

AGRICULTURAL

2002 REVIEW

- Whole grain traffic contracted 1% in 2002 due to continued softness in export demand and declines in grain processor business. However, a significant increase in feed grain movements into Mexico offset some of the decline.
- Grain Products experienced more than a 2% increase in carloads over 2001 levels. Overall, the business shifted to longer-haul, more profitable traffic including gains in ethanol, meal shipments to Mexico and cottonseed.
- Express Lane business continued to capture market share from truck taking an additional 7,500 trucks off the highway in 2002. More than 650 refrigeration cars were refurbished and placed back into service complet-



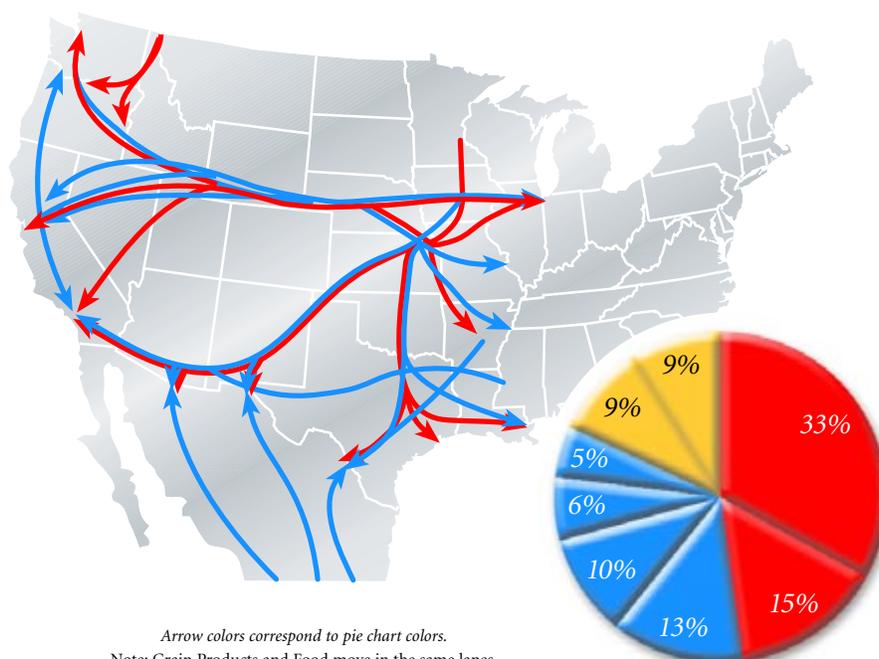
ing the first phase of UP's reefer strategy. Leveraging the equipment and improved market share drove a 14% increase in Express Lane revenue.

KEY MARKET FACTORS

- Union Pacific offers a critical link between producing areas in the Midwest, West, Pacific Northwest (PNW) and primary Gulf ports, as well as to Mexico. UP's domestic markets include grain processors and feeders, as well as ethanol producers,

in the Midwest, West, South and Rocky Mountain states.

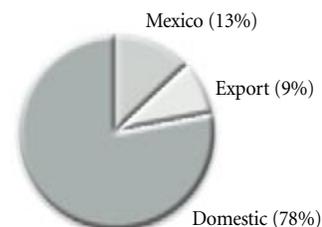
- Producers and consumers of food and beverages are distributed broadly across the Railroad system.
- Domestic and foreign crop production, grain prices and shipping rate spreads between the Gulf Coast and the PNW are primary factors affecting export grain traffic. Union Pacific's domestic traffic is driven largely by consistent service performance.



Arrow colors correspond to pie chart colors.
Note: Grain Products and Food move in the same lanes.

2002 CARLOADS

- **Whole Grain**
Corn & Feed Grains (33%)
Wheat & Food Grains (15%)
- **Grain Products**
Meals & Oils (13%)
Sweeteners (10%)
Proteins & Feed (6%)
Food Grain Products (5%)
- **Food**
Canned/Packaged/Beverages (9%)
Fresh & Frozen Products (9%)



KEY MARKET FACTORS

continued

- Grain moves most efficiently in unit trains that shuttle continuously between producers and export terminals or domestic markets. Smaller shipments, including grain products and food and beverages, typically move in the manifest train network.

2003 OUTLOOK

- Express Lane and Wine Connection will continue to be a primary focus in the overall growth strategy. Further penetration of the truck market is critical to expansion and should be accomplished by reaching into new origin and destination markets and adding additional commodities. Throughout 2003, UP will continue to add new and refurbished cars to capture this service-sensitive market. Benefits from the updated equipment include improved customer satisfaction, revenue and price growth, a reduction in damage claims due to temperature failure and increased fuel efficiency. In addition, strategically locating freight car cleaning facilities will help reduce overall cycle times for the fleet.
- Union Pacific will also continue to focus on growth into Mexico. In partnership with FXE and TFM, UP expects to further expand its shuttle train network into Mexico. As part of the Express Lane expansion, fresh and frozen fruits and vegetables will begin to move both north and southbound. Northbound beer shipments should also continue to post strong growth for UP.

Commodity Revenue (millions of dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	369	354	373	410	370	345	358	381	350	334	363	353
Cumulative	369	723	1,096	1,506	370	715	1,073	1,454	350	684	1,047	1,400

Revenue Ton-Miles (millions)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	18,414	17,413	17,805	18,942	17,332	16,558	17,024	18,193	17,581	16,433	16,972	16,279
Cumulative	18,414	35,827	53,632	72,574	17,332	33,890	50,914	69,107	17,581	34,014	50,986	67,265

Revenue Carloads (thousands)

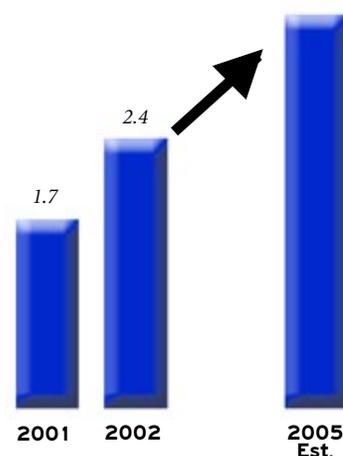
	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	219	212	216	234	219	212	214	231	221	213	217	222
Cumulative	219	431	647	881	219	431	645	876	221	434	651	873

Average Commodity Revenue Per Car (dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,688	1,668	1,728	1,750	1,687	1,633	1,668	1,652	1,582	1,568	1,673	1,595
Cumulative	1,688	1,678	1,695	1,709	1,687	1,661	1,663	1,660	1,582	1,575	1,607	1,604

- As export demand for grain continues to fluctuate widely, alliances with other railroads will enable Union Pacific to compete in previously unserved markets in the upper Midwest. Demand for domestic feed grain is expected to be strong in 2003.
- Union Pacific is positioned to capture a significant share of the double digit growth in the ethanol industry as it expands further into the gasoline market. Union Pacific will utilize North Platte to block ethanol shipments from the Midwest for movement into staging yards at destinations in the West.

