

National Grain & Feed Association *Annual Convention*

Jim Young, Chairman and CEO – March 30, 2009



BUILDING AMERICA®

UP Delivering Value to Agriculture Customers

- Focusing on safety

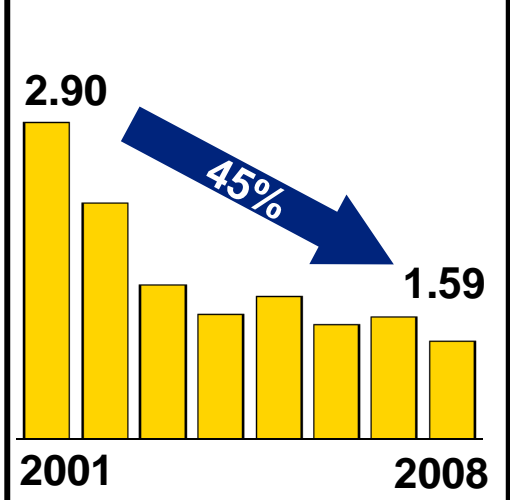


Safety - "Zero Tolerance"



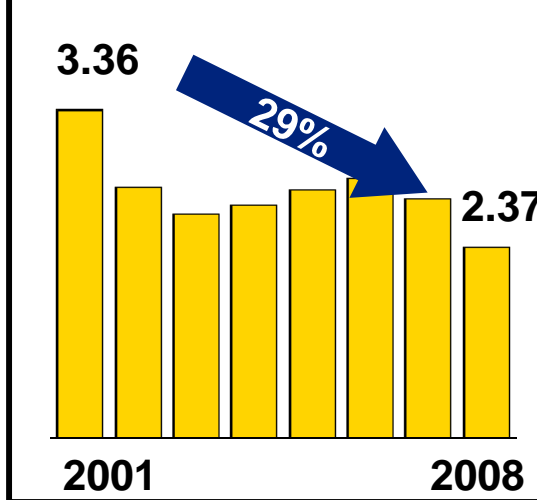
Employee

Reportable Injuries Per 200,000 Man-Hours



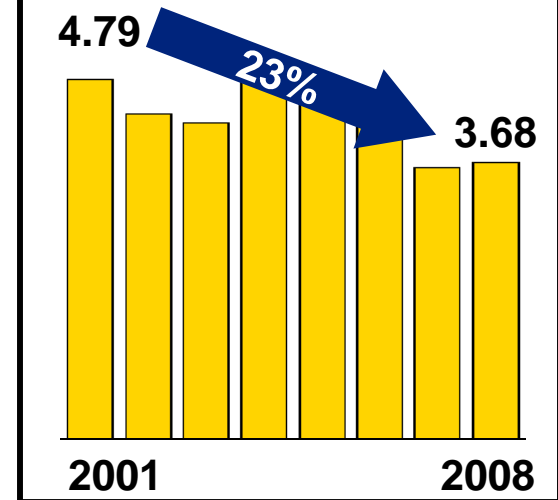
Public

Crossing Accidents Per Million Train Miles



Customer

Reportable Incidents Per Million Train Miles



What We're Up Against . . .

