



Coal Network Capacity and Investment

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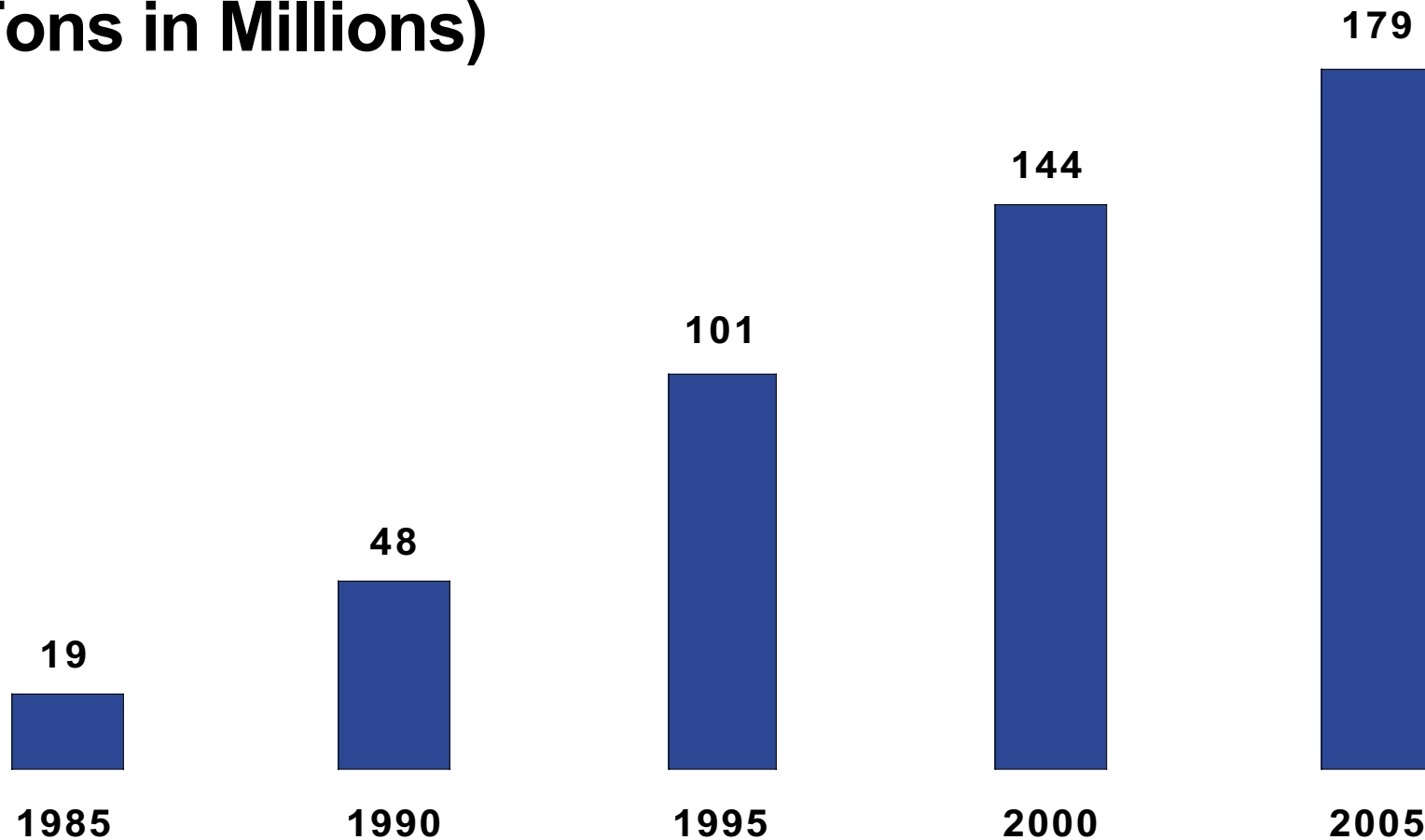
Powder River Basin Growth

Key Drivers

- **Lowest Cost Delivered Coal**
- **Declining Eastern Coal Production**
- **Economic Growth**
- **Natural Gas Prices**
- **Wholesale Market**
- **Environment**

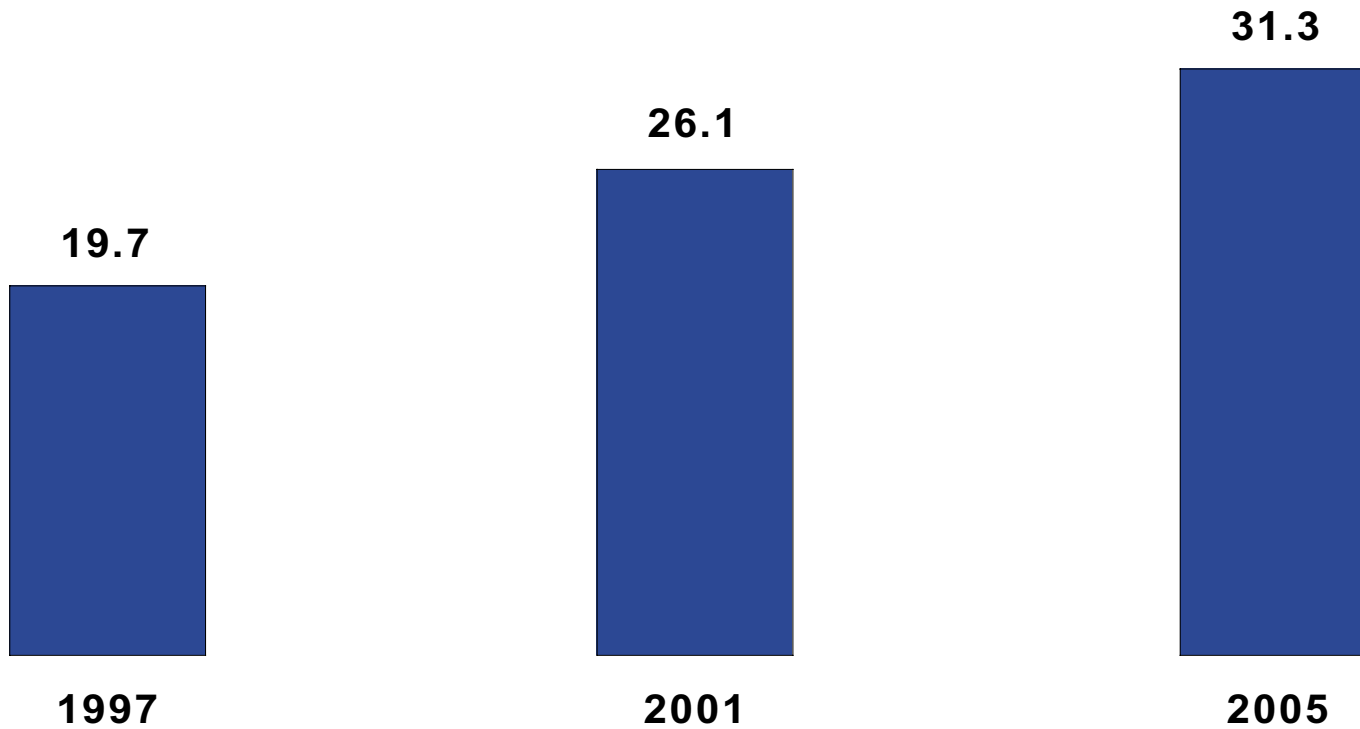
UP's SPRB Coal Growth Has Been Remarkable

(Tons in Millions)

