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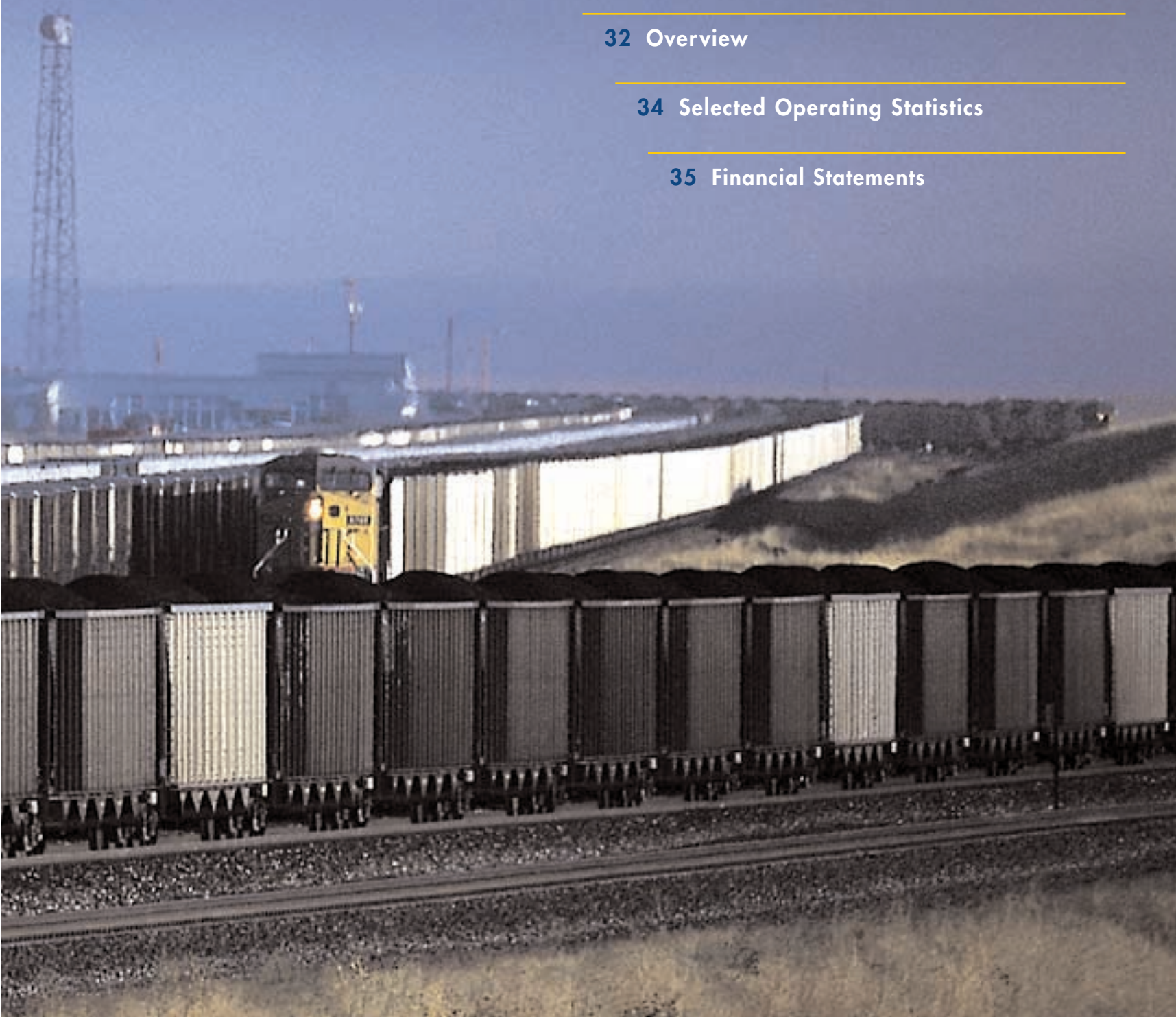


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OVERVIEW

Union Pacific is the largest railroad in North America, covering 23 states across the western two-thirds of the United States. The merger of Union Pacific, Southern Pacific and Chicago and North Western created a strategically advantageous route structure that serves customers in critical and fast-growing markets. That network, combined with a well-balanced and diverse traffic mix, makes Union Pacific the premier rail franchise in North America.

A key strength of the franchise is access to the coal fields in the Powder River Basin (PRB) region of northeastern Wyoming. Growth of PRB coal tonnage hauled by UP has averaged 8% over the past seven years, due to its low-production cost and low-sulfur content. UP's rail lines in the Midwest and Plains states provide direct routes from major grain-producing areas to domestic markets, Mexico and to ports of export in the Gulf Coast and Pacific Northwest. Union Pacific also has broad coverage of the large chemical-producing areas along the Gulf Coast.

To handle growing east-west intermodal and automotive traffic, Union Pacific has competitive long-haul routes between all major West Coast ports and eastern gateways. In addition to directly serving all six major gateways to Mexico, the Railroad has the fastest and most direct route to and from Mexico. The merger

of Union Pacific and Southern Pacific routes in the South and Southwest produced a single-line rail network serving the rapidly growing population in this part of the country. Leveraging the strengths of this broad franchise allows Union Pacific to improve customer service, grow market share and achieve improved financial returns.

FINANCIAL REVIEW

Financial performance improved significantly in 1999, as the Railroad rebounded from the effects of the service difficulties of late 1997 and 1998. Commodity revenue grew 9%, from customers returning business to the Railroad and from general growth, particularly in coal, intermodal and automobile shipments. Service improvements drove operating expenses down 7%, reflecting increased system velocity and a reduction in service failures. Net income from continuing operations grew to \$754 million in 1999, capping six consecutive quarters

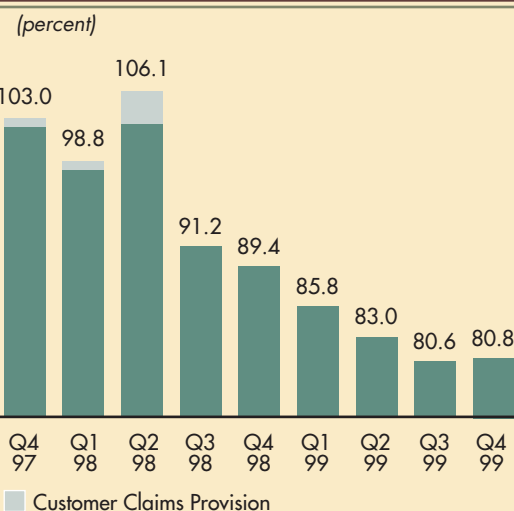
UNION PACIFIC CORPORATION (excluding Overnite and Skyway)

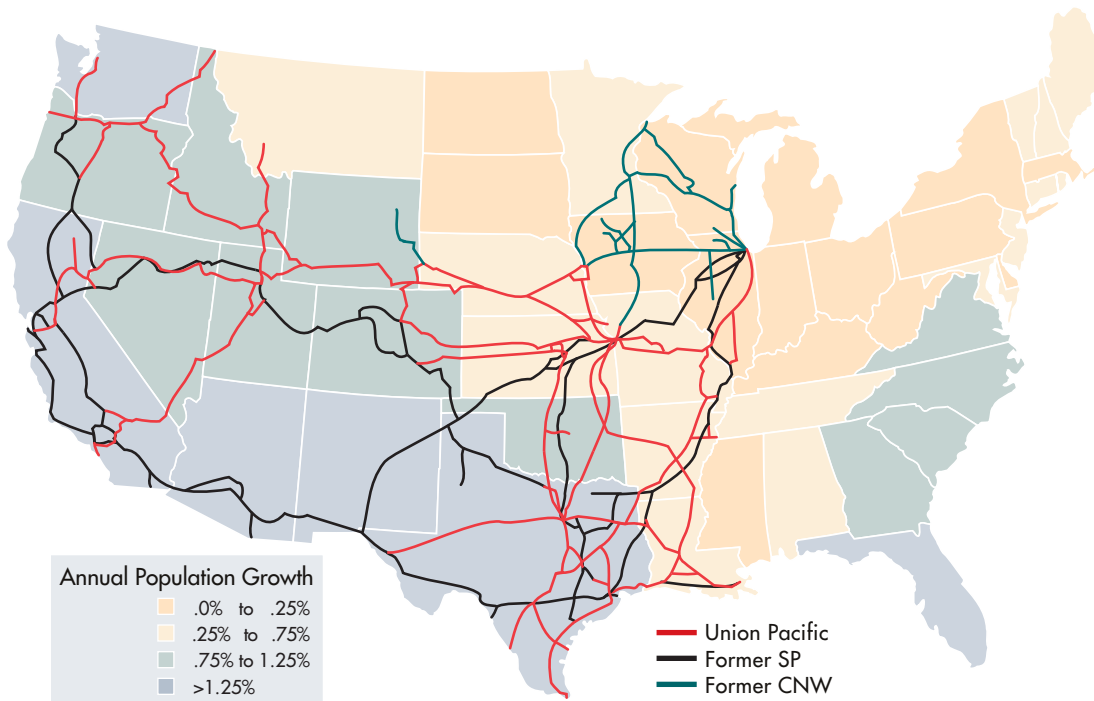
Financial Summary

	1999	1998	1997
Operating Revenue (millions of dollars)	\$10,211	\$9,368	\$9,981
Operating Income (millions of dollars)	\$1,784	\$348	\$1,144
Operating Ratio	82.5%	96.3%	88.5%
Total Carloads (thousands)	8,556	7,998	8,453
Average Employees	52,539	53,121	52,587
Capital Investments* (millions of dollars)	\$1,942	\$2,392	\$2,297

*includes long-term operating leases

Quarterly Operating Ratio





Power of UP Franchise

The power of the UP rail franchise results from a system of strategic routes, a diverse traffic mix and access to key ports, cities and gateways. Strength also lies in UP's ability to directly serve the fastest growing regions of the country.

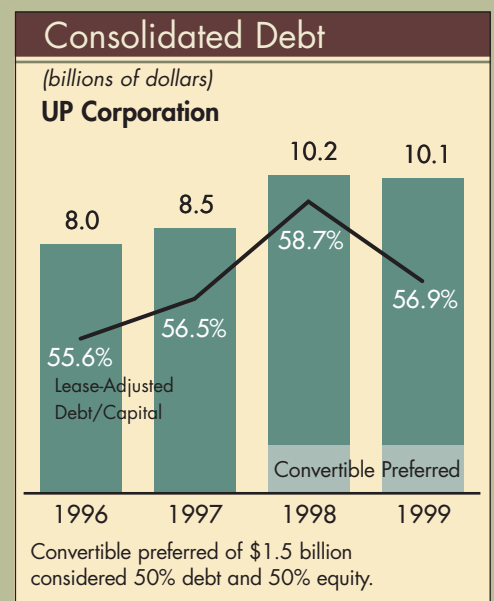
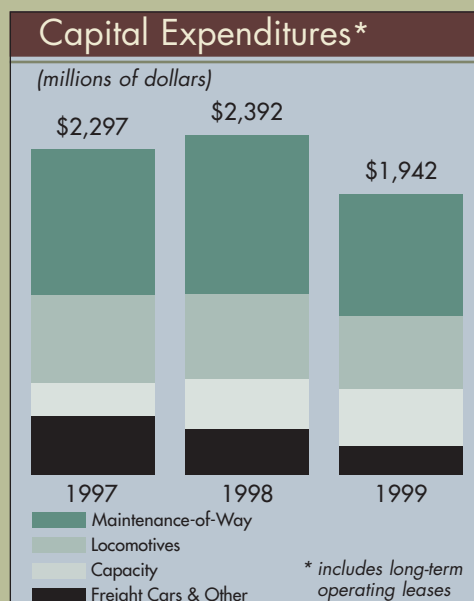
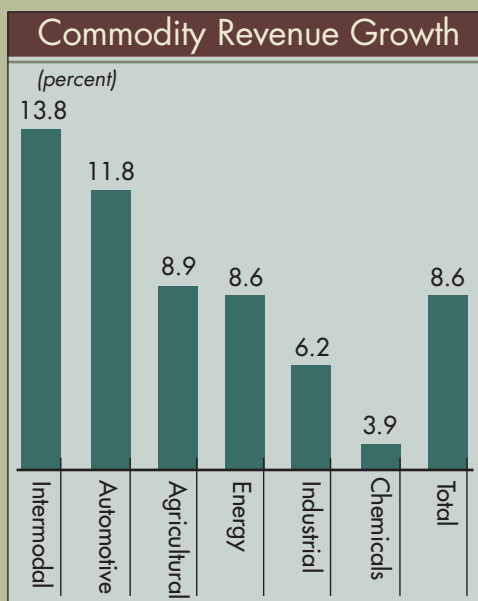
of improvement. Capital spending decreased to approximately \$1.9 billion, as merger-related spending began to taper off.

For Union Pacific Corporation, free cash flow before dividends grew to \$255 million in 1999, a \$1.6 billion improvement over 1998. The lease-adjusted debt-to-capital ratio improved from 58.7% at the end of 1998 to 56.9% at the end of 1999.

QUALITY TRANSPORTATION

The Railroad's ability to grow and to compete with other modes of transportation depends on providing quality transportation service. In 1999, UP regained a focused approach to improving service, reducing failure costs and raising customer satisfaction. UP strives continuously to improve service quality by actively identifying

problems and acting quickly to fix them. For example, UP tracks operational performance measures closely and focuses resources on regions where goals are not being met. In many cases, performance is as good as or better than before the Union Pacific/Southern Pacific merger. But further improvement can be made as failure costs continue to decline, capacity bottlenecks are removed and the remaining merger benefits are realized.



OPERATING PERFORMANCE

Customer service and financial performance are improving as a result of more efficient use of railroad assets including track, locomotives, freight cars, terminals and crews. Key indicators, such as train speed, freight car terminal dwell time, recrew rate and freight car cycle time, gauge asset utilization. Showing particular improvement is the recrew rate, which reflects the percentage of crews relieved before their train completes its run. This dropped 77% from its worst level in March of 1998. Freight car terminal dwell measures the time a car sits in a rail yard before being switched into an outbound train. This improved 34% to a best-ever 26.5 hours in April 1999.

