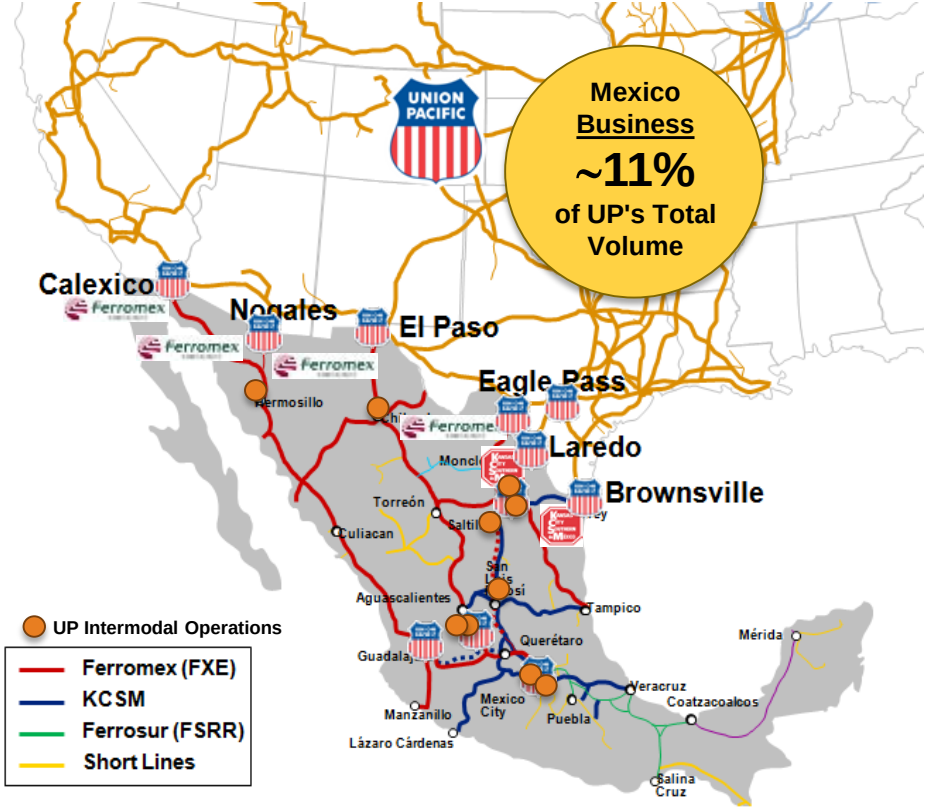
July 9, 2019

International Update & Mexico Overview

Bernardo Ayala
VP Mexico

UP's Mexico Franchise

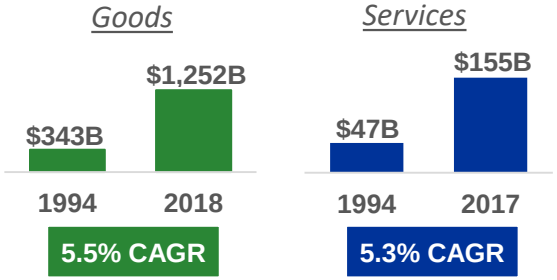


UP Advantages

- Access to 6 border crossings
- Direct connection with MX carriers
  - 26% ownership of Ferromex
- Serving Mexico's main industries and markets
- Mexico intermodal operations structure
- Bilingual sales force throughout Mexico
- International Customer Care & Support Center

25 years after NAFTA

Total NAFTA Trade



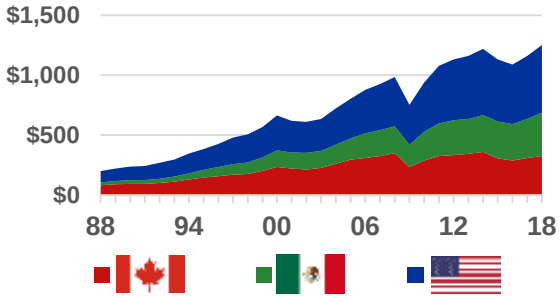
FDI from NAFTA Partners

(Billion USD | Stock)