U.S. ETHANOL CONSUMPTION (billions of gallons)

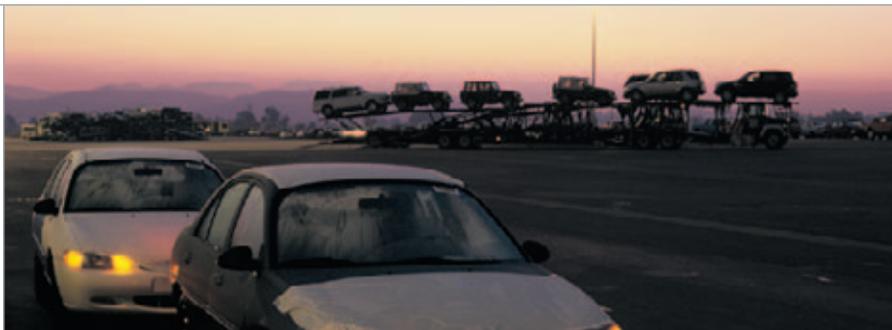


Source: Energy Information Administration & Industry Resources

AUTOMOTIVE

2002 REVIEW

- Automotive shipments rose 7% as the result of share gains in finished vehicles and automotive materials. Union Pacific's western U.S. rail market share gained 6 points to 81% in 2002. Overall, new light vehicle sales in the U.S. dropped 2% in 2002.
- Union Pacific and DaimlerChrysler finished the first full year of operations for the newly formed Insight Network Logistics Company, LLC (INL). INL successfully deployed its VinVision technology to manage and monitor over 2.5 million vehicle movements in 2002, driving waste and non-value added time from the distribution chain.
- Service network improvements allowed UP to convert auto materials business that traditionally moved by truck to rail. UP's premium automotive

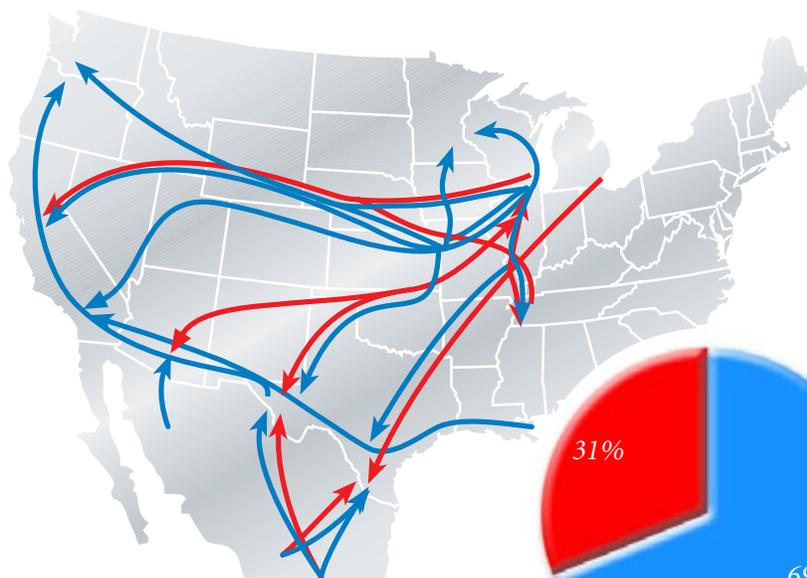


network provided products that deliver consistent, reliable service. Customers converted 35,000 truck loads of business off the highway to rail.

- Union Pacific continued to invest in technology in 2002 to improve network velocity. Radio frequency infrastructure was installed at 18 vehicle distribution centers to provide real time vehicle information to customers and haul away carriers, with additional facilities to be equipped in 2003. The continued focus on

improving the distribution process allowed UP to reduce ramp dwell time by 12% in 2002.

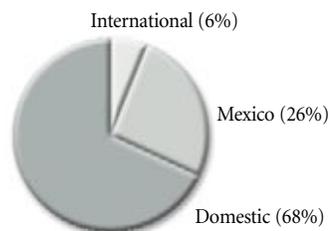
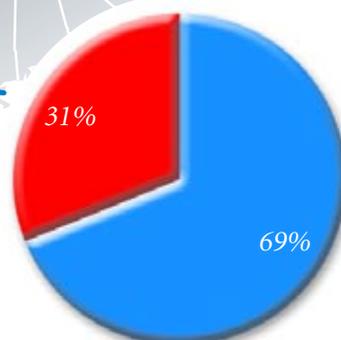
- In 2002, UP continued to receive high marks from customers. Toyota awarded UP their President's Award as their top rail supplier for the third consecutive year. UP received the DaimlerChrysler Gold Award as a top rail supplier for the third consecutive year. In addition, General Motors awarded UP their Supplier of the Year award.



2002 CARLOADS

■ Assembled Autos (69%)

■ Auto Materials (31%)



Arrow colors correspond to pie chart colors.

KEY MARKET FACTORS

- Union Pacific is the largest carrier of finished vehicles west of the Mississippi River. The Railroad has 42 facilities strategically located to serve all major population centers in the western U.S. Union Pacific also serves seven assembly centers and distributes import vehicles from six West Coast ports and two Gulf ports.
- Mexico is an important automotive market for the Railroad as companies continue to produce vehicles for both domestic and U.S. consumption. Automotive materials flow north and south across the border bound for assembly centers in Mexico, the U.S. and Canada. UP handled over 90% of all automotive rail traffic between the US and Mexico in 2002.