CUSTOMER SATISFACTION

Union Pacific's mission statement establishes customer satisfaction as a top priority. Monthly customer surveys provide feedback regarding the Railroad's service performance. As

Operating Performance

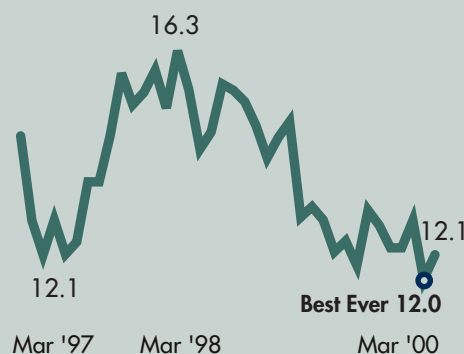
Velocity
Miles Per Hour



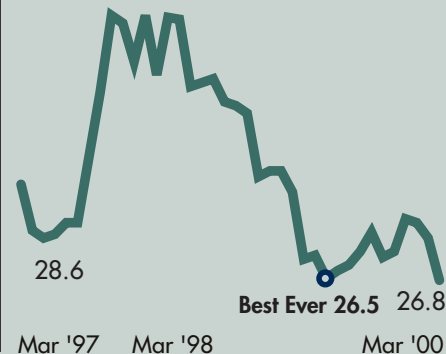
Recrew Rate
Percentage



Freight Car Cycle Time
Days

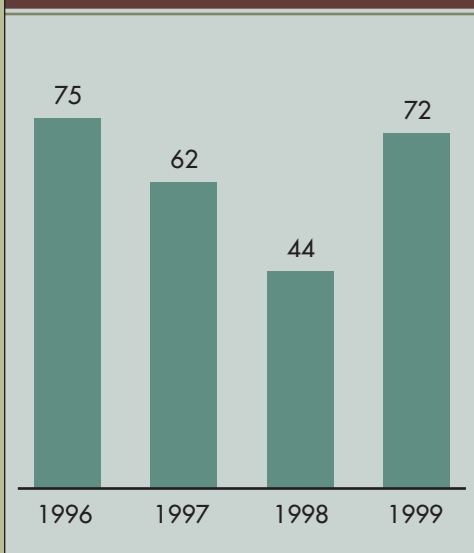


Freight Car Terminal Dwell
Hours

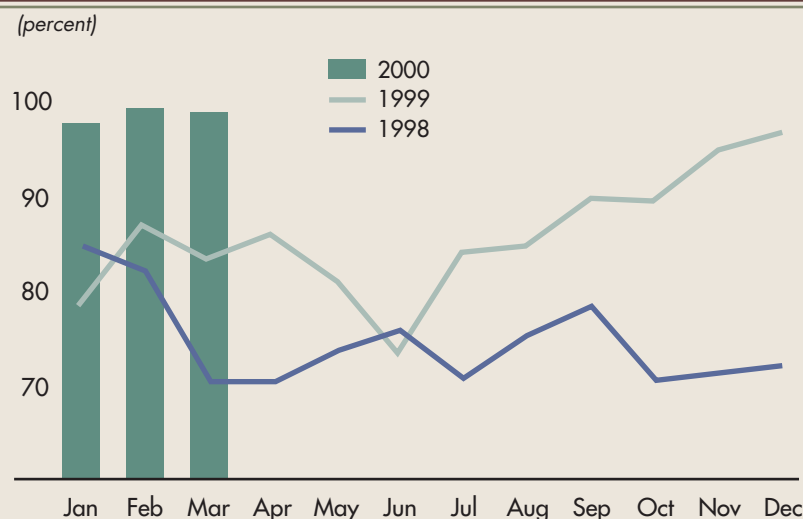


UP achieved dramatic improvement in operations during 1999. This forward momentum has continued, with further improvement reported for the first quarter of 2000. "Best-ever" results reflect best monthly average performance since the UP/SP merger in September 1996.

Customer Satisfaction Index



Coal Train Cycle Performance



service improved during 1999, the percent of satisfied customers climbed from 58% in January to 77% in December. Of critical importance to future improvement, the number of dissatisfied customers declined from 23% in January to 2% in December.

SERVICE DELIVERY INDEX

The most direct measure of how well the Railroad is meeting customer expectations is the Service Delivery Index (SDI). Depending on the commodity, the SDI measures how closely a car followed its scheduled trip plan or how well a train performed against contractual obligations or agreed-upon transit times.

As the Railroad climbed out of its service difficulties, the SDI rose from 59 in January of 1999 to 73 in March of 2000. Performance out of the Powder River Basin was particularly strong and helped drive coal train cycle performance from 79.8% in January of 1999 to 99.2% in March of 2000. Results were driven by

improvements in capacity and by the efforts of a process improvement team that used targeted problem-solving techniques to reduce service failures.

SERVICE VARIABILITY

Quality service for customers means that shipments arrive quickly and consistently on time. Cars that arrive too early or too late can cause logistical problems for customers even if the average cycle time meets established standards. Eliminating excessive variability also benefits the Railroad. When trains run on schedule, cars make required connections, terminals become less congested and the efficiency of crews, locomotives and track capacity improves. Train speeds and car cycle times are currently reaching record levels since the UP/SP merger in October 1996. By continuing to focus on reducing performance variability, further improvements in customer service, train performance and asset utilization should be achievable.

Our Mission

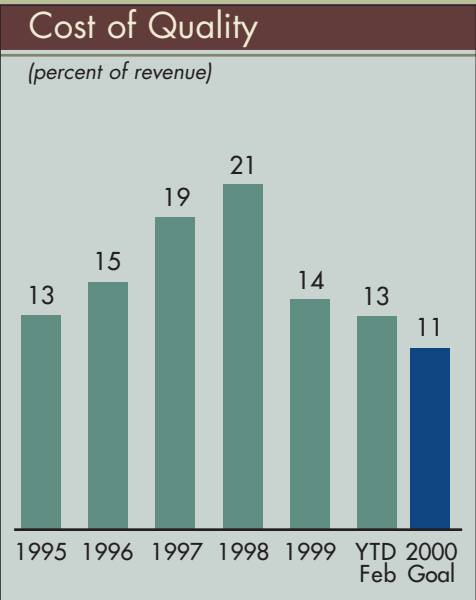
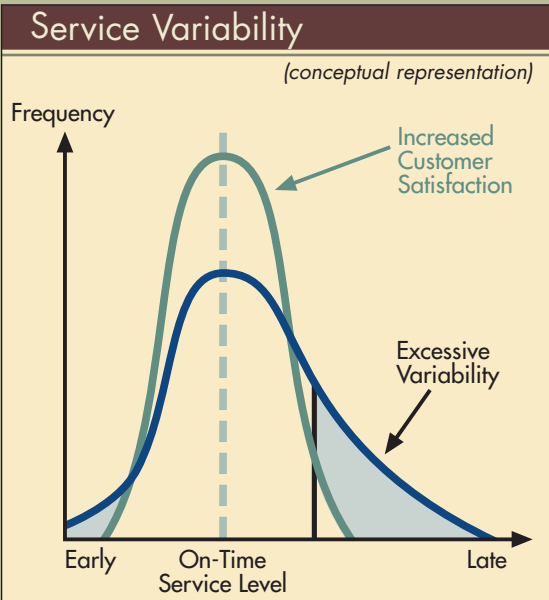
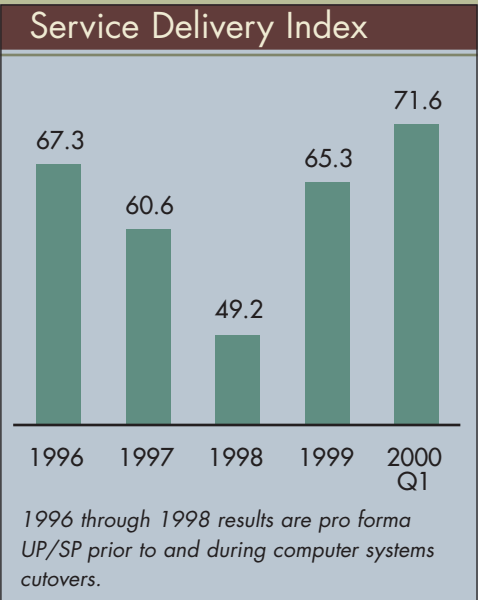
Union Pacific is committed to be a railroad where:

- Customers want to do business
- Employees are proud to work
- Shareholder value is created



COST OF QUALITY

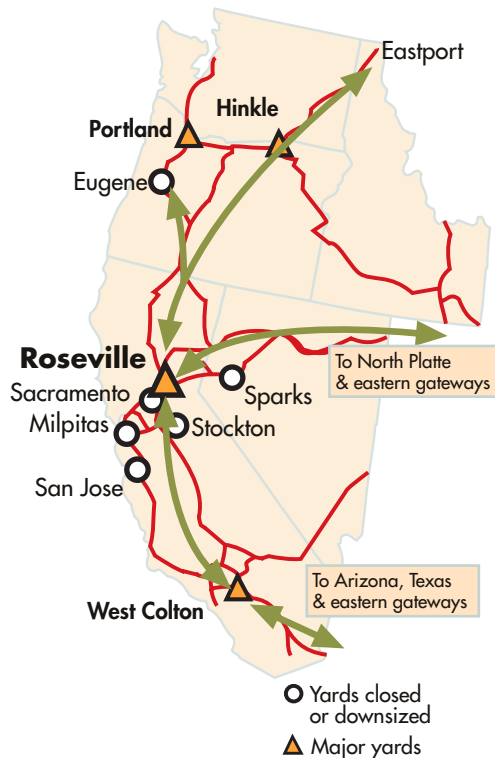
Failure to meet standards of operational performance, customer satisfaction or service performance results in financial costs to the Railroad in the form of higher expenses, poor asset utilization or lost revenue opportunities. At Union Pacific, failure costs are captured by the Cost of Quality system, which consists of over 100 separate accounts for tracking performance. Measured as a percentage of revenue, the Cost of Quality declined by one-third to 14% in 1999.



UNION PACIFIC RAILROAD

UNION PACIFIC FRANCHISE

The merger between Union Pacific and Southern Pacific created a rail franchise with substantial benefits to the Railroad and its customers. Improved equipment utilization and consolidation of work forces and facilities are key benefits that will continue to improve operational performance and financial returns for shareholders. Customers now benefit from new or expanded facilities and train services. Many of these are available following completion of several major merger implementation projects during the past two years.



move directly to final destination or interchange with fewer time-consuming intermediate stops. The Railroad is planning to use this advantage to introduce new premium manifest trains that will provide high priority service for perishables and other goods moving east through Chicago.

I-5 MANIFEST SERVICE

The Union Pacific/Southern Pacific merger created truck-competitive, single-line rail service along the I-5 corridor between the Pacific Northwest and California, Nevada and Arizona. Lumber and paper traffic from the PNW is the target of another customer offering called "5-7-9" Service. To meet customer needs, the Railroad will offer service from the PNW to Northern California in five days, Southern California in seven days and Las Vegas and Phoenix in nine days. Consistently meeting that schedule should win increased market share from trucks.

ROSEVILLE YARD

In May 1999, the J.R. Davis Yard opened in Roseville, California, after a two-year, \$145 million reconstruction project. Many smaller rail yards in the area were closed or downsized as rail traffic was consolidated into Roseville. This allows the Railroad to build longer, dedicated trains that can

ROSEVILLE RATIONALIZATION

Roseville is the premier classification yard on the West Coast. It was built to consolidate rail traffic from many smaller yards in the area and sized to handle years of expected growth. The savings from reduced labor costs and improved equipment utilization alone are estimated to provide a 30% return on investment.

PREMIUM MANIFEST SERVICE



"5-7-9" MANIFEST SERVICE



I-5 INTERMODAL SERVICE

No business segment offers a greater opportunity to grow market share than intermodal. Trucks currently handle about 90% of an approximately \$40 billion western market. Long-term growth depends upon improvements in service reliability and new service offerings. One such offering currently being tested in the I-5 corridor is the "Cascade Connection." This operates between Southern California and Portland and Seattle. A unique feature of the service is a fixed train configuration that is designed to best meet customer demand and avoid service delays caused by equipment shortages. Variable pricing will be used to smooth seasonal and day-of-week demand fluctuations and to maximize profitability. The "Cascade Connection" has already greatly improved customer service and the concept will be considered for implementation in other corridors.

MEMPHIS-TEXAS-CALIFORNIA INTERMODAL

In April 1999, UPRR introduced a new premium intermodal service between Memphis and Northern California via Dallas and Los Angeles. By using Union Pacific lines in Texas and Arkansas and the former Southern Pacific Sunset Route, the new service saves almost 600 miles over Union Pacific's old Central Corridor route. The rail transit time is competitive with the fastest truck service but at

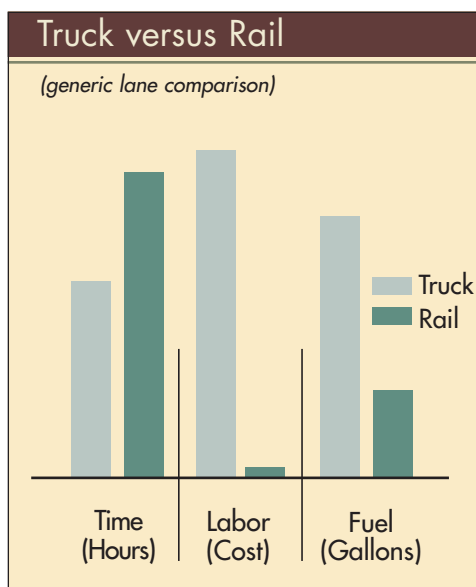
a lower cost to the shipper, while the premium service offers better margins to UP. Per container, this priority intermodal service requires approximately one-third the fuel and $\frac{1}{30}$ th the labor as comparable truck service.

INTERNATIONAL SERVICE

Driven by the North American Free Trade Agreement (NAFTA), international trade between Mexico, the U.S. and Canada continues to outpace domestic economic growth.

UPRR's network stretches from the Canadian border to Mexico and is well-positioned to benefit from the growing trade. The Railroad directly serves all six major gateways to Mexico and has the shortest and fastest route between the key Laredo, Texas, gateway and the northern interchanges at St. Louis and Chicago.

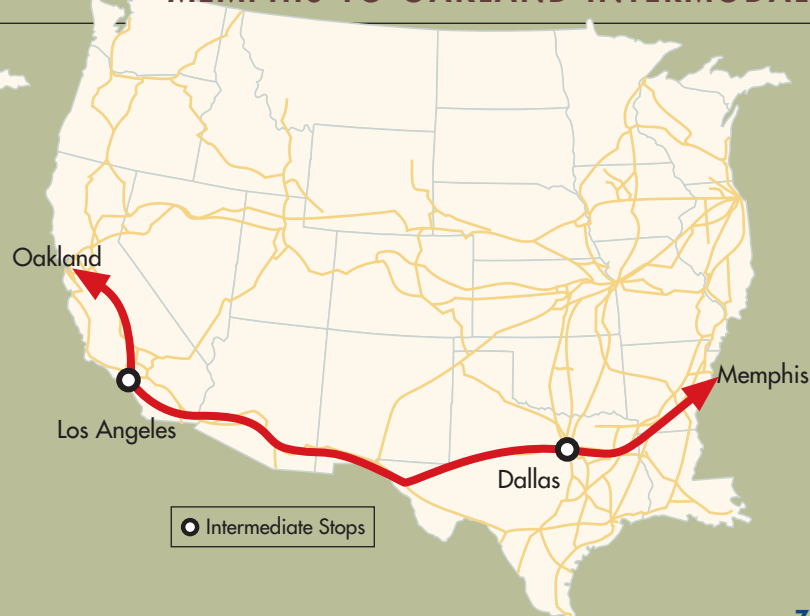
Speed and efficiency are enhanced on this route by use of directional running and the recently completed hub-and-spoke network. Directional running places all southbound trains



CASCADE CONNECTION INTERMODAL



MEMPHIS TO OAKLAND INTERMODAL



UNION PACIFIC RAILROAD

on the former SP route between Illinois and Texas and all northbound trains on the parallel UP route. This eliminates thousands of train meets and passes. The hub-and-spoke network greatly increases crew efficiency in major cities by qualifying crews on multiple line segments.

By taking advantage of these efficiencies, UP and the TFM in Mexico have teamed up to offer five-day premium intermodal service between Mexico City and Chicago. The primary target of this service is northbound auto parts shipments destined for U.S. assembly plants.



Intermodal, coal and manifest trains at the outskirts of Bailey Yard west of North Platte, Nebraska.

CENTRAL CORRIDOR CAPACITY

The heaviest density of rail freight in the world can be found traversing the Union Pacific's Central Corridor in Nebraska. In August 1999, a multi-year project to install 108 miles of triple track was completed, removing a key bottleneck. The fluid capacity of this segment grew from approximately 95 trains per day to 160 to 180 trains per day, and average train speed grew 40% to 34 miles per hour.

Track capacity is also being added between the PRB mines in Wyoming and North Platte, Nebraska, and between Gibbon, Nebraska, and

Marysville, Kansas, and over the Kansas Pacific line. The benefits of all this new capacity support anticipated growth in coal traffic and all other traffic relying on these routes.