Recipient	1994	2017
	$74	$393
	$43	$471
	$17	$121
Total	**$135**	**$985**

NAFTA's Exports by Partner

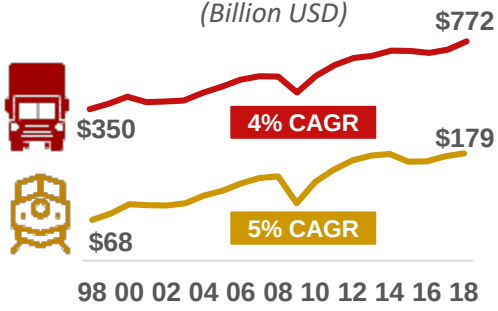
(Billion USD)



Top Commodities

Rail & Truck NAFTA Traffic

(Billion USD)

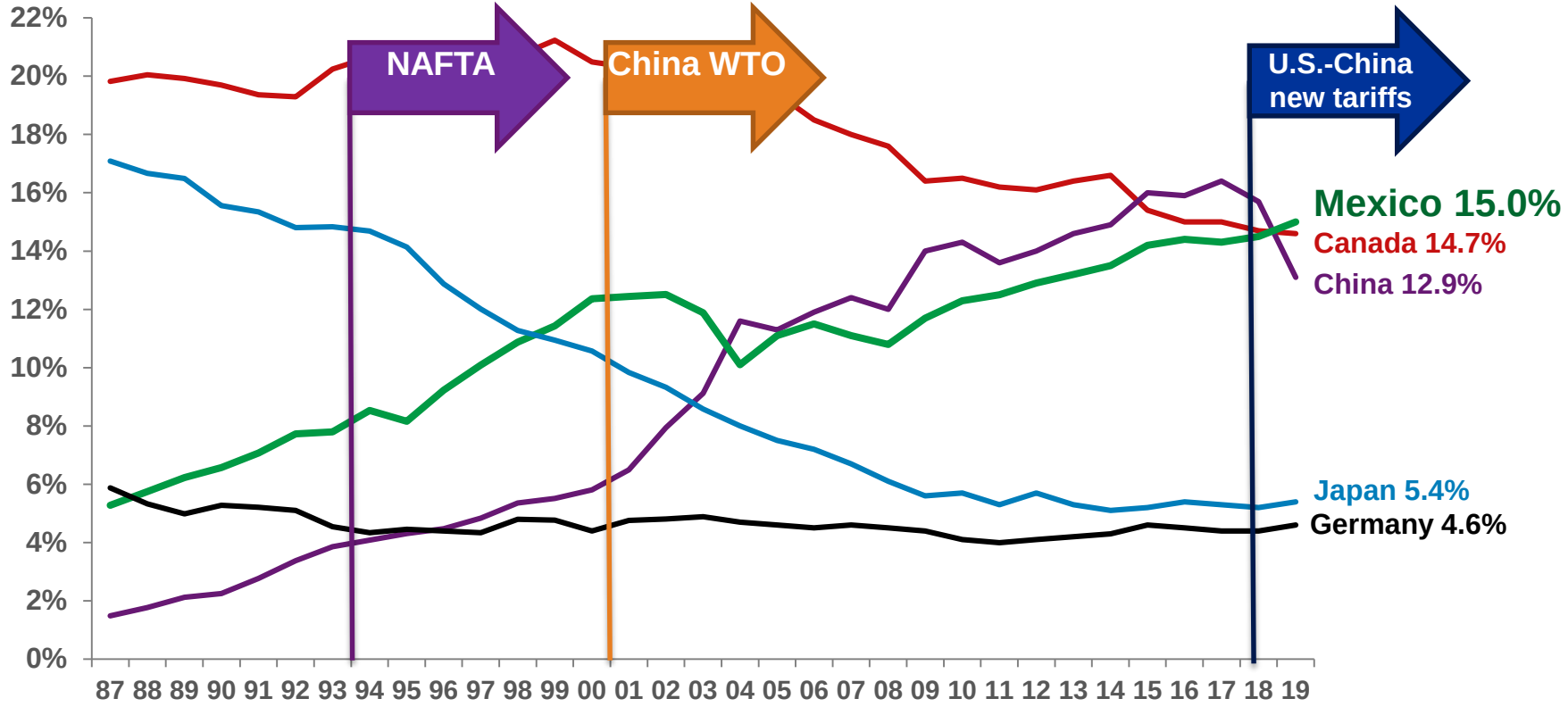


Sources: U.S. Census Bureau, U.S. Bureau of Transportation Statistics, MX Ministry of Economy, Global Affairs Canada, INEGI

