

Supporting Service Excellence

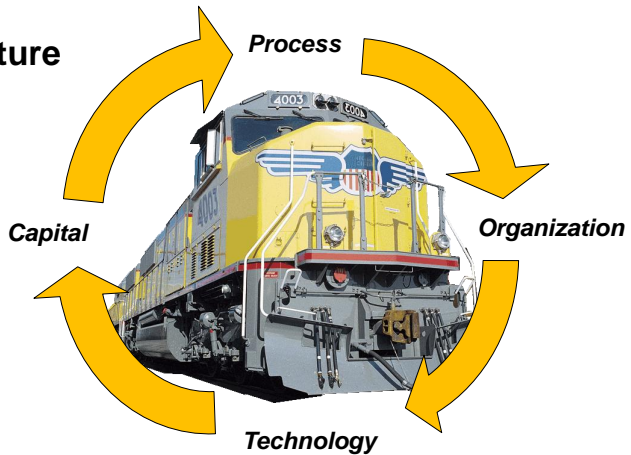
Barry Kanuch, Chief Mechanical Officer

November 4, 2010



Cycle of Improvement Supporting Service Excellence

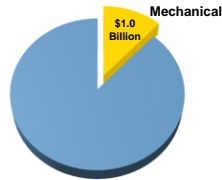
- Total Safety Culture
- Lean
- Employee Engagement
- Technology
- Locomotive Emissions Challenge



Mechanical Department Overview

Service, Maintain, Repair and Rebuild

UP Operating Expenses
(\$8.9 Billion Sept YTD 2010)



Department Highlights*

Mechanical Workforce	~8,000
Locomotives	~8,200
Freight Car Inventory	~277,000
UP Freight Cars	~83,200
Annual Fuel Consumption	1.0 Billion Gallons
Estimated Replacement Value of UP Locomotives and Freight Cars**	\$25+ Billion

*As of 9/30/10
**As of 12/31/09

“Learn To See” Things That Don’t Add Value

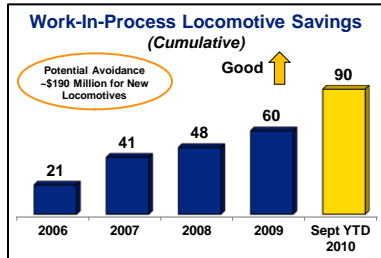
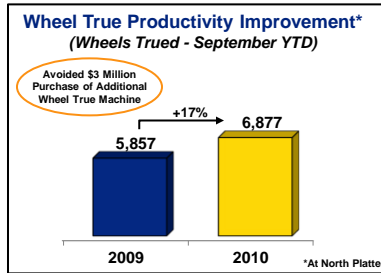
Total Safety Culture – Risk

- **B**ody Position
- **E**yes on Path
- **L**ifting and Lowering
- **L**ine of Fire
- **C**ommunication
- **A**scending/Descending
- **P**inch Points
- **P**rocedures

Lean – Waste

- **D**efects
- **O**verproduction
- **W**aiting
- **N**onessential Tasks
- **T**ransportation
- **I**nventory
- **M**otion
- **E**mployees Unengaged

Improving Asset Utilization Lean Processes



- Standard Work Processes
- Eliminate Constraints
- Avoided Purchases
 - Wheel True machine
 - Locomotives

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AutoFlex Multi-Level

Meets Equipment Improvement Objectives:

- Improve Safety
- Reduce Failure Incidents and Costs
- Manage with Superior Products and Materials
- Convertibility, Flexibility, and Market Demand

UP Innovation Drives Greater Asset Utilization and Customer Service



Designed by Union Pacific DeSoto Car Shop employees.
Build starts in 2011.