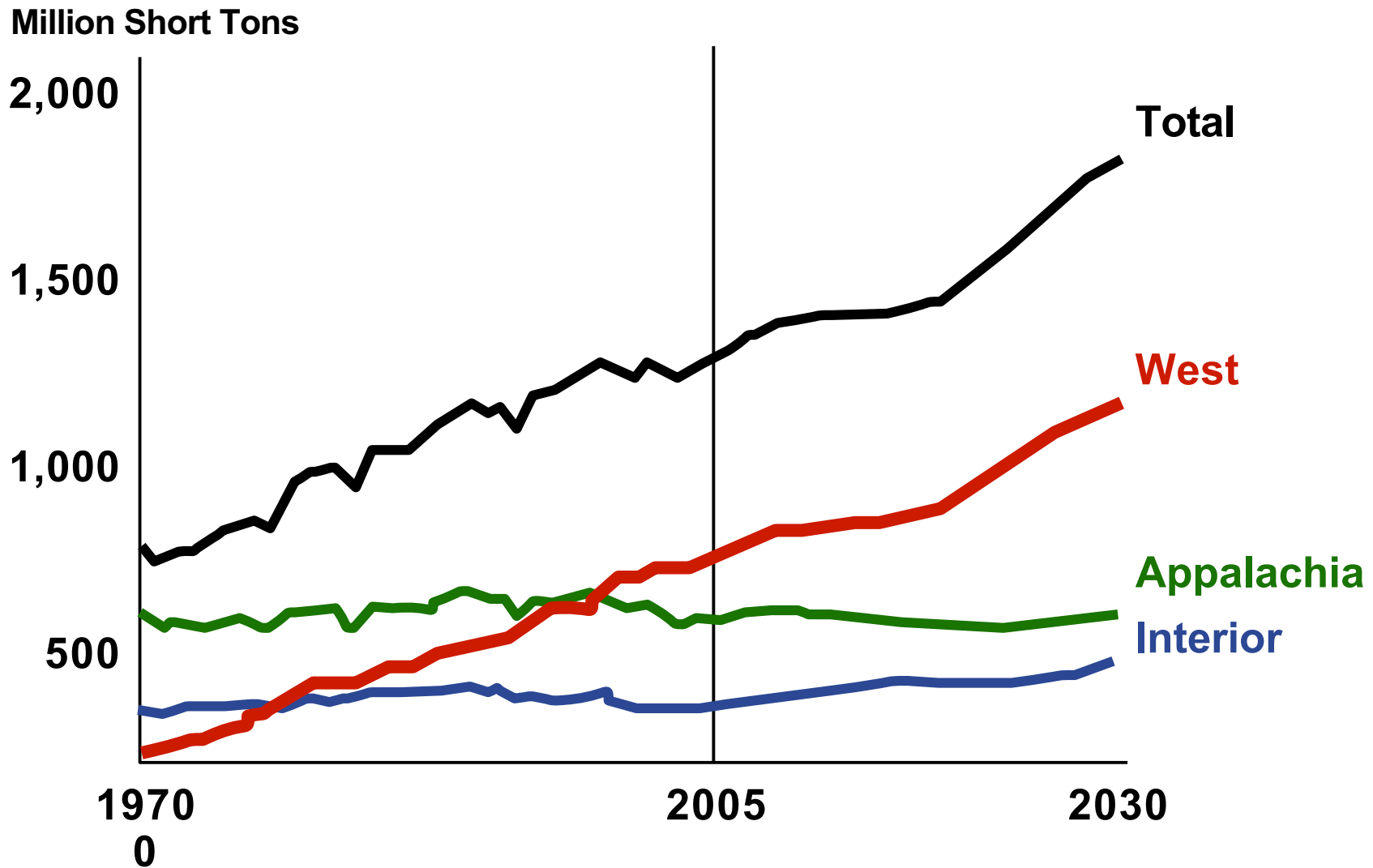


Colorado Coal Production

(Tons in Millions)



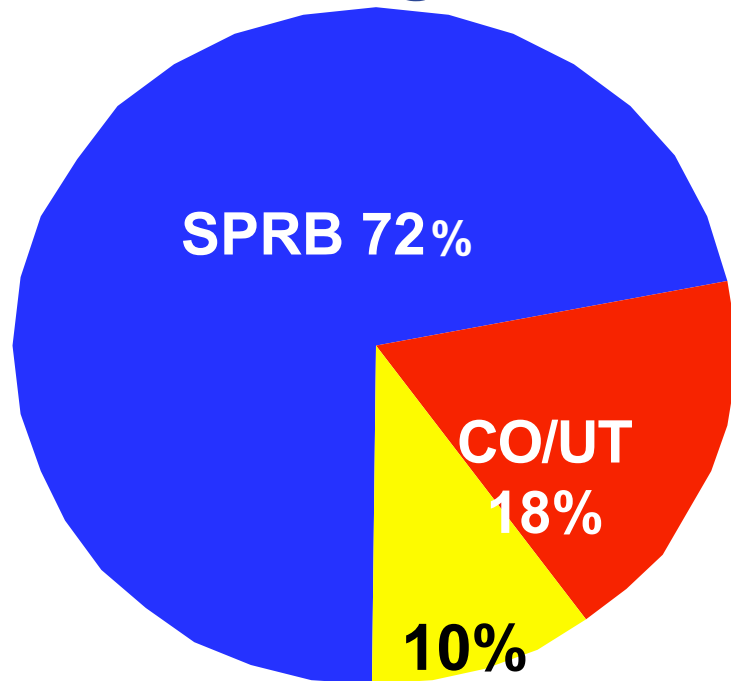
Western Coal Supplies Over 40% of U.S. Coal Demand