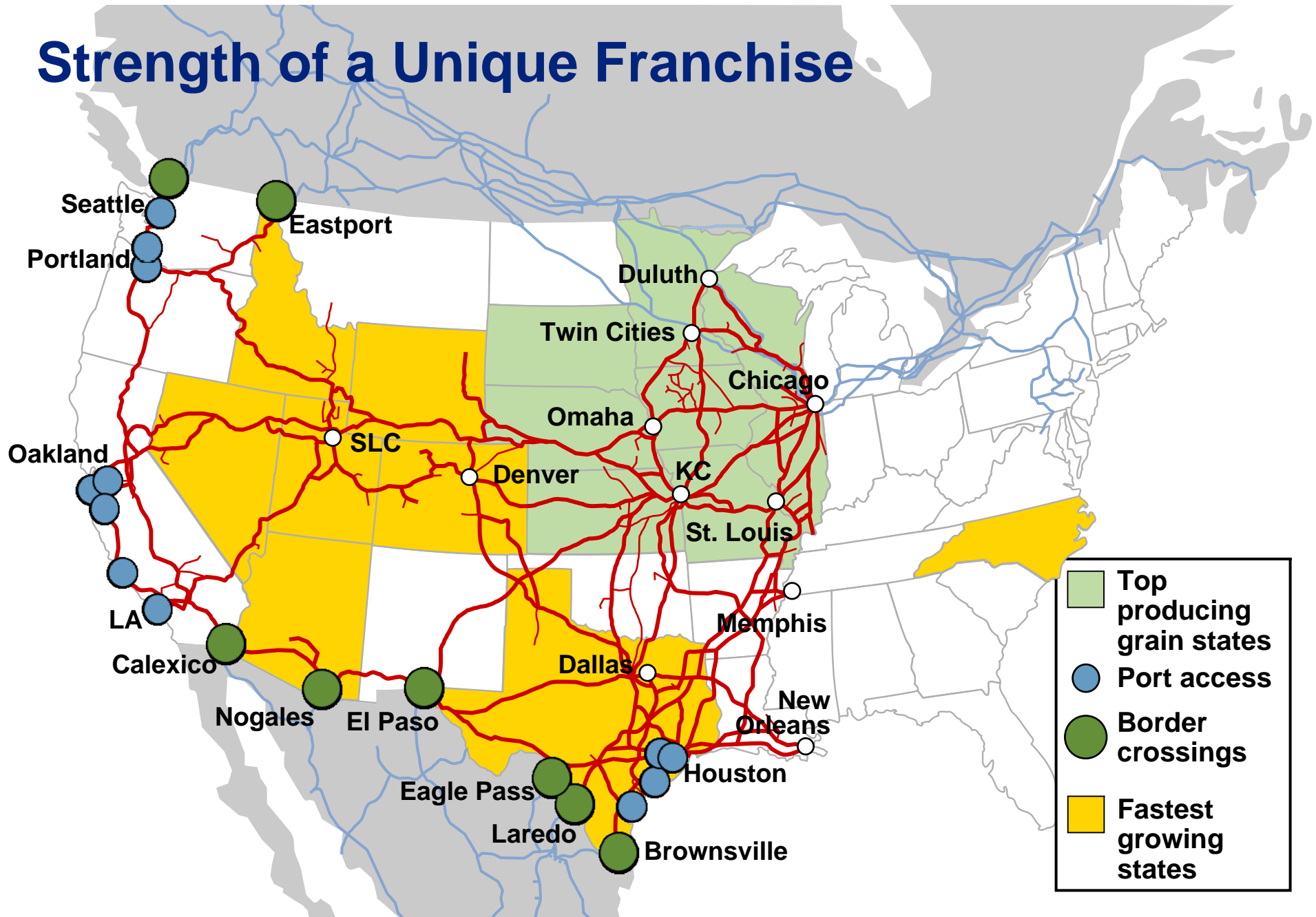


UP Delivering Value to Agriculture Customers

- **Focusing on safety**
- **Extending market reach**



Strength of a Unique Franchise



Keeping an Economy Moving



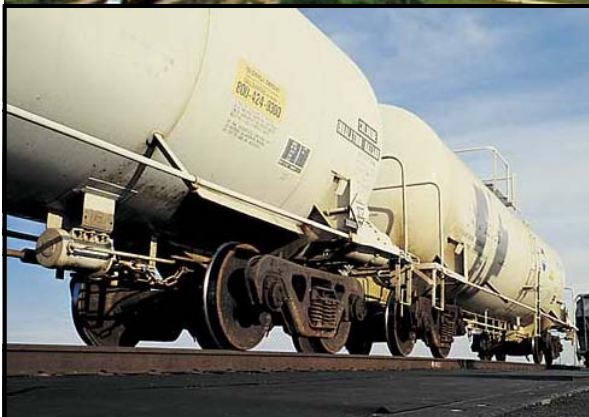
Hauls Over 270 Million Tons of Coal Annually



Moves 75% of Vehicles West of the Mississippi



Transports Enough Aluminum Daily for 66,000 Pop Cans



Industry Leader in Safe Transportation of Chemicals



Brings Everyday Products to Store Shelves



Maintains the Most Modern Refrigerated Boxcar Fleet



UP Delivering Value to Agriculture Customers

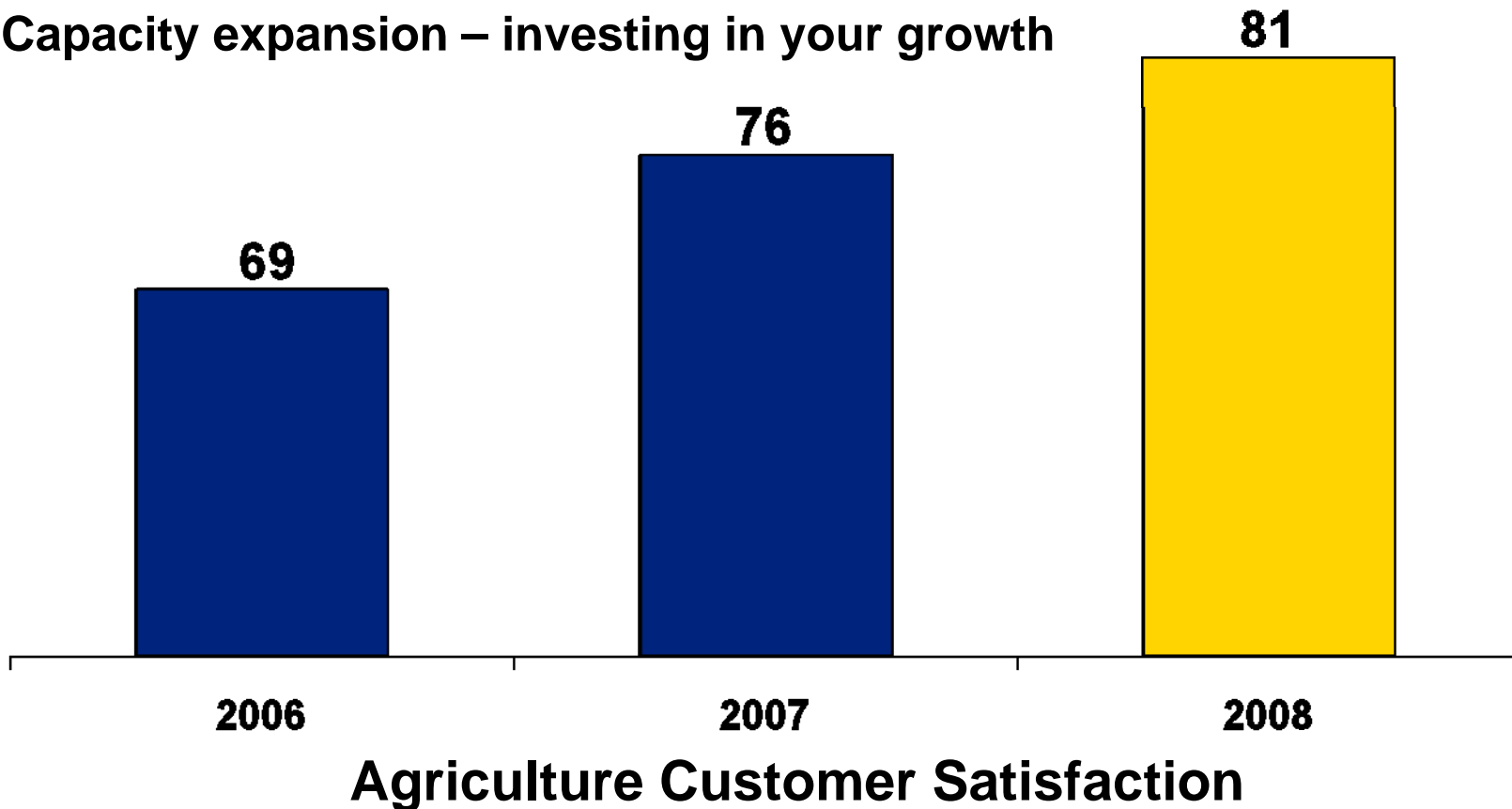
- Focusing on safety
- Extending market reach
- Excellent customer service