2003 OUTLOOK

- North American light vehicle sales are expected to decline for the third year in a row. Union Pacific expects to offset industry weakness by leveraging its premium automotive network service product. The dedicated automotive network should allow UP to gain additional market share, focused specifically at taking automotive materials business off the highway.
- Supply chain logistics services, using UP's ongoing technology investments in support of the automotive industry should continue to enhance customers' "Fast-to-Market" strategies. These products should facilitate ongoing improvements in velocity and reliability for the entire distribution network.

Commodity Revenue (millions of dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	283	325	285	316	276	301	253	288	290	307	280	305
Cumulative	283	608	893	1,209	276	577	830	1,118	290	597	877	1,182

Revenue Ton-Miles (millions)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	3,945	4,498	3,897	4,497	3,694	3,961	3,473	4,092	4,229	4,298	3,853	4,136
Cumulative	3,945	8,443	12,340	16,837	3,694	7,655	11,128	15,220	4,229	8,527	12,380	16,516

Revenue Carloads (thousands)

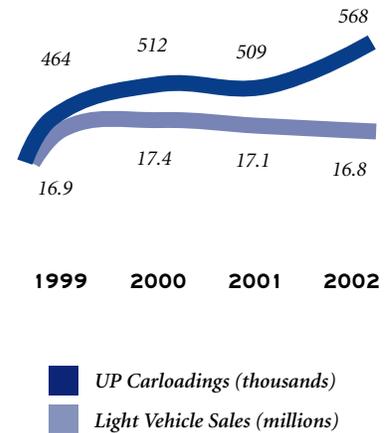
	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	193	219	193	213	185	199	177	202	199	214	196	206
Cumulative	193	412	605	818	185	384	561	763	199	413	609	815

Average Commodity Revenue Per Car (dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,462	1,486	1,479	1,480	1,486	1,514	1,429	1,428	1,456	1,437	1,425	1,483
Cumulative	1,462	1,475	1,476	1,477	1,486	1,501	1,478	1,465	1,456	1,446	1,439	1,450

- The automotive materials business, with particular focus on Mexico, should provide opportunity for growth as UP develops supply chain solutions and new rail services for customers, allowing UP to capture additional market share from trucks.
- UP and its rail partners continue to provide seamless transportation solutions for the auto materials markets. UP also has increased the awareness of rail solutions with nontraditional rail customers and anticipates carload gains in 2003.

FINISHED VEHICLE GROWTH



CHEMICALS

2002 REVIEW

- Improved economic demand from 2001's recessionary levels resulted in a 3% increase in shipments of industrial chemicals and plastics.
- Increasing demand from industrial manufacturers resulted in a 3% increase in liquid and dry carloadings.
- Plastics carloadings increased 2% as demand for consumer durable goods improved during 2002.
- Liquid petroleum products carloadings increased by 10% due to strong domestic shipments and increased exports to Mexico.
- Soda ash carloads increased 3% as demand for both export and domestic soda ash improved.
- The West Coast port disruption and worldwide market conditions for potash drove fertilizer carloads down



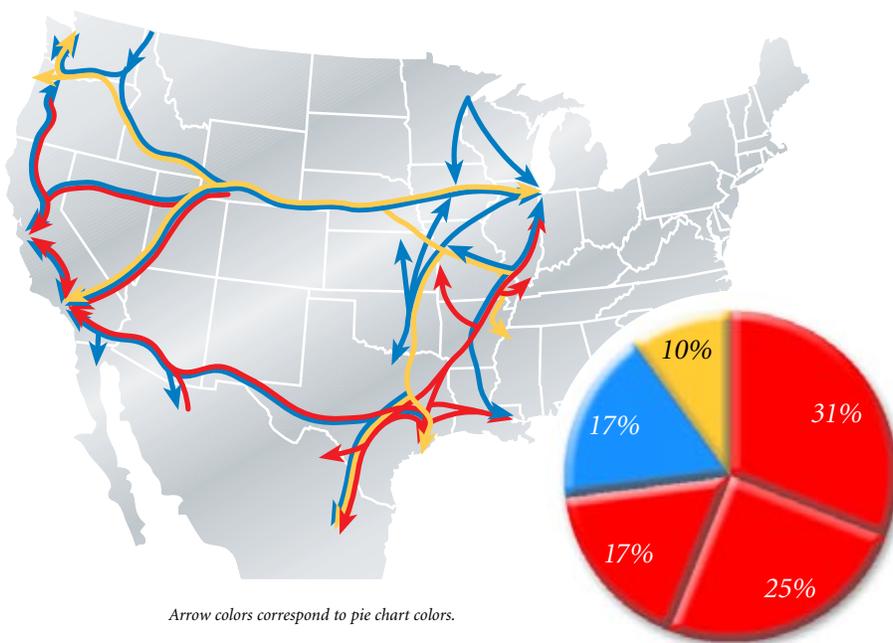
1% for the year. In contrast, domestic nitrogen and phosphate shipments rose in 2002, as lower natural gas prices drove increased production of nitrogen products.

KEY MARKET FACTORS

- Natural gas prices impact chemical production whether as a feed stock component or as an energy source during plant production.
- Plastics customers depend on reliable rail service and railroad-provided storage-in-transit (SIT) yards for

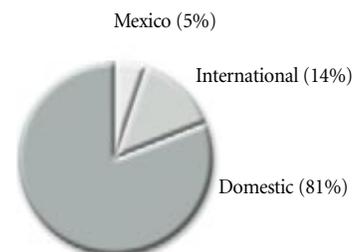
intermediate storage of plastic resins. UP's SIT capacity leads the industry, with some expansion planned in 2003.

- Fertilizers are produced and imported in the Gulf Coast and the western U.S. and Canada and are shipped to major agricultural areas.
- The liquid and dry market consists of 22 different segments of various intermediate chemicals produced by and shipped to a multitude of large and small customers.



2002 CARLOADS

- **Liquid & Dry (31%)**
- **Plastics (25%)**
- **Liquid Petroleum Products (17%)**
- **Fertilizers & Related Products (17%)**
- **Soda Ash (10%)**



Arrow colors correspond to pie chart colors.

