GATX CORPORATION

1999

ANNUAL REPORT

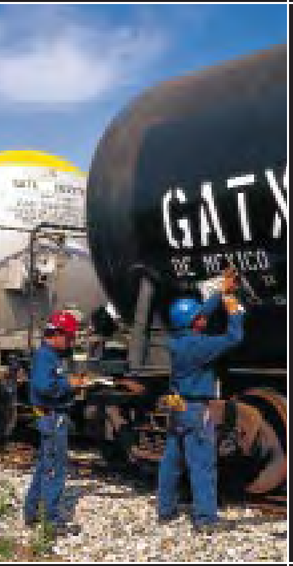
EACH GATX BUSINESS WORKS INDIVIDUALLY TO MEET THE NEEDS OF CUSTOMERS AND PARTNERS. VIEWED AS A WHOLE, GATX'S BUSINESSES FORM A UNIQUE, INTEGRATED FINANCE AND SERVICES COMPANY PROVIDING

SOLUTIONS MORE VALUABLE THAN A CUSTOMER CAN OBTAIN FROM ANY OF OUR COMPETITORS. THE COLLECTIVE SERVICES THAT WE OFFER MAKE GATX PROUD TO SHARE OUR EXCITING OPPORTUNITIES WITH YOU THROUGH THIS ANNUAL REPORT.

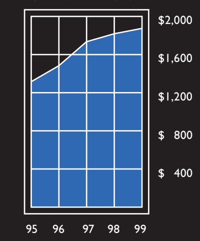
GATX CORPORATION combines unique financing, asset and logistics solutions for customers and partners worldwide. **GATX's ASSETS** include railcars, locomotives, commercial aircraft, bulk liquid terminals and distribution systems, and technology equipment. **GATX SERVES CUSTOMERS** through **THREE** interlinked groups...**GATX RAIL, GATX CAPITAL** and the **GATX INTEGRATED SOLUTIONS GROUP**...all of which have strong growth potential. Through combined marketing and services, the **WHOLE OF GATX** offers a broad array of financial services capabilities resulting in **RECORD EARNINGS** and **HIGH RETURN ON INVESTMENT.**

GATX FINANCIAL HIGHLIGHTS

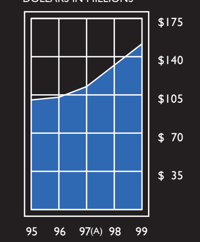
IN MILLIONS, EXCEPT FOR PER SHARE DATA	1999	1998	1997
Gross income	**$1,858.9**	$1,850.1	$1,767.1
Income before provision for restructuring	**151.3**	131.9	111.9
Net income (loss)	**151.3**	131.9	(50.9)
Common shares outstanding at year end	**48.6**	49.3	48.9
Per common share			
Income before provision for restructuring			
Basic	**$ 3.07**	$ 2.68	$ 2.34
Diluted	**3.01**	2.62	2.25
Net income (loss)			
Basic	**3.07**	2.68	(1.28)
Diluted	**3.01**	2.62	(1.28)
Dividends declared	**1.10**	1.00	.92
Year-end stock price	**33.75**	37.88	36.28
Book value	**17.17**	14.84	13.36
Total assets	**$5,866.8**	$5,006.8	$4,990.2

		SERVICES	MARKET POSITION	STRENGTHS	GROWTH DRIVERS
	GATX RAIL	• Full service railcar leases to shippers • Railcar maintenance • Regulatory compliance • Fleet management • Engineering and design • Structured financial transactions	• 101,000 railcars worldwide • Largest North American tank car lessor • Own/manage 10% of U.S. rail fleet • Nine service centers across North America • 38 mini-mobile service units	• Over 100 years of industry experience • Broad lease product offerings • Established customer relationships • International capabilities • Regulatory expertise • Internet-based information services • Design and engineering expertise	• Continued growth in domestic railcar demand • International expansion opportunities • Enhanced service offerings • Fleet acquisitions • Fleet management
	GATX CAPITAL	• Aircraft operating leases and portfolio management • Spare engine leasing • Full range of technology leasing solutions • Financing early-stage telecom companies • Secondary lease market acquisitions • Third-party portfolio management • Structuring of tax-advantaged and cross-border financing • Residual value guarantees • Own/manage rail assets • Waterborne cargo transportation	• Third largest independent aircraft lessor • Over 300 jet commercial aircraft owned/managed/interest • Growing portfolio of leased technology equipment • Expanding presence in telecommunications finance sector • $5 billion of assets managed for third parties • Key partnerships with nearly 50 companies • Managing/interest in 50,000 railcars • Interests in 1,000 locomotives	• Over 30 years of experience in the leasing industry • Experience in early-stage company valuation/financing • Quality portfolio of newer, narrow-body aircraft • Strong relationships with major airlines and aircraft manufacturers • Partnership/asset management approach • Over 20 years of experience in secondary lease market transactions • Cross-border and tax knowledge • Asset/residual value expertise	• Selective expansion of GATX-owned and managed portfolio • Recently established partnerships in spare engine and corporate aircraft sectors • Overall growth of technology leasing industry • Expansion of telecom investing platform • Growth of early-stage/venture financing • Further development of financial and strategic partnerships • Continued investment in pool of diversified assets
	GATX INTEGRATED SOLUTIONS GROUP	• Chemical supply chain management • Integrated logistics • Refined petroleum and chemical storage and distribution • Technology-driven transportation solutions • Pipeline connections and distribution • Petroleum blending and related services • Rail logistics • Real time inventory data, demand and usage profiles • Supplier managed inventory	• Largest U.S. independent bulk liquid storage company with 15 wholly-owned terminal facilities, 9 international joint ventures and own/interest in four refined product pipelines • Provider of logistics services to the chemical industry • One of the largest U.S. third-party contract logistics providers • Growing presence in e-commerce business-to-residential and business-to-business delivery market • Over 6,000 railcars managed for others	• Leading position in domestic bulk liquid storage industry with over 70 years of experience • Strategic terminal and pipeline locations • Extensive customer relationships • Supply chain design and optimization expertise • Chemical industry relationships and knowledge • Electronic/web-based services • Growing base of long-term, integrated contracts • Information technology expertise • International service offerings	• Growing trend toward outsourcing • Expansion of chemical services • Expansion of petroleum logistics capabilities • Gaining greater share of customers' logistics business • Strengthening of global storage markets • International opportunities • Application of rail expertise to integrated solutions • E-commerce boom • Enhanced and integrated service offerings • Customers' demand for one-stop service/solutions provider

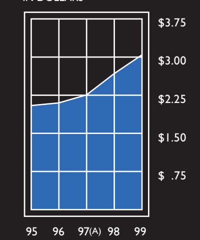
GROSS INCOME
DOLLARS IN MILLIONS



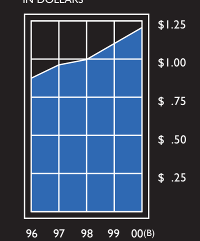
INCOME
DOLLARS IN MILLIONS



DILUTED EARNINGS
PER SHARE
IN DOLLARS



DIVIDENDS DECLARED
PER COMMON SHARE
IN DOLLARS



(A) Excludes effect of $163 million after-tax restructuring charge, which resulted in Basic and Diluted Earnings Per Share of ($1.28).

(B) Annualized

The **PRESIDENTS** of **GATX's** major operations and **RON ZECH,** Chairman and CEO, **MANAGE** the company **AS** a **TEAM** to not only **MAXIMIZE** the **VALUE** of each business, but to **CREATE** cohesive **CUSTOMER SOLUTIONS** using the resources of **ALL** of **GATX.**

RIGHT TO LEFT:

RON ZECH, CHAIRMAN AND CEO

WARD FULLER, PRESIDENT, GATX RAIL

JESSE CREWS, PRESIDENT, GATX CAPITAL

DAVE EDWARDS, PRESIDENT, GATX INTEGRATED SOLUTIONS GROUP

DEAR SHAREHOLDERS GATX enters the new century with strong momentum. Earnings per share increased 15 percent in 1999, and our return on average shareholders' equity was an impressive 19 percent, far exceeding most of our competitors. We laid the foundation for future earnings growth by investing a record $1.7 billion in key markets and expanding our role as a leading provider of telecommunication infrastructure financing. We also realigned the organization to better reflect our strategy and clarify our external message to our shareholders, customers and employees.

Ultimately, however, we failed in the performance measure that matters most—total shareholder return. GATX's total return in 1999 was a negative 7.9 percent, unacceptable to our management and to our shareholders. We take little solace in the realization that it was a difficult year in the stock market for the majority of U.S. companies, nor in the fact that most of our commercial finance competitors produced substantially lower total returns to their respective shareholders.

I am confident that GATX is well positioned to produce excellent returns for its shareholders, and we will achieve this by executing three basic initiatives: consistent earnings growth, reallocating capital to our highest return opportunities, and clarification of our strategy and message. I will take the opportunity to use the balance of this letter to explore each of these points in greater detail.

CONSISTENT GROWTH Investors place a higher valuation on companies that consistently meet or exceed a specific earnings growth target.

As we continue to make changes within the company and focus our efforts on building investment platforms that drive consistent growth, we have clarified our target: 12-15 percent growth in earnings per share. We shared this target with Wall Street and met or exceeded it in each of the past two years. While I am pleased with our recent performance, I also recognize that the real key to driving a higher valuation is developing a longer track record of consistent earnings growth. Based on a number of strategic changes and opportunities within our core businesses, I am confident that we will achieve this long-term objective.

GATX Rail is capitalizing on its position as the leading U.S. tank car lessor by expanding its fleet beyond U.S. borders, increasing service capabilities, accelerating fleet acquisition activities, and pursuing fleet management opportunities. Each of these initiatives serves to diversify and stabilize our sources of income, and GATX Rail is well positioned for continued growth.

GATX Capital is applying its extensive asset knowledge, asset management expertise, financial structuring capabilities, and partnering skills to build a broad base of income sources. Across its primary markets, GATX Capital has strengthened its operating lease platforms, grown fee and interest income, expanded its venture leasing and warrant-based financing activity, and identified attractive asset remarketing opportunities. We are also capitalizing on a new era of infrastructure development, one that is rooted in the Internet, telecommunications, and emerging technologies. GATX Capital has established itself as one of the leading providers of financing to early-stage telecommunication companies, thereby establishing a powerful growth platform that complements our traditional transportation-related finance businesses.

GATX Terminals Corporation, part of the GATX Integrated Solutions Group, has sold or closed a number of cyclical petroleum storage facilities and reallocated this capital to markets with more attractive return and growth prospects. By focusing on providing our customers with value-added services at strategic locations, we are stabilizing our income base and are poised to grow this segment's profitability.

The strength and diversity of our income-generating capabilities support my confidence that we will continue to deliver our target of 12-15 percent annualized growth in earnings per share to our shareholders.

CAPITAL ALLOCATION Allocating capital to the highest return opportunities is a critical process for a capital-intensive business such as GATX, especially when presented with the most exciting growth opportunities we have seen in our history. For example, in the last four years, we have focused the majority of our investment volume in GATX Rail and GATX Capital because these investments generate in excess of a 20 percent return on equity, an attractive return on investment for our shareholders, and we will continue to focus most of our investment in these two businesses.

We have also identified ways to grow our business in a less capital-intensive fashion. Partnering is an excellent example and one that sets us apart from our peers. Consider GATX Capital's strategy in financing start-up telecommunication companies. We have been active in financing telecom companies for several years. As the growth in this market exploded, we could have opted to allocate an increasingly larger share of our own capital to this area. Instead we chose to form two telecommunication investment funds with GATX Capital acting as arranger, manager, and co-investor. Partnering with co-investors has allowed us to aggressively pursue this exciting growth sector while limiting and diversifying our own capital commitment. GATX Capital earns management fees, receives spread income, and also receives warrants in many of the transactions, resulting in tremendous return on investment potential.

Today we have nearly 50 active partnerships across GATX, with income from equity in these affiliates increasing almost 25 percent in 1999. Partnering is one of our core strengths, and I plan to continue expanding this activity in the years ahead.

Allocation of capital also incorporates reallocation of capital within the company. During the past three years, we have implemented a strategy to sell underperforming assets and exit weak business lines. We must accelerate this effort and I expect to make substantial progress in 2000 as we continue to reallocate capital to our highest return opportunities.

CORPORATE REALIGNMENT During the past year, we realigned GATX, thereby clarifying our strategy and message as a unique finance and services company. The majority of our earnings, cash flow, and investments are related to our two high return businesses, GATX Rail Corporation and GATX Capital Corporation.

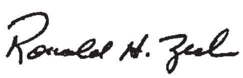
Prior to the realignment, the balance of the company was comprised of several businesses, including GATX Terminals and GATX Logistics, which focus on various aspects of supply chain management. In September 1999, I asked Dave Edwards, then our chief financial officer, to head up a new organization called the GATX Integrated Solutions Group. This group brings all of our supply chain related businesses under one umbrella. Beyond the obvious benefit of sharing services and skills across our supply chain companies, the GATX Integrated Solutions Group positions us to achieve one of our key goals: providing chemical customers with a bundled service offering by leveraging the unique competitive position we have forged within the chemical industry.

Individually, each of our three key operations has a clearly defined strategy. GATX Rail will continue to expand its full service railcar leasing business in North America and abroad. GATX Capital will continue to expand its core air, technology/telecommunications, rail, and marine financing activity through direct ownership of assets, partnerships, and asset management. GATX Integrated Solutions Group will maximize our global service offering to chemical and petroleum companies. As a result, GATX can provide customers with a combined financing and service capability that is unmatched by any competitor worldwide.

Our overall mission is straightforward: drive consistent earnings growth, earn attractive returns by allocating our capital wisely, and communicate a simplified strategy to the market. I believe that successful execution of these initiatives will lead to a more appropriate market valuation for GATX.

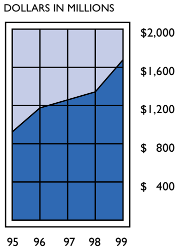
In closing I would like to thank our shareholders for the confidence they have shown in the future of GATX. I am committed to ensuring that you are rewarded with an attractive return on your investment. That's our primary focus in 2000, and with the support of the many dedicated employees of GATX, I am confident that we will deliver on this commitment.