Creating Value Drives Customer Satisfaction

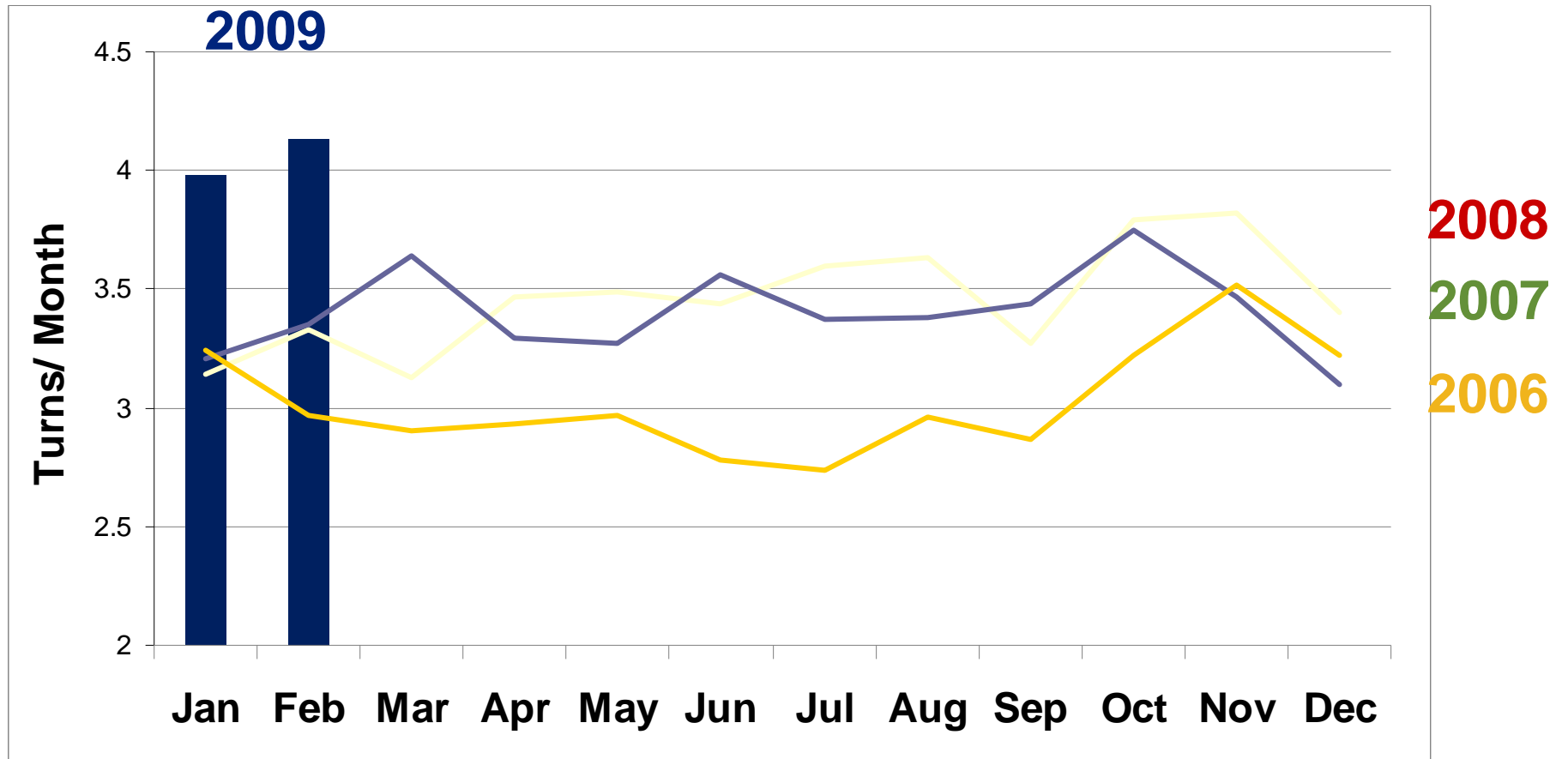
Key Drivers

- Increased velocity – turning assets/inventory quicker
- Greater reliability – on-time delivery of your grain
- Capacity expansion – investing in your growth



Driving Efficiency Through the Supply Chain

UP Shuttle Trains – Turns Per Month

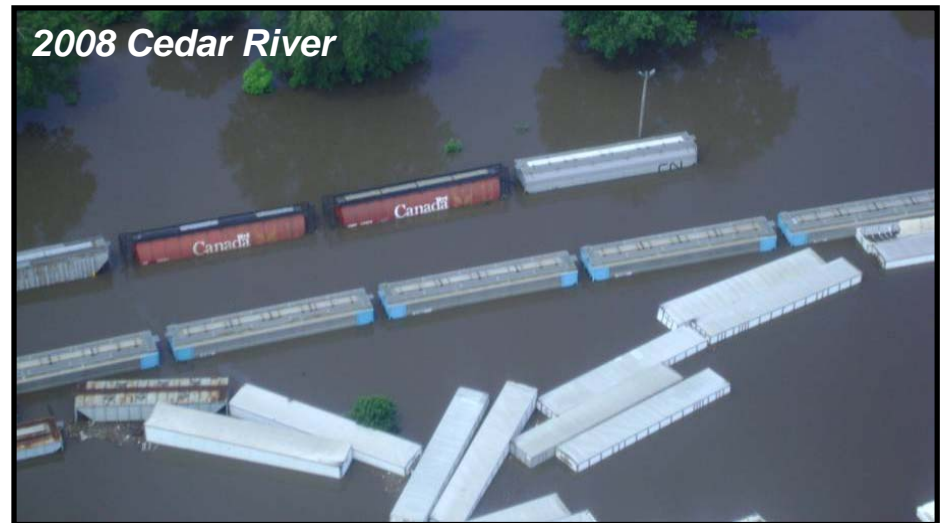
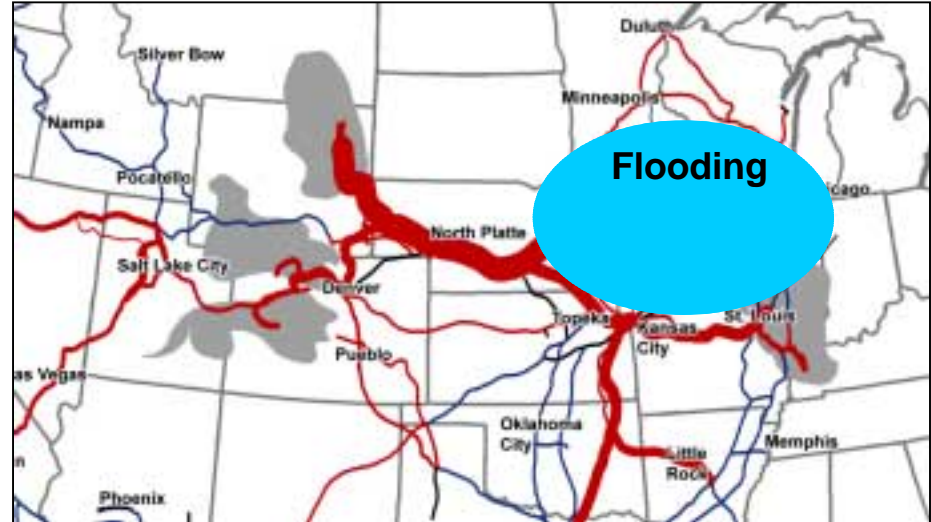