KEY MARKET FACTORS

continued

- UP directly serves Green River, Wyoming, the largest soda ash producing region in the world. Domestic demand for soda ash is relatively constant. Export markets to Asia, Europe and Mexico, though volatile, provide growth opportunity.

2003 OUTLOOK

- Growth in plastics and liquid and dry chemicals shipments are contingent upon feed stock prices and economic recovery.
- Fertilizer demand is expected to improve with the completion and implementation of the 2002 Farm Bill, aimed at assisting farmers in investing in crop inputs.
- Liquid petroleum products are expected to strengthen through the development of the petrochemical industry domestically and in Mexico, while increased Ethanol blending in gasoline will bring changes to the traditional traffic flows.
- Continued demand for export and domestic soda ash should result in additional carload growth.
- Expansion of the “Pipeline” service into new lanes and continued focus on operational improvements in the Gulf Coast corridor will further improve asset utilization for customers and UP.
- Implementation of the “Transflo” transloading network will provide chemical customers with additional rail options. Transflo is an ISO-9001:2000 registered, rail centric transloader that delivers the economics of rail to non-rail served customers.

Commodity Revenue (millions of dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	385	402	399	389	390	386	393	376	412	424	412	392
Cumulative	385	787	1,186	1,575	390	776	1,169	1,545	412	836	1,248	1,640

Revenue Ton-Miles (millions)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	12,906	13,715	13,615	13,161	12,785	12,856	12,936	12,555	13,514	13,607	13,152	12,877
Cumulative	12,906	26,621	40,236	53,397	12,785	25,641	38,577	51,132	13,514	27,121	40,273	53,150

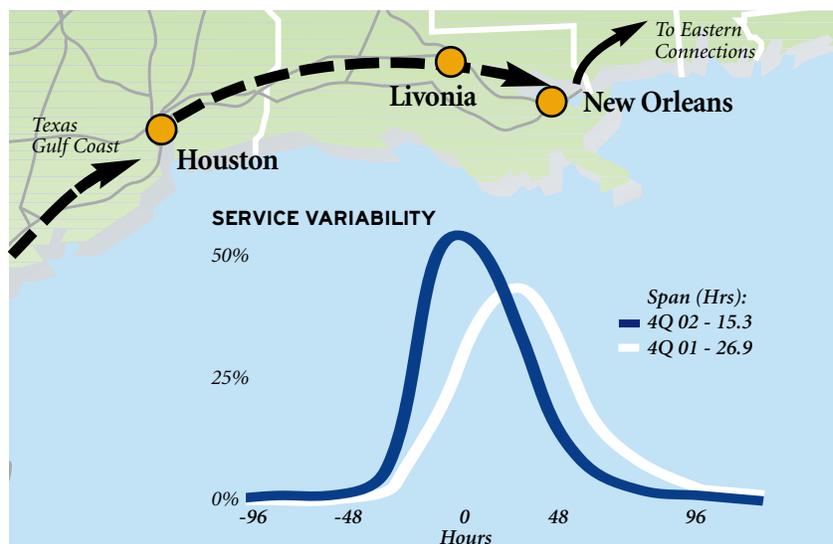
Revenue Carloads (thousands)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	217	233	231	223	219	222	225	213	232	244	237	223
Cumulative	217	450	681	904	219	441	666	879	232	476	713	936

Average Commodity Revenue Per Car (dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,771	1,728	1,729	1,742	1,778	1,748	1,744	1,755	1,777	1,741	1,738	1,753
Cumulative	1,771	1,749	1,742	1,742	1,778	1,763	1,757	1,756	1,777	1,759	1,752	1,752

GULF COAST CORRIDOR



ENERGY

2002 REVIEW

- In 2002, coal volume grew over 1% to 241 million tons, with coke traffic holding steady at 4 million tons. The significant growth region in 2002 was Wyoming's Powder River Basin (PRB) which set a record with 171 million tons originated.
- Soft demand for coal originating out of Colorado and Utah mines contributed to 1 million (2%) fewer tons being loaded from these areas in 2002 versus a year ago. This reduction reflects the decline in exports from the West Coast after the first quarter of 2002.
- PRB coal train productivity increased 3% in 2002 driven by

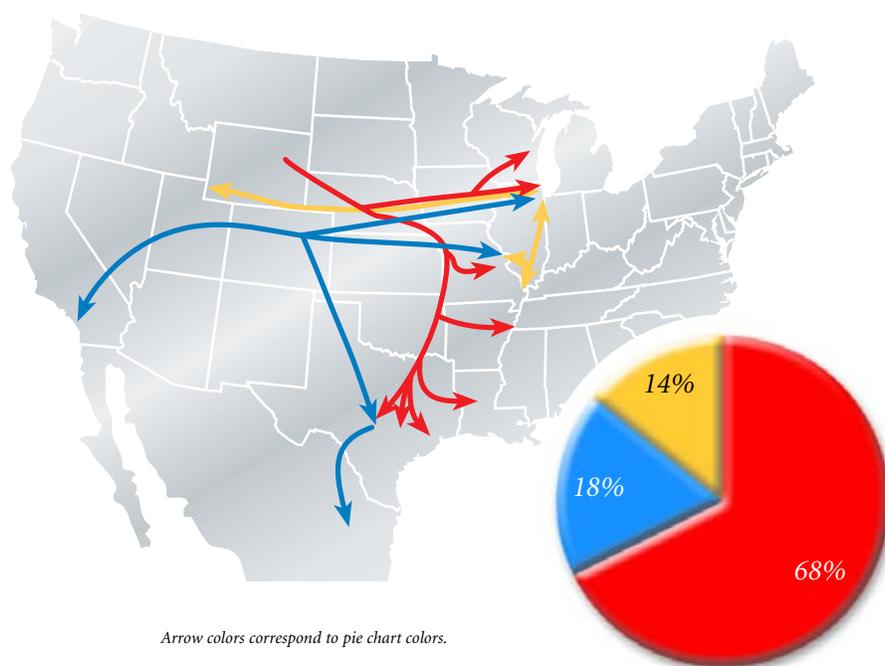


continued improvements in both cars per train and tons per car. Average train size grew by nearly 3 cars while each car on average was loaded with nearly one additional ton of coal.

