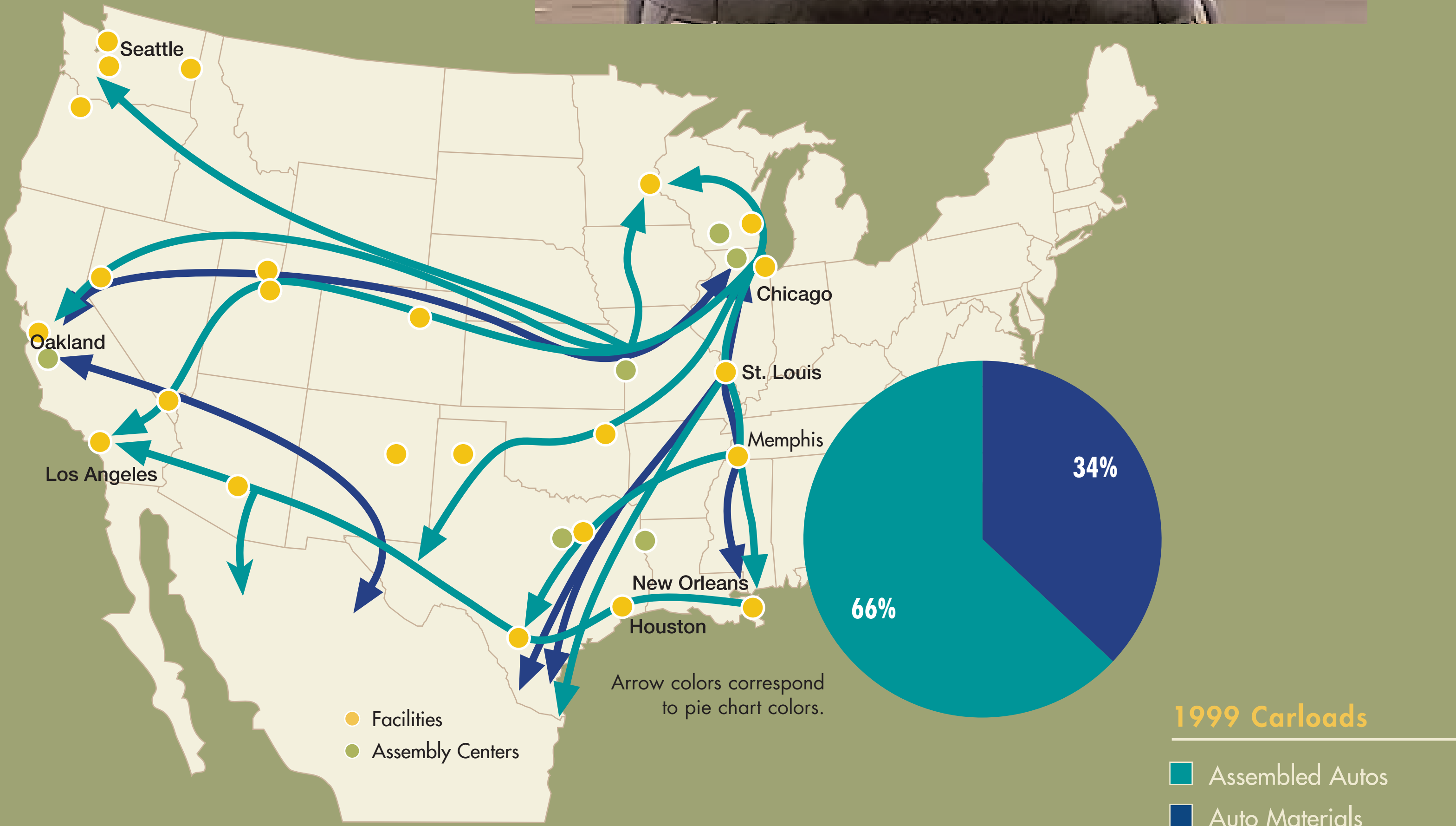
AUTOMOTIVE

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

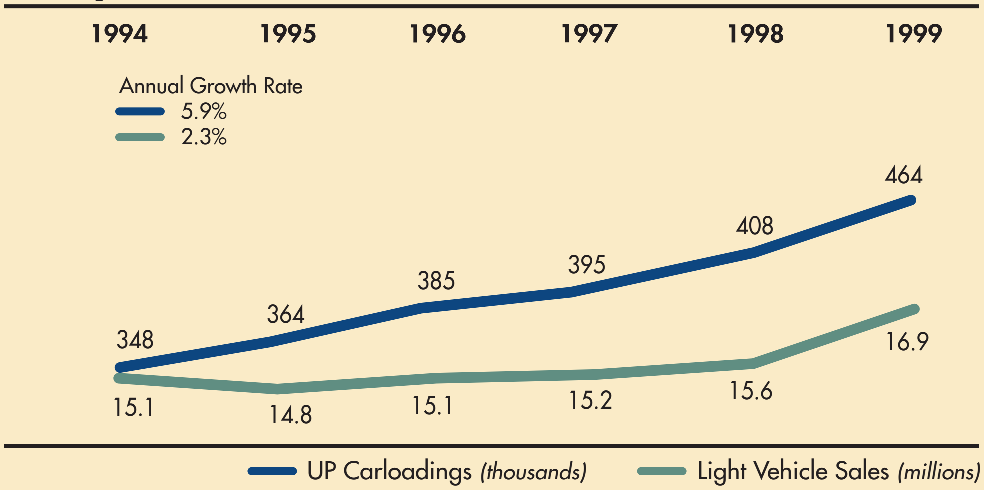
CARLOADS *(thousands)*

