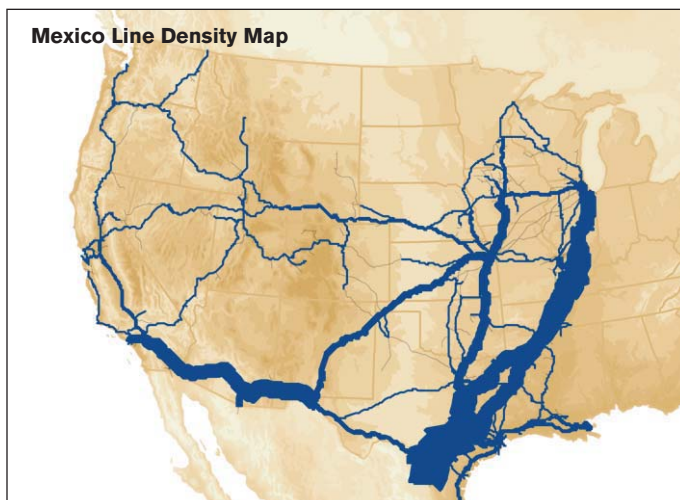


## Commodity Profile

Union Pacific's franchise provides the most efficient rail route between markets in Mexico, the U.S. and Canada, serving all six major gateways to Mexico and connecting directly to the two largest Mexican railroads. UP exchanges approximately 58 percent of shipments to and from Mexico with Kansas City Southern de Mexico (KCSM) and the remaining 42 percent with Ferrocarril Mexicano (Ferromex or FXE). Union Pacific has a 26 percent ownership interest in Ferromex. Trucks are the dominant transportation mode in Mexico's freight transportation market, which exceeds \$7 billion annually.

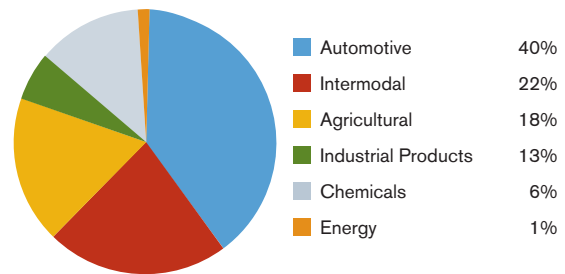
The Mexico market includes a broad range of commodities from raw materials to finished goods. Historically, Automotive was the largest commodity group by both revenue and volume. Although Automotive is still the largest group by volume, Agricultural Products generated the most revenue from Mexico traffic in 2007 and 2008. Union Pacific works closely with both Mexican railroads to capture opportunities created by the North American Free Trade Agreement (NAFTA). The Mexican railroads continue making substantial investments in track structure, equipment and facilities to improve service, equipment utilization, safety and damage prevention, which ultimately should enable them to capture more market share from trucks.

In 2008, revenue from shipments to and from Mexico increased 13 percent over 2007 to a record \$1.6 billion, reflecting the impact of pricing improvements and fuel surcharges. At the same time, volume decreased 4 percent year-over-year. All business groups



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

## 2008 Carloads



reported increased revenue versus 2007. Agricultural Products revenue grew 14 percent, despite a 2 percent volume decline. DDGS revenue increased 19 percent with a 2 percent volume increase. Corn and feed grains revenue increased 13 percent while volume decreased 1 percent year-over-year. Revenue for Industrial Products grew 10 percent, driven by volume increases in metallic minerals and steel, offsetting a 7 percent decline in overall volume. Automotive revenue increased 7 percent over 2007, while volumes declined 9 percent. Chemicals revenue grew 10 percent primarily from growth in plastics and liquid/dry chemicals. Chemicals volume, however, decreased 3 percent. Intermodal revenue increased 13 percent with volume up 3 percent.

Historically, a majority of UP's business in this market involved southbound shipments to Mexico. However, over the last three years northbound shipments grew due to increased manufacturing located in Mexico. Northbound shipments now make up about 47 percent of revenue from Mexico operations. The largest volume of commodities shipped from Mexico in 2008 included assembled autos and auto parts, beer and food products, intermodal, steel, cement and consumer goods like appliances. These six commodity groups represented approximately 94 percent of northbound revenue. Southbound traffic from the U.S. to Mexico is much more diversified. Corn, dry feed ingredients, autos and auto parts, intermodal, meals and oils, steel and newsprint shipments make up about 73 percent of southbound revenue with the remainder spread across the Company's six commodity groups.