Source: Energy Information Administration /
Annual Energy Outlook 2006

2005 UP Coal Carloads By Origin and Destination

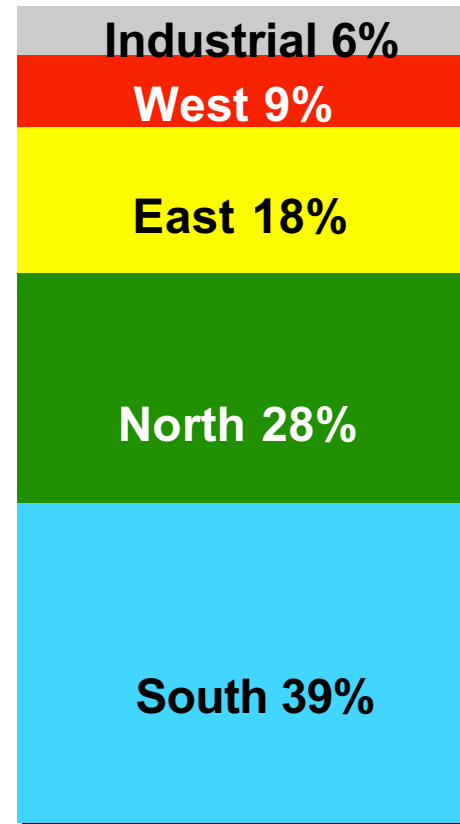
Origin



2005: 250
Million Tons

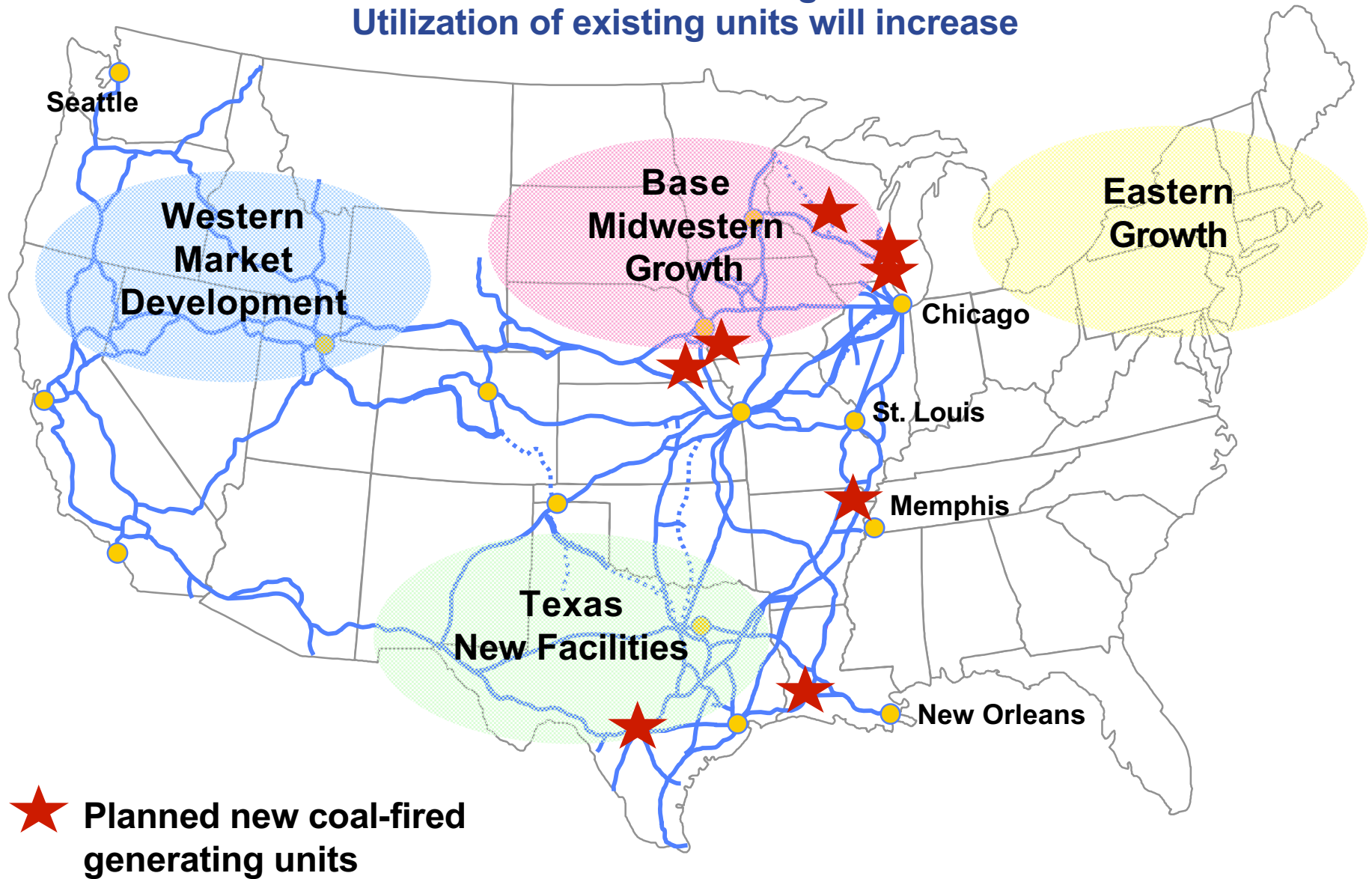
Other

Destination



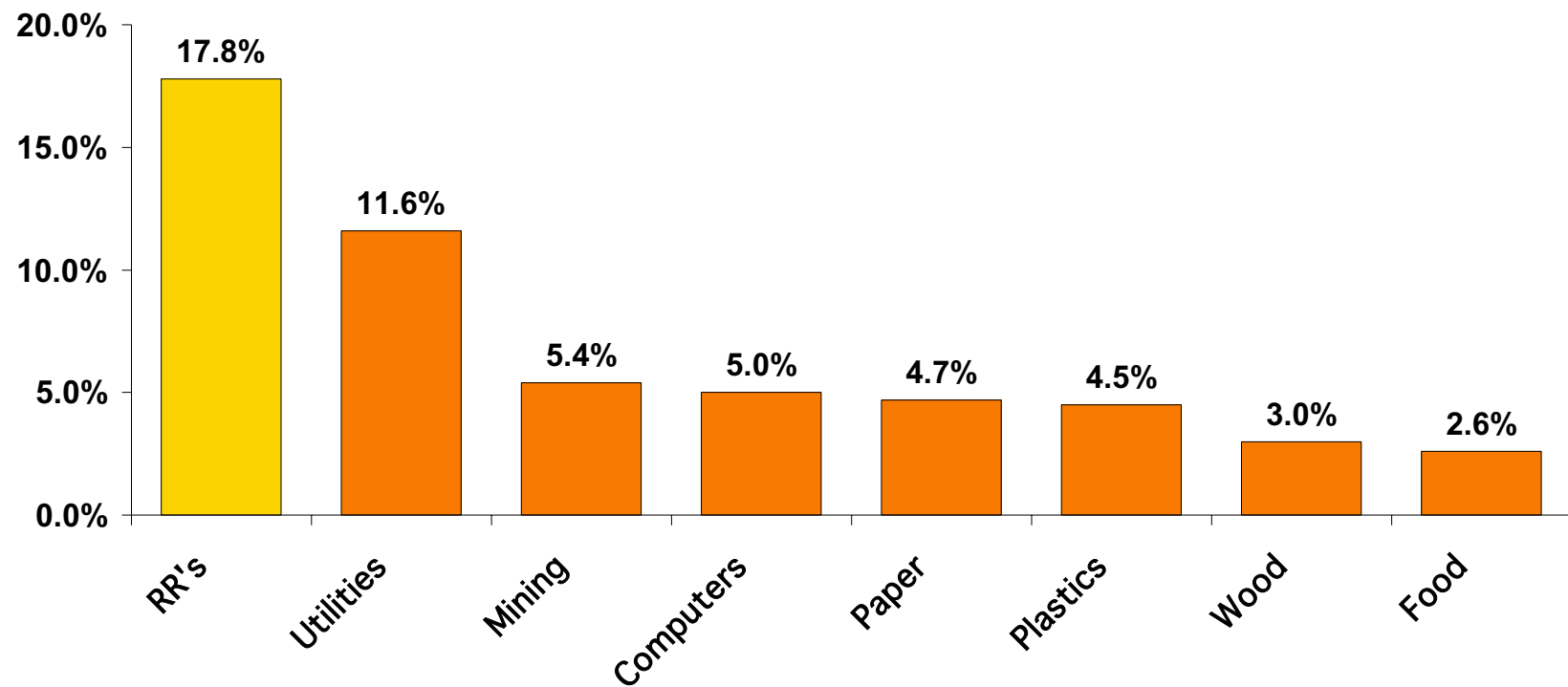