	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

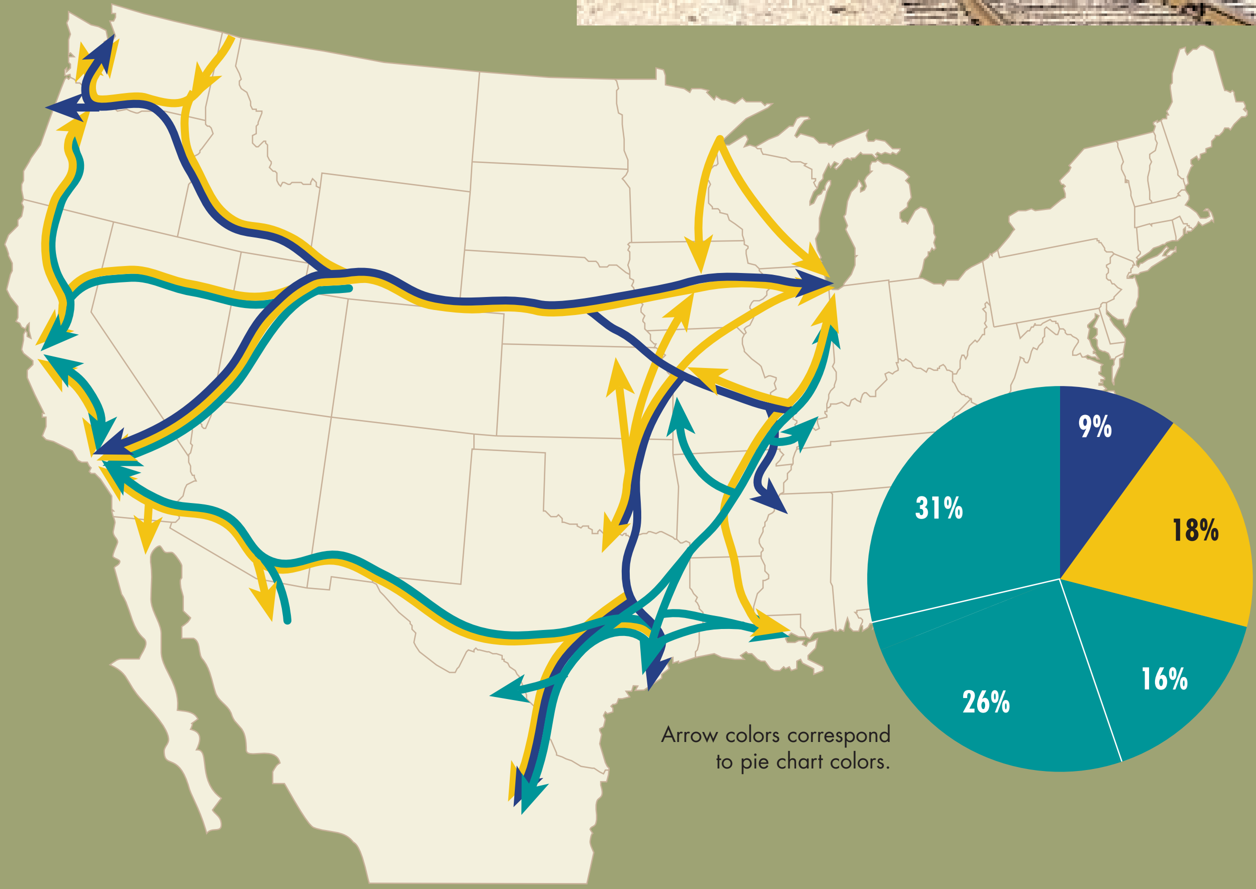
U.S. Light Vehicle Sales/UP Finished Vehicle Carloads*