INFORMATION TECHNOLOGY & THE INTERNET

TECHNOLOGY APPLICATIONS

At Union Pacific, technology has always been embraced as a valuable tool for increasing productivity, improving customer service and simplifying business practices. Because of the Railroad's large asset base and heavy reliance on transaction-based processes, new technologies can be scaled upward immediately to deliver strong financial returns. Examples include two new systems recently developed to monitor train events and manage the locomotive fleet. These systems provide managers with real-time information regarding train and locomotive location and status, and assists them in making decisions to improve both utilization and on-time

ROUTES TO MEXICO



CENTRAL CORRIDOR CAPACITY

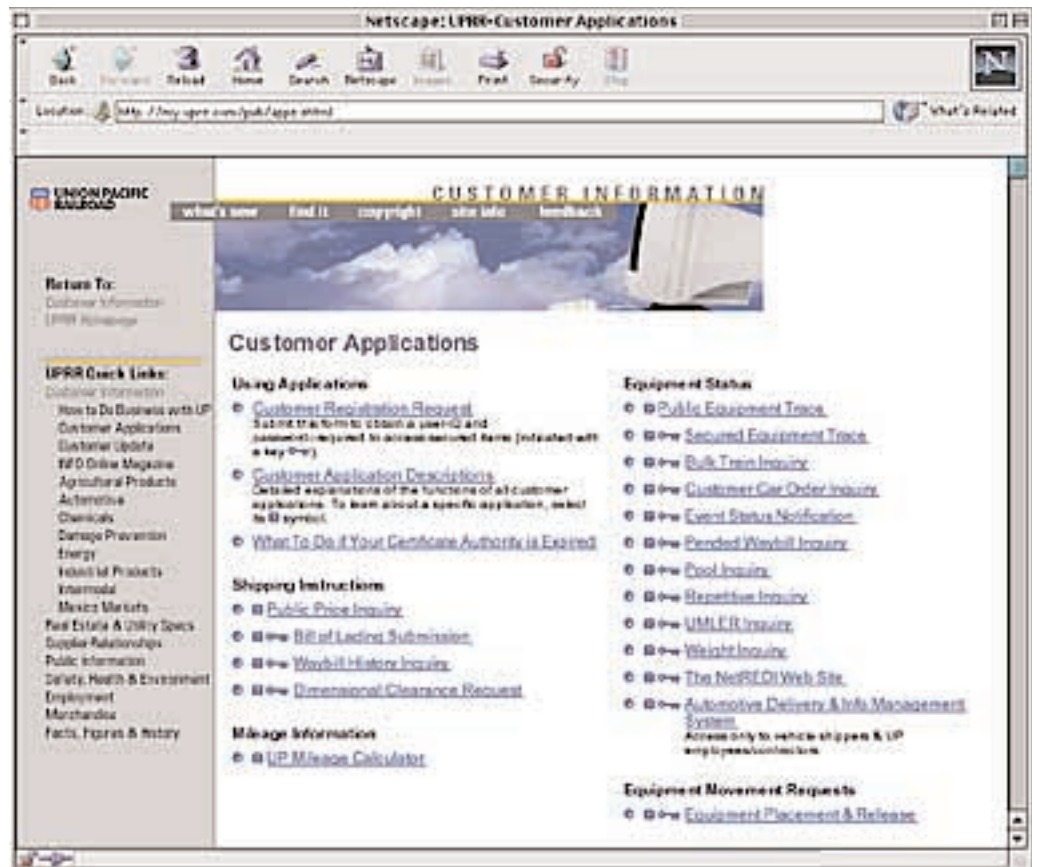


performance. Exciting new applications are now being developed, highlighted by a next-generation computer-aided dispatching system, CAD III.

THE INTERNET

Use of Internet applications to simplify and improve business-to-business transactions is one of the fastest growing areas in the technology industry today. Union Pacific is a railroad industry leader in developing innovative business-to-business applications. At Union Pacific, the Internet is viewed as a tool both to improve the efficiency and accuracy of tens of thousands of daily business-to-business transactions and to make these transactions simpler for customers. Many powerful services are already available. Customers can perform price inquiries, order freight cars, submit shipping instructions and trace car movements to destination. Once customers are finished loading or unloading a car, they can submit instructions via the Internet to have it picked up by the Railroad.

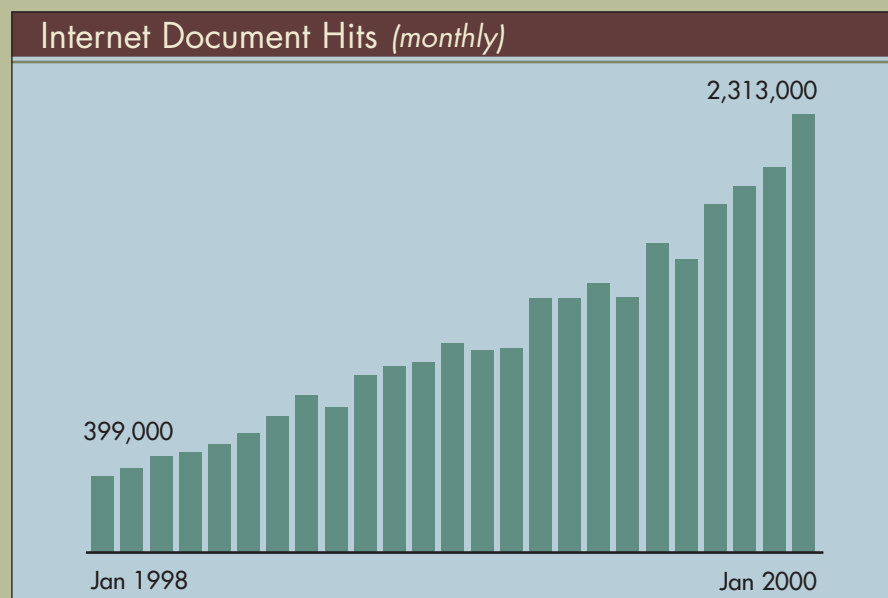
Customers have reacted positively,



as use of the Railroad's web site has increased by over 480% during the past two years.

Applications are not limited just to customers. Many employee services have also migrated to the web.

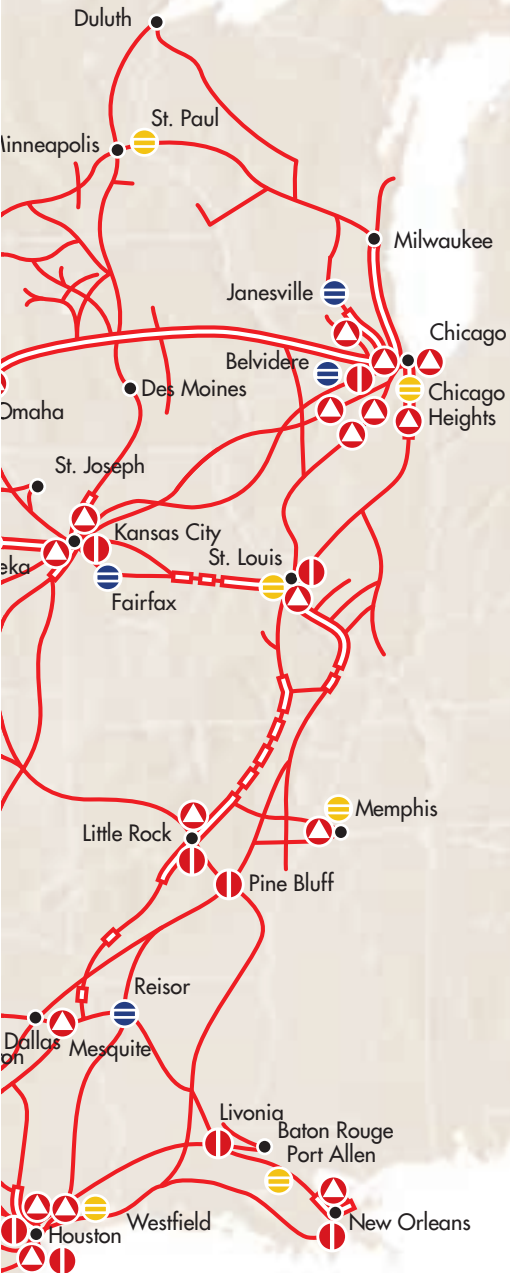
For example, crews can check train line-ups from home to help them anticipate work assignments. And many new applications and customer-specific sites are being developed.





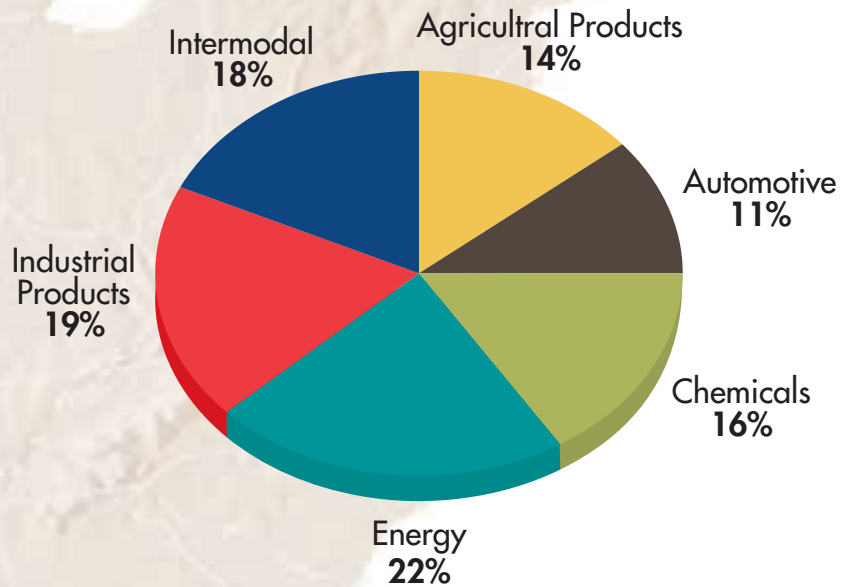


**UNION PACIFIC
RAILROAD**



REVENUE MIX

Commodity Revenue: \$9.9 Billion



12 Agricultural Products

14 Automotive

16 Chemicals

18 Energy

20 Industrial Products

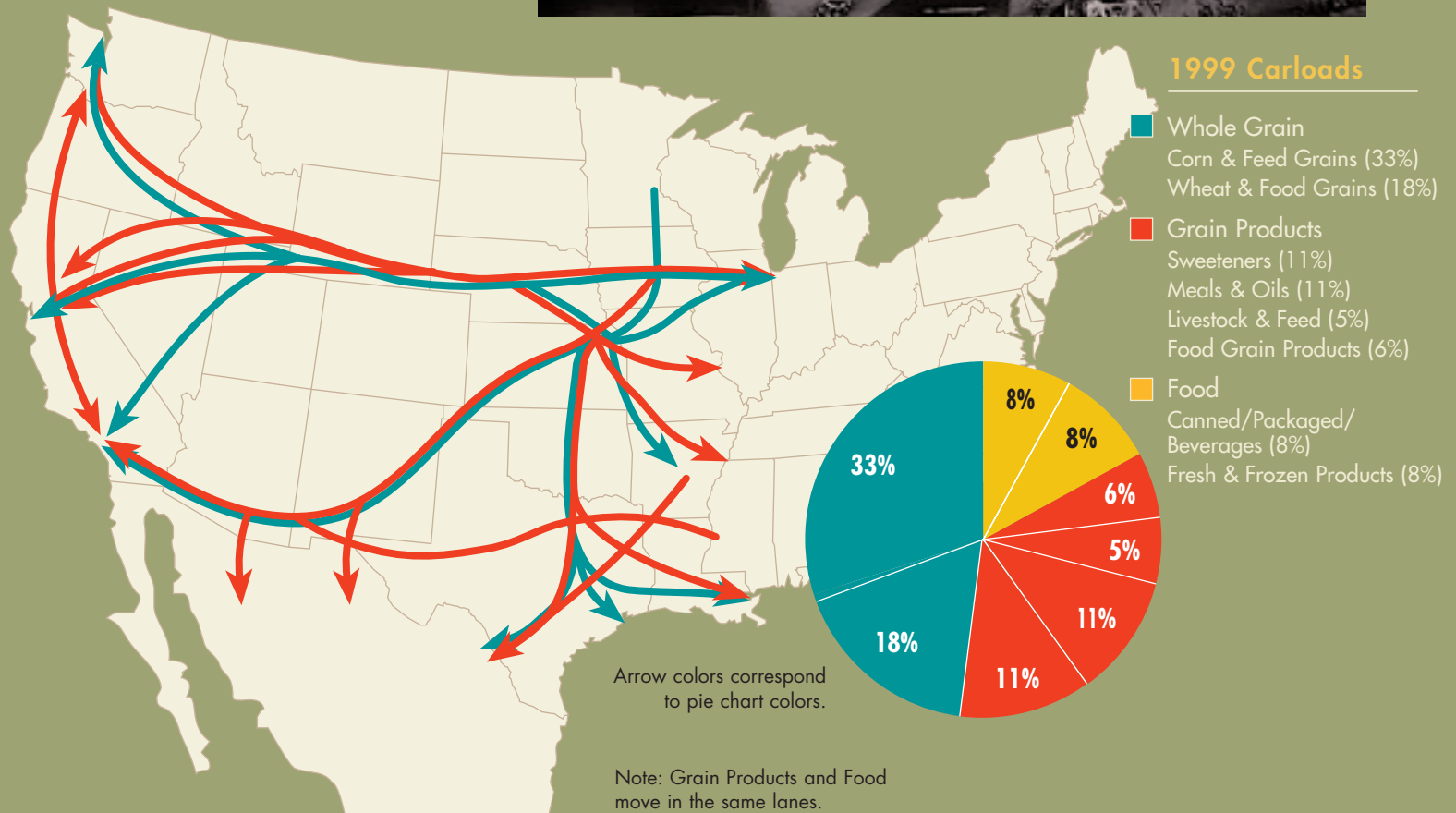
22 Intermodal

24 Mexico

AGRICULTURAL PRODUCTS

1999 Review

- Driven by strong crop production and a 44% increase in feed grain exports, whole grain carloads increased 15% over 1998 levels.
- Service improvements in 1999 resulted in a 25% improvement in unit train transit times compared to 1998.
- Better service also helped food products volume grow 5%. Growth in beer and frozen products were particularly strong. Canned goods shipments were down 2%, primarily the result of a poor tomato crop during 1998.
- Carloads of grain products increased by 1%, as strong growth in Meals & Oils and Malt was tempered by a decline in sugar beets due to crop conditions and growing patterns.
- Service improvements decreased car cycle times and allowed the Railroad to handle customer transportation requirements efficiently during the fall grain harvest.
- Railroad investment in commercial facilities designed to improve the efficiency of the unit-train network continued, with over \$4.2 million invested in 1999.



Key Market Factors

- Union Pacific offers a critical link between producing areas in the Midwest and West and the Pacific Northwest and primary Gulf ports, as well as to Mexico. UP's domestic markets include grain processors and feeders in the Midwest, South and Rocky Mountain states.
- Food products and beverages constitute another major product line, with producers and consumers being distributed broadly across the Railroad system.
- Factors affecting export grain movements include domestic and foreign crop production, differences between Gulf Coast and PNW shipping rates and grain prices. Domestic business is more stable and driven primarily by the consistency of service performance.
- Grain moves most efficiently in unit trains that shuttle continuously between producers and export terminals or domestic markets. Smaller shipments, along with food products and beverages, typically move in the manifest train network.

2000 Outlook

- Implementation of a premium manifest train network with the new Roseville yard as the cornerstone is planned. Union Pacific will target the large volume of food products currently moving by truck from California to major population centers in the East.
- Low commodity prices and increasing competition from foreign grain-producing countries are expected to keep the export grain market relatively flat in 2000.
- To provide more competitive grain transportation service, Union Pacific will continue to work with receivers in Mexico to develop a high-efficiency unit grain train network.