Coal Demand Growth

Over 60 new units being studied
Utilization of existing units will increase



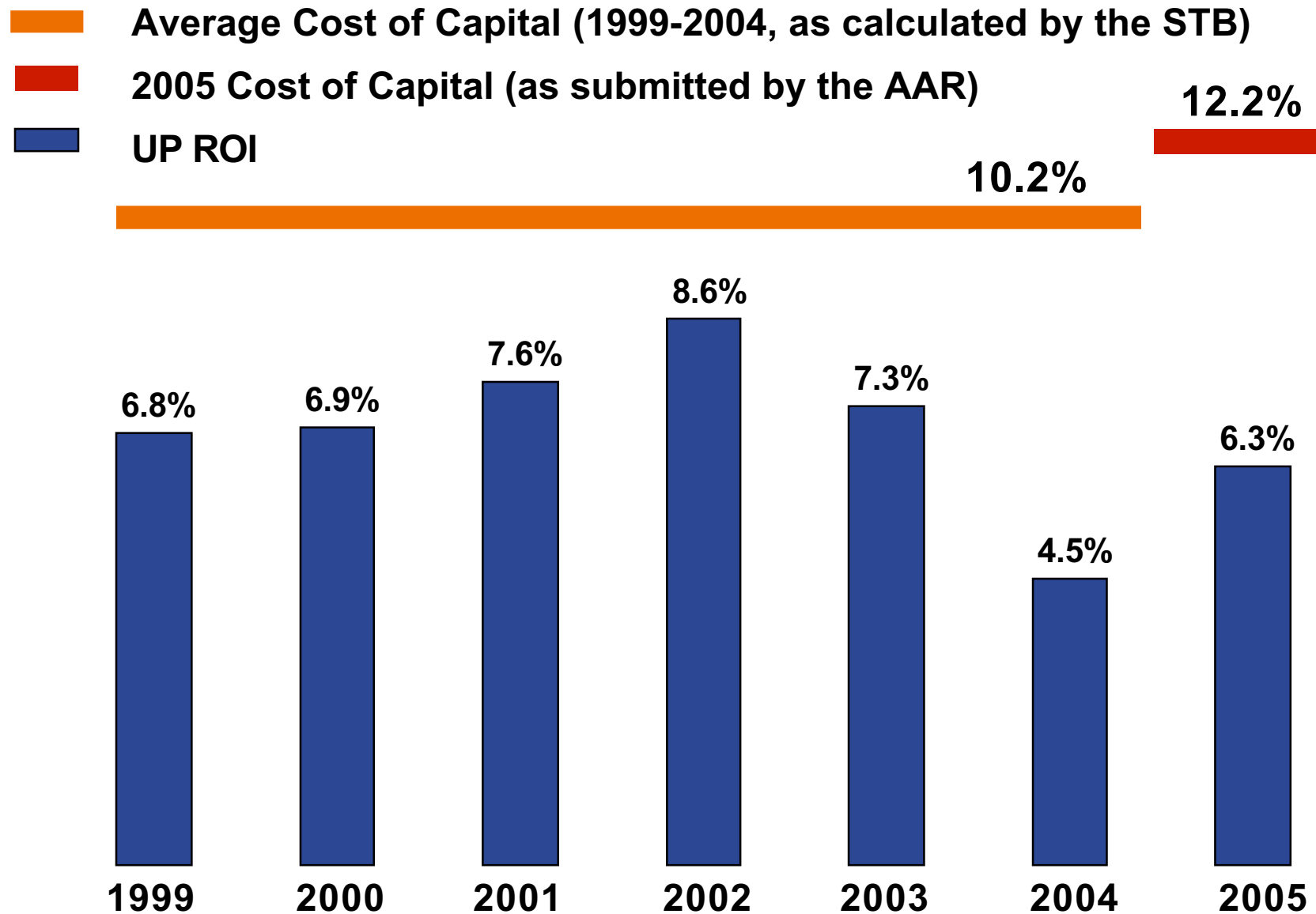
Railroading Is Capital Intensive

Average Capital Spending as a Percent of Revenue



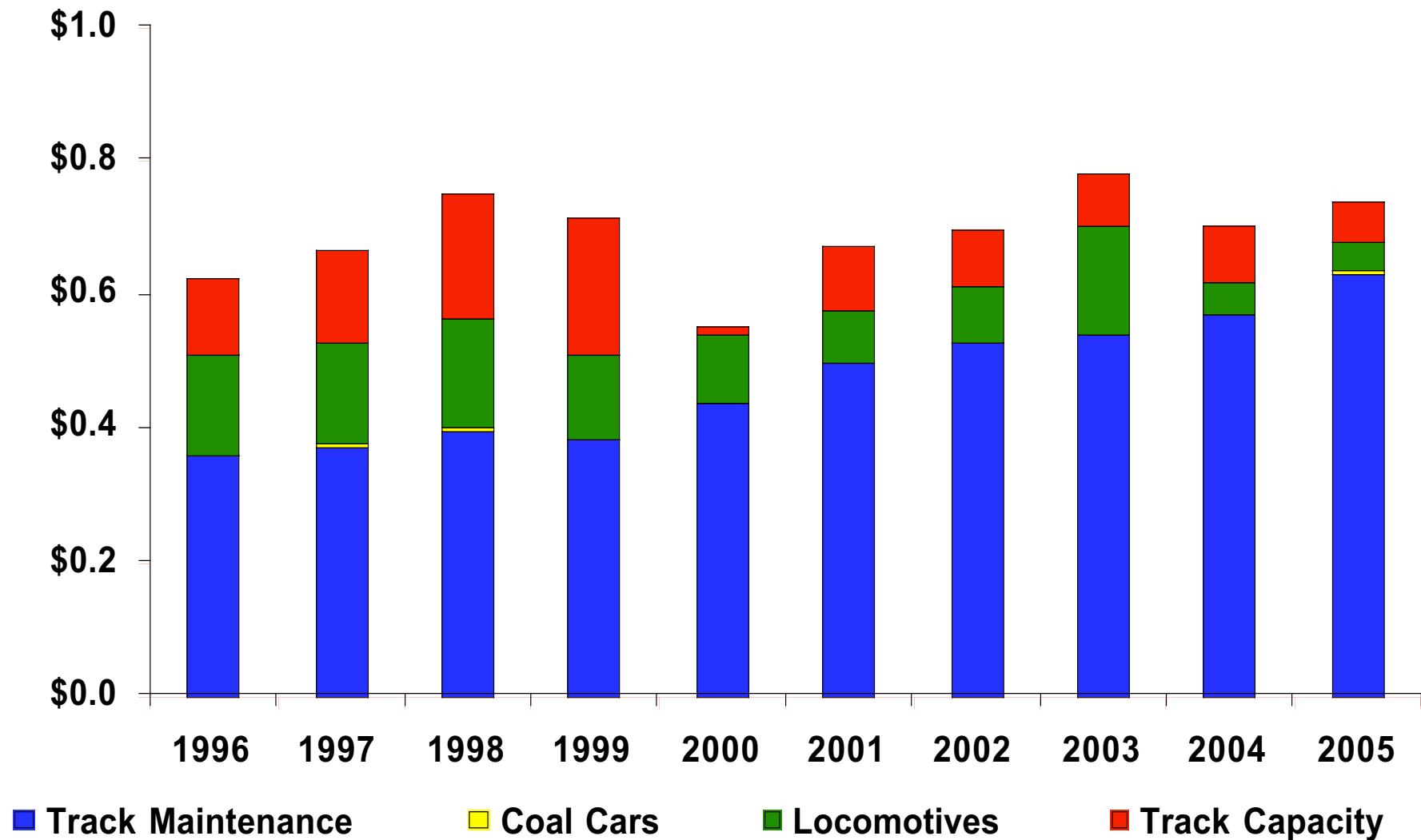
1995 – 2004 Data: Selected Industry Data