Sincerely,

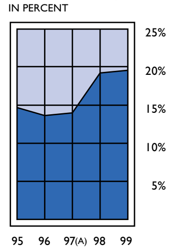


RONALD H. ZECH
Chairman and Chief Executive Officer

CAPITAL ADDITIONS & PORTFOLIO INVESTMENTS
DOLLARS IN MILLIONS

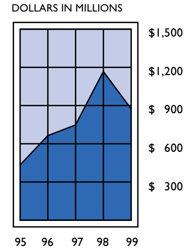


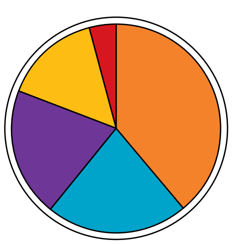
RETURN ON EQUITY
IN PERCENT



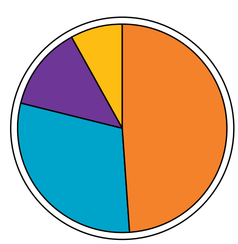
(A) Excludes effect of $163 million after-tax restructuring charge. Including the charge, 1997 Return on Equity would be (7.1%).

CASH FROM OPERATIONS & PORTFOLIO PROCEEDS
DOLLARS IN MILLIONS





GATX JOINT VENTURE INVESTMENT
- 39% Air
- 22% Rail
- 20% Terminals
- 15% Diversified Finance and Other
- 4% Technology



GATX JOINT VENTURE INVESTMENT BY REGION
- 49% Europe (Excluding UK)
- 30% United States
- 13% Asia
- 8% United Kingdom

GROWTH

CUSTOMER FOCUS

INTEGRITY

INTEGRATED FINANCIAL AND OPERATING SKILLS

CREATIVITY

These are the **CHARACTERISTICS** that **DRIVE** the operating companies of **GATX.** The following (12) pages discuss the **STRATEGIES,** the **VALUES** and the **EXPERTISE** that **GATX** provides **THROUGH** its operations...

GATX RAIL CORPORATION provides **CUSTOMIZED** transportation **SOLUTIONS** for its **CUSTOMERS.**

For more than **100 YEARS,** the **GATX** brand has stood for **INNOVATION, CAPABILITY,** and **RELIABILITY** to **PARTNERS** and **CUSTOMERS** worldwide.

On January 1, 2000, the former General American Transportation Corporation changed to its **NEW** name, **GATX RAIL,** to better capitalize on this well recognized brand.

GATX RAIL PIONEERED the rail **LEASING** industry and **REMAINS** a **LEADER** because of its **BREADTH** of offerings and **DEDICATION** to **SERVICE.**

GATX provides a full range of rail transportation solutions, combining extensive transportation, financial and rail logistics experience. GATX owns, operates or has an interest in over 157,000 railcars worldwide. GATX offers full-service tank car, freight car and locomotive leasing, fleet management, railcar design and maintenance, innovative financing and a complete menu of integrated e-commerce and web support services.

GATX RAIL CORPORATION operates the largest tank car fleet in North America and a significant fleet of specialty freight cars. Its fleet totaled 87,800 railcars at the end of 1999. GATX Rail leases railcars to shippers in virtually all industries, with a particular emphasis on chemical, petroleum and food, and it provides all the services a company needs to operate railcars. Benefits include improving utilization, keeping plants on schedule, arranging maintenance schedules that maximize in-service time, helping shippers meet complex financial challenges, improving safety records, helping ensure government regulatory compliance and offering internet-based and e-commerce services to help manage rail fleets more efficiently. GATX Rail's web site, **www.gatxrail.com,** gives an excellent overview of GATX Rail's product and service offerings.

GATX Rail's fleet consists of more than 50 different car types from general service cars to specialty pressure cars, designed to safely transport over 700 commodities, including chemicals, petroleum, plastics, food, coal, mineral, agricultural, forest and consumer products. Providing repair and maintenance support to these railcars are four one-stop service centers in the U.S., four in Canada and one in Mexico. In addition, 38 mini-mobile repair units form an integrated service network throughout North America, so that customers' railcars can be serviced wherever they may be located.

An excellent example of GATX Rail's customer focus and integration capabilities is a service GATX designed for Mobil Oil Corporation. A Mobil Oil affiliate pumps crude oil from a field in central California that is 240 miles from Mobil's nearest refin-

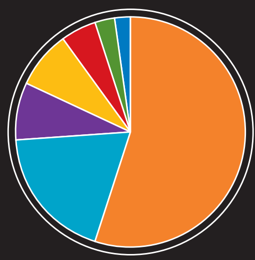
This 24-car Tank-Train® system in Mt. Isa, Australia, runs along miles of desolate terrain flecked with 3-foot high termite hills. Cars placed at the beginning and end of the train are loaded with rocks to maximize safety for the 384,000 gallons of sulfuric acid carried in each train load.

ery. In the past, Mobil piped oil to a Chevron facility, loaded it on tanker trucks, and shipped it to a marine terminal where the crude oil was mixed with lighter crude and transferred by pipeline to the refinery. With the Chevron facility closing, Mobil turned to GATX Rail for an alternative. The result is a 78-unit GATX Rail TankTrain® system of interconnected cars that can be loaded and unloaded in a matter of hours, not days. Specifically, this TankTrain system transports crude oil from the field and delivers it to a GATX Integrated Solutions Group terminalling facility. Before unloading, the oil in the TankTrain system is blended with lighter weight crude prior to shipment to Mobil's refinery. Using the unique patented, environmentally friendly TankTrain technology speeds up and improves the entire process for Mobil. The photographs on pages 9 and 11 are of another GATX TankTrain system, which recently went into service moving sulfuric acid in Northern Australia.

GATX Rail is an industry leader in utilizing the Internet and e-commerce to help its customers manage their fleets. Customer offerings include up-to-date mechanical and service information on their fleets, a content-rich interactive environment encouraging communications, and extensive information.

GATX Rail continues to capitalize on market opportunities. Recent legislation has mandated more stringent inspection and repair guidelines, such that many shippers may not want to continue to service their own fleets. Therefore, GATX Rail can buy fleets and lease them back to the original owners, while providing additional value-adding services. GATX Rail's historic skill as a lessor and its outstanding reputation as a service provider make this possible.

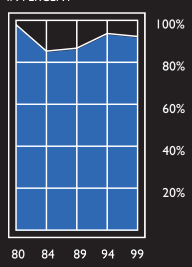
GATX Rail's business has experienced significant international growth over the past decade. In 1996, GATX Rail acquired the remaining interest it did not already own in the Canadian railcar lessor CGTX, recently renamed GATX Rail Canada. This name change reflects the North American integration of operations and the customer service network. GATX Rail Canada has 9,000 railcars in its railcar fleet. GATX Rail de Mexico operates a fleet of nearly 2,600 railcars, and GATX has a significant interest in European railcar lessors Ahaus Alstatter Eisenbahn (AAE Cargo) and Kesselwagen Vermietgesellschaft mbH (KVG). AAE is the leading general-purpose freight car lessor in Europe, with a fleet of almost 12,000 cars operating throughout



GATX FLEET INTEREST
IN 157,000 CARS
Interest: Owned, Managed, Financial Interest

- 55% Tankcars
- 19% Covered Hoppers
- 8% Boxcars & Gondolas
- 8% European Freight Wagon
- 5% Open Top Hoppers
- 3% Grain Cars
- 2% Other

GATX RAIL
FLEET UTILIZATION
IN PERCENT



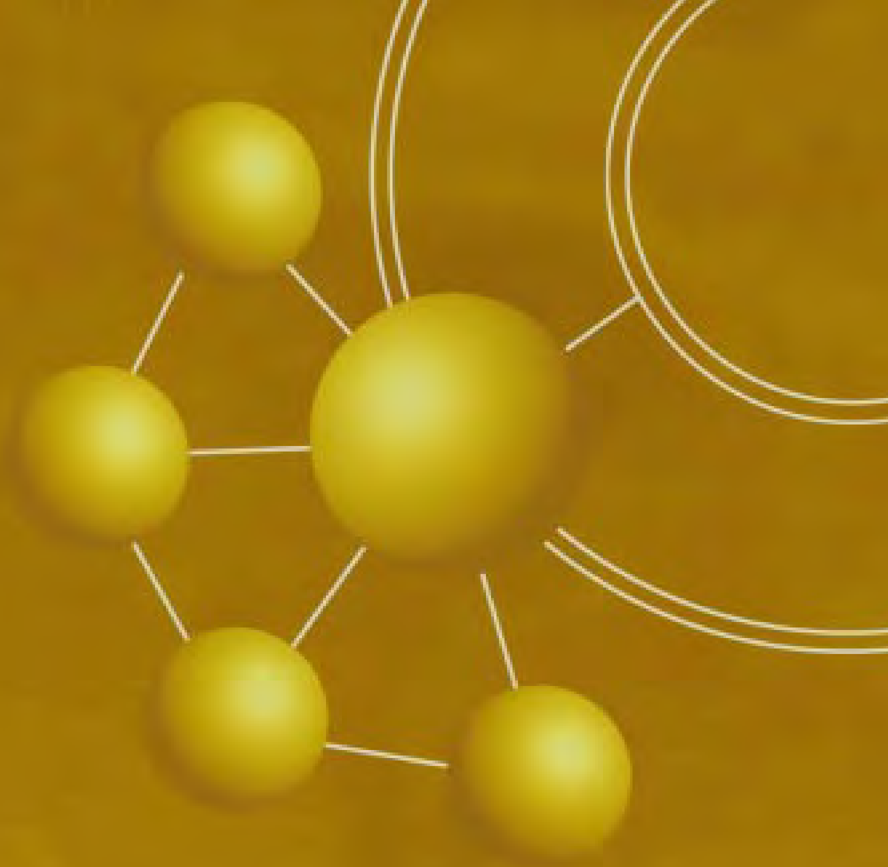
Europe and the United Kingdom. Based in Germany and Austria, KVG provides a modern fleet of 8,000 tank cars to European shippers of chemical, petroleum and food products. These international interests provide a strong market position through which GATX can capitalize on numerous new European rail opportunities.

In addition to GATX Rail, the rail related assets and capabilities of GATX Capital are a critical component of the overall rail offerings of GATX. GATX Capital primarily leases railcars to Class I and regional railroads, and owns or has an interest in a fleet of 50,000 railcars including coal, aggregate, hopper and other general purpose cars. GATX Capital also buys and sells fleets of rail assets, opportunistically selling highly valued rail assets at premiums while purchasing other rail assets at attractive valuations that also have significant upside potential. GATX Capital's asset expertise gives it a competitive advantage, particularly as railroads have increased their demand for general-purpose cars.

Through a joint venture with the Electro-Motive Division of General Motors (EMD), GATX Capital leases a large modern fleet of nearly 1,000 locomotives to railroads worldwide. Locomotive Leasing Partners fills the railroads' need for a high quality transportation product for their customers, through operating leases of well-maintained, reliable and efficient locomotives. Railroads often turn to LLP to help handle peak power needs or to satisfy a portion of longer requirements through creatively structured leases. Working closely with EMD, GATX Capital has been able to acquire, refurbish and deploy excellent assets that are in high demand and that perform well for customers.

With over 100 years of experience, GATX has longstanding relationships with shippers, railroads, railcar manufacturers, and the financial community. These relationships allow GATX to provide the railcars, terms and service offerings that help our customers serve their customers better. Though many know GATX primarily as a full-service lessor of railcars, the reality is that we provide a broad spectrum of transportation, distribution, and logistics solutions that capitalize on the expertise available throughout all of GATX.

Shown here at Phosphate Hill, Australia, unloading sulfuric acid as a raw material for fertilizer, this Tank-Train® system can be loaded or unloaded in 4½ hours. A conventional unit train of tank cars would take more than 40 hours. GATX's TankTrain system is a cost-effective alternative to building pipelines.



GATX CAPITAL CORPORATION provides **ASSET-BASED** financing for **TRANSPORTATION, INDUSTRIAL** and **INFORMATION TECHNOLOGY** equipment; financing for **VENTURE-BACKED** and **HIGH-TECHNOLOGY** companies; **MANAGEMENT** of assets for third-parties; and **TRANSACTION STRUCTURING, RESIDUAL GUARANTEES** and **ASSET REMARKETING** services.

GATX Capital **DIFFERENTIATES** itself in the financial services markets in that it acts as an **INVESTOR,** a **MANAGER,** and a **TRANSACTION ARRANGER.**

GATX CAPITAL CORPORATION is experiencing tremendous opportunities for growth. GATX Capital is capitalizing on opportunities in its traditional air, rail and structured finance markets while rapidly expanding its presence in technology, telecommunications, and venture finance.

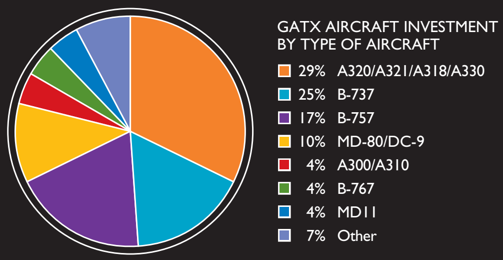
An important component of GATX Capital's success is its ability to adapt to new opportunities, and it has demonstrated this ability consistently. GATX Capital has evolved from being primarily a tax-oriented lessor to a company with skills that include asset knowledge, financial structuring, remarketing expertise, buying and selling lease portfolios, third-party portfolio management, and partnering capabilities.

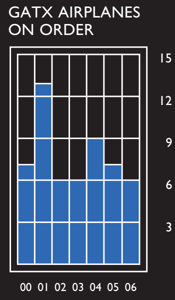
One of the best examples of GATX Capital's ability to identify and aggressively pursue new opportunities relates to the "new economy." The major factors that will drive economic growth in the future are clear: globalization, emerging technologies, and telecommunications. While many companies are racing to keep pace with these trends, GATX Capital is well ahead of the curve. Starting in 1987, GATX Capital began making prudent investments in venture finance and technology leasing. Risk/return analyses were adjusted to suit the dynamism of these emerging, warrant-based finance markets. Most importantly, critical relationships were developed with start-up companies and key venture capital firms. The knowledge base and contact network developed over the course of the past decade cannot be duplicated, and the benefit of this early initiative is evident in the potential for substantial equity-based income.

GATX Capital has provided early-stage financing to emerging companies such as Rhythms, Exodus Communications, Copper Mountain Networks, Sentient, and Cerent. In 1999, GATX Capital acquired a former partner, Meier Mitchell, thereby broadening its base of new economy financing activity. Meier Mitchell has a long and successful history in venture leasing and is recognized as one of the pioneers of secured, warrant-based financing to early-stage companies. While Meier Mitchell's venture leasing activity is diversified across a broad range of equipment and industry sectors, it has unique expertise in the biotech industry, providing GATX Capital with access to another rapidly growing market.

In addition to the areas of growth and opportunity provided by the new economy, GATX Capital continues to expand in its traditional areas of expertise. GATX Capital leases, manages, or has an interest in over 300 commercial jet aircraft. The GATX Capital fleet consists largely of modern, stage III, single aisle aircraft that have a large user base worldwide, such as B-737s and A320-A321s.