COMMODITY REVENUE *(millions of dollars)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	347	328	367	377	314	291	333	365	401	359	340	338
Cumulative	347	675	1,042	1,419	314	605	938	1,303	401	760	1,100	1,438

REVENUE TON-MILES *(millions)*

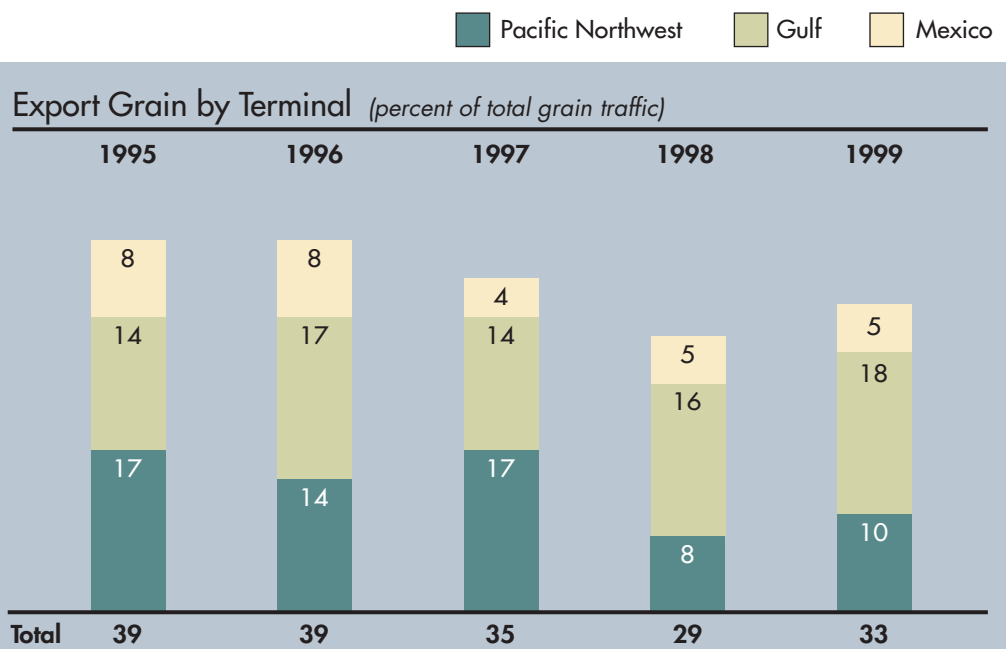
	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	16,914	16,329	17,874	18,298	15,570	14,074	15,541	15,543	20,910	15,244	14,271	18,610
Cumulative	16,914	33,243	51,117	69,415	15,570	29,644	45,185	60,728	20,910	36,154	50,425	69,035

CARLOADS *(thousands)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	223	214	233	241	201	192	212	235	245	224	222	216
Cumulative	223	437	670	911	201	393	605	840	245	469	691	907

AVERAGE REVENUE/CARLOAD *(dollars)*

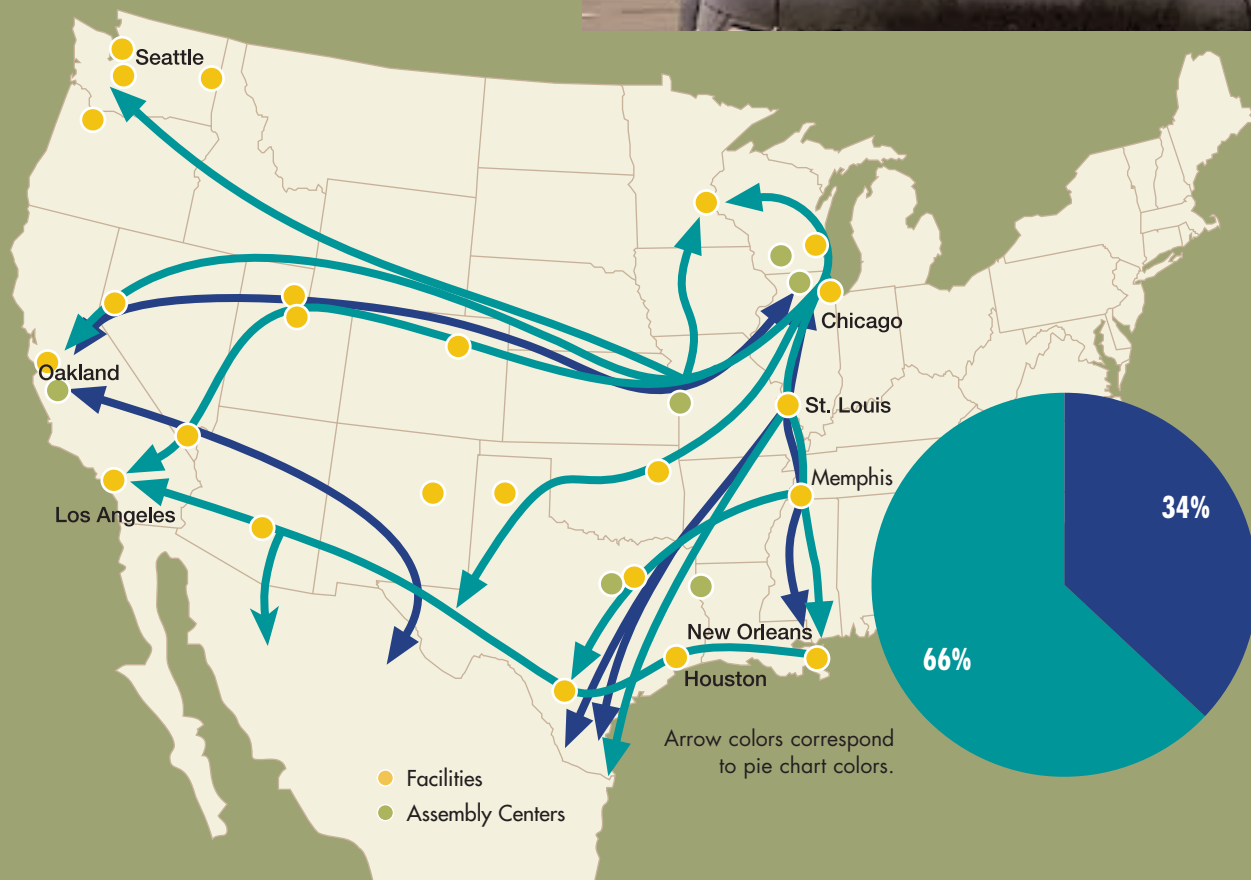
	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,552	1,536	1,576	1,565	1,561	1,513	1,574	1,556	1,637	1,601	1,531	1,566
Cumulative	1,552	1,544	1,555	1,558	1,561	1,538	1,550	1,552	1,637	1,620	1,592	1,585



1999 Review

- Vehicle shipments grew 14% compared to a 7% increase in domestic vehicle sales. The growth was driven by gains in market share and improved service in a year of record-setting vehicle sales.
- UP Automotive facilities averaged a best-in-class 98% performance rating in 18 Association of American Railroads Quality Audits that were performed in 1999, consistently scoring higher than the industry average.
- The Railroad continued to increase the size of its freight car fleet, which grew to 17,642 with the addition of 2,342 new bi-level autoracks. Union Pacific has the largest fleet of autoracks in North America.
- Union Pacific and General Motors reached agreement on a multi-year contract extension, with UP remaining GM's primary transportation provider in the west.
- Union Pacific and DaimlerChrysler reached agreement on a breakthrough multi-year strategic alliance making UP its sole provider of rail transportation services in the West with focus on reliability, velocity and technology.
- The Automotive Delivery and Information Management System (ADIMS), designed to manage

UPRR's automotive facilities, was used as a platform to develop VINVision. VINVision is a commercially available Internet-accessible product that provides complete tracking capability by Vehicle Identification Number throughout the entire distribution network.



Key Market Factors

- Union Pacific is the largest automotive carrier west of the Mississippi River. The Railroad has facilities that serve 80% of western U.S. cities, including 43 vehicle distribution centers. Union Pacific also directly serves six assembly centers and distributes import vehicles from four West Coast ports and two Gulf ports.
- Mexico is an important automotive market for the Railroad as companies continue to locate both vehicle manufacturing and material facilities throughout the country. Automotive materials flow north and south across the border bound for assembly centers in Mexico, the U.S. and Canada.

2000 Outlook

- Vehicle sales remained at record-setting levels in the first quarter of 2000. Growth for the remainder of the year will follow the strength of the economy and consumer confidence.
- The newly developed VINVision is the first in a new line of logistics products that will enhance customers' Fast-to-Market strategies. These products, combined with further advances in technology, will facilitate improvements in velocity and reliability for the entire distribution network.
- Union Pacific and Thrall Car Manufacturing Company entered a strategic alliance to improve and develop new freight car technology to better meet changing customer needs. A new high-capacity multi-level autorack, the Q2, is the first product of the alliance and will be introduced later this year.
- Materials business should provide an opportunity for growth as the Railroad develops supply chain management solutions that help win market share from trucks.

COMMODITY REVENUE (millions of dollars)

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	253	275	239	281	230	243	203	261	237	250	217	246
Cumulative	253	528	767	1,048	230	473	676	937	237	487	704	950

REVENUE TON-MILES (millions)

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	3,748	3,965	3,555	4,080	3,295	3,431	2,966	3,806	3,972	4,228	3,366	3,636
Cumulative	3,748	7,713	11,268	15,348	3,295	6,726	9,692	13,498	3,972	8,200	11,566	15,202

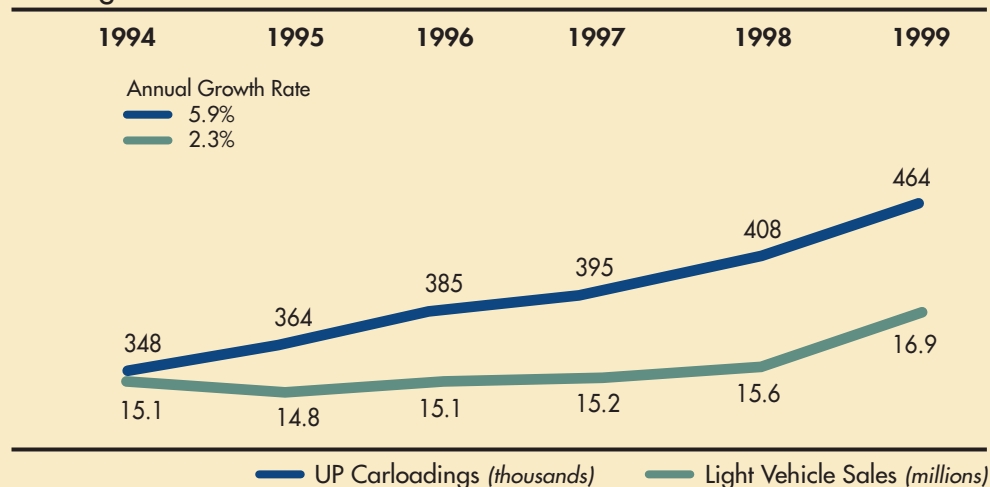
CARLOADS (thousands)

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	170	184	167	186	159	165	140	177	157	166	148	167
Cumulative	170	354	521	707	159	324	464	641	157	323	471	638

AVERAGE REVENUE/CARLOAD (dollars)

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,491	1,492	1,430	1,507	1,448	1,473	1,450	1,471	1,513	1,513	1,463	1,471
Cumulative	1,491	1,492	1,472	1,481	1,448	1,461	1,458	1,461	1,513	1,513	1,497	1,490

U.S. Light Vehicle Sales/UP Finished Vehicle Carloads*



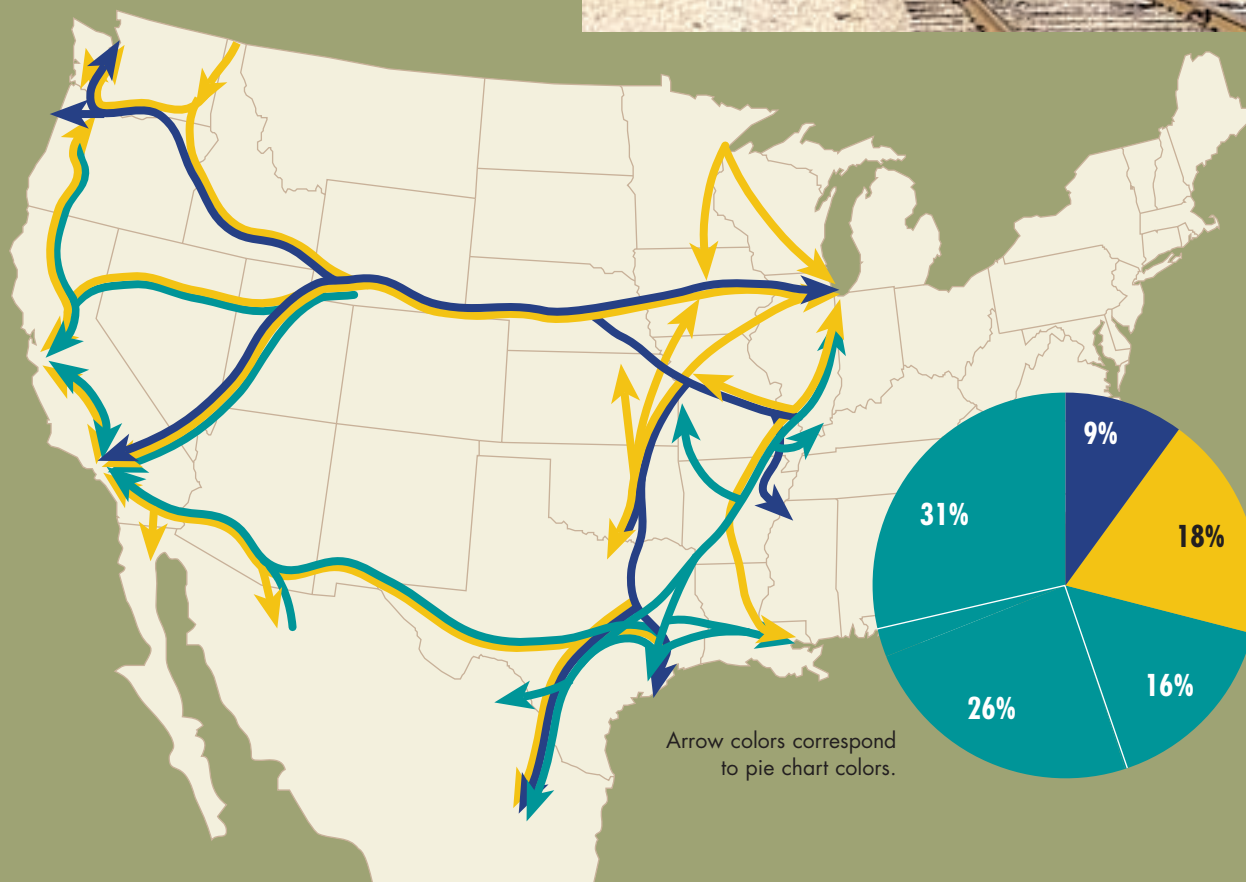
* UP, SP & CNW pro forma for years 1994 through 1996.

1999 Review

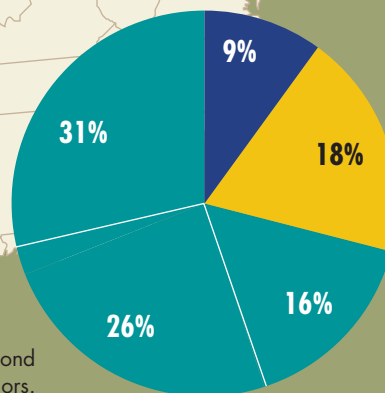
- Carloads increased 3% during the year as a result of improved service levels and growth in major market segments. As Asian markets began to strengthen, carloads increased 8% in the fourth quarter.
- Strong demand, customer plant expansions and improved service levels led to an 11% increase in plastics carloads.
- Liquid and dry chemical shipments rose 6%, due to improved service and robust demand for basic chemicals.
- Depressed demand for farm commodities drove fertilizer carloads down 3% for the year, but the fourth quarter finished up 7%, due to favorable weather and application conditions.

- Union Pacific opened a new export soda ash facility at Beaumont, Texas, to improve service and increase participation in Gulf Coast export business that was formerly interchanged to another railroad at Kansas City.

- Capital spending in the Gulf Coast region over the past two years has increased efficiency at switching yards, removed capacity bottlenecks and added plastics storage capacity.