UP's ROI Has Consistently Fallen Short of Cost of Capital

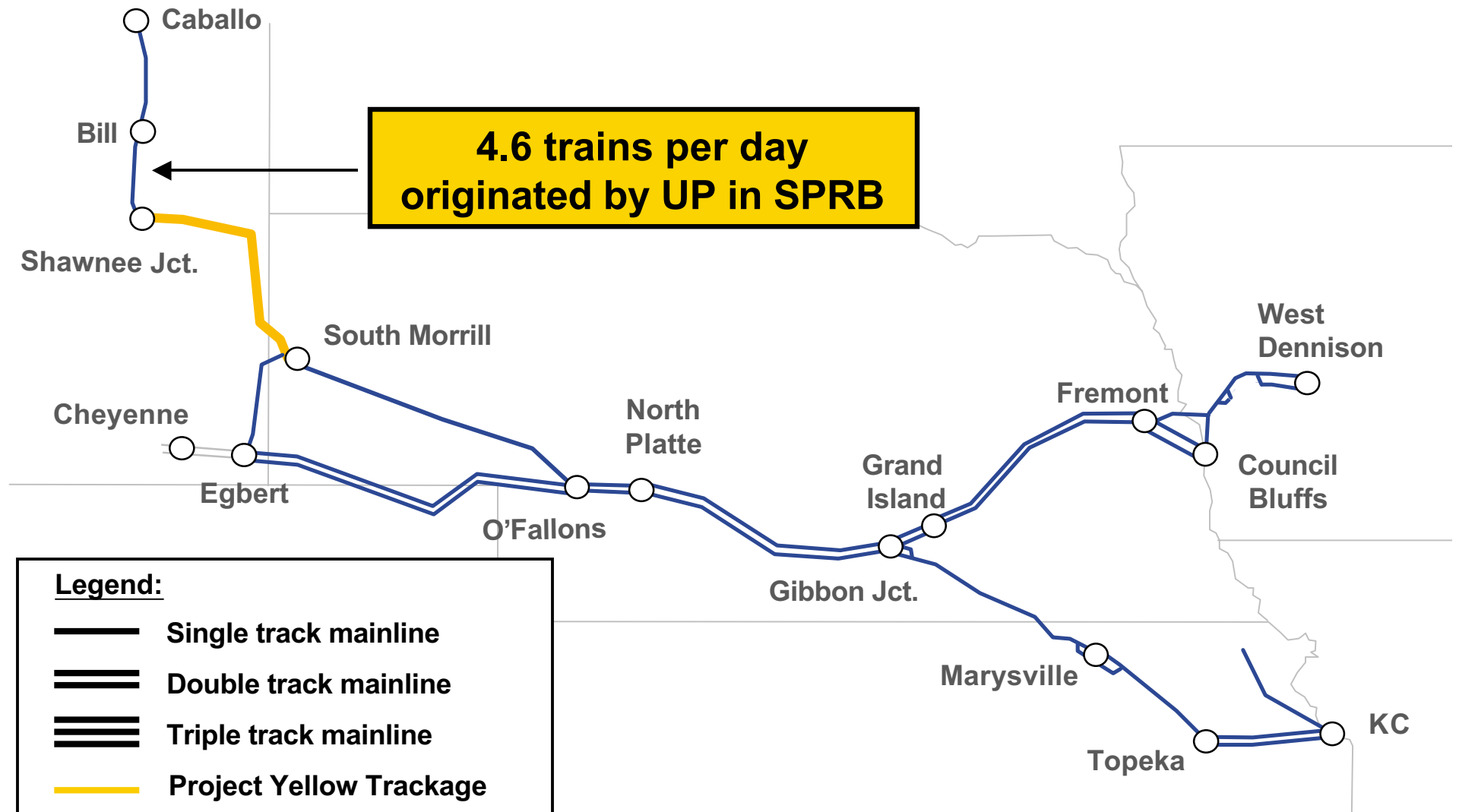


UP Invests Heavily in the Energy Business

1996 - 2005: Billions of Capital Spending Dollars