Through a joint venture with SAirGroup, GATX ordered 38 Airbus aircraft valued at $2.2 billion. Joint ventures such as this provide the GATX Air Group an even stronger presence in the global aviation marketplace with enhanced information, knowledge, products and services to accelerate growth.





In 1998, GATX Capital entered into a joint venture with Flightlease AG, a subsidiary of the SAirGroup, and became a 50 percent partner in Rolls-Royce & Partners Ltd. These ventures in aircraft operating leasing and jet engine leasing, respectively, have allied GATX Capital with companies of unsurpassed expertise in their fields. Both of these partnerships continue to grow and provide exciting growth platforms for the future.

GATX Capital's strategy to expand its aircraft portfolio through partnerships has allowed it to diversify its fleet, lower its risk profile, and create enhanced returns through management fees and residual sharing. Joint venture partnerships have allowed GATX Capital to broaden its presence in the aircraft leasing market, while at the same time achieving diversification in the overall GATX Capital portfolio. Aircraft investments constitute 29 percent of GATX Capital's total assets.

Partnering is one of GATX Capital's core strengths and much of the company's recent success can be tied to this critical skill. Through partnering, GATX Capital can achieve scale in certain markets, gain insight into new asset types, diversify its own investment activity, or establish business in a new region of the world. Today GATX Capital has nearly 50 active partnerships providing a substantial and growing income stream.

While the type of partners is itself quite diversified, many times GATX Capital will join with commercial banks and finance companies to pursue operating leasing or related activities. These active finance industry partners include the Lombard North Central subsidiary of NatWest, Commonwealth Bank of Australia, Heller Financial, Sanwa, and, most recently, Royal Bank of Scotland and Halifax plc. GATX Capital's ability to work in partnership with leading financial institutions broadens its access to capital and in many cases has enhanced its access to regional markets.

Over the past 18 months, GATX Capital has formed two new partnerships to pursue warrant-based financing opportunities in the telecommunications and emerging technology markets. GATX Capital serves as arranger, manager, and a co-investor in the funds. Focusing on early-stage companies, both partnerships are experiencing tremendous deal flow and excellent investment opportunity, providing a potentially strong source of income growth for GATX Capital.

Structuring financial transactions is another one of GATX Capital's core strengths. With a goal of maximizing its own return while providing competitive terms to its customers, GATX Capital has established itself as a leading resource for complex financial solutions. Often times, structuring involves

the allocation of the tax benefits of ownership to the most efficient investors; the allocation of residual benefits to the investors bidding most aggressively; and the allocation of defined debt service to the lowest cost debt providers. GATX Capital has the experience to deliver the structures and solutions that benefit all parties involved.

GATX Capital also selectively pursues opportunities in asset classes other than air, rail, or technology equipment. In this capacity, GATX Capital invests in and manages a diversified pool of assets.

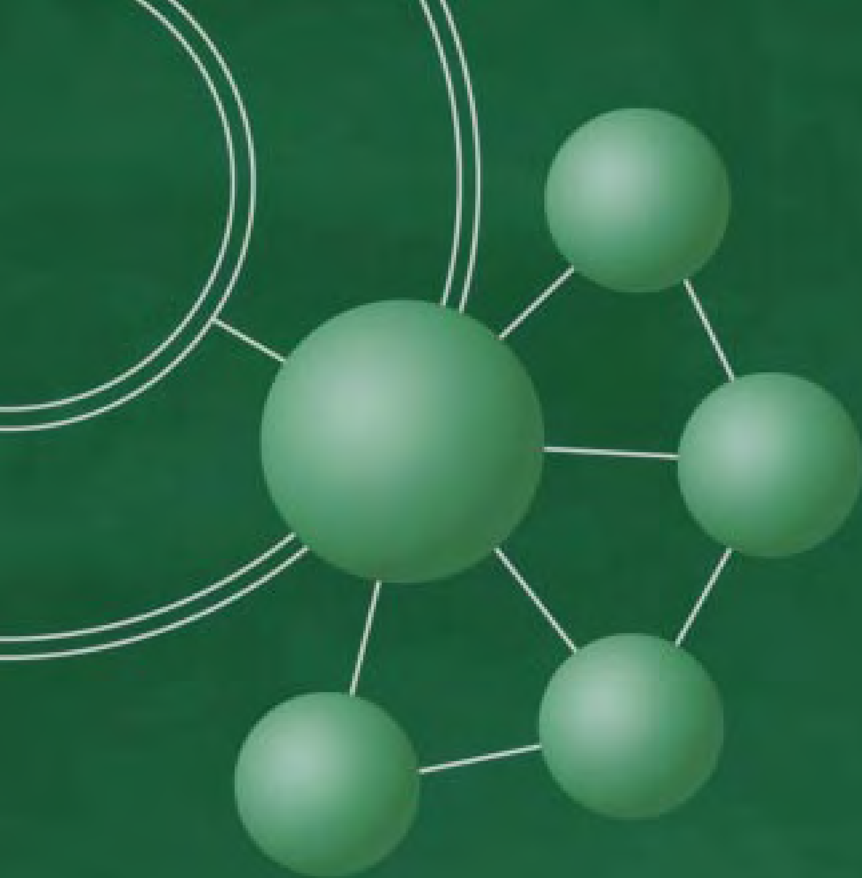
As an investor, GATX Capital combines strong asset knowledge with excellent financial structuring skills to provide its customers and partners not only with traditional financial products but also innovative risk sharing arrangements. For example, GATX Capital has orchestrated a number of joint venture arrangements that offered its partners attractive off-balance sheet or asset monetization alternatives.

GATX Capital also participates in high-yield debt investments in selected industries, operating lease and asset-based lending activities, as well as financing of marine assets. In addition, GATX Capital works with partners to provide residual value guarantees that allow lessors to manage residual exposure at the time of lease termination.

As a manager, GATX Capital has established partnerships with major industrial companies, banks, and insurance companies in which the company manages lease portfolios on behalf of these institutions. GATX Capital is able to leverage its significant lease management and remarketing expertise while providing partners with an efficient means for managing their portfolios. This $4.5 billion portfolio managed on behalf of third parties provides GATX Capital with management fees and significant residual sharing fees when assets are sold.

GATX Corporation reports the revenues and earnings of American Steamship Company, GATX's Great Lakes shipping company, in the segment called Financial Services. By combining American Steamship with GATX Capital's marine asset financing group, all of GATX's marine activities are housed within one group, providing an opportunity to optimize GATX's marine activities. With 11 vessels, American Steamship is the largest operator of self-unloading vessels on the U.S. Great Lakes.

With approximately $1 billion invested in technology equipment and telecom venture start-ups, GATX is capitalizing on and participating in the "new economy." GATX offers services to small to large companies to manage their technology needs. In addition, GATX manages two telecom investing funds in which it serves as arranger, manager, and co-investor.



The **GATX INTEGRATED SOLUTIONS GROUP** was created in September 1999. It provides customers with a **SINGLE SOURCE** for the **OPTIMIZATION** and **INTEGRATION** of their **SUPPLY CHAINS.**

It combines the necessary expertise, information and resources to provide **VALUE-ADDING** supply chain and logistics **SOLUTIONS.** The GATX Integrated Solutions Group offers its customers **VALUE** through **NETWORK DESIGN, ENHANCED KNOWLEDGE, IMPROVED SERVICE** and **COST EFFICIENCIES.**

The GATX Integrated Solutions Group derives **SIMPLICITY** out of **COMPLEXITY…**It positions GATX as a world **LEADER** in **GLOBAL SUPPLY CHAIN** and **LOGISTIC SOLUTIONS** and **SERVICES.**

GATX INTEGRATED SOLUTIONS GROUP The GATX Integrated Solutions Group is a combination of all of the GATX supply chain related businesses, creating a single source for customers seeking supply chain solutions and services worldwide. It brings together the core strengths of four GATX companies: GATX Terminals, GATX Logistics, GATX Chemical Logistics and GATX Rail Logistics. This allows GATX to align its capabilities, improve its traditional lines of business and offer seamlessly integrated solutions to its customers. By combining its broad array of capabilities and emphasizing its focus on optimizing customers' transportation and inventory systems worldwide, the GATX Integrated Solutions Group is an industry leader uniquely positioned to provide unrivaled, value-adding supply chain and logistics solutions.

The GATX Integrated Solutions Group has extensive supply chain capabilities which include supply chain reengineering, design and implementation, inventory and transportation optimization and planning, shipment management, product storage, bulk product distribution, multimodal transportation management, bulk chemical transloading, remote inventory monitoring, continuous inventory replenishment, asset management, and carrier management. These capabilities are augmented by innovative, state-of-the-art information systems that are increasingly utilizing the Internet as a management tool. While the capabilities of the Integrated Solutions Group are wide-ranging, it continues the tradition of extending its offerings through strategic global partnerships. The GATX Integrated Solutions Group is focused on improving each of its supply chain service components as well as combining these services into integrated solutions that create more value for customers. It is particularly focused on providing integrated solutions to the chemical and petroleum industries and will continue to expand capabilities as they relate to chemical and petroleum product handling and supply chain management.

GATX TERMINALS The restructuring program initiated in 1997 by GATX Terminals has continued and remains a catalyst for the alignment of GATX Terminals' facilities and capabilities with its strategy to provide superior services to chemical and petroleum markets worldwide. International markets are a key focal point. A new terminal in Kertih, Malaysia, is now substantially completed and is a significant part of that region's developing petrochemical hub. Early in 2000, GATX Terminals also expanded its interests in two global petrochemical capitals. It acquired the remaining 50 percent interests in GAMATEX N.V., which owns a facility in Antwerp, Belgium, and in Tankstore Ltd., which owns a facility in Singapore.

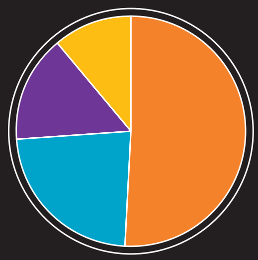
The Houston petrochemical complex sets the backdrop for the broad variety of services offered by the GATX Integrated Solutions Group. From simple storage to complex logistic algorithms, GATX is rapidly expanding its services to the chemical and petroleum industries.

In March 1999, GATX Terminals formed a partnership, called GATX Product Services, LP, which leverages the assets of its partners and allows GATX Terminals to extend its supply chain offerings to the petroleum industry beyond warehousing and into distribution. GATX Product Services' distillate blending and distribution capabilities create value for customers by providing flexibility and integrated services to refiners.

Over the past several years, GATX Terminals has actively managed its asset portfolio, shedding assets that do not conform to its overall strategic plan and acquiring others that will accelerate its growth. The result is a network of terminals located in key chemical and petroleum markets that provide a competitively advantaged foundation for logistics services around the world. GATX Terminals is now well placed to play a key role in the existing and developing supply chains that the Integrated Solutions Group is offering its customers.

GATX LOGISTICS GATX Logistics optimizes the supply chain by managing the movement of its customers' raw materials, products and information through the manufacturing and distribution processes. GATX Logistics has capitalized upon the industry changes resulting from e-commerce market trends. By partnering with leading e-commerce software, server hosting and call center service providers, GATX now offers commercial and retail shippers a turnkey, end-to-end solution for delivering products purchased via the Internet. The broad array of services offered through this new initiative not only capitalizes on GATX's logistics and fulfillment expertise, but also includes the capability to establish virtual stores to deliver purchased products from GATX Logistics' fulfillment centers to a commercial dock-door or a residential doorstep. Understanding and finding effective supply chain solutions for the delivery of goods will be critical to the success of Internet-based sellers. A natural tie-in to those solutions is the service GATX provides through Paxis, its joint venture with Lockheed Martin. Paxis allows shippers to capitalize upon the discounts offered by the United States Postal Service based on the package's point of entry into their distribution system.

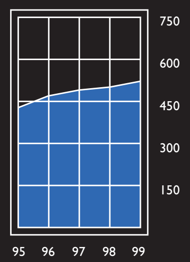
GATX Logistics has developed value-adding services, technologies and partnerships that allow it to gather the critical mass to firmly position itself as an industry leader in state-of-the-art integrated contract logistics in North and South America. As a member of the GATX Integrated Solutions Group, GATX Logistics' capabilities will be made useful in creating more value for a broader set of customers.



GATX INTEGRATED SOLUTIONS GROUP
INDUSTRY REVENUE SOURCES
DURING 1999

- 51% Logistics
- 23% Petroleum
- 15% Pipelines
- 11% Chemical

TERMINALS THROUGHPUT FROM CONTINUING OPERATIONS
MILLIONS OF BARRELS DELIVERED



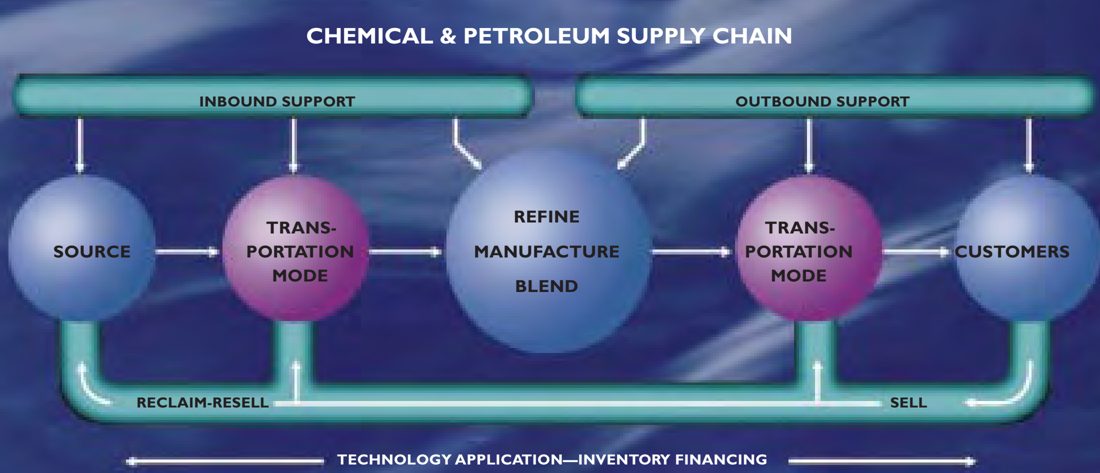
GATX CHEMICAL LOGISTICS GATX formed GATX Chemical Logistics in September 1999 concurrent with its acquisition of Leaman Logistics, Inc., a leading transportation management and integrated solutions provider to the chemical industry. GATX Chemical Logistics brings together the capabilities of Leaman Logistics with GATX's chemical supply chain management and outsourcing businesses: GATX Liquid Logistics, Inc. and GATX Inventory Monitoring Services, Inc. The newly formed GATX Chemical Logistics provides chemical companies with customized, value-adding, integrated supply chain solutions and services. Its integrated offering includes supply chain reengineering, design and implementation, inventory and multimodal transportation optimization, planning and management, remote inventory monitoring, and continuous inventory replenishment.