Arrow colors correspond to pie chart colors.



1999 Carloads

- Liquid and Dry (31%)
- Plastics (26%)
- Liquid Petroleum Products (16%)
- Fertilizers and Related Products
- Soda Ash

Key Market Factors

- Plastics customers depend on reliable rail service and railroad-provided storage-in-transit (SIT) yards for intermediate storage of plastic resins.
- Fertilizer and related products are produced 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.
- UP directly serves Green River, Wyoming, the primary soda ash producing region in the United States. Domestic demand for soda ash is relatively constant. Export markets to Asia, Europe and Mexico, though volatile, provide growth opportunity.

2000 Outlook

- Plastics shipments should remain strong as the economy drives new plant expansions, and the Railroad continues to gain business moving on trucks to the Northeast and West Coast.
- Fertilizer business is expected to be flat, due to crop surpluses and weak agricultural markets.
- To optimize capacity and meet expected growth in the Gulf Coast chemical region, UP is:
 - Improving efficiency at its two major Houston switching yards.
 - Expanding capacity in key satellite zones around Houston.
 - Adding more plastics storage-in-transit facilities.

COMMODITY REVENUE *(millions of dollars)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	401	396	398	400	390	383	384	378	434	454	430	397
Cumulative	401	797	1,195	1,595	390	773	1,157	1,535	434	888	1,318	1,715

REVENUE TON-MILES *(millions)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	13,153	13,096	13,238	13,761	12,553	12,571	12,576	11,642	14,184	14,429	13,412	12,576
Cumulative	13,153	26,249	39,487	53,248	12,553	25,124	37,700	49,342	14,184	28,613	42,025	54,601

CARLOADS *(thousands)*

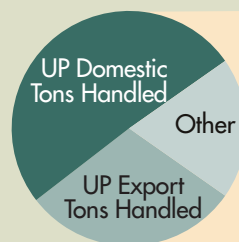
	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	225	233	238	234	223	226	232	218	237	258	250	227
Cumulative	225	458	696	930	223	449	681	899	237	495	745	972

AVERAGE REVENUE/CARLOAD *(dollars)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,781	1,701	1,673	1,708	1,750	1,692	1,658	1,733	1,828	1,760	1,725	1,746
Cumulative	1,781	1,741	1,717	1,715	1,750	1,721	1,699	1,708	1,828	1,793	1,770	1,764

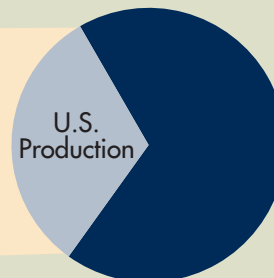
Soda Ash Growth Opportunity

Domestic Soda Ash Production



10 Million Tons

World Soda Ash Production



32 Million Tons

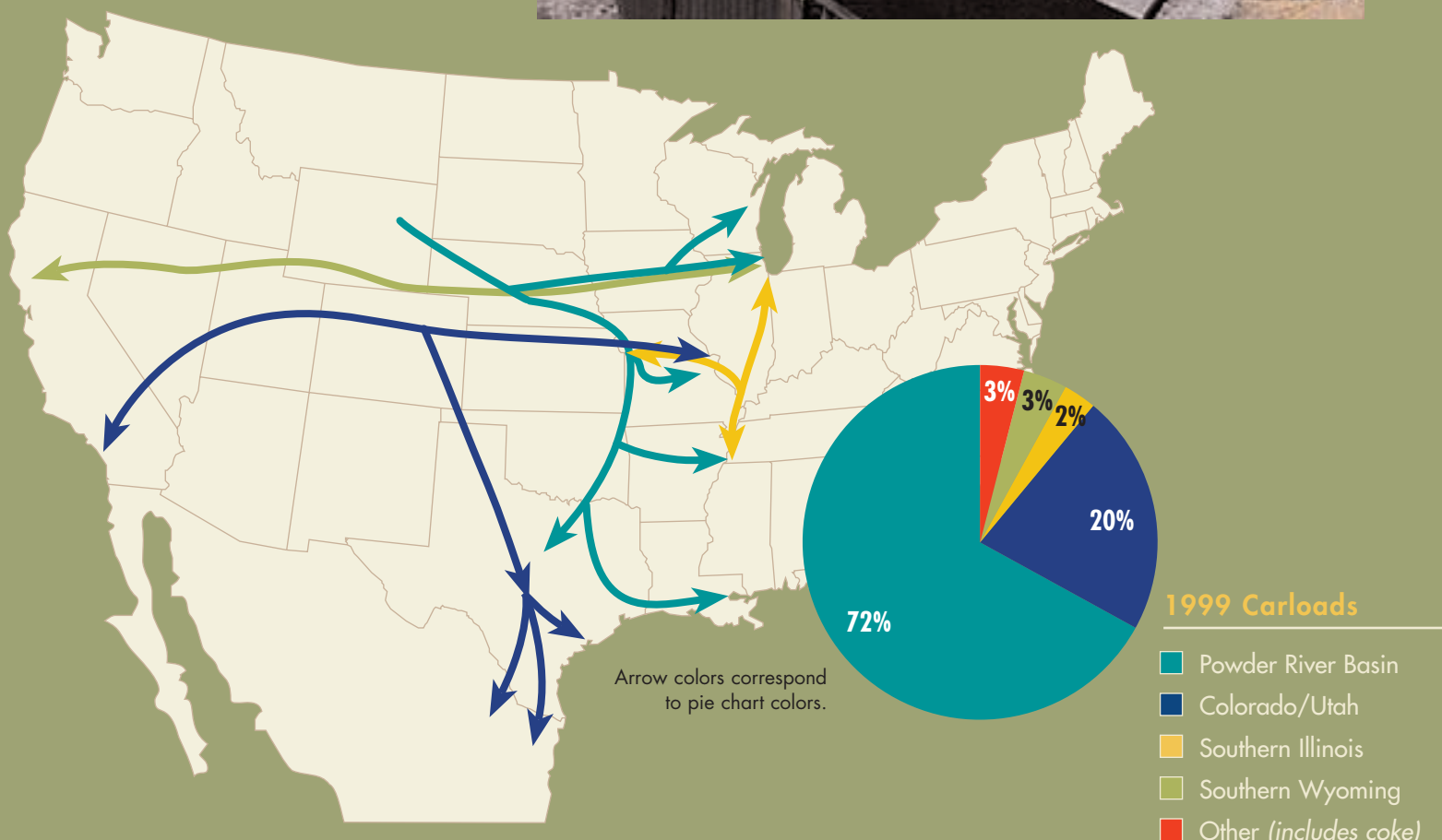
The Green River Basin in southern Wyoming holds the world's largest producing deposits of trona, or natural soda ash. Synthetic soda ash production supplies most world markets outside the U.S. and represents potential growth for UP.

1999 Review

- In 1999, Union Pacific coal volume grew 9% to 204 million tons. Growth in Wyoming's Powder River Basin (PRB) coal led the way with a record 135 million tons originated, a 13% increase over 1998.
- Colorado/Utah coal volume increased 2% from 40 million tons in 1998 to 41 million tons in 1999.
- PRB coal train productivity improved 3.3% to 13,660 tons per train in 1999 compared to 13,250 tons per train in 1998. Since 1996, PRB train productivity has grown nearly 10%, reflecting the increased use of longer trains and high-capacity aluminum cars.

- Approximately 66 miles of new track was added in Nebraska and Kansas during 1999 to remove bottlenecks on the railroad and to provide capacity for future growth.

- Coal train cycle performance showed strong improvement during the year, improving from less than 80% in January to nearly 97% by December.



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.
- The Railroad also moves high-BTU, low-sulfur coal from Colorado and Utah to domestic utilities and through West Coast ports for export to the Pacific Rim. Colorado coal is exported to Mexico via Eagle Pass, Texas, and PRB coal is exported to Europe through Mississippi River barge terminals.

2000 Outlook

- Continued growth is expected for PRB coal volumes, as recent capacity improvements and strong service performance support growing demand for low-sulfur western coal. Growth is expected from new customers and incremental growth with existing customers.
- Track capacity expansion will continue to focus on alleviating bottlenecks in key coal corridors. A 145-mile line between Gibbon, Nebraska, and Marysville, Kansas, will be completely double-tracked by March 2000.
- A number of operational initiatives were recently implemented that were designed to increase PRB train loading capabilities, including mine slotting with the Burlington Northern Santa Fe, which better matches mine capacity with customer demand.
- Productivity growth should continue as more and longer distributed-power (DP) trains are utilized. Radio-controlled locomotives are placed at the rear of DP trains to allow train size to be expanded and asset utilization to be increased.

COMMODITY REVENUE *(millions of dollars)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	564	533	560	511	497	488	516	495	512	495	483	424
Cumulative	564	1,097	1,657	2,168	497	985	1,501	1,996	512	1,007	1,490	1,914

REVENUE TON-MILES *(millions)*

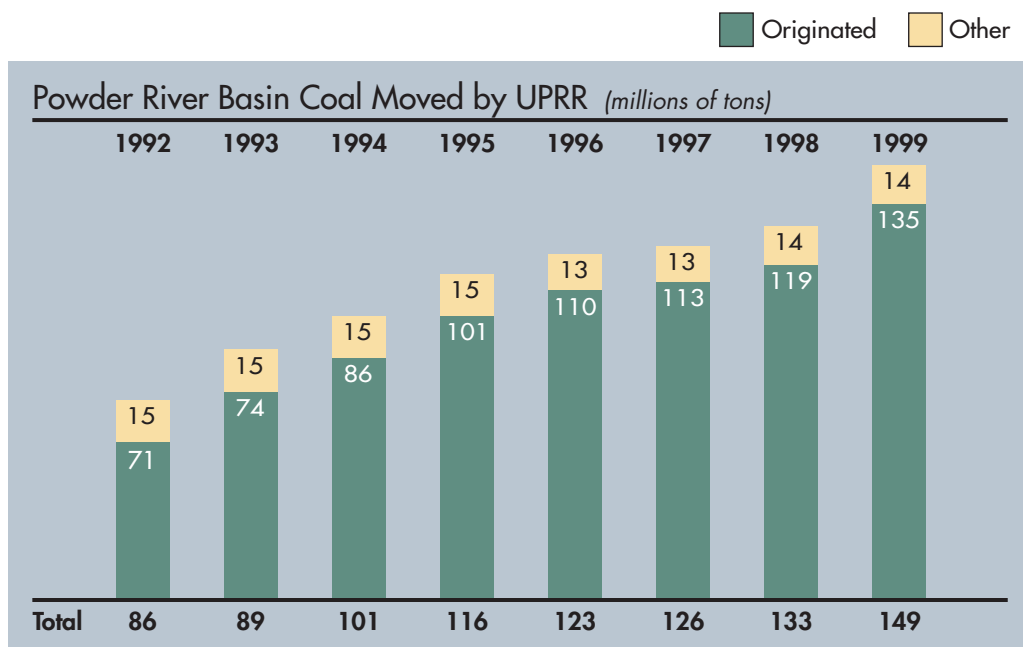
	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	47,608	45,654	48,222	47,890	41,634	41,480	45,370	44,609	41,901	42,196	41,905	37,280
Cumulative	47,608	93,262	141,484	189,374	41,634	83,114	128,484	173,093	41,901	84,097	126,002	163,282

CARLOADS *(thousands)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	477	448	478	469	442	427	449	449	456	436	440	404
Cumulative	477	925	1,403	1,872	442	869	1,318	1,767	456	892	1,332	1,736

AVERAGE REVENUE/CARLOAD *(dollars)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,183	1,188	1,172	1,090	1,124	1,143	1,148	1,104	1,122	1,135	1,097	1,050
Cumulative	1,183	1,185	1,181	1,158	1,124	1,133	1,138	1,130	1,122	1,128	1,118	1,102



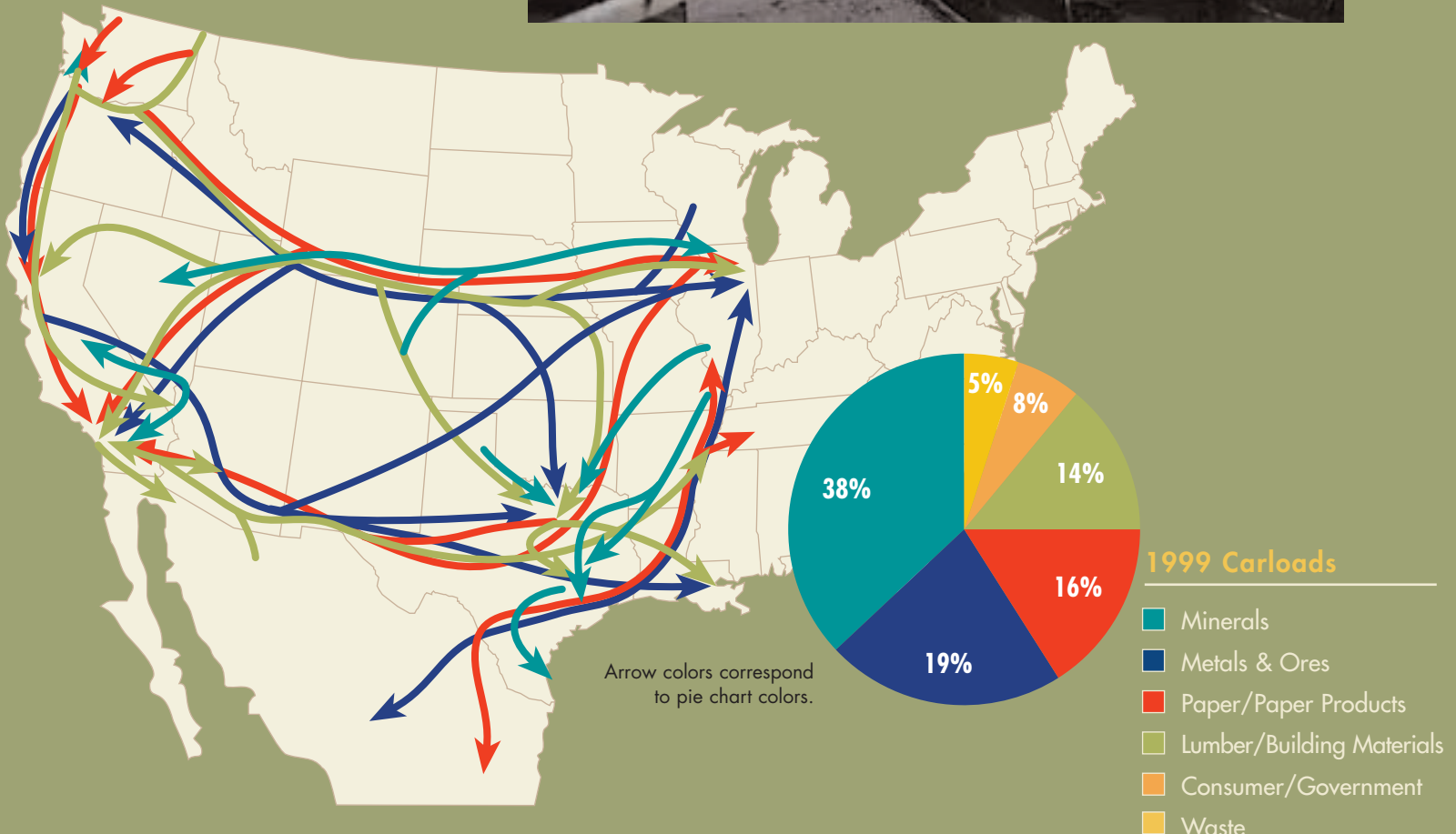
INDUSTRIAL PRODUCTS

1999 Review

- Mild weather and a strong construction market in the high population growth areas of the West and Southwest combined to drive lumber revenue up over 10% for the year.
- Stone and cement revenues were up 17% and 15%, respectively, reflecting improved service as well as strong construction activity, primarily in Texas and in major metropolitan areas.
- Although down 6% for the year due to record imports, steel revenue rose over 22% in the fourth quarter, as improved Asian economies slowed imports and import quotas began to take hold.