UP Delivering Value to Agriculture Customers

- **Focusing on safety**
- **Extending market reach**
- **Excellent customer service**
- **Accelerating recoverability**



Lessening Impact of Mother Nature



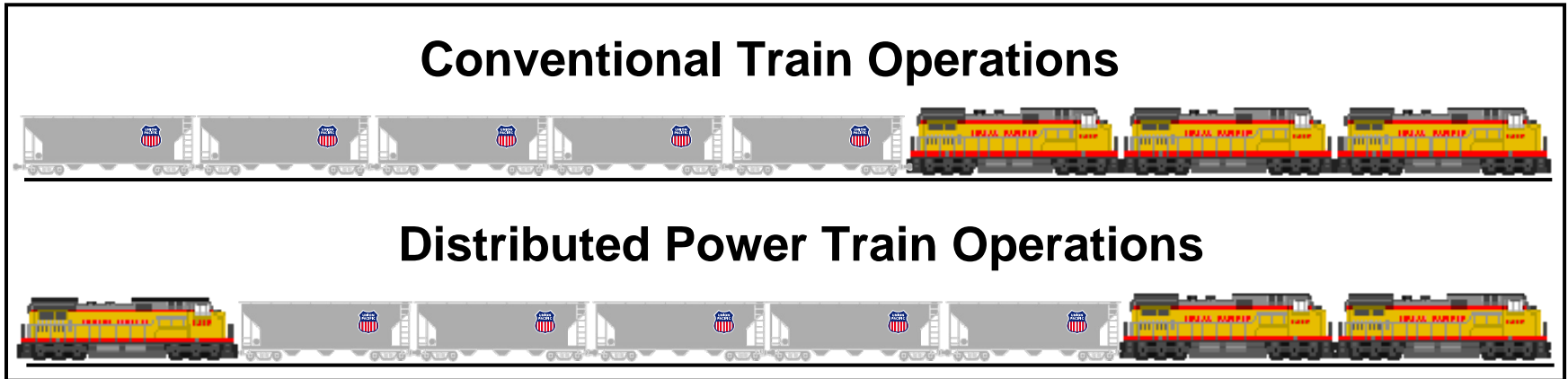
UP Delivering Value to Agriculture Customers

- Focusing on safety
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- Accelerating recoverability
- Driving efficiency



Increasing Productivity through Technology

- **Distributed Power**



- **Unit Train Customer Interface**



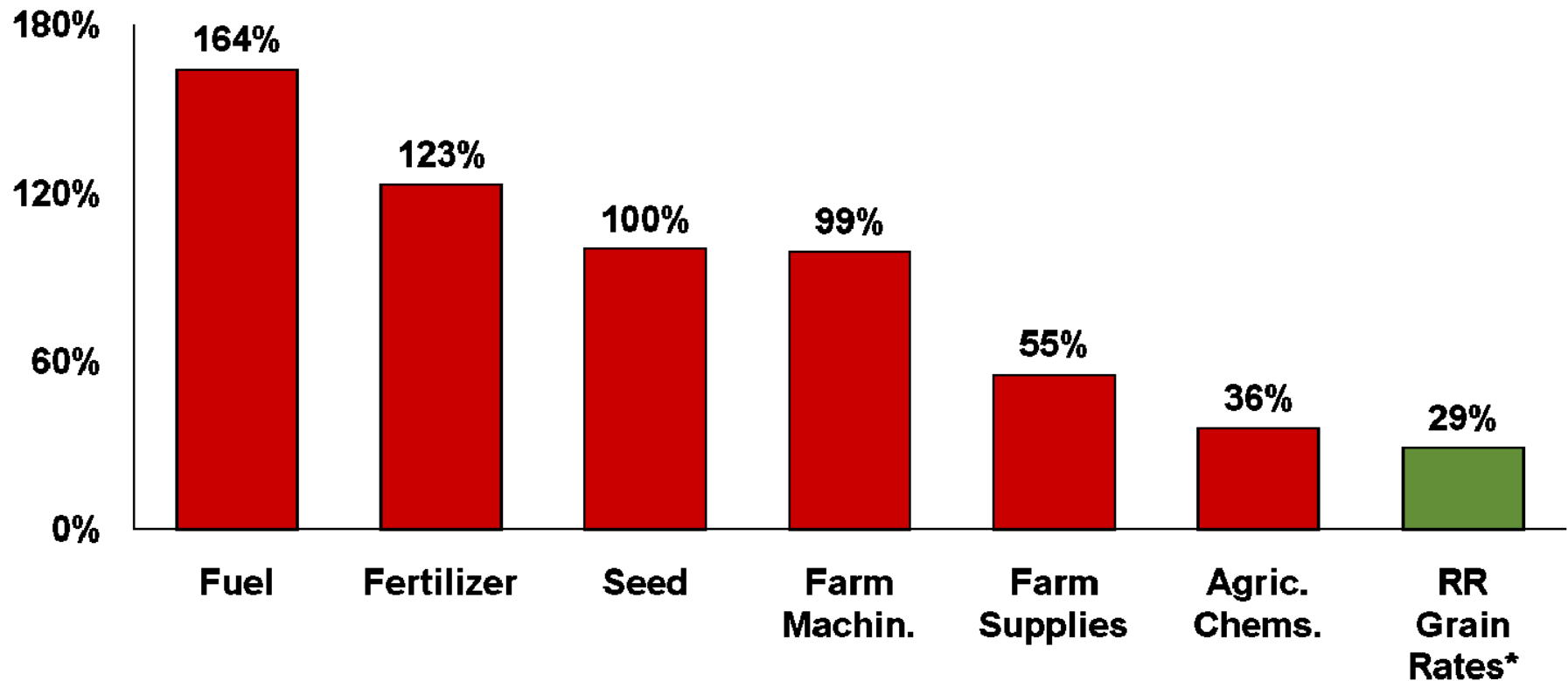
UP Delivering Value to Agriculture Customers

- Focusing on safety
- Extending market reach
- Excellent customer service
- Accelerating recoverability
- Driving efficiency
- Growing value



Railroads Help Keep Agriculture Competitive

Changes in Prices Paid by Farmers
for Various Farm Inputs Used For Production: 1990-2007