Mexico Trade with the U.S.*

Total Trade Market Share

Mexico is U.S. largest trading partner

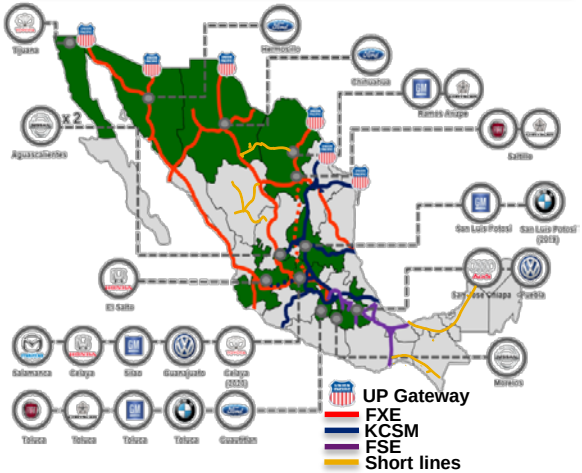


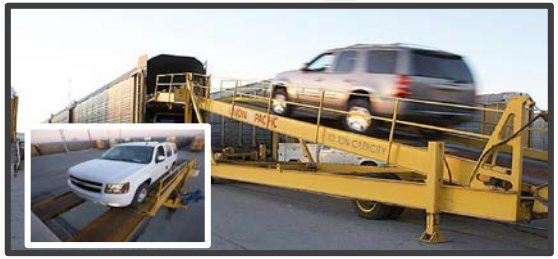
Source: U.S. Census Bureau Trade Statistics

*Includes imports and exports. 2019 data as of April 2019

Mexico's Key Growth Markets

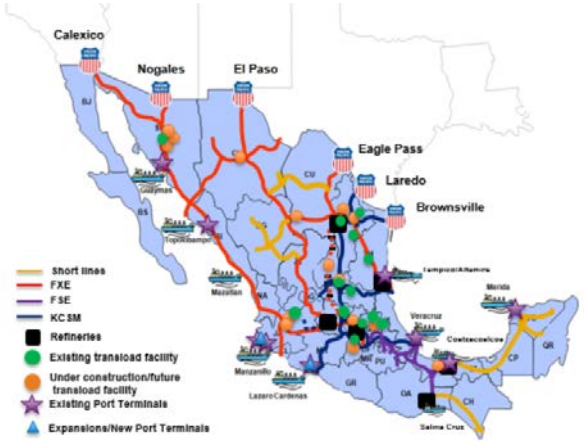
Automotive





Intermodal

Energy



Rail Border Productivity Initiatives

El Paso

- Window Optimization
- FXE's pre-blocked trains to border
- Track 100 extension

El Paso UP Bridge

FXE's Juarez Y

Eagle Pass

- Clark's Park Expansion
- Fencing in Piedras Negras
- FXE's pre-blocking
- SAT-CBP co-location center in progress

UP Clark's Park Yard

FXE Piedras Negras

Laredo

- KCSM's Common Viewer for remote NII images
- International crews
- SAT-CBP co-location center completed