- Capacity expansion continued on the South Morrill Sub in 2002. Between South Morrill and North Platte, almost 32 miles of single track were expanded to double

track. Additional capacity improvements were made on the East-West mainline through Iowa and the Cedar River Bridge.

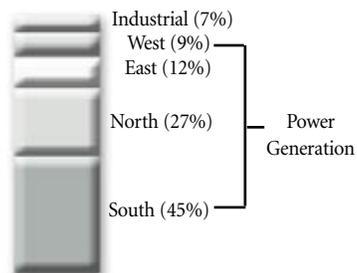
- PRB cycle time performance improved almost 4 percentage points to a record 99%. Overall coal train velocity was up from 15.5 miles per hour in 2001 to 16.3 miles per hour in 2002.



Arrow colors correspond to pie chart colors.

2002 CARLOADS

- Powder River Basin (68%)
- Colorado/Utah (18%)
- Other (includes Coke) (14%)



KEY MARKET FACTORS

- Union Pacific provides transportation service between most of the coal-producing regions in the western U.S. and utilities and industrial facilities in 27 states. The PRB represents the largest and fastest growing segment of the market, as utilities continue to favor the low cost and low-sulfur content of the coal mined there. In addition, declining coal production in the East, as well as a lack of economically competitive alternatives for satisfying the growing demand for electricity, continue to favor western coal.
- The Railroad also moves high-BTU low-sulfur coal from Colorado and Utah to domestic utilities and industries. Colorado coal is exported to Mexico via Eagle Pass, Texas, and PRB coal is exported to Europe through Mississippi River Barge Terminals.

2003 OUTLOOK

- Volume growth from existing customers will be the key for 2003. A stronger economy, cooperative weather and inventory stock piles will play critical roles in determining volume growth for the year. Leveraging past and future capacity enhancements should assist in improving the already solid service performance and maintaining system fluidity with higher volumes.
- A continued focus on train size improvements, routing efficiencies, and recrew reductions should drive productivity performance in the upcoming year.
- Additional expansion of western coal to eastern utilities is expected through UP's partnerships with the eastern carriers.

Commodity Revenue (millions of dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	582	570	591	600	593	577	611	618	529	490	586	549
Cumulative	582	1,152	1,743	2,343	593	1,170	1,781	2,399	529	1,019	1,605	2,154

Revenue Ton-Miles (millions)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	56,528	54,304	57,327	59,010	54,943	53,318	56,574	58,258	48,580	44,934	54,323	50,879
Cumulative	56,528	110,832	168,159	227,169	54,943	108,261	164,835	223,093	48,580	93,514	147,837	198,716

Revenue Carloads (thousands)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	545	520	540	559	537	516	549	559	480	439	513	498
Cumulative	545	1,065	1,605	2,164	537	1,053	1,602	2,161	480	919	1,432	1,930

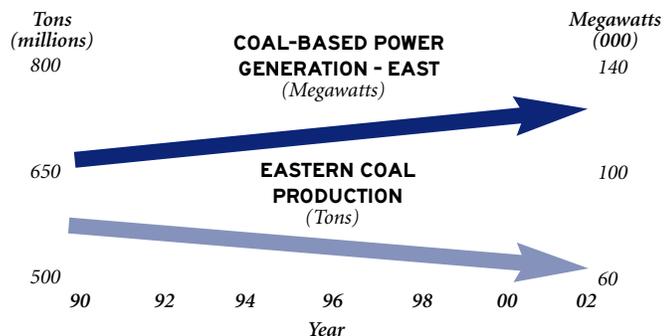
Average Commodity Revenue Per Car (dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,068	1,095	1,095	1,074	1,106	1,117	1,113	1,107	1,103	1,115	1,141	1,101
Cumulative	1,068	1,081	1,086	1,083	1,106	1,111	1,112	1,111	1,103	1,109	1,120	1,116

- 2003 capital spending will focus on double tracking half of the remaining 13 miles of single track on the South Morrill Sub between North Platte and South Morrill.

The expansion of Dupo Yard is expected to be complete in 2003, increasing fluidity of business moving beyond St. Louis.

EASTERN COAL SHORTAGE



INDUSTRIAL PRODUCTS

2002 REVIEW

- Despite a decline in industrial production of 1% and the impact from a key steel customer's bankruptcy, carloads were up 1% in 2002. Average revenue per car was up 3% resulting in a 3% increase in total revenue.
- Lumber revenues increased 12% over 2001, driven by a strong housing market, aggressive sales penetration efforts, and increased production from the PNW and Canada.
- Improved service levels, particularly due to the continued success of the 5-7-9 strategy which focuses on reliable service along the West Coast, facilitated penetration efforts to convert truck share in lumber, paper and other key segments.
- Construction products' revenues



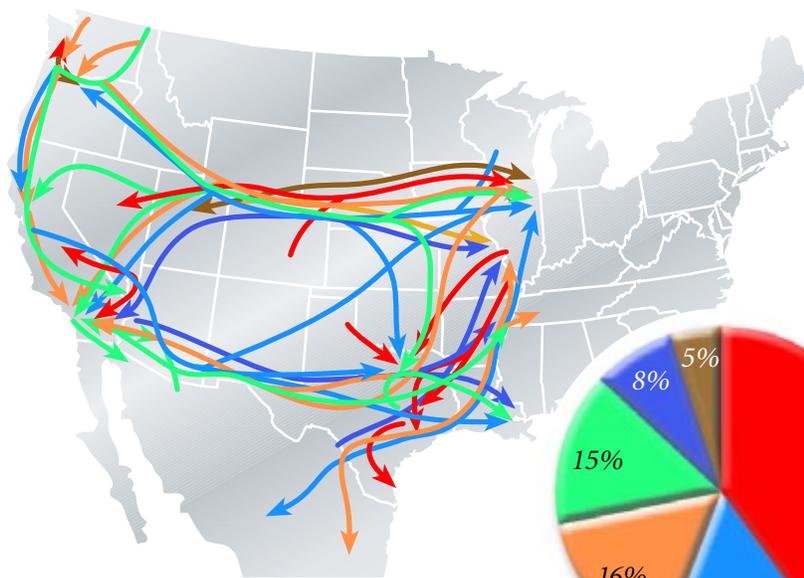
showed strong growth due to strength in highway construction and market penetration in the Southwest and mid-South.