With its Internet-enabled services, including access to remote inventory information and collaborative planning and execution of transportation schedules, GATX Chemical Logistics provides customers with an innovative outsourcing solution for their bulk chemical needs at a much lower investment and implementation risk than the customer could achieve on its own. When combined with the worldwide logistics management, transportation and storage expertise of the other GATX Integrated Solutions Group entities, GATX Chemical Logistics possesses the unique skill set necessary to provide the best supply chain management solutions.

GATX RAIL LOGISTICS GATX Rail Logistics develops and manages customized rail transportation solutions that increase operational efficiency, minimize overall rail transportation expense and enhance service for customers. The services offered by GATX Rail Logistics include rail, asset, carrier, shipment and inventory management.

With its shipment management offering, GATX Rail Logistics executes the daily shipment tracking and expediting required to maintain rail transportation reliability. GATX Rail Logistics has coupled its access to up-to-date transit data on railcars with proprietary information systems and is uniquely qualified to effectively manage total transit times. GATX Rail Logistics benefits from GATX's leading position in the rail industry. By providing expertise, information and management capabilities directly to customers, GATX Rail Logistics is a key component of the multimodal solutions offered by the GATX Integrated Solutions Group.

The GATX Integrated Solutions Group provides supply chain management services to meet its customers' competitive goals of improving services while reducing costs. GATX designs, operates and finances supply and distribution models from the sourcing of raw materials to delivery to the end-user.



GATX REVIEW OF 1999 FINANCIAL OPERATIONS

BUSINESS SEGMENTS The following summary describes GATX's current business segments:

GATX RAIL represents GATX Rail Corporation (formerly General American Transportation Corporation) and its foreign subsidiaries and affiliates which lease and manage tank cars and other specialized railcars.

FINANCIAL SERVICES represents GATX Capital Corporation and its subsidiaries and affiliates, which arrange and service the financing of equipment and other capital assets on a worldwide basis, and American Steamship Company, which operates self-unloading vessels on the Great Lakes.

GATX INTEGRATED SOLUTIONS GROUP encompasses GATX Terminals Corporation and its domestic and foreign subsidiaries and affiliates, which own and operate tank storage terminals and pipelines; GATX Logistics, Inc., which provides distribution and logistics support services and warehousing facilities; as well as several other GATX companies providing integrated solutions to the chemical and petroleum industries.

TO OUR SHAREHOLDERS: The management of GATX Corporation has prepared the accompanying consolidated financial statements and related information included in this 1999 Annual Report to Shareholders and has the primary responsibility for the integrity of this information. The financial statements have been prepared in conformity with generally accepted accounting principles and necessarily include certain amounts which are based on estimates and informed judgments of management.

The financial statements have been audited by the company's independent auditors, whose report thereon appears on this page. Their role is to form an independent opinion as to the fairness with which such statements present the financial position of the company and the results of its operations.

GATX maintains a system of internal accounting controls which is designed to provide reasonable assurance as to the reliability of its financial records and the protection of its shareholders' assets. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the related benefits. Management believes the company's system provides this appropriate balance in all material respects.

GATX's system of internal controls is further augmented by an audit committee composed of independent directors, which meets regularly throughout the year with management, the independent auditors and the internal auditors; an internal audit program that includes prompt, responsive action by management; and the annual audit of the company's financial statements by independent auditors.

Ronald H. Zech	Brian A. Kenney	Ralph L. O'Hara
Ronald H. Zech	**Brian A. Kenney**	**Ralph L. O'Hara**
Chairman, President and Chief Executive Officer	Vice President and Chief Financial Officer	Controller and Chief Accounting Officer

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF GATX CORPORATION: We have audited the accompanying consolidated balance sheets of GATX Corporation and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, changes in shareholders' equity, comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of GATX Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Chicago, Illinois
January 25, 2000

ERNST & YOUNG LLP

GATX RAIL (RAIL) Rail's gross income of $571 million increased 6.7% over the prior year period primarily due to a larger active North American fleet, a slight increase in rental rates, and a gain from the sale of 1,700 grain cars that did not provide an acceptable level of long-term economic value. Rail added 5,400 railcars during 1999 and at year end had 83,300 railcars on lease in North America. Utilization ended the year at 95% on a total fleet of 87,800 railcars, which was comparable to utilization at the end of 1998. The railcar leasing market has become more competitive due to lower demand. Rail congestion problems resulted in strong car demand in the chemical markets and contributed to the historically high demand in the prior year. Although Rail anticipates continuing to invest aggressively in railcars in 2000, the total investment will be reflective of market conditions.

Rail's share of earnings of its two European affiliates was $4 million in 1999 compared to $3 million in 1998. Rail invested an additional $28 million in these affiliates' freight and tank car fleets in 1999.

Record net income of $73 million increased $6 million from the prior year period, reflecting higher revenues, including the gain related to the grain car sale, partially offset by higher selling, general and administrative costs. These expenses increased 12.5% largely to support business development and information systems initiatives. Asset ownership costs increased 7.9% over last year primarily due to an increase in operating lease expense. Depreciation and interest did not change appreciably from last year due to Rail's continued use of sale-leaseback financing. In 1999, $143 million of new railcars were sold and leased back and the resultant cost is included in operating lease expense. Repair costs as a percentage of revenues decreased from 1998 as a result of lower material costs and fewer labor hours incurred.

FINANCIAL SERVICES Financial Services' gross income of $694 million decreased $37 million from the prior year. Comparisons between periods are affected by the sale of the value-added technology equipment sales and service business (VAR) in June 1999. Excluding VAR, revenues increased 11.0% over the prior year. Gains on the sale of stock of $15 million, which were derived from warrants received during the financing of nonpublic start-up companies, and an increase in lease income generated from a higher average investment portfolio were offset by lower asset remarketing income. Lease income increased $63 million predominately driven by the growing technology financing portfolio. Pretax asset remarketing income of $79 million was $14 million lower than last year's record $93 million. A significant portion of 1999 asset remarketing gains was realized from the sale of marine and air assets. Asset remarketing income includes both gains from the sale of assets from Financial Services' own portfolio as well as residual sharing fees from the sale of managed assets. Asset remarketing income and gains from the sale of stock do not occur evenly from period to period.

During 1999, Financial Services continued to emphasize its strategy of joining with partners to finance and manage assets. Financial Services' share of earnings in such joint ventures was $61 million in 1999, a 32.5% increase over last year. The increase is primarily attributable to increased contribution from existing rail joint ventures and new air and marine joint ventures. Several new joint ventures were formed in 1999 including a joint venture created to acquire and lease Boeing 737 new generation aircraft and a joint venture created to provide financing and leasing to start-up telecommunications companies.

Net income of $71 million increased 6.8% from last year and was positively affected by an increase in the share of affiliates' earnings, the impact of the VAR business, and the sale of stock. These increases were offset by lower remarketing income, a decreased contribution from marine operations, higher depreciation expense, and an increase in selling, general and administrative expenses due to higher human resource and other costs associated with increased investment activity. Higher average investment balances in operating leases, specifically technology, drove the 29.6% increase in depreciation and amortization. Marine operations contributed $3 million to net income in 1999 versus $7 million in 1998. A decline in iron ore shipments resulting from higher imported steel volumes, competitive pricing, and lower than normal water levels have negatively impacted current year results.

Financial Services' allowance for possible losses decreased $19 million to $111 million, representing 3.8% of net investments, down from 5.9% at the end of 1998. The loss provision was $11 million in each of 1999 and 1998. Write-offs of $34 million in 1999 were $26 million higher than the prior year and were primarily related to twin-aisle commercial aircraft and a steel production facility.

Financial Services invested a record $1.2 billion in 1999, which was 42.0% higher than 1998. Approximately $500 million was added to the technology leasing portfolio with significant investments also made in the air, telecommunications and venture sectors.

GATX INTEGRATED SOLUTIONS GROUP GATX Integrated Solutions Group's (ISG) gross income of $599 million increased by 2.2% over 1998 with new business and growth initiatives being partially offset by the absence of terminal facilities that were sold or closed during 1999. For ongoing wholly owned operations, gross income grew by 8% reflecting new business and improved pricing.

As part of its 1997 strategic realignment, ISG divested three domestic terminals and six foreign terminals in early 1999. One other domestic and one United Kingdom terminal were closed during 1999.

In ISG's ongoing North American bulk liquid terminal and pipeline operation, throughput and capacity utilization improved to 537 million barrels and 95% in 1999 compared to 531 million barrels and 94% in 1998. Space utilization for the company's dry goods integrated logistics operation likewise improved to 96% from 95% in 1998.

ISG's joint ventures, which serve the European, Asian, Latin American and North American markets, contributed $21 million to gross income in 1999 which is consistent with last year as the benefit of an investment in a distillate blending and distribution joint venture was offset by lower results at Olympic Pipeline Company (Olympic). On June 10, 1999, a rupture and explosion occurred on the pipeline owned by Olympic, causing three fatalities and property damage as well as damage to the environment. The cause of the incident is being investigated by a number of state and federal agencies. GATX Terminals (Terminals), an ISG operating company, owns 25.1% of the common shares of Olympic. Management is presently unable to determine the impact, if any, of this incident on GATX.

In early 2000, ISG announced that Terminals purchased from Koninklijke Vopak N.V. (Vopak) Vopak's 50% ownership interests in GAMATEX N.V., located in Belgium, and Tankstore Ltd., located in Singapore. The result gave Terminals 100% ownership in both GAMATEX N.V. and Tankstore Ltd. In turn, Terminals sold to Vopak its 50% ownership interest in Tees Storage Company Ltd., a terminal facility in Middlesborough, England.

Net income of $25 million increased by $7 million or 41.2% over 1998. This significant improvement is largely attributable to ongoing operations reflecting higher contribution margins as well as lower asset ownership costs and SG&A. The remainder of the increase is the net impact of increased business development efforts and nonrecurring items, including a gain on the sale of rights along the Central Florida Pipeline and discontinued terminals.

CORPORATE AND OTHER Corporate and Other net expense of $17 million was comparable to 1998 net expense of $18 million. Increases in selling, general and administrative expenses were offset by decreases in interest expense.

During 1999, GATX formed GATX Integrated Solutions Group, a combination of operating companies to be managed together sharing resources and expertise to create value-adding supply chain and logistics solutions. Further, the company's Great Lakes shipping operations were combined with GATX Capital's marine financing group. Accordingly, GATX's operating segments are now defined as GATX Rail, Financial Services, and GATX Integrated Solutions Group. The prior year information has been restated to reflect the new segment presentation.

The financial data presented on this and the following page conform to Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information*, and depict the profitability, financial position and cash flow of each of GATX's business segments. Segment profitability is presented to reflect operating results inclusive of allocated support expenses from the parent company and interest costs based upon the debt levels shown below. Management assesses performance using return measures such as return on equity both across segments and over time. In certain cases, return on equity is labeled n/m (not meaningful) on the table to reflect returns that are immaterial, negative, or distorted as a result of the 1997 restructuring charge.

IN MILLIONS	GATX RAIL	FINANCIAL SERVICES	GATX INTEGRATED SOLUTIONS GROUP	CORPORATE AND OTHER	INTER-SEGMENT	TOTAL
1999						
Profitability						
Revenues	$ 567.1	$ 632.9	$578.0	$ 1.9	$ (6.9)	**$1,773.0**
Share of affiliates' earnings	3.8	60.7	21.4	—	—	**85.9**
Gross Income	570.9	693.6	599.4	1.9	(6.9)	**1,858.9**
Interest expense	(52.6)	(122.4)	(52.3)	(7.3)	2.4	**(232.2)**
Depreciation and amortization	(100.1)	(151.9)	(52.7)	(1.4)	(2.1)	**(308.2)**
Income (loss) before taxes	117.5	117.9	44.8	(25.0)	(1.3)	**253.9**
Net income (loss)	72.9	71.0	25.0	(16.7)	(0.9)	**151.3**
Return on equity (A)	23.3%	21.3%	11.7%	n/m	n/m	**19.3%**
Financial Position						
Debt	831.0	2,255.3	664.9	67.6	(8.8)	**3,810.0**
Equity	327.5	362.8	216.6	(65.9)	(5.0)	**836.0**
Investments in affiliated companies	91.3	665.5	199.8	.7	—	**957.3**
Identifiable assets	1,693.8	3,088.9	1,166.4	29.8	(112.1)	**5,866.8**
Items Affecting Cash Flow						
Net cash provided by (used in) operating activities	141.4	161.5	67.0	(15.1)	—	**354.8**
Portfolio proceeds	—	503.0	—	—	—	**503.0**
Total cash provided (used)	141.4	664.5	67.0	(15.1)	—	**857.8**
Capital additions and portfolio investments	386.5	1,217.8	80.0	1.7	—	**1,686.0**

(A) Based on average equity for the year.