- Newsprint, fibre and paperboard saw revenue gains of nearly 8%, due to a strong domestic economy and improving worldwide economic conditions that reduced imports.

- In May, the newly rebuilt Roseville, California yard opened, providing the cornerstone for improving service along the I-5 corridor from Los Angeles to Seattle.



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. 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.
- Most other commodities move in manifest train service and rely on UP's extensive network of rail terminals to move between thousands of shippers and customers across North America. Demand is driven primarily by macro-economic conditions but experiences seasonal peaks.

2000 Outlook

- The newly rebuilt Roseville yard will help the Railroad implement its new "5-7-9" Strategy to capture traffic from trucks. The strategy calls for delivery times of 5 days from the PNW to Northern California, 7 days to Southern California and 9 days to Phoenix and Tucson.
- Population growth in the South and Southwest, a strong economy and large highway construction projects have created a growing construction market for lumber, cement, aggregates, roofing products and metals.
- Steel, ferrous scrap and metallic minerals should all benefit from declining imports of foreign steel.
- Rising crude oil prices have caused an increase in domestic drilling activity, which should also drive up demand for tubular steel and non-metallic minerals.

COMMODITY REVENUE *(millions of dollars)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	449	474	493	480	433	466	455	431	476	531	508	439
Cumulative	449	923	1,416	1,896	433	899	1,354	1,785	476	1,007	1,515	1,954

REVENUE TON-MILES *(millions)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	17,950	19,180	19,573	19,794	17,627	18,356	18,417	16,875	19,967	20,794	19,360	17,574
Cumulative	17,950	37,130	56,703	76,497	17,627	35,983	54,400	71,275	19,967	40,761	60,121	77,695

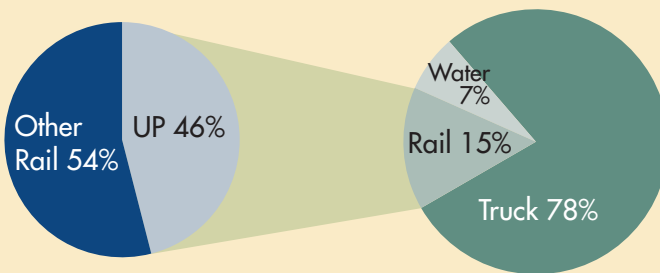
CARLOADS *(thousands)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	327	353	365	353	314	342	349	315	353	389	367	321
Cumulative	327	680	1,045	1,398	314	656	1,005	1,320	353	742	1,109	1,430

AVERAGE REVENUE/CARLOAD *(dollars)*

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,373	1,345	1,350	1,360	1,381	1,362	1,303	1,365	1,348	1,366	1,385	1,364
Cumulative	1,373	1,359	1,356	1,357	1,381	1,371	1,348	1,352	1,348	1,357	1,366	1,366

Industrial Products: Western Market Share



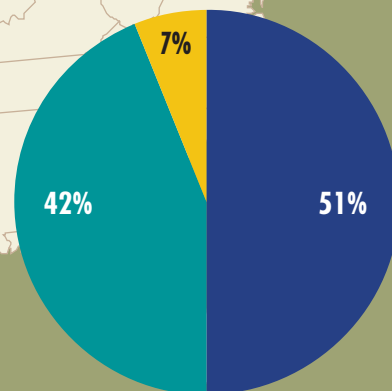
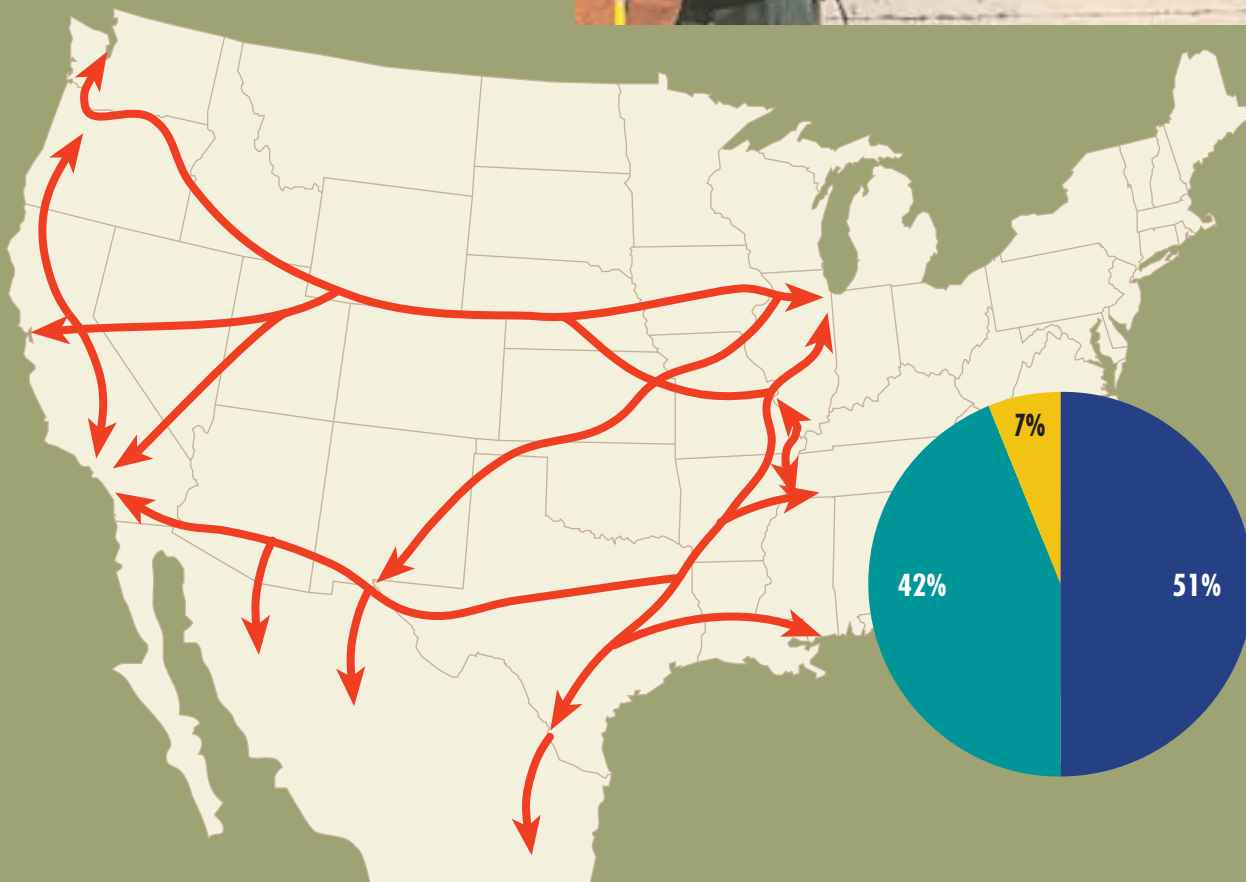
Western Rail Share

Transportation Mode

A majority of the western industrial products market currently moves by truck. This provides significant opportunity to increase market share through new service offerings and improvements in cycle time and service variability.

1999 Review

- A strong economy, record imports and better cycle times combined to produce an 8% increase in carloads and a 14% increase in revenue in 1999.
- Average revenue per car increased 5%, as a result of demand-driven price increases and higher volume in the Premium business segment.
- Third-party and Truckload volume grew 6%, primarily due to service improvements and EMP growth (see table page 23). The size of the EMP fleet grew to approximately 19,600 units, resulting in a 47% increase in volume during the year.
- Less-Than-Truckload and Premium intermodal volume was up 13%, led by a new premium service offering between Memphis/Dallas and California, which began in April.
- Service improvements and track capacity additions in the Los Angeles basin combined to enable UP to handle an 18% growth in intermodal volume out of the region.



1999 Carloads

Domestic

■ Container and Trailer

■ Premium

■ International

Key Market Factors

■ **International:** International container traffic handled by steamship customers. The strength in foreign – especially Asian – economies, U.S. demand for foreign goods and international trade policies drive demand and affect the balance of eastbound versus westbound traffic.

■ **Domestic:** Two key domestic market segments:

■ **Domestic Container and Trailer:** Includes container traffic handled by Intermodal Marketing Companies (IMC) and truckload carriers, as well as the domestic container segments of Pacer and CSXI. An effort is underway to convert trailer business to EMP containers and is expected to raise significantly the efficiency and profitability of this segment.

■ **Premium:** Primarily less-than-truckload and package carriers with time-sensitive business needs. Premium business growth is driven by service performance and reliability. Significant growth is available from trucks as service performance continues to improve.

2000 Outlook

■ Continued strong import business is anticipated to keep the International segment growing.

■ The Premium service segment offers the greatest opportunity for growth with continued service performance improvement in existing lanes and introduction of a second Premium train between Oakland and Chicago in March, 2000.

■ IMC and Truckload volumes should continue to grow, aided by full-year utilization of 6,500 EMP containers purchased last year.

■ Construction of a new intermodal terminal in the Chicago area has been authorized. The new facility will provide needed capacity for growth in all intermodal market segments.

COMMODITY REVENUE (millions of dollars)

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	388	426	459	452	362	379	385	390	418	461	473	389
Cumulative	388	814	1,273	1,725	362	741	1,126	1,516	418	879	1,352	1,741

REVENUE TON-MILES (millions)

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	16,014	17,472	17,886	17,847	15,482	16,276	16,148	16,224	17,880	20,896	20,559	12,703
Cumulative	16,014	33,486	51,372	69,219	15,482	31,758	47,906	64,130	17,880	38,776	59,335	72,038

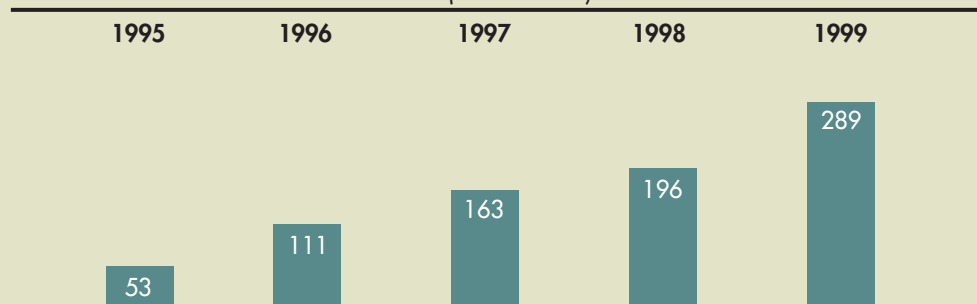
CARLOADS (thousands)

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	625	682	720	711	599	643	640	649	679	733	745	613
Cumulative	625	1,307	2,027	2,738	599	1,242	1,882	2,531	679	1,412	2,157	2,770

AVERAGE REVENUE/CARLOAD (dollars)

	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	620	624	638	636	603	590	602	601	615	628	636	635
Cumulative	620	622	628	630	603	596	598	599	615	622	627	629

EMP Domestic Container Loads (in thousands)



EMP is an equipment management program sponsored by Union Pacific and Norfolk Southern that provides intermodal containers to shippers using an Internet reservation system. EMP offers customers a truck-equivalent container and the economic benefits of double-stack train service. Full-year utilization of last year's fleet additions and improvements in cycle times are expected to help meet projected growth in demand in 2000.

1999 Review

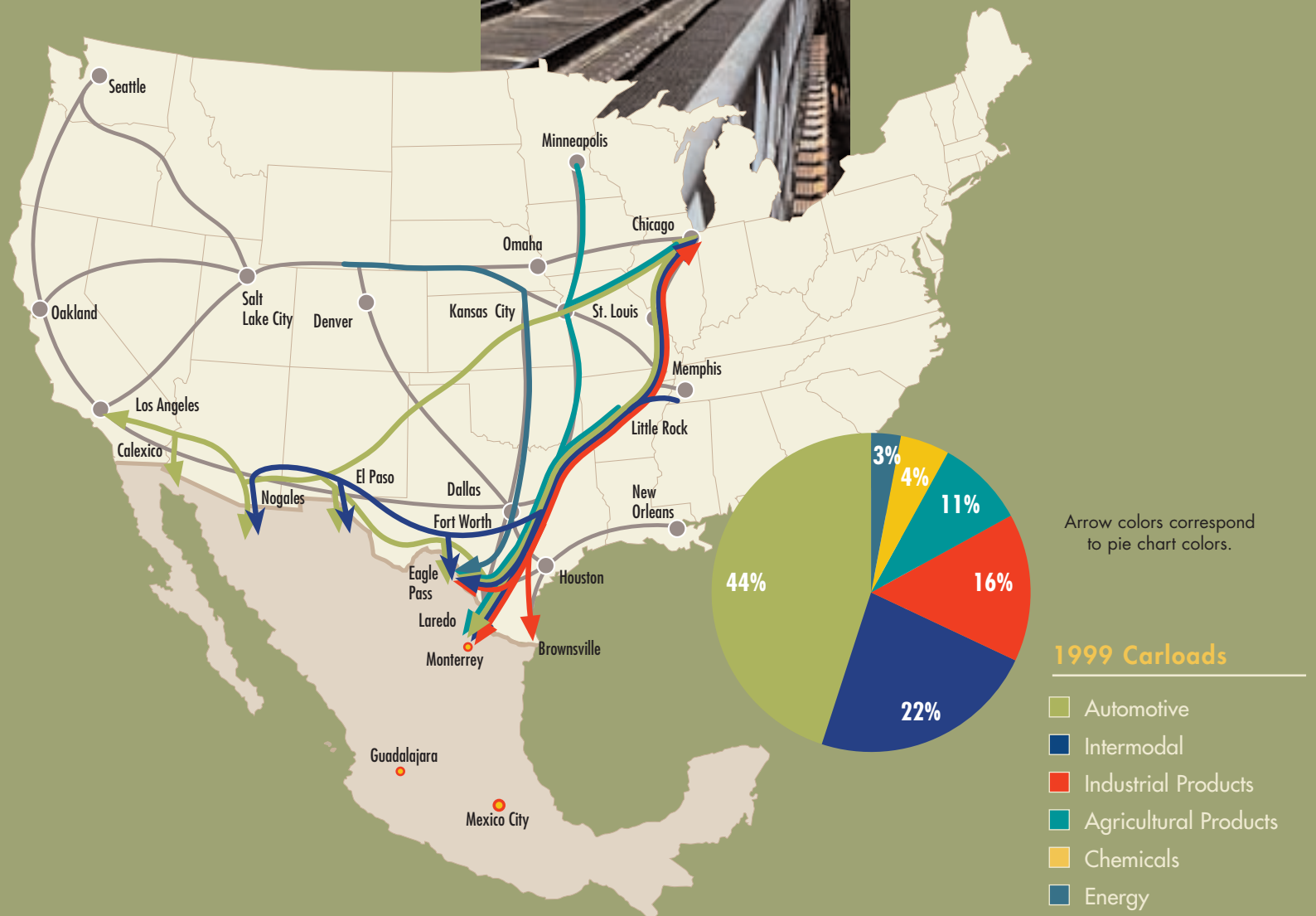
- Rail business with Mexico increased 10% to \$708 million in 1999, driven by significant improvements in service performance both north and south of the border. Top volume gainers include Chemicals, up 27%; Agricultural Products, up 19%; and Automotive, up 11%.
- The recently-privatized Mexican railroads made considerable efforts to improve service through infrastructure and equipment upgrades, heightened security and improved processes. One example is implementation of Despacho Anticipado, a northbound clearing process that is the first step in implementation of

the Automated Manifest System (AMS), which, when completed, will improve border crossing efficiency.

- Overall cycle times were reduced dramatically, with UP achieving a 27% (3 day) improvement over 1998.