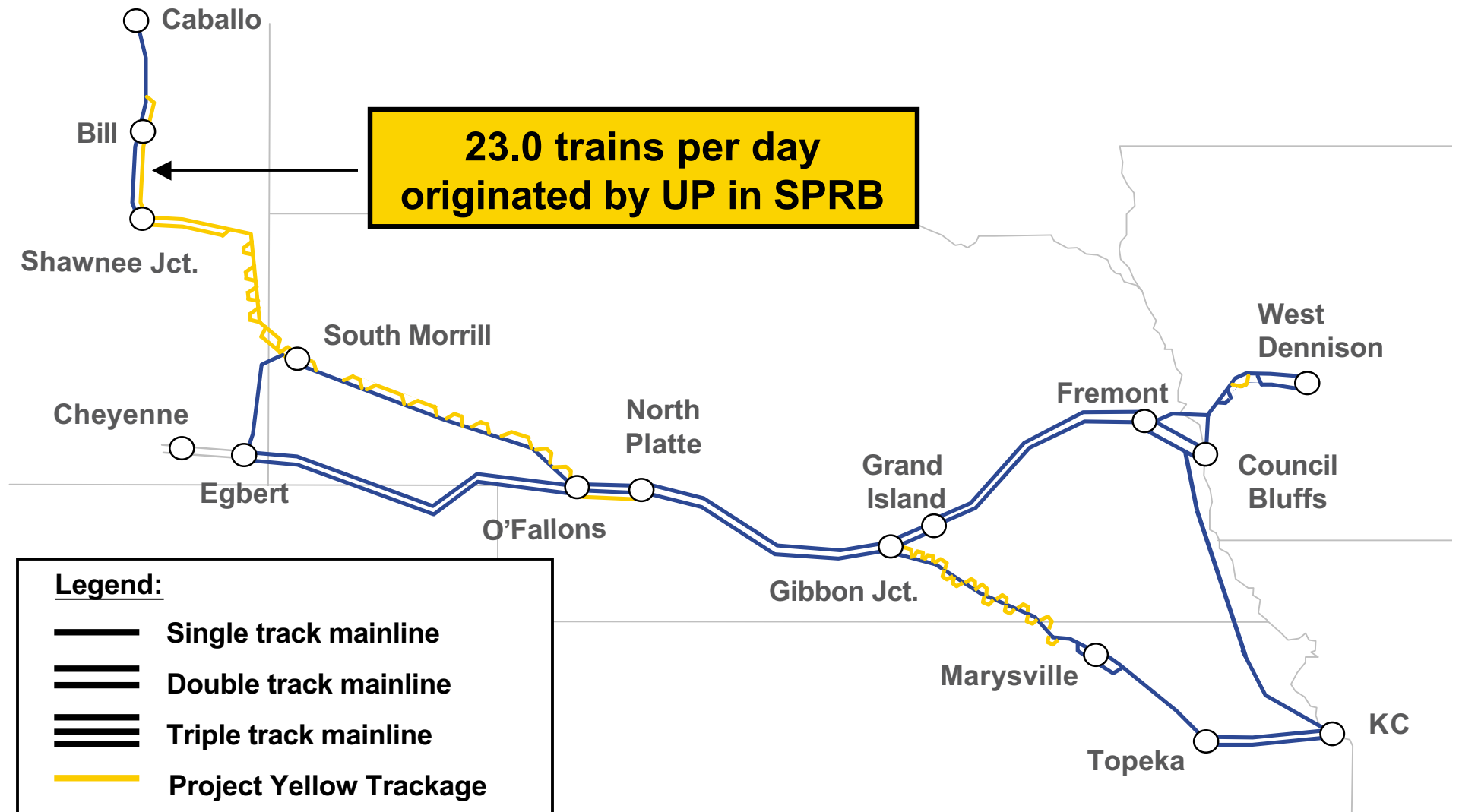


UP's Powder River Basin Coal Route Project Yellow I - 1985



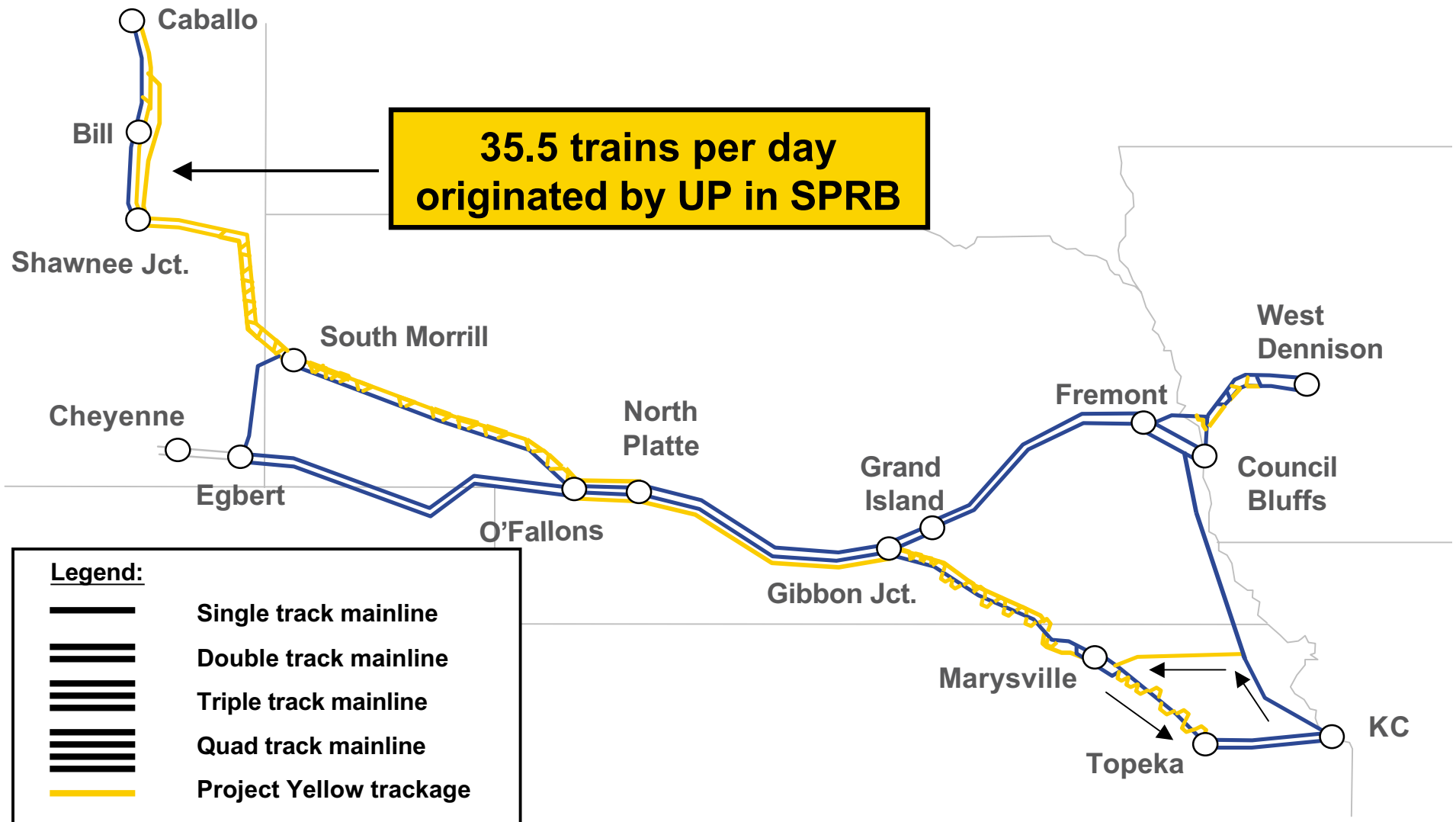
UP's Powder River Basin Coal Route

Project Yellow II - 1995



UP's Powder River Basin Coal Route

