interest expense	622	561	526
Interest on average present value of operating leases	135	158	175
Taxes on interest	(285)	(273)	(264)
Net operating profit after taxes as adjusted (a)	\$ 5,244	\$ 5,626	\$ 4,825
Average equity	\$ 20,946	\$ 21,207	\$ 20,551
Average debt**	12,807	10,469	9,237
Average present value of operating leases	2,814	2,980	3,077
Average invested capital as adjusted (b)	\$ 36,567	\$ 34,656	\$ 32,865
Return on invested capital as adjusted (a/b)	14.3%	16.2%	14.7%

* ROIC is defined as net income plus interest expense and interest on average present value of operating leases less taxes on interest divided by average equity plus average debt plus average present value of operating leases. 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 the Company's long-term capital investments, and we currently use ROIC as a performance criteria 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.

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Free Cash Flow**Millions,**For the Years Ended December 31,*

	2015	2014
Cash provided by operating activities	\$ 7,344	\$ 7,385
Cash used in investing activities	(4,476)	(4,249)
Dividends paid**	(2,344)	(1,632)
Free cash flow	\$ 524	\$ 1,504

* 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 incurring additional financings. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities.

** The 2015 dividends paid amount includes the fourth quarter 2014 dividend of \$438 million, which was paid on January 2, 2015, the first quarter 2015 dividend of \$484 million, which was paid on March 30, 2015, the second quarter 2015 dividend of \$479 million, which was paid on June 30, 2015, the third quarter 2015 dividend of \$476 million, which was paid on September 30, 2015, as well as the fourth quarter 2015 dividend of \$467 million, which was paid on December 30, 2015. Beginning in 2015, the timing of the dividend declaration and payable dates was aligned to occur within the same quarter.