- Improvements in cycle time and service increased the customer satisfaction index for Mexican customers from 55 to 82 year-over-year.
- Capital improvements were completed to clear capacity bottlenecks at the Laredo gateway and a new Customs Inspection Facility was built at Port Laredo.
- Union Pacific increased its investment in the Ferromex (FXE) railroad from 13% to 26%. The FXE is a 4,000-mile rail network serving four of the six gateways to the United States.

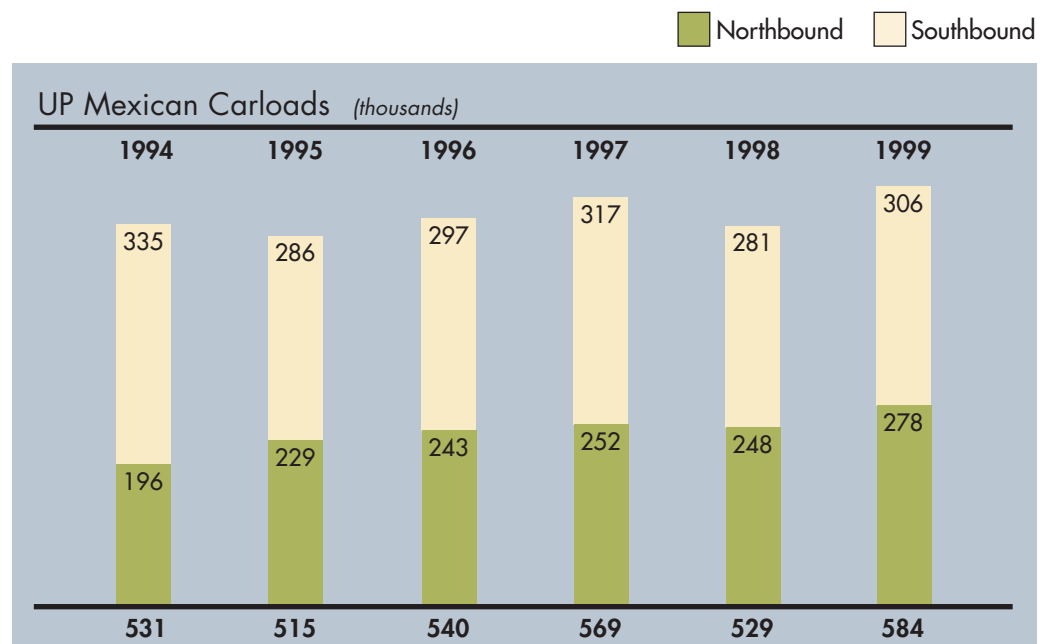


Key Market Factors

- Union Pacific serves all six major gateways to Mexico, connecting to the two largest Mexican railways. Union Pacific has the shortest and fastest route between Mexico and the Chicago connections to Canada and the eastern railroads (see map, page 10).
- The Railroad transports all six major commodity groups into and out of Mexico, led by the Automotive group with a 44% share.
- The Mexican rail network comprises five railroads (see map below) and is now 90% privatized. The privatization process has resulted in a more efficient transportation system well-positioned to compete for the northbound and southbound business opportunities created by the North American Free Trade Agreement (NAFTA). The Mexican railroads are and have been making substantial investments in track structure, equipment and facilities to improve service, equipment

utilization, safety and damage prevention.

- The Mexico transportation market is estimated to be \$4 billion per year in size and consists of a broad range of commodities from raw materials to finished goods. Trucks are the dominant transportation mode with a 75% share. Water transportation is a third competitive option.
- 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.
- Additional progress is expected in 2000 to facilitate Mexico growth, including implementation of more run-through trains and electronic data interchange between U.S. and Mexican carriers.



FINANCIAL AND OPERATING STATISTICS

UNION PACIFIC CORPORATION *(excluding Overnite Transportation Co. and Skyway)*

for the year ended December 31

	1999					1998				
	1	2	3	4	TOTAL	1	2	3	4	TOTAL

FINANCIAL AND REVENUE STATISTICS

Operating Revenues <i>(millions of dollars)</i>	\$2,487	\$2,500	\$2,616	\$2,608	\$10,211	\$2,284	\$2,317	\$2,360	\$2,407	\$9,368
Operating Expenses <i>(millions of dollars) (a)</i>	\$2,135	\$2,074	\$2,109	\$2,109	\$8,427	\$2,257	\$2,459	\$2,152	\$2,152	\$9,020
Operating Ratio (%)	85.8	83.0	80.6	80.8	82.5	98.8	106.1	91.2	89.4	96.3
Salaries and Benefits <i>(millions of dollars)</i>	\$918	\$890	\$930	\$896	\$3,634	\$909	\$914	\$910	\$947	\$3,680
Salaries and Benefits <i>(% of commodity revenue)</i>	38.2	36.6	37.0	35.8	36.9	40.8	40.6	40.0	40.8	40.6
Commodity Revenue/Employee <i>(thousands of dollars)</i>	\$45.7	\$45.6	\$47.7	\$48.6	\$187.6	\$42.2	\$41.9	\$42.3	\$44.5	\$170.8
Fuel Expense <i>(millions of dollars)</i>	\$153	\$170	\$176	\$193	\$692	\$180	\$182	\$170	\$176	\$708
Average Fuel Cost Per Gallon <i>(cents)</i>	50	56	56	60	56	64	63	60	60	62
Commodity Revenue <i>(millions of dollars)</i>	\$2,402	\$2,432	\$2,515	\$2,502	\$9,851	\$2,226	\$2,250	\$2,277	\$2,319	\$9,072
Average Commodity Revenue Per Car <i>(dollars)</i>	\$1,173	\$1,151	\$1,144	\$1,140	\$1,151	\$1,149	\$1,128	\$1,126	\$1,135	\$1,134
Average Commodity Revenue/Revenue Ton Mile <i>(cents)</i>	2.08	2.10	2.09	2.06	2.08	2.09	2.12	2.05	2.11	2.10
Passenger Revenue <i>(millions of dollars)</i>	\$27	\$25	\$26	\$27	\$105	\$24	\$25	\$23	\$25	\$97

OPERATING STATISTICS

Revenue Carloads <i>(thousands)</i>	2,048	2,113	2,200	2,195	8,556	1,938	1,995	2,022	2,043	7,998
Revenue Ton-Miles <i>(billions)</i>	115	116	120	122	473	106	106	111	109	432
Gross Ton-Miles <i>(billions)</i>	218	221	229	230	898	199	205	209	213	826
Fuel Consumed <i>(millions of gallons)</i>	303	307	312	322	1,244	283	290	283	294	1,150
Average Employees <i>(thousands)</i>	52.6	53.3	52.7	51.5	52.5	52.7	53.7	53.8	52.1	53.1
Gross Ton-Miles Per Employee <i>(millions)</i>	4.14	4.15	4.35	4.47	17.10	3.78	3.82	3.88	4.09	15.56

SURFACE TRANSPORTATION BOARD-BASIS OPERATING EXPENSE *(millions of dollars) (b)*

Transportation Expense	\$920	\$895	\$917	\$975	\$3,707	\$942	\$941	\$936	\$919	\$3,738
Engineering Expense	366	350	360	356	1,432	368	352	345	380	1,445
Mechanical Expense	608	587	604	607	2,406	627	613	592	583	2,415
General and Administrative Expense	191	191	178	117	677	266	500	232	225	1,223

a) Includes claims from customers for damages related to shipments delayed by Railroad congestion of \$370 million pre-tax (\$230 million after-tax) in 1998.

b) UPRR only.

Refer to the Union Pacific Corporation 1999 Annual Report for additional information.

FINANCIAL AND OPERATING STATISTICS

UNION PACIFIC CORPORATION *(excluding Overnite Transportation Co. and Skyway)* *(millions of dollars, unaudited)*

<i>for the year ended December 31, 1999</i>		1	2	3	4	TOTAL
OPERATING REVENUES	Transportation	\$2,487	\$2,500	\$2,616	\$2,608	\$10,211
OPERATING EXPENSES	Salaries and Benefits	918	890	930	896	3,634
	Equipment and Other Rents	313	303	317	308	1,241
	Depreciation	259	256	259	263	1,037
	Fuel and Utilities	178	191	199	215	783
	Materials and Supplies	133	134	136	138	541
	Other Costs (a)	334	300	268	289	1,191
	Total Operating Expenses	2,135	2,074	2,109	2,109	8,427
	Operating Income	\$352	\$426	\$507	\$499	\$1,784

<i>for the year ended December 31, 1998</i>		1	2	3	4	TOTAL
OPERATING REVENUES	Transportation	\$2,284	\$2,317	\$2,360	\$2,407	\$9,368
OPERATING EXPENSES	Salaries and Benefits	909	914	910	947	3,680
	Equipment and Other Rents	357	344	325	304	1,330
	Depreciation	246	250	252	258	1,006
	Fuel and Utilities	208	201	191	193	793
	Materials and Supplies	133	133	130	117	513
	Other Costs (a)	404	617	344	333	1,698
	Total Operating Expenses	2,257	2,459	2,152	2,152	9,020
	Operating Income (Loss)	\$27	\$(142)	\$208	\$255	\$348

a) Includes claims from customers for damages related to shipments delayed by Railroad congestion of \$370 Million pre-tax (\$230 million after-tax).

Refer to the Union Pacific Corporation 1999 Annual Report for additional information.

FINANCIAL AND OPERATING STATISTICS

UNION PACIFIC RAILROAD COMPANY

(millions of dollars, unaudited)

as of December 31

		1999	1998	1997
ASSETS				
CURRENT ASSETS	Cash and Temporary Investments	\$83	\$35	\$50
	Accounts Receivable	418	494	552
	Inventories	329	337	288
	Other Current Assets	126	215	251
	Total Current Assets	956	1,081	1,141
INVESTMENTS	Investments	752	691	624
PROPERTIES				
	Cost	33,536	32,334	30,694
	Accumulated Depreciation	(6,490)	(5,871)	(5,208)
	Net Properties	27,046	26,463	25,486
OTHER	Other Assets	126	122	92
	Total Assets	\$28,880	\$28,357	\$27,343

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	Accounts Payable	\$496	\$493	\$660
	Accrued Wages and Vacations	377	380	382
	Accrued Casualty Costs	344	364	364
	Taxes Payable	252	297	263
	Debt Due Within One Year – Third Parties	210	178	229
	Interest Payable	97	110	104
	Other Current Liabilities	669	730	861
	Total Current Liabilities	2,445	2,552	2,863
OTHER LIABILITIES AND STOCKHOLDERS' EQUITY	Intercompany Borrowings – Net	5,357	5,368	3,993
	Debt Due After One Year – Third Parties	2,419	2,606	2,361
	Deferred Income Taxes	7,266	6,759	6,698
	Accrued Casualty costs	911	928	929
	Retiree Benefits Obligation	677	707	695
	Other Liabilities	533	811	883
	Redeemable Preference Shares	25	27	29
	Stockholders' Equity	9,247	8,599	8,892
	Total Liabilities and Stockholders' Equity	\$28,880	\$28,357	\$27,343

Refer to the Union Pacific Corporation 1999 Annual Report for additional information.

FINANCIAL AND OPERATING STATISTICS

UNION PACIFIC RAILROAD COMPANY

(millions of dollars, unaudited)

for the year ended December 31

		1999	1998	1997
CASH FROM OPERATIONS	Net Income	\$854	\$27	\$620
	Depreciation	1,034	1,003	972
	Deferred Income Taxes	592	7	336
	Other – Net	(560)	(218)	(289)
	Change in Working Capital	66	(266)	120
	Cash From Operations	1,986	553	1,759
INVESTING ACTIVITIES	Capital Investments	(1,777)	(2,044)	(2,035)
	Proceeds from Asset Sales and Other Activities	211	212	265
	Cash Used In Investing Activities	(1,566)	(1,832)	(1,770)
EQUITY AND FINANCING ACTIVITIES	Dividends Paid	(200)	(320)	(420)
	Debt Repaid	(239)	(276)	(210)
	Financings and Other – Net	67	1,860	615
	Cash (Used In) Provided by Equity and Financing Activities	(372)	1,264	(15)
	Net Change in Cash and Temporary Investments	\$48	\$(15)	\$(26)
	Cash and Temporary Investments at Beginning of Year	35	50	76
	Cash and Temporary Investments at End of Year	\$83	\$35	\$50
CHANGES IN WORKING CAPITAL	Accounts Receivable	\$76	\$58	\$(105)
	Inventories	8	(49)	7
	Other Current Assets	89	36	21
	Accounts, Wages and Vacation Payable	–	(169)	205
	Debt Due Within One Year	32	(51)	106
	Other Current Liabilities	(139)	(91)	(114)
	Net Change In Working Capital	\$66	\$(266)	\$120

Refer to the Union Pacific Corporation 1999 Annual Report for additional information.

FINANCIAL AND OPERATING STATISTICS

UNION PACIFIC RAILROAD COMPANY

for the year ended December 31

	1999	1998	1997	1996	1995
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CAPITAL EXPENDITURES (millions of dollars, includes long-term operating leases)

Track	\$961	\$989	\$1,030	\$647	\$481
Locomotive	468	655	622	506	224
Freight Cars	85	200	129	246	180
Facilities and Other	425	549	504	283	274
TOTAL	\$1,939	\$2,393	\$2,285	\$1,682	\$1,159

EQUIPMENT OWNED OR LEASED AT YEAR-END

Locomotives	6,974	7,083	6,966	6,755	4,136
Freight Cars: (a)					
■ Covered Hoppers	39,212	40,097	41,149	42,406	37,341
■ Box cars	20,864	23,263	24,718	22,934	20,559
■ Open-Top Hoppers	19,828	20,324	20,674	20,989	15,941
■ Gondolas	18,099	17,828	16,083	15,325	12,218
■ Other	16,726	18,264	17,143	19,675	8,428
Work Equipment	9,927	9,218	10,045	11,631	10,013
Bad Order Ratio (percent)	5.4	4.5	4.4	4.1	4.4

AVERAGE AGE OF EQUIPMENT

Locomotives	15.4	14.4	14.4	13.7	13.1
Freight Cars	19.3	20.1	19.3	19.2	20.9

TRACK MILES AT YEAR-END

Main Line	26,963	27,197	27,421	27,406	16,599
Branch Line	6,378	6,509	7,526	8,431	6,186
Yards, Sidings, and Other Main Line	21,660	21,597	21,588	21,915	14,977
TOTAL	55,001	55,303	56,535	57,752	37,762
Track Miles of Continuous Welded Rail at Year-End	24,771	23,647	23,392	23,172	14,246
Track Miles Under Centralized Traffic-Control at Year-End	16,199	15,944	15,590	15,277	9,932