- The steel market improved in 2002, with domestic production and demand for Mexican steel increasing over the prior year, due in part to the Section 201 tariff.
- Continued focus on yield management resulted in a "win" for both a lumber customer and UP. Pooling the customer's centerbeam flat cars

with UP's existing fleet significantly improved the utilization of these cars, driving increased efficiencies for both companies.

KEY MARKET FACTORS

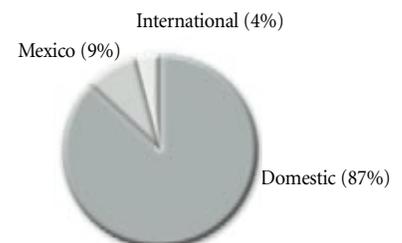
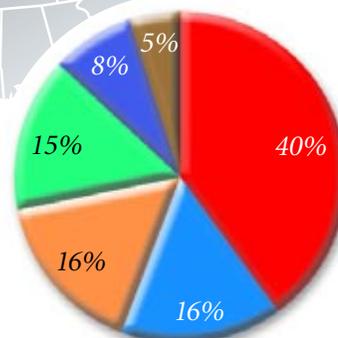
- Industrial Products covers a broad range of commodities – from bulk products like stone, cement, minerals, waste and scrap to higher-value shipments like lumber, paper and consumer goods – with growth linked to U.S. industrial production.



Arrow colors correspond to pie chart colors.

2002 CARLOADS

- Minerals (40%)
- Metals & Ores (16%)
- Paper/Paper Products (16%)
- Lumber/Building Materials (15%)
- Consumer/Government (8%)
- Waste (5%)



KEY MARKET FACTORS

continued

For most commodities, trucks provide a competitive transportation alternative. Market share growth hinges on providing consistent, reliable service.

- Bulk commodities like rock often move in unit train service from origin to a transload facility in major metropolitan areas. Demand is driven by construction activity and peaks during the warmer months.
- Other commodities move in manifest trains and rely on UP's extensive network of rail terminals to move between thousands of shippers and customers across North America. Demand is generally driven by macro-economic conditions with seasonal peaks.

2003 OUTLOOK

- Population growth in key markets served by the UP system should continue to grow demand for lumber and steel.
- Continued strength in highway construction projects in the Southwest and mid-South should create growth opportunities in the stone, sand and gravel business.
- Government shipments are expected to increase significantly as a result of the war in Iraq.
- The uncertain economic outlook could be a significant barrier to market growth in 2003. The lumber market could be impacted by a slowdown in housing starts, which are forecast to be down from 2002 levels. Revenue growth will depend on penetrating new markets through continued service improvements, combined with the implementation of pricing plans.

Commodity Revenue (millions of dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	474	533	535	493	472	523	513	462	492	525	502	466
Cumulative	474	1,007	1,542	2,035	472	995	1,508	1,970	492	1,017	1,519	1,985

Revenue Ton-Miles (millions)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	18,250	20,141	20,116	18,894	18,417	20,340	19,899	17,849	20,310	20,723	19,401	18,322
Cumulative	18,250	38,391	58,507	77,401	18,417	38,757	58,656	76,505	20,310	41,033	60,434	78,756

Revenue Carloads (thousands)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	323	371	378	341	336	374	368	327	355	376	363	337
Cumulative	323	694	1,072	1,413	336	710	1,078	1,405	355	731	1,094	1,431

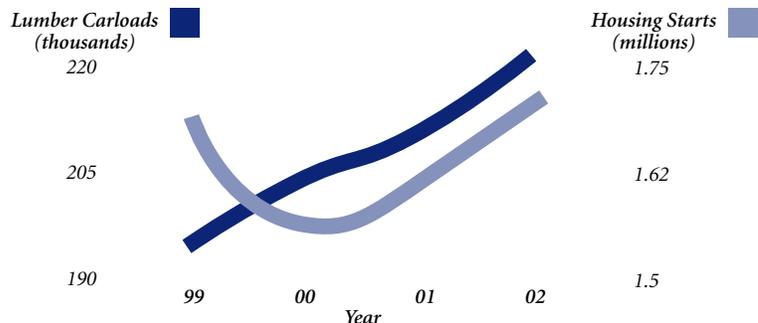
Average Commodity Revenue Per Car (dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,469	1,435	1,415	1,447	1,405	1,396	1,399	1,410	1,387	1,398	1,383	1,382
Cumulative	1,469	1,451	1,438	1,440	1,405	1,400	1,400	1,402	1,387	1,392	1,389	1,387

- Leveraging our strategy to penetrate imported steel, lumber and non-ferrous metals markets should continue to pay off in 2003 with double digit growth expected.

- In partnership with TFM, UP's recently launched MexDirect service is aimed squarely at capturing the premium-priced truck market on steel, lumber and wood products movements to and from Mexico.