UP Laredo Yard

Laredo Bridge

Nogales

- SAT-CBP co-location center completed

Brownsville

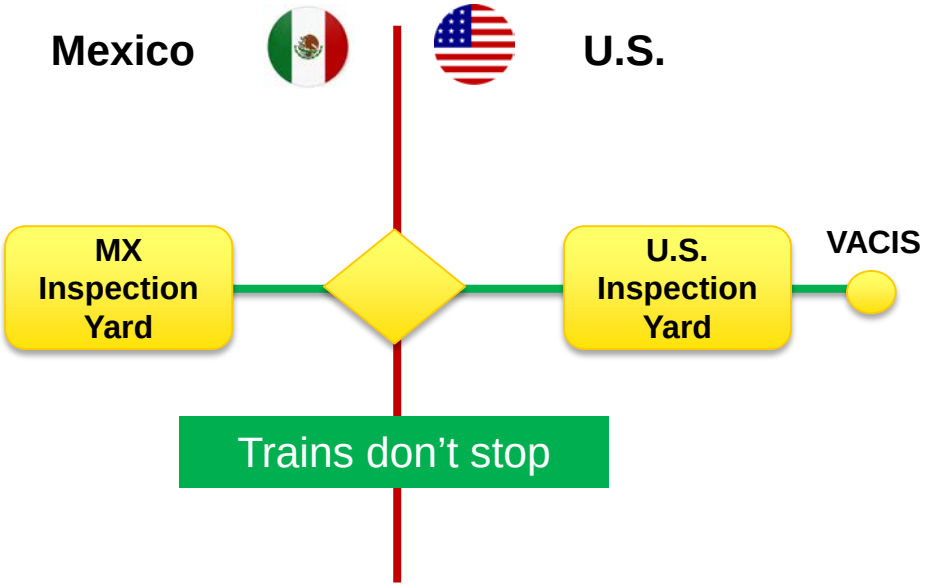
- UP/KCSM West Rail Project

West Rail Bridge

U.S.-MX border

Secure Corridor

Secure Corridor Concept



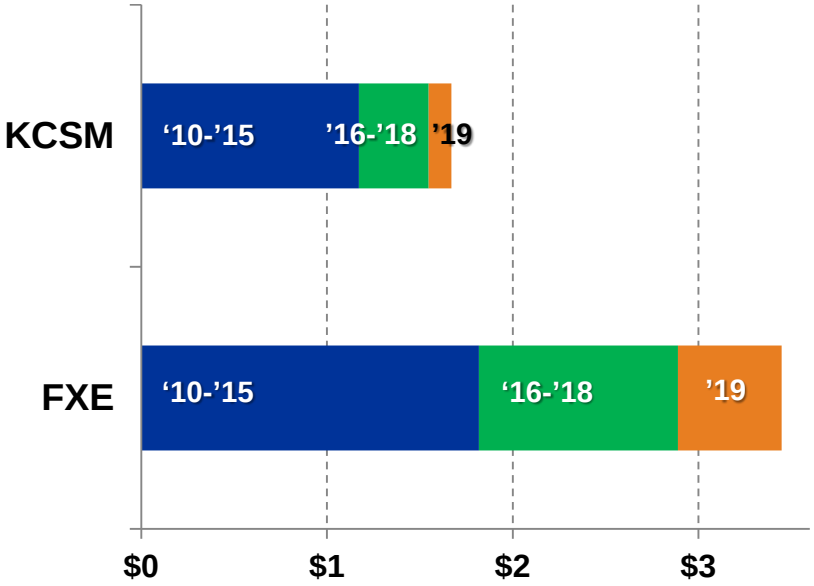
SAT office in Laredo, TX

CBP/SAT

Mexican Rail Industry Overview

MX RR Investments*

Billion USD

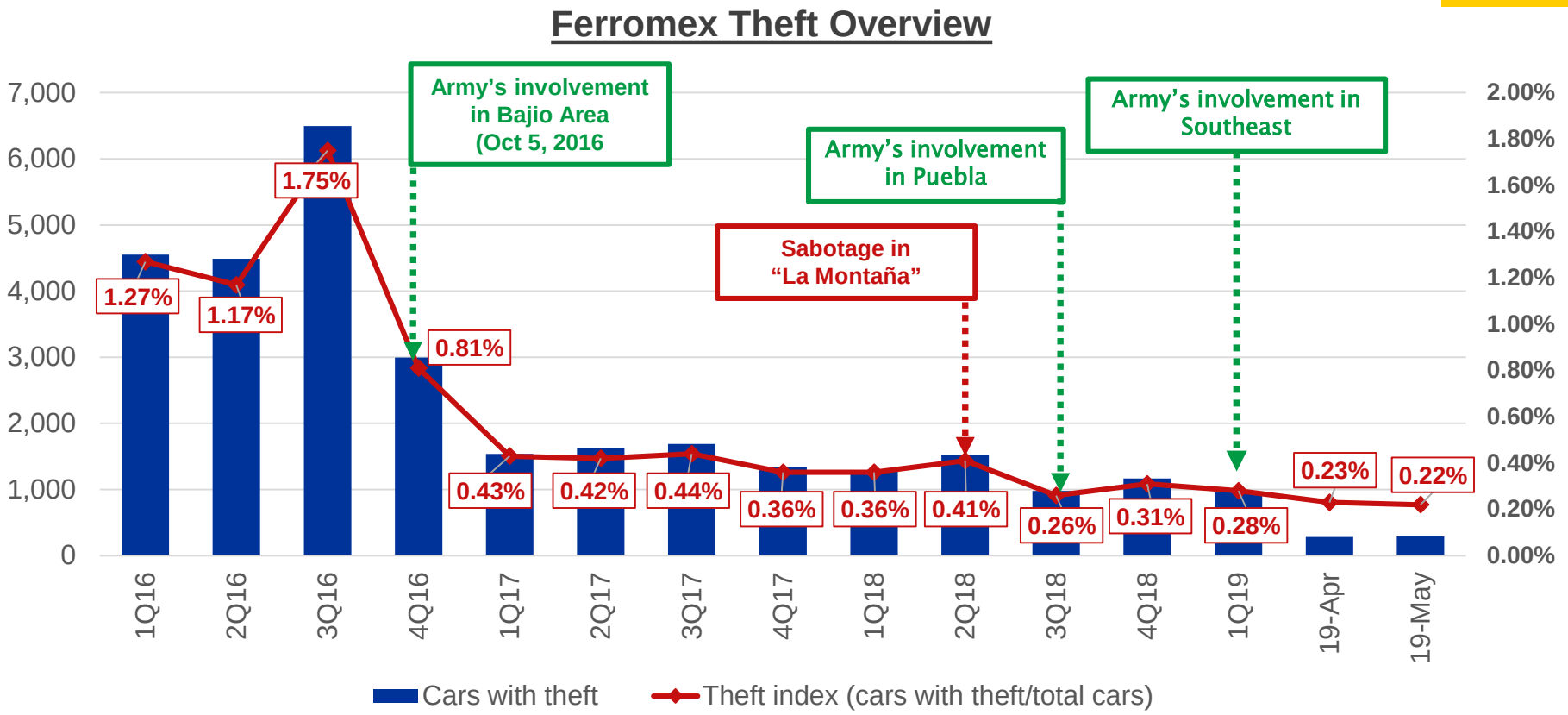


- **Continuous investments in rail capacity and infrastructure**
- **PSR initiatives in progress**
- **Legislative actions in favor of rail security[1]**
- **FXE's Security Initiatives**
  - Security personnel on trains in key areas
  - Security fence in key yards (i.e. P.Negras)
  - Polygraph testing
  - Strategic relationships with authorities

*Sources: FXE & KCSM

[1] Reform to Article 19 of Mexican Constitution regarding preventive detention in case of theft of cargo in any means of transportation (including rail)

Rail Security



*Source: FXE

UP in the U.S. - Mexico Relationship

- U.S. Mexico CEO Dialogue
- Business Coordinating Council (CCE)
- Regional Economic & Transportation Forums
- Regulatory involvement in transportation & trade related issues
- UP regular meetings with CBP

- **Union Pacific best rail connection to Mexico**
- **Strong Mexican rail system**
- **U.S. – Mexico trade relationship is growing**
- **USMCA ratification will provide increased certainty**
- **Mexico focus on U.S. – Mexico relationship**

UP train crossing the U.S. – Mexico border

Thank you!

UP train crossing the U.S. – Mexico border