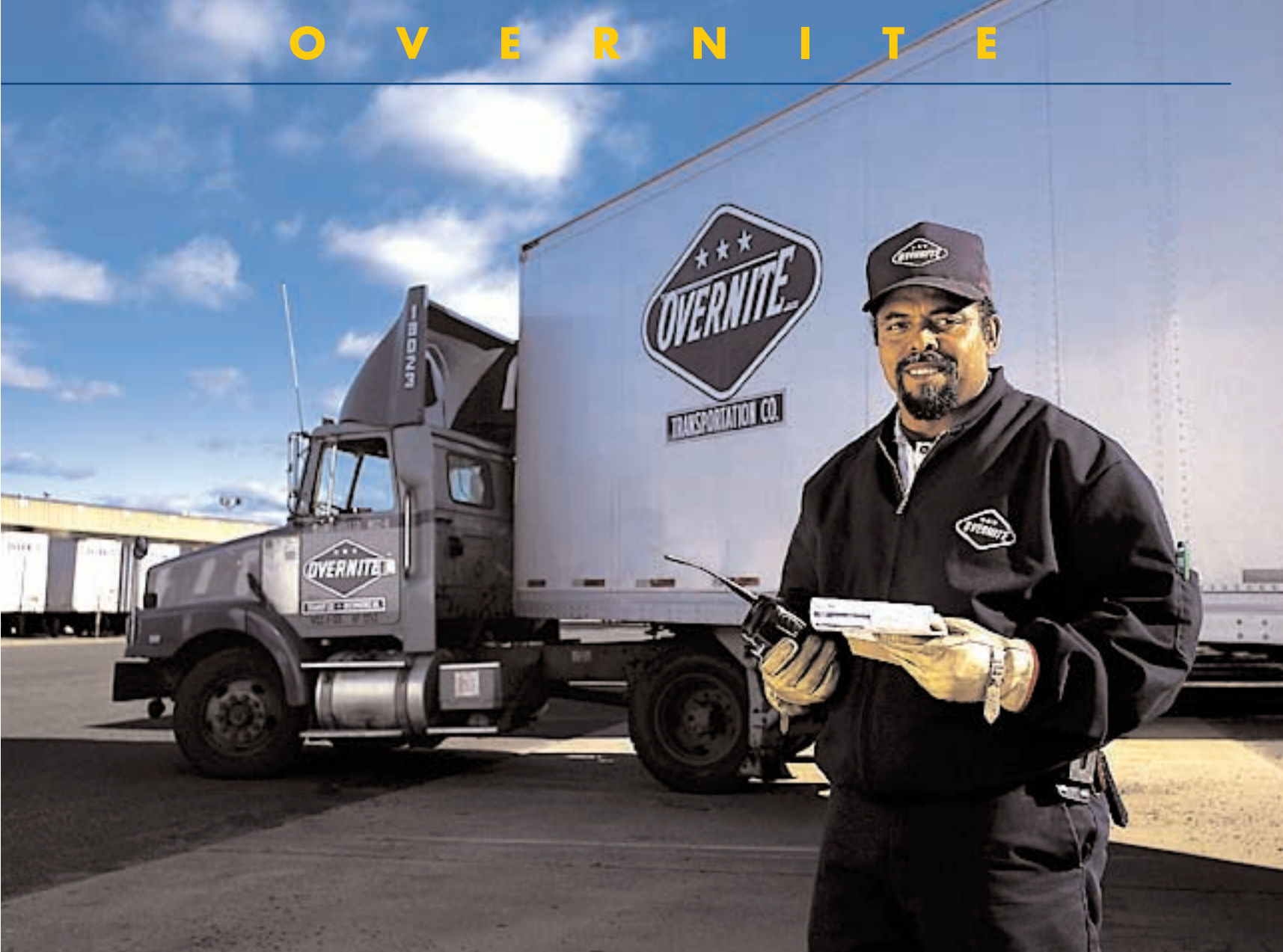
TRACK MILES OF RAIL REPLACED

■ New	950	858	716	451	492
■ Used	444	341	273	362	475
Track Miles Re-Ballasted	4,579	3,259	3,557	4,503	3,532
Ties Replaced (thousands)	3,293	2,691	3,853	2,919	2,194

(a) Includes owned and leased freight cars with Union Pacific system marks.

Capital Expenditure amounts and Equipment and Track statistics include the effects of the Southern Pacific and Chicago & North Western acquisitions as of October 1, 1996 and May 1, 1995, respectively.

Refer to the Union Pacific Corporation 1999 Annual Report for additional information.



Shipments <i>(thousands)</i>	7,708
Tonnage <i>(thousands)</i>	4,198
Revenue <i>(per hundredweight)</i>	\$12.26
Total Revenue <i>(millions)</i>	\$1,062
Operating Ratio (%)	98.1
Capital Expenditures <i>(millions)</i>	\$55
Employees	13,000
Fleet:	
Tractors	5,300
Trailers	20,000
Straight Trucks	77

VISION STATEMENT: To be the most successful company in the industry, with the best equipment and facilities. With this success, over time, comes the best jobs in the industry in terms of job security, wages, benefits and job satisfaction.



OVERVIEW

Overnite Transportation is one of the nation's largest less-than-truckload (LTL) carriers. With 13,000 employees, 20,000 trailers and 5,300 tractors, Overnite serves over 45,000 points in all 50 states, Canada, Mexico and U.S. territories. More than 90 percent of the company's revenues are derived from its LTL business, with the remainder derived from truckload services and value-added services that support the core LTL business. Through 166 service centers, Overnite can offer customized intrastate, regional, national, next day and two-day major-market transportation services.

During 1999, Overnite continued to make significant progress in developing and implementing innovative, new transportation services for its customers. Financial results in the fourth quarter were adversely affected by disruptions caused by the organizing efforts of the International Brotherhood of Teamsters. Despite this distraction, Overnite maintained its focus on delivering value through customer service and finished the year with a record on-time performance level of 97%.

FINANCIAL REVIEW

Operating revenues grew \$28 million or 3% in 1999 to \$1.1 billion. Growth was attributable to yield-enhancing initiatives and strong volumes in the second and third quarters. Operating expenses grew 6% or \$62 million, primarily as a result of increased wages and benefits and higher

expenses incurred to maintain customer service and security during the Teamsters job action (\$27 million). Net income fell 30% to \$28.5 million, and the operating ratio rose to 98.1% from 94.8% in 1998.

Fuel and utility expense was up \$3 million or 7%, as a result of higher prices and higher consumption.

Equipment and other rent expense increased 14% or \$12 million, due to implementation of work stoppage contingency plans in the fourth quarter and higher ocean freight expense related to a large volume of business gained from a competitor in Puerto Rico. Other costs increased \$11 million from higher spending on security and travel and lodging. On the positive side, material and supplies expense decreased slightly.

LABOR RELATIONS

A Teamster campaign to organize all Overnite employees culminated in the union calling for a nationwide walk-out on October 24. The job action, which continued into 2000, was ignored by 94% of Overnite employees. The union is the certified and recognized bargaining agent for about 1,800 Overnite drivers and freight handlers out of a 13,000 employee workforce. More than 60% of Teamster-represented employees have worked through the walkout. Employees at half of the 22 Teamster-represented service centers have peti-

tioned the National Labor Relations Board to decertify the Teamsters as their bargaining agent.

Despite the walkout, all locations continue to be served and on-time service levels continue to improve. The Company is currently engaged in negotiations with the Teamsters, but has not entered into any bargaining agreements.

DELIVERING VALUE IN TRANSPORTATION

Over the past several years, Overnite has expanded its efforts to improve the quality of its customer service and to focus on higher-margin business segments. The outcome of these efforts is a series of innovative new transportation products that better meet the demands of customers for simpler, faster and more reliable service. As evidence of Overnite's success, on-time performance reached a record 98% in the first quarter of 2000. Some of the new or expanded services include:

Overnite Advantage: Overnite's everyday service reliability, while providing nationwide coverage to over 45,000 points including 100% direct full-state coverage in 27 states, more than 15,000 one- and two-day lanes and three- and four-day transcontinental sleeper service.

Overnite Advantage Guaranteed: This service product is intended for time-sensitive shipments. Overnite Advantage Guaranteed service will guarantee delivery based on Overnite's published transit time. It's on-time or it's free.

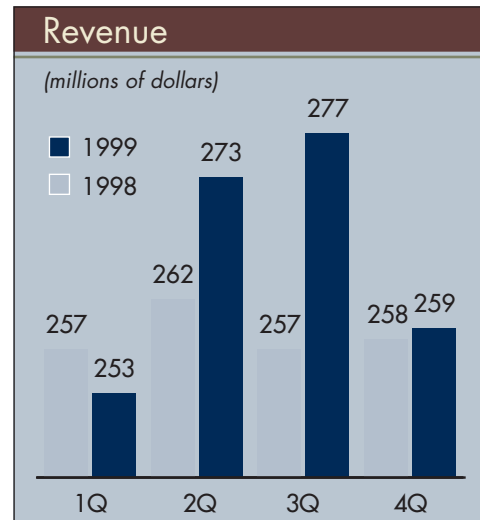
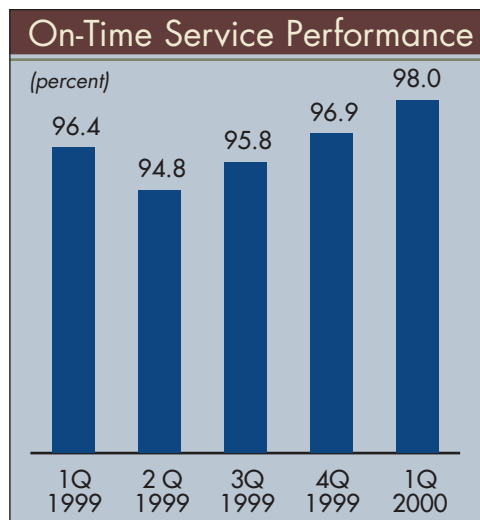
Overnite Advantage Expedited:

This service is for customers needing guaranteed service for their emergency, time-critical shipments to any point in the world through a single transportation provider. Overnite provides a team of freight specialists to handle coordination and instantaneous tracking for all segments of the move, from origin to destination. It's on-time or it's free.

Special Services Division: Overnite's dedicated truckload service division utilizes Overnite's LTL expertise to expand into niche segments of the growing truckload market.

Assembly & Distribution: A special logistical function for shippers who need consolidation and distribution services. Overnite's Assembly and Distribution service provides these functions for their customers by leveraging the broad distribution capabilities of the Overnite network.

Cross Borders and Ocean: A single carrier contact that provides transportation services to Alaska, Hawaii, Guam, Canada, Puerto Rico and the U.S. Virgin Islands, with competitive transit times and price.



SELECTED OPERATING STATISTICS

OVERNITE TRANSPORTATION COMPANY

for the year ended December 31	1999					1998				
	1	2	3	4	TOTAL	1	2	3	4	TOTAL
FINANCIAL AND REVENUE STATISTICS										
Total Operating Revenues <i>(millions of dollars)</i>	253	273	277	259	1,062	257	262	257	258	1,034
Total Operating Expenses <i>(millions of dollars) (a)</i>	243	258	269	272	1,042	244	249	245	242	980
Operating Ratio <i>(excluding goodwill) (%)</i>	95.9	94.5	97.1	105.3	98.1	94.9	95.1	95.3	93.6	94.8
Millions of Pounds Hauled										
Less-Than-Truckload	1,942	2,090	2,080	1,837	7,949	2,004	2,019	2,005	1,938	7,966
Truckload	107	106	117	117	447	116	110	111	116	453
TOTAL	2,049	2,196	2,197	1,954	8,396	2,120	2,129	2,116	2,054	8,419
Average Revenue Per Hundredweight										
Less-Than-Truckload	\$12.35	\$12.42	\$12.60	\$13.25	\$12.64	\$12.24	\$12.38	\$12.18	\$12.64	\$12.36
Truckload	5.22	5.21	5.67	6.30	5.62	5.50	5.34	5.32	5.42	5.40
TOTAL	\$11.97	\$12.07	\$12.23	\$12.83	\$12.26	\$11.87	\$12.01	\$11.82	\$12.24	\$11.98
Shipments <i>(thousands)</i>										
Less-Than-Truckload	1,885	2,030	2,025	1,746	7,686	1,952	1,988	1,949	1,879	7,768
Truckload	5	5	6	6	22	5	6	5	5	21
TOTAL	1,890	2,035	2,031	1,752	7,708	1,957	1,994	1,954	1,884	7,789
Average Fuel Price Per Gallon <i>(cents)</i>	44	51	57	65	54	58	52	48	53	53
Total Fuel Consumed <i>(thousands of gallons)</i>	13,932	14,425	14,444	13,017	55,818	13,774	13,227	13,310	13,241	53,552
Average Employee Count	11,518	11,704	11,994	11,562	11,695	11,443	11,589	11,508	11,475	11,504

a) 1998 results exclude goodwill amortization of \$15 million and goodwill revaluation of \$547 million.

Refer to the Union Pacific Corporation 1999 Annual Report for additional information.

STATEMENT OF CONSOLIDATED INCOME

OVERNITE TRANSPORTATION COMPANY

(millions of dollars, unaudited)

for the year ended December 31, 1999		1	2	3	4	TOTAL
OPERATING REVENUES	Transportation	\$253	\$273	\$277	\$259	\$1,062
OPERATING EXPENSES	Salaries and Benefits	158	167	169	157	651
	Equipment and Other Rents	18	22	24	31	95
	Depreciation	11	12	12	11	46
	Fuel and Utilities	11	11	13	14	49
	Materials and Supplies	11	12	13	13	49
	Other Costs	34	34	38	46	152
	Total Operating Expenses	243	258	269	272	1,042
	Operating Income (Loss)	\$10	\$15	\$8	\$(13)	\$20
	Net Income	\$9	\$11	\$8	\$1	\$29

for the year ended December 31, 1998		1	2	3	4	TOTAL
OPERATING REVENUES	Transportation	\$257	\$262	\$257	\$258	\$1,034
OPERATING EXPENSES	Salaries and Benefits	154	159	155	148	616
	Equipment and Other Rents	22	21	20	20	83
	Depreciation (a)	11	12	11	11	45
	Fuel and Utilities	12	11	11	12	46
	Materials and Supplies	11	11	12	15	49
	Other Costs	34	35	36	36	141
	Total Operating Expenses	244	249	245	242	980
	Operating Income	\$13	\$13	\$12	\$16	\$54
	Net Income	\$10	\$10	\$9	\$11	\$40

(a) 1998 results exclude goodwill amortization of \$15 million and goodwill revaluation of \$547 million.

Refer to the Union Pacific Corporation 1999 Annual Report for additional information.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

OVERNITE TRANSPORTATION COMPANY

(millions of dollars, unaudited)

<i>as of December 31</i>		1999	1998	1997
ASSETS	Current Assets	\$393	\$358	\$335
	Net Properties	459	461	453
	Other Assets (a)	51	39	600
	Total Assets	\$903	\$858	\$1,388

LIABILITIES AND STOCKHOLDERS' EQUITY

	Current Liabilities	\$164	\$144	\$168
	Debt Due After One Year – Third Parties	–	3	5
	Other Liabilities	154	139	105
	Stockholders' Equity	585	572	1,110
	Total Liabilities and Stockholders' Equity	\$903	\$858	\$1,388

a) Includes \$547 million goodwill revaluation in 1998.

STATEMENT OF CONSOLIDATED CASH FLOWS

OVERNITE TRANSPORTATION COMPANY

(millions of dollars, unaudited)

<i>for the year ended December 31</i>		1999	1998	1997
	Cash From Operations	\$89	\$82	\$79
	Cash Used in Investing Activities	(46)	(52)	(30)
	Cash Used in Financing Activities	(46)	(27)	(49)
	Net Change In Cash and Temporary Investments	\$(3)	\$3	\$ –

Refer to the Union Pacific Corporation 1999 Annual Report for additional information.

CAUTIONARY INFORMATION

Certain statements in this report are forward-looking within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, without limitation, statements regarding: expectations as to operational improvements; expectations as to market growth, cost savings, revenue growth and earnings; the time by which certain objectives will be achieved; and statements concerning projections, predictions, expectations, estimates or forecasts as to the Corporation's and its subsidiaries' business, financial and operational results, and future economic performance, statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate

indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Important factors that could cause such differences include, but are not limited to, whether the Corporation and its subsidiaries are fully successful in implementing their financial and operational initiatives; industry competition, conditions, performance and consolidation; legislative and/or regulatory developments, including possible enactment of initiatives to re-regulate the rail business; natural events such as severe weather, floods and earthquakes; the effects of adverse

general economic conditions, both within the United States and globally; changes in fuel prices; changes in labor costs; labor stoppages; the impact of latent year 2000 systems problems; and the outcome of claims and litigation, including claims arising from environmental investigations or proceedings.

Forward-looking statements speak only as of the date the statement was made. The Corporation assumes no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If the Corporation does update one or more forward-looking statements, no inference should be drawn that the Corporation will make additional updates with respect thereto or with respect to other forward-looking statements.

CONTACT FOR PORTFOLIO MANAGERS AND FINANCIAL ANALYSTS

Union Pacific's analyst relations are coordinated by the Corporate Treasurer at the executive offices. Requests for interviews, general information, offering memoranda, bond circulars and other publications should be directed to:

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