LUMBER GROWTH



INTERMODAL

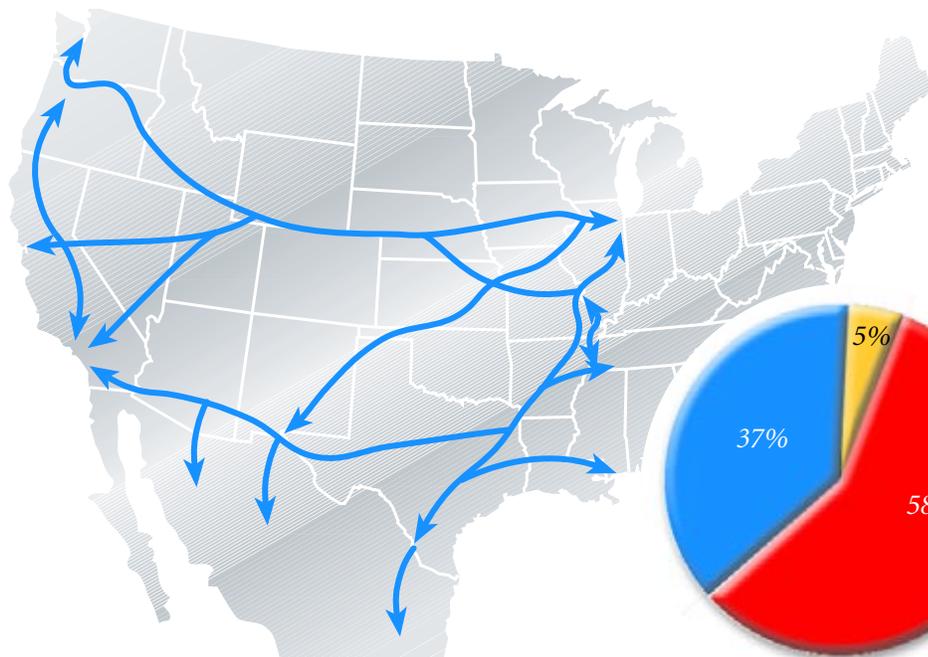
2002 REVIEW

- Despite the challenging economic climate in 2002, intermodal carloads increased by 4% and average revenue per car increased slightly resulting in revenue growth of 5% versus 2001.
- The international market segment continued its solid revenue growth driven by strong demand for imports and market share gains in some major intermodal lanes. These gains were partially offset by the significant disruption caused by the labor dispute at the West Coast ports during the fourth quarter.
- Blue Streak, UP's premium service Intermodal product, continued to win business from long haul trucks. By offering truck-like service and reliability, as well as equipment guar-



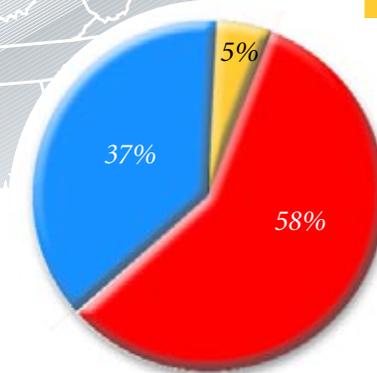
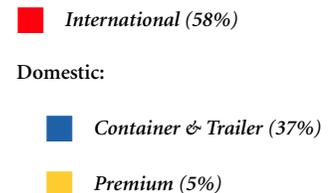
- antees, UP handled more than 5,000 new shipments during 2002. In addition to Los Angeles to Atlanta, service was expanded in 2002 to include Los Angeles to Dallas and Memphis, as well as Northern California to Chicago and beyond to New York and New Jersey.
- Domestic revenue grew by 3% despite soft demand from a sluggish U.S. economy. In addition, UP's strategic decision to voluntarily convert low-margin trailer business

- to higher-margin container business captured additional market share from motor carriers.
- UP's Yield Strategy not only drove top line growth in 2002, but also focused on operational efficiency as average train length increased 5%, average lifts per container declined 4% and the percent of containers double stacked improved 3 percentage points.



Arrow represents key intermodal lanes.

2002 CARLOADS



KEY MARKET FACTORS

- International: Consists of international container traffic handled for steamship customers.
- Domestic: Two key domestic market segments:
 - Domestic container and trailer: Includes domestic container traffic handled by Intermodal Marketing Companies (IMC) and truckload carriers. The EMP product line continues to grow in this market segment due to our success in converting trailer business to EMP containers.
 - Premium: Primarily less-than-truckload and package carriers with time-sensitive business needs. Service performance and reliability drive premium business growth.

2003 OUTLOOK

- Continued Transpacific market growth is anticipated for our International segment. This growth should offset the 2002 loss of a major contract, contingent upon economic improvement.
- Expansion of the domestic container fleet and continued penetration of the truck market with Blue Streak products should generate both volume and price improvement.
- Premium, IMC and truckload domestic market segments offer opportunities for growth, contingent upon U.S. economic conditions.
- Continued focus on operational efficiency and asset utilization should drive margin improvement.

Commodity Revenue (millions of dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	455	515	542	483	450	463	499	493	441	471	506	491
Cumulative	455	970	1,512	1,995	450	913	1,412	1,905	441	912	1,418	1,909

Revenue Ton-Miles (millions)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	16,992	18,887	18,731	16,712	16,547	16,995	17,666	17,458	17,029	17,832	18,370	17,818
Cumulative	16,992	35,879	54,610	71,322	16,547	33,542	51,208	68,666	17,029	34,861	53,231	71,049

Revenue Carloads (thousands)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	681	771	801	698	683	688	741	720	687	727	767	735
Cumulative	681	1,452	2,253	2,951	683	1,371	2,112	2,832	687	1,414	2,181	2,916

Average Commodity Revenue Per Car (dollars)

	2002				2001				2000			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	668	667	677	692	659	671	674	686	642	647	661	667
Cumulative	668	668	671	676	659	665	668	673	642	645	650	655

■ The final phase of the Rochelle, Illinois intermodal facility, to be completed in the third quarter, will provide needed intermodal terminal

capacity in the Chicago market and improve the efficiency of UP's service in the growing rail-truck freight market.