IN MILLIONS	GATX RAIL	FINANCIAL SERVICES	GATX INTEGRATED SOLUTIONS GROUP	CORPORATE AND OTHER	INTER-SEGMENT	TOTAL
1998						
Profitability						
Revenues	$ 532.3	$ 684.3	$ 565.8	$ 3.2	$ (4.7)	**$1,780.9**
Share of affiliates' earnings	2.7	45.8	20.7	—	—	**69.2**
Gross Income	535.0	730.1	586.5	3.2	(4.7)	**1,850.1**
Interest expense	(52.9)	(121.4)	(54.4)	(7.8)	1.6	**(234.9)**
Depreciation and amortization	(97.3)	(117.2)	(51.1)	(1.1)	(0.8)	**(267.5)**
Income (loss) before taxes	108.5	121.1	31.6	(27.1)	(2.3)	**231.8**
Net income (loss)	67.1	66.5	17.7	(17.9)	(1.5)	**131.9**
Return on equity (A)	23.3%	22.8%	9.1%	n/m	n/m	**19.0%**
Financial Position						
Debt	710.4	1,717.4	629.0	68.7	(3.9)	**3,121.6**
Equity	298.3	304.6	208.4	(74.3)	(4.1)	**732.9**
Investments in affiliated companies	62.2	570.3	150.3	—	—	**782.8**
Identifiable assets	1,539.9	2,443.8	1,104.5	19.5	(100.9)	**5,006.8**
Items Affecting Cash Flow						
Net cash provided by (used in) operating activities	166.1	148.5	93.3	(16.8)	—	**391.1**
Portfolio proceeds	—	811.5	—	—	(6.4)	**805.1**
Total cash provided (used)	166.1	960.0	93.3	(16.8)	(6.4)	**1,196.2**
Capital additions and portfolio investments	384.8	857.8	79.0	0.8	(7.7)	**1,314.7**
1997						
Profitability						
Revenues	$ 493.0	$ 675.8	$ 549.9	$ 0.6	$ (1.3)	**$1,718.0**
Share of affiliates' earnings	1.0	27.9	20.2	—	—	**49.1**
Gross Income	494.0	703.7	570.1	0.6	(1.3)	**1,767.1**
Interest expense	(51.0)	(103.9)	(57.5)	(11.6)	1.6	**(222.4)**
Depreciation and amortization	(98.0)	(88.1)	(65.2)	(1.0)	—	**(252.3)**
Income (loss) before taxes	100.1	102.5	17.2	(31.6)	(1.3)	**186.9**
Operating income (loss) before restructuring (B)	62.7	61.5	9.3	(20.9)	(0.7)	**111.9**
Net income (loss)	62.7	61.5	(153.5)	(20.9)	(0.7)	**(50.9)**
Return on equity (A)	22.1%	23.1%	n/m	n/m	n/m	**(7.1%)**
Financial Position						
Debt	693.8	1,798.9	629.1	90.1	—	**3,211.9**
Equity	278.8	277.7	181.3	(79.8)	(2.6)	**655.4**
Investments in affiliated companies	59.8	549.6	140.4	—	—	**749.8**
Identifiable assets	1,504.5	2,495.4	1,049.2	26.9	(85.8)	**4,990.2**
Items Affecting Cash Flow						
Net cash provided by (used in) operating activities	158.3	104.5	81.0	(24.5)	—	**319.3**
Portfolio proceeds	—	430.8	—	—	—	**430.8**
Total cash provided (used)	158.3	535.3	81.0	(24.5)	—	**750.1**
Capital additions and portfolio investments	336.9	866.5	72.2	—	—	**1,275.6**

(A) Based on average equity for the year. In 1997, consolidated return on equity, based on operating income, was 14.0%.

(B) Pretax income excludes a $224.8 million charge for restructuring with $185.8 million related to closure of certain nonstrategic terminals and pipelines and $39.0 million after-tax charge for the write-down of goodwill related to the company's dry goods integrated logistics operation. The after-tax impacts were $162.8 million, $123.8 million, and $39.0 million, respectively.

CONSOLIDATED STATEMENTS OF OPERATIONS

IN MILLIONS, EXCEPT PER SHARE DATA/YEAR ENDED DECEMBER 31	1999	1998	1997
Gross Income			
Lease, interest and financing services	**$1,132.5**	$1,041.2	$ 962.0
Distribution services	**578.0**	565.8	549.9
Other income	**62.5**	173.9	206.1
Revenues	**1,773.0**	1,780.9	1,718.0
Share of affiliates' earnings	**85.9**	69.2	49.1
Total Gross Income	**1,858.9**	1,850.1	1,767.1
Ownership Costs			
Depreciation and amortization	**308.2**	267.5	252.3
Interest	**232.2**	234.9	222.4
Operating lease expense	**215.5**	206.8	193.6
Total Ownership Costs	**755.9**	709.2	668.3
Other Costs and Expenses			
Operating expenses	**591.5**	659.5	672.6
Selling, general and administrative	**246.3**	234.9	228.5
Provision for possible losses	**11.3**	14.7	11.1
Provision for restructuring	**—**	—	224.8
Income (Loss) Before Income Taxes	**253.9**	231.8	(38.2)
Income Taxes	**102.6**	99.9	12.7
Net Income (Loss)	**$ 151.3**	$ 131.9	$ (50.9)
Per Share Data			
Basic:			
Net Income (Loss)	**$ 3.07**	$ 2.68	$ (1.28)
Average Number of Common Shares (in thousands)	**49,296**	49,178	45,084
Diluted:			
Net Income (Loss)	**$ 3.01**	$ 2.62	$ (1.28)
Average Number of Common Shares and Common Share Equivalents (in thousands)	**50,301**	50,426	45,084
Dividends paid:			
Common	**$ 1.10**	$ 1.00	$ .92
$3.875 Cumulative Preferred	**—**	—	1.9375

The accompanying notes are an integral part of these consolidated financial statements.

GROSS INCOME of $1,859 million increased $9 million from 1998. The comparison of 1999 to 1998 is influenced by the midyear sale of the VAR business.

LEASE, INTEREST AND FINANCING SERVICES INCOME of $1,133 million in 1999 increased $91 million over the prior year. Financial Services' lease income grew 23.3% in 1999 as a result of a higher average portfolio in 1999. The $14 million decrease in asset remarketing income is partially offset by a $12 million increase in gains from stock sales. Rail's rental revenue increased 4.5% from the prior year period due to a larger North American active fleet. Rail's 1999 revenues also include the gain from the sale of 1,700 grain cars.

DISTRIBUTION SERVICES INCOME of $578 million grew 2.2% from the prior year. Comparisons between periods are affected by terminal locations sold or closed that were part of the 1997 restructuring plan. Distribution services income from continuing operations and development efforts increased 9.5% over the prior year period reflecting new business and improved pricing primarily in the terminal and pipeline operations.

OTHER INCOME of $63 million significantly decreased from the prior year due to the sale of the VAR business in June 1999. VAR revenue in 1999 was $67 million versus $175 million in 1998.

SHARE OF AFFILIATES' EARNINGS grew by 24.1% over the prior year due to significant growth at Financial Services, particularly within air and rail joint ventures.

OWNERSHIP COSTS of $756 million increased $47 million over the prior year period. Depreciation and amortization expense of $308 million increased $41 million and reflects the high level of portfolio investments in operating lease assets. The increase in operating lease expense reflects Rail's sale-leaseback financing of the railcar additions.

OPERATING EXPENSES were 10.3% lower than 1998. This decrease is largely due to the sale of the VAR business and cost savings from closed terminal locations, partially offset by higher costs to support new business at ISG.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES of $246 million increased 4.9% over the prior year due to higher human resource and other administrative expenses associated with increased portfolio investment activity and costs incurred to support business development and information systems initiatives.

THE PROVISION FOR POSSIBLE LOSSES of $11 million decreased $3 million from last year. The 1998 provision included a $3 million write-off of an ISG customer that ceased operations.

INCOME TAXES of $103 million represent an effective tax rate of 40.4%, which is lower than last year's rate of 43.1%. The prior year's provision included certain expenses, including a goodwill write-down related to VAR, that were not deductible for tax purposes.

NET INCOME of $151 million, an increase of 14.7% from last year, was driven by increased earnings at Rail and ISG.

CONSOLIDATED BALANCE SHEETS

GATX CORPORATION AND SUBSIDIARIES

IN MILLIONS/DECEMBER 31	1999	1998
Assets		
Cash and Cash Equivalents	**$ 102.5**	$ 94.5
Receivables		
Trade accounts	**153.6**	156.2
Finance leases	**645.7**	676.0
Secured loans	**358.0**	241.6
Less–Allowance for possible losses	**(115.7)**	(135.9)
	1,041.6	937.9
Operating Lease Assets and Facilities		
Railcars and service facilities	**2,552.6**	2,567.1
Tank storage terminals and pipelines	**1,460.7**	1,168.2
Operating lease investments and other	**1,311.6**	974.4
	5,324.9	4,709.7
Less–Allowance for depreciation	**(2,042.9)**	(1,919.6)
	3,282.0	2,790.1
Investments in Affiliated Companies	**957.3**	782.8
Other Assets	**483.4**	401.5
	$ 5,866.8	$ 5,006.8
Liabilities, Deferred Items and Shareholders' Equity		
Accounts Payable	**$ 372.3**	$ 353.0
Accrued Expenses	**65.8**	54.1
Debt		
Short-term	**377.4**	299.9
Long-term:		
Recourse	**2,785.7**	2,171.3
Nonrecourse	**463.8**	451.9
Capital lease obligations	**183.1**	198.5
	3,810.0	3,121.6
Deferred Income Taxes	**457.2**	392.6
Other Deferred Items	**325.5**	352.6
Total Liabilities and Deferred Items	**5,030.8**	4,273.9
Shareholders' Equity		
Preferred stock	**—**	—
Common stock	**34.5**	34.3
Additional capital	**338.7**	331.6
Reinvested earnings	**543.0**	446.0
Accumulated other comprehensive income (loss)	**1.2**	(32.2)
	917.4	779.7
Less–Cost of common shares in treasury	**(81.4)**	(46.8)
Total Shareholders' Equity	**836.0**	732.9
	$ 5,866.8	$ 5,006.8

The accompanying notes are an integral part of these consolidated financial statements.

TOTAL ASSETS were $5.9 billion and increased $860 million from the prior period. Growth from a record level of portfolio investments and capital additions was partially offset by depreciation and amortization, the sale-leaseback of railcars at Rail, and portfolio asset sales at Financial Services.

In addition to the $5.9 billion of assets on the balance sheet, GATX utilizes approximately $1.5 billion of assets, such as railcars, aircraft and warehouses, that are financed with operating leases and therefore are not included on the balance sheet.

TOTAL RECEIVABLES, including finance leases and secured loans, increased $104 million mostly due to secured loan activity at Financial Services and a decrease in the allowance for possible losses. Significant new investment opportunities, specifically telecommunications and venture investments, resulted in a $116 million increase in secured loans. The allowance for possible losses decreased from the prior period, as write-offs at Financial Services were $34 million.

OPERATING ASSETS AND FACILITIES of $3.3 billion increased by $492 million from 1998 largely due to the $1.7 billion of portfolio investments and capital additions made in 1999. Offsetting these additions were depreciation, the sale-leaseback of railcars at Rail and asset remarketing activities.

INVESTMENTS IN AFFILIATED COMPANIES grew 22.3% in 1999 with significant investments in air and rail joint ventures. Approximately $186 million was invested in GATX's joint ventures in 1999 and a record $86 million of equity income was recognized. Cash distributions from affiliates, which include dividends and the return of investment, decreased substantially from the prior year's record distributions.

OTHER ASSETS of $483 million increased $82 million since the end of last year, with the majority of the increase due to progress payments for aircrafts and investments in stock warrants.

TOTAL DEBT of $3.8 billion increased $688 million from the end of 1998 to fund the record portfolio investment volume, a significant level of fleet additions and business development initiatives.

TOTAL SHAREHOLDERS' EQUITY increased $103 million, reflecting net income of $151 million partially offset by $54 million in common stock dividends and the repurchase of $35 million of common stock. Unrealized gains on stock warrants held and changes to the cumulative foreign currency translation adjustment added $33 million to equity.

CONSOLIDATED STATEMENTS OF CASH FLOWS

GATX CORPORATION AND SUBSIDIARIES

IN MILLIONS/YEAR ENDED DECEMBER 31	1999	1998	1997
Operating Activities			
Net income (loss)	**$ 151.3**	$ 131.9	$ (50.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Realized gains on remarketing of leased equipment	**(75.5)**	(72.9)	(74.1)
Depreciation and amortization	**308.2**	267.5	252.3
Provision for possible losses	**11.3**	14.7	11.1
Deferred income taxes	**62.5**	64.4	36.2
Provision for restructuring, net of tax	**—**	—	162.8
Net change in trade receivables, inventories, accounts payable and accrued expenses	**21.0**	(13.4)	34.9
Other	**(124.0)**	(1.1)	(53.0)
Net cash provided by operating activities	**354.8**	391.1	319.3
Investing Activities			
Additions to operating lease assets and facilities	**(420.0)**	(468.5)	(362.0)
Additions to equipment on lease, net of nonrecourse financing	**(697.0)**	(501.6)	(536.4)
Secured loans extended	**(268.8)**	(161.6)	(35.1)
Investments in affiliated companies	**(186.4)**	(147.2)	(306.1)
Other investments and progress payments	**(113.8)**	(35.8)	(36.0)
Capital additions and portfolio investments	**(1,686.0)**	(1,314.7)	(1,275.6)
Portfolio proceeds:			
From remarketing of leased equipment	**221.0**	242.0	218.5
From return of investment	**282.0**	563.1	212.3
Total portfolio proceeds	**503.0**	805.1	430.8
Proceeds from other asset sales	**254.0**	261.6	226.9
Net cash used in investing activities	**(929.0)**	(248.0)	(617.9)
Financing Activities			
Proceeds from issuance of long-term debt	**981.5**	360.1	569.9
Repayment of long-term debt	**(395.7)**	(361.6)	(395.2)
Net increase (decrease) in short-term debt	**95.6**	(69.2)	207.8
Repayment of capital lease obligations	**(17.6)**	(15.4)	(15.3)
(Repurchase) issuance of common stock and other	**(27.3)**	9.0	12.4
Cash dividends	**(54.3)**	(49.3)	(49.4)
Net cash provided by (used in) financing activities	**582.2**	(126.4)	330.2
Net Increase in Cash and Cash Equivalents	**$ 8.0**	$ 16.7	$ 31.6

The accompanying notes are an integral part of these consolidated financial statements.

GATX generates significant cash from its operating activities and proceeds from its investment portfolio, which are used to service debt, pay dividends, and fund capital additions and portfolio investments. Most of the capital requirements are considered discretionary and represent additions to the railcar fleet, capital equipment investment portfolio, joint ventures, and terminal and pipeline facilities. As a result, the level of capital spending and investments can be adjusted as conditions in the economy or GATX's businesses warrant.

CASH PROVIDED BY OPERATING ACTIVITIES generated $355 million of cash flow in 1999, a $36 million decrease from 1998. Net income adjusted for noncash items generated $458 million of cash, an increase of $52 million over 1998, primarily due to increased net income and depreciation and amortization. Changes in working capital and other generated $89 million less cash in 1999 largely due to an increase in share of affiliates' earnings offset by lower affiliate dividends and settlement of litigation subject to final court approval.

CAPITAL ADDITIONS AND PORTFOLIO INVESTMENTS totaled a record $1.7 billion, an increase of $371 million from 1998. Rail's capital additions in 1999 were $387 million, including $344 million to acquire 5,400 railcars throughout North America. Rail also acquired additional interests in both of its European rail joint ventures. GATX Integrated Solutions Group's capital additions were comparable to the prior period; an investment in a joint venture distillate blending and distribution business and the purchase of Leaman Logistics, Inc., a chemical logistics and transportation company, were offset by the timing of terminal improvement projects.