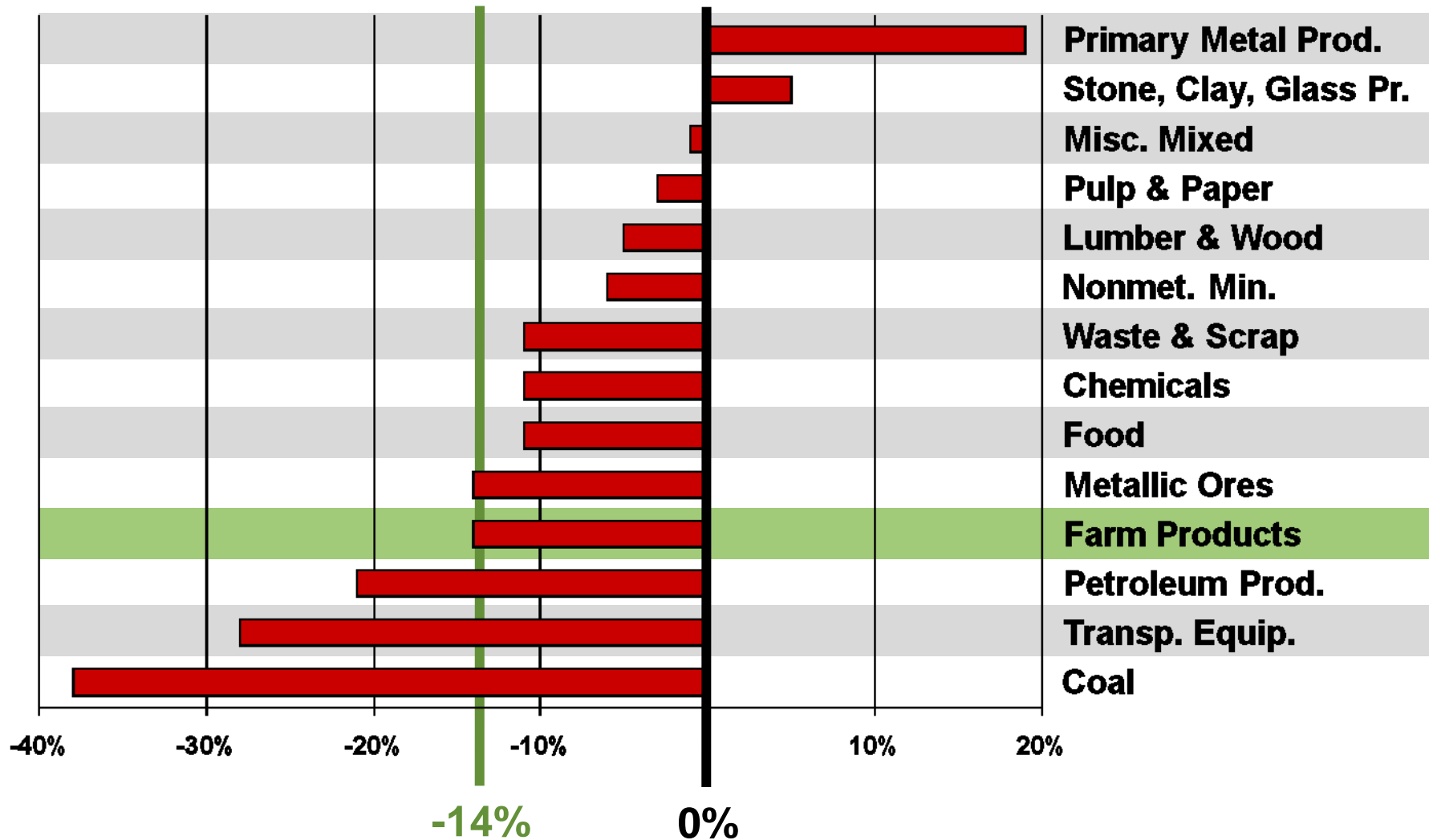
Source: USDA, AAR

*Revenue per ton-mile



Inflation-Adjusted Rail Rates Declined

(Selected Commodities 1990 - 2007)



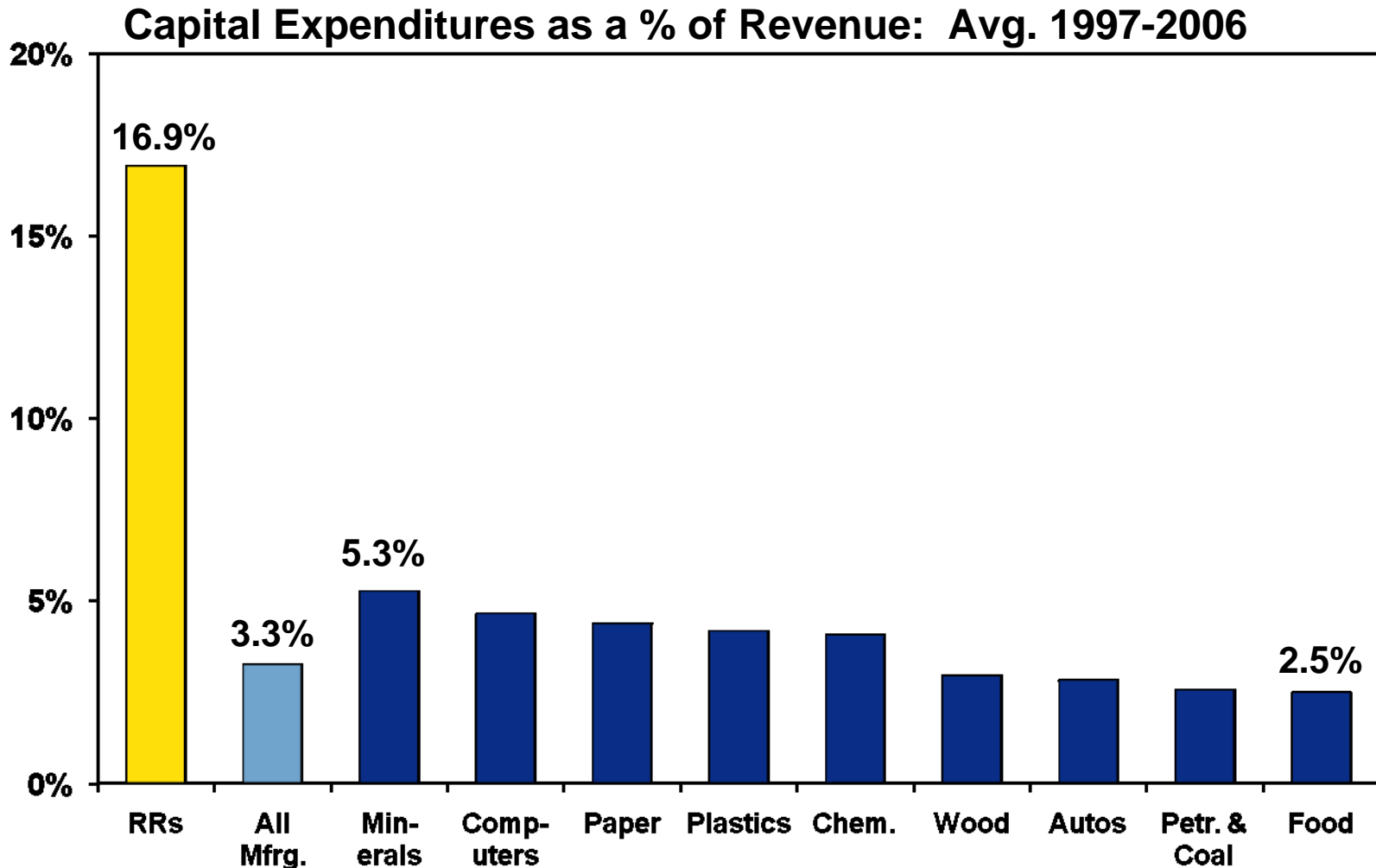
Source: AAR, latest information available