MAJOR GROWTH LANES



MEXICO

2002 REVIEW

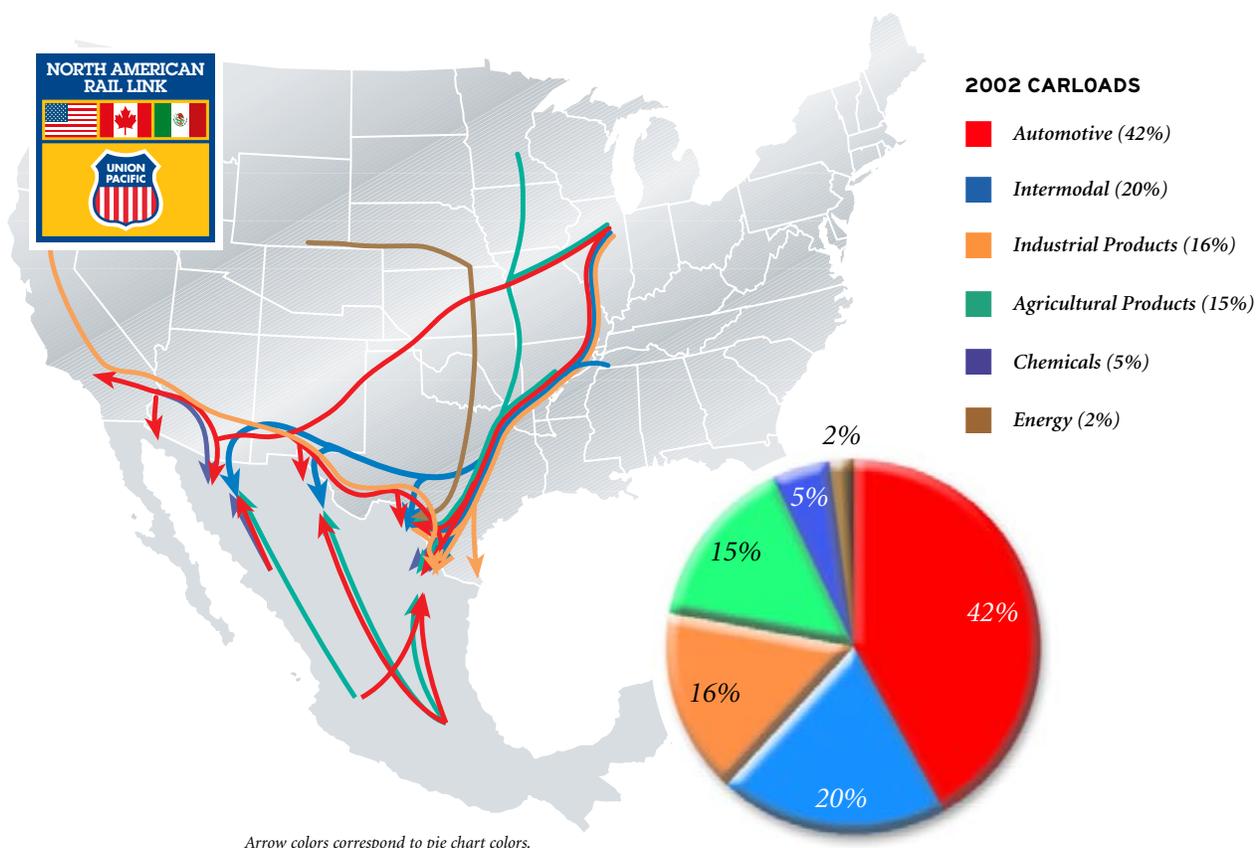
- Growth in Mexico's agricultural products, chemicals and industrial products business groups helped to offset the impact that plant closings and production declines had in the automotive group. Overall Mexico revenues for the year were up 1% versus 2001, and excluding automotive were up 7%.
- Union Pacific became the first U.S. railroad to be certified under Customs-Trade Partnership Against Terrorism (C-TPAT). C-TPAT is a cooperative endeavor between the trade community and the U.S.



Customs Service to develop, enhance and maintain effective security processes throughout the global supply chain.

- Union Pacific's integrated marketing and sales efforts with Mexico have been successful as approximately 39,000 trucks annually have been converted to new rail business.

- During 2002, four new train products began serving the Mexico marketplace. New trains include the Detroit premium automotive train, Memphis to Laredo/Mexico intermodal train, Salem to Vanegas automotive run-through train and the Laredo to West Coast premium-manifest train.



2002 REVIEW

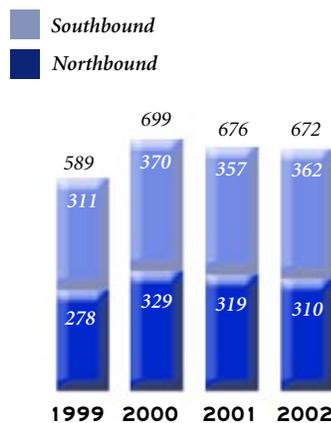
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- Also, in partnership with TFM, UP introduced a product called MexDirect. The MexDirect service offering includes through rates on steel and various forest products, a single point of contact, a single bill, easy to understand information on how to do business in Mexico and multiple warehouse and transload options.
- Agricultural Products efforts with Mexico grain receivers has increased the number of grain shuttle shipments from only two percent in 2000 up to 29 percent in 2002. Grain shuttle trains are an efficient method to deliver grain because trains load and unload in a short period of time increasing throughput and delivery.
- Continued focus on service and operational efficiency helped drive the Mexico customer satisfaction index to a record 87%.

KEY MARKET FACTORS

- Union Pacific serves all six major gateways to Mexico, connecting to the two largest Mexican railways.

MEXICO TRAFFIC (carloads in thousands)



- Union Pacific has the most efficient route between Mexico and the Chicago connections to Canada and the eastern railroads.
- The Mexican rail network comprises five railroads, each providing efficient transportation service to compete for the northbound and southbound business opportunities created by the North American Free Trade Agreement (NAFTA). The Mexican railroads continue to make substantial investments in track structure, equipment and facilities to improve service, equipment utilization, safety and damage prevention.
- The Mexico land transportation market is estimated to be over \$6 billion per year and consists of a broad range of commodities from raw materials to finished goods. Trucks are the dominant transportation mode with a 63% share.

2003 OUTLOOK

- The rail market is well positioned for growth as the Mexican economy expands and rail service within the country continues to improve. Continued foreign investment in manufacturing and further privatization in the petrochemical and utility industries provide opportunities.

- Growth in 2003 will be facilitated by capturing additional market share currently held by trucks and by focusing on the ease of doing business. The business development group, established in 2001, will target auto parts, industrial products and intermodal opportunities.
- FXE, in which UP has a 26% ownership interest, will complete implementation of the Interline Settlement System (ISS) in 2003. ISS allows shippers to use through rates for shipments to/from Mexico similar to domestic shipments, while the railroad collects from the shipper/receiver and electronically pays the other railroads in the route.
- UP, TFM and FXE continue to work with receivers of grain products to improve their facilities to enable them to receive trainloads of agricultural products – so they can benefit from improved service and economies of rail.
- UP and its southern alliance partners will continue to leverage intermodal and industrial products service offerings, focused on capturing additional share from trucks. In addition, conversion of auto parts movements from trucks should provide growth in 2003.