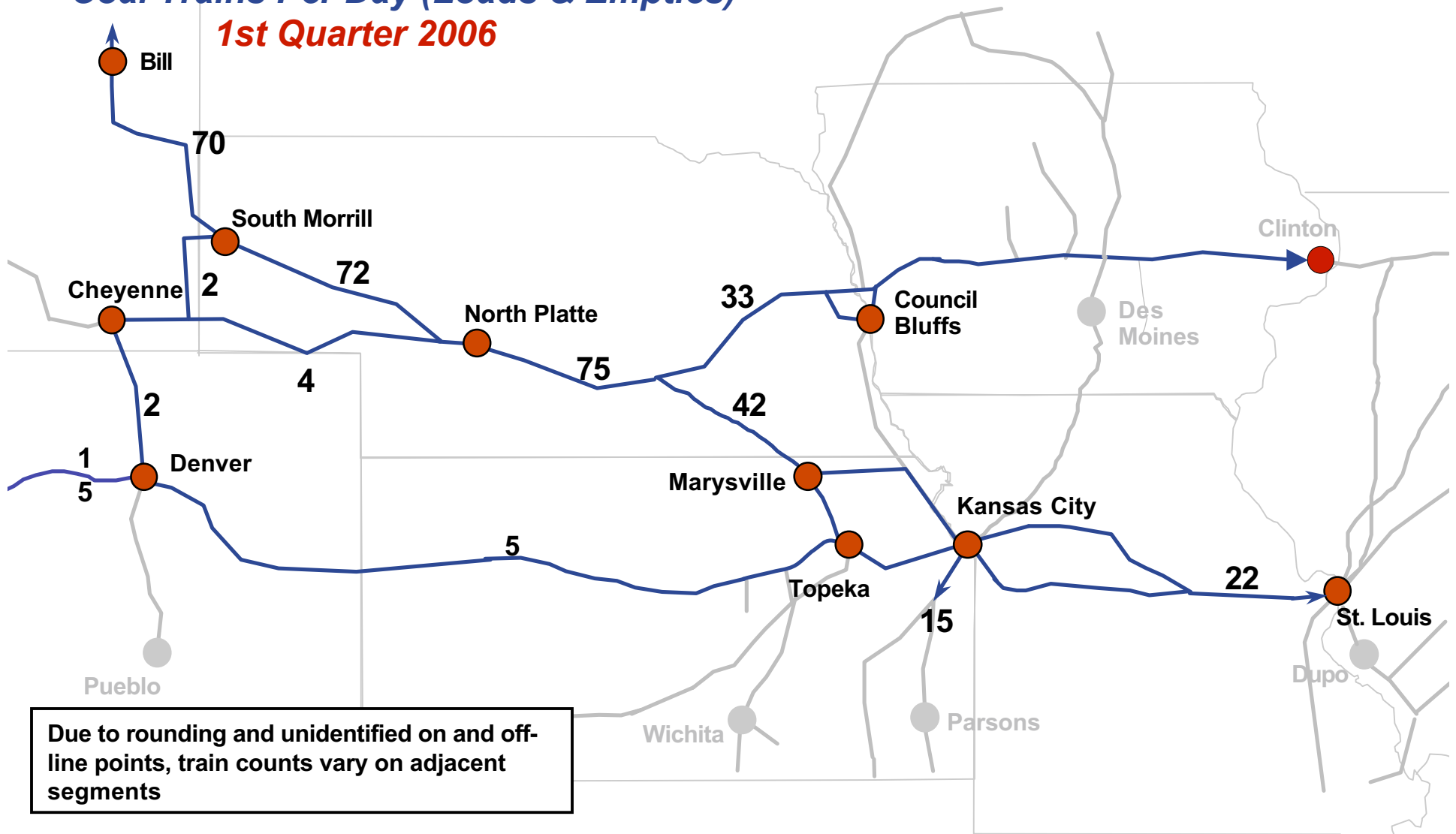
Project Yellow III - 1st Quarter 2006



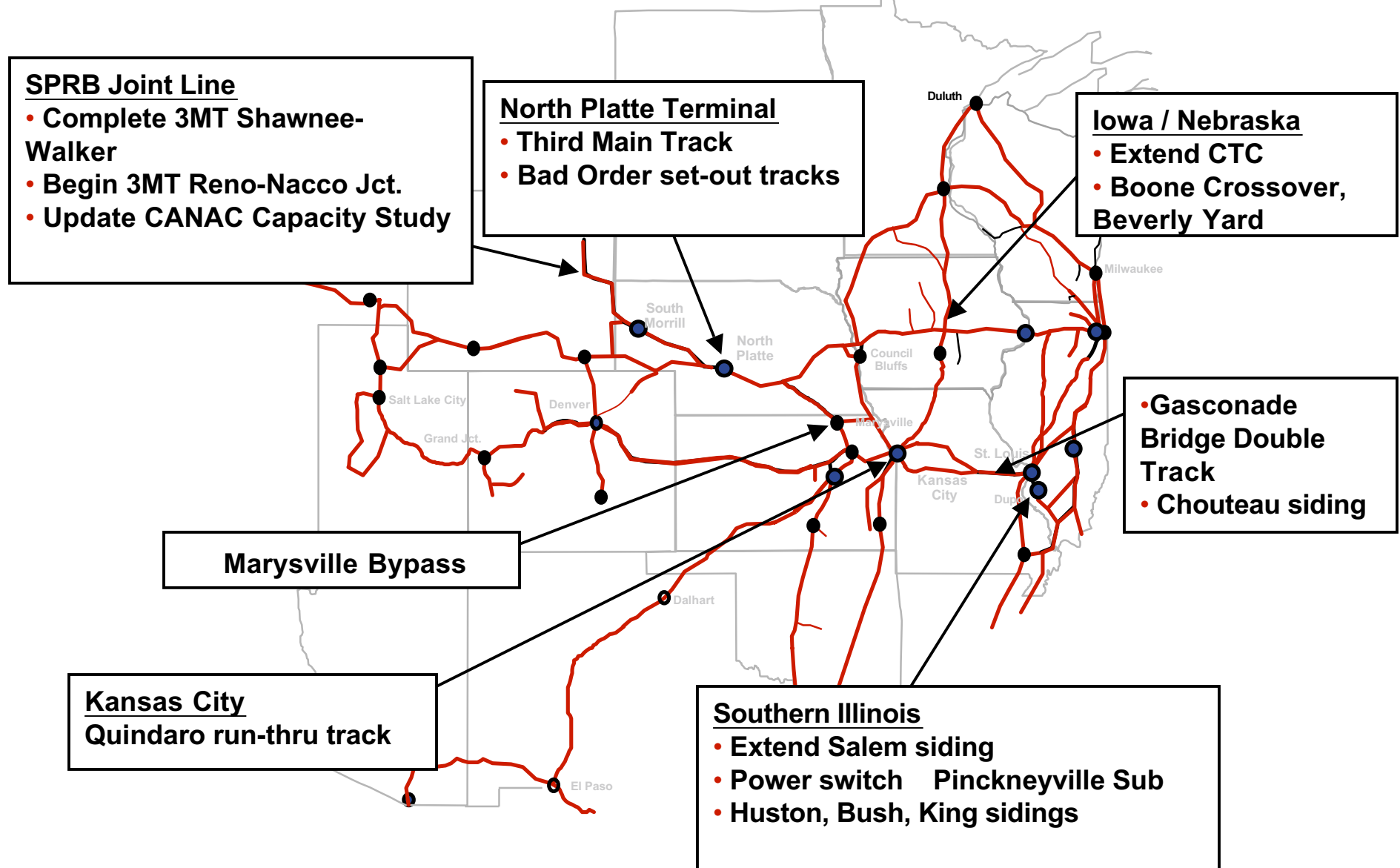
Coal Corridors on UPRR's Network

Coal Trains Per Day (Loads & Empties)