Financial Services' portfolio investments of $1.2 billion were $360 million higher than 1998, representing strong market opportunities in the technology leasing, aircraft, telecommunication and venture sectors. Financial Services' technology leasing operation funded $494 million, a 61.4% increase over 1998's volume. Financial Services invested $139 million and $147 million in joint ventures in 1999 and 1998, respectively. Financial Services also extended $269 million of loans to various entities in 1999, which are collateralized by various types of assets.

PORTFOLIO PROCEEDS of $503 million decreased $302 million from 1998. Portfolio proceeds in 1998 were exceptionally high and 1999 is more reflective of historical levels. Proceeds from the remarketing of leased equipment, primarily rail and aircraft assets, included both the return of principal and gains on the transactions. Proceeds from the return of investment were $282 million and $563 million for 1999 and 1998, respectively. Also included in the portfolio proceeds amount are loan principal receipts and return of capital distributions from joint venture investments.

PROCEEDS FROM OTHER ASSET SALES of $254 million in 1999 included the receipt of $143 million from the sale-leaseback of railcars at GATX Rail. Additional asset sale activity included Rail's sale of 1,700 grain cars and ISG's sale of its United Kingdom and Port Everglades terminals. In 1998, GATX Rail and Financial Services sold and leased back $231 million of railcars and ISG sold its Vancouver terminal. The sale of certain selected terminal locations is consistent with the 1997 strategic realignment plan.

CASH PROVIDED BY FINANCING ACTIVITIES increased $709 million compared to 1998 as a result of the high level of current year capital additions and portfolio investments, lower portfolio proceeds and lower sale-leaseback activity in 1999. During 1999, $982 million of long-term debt was issued and $396 million of long-term obligations were repaid. Short-term debt increased $96 million. GATX also repurchased 1.1 million common shares for $35 million.

Common dividends per share were $1.10 in 1999 compared to $1.00 in 1998. In January 2000, the Board of Directors approved a 9% increase in the quarterly dividend to $.30 per common share, or $1.20 on an annualized basis. This is the fifteenth consecutive year GATX has increased its dividend.

LIQUIDITY AND CAPITAL RESOURCES: GATX Rail Corporation (GRC) and GATX Capital have revolving credit facilities. GRC and GATX Capital also have commercial paper programs and uncommitted money market lines which are used to fund operating needs. The GRC revolving credit facility expires in 2003 while GATX Capital's revolving credit facility expires in 2001. Under the covenants of the commercial paper programs and rating agency guidelines, GRC and GATX Capital individually must keep unused revolver credit capacity at least equal to the amount of commercial paper outstanding. At December 31, 1999, GATX and its subsidiaries had available unused committed lines of credit amounting to $433.5 million.

GRC has a $650 million shelf registration for pass through trust certificates and debt securities of which $220 million of notes and $106 million of pass-through certificates had been issued at year end. GATX Capital has a shelf registration for $500 million of which $485 million has been issued. GATX Capital filed a $1.0 billion shelf registration, which was declared effective by the Securities and Exchange Commission in January 2000. At year end, GATX had $2 billion of commitments to provide financing to customers or to acquire assets, $742 million of which is scheduled to fund in 2000.

At December 31, 1999, approximately $333 million of subsidiary net assets were restricted, limiting the ability of the subsidiaries to transfer assets to GATX parent in the form of loans, advances or dividends. The majority of net asset restrictions relate to the revolving credit agreement of GRC and the various loan agreements of GATX Capital. Such restrictions are not expected to have an adverse impact on the ability of GATX to meet its cash obligations.

RISK MANAGEMENT AND MARKET SENSITIVE INSTRUMENTS: GATX, like most other companies, is exposed to certain market risks, including changes in interest rates and currency exchange rates. To manage these risks, GATX, pursuant to preestablished and preauthorized policies, enters into certain derivative transactions, predominantly interest rate swaps. These interest rate swaps and other derivative instruments are entered into for hedging purposes only; GATX does not hold or issue derivative financial instruments for speculative purposes.

GATX's interest expense is affected by changes in interest rates as a result of its use of variable rate debt instruments, including commercial paper and other floating rate debt. Based on GATX's variable rate debt at December 31, 1999, if market rates were to increase by 10% of GATX's weighted average floating rate, after-tax interest expense would increase by approximately $4 million in 2000.

Changes in certain currency exchange rates would affect GATX's reported earnings. Based on 1999 reported earnings, a uniform and hypothetical 10% strengthening in the U.S. dollar versus those foreign currencies would decrease after-tax income in 2000 by approximately $4 million.

The interpretation and analysis of the results from the hypothetical changes to interest rates and currency exchange rates should not be considered in isolation; such changes would typically have corresponding offsetting changes. Offsetting effects are present, for example, to the extent that floating rate debt is associated with floating rate assets.

ENVIRONMENTAL MATTERS: Certain operations of GATX's subsidiaries (collectively GATX) present potential environmental risks principally through the transportation or storage of various commodities. Recognizing that some risk to the environment is intrinsic to its operations, GATX is committed to protecting the environment as well as complying with applicable environmental protection laws and regulations. GATX, as well as its competitors, is subject to extensive regulation under federal, state and local environmental laws which have the effect of increasing the costs and liabilities associated with the conduct of its operations. In addition, GATX's foreign operations are subject to environmental laws in effect in each respective jurisdiction.

GATX's policy is to monitor and actively address environmental concerns in a responsible manner. GATX has received notices from the U.S. Environmental Protection Agency (EPA) that it is a potentially responsible party (PRP) for study and clean-up costs at 13 sites under the requirements of the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund). Under these Acts and comparable state laws, GATX may be required to share in the cost to clean up various contaminated sites identified by the EPA and other agencies. GATX has also received notice that it is a PRP at one site to undertake a Natural Resource Damage Assessment. In all instances, GATX is one of a number of financially responsible PRPs and has been identified as contributing only a small percentage of the contamination at each of the sites. Due to various factors such as the required level of remediation or restoration and participation in clean up or restoration efforts by others, GATX's total clean-up costs at these sites cannot be predicted with certainty; however, GATX's best estimates for remediation and restoration of these sites have been determined and are included in its environmental reserves.

Future costs of environmental compliance are indeterminable due to unknowns such as the magnitude of possible contamination, the timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties, and the extent to which such costs are recoverable from third parties including insurers. Also, GATX may incur additional costs relating to facilities and sites where past operations followed practices and procedures that were considered acceptable at the time but in the future may require investigation and/or remedial work to ensure adequate protection to the environment under current or future standards. If future laws and regulations contain more stringent requirements than presently anticipated, expenditures may be higher than the estimates, forecasts and assessments of potential environmental costs provided below. However, these costs are expected to be at least equal to the current level of expenditures. In addition, GATX has provided indemnities for environmental issues to the buyers of three divested companies and a number of divested terminals facilities for which GATX believes it has adequate reserves.

GATX's environmental reserve at the end of 1999 was $87 million and reflects GATX's best estimate of the cost to remediate known environmental conditions. Additions to the reserve were $12 million in each of 1999 and 1998. Expenditures charged to the reserve amounted to $8 million and $9 million in 1999 and 1998, respectively.

In 1999, GATX made capital expenditures of $8 million for environmental and regulatory compliance compared to $5 million in 1998. These projects included marine vapor recovery systems, discharge prevention compliance, waste water systems, impervious dikes, tank modifications for emissions control, and tank car cleaning systems. Environmental projects authorized or planned would require capital expenditures of approximately $11 million in 2000. GATX anticipates it will make annual expenditures at approximately the same level over each of the next three years.

YEAR 2000 READINESS DISCLOSURE: GATX's program to resolve the Year 2000 issue on a timely basis was successful. All affected systems were remediated or replaced as planned. There were no significant interruptions to customer service, and there was no significant disruption to internal systems as a result of the year 2000 changeover. The total Year 2000 cost was approximately $9 million, with approximately $4 million expensed in 1999. GATX will continue to monitor its significant computer systems throughout the year 2000 to ensure that any latent Year 2000 matters that may arise are addressed promptly.

FORWARD-LOOKING STATEMENTS: Certain statements in Management's Discussion and Analysis constitute forward-looking statements made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. This information may involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Although GATX believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, unanticipated changes in the markets served by GATX such as aircraft, petroleum, chemical, rail, technology and steel industries.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

IN MILLIONS, EXCEPT NUMBER OF SHARES	DOLLARS			SHARES		
DECEMBER 31	**1999**	1998	1997	**1999**	1998	1997
Preferred Stock						
Balance at beginning of period	**$ —**	$ —	$ 3.4	**26,065**	26,365	3,418,705
Conversion of preferred stock into common stock	**—**	—	(3.4)	**(754)**	(300)	(3,392,340)
Balance at end of period	**—**	—	—	**25,311**	26,065	26,365
Common Stock						
Balance at beginning of period	**34.3**	34.1	28.8	**54,822,163**	54,480,556	46,129,548
Issuance of common stock	**.2**	.2	.4	**372,413**	340,107	548,754
Conversion of preferred stock into common stock	**—**	—	4.9	**3,770**	1,500	7,802,254
Balance at end of period	**34.5**	34.3	34.1	**55,198,346**	54,822,163	54,480,556
Treasury Stock						
Balance at beginning of period	**(46.8)**	(46.8)	(47.0)	**(5,538,230)**	(5,539,440)	(5,580,078)
Purchase of common stock	**(34.6)**	—	—	**(1,065,010)**	—	—
Issuance of common stock	**—**	—	.2	**4,193**	1,210	40,638
Balance at end of period	**(81.4)**	(46.8)	(46.8)	**(6,599,047)**	(5,538,230)	(5,539,440)
Additional Capital						
Balance at beginning of period	**331.6**	322.6	314.6			
Issuance of common stock	**7.1**	9.0	13.0			
Conversion of preferred stock into common stock	**—**	—	(5.0)			
Balance at end of period	**338.7**	331.6	322.6			
Reinvested Earnings						
Balance at beginning of period	**446.0**	363.4	463.7			
Net income (loss)	**151.3**	131.9	(50.9)			
Dividends declared	**(54.3)**	(49.3)	(49.4)			
Balance at end of period	**543.0**	446.0	363.4			
Accumulated Other Comprehensive Income (Loss)						
Balance at beginning of period	**(32.2)**	(17.9)	11.4			
Foreign currency translation gain (loss)	**5.1**	(16.3)	(28.3)			
Unrealized gain (loss) on securities, net	**28.3**	2.0	(1.0)			
Balance at end of period	**1.2**	(32.2)	(17.9)			
Total Shareholders' Equity	**$ 836.0**	$ 732.9	$ 655.4			

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

IN MILLIONS/YEAR ENDED DECEMBER 31	**1999**	1998	1997
Net income (loss)	**$ 151.3**	$ 131.9	$ (50.9)
Other comprehensive income (loss), net of tax:			
Foreign currency translation gain (loss)	**5.1**	(16.3)	(28.3)
Unrealized gain (loss) on securities, net	**28.3**	2.0	(1.0)
Other comprehensive income (loss)	**33.4**	(14.3)	(29.3)
Comprehensive Income (Loss)	**$ 184.7**	$ 117.6	$ (80.2)

The accompanying notes are an integral part of these consolidated financial statements.

Financial data of business segments for 1999, 1998, and 1997 on pages 26 and 27 are an integral part of the consolidated financial statements of GATX Corporation and subsidiaries.

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies of GATX and its consolidated subsidiaries are discussed below.

CONSOLIDATION—The consolidated financial statements include the accounts of GATX and its majority-owned subsidiaries. Investments in 20 to 50 percent-owned companies and joint ventures are accounted for under the equity method and are shown as investments in affiliated companies, with pretax operating results shown as share of affiliates' earnings.

CASH EQUIVALENTS—GATX considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

OPERATING LEASE ASSETS AND FACILITIES—Operating lease assets and facilities are stated principally at cost. Assets acquired under capital leases are included in operating lease assets and the related obligations are recorded as liabilities. Provisions for depreciation include the amortization of the cost of capital leases and are computed by the straight-line method which results in equal annual depreciation charges over the estimated useful lives of the assets. The estimated useful lives of depreciable assets are as follows:

Railcars	20-38 years
Locomotives	28 years
Aircraft	25 years
Technology equipment/software	3-5 years
Marine vessels	15-40 years
Buildings, leasehold improvements, storage tanks and pipelines	5-40 years
Machinery and related equipment	3-20 years

GOODWILL—GATX has classified the cost in excess of the fair value of net assets acquired as goodwill. Goodwill, which is included in other assets, is being amortized on a straight-line basis over 10 to 40 years. GATX continually evaluates the existence of goodwill impairment on the basis of whether the goodwill is recoverable from projected undiscounted net cash flows of the related business, and in that regard adjusted certain carrying amounts in 1997 (as is explained in Note O) and 1998. In 1998, $6.0 million of goodwill related to Financial Services' technology equipment sales business was written off, as that asset was determined to be impaired. Goodwill, net of accumulated amortization of $40.9 million and $37.5 million, was $124.7 million and $116.6 million as of December 31, 1999 and 1998, respectively. Amortization expense was $6.0 million in 1999, $13.8 million in 1998, and $6.7 million in 1997.

INCOME TAXES—United States income taxes have not been provided on the undistributed earnings of foreign subsidiaries and affiliates which GATX intends to permanently reinvest in these foreign operations. The cumulative amount of such earnings was $220.4 million at December 31, 1999.

OTHER DEFERRED ITEMS—Other deferred items include the accrual for postretirement benefits other than pensions; environmental, general liability and workers' compensation reserves; and other deferred credits.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS—GATX uses off-balance sheet financial instruments such as interest rate and currency swaps, forwards and similar contracts to set interest and exchange rates on existing or anticipated transactions. Fair values of GATX's off-balance sheet financial instruments (futures, swaps, forwards, options, guarantees, and lending and purchase commitments) are based on current market prices, settlement values or fees currently charged to enter into similar agreements. The fair values of these hedge contracts are not recognized in the financial statements. Net amounts paid or received on such contracts are recognized over the term of the contract as an adjustment to interest expense or the basis of the hedged financial instrument.

ENVIRONMENTAL LIABILITIES—Expenditures that relate to current or future operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are charged to environmental reserves. Reserves are recorded in accordance with accounting guidelines to cover work at identified sites when GATX's liability for environmental clean-up is probable and a minimum estimate of associated costs can be made; adjustments to initial estimates are recorded as necessary.

REVENUE RECOGNITION—The majority of GATX's gross income is derived from the rentals of railcars, commercial aircraft, technology equipment and marine vessels as well as terminaling, warehousing and logistics services. In addition, income is derived from finance leases, asset remarketing, stock sales, secured loans, technology equipment sales and other services.

