Investing in the Future

Lance Fritz – President & COO

UNION PACIFIC’S MISSION
We are a Team Dedicated to Serve...

UNION PACIFIC’S STRATEGY
Safety → Service → Efficiency → Returns → Investment

THE FOUNDATION
UNION PACIFIC’S FRANCHISE
Building the Franchise
Defined as a Carload Volume at a Service Level

- Network Capacity
  - Five Critical Resources
  - Short-Term Frontier
  - Long-Term Move Up and Right
- Five Key Drivers
- Successfully Pushing Frontier for 15 Years

Service–Volume Equation

Volume

It Starts with the Business Planning Process
Sizing the 5 Critical Resources

Outcomes
- Transportation Plan
- Process Improvements
- Resource Plan
- Capital Plan
Network Capacity - System
Resource Plan – Next 5 Years

**Workforce**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Hiring</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4,550</td>
</tr>
<tr>
<td>2012</td>
<td>3,900</td>
</tr>
<tr>
<td>2013</td>
<td>3,450</td>
</tr>
<tr>
<td>2014E</td>
<td>5,500</td>
</tr>
<tr>
<td>2015E</td>
<td>5,400</td>
</tr>
</tbody>
</table>

**Locomotives**

End of Year Count
Previous high = 8,300 (Fall-07)

<table>
<thead>
<tr>
<th>Year</th>
<th>Active Units</th>
<th>Surge Stored Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>7,200</td>
<td>490</td>
</tr>
<tr>
<td>2012</td>
<td>7,050</td>
<td>850</td>
</tr>
<tr>
<td>2013</td>
<td>7,050</td>
<td>575</td>
</tr>
<tr>
<td>2014E</td>
<td>7,850</td>
<td>~8,050</td>
</tr>
<tr>
<td>2015E</td>
<td>250+</td>
<td></td>
</tr>
<tr>
<td>2019E</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Retirements / Attrition
- Surge Capacity
- Productivity
- Growth

Network Capacity - System
Capital Plan – Next 5 Years

Removing Predicted Constraints

- North / South Corridors
- Southern Region
- Northern Region
- PNW / Sunset / Intermodal
- Other Bottlenecks

Cartoon of North / South Corridors with North and South Region highlighted.
Network Capacity - System
Project Example - Hearne

- Supports Business Teams Including Mexico
- Opens Capacity to Grow in Multiple Locations and Markets
- Improves Efficiency
  - Network Efficiency
  - Switching Productivity

Network Capacity - Chicago
Chicago is Complex AND Critical

Largest Interchange Gateway
- 25% of Nation’s Rail Traffic
  - 46% of Intermodal Units
- 13,000 Daily Interchange Events
- Over 2x Larger than Next Largest Gateway
- 1,300 Daily Train Movements
- 78 Terminal Facilities

Many Carriers Converge
- 6 Class One Railroads
- 46 Switchers, Regionals & Shortlines
- 2 Terminal Companies
- Major Amtrak Hub
- Major Commuter System (Metra)
Network Capacity - Chicago
Class 1’s Cooperating to Build Network Capacity

CREATE

<table>
<thead>
<tr>
<th>Status</th>
<th>Projects</th>
<th>Cost ($MM)</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete</td>
<td>22</td>
<td>$320</td>
<td>Debottlenecking Through Routes (1/2 Day Reduction)</td>
</tr>
<tr>
<td>Committed with Funding</td>
<td>15</td>
<td>$780</td>
<td>Additional Route Improvements, Some Grade Separations</td>
</tr>
<tr>
<td>Future</td>
<td>33</td>
<td>$2,700</td>
<td>Mostly Grade Separations, One very large cluster of Route Improvements</td>
</tr>
</tbody>
</table>

TERMINAL MANAGEMENT / TRANSPORTATION PLANS / RESOURCES

- CPG / CTCO Next Generation
- Improved Management Tools (Railinc, TOPs, COP)
- Enhanced Winter Preparedness
- Alternate Gateway Leverage
- Adding Crews, Locomotives, Individual Route Capital

Network Capacity - Chicago
CREATE Project B2 Example

- $81 Million Project – Flyover Connection and 3.5 Miles of 3rd Mainline
- Connects IHB to UP’s Geneva Subdivision and Proviso Terminal
- Better Connection to/from all Interchange Partners
- Raised Speed through Connection to 25 mph from 10 mph
- Additional Capacity on UP’s E-W Route to/from Chicago
Network Capacity – What We Expect
Next 5 Years

- **Move the Frontier of Service and Volume Up and to the Right**
- **Invest in the Five Critical Resources to Build and Sustain the Foundation**
- **Use the Transportation Plan to Optimize Service Plan**
- **Leverage Investment with Technology & Innovation**

![Service–Volume Equation Graph](image)

- 1999-2006
- 2007-2009
- 2010-2014
- 2014 YTD
- 2010-2014 YTD

**Velocity / Service**

**Volume**