## 2009 Market Drivers

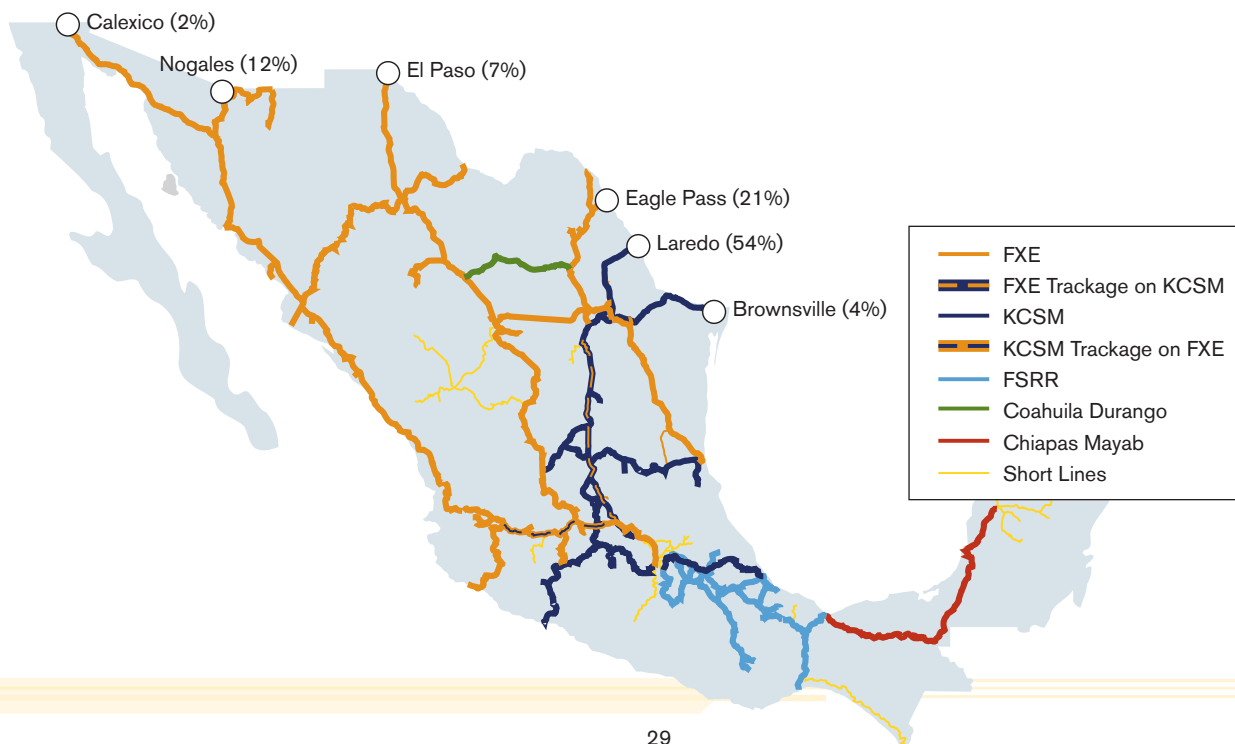
Union Pacific expects that 2009 will be a challenging year economically both in the U.S. and Mexico. Consequently, volumes

for all commodities are expected to decline, especially those tied to the auto industry. The slowdown in automotive production is likely to have a negative impact on the chemical business, specifically plastics and similar products. Increased Mexican consumption of domestic crops and a lower count of animals on feed should reduce agriculture exports to Mexico. Additionally, housing market conditions significantly affect volumes of clay, sands, tile and other construction materials to and from Mexico. However, UP could experience some positive volume offset in construction materials later in 2009 due to demand resulting from stimulus-funded infrastructure projects in the U.S. and Mexico.

While existing economic conditions call for a conservative 2009 outlook, UP remains optimistic about the longer term. Current strategies focus on new business development and core price improvement. These strategies, in conjunction with maintaining an efficient and fluid network, support an expectation of retaining current business and potentially generating growth. Foreign investment in Mexico is forecast to continue throughout 2009 and the current outlook suggests that markets such as the “maquiladora” industry, renewable energy, steel and coal should trend upwards.

Concern about the Mexican political climate is due primarily to the government's escalated efforts against drug-related crimes.

### Percent of Carloads at Border Crossings



**Bernardo Ayala,**  
VP Mexico Markets

### How has your team adjusted to the current economic situation?

Several aspects of UP's unique franchise should help UP weather the current economic situation. Among them are a strong and experienced sales force strategically based in different areas of Mexico and the U.S., a fluid and efficient network and service-oriented processes that deliver high customer satisfaction levels. With these key elements in place, the Company can successfully take on the current challenges, retain its existing customer base and continue growing the business.

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

Mexico is still a strong target for Foreign Direct Investment. Existing industries are expanding capacity and building new facilities. In addition, the Mexican railroads continue to upgrade and add capacity to the current infrastructure to improve rail traffic handling. Therefore, as markets develop, UP can leverage its value proposition and service offering to capture new business.

However, rail operations across the border remain fluid. It appears that the Mexican government will continue waging a strong campaign against drugs. The U.S. government supports these efforts, as demonstrated through plans such as the “Merida Initiative”, which seeks to reduce growing drug trafficking and other criminal activities on the two countries' mutual border.