FOREIGN CURRENCY TRANSLATION—The assets and liabilities of GATX operations located outside the United States are translated at exchange rates in effect at year end and income statements are translated at the average exchange rates for the year. Adjustments resulting from the translation of foreign currency financial statements are deferred and recorded as a separate component of accumulated other comprehensive income (loss). The cumulative foreign currency translation adjustment recorded in accumulated other comprehensive income (loss) was $(33.7) million and $(38.8) million at the end of 1999 and 1998, respectively.

INVESTMENTS IN EQUITY SECURITIES—Financial Services' venture investment portfolio includes stock and stock warrants held as available-for-sale securities. The unrealized gain on these securities recorded in accumulated other comprehensive income (loss) was $34.9 million and $6.6 million at the end of 1999 and 1998, respectively.

USE OF ESTIMATES—The preparation of financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual amounts when ultimately realized could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS—The Financial Accounting Standards Board issued Statement No. 133 –*Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133). This new accounting standard will require that all derivatives be recorded on the balance sheet at fair value. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in the fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. GATX utilizes fundamental derivatives to hedge changes in interest rates and foreign currencies. In July 1999, Statement No. 137 was issued which deferred the effective date of SFAS No. 133 for one year. SFAS No. 133 is now required to be adopted in years beginning after June 15, 2000. Management is currently assessing the impact that the adoption of SFAS No. 133 will have on the company's financial position, results of operations and cash flows. GATX expects to adopt SFAS No. 133 effective January 1, 2001.

RECLASSIFICATIONS—Certain amounts in the 1998 and 1997 financial statements have been reclassified to conform to the 1999 presentation.

NOTE B—ACCOUNTING FOR LEASES

The following information pertains to GATX as a lessor:

FINANCE LEASES—GATX's finance leases include direct financing leases and leveraged leases. Financing leases which are financed principally with nonrecourse borrowings at lease inception and which meet certain criteria are accounted for as leveraged leases. Leveraged lease contracts receivable are stated net of the related nonrecourse debt. The components of the investment in finance leases were (in millions):

DECEMBER 31	1999	1998
Net minimum future lease receivables	**$ 664.1**	$ 690.0
Estimated residual values	**262.7**	202.5
	926.8	892.5
Less–Unearned income	**(281.1)**	(216.5)
Investment in finance leases	**$ 645.7**	$ 676.0

OPERATING LEASES—The majority of railcar and tank storage assets and certain other equipment leases are accounted for as operating leases.

MINIMUM FUTURE RECEIPTS—Minimum future lease receipts from finance leases and minimum future rental receipts from noncancelable operating leases by year at December 31, 1999 were (in millions):

	FINANCE LEASES	OPERATING LEASES	TOTAL
2000	$ 175.9	$ 825.2	$ 1,001.1
2001	120.7	609.9	730.6
2002	69.1	431.1	500.2
2003	44.6	269.7	314.3
2004	31.4	175.9	207.3
Years thereafter	222.4	495.5	717.9
	$ 664.1	$2,807.3	$ 3,471.4

The following information pertains to GATX as a lessee:

CAPITAL LEASES—Assets classified as operating lease assets and finance leases which have been financed under capital leases were (in millions):

DECEMBER 31	1999	1998
Railcars	**$ 150.0**	$ 151.1
Great Lakes vessels	**159.5**	159.5
Other	**3.0**	1.8
	312.5	312.4
Less–Allowance for depreciation	**(194.0)**	(183.8)
	118.5	128.6
Finance leases	**6.9**	8.6
	$ 125.4	$ 137.2

OPERATING LEASES—GATX has financed railcars, aircraft, warehouses, and other assets through sale-leasebacks which are accounted for as operating leases. In addition, GATX leases certain other assets and office facilities. Total rental expense for the years ended December 31, 1999, 1998, and 1997 was $215.5 million, $206.8 million, and $193.6 million, respectively. Sublease income was $1.7 million, $3.8 million, and $5.1 million, in 1999, 1998, and 1997, respectively.

FUTURE MINIMUM RENTAL PAYMENTS—Future minimum rental payments due under noncancelable leases at December 31, 1999 were (in millions):

	CAPITAL LEASES	OPERATING LEASES	NONRECOURSE OPERATING LEASES
2000	$ 32.4	$ 157.4	$ 38.2
2001	31.5	142.1	39.9
2002	30.8	140.5	37.4
2003	28.6	122.1	40.0
2004	23.4	111.7	39.9
Years thereafter	133.5	1,204.4	601.1
	$280.2	$1,878.2	$796.5
Less—Amounts representing interest	(97.1)		
Present value of future minimum capital lease payments	$183.1		

The above capital lease amounts and certain operating leases do not include the costs of licenses, taxes, insurance and maintenance which GATX is required to pay. Future minimum operating lease payments have not been reduced by aggregate future noncancelable sublease rentals of $1.1 million. Interest expense on the above capital leases was $15.2 million in 1999, $16.5 million in 1998, and $17.6 million in 1997.

The amounts shown as nonrecourse operating leases reflect rental payments of three bankruptcy remote special purpose corporations which are wholly owned by GATX. These rentals are consolidated for accounting purposes but do not represent legal obligations of GATX.

NOTE C—SECURED LOANS

Investments in secured loans are stated at the principal amount outstanding plus accrued interest. The loans are collateralized by equipment and company blanket liens. As of December 31, 1999, secured loan principal due by year was as follows (in millions):

	LOAN PRINCIPAL
2000	$ 78.0
2001	58.0
2002	44.3
2003	55.0
2004	25.6
Years thereafter	97.1
	$358.0

NOTE D—INVESTMENTS IN AFFILIATED COMPANIES

GATX has investments in 25 to 50 percent-owned companies and joint ventures which are accounted for using the equity method. These domestic and foreign investments are in businesses similar to those of GATX's principal subsidiaries. Distributions received from such affiliates were $75.3 million, $167.5 million, and $71.6 million in 1999, 1998 and 1997, respectively. These distributions reflect both operating results and return of principal.

For all affiliated companies held at the end of a year, operating results, as if GATX held 100 percent interest, were (in millions):

YEAR ENDED DECEMBER 31	1999	1998	1997
Gross income	**$ 849.2**	$ 611.9	$ 505.7
Pretax income	**193.5**	157.7	117.9

For all affiliated companies held at the end of a year, summarized balance sheet data, as if GATX held 100 percent interest, were (in millions):

DECEMBER 31	1999	1998
Total assets	**$ 5,257.0**	$ 4,200.7
Long-term liabilities	**1,971.6**	2,056.6
Other liabilities	**893.0**	339.7
Shareholders' equity	**$ 2,392.4**	$ 1,804.4

NOTE E—FOREIGN OPERATIONS

GATX has a number of investments in subsidiaries and affiliated companies which are located in or derive revenues from foreign countries. Foreign entities contribute significantly to share of affiliates' earnings. The foreign identifiable assets represent investments in affiliated companies as well as fully consolidated assets for a Canadian railcar subsidiary, a Mexican railcar operation, and foreign lease, loan and other investments.

IN MILLIONS			
YEAR ENDED DECEMBER 31 REVENUES	1999	1998	1997
Foreign	**$ 197.8**	$ 219.7	$ 188.8
United States	**1,575.2**	1,561.2	1,529.2
	$ 1,773.0	$ 1,780.9	$ 1,718.0
SHARE OF AFFILIATES' EARNINGS			
Foreign	**$ 49.0**	$ 37.9	$ 33.9
United States	**36.9**	31.3	15.2
	$ 85.9	$ 69.2	$ 49.1
DECEMBER 31 IDENTIFIABLE ASSETS	1999	1998	1997
Foreign	**$ 1,165.7**	$ 898.2	$ 882.6
United States	**4,701.1**	4,108.6	4,107.6
	$ 5,866.8	$ 5,006.8	$ 4,990.2

Foreign cash flows generated are used to meet local operating needs and for reinvestment. The translation of the foreign balance sheets into U.S. dollars results in an unrealized foreign currency translation adjustment, a component of accumulated other comprehensive income (loss).

NOTE F—SHORT-TERM DEBT AND LINES OF CREDIT

Short-term debt (in millions) and its weighted average interest rate as of year end were:

DECEMBER 31	1999		1998	
	AMOUNT	RATE	AMOUNT	RATE
Commercial paper	$ 261.5	6.65%	$ 163.3	6.07%
Other short-term borrowings	115.9	6.53%	136.6	6.14%
	$ 377.4		$ 299.9	

Under a revolving credit agreement with a group of banks, GRC may borrow up to $350.0 million. While at year end no borrowings were outstanding, availability under the line was reduced by $132.6 million of commercial paper outstanding. GRC also had borrowings of $115.0 million under unsecured money market lines at December 31, 1999.

GATX Capital and one of its wholly owned subsidiaries have commitments under credit agreements with a group of banks for revolving credit loans totaling $345.0 million of which $216.1 million was available at December 31, 1999; availability under the line was reduced by $128.9 million of commercial paper outstanding.

Both GRC's and GATX Capital's primary revolving credit agreements contain various restrictive covenants, including requirements to maintain a defined minimum net worth and certain financial ratios. Both GRC and GATX Capital met all credit agreement requirements at December 31, 1999.

Interest expense on short-term debt was $25.1 million in 1999, $23.5 million in 1998, and $24.0 million in 1997.

NOTE G—LONG-TERM DEBT

Long-term debt (in millions) and the range of interest rates as of year end were:

	INTEREST RATES	FINAL MATURITY	DECEMBER 31 1999	DECEMBER 31 1998
Variable rate:				
Term notes	5.25%-6.92%	2001-2004	$ 388.0	$ 195.7
Nonrecourse obligations	6.19%-8.25%	2000-2004	28.7	34.3
			416.7	230.0
Fixed rate:				
Term notes	5.81%-10.45%	2000-2012	2,309.8	1,887.7
Nonrecourse obligations	6.28%-10.00%	2003-2013	435.1	417.6
Industrial revenue bonds	6.63%- 7.30%	2019-2024	87.9	87.9
			2,832.8	2,393.2
			$3,249.5	$ 2,623.2

Maturities of GATX's long-term debt as of December 31, 1999 for the next five years were (in millions):

	MATURITIES
2000	$607.6
2001	426.5
2002	351.6
2003	378.0
2004	291.5

At December 31, 1999, certain technology assets, aircraft, railcars, cogeneration facilities and warehouse equipment with a net carrying value of $488.8 million were pledged as collateral for $417.1 million of notes and bonds.

Interest cost incurred on long-term debt, net of capitalized interest, was $191.9 million in 1999, $194.9 million in 1998, and $180.8 million in 1997. Interest cost capitalized as part of the cost of construction of major assets was $4.6 million in 1999, $3.3 million in 1998, and $2.5 million in 1997.

NOTE H—OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

In the ordinary course of business, GATX utilizes off-balance sheet financial instruments to manage financial market risk, including interest rate and foreign exchange risk.

At December 31, 1999, GATX had the following off-balance sheet financial instruments (in millions):

INTEREST RATE SWAPS	NOTIONAL AMOUNT	PAY RATE/ INDEX	RECEIVE RATE/INDEX	MATURITY
GATX pays fixed, receives floating	$595.2	4.80-6.83%	LIBOR	2000-2005
GATX pays floating, receives fixed	692.0	LIBOR-LIBOR+.75%	5.41-7.65%	2000-2008

CURRENCY SWAPS	RECEIVE	DELIVER	MATURITY
Canadian dollar swap	$115.0	C$156.2	2011
Deutschemark swap	$ 40.5	72.5DM	2002

CURRENCY FORWARDS	RECEIVE	DELIVER	MATURITY
Canadian dollar forward	C$4.9	$3.3	2000
Deutschemark forward	$ 6.3	11.8DM	2002

GATX had the following interest rate hedge activity (in millions):

INTEREST RATE SWAPS	PAY FIXED	PAY FLOATING
Balance at January 1, 1998	$ 752.6	$ 690.0
Additions	370.2	30.0
Maturities	(350.0)	(18.0)
Balance at December 31, 1998	772.8	702.0
Additions	85.3	—
Maturities	(262.9)	(10.0)
Balance at December 31, 1999	$ 595.2	$ 692.0

GATX uses interest rate swaps and forwards to manage its assets and liabilities, to convert floating rate debt to fixed rate debt (or fixed to floating) and to manage interest rate risk associated with the anticipated issuance of debt. At GRC, interest rate swaps are utilized to better match the cash flow characteristics of its debt portfolio and its railcar leases. Railcar assets are financed with long-term fixed rate debt or through sale-leasebacks. However, the railcar assets are placed on lease with average new lease terms of five years; the average renewal term is three years. Rents are fixed over these lease terms. Interest rate swaps effectively convert GRC's long-term fixed rate debt to debt with maturities of three months to five years. Through the swap program, changes in GRC's interest expense are expected to better reflect changes in railcar lease rates. Also, GATX Capital uses interest rate swaps in addition to commercial paper and floating rate medium-term notes to match fund its floating rate lease and loan portfolio with floating rate borrowings.

The net amount payable or receivable from the interest rate swap agreements is accrued as an adjustment to interest expense. The fair value of its interest rate swap agreements is an estimate of the amount the company would receive or pay to terminate those agreements. At December 31, 1999, GATX would have received $4.9 million if the swaps were terminated; GATX would have received $36.6 million if the swaps were terminated at December 31, 1998.

GATX has entered into currency swaps and forwards to hedge $115.0 million in debt obligations at its Canadian subsidiaries and $46.8 million in debt obligations associated with a German joint venture. The fair market value of its currency swap and forward agreements is an estimate of the amount the company would receive or pay to terminate those agreements. If the swaps and forwards were terminated, GATX would have received $5.7 million at December 31, 1999 or $20.9 million at December 31, 1998.

In the event that a counterparty fails to meet the terms of the interest rate swap agreement or a foreign exchange contract, GATX's exposure is limited to the interest rate or currency differential. GATX manages the credit risk of counterparties by dealing only with institutions that the company considers financially sound and by avoiding concentrations of risk with a single counterparty. GATX considers the risk of nonperformance to be remote.

NOTE I—FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair value of financial instruments:

The carrying amount of cash and cash equivalents, trade receivables, accounts payable, and short-term debt approximates fair value because of the short maturity of those instruments. Also, the carrying amount of variable rate long-term debt and variable rate secured loans approximates fair value.

The fair value of fixed rate secured loans was estimated using discounted cash flow analyses, at interest rates currently offered for loans with similar terms to borrowers of similar credit quality.

The fair value of fixed rate long-term debt was estimated by performing a discounted cash flow calculation using the term and market interest rate for each note based on GATX's current incremental borrowing rates for similar borrowing arrangements. Portions of fixed rate long-term debt have effectively been converted to floating rate debt by utilizing interest rate swaps (GATX pays floating, receives fixed), as described in Note H. In such instances, the increase (decrease) in the fair value of the fixed rate long-term debt would be offset in part by the increase (decrease) in the fair value of the interest rate swap.