* 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

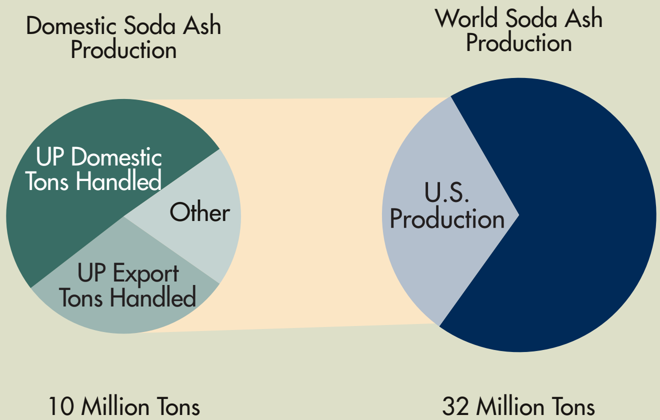
CARLOADS *(thousands)*

	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

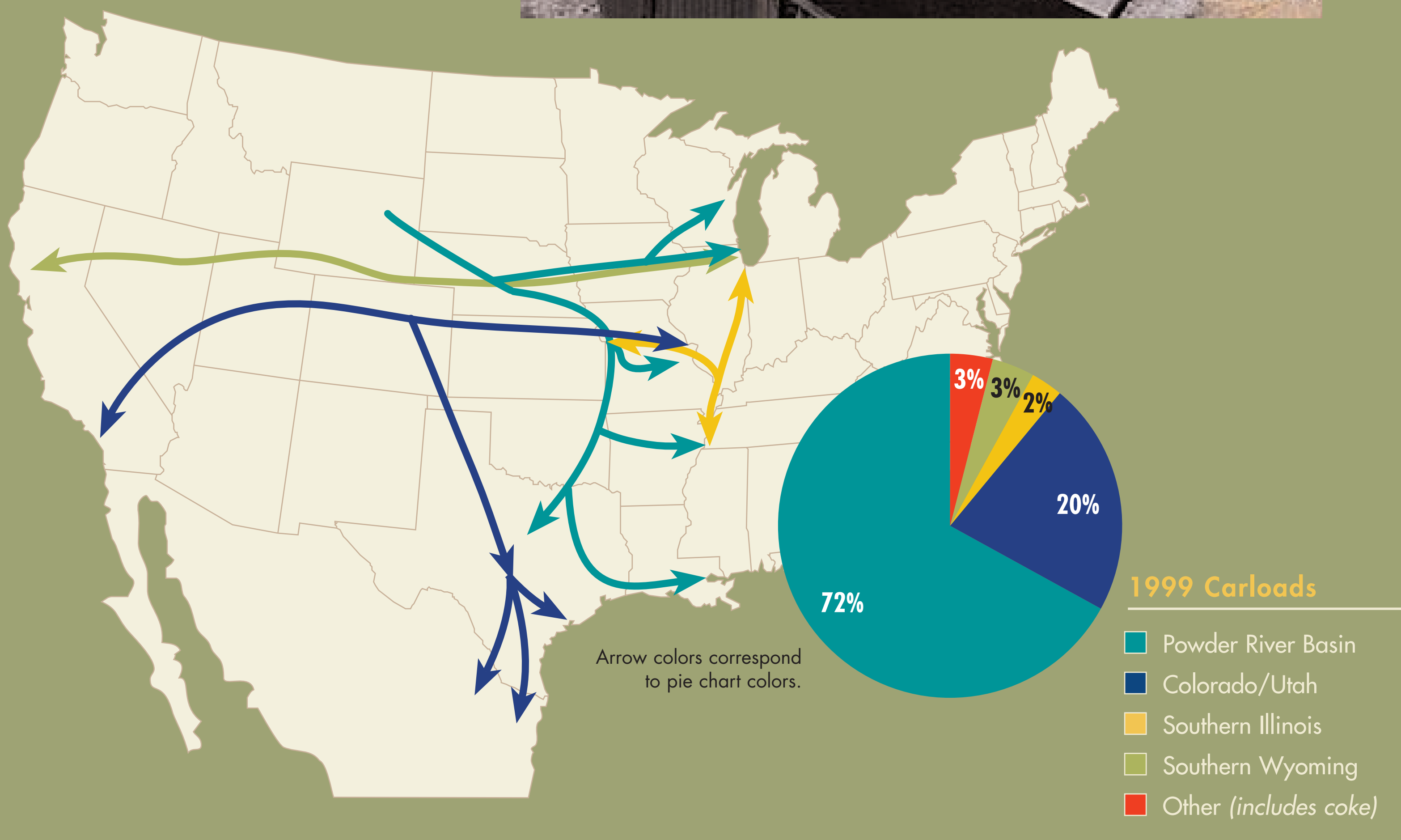
Soda Ash Growth Opportunity



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.



Arrow colors correspond to pie chart colors.