UP Delivering Value to Agriculture Customers

- Focusing on safety
- Extending market reach
- Excellent customer service
- Accelerating recoverability
- Driving efficiency
- Growing value
- Investing where returns warrant



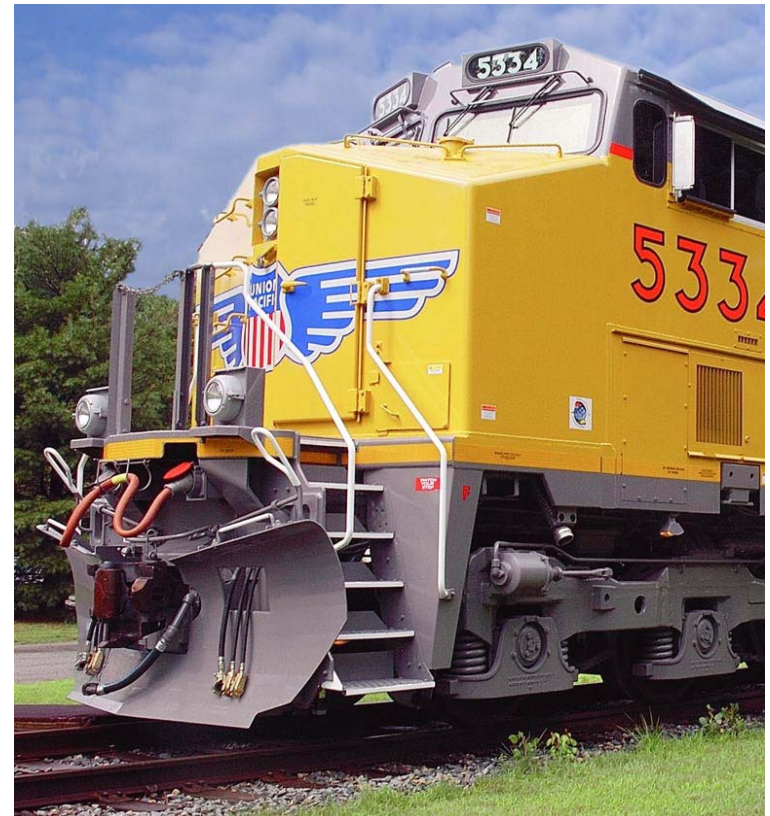
Railroads Have Higher Capital Requirements Than Other Industries



Sources: U.S. Census Bureau, AAR

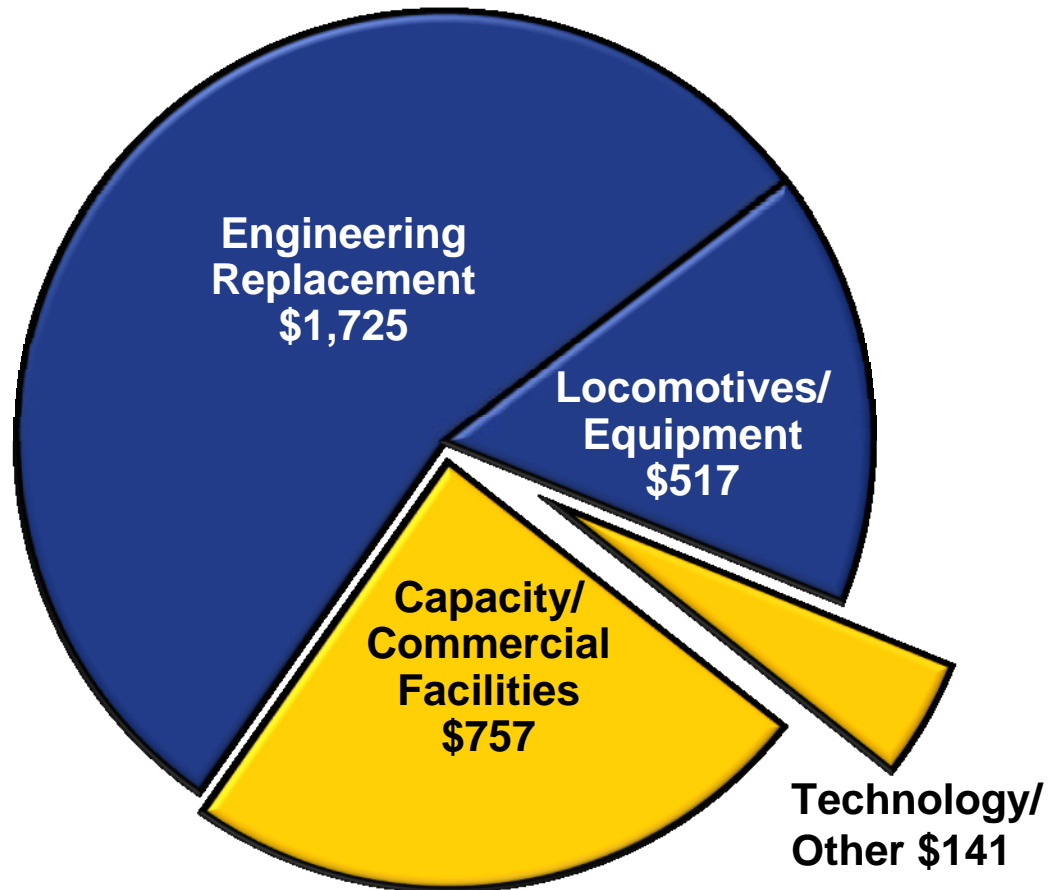
The Cost of Railroading – 1990 vs. 2008

| | <u>1990</u> | <u>2008</u> | <u>Increase</u> |
|----------------|-------------|-------------|-----------------|
| Mile of track | \$1.5 MM | \$3 MM | 100% |
| Locomotive | \$1.3 MM | \$2.1 MM | 62% |
| Hopper | \$47,000 | \$67,000 | 43% |
| Gallon of fuel | \$0.71 | \$3.15 | 344% |



