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

Debt to Capital*

Millions, Except Percentages	***Dec. 31, 2016***	*Dec. 31, 2015*	*Dec. 31, 2014*
Debt (a)	**$ 15,007**	$ 14,201	$ 11,413
Equity	**19,932**	20,702	21,189
Capital (b)	**$ 34,939**	$ 34,903	$ 32,602
Debt to capital (a/b)	**43.0%**	40.7%	35.0%

* 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.

Adjusted Debt to Capital, Reconciliation to GAAP*

Millions, Except Percentages	***Dec. 31, 2016***	*Dec. 31, 2015*	*Dec. 31, 2014*
Debt	**$ 15,007**	$ 14,201	$ 11,413
Net present value of operating leases	**2,435**	2,726	2,902
Unfunded pension and OPEB, net of taxes of $261, $280, and $319	**436**	463	523
Adjusted debt (a)	**17,878**	17,390	14,838
Equity	**19,932**	20,702	21,189
Adjusted capital (b)	**$ 37,810**	$ 38,092	$ 36,027
Adjusted debt to capital (a/b)	**47.3%**	45.7%	41.2%

* 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 4.7%, 4.8%, and 5.3% at December 31, 2016, 2015, and 2014, 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*

Millions, Except Ratios	***2016***	*2015*	*2014*
Operating income	**$ 7,272**	$ 8,052	$ 8,753
Depreciation	**2,038**	2,012	1,904
EBITDA	**$ 9,310**	$ 10,064	$ 10,657
Interest on present value of operating leases	**114**	131	154
Adjusted EBITDA (a)	**$ 9,424**	$ 10,195	$ 10,811
Debt	**$ 15,007**	$ 14,201	$ 11,413
Net present value of operating leases	**2,435**	2,726	2,902
Unfunded pension and OPEB, net of taxes of $261, $280, and $319	**436**	463	523
Adjusted debt (b)	**$ 17,878**	$ 17,390	$ 14,838
Adjusted debt / Adjusted EBITDA (b/a)	**1.90**	1.71	1.37

* 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 4.7%, 4.8%, and 5.3% at December 31, 2016, 2015, and 2014, 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.

Return on Invested Capital as Adjusted (ROIC)*

Millions, Except Percentages	***2016***	*2015*	*2014*
Net income	**$ 4,233**	$ 4,772	$ 5,180
Interest expense	**698**	622	561
Interest on average present value of operating leases	**121**	135	158
Taxes on interest	**(306)**	(285)	(273)
Net operating profit after taxes as adjusted (a)	**$ 4,746**	$ 5,244	$ 5,626
Average equity	**$ 20,317**	$ 20,946	$ 21,207
Average debt	**14,604**	12,807	10,469
Average present value of operating leases	**2,581**	2,814	2,980
Average invested capital as adjusted (b)	**$ 37,502**	$ 36,567	$ 34,656
Return on invested capital as adjusted (a/b)	**12.7%**	14.3%	16.2%

* 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 Year Ended December 31,	***2016***	*2015*
Cash provided by operating activities	**$ 7,525**	$ 7,344
Cash used in investing activities	**(3,393)**	(4,476)
Dividends paid**	**(1,879)**	(2,344)
Free cash flow	**$ 2,253**	$ 524

* 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.

** 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.