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)*

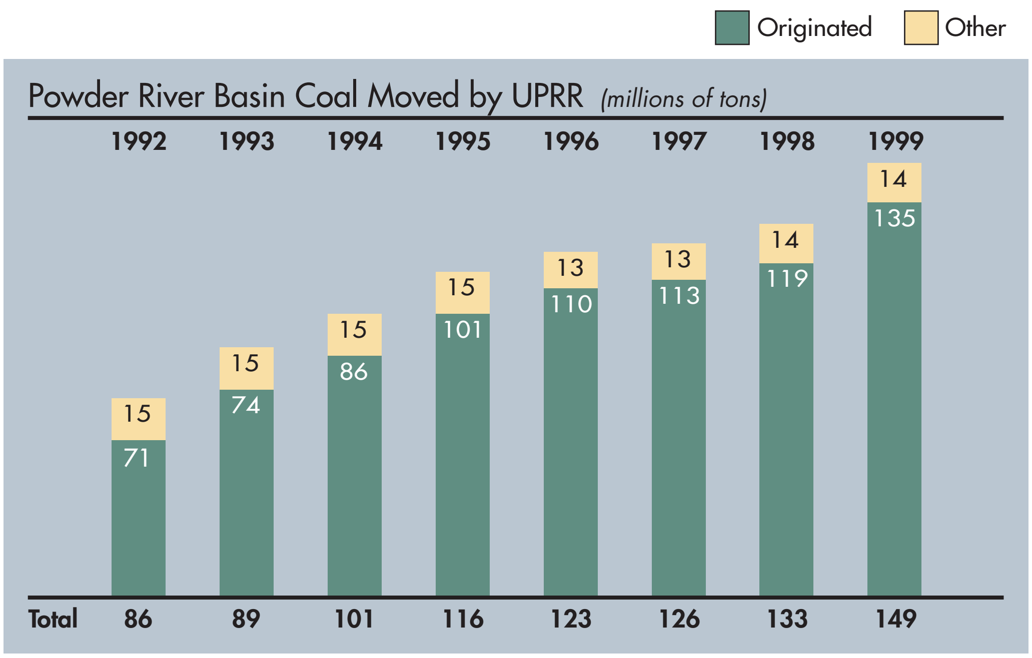
	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	47,608	45,654	48,222	47,890	41,634	41,480	45,370	44,609	41,901	42,196	41,905	37,280
Cumulative	47,608	93,262	141,484	189,374	41,634	83,114	128,484	173,093	41,901	84,097	126,002	163,282