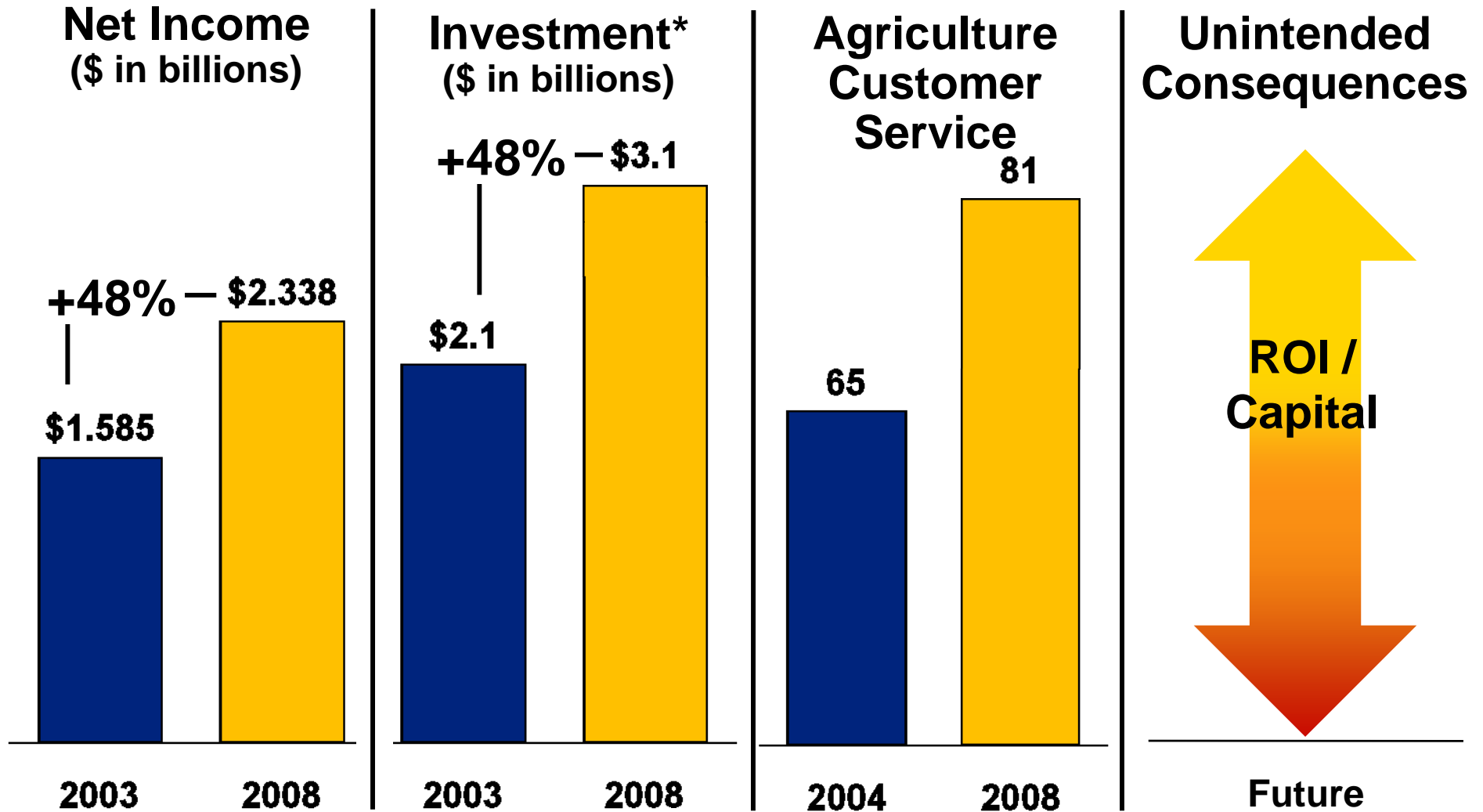
71% or \$2.2 Billion Went Towards Replacement

2008 Capital Investments*
\$3.1 Billion



**Includes cash capital, non-cash capital and lease financings*

Financial Returns Drive Growth Investment



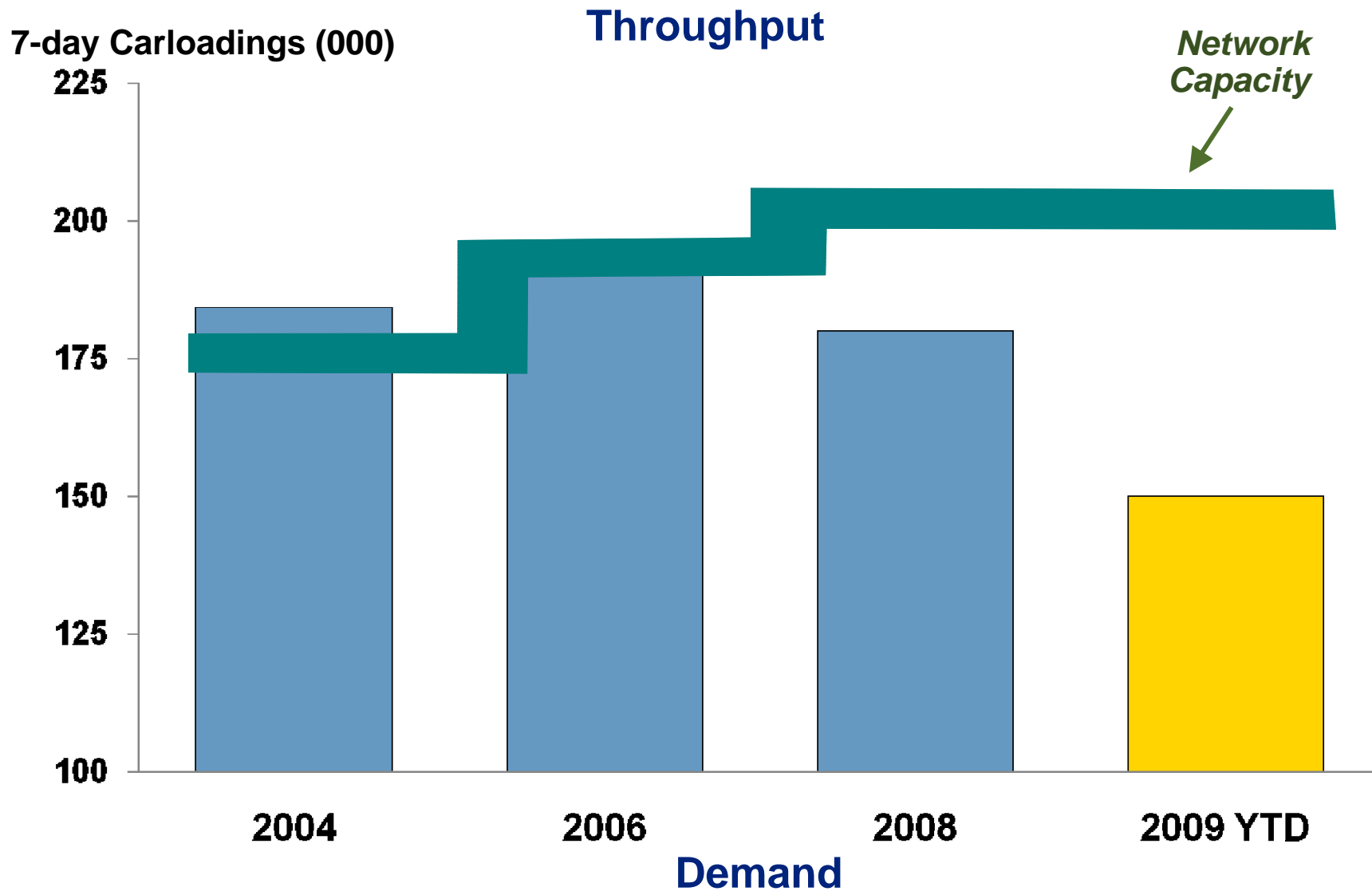
**Includes cash capital, non-cash capital and lease financings*