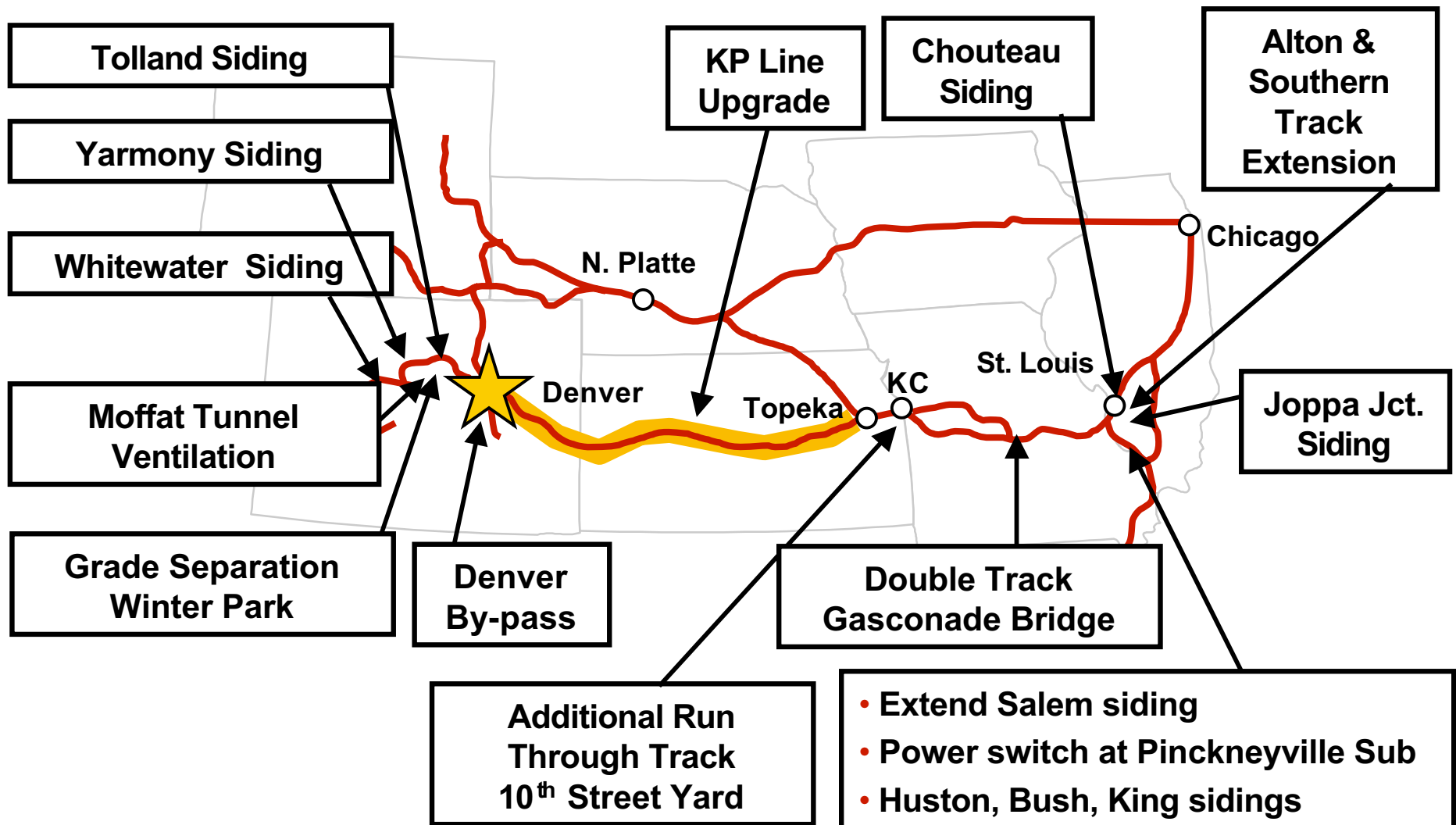
1st Quarter 2006



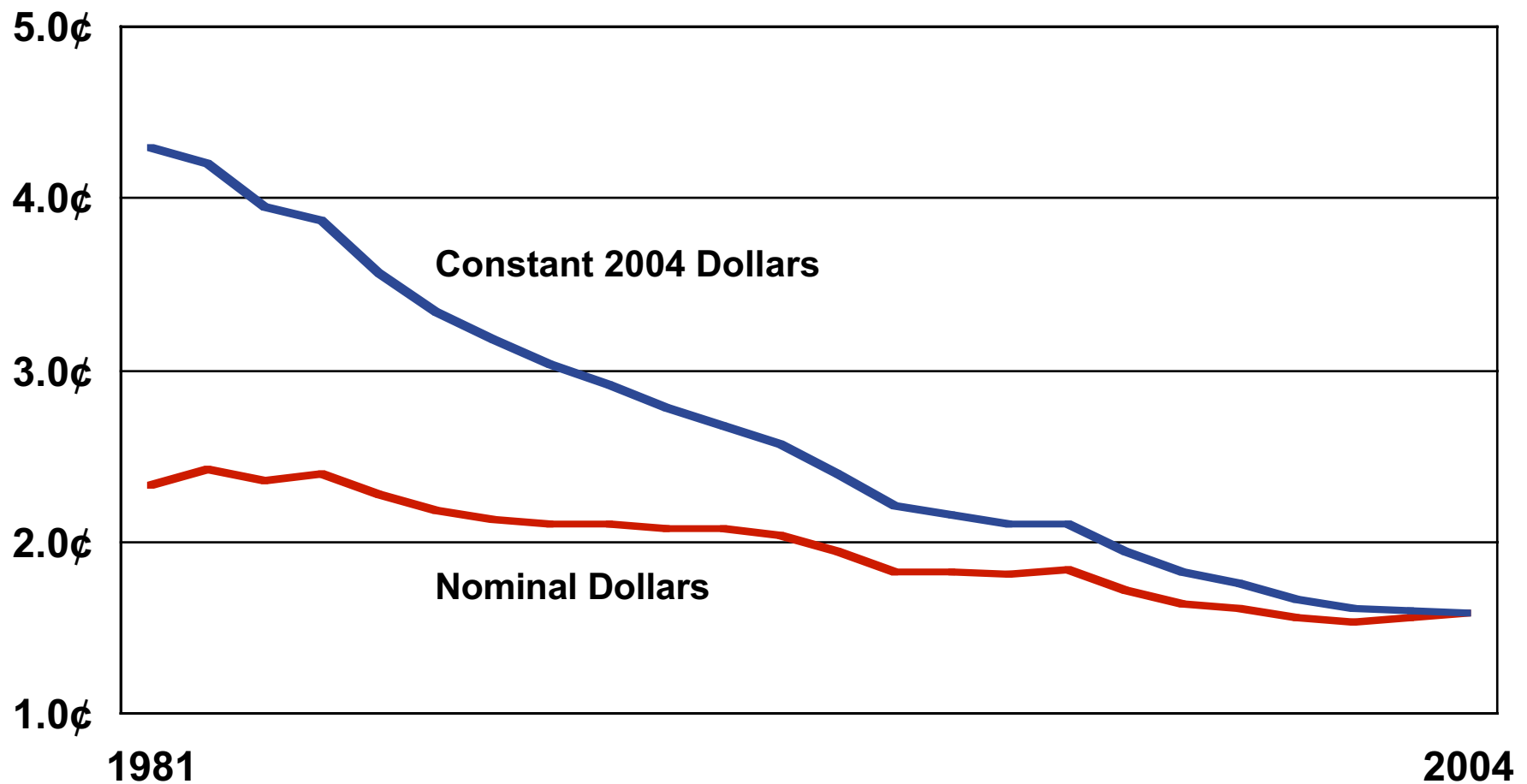
2005-2006 SPRB Coal Corridor Investments



2004-2005 Colorado Coal Corridor Investments



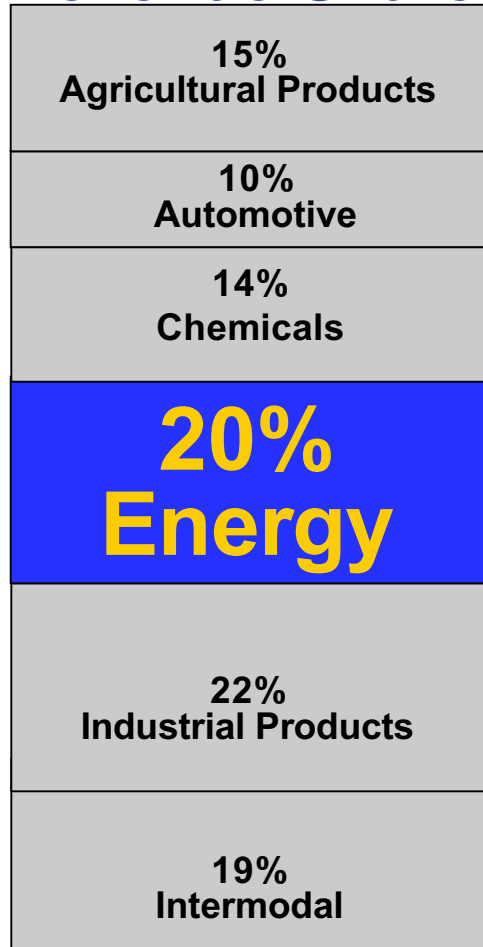
Coal Revenue Per Ton-Mile For U.S. Railroads Has Declined Since 1981



Source: STB Waybill Sample

2005 Revenues and Ton/Miles by Commodity Group

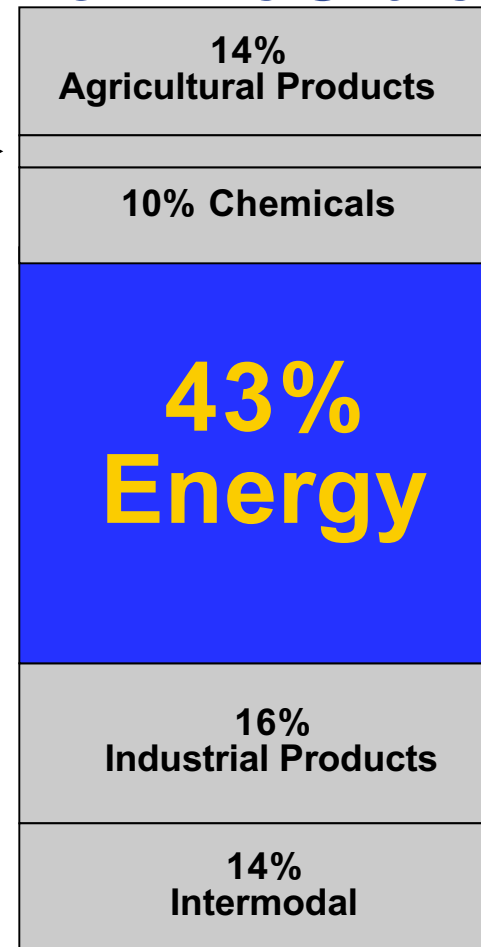
Revenue Shares



3% Automotive →

2005 UP
Energy
Revenue
\$2.6 Billion

Ton-Mile Shares



Investing to Meet Unprecedented Demand

- **Railroads are highly capital intensive**
- **Railroads no longer have excess capacity**
- **PRB coal demand is expected to increase 5-15% annually**
- **Coal must compete with other traffic for limited capital dollars**
- **Current coal returns cannot support future investment**