

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.

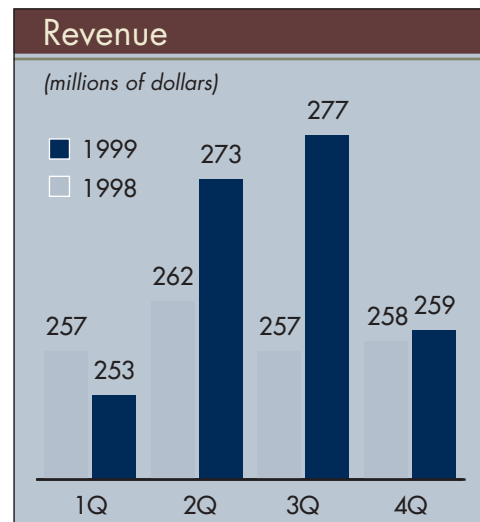
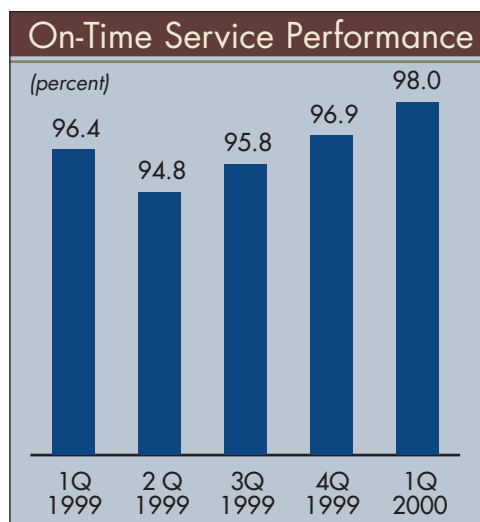
### Overnite Advantage Expedited:

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

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
<b>OPERATING REVENUES</b>	Transportation	\$253	\$273	\$277	\$259	\$1,062
<b>OPERATING EXPENSES</b>	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
	<b>Total Operating Expenses</b>	<b>243</b>	<b>258</b>	<b>269</b>	<b>272</b>	<b>1,042</b>
	<b>Operating Income (Loss)</b>	<b>\$10</b>	<b>\$15</b>	<b>\$8</b>	<b>\$(13)</b>	<b>\$20</b>
	<b>Net Income</b>	<b>\$9</b>	<b>\$11</b>	<b>\$8</b>	<b>\$1</b>	<b>\$29</b>

for the year ended December 31, 1998		1	2	3	4	TOTAL
<b>OPERATING REVENUES</b>	Transportation	\$257	\$262	\$257	\$258	\$1,034
<b>OPERATING EXPENSES</b>	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
	<b>Total Operating Expenses</b>	<b>244</b>	<b>249</b>	<b>245</b>	<b>242</b>	<b>980</b>
	<b>Operating Income</b>	<b>\$13</b>	<b>\$13</b>	<b>\$12</b>	<b>\$16</b>	<b>\$54</b>
	<b>Net Income</b>	<b>\$10</b>	<b>\$10</b>	<b>\$9</b>	<b>\$11</b>	<b>\$40</b>

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

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# STATEMENT OF CONSOLIDATED FINANCIAL POSITION

## OVERNITE TRANSPORTATION COMPANY

(millions of dollars, unaudited)

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

## 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
	<b>Total Liabilities and Stockholders' Equity</b>	<b>\$903</b>	<b>\$858</b>	<b>\$1,388</b>

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)
	<b>Net Change In Cash and Temporary Investments</b>	<b>\$(3)</b>	<b>\$3</b>	<b>\$ –</b>

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