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)*

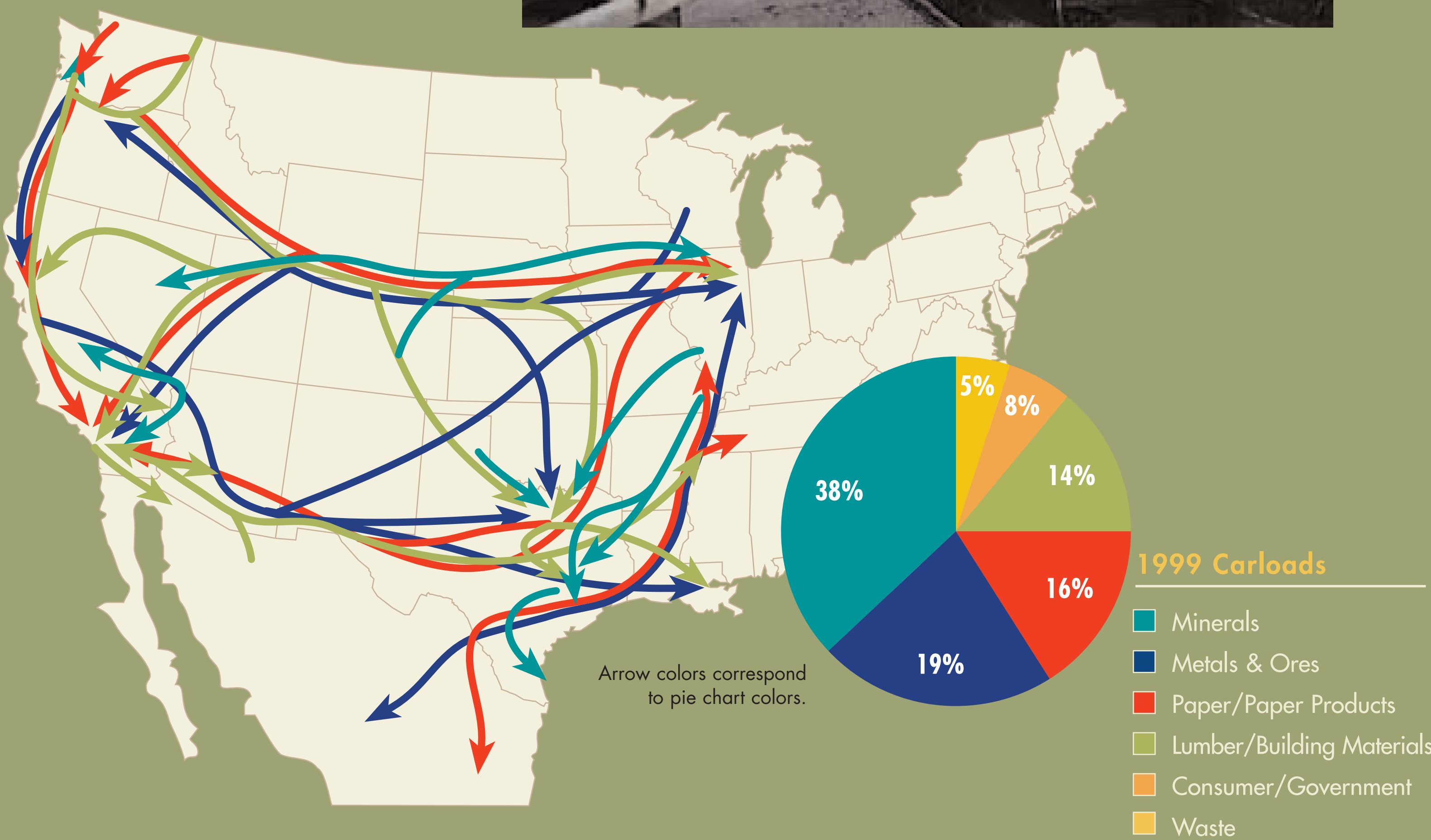
	1999				1998				1997			
	1	2	3	4	1	2	3	4	1	2	3	4
Quarterly	1,183	1,188	1,172	1,090	1,124	1,143	1,148	1,104	1,122	1,135	1,097	1,050
Cumulative	1,183	1,185	1,181	1,158	1,124	1,133	1,138	1,130	1,122	1,128	1,118	1,102



