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*

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanical Workforce</td>
<td>~8,000</td>
</tr>
<tr>
<td>Locomotives</td>
<td>~8,200</td>
</tr>
<tr>
<td>Freight Car Inventory</td>
<td>~277,000</td>
</tr>
<tr>
<td>UP Freight Cars</td>
<td>~83,200</td>
</tr>
<tr>
<td>Annual Fuel Consumption</td>
<td>1.0 Billion Gallons</td>
</tr>
<tr>
<td>Estimated Replacement Value of UP Locomotives and Freight Cars**</td>
<td>$25+ Billion</td>
</tr>
</tbody>
</table>

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

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

Total Safety Culture – Risk
- Body Position
- Eyes on Path
- Lifting and Lowering
- Line of Fire
- Communication
- Ascending/Descending
- Pinch Points
- Procedures

Lean – Waste
- Defects
- Overproduction
- Waiting
- Nonessential Tasks
- Transportation
- Inventory
- Motion
- Employees Unengaged
Improving Asset Utilization

Lean Processes

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

Wheel True Productivity Improvement*
(Wheels Trued - September YTD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,857</td>
<td></td>
<td>6,877</td>
</tr>
<tr>
<td>% Improvement</td>
<td>+17%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*At North Platte

Work-In-Process Locomotive Savings (Cumulative)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Sept YTD 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21</td>
<td>41</td>
<td>48</td>
<td>60</td>
<td>90</td>
</tr>
</tbody>
</table>

Potential Avoidance ~$190 Million for New Locomotives

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

Improved Freight Car Availability

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Grain Car Repairs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2,697</td>
</tr>
<tr>
<td>2009</td>
<td>6,042</td>
</tr>
<tr>
<td>2010E</td>
<td>7,500</td>
</tr>
</tbody>
</table>

Implementation of in-train repair processes began in 2009 and 2010, drastically improving throughput without additional resources.

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2010E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q</td>
<td>0%</td>
</tr>
<tr>
<td>2Q</td>
<td>-12%</td>
</tr>
<tr>
<td>3Q</td>
<td>-31%</td>
</tr>
</tbody>
</table>

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

In-Train Repair

Automated Hydraulic Outlet Gate Opener

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

Ultrasonic Wheel Detection
Reliability Centered Maintenance (RCM)
SD70M Locomotive Overhaul Program

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.