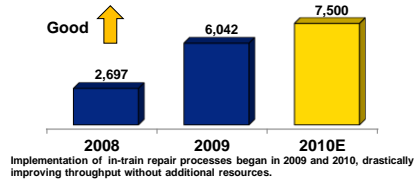
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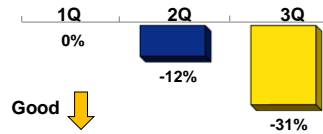
Improved Freight Car Availability



Total Grain Car Repairs (Volume at Repair Shops Utilizing In-Train Repair)



Large Covered Hopper Reject Rate* (Wheat and Food Grain Service)



*2010 year-over-year change. Normalized for volume.

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Technology Drives Safety & Satisfaction

Ultrasonic Wheel Detection

Unique UP Technology

- Detects Internal Wheel Cracks
- 3.6 Million Wheels To Be Inspected
- Removed 93 Defective Wheels

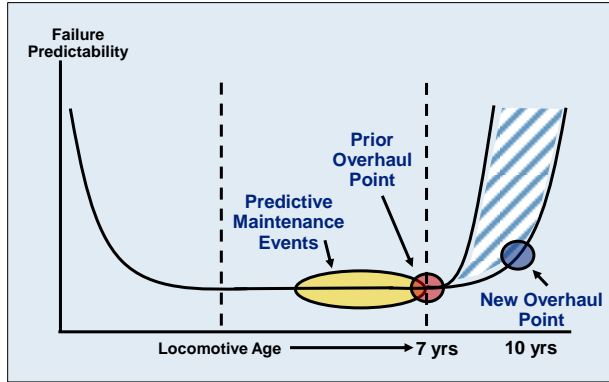
No Coal Trains Have Derailed Due To Internal Wheel Cracks In 2 Years



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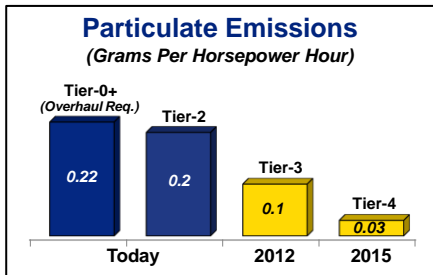
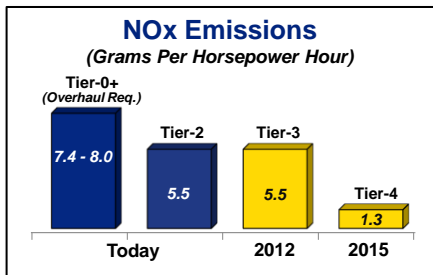
Reliability Centered Maintenance (RCM) SD70M Locomotive Overhaul Program



- ➔ Scheduled to Predictive
- ➔ Lifecycle Analysis
- ➔ Weibull Based Failure Analysis

Future savings: \$400+ million in overhaul costs over the life of the SD70M fleet

Locomotive Emission Challenge



No Technology on the Market Meets New Tier-4 Standards

- Two Paths for Tier-4

Proactive Approach

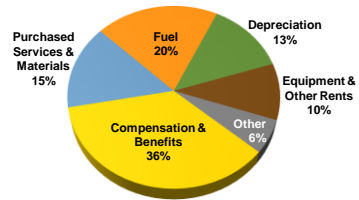
- Targeting Non-Urea Solutions
- Working with Manufacturers

Locomotive Acquisition Strategy

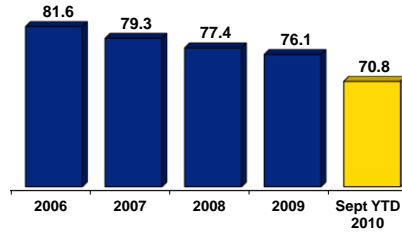
Create Value

- Process Improvement
- Employee Engagement
- Asset Utilization
- Differentiation
- Customer Service
- Yield Expansion

Operating Expenses
(September YTD 2010)



Operating Ratio*
(Percent)



*Certain prior year amounts have been adjusted for the retrospective change in accounting principle for rail grinding.