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.



Arrow colors correspond to pie chart colors.

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

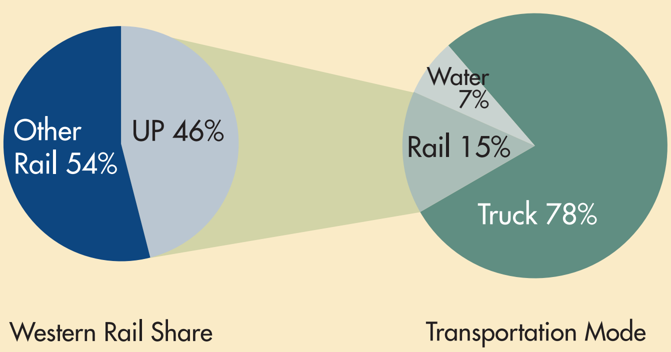
CARLOADS *(thousands)*

	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

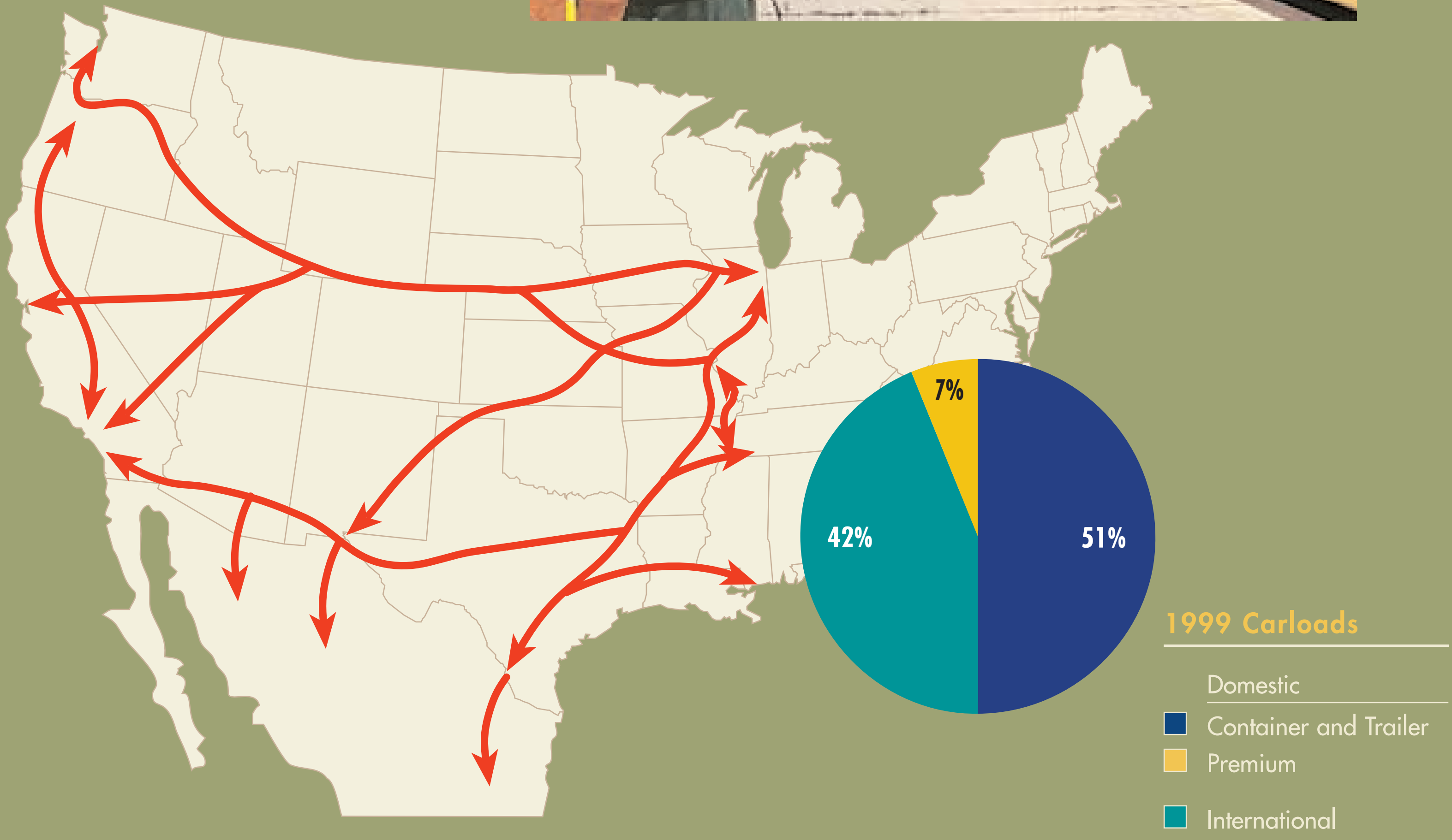
Industrial Products: Western Market Share



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.



