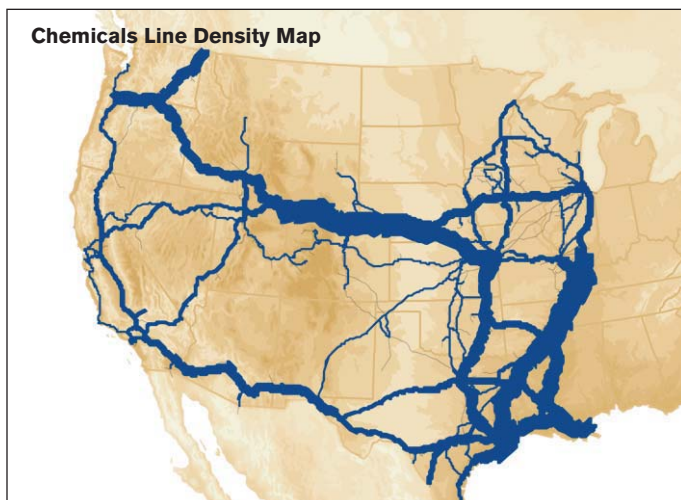


Commodity Profile

Transporting chemicals provided 15 percent of Union Pacific's freight revenue in 2008. The Railroad's franchise enables it to serve the large chemical megaplex along the Gulf Coast, as roughly two-thirds of the Company's chemical business originates, terminates or travels through this area. UP's chemical franchise also accesses chemical producers in the Rocky Mountains and on the West Coast. The Company classifies chemical shipments into three broad categories: Petrochemicals, Fertilizer and Soda Ash.

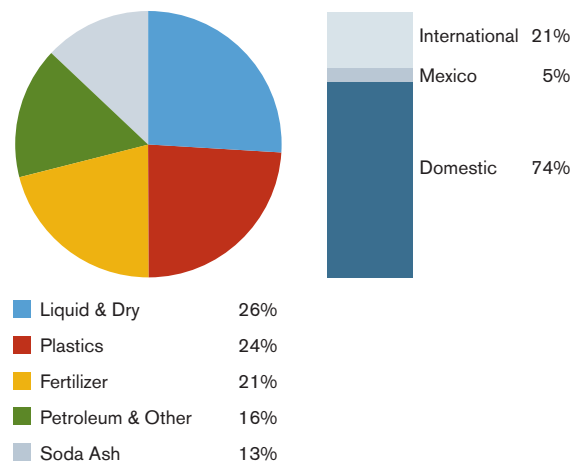
Petrochemicals includes liquid and dry chemicals, plastics, petroleum and liquid petroleum products, making up two-thirds of UP's chemical business. These products move primarily to and from the Gulf Coast region. Barges, pipelines, and to a lesser extent trucks, provide transportation alternatives for some of these commodities.

The liquid and dry market consists of several dozen segments of basic, intermediate and specialty chemicals produced by, and shipped to, large and small customers. Strong demand from industrial manufacturers is key to this market segment. Plastics shipments support many vital sectors of the U.S. economy, including the automotive, housing, and durable and disposable consumer goods markets. UP is an important link in the plastics supply-chain through its ownership and operation of storage-in-transit (SIT) facilities. Plastics customers utilize railroad SIT yards for intermediate storage of their plastic resins, and UP's SIT capacity exceeds that of any other railroad.



Lane density based on carloadings. Line thickness depicts traffic density.

2008 Carloads



In 2008, strong pricing and increased fuel surcharges drove UP's petrochemicals' average revenue per car up 14 percent, while volume declined 8 percent year-over-year. Weak market conditions and business interruptions resulting from Hurricanes Gustav and Ike contributed to lower shipments.

Fertilizer movements originate in the Gulf Coast region, the western part of the U.S. and Canada. Shipments are bound for major agricultural users in the Midwest, western U.S. and abroad. Fertilizer accounted for 21 percent of the Railroad's chemical business in 2008. In the first three quarters of 2008, export potash shipments through the Pacific Northwest and a robust planting season for corn drove strong demand. A late fall harvest and collapsing commodity prices in the fourth quarter partially offset this strength. Volume for the year finished up 2 percent, while strong price and increased fuel surcharges resulted in average revenue per car growth of more than 15 percent year-over-year.

Soda ash represented 13 percent of chemical business in 2008. Shipments of this product originate in southwestern Wyoming and California for delivery to chemical and glass producing markets in North America and abroad. UP directly serves Green River, Wyoming, the world's largest natural soda ash reserve and producing region. During 2008, strength in export soda ash demand offset softness in the domestic automotive and housing production markets. In total, volume for the year was up a modest 1 percent over 2007.

2009 Market Drivers

The current state of the North American and global economy presents significant challenges for the plastics, liquid and dry chemicals, and soda ash segments of the chemicals industry. Production curtailment at major petrochemical facilities due to reduced industrial demand and consumer spending is expected to continue. Export demand for polyethylene and polypropylene will likely remain low as UP expects world production to increase. Shipments of domestic soda ash will continue to mirror demand in the building and automotive markets. Demand for export soda ash remains dependent on the global economy and rational global sourcing.

More positively, sectors of the chemicals business related to agriculture and energy are less impacted by the economic slowdown and hold some promise for 2009. Strong corn plantings, global demand for food and local fertilizer inventories should drive volumes.

Overall, the widespread reduction of North American demand across virtually all sectors of the economy directly affects chemical producers. Companies are consolidating production from older, less efficient and geographically dispersed locations to more efficient mega-production facilities in the Gulf Coast. UP will seek to capitalize on these market dynamics by continuing to deliver on service and promoting the durability and strength of its value proposition in this region.

Annual Summary by Quarter - Chemicals

2008					2007					2006				
1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)														
603	654	659	578	2,494	544	574	586	583	2,287	496	532	536	520	2,084
Revenue Ton-Miles (millions)														
13,939	14,559	13,668	12,641	54,808	14,044	14,406	14,107	13,964	56,521	14,037	14,583	13,927	13,371	55,918
Revenue Carloads (thousands)														
225	241	224	195	885	224	239	238	227	928	218	234	228	216	896
Average Revenue Per Car (dollars)														
2,676	2,714	2,951	2,957	2,818	2,430	2,395	2,469	2,564	2,464	2,280	2,265	2,351	2,414	2,326



Diane Duren,
VP & GM Chemicals

How has your team adjusted to the current economic situation?

The team continues to deliver and look for additional opportunities to provide value for our customers. Over the last several years our customers have expressed satisfaction with our service. As we pursue new opportunities, it is imperative we continue meeting customer expectations through responsiveness and delivering the high quality service our customers depend on. This is particularly important as we make adjustments to our transportation plan in response to fluctuating volumes. The Chemical team is actively working with the Operating department to evaluate proposed service changes and communicate them to our customers prior to implementation. We want to ensure that as Union Pacific adjusts to the changing business environment, we do so in a way that maintains service quality.

What is the biggest opportunity in your business group over the next 2 to 3 years?

Over the next three years we expect further rationalization of North American chemical production, and continued development of international import and export markets. Many of the major chemical producers in North America are consolidating operations into the Gulf Coast region. Union Pacific's chemical franchise is positioned to capitalize on these new business opportunities. Our ongoing investment in rail infrastructure throughout this region, as well as in other parts of the network, ensures our ability to support future growth.

Additionally, we are focused on designing services that address existing and emerging markets. By doing so, Union Pacific expects to efficiently handle customer volumes when markets recover. Beyond that, we are working closely with our customers to identify supply chain efficiencies that support long-term global competitiveness. One such example is investment in the soda ash market infrastructure at Green River, Wyoming.