UP Delivering Value to Agriculture Customers

- Focusing on safety
- Extending market reach
- Excellent customer service
- Accelerating recoverability
- Driving efficiency
- Growing value
- Investing where returns warrant
- Preparing for when volume returns



Economic Challenges – Prepared for Turnaround



Ready and Waiting for Service

**1,800
Locomotives**



**60,000
Railcars**



**4,000
Employees**



Washington Issues

- **Balanced regulation**
 - Provides stability
 - Allows returns that justify reinvestment
 - Reasonable process for shipper and carrier
 - Considers railroads' network structure, capital intensity and ongoing replacement and growth requirements
- **Antitrust bill**
- **Commuter rail**
- **Investment tax credit**

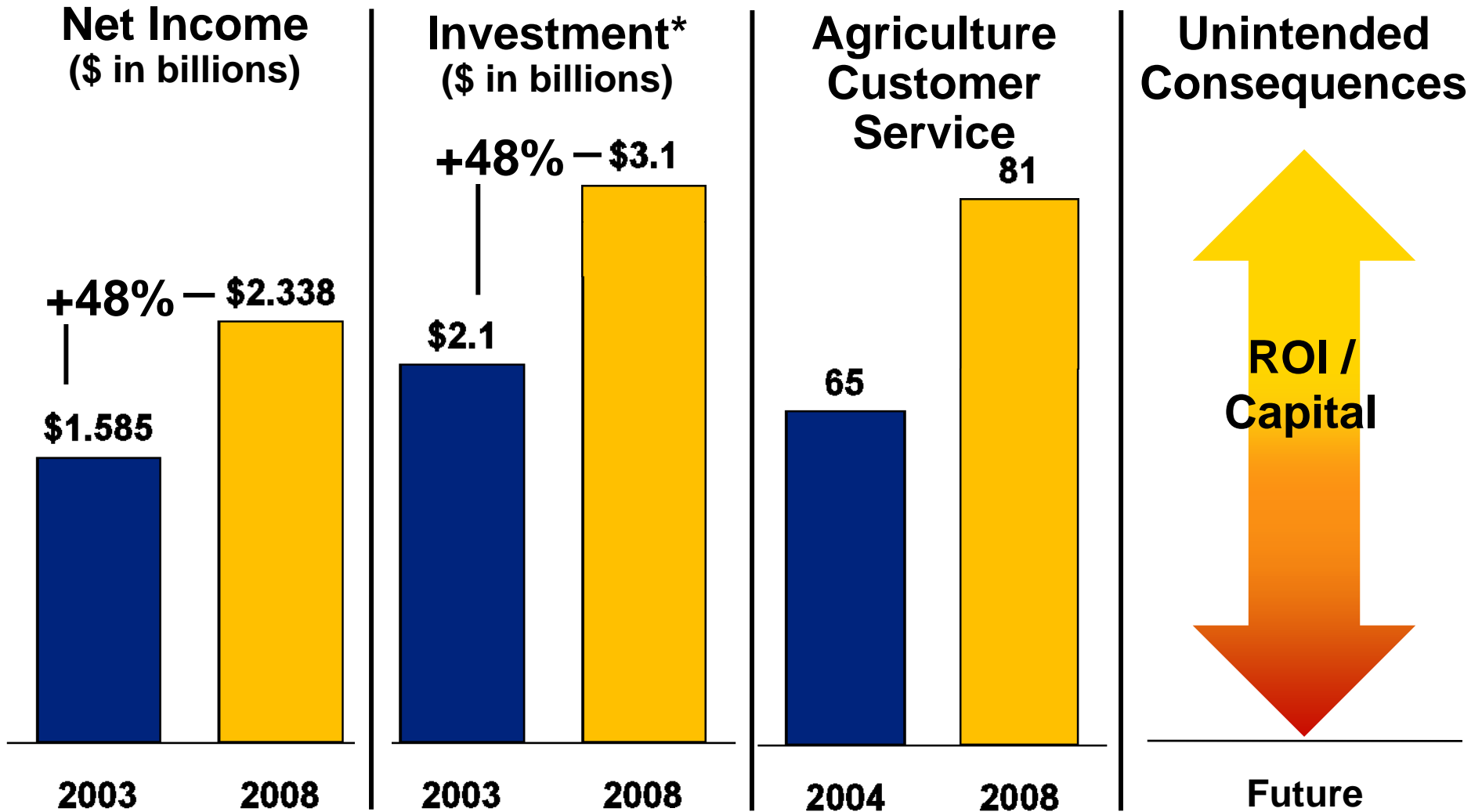


Benefits of Freight Railroads



- Safest mode of transportation
- Four times more fuel efficient than trucks
- Reduces dependency on foreign oil
- Cuts emissions by two thirds
- One train takes 300 trucks off congested highways
- Avoids taxpayer investment in roads
- Saves customers logistics costs

Financial Returns Drive Growth Investment



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