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

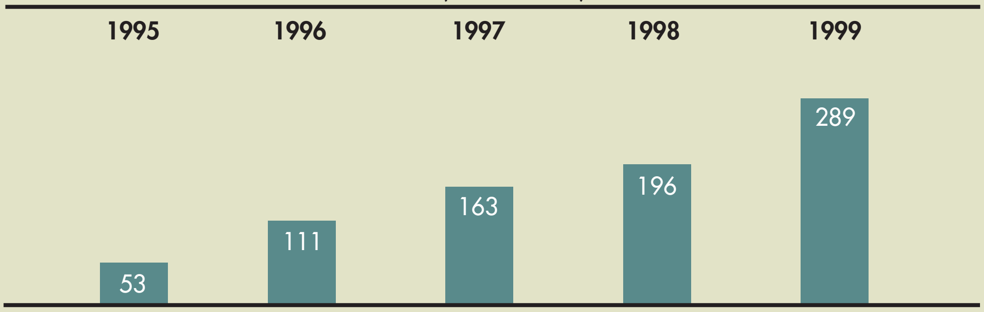
CARLOADS *(thousands)*

	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)*

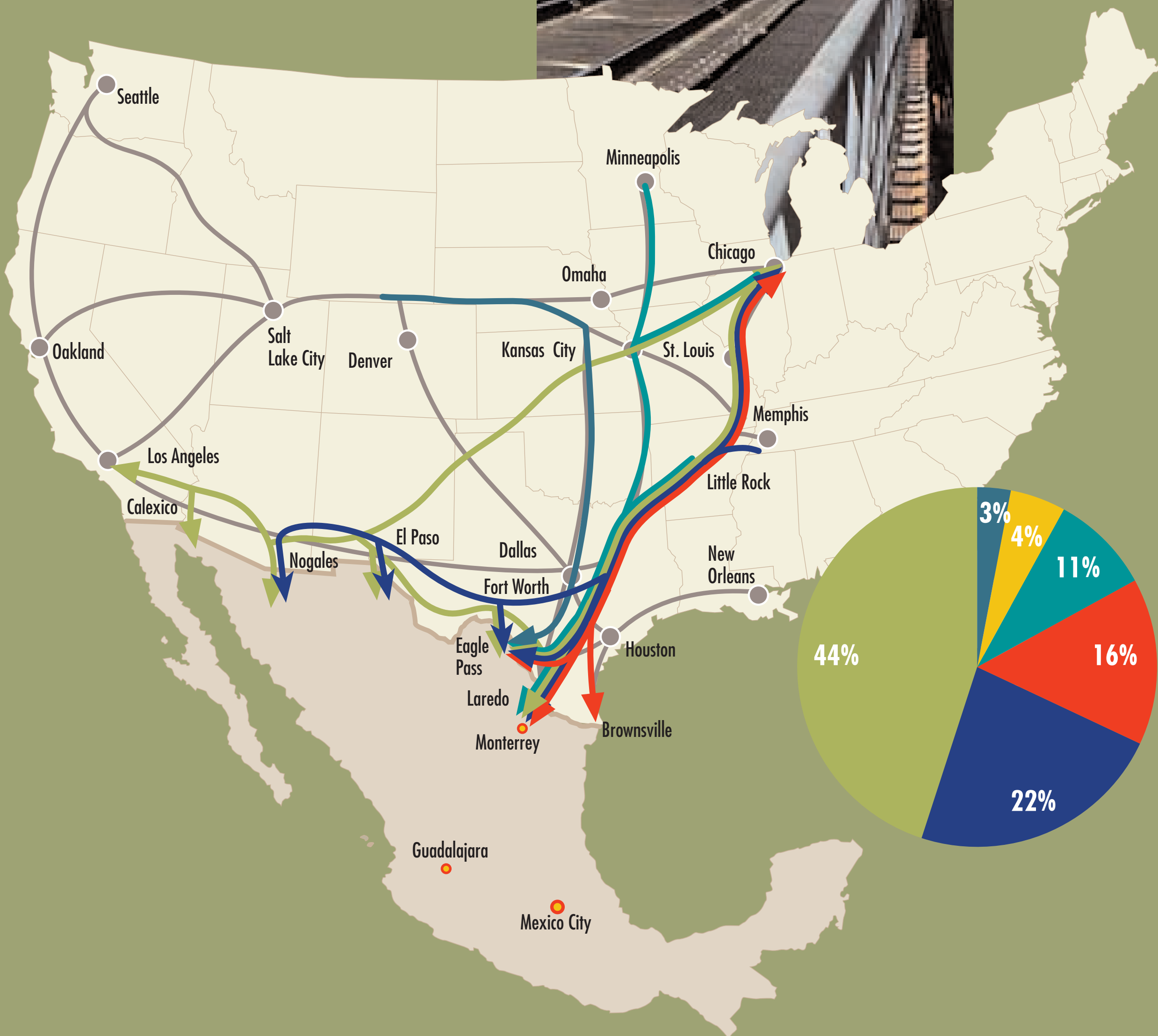


EMP is an equipment management program sponsored by Union Pacific and Norfolk Southern that provides intermodal containers to shippers using an Internet reservation system. EMP offers customers a truck-equivalent container and the economic benefits of double-stack train service. Full-year utilization 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.



Arrow colors correspond to pie chart colors.

1999 Carloads

- Automotive
- Intermodal
- Industrial Products
- Agricultural Products
- Chemicals
- Energy

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-though trains and electronic data interchange between U.S. and Mexican carriers.