The following table sets forth the carrying amounts and fair values of the company's fixed rate instruments (in millions):

DECEMBER 31	1999		1998	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Secured loans–fixed	**$ 292.2**	**$ 290.1**	$ 222.8	$ 219.5
Long-term debt–fixed	**2,832.8**	**2,769.4**	2,393.2	2,470.4

NOTE J—PENSION AND OTHER POSTRETIREMENT BENEFITS

GATX and certain of its subsidiaries maintain noncontributory defined benefit pension plans covering their respective employees. Benefits payable under the pension plans are based on years of service and/or final average salary. The funding policy for the pension plans is based on an actuarially determined cost method allowable under Internal Revenue Service regulations.

In addition to the pension plans, GATX's other postretirement plans provide health care, life insurance and other benefits for certain retired employees who meet established criteria. Most domestic employees are eligible for health care and life insurance benefits if they retire from GATX with immediate pension benefits under the GATX plan. The plans are either contributory or noncontributory, depending on various factors.

The following tables set forth pension and other postretirement obligations and plan assets (in millions) as of December 31:

	PENSION BENEFITS		RETIREE HEALTH AND LIFE	
	1999	1998	**1999**	1998
Change in benefit obligation:				
Benefit obligation at beginning of period	**$ 304.6**	$ 276.1	**$ 68.4**	$ 68.8
Service cost	**7.4**	5.9	**.7**	.5
Interest cost	**20.6**	20.4	**4.6**	4.8
Plan amendments	**—**	(.6)	**—**	—
Actuarial loss (gain)	**1.6**	24.8	**1.6**	(.5)
Benefits paid	**(22.0)**	(22.0)	**(6.6)**	(6.5)
Curtailments	**—**	—	**—**	1.3
Benefit obligation at end of period	**$ 312.2**	$ 304.6	**$ 68.7**	$ 68.4

	PENSION BENEFITS		RETIREE HEALTH AND LIFE	
	1999	1998	**1999**	1998
Change in fair value of plan assets:				
Plan assets at beginning of period	**$ 325.8**	$ 299.1	**$ —**	$ —
Actual return on plan assets	**49.2**	44.4	**—**	—
Company contributions	**.5**	4.3	**6.6**	6.5
Benefits paid	**(22.0)**	(22.0)	**(6.6)**	(6.5)
Plan assets at end of period	**$ 353.5**	$ 325.8	**$ —**	$ —

	PENSION BENEFITS		RETIREE HEALTH AND LIFE	
	1999	1998	**1999**	1998
Funded status:				
Funded status of the plan	**$ 41.3**	$ 21.2	**$ (68.7)**	$ (68.4)
Unrecognized net gain	**(46.9)**	(23.0)	**(9.4)**	(12.1)
Unrecognized prior service cost	**1.8**	2.1	**—**	—
Unrecognized net transition (asset) obligation	**(.2)**	(.3)	**.4**	.5
Accrued cost	**$ (4.0)**	$ —	**$ (77.7)**	$ (80.0)

	PENSION BENEFITS		RETIREE HEALTH AND LIFE	
	1999	1998	**1999**	1998
Amount recognized:				
Prepaid benefit cost	**$ 3.6**	$ 6.7	**$ —**	$ —
Accrued benefit liability	**(9.3)**	(8.4)	**(78.1)**	(80.5)
Intangible asset	**1.7**	1.7	**.4**	.5
Total recognized	**$ (4.0)**	$ —	**$ (77.7)**	$ (80.0)

The components of pension and other postretirement benefit costs are as follows (in millions):

	PENSION BENEFITS			RETIREE HEALTH AND LIFE		
	1999	1998	1997	**1999**	1998	1997
Service cost	**$ 7.4**	$ 5.9	$ 5.8	**$ .7**	$ .5	$ .5
Interest cost	**20.6**	20.4	20.0	**4.6**	4.8	5.1
Expected return on plan assets	**(23.9)**	(22.6)	(21.5)	**—**	—	—
Amortization of:						
Unrecognized prior service cost	**.4**	.4	.4	**—**	—	—
Unrecognized net loss (gain)	**.2**	.1	.1	**(.4)**	(.6)	(.5)
Unrecognized net (asset) obligation	**(.1)**	—	(.1)	**.1**	—	—
Recognized gain due to settlement or curtailment	**—**	—	(.7)	**—**	—	—
Recognized special termination benefits expense	**—**	—	3.2	**—**	—	1.1
Net costs	**$ 4.6**	$ 4.2	$ 7.2	**$5.0**	$ 4.7	$6.2

GATX amortizes the prior service cost using a straight-line method over the average remaining service period of employees to receive benefits under the plan.

Assumptions as of December 31:

	PENSION BENEFITS		RETIREE HEALTH AND LIFE	
	1999	1998	**1999**	1998
Discount rate	**7.00%**	7.00%	**7.00%**	7.00%
Expected return on plan assets	**8.75%**	8.75%	**n/a**	n/a
Rate of compensation increases	**5.00%**	5.00%	**5.00%**	5.00%

The assumed health care cost trend rate was 5.0% for participants over the age of 65 and 6.0% for participants under the age of 65 for 1999 and thereafter. The health care cost trend rate has a significant effect on the other postretirement benefit cost and obligation. A 1% increase in the trend rate would increase the cost by $.3 million and the obligation by $3.7 million. A 1% decrease in the trend rate would decrease the cost by $.3 million and the obligation by $3.0 million.

In addition to contributions to its defined benefit plans, GATX makes contributions to the multi-employer pension plans of various unions. Further, GATX and its subsidiaries maintain several 401(k) retirement plans which are available to substantially all salaried and certain other employee groups. GATX may contribute to the plans as defined by their respective terms. The contributions to such plans were (in millions):

YEAR ENDED DECEMBER 31	**1999**	1998	1997
Contributions to multi-employer pension plans	**$ .5**	$ .6	$1.8
Contributions to 401(k) plans	**4.3**	4.2	4.0

NOTE K—INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of GATX's deferred tax liabilities and assets were (in millions):

DECEMBER 31	1999	1998
Deferred tax liabilities:		
Book/tax basis differences due to depreciation	**$ 345.6**	$ 336.9
Leveraged leases	**58.2**	39.1
Investment in joint ventures	**101.8**	69.0
Lease accounting (other than leveraged)	**99.1**	81.2
Other	**68.9**	67.7
Total deferred tax liabilities	**673.6**	593.9
Deferred tax assets:		
Alternative minimum tax credit	**64.3**	52.8
Accruals not currently deductible for tax purposes	**44.8**	46.9
Allowance for possible losses	**45.1**	52.6
Postretirement benefits other than pensions	**27.3**	27.7
Other	**34.9**	21.3
Total deferred tax assets	**216.4**	201.3
Net deferred tax liabilities	**$ 457.2**	$ 392.6

At December 31, 1999, GATX had an alternative minimum tax credit of $64.3 million that can be carried forward indefinitely to reduce future regular tax liabilities.

GATX and its United States subsidiaries file a consolidated federal income tax return. Amounts shown as Current—Federal represent taxes payable as determined by the Alternative Minimum Tax. Included in 1997's total deferred tax credit is a $56.5 million deferred tax benefit resulting from Terminals' $185.8 million pretax restructuring charge. Income taxes consisted of (in millions):

YEAR ENDED DECEMBER 31	1999	1998	1997
Current–			
Domestic:			
Federal	**$ 23.5**	$ 26.2	$ 28.0
State and local	**5.3**	3.2	1.1
	28.8	29.4	29.1
Foreign	**11.3**	6.1	3.9
	40.1	35.5	33.0
Deferred–			
Domestic:			
Federal	**47.3**	43.2	(35.9)
State and local	**5.8**	8.6	2.2
	53.1	51.8	(33.7)
Foreign	**9.4**	12.6	13.4
	62.5	64.4	(20.3)
Income tax expense (benefit)	**$ 102.6**	$ 99.9	$ 12.7
Income taxes paid	**$ 38.6**	$ 33.7	$ 35.5

The reasons for the difference between GATX's effective income tax rate and the federal statutory income tax rate were:

YEAR ENDED DECEMBER 31	1999	1998	1997	1997(A)
Federal statutory income tax rate	**35.0%**	35.0%	35.0%	35.0%
Add (deduct) effect of:				
Corporate owned life insurance	**(.6)**	(.9)	6.0	(1.2)
State income taxes	**2.8**	3.3	(15.9)	3.3
1997 restructuring charges	**—**	—	(43.6)	—
Foreign income	**1.8**	2.9	(5.2)	1.1
Goodwill amortization	**.6**	1.8	(4.6)	.9
Minority interest	**(.1)**	—	(1.0)	.2
Other	**.9**	1.0	(4.1)	.8
Effective income tax rate	**40.4%**	43.1%	(33.4)%	40.1%

(A) Before restructuring charges

NOTE L—SHAREHOLDERS' EQUITY

In 1998, the company's shareholders approved an amendment to GATX's certificate of incorporation which increased authorized shares of common stock from 60 million to 120 million shares and effected a two-for-one stock split, in the form of a stock dividend. Par value remained at $.625 per share after the split. All share and per share amounts in the accompanying consolidated financial statements have been restated accordingly.

GATX's certificate of incorporation also authorizes 5 million shares of preferred stock at a par value of $1.00 per share. Shares of preferred stock issued and outstanding consist of Series A and B $2.50 cumulative convertible preferred stock, which entitles holders to a cumulative annual cash dividend of $2.50 per share. Each share of such preferred stock may be called for redemption by GATX at $63 per share, has a liquidating value of $60 per share, and may be converted into 5 shares of common stock.

Holders of $2.50 convertible preferred stock and common stock are entitled to one vote for each share held. Except in certain instances, all such classes vote together as a single class.

A total of 10,084,913 shares of common stock were reserved at December 31, 1999, for the following:

	SHARES
Conversion of outstanding preferred stock	124,098
Incentive compensation programs	6,263,389
Employee service awards	36,550
Employee stock purchase plan	3,660,876
	10,084,913

During 1997, GATX called for the redemption of all outstanding shares of its $3.875 cumulative convertible preferred stock, each share of which was convertible into 2.2988 shares of common stock. As a result of the redemption, 3.4 million preferred shares were converted to 7.8 million shares of common stock.

In an effort to ensure the fair value to all shareholders in the event of an unsolicited takeover offer for the company, GATX adopted a Shareholders' Rights Plan in August 1998. Shareholders received a distribution of one right for each share of the company's common stock held. Initially the rights are represented by GATX's common stock certificates and are not exercisable. The rights will be exercisable only if a person acquires or announces a tender offer which would result in beneficial ownership of 20 percent or more of the company's common stock. If a person acquires beneficial ownership of 20 percent or more of the company's common stock, all holders of rights other than the acquiring person will be entitled to purchase the company's common stock at half price. The rights are scheduled to expire on August 14, 2008.

NOTE M—INCENTIVE COMPENSATION PLANS

The GATX Corporation 1995 Long Term Incentive Compensation Plan (the 1995 Plan) contains provisions for the granting of nonqualified stock options, incentive stock options, stock appreciation rights (SARs), cash and common stock individual performance units (IPUs), restricted stock rights, restricted common stock, performance awards and exchange stock options. An aggregate of 5,000,000 shares of common stock may be issued under the 1995 Plan. As of December 31, 1999, 2,338,041 shares are available for issuance under the 1995 Plan.

Nonqualified stock options and incentive stock options may be granted for the purchase of common stock for periods not longer than ten years from the date of grant. The exercise price will not be less than the higher of market value at date of grant or par value of the common stock. All options become exercisable commencing on a date no earlier than one year from the date of grant.

IPUs may be granted to key employees and, if predetermined performance goals are met, will be redeemed in cash and common stock, as applicable, with the redemption value determined in part by the fair market value of the common stock as of the date of redemption and in part by the extent to which preestablished performance goals have been achieved. A total of 31,857 IPUs were granted during 1999 and 69,181 IPUs in total were outstanding at the end of the year. In 1999, 19,584 shares of common stock and $.5 million in cash were paid to the participants in redemption of previously issued IPUs.

Restricted stock rights may be granted to key employees entitling them to receive a specified number of shares of restricted common stock. The recipients of restricted common stock are entitled to all dividends and voting rights, but the shares are not transferable prior to the expiration of a "restriction period" as determined at the discretion of the Compensation Committee of the Board of Directors. Performance Awards are granted to employees who have been granted restricted stock rights or restricted common stock, but these Awards may not exceed the market value of the restricted common stock when restrictions lapse. The Performance Awards provide cash payments if certain criteria and earnings goals are met over a predetermined period. During 1999, one grant of 300 shares of restricted stock was made.

The Exchange Stock Option Program became part of the 1995 Plan in 1999 and allows key employees to make an irrevocable election to exchange up to 25% of their pensionable incentive payments for stock options, with a minimum contribution of $5,000 in any calendar year. These options are valued based on a percentage of the Black-Sholes value of GATX common stock as specified by the Compensation Committee of the Board of Directors. Exchange Stock Options are granted in January and are exercisable immediately following grant thereof. All Exchange Stock Options will terminate on the tenth anniversary of the date of grant. The exercise price of the options is the fair market value of the common stock on the grant date. In January 2000, 77,477 options were granted for the year 1999.

Under the GATX Employee Stock Purchase Plan, which became effective July 1, 1999, GATX is authorized to issue up to 247,649 shares of common stock to eligible employees during the calendar year. Such employees may have up to $10,000 of earnings withheld to purchase GATX common stock. The purchase price of the stock on the date of exercise is 85% of the lesser of its market price at the beginning or end of the plan year. In accordance with the plan, GATX sold approximately 46,600 shares to employees for 1999.

Stock options are outstanding under the GATX Corporation 1985 Long Term Incentive Compensation Plan (the 1985 Plan), as amended, but no additional options, stock or awards may be issued thereunder.

Data with respect to both plans, including the range of exercise prices per share for 1999 and 1998, are set forth below:

	NUMBER OF SHARES UNDER STOCK OPTION PLANS 1999	1998	PRICE PER SHARE
Outstanding at January 1	3,388,275	3,321,300	$ 9.97-39.72
Granted	591,050	543,350	30.78-39.75
Exercised	(272,550)	(372,849)	9.97-33.47
Canceled	(55,675)	(103,526)	23.94-39.72
Outstanding at December 31	3,651,100	3,388,275	$ 9.97-39.75
Outstanding at December 31, by year granted:			
1989	—	47,000	$ 14.97
1990	56,000	64,000	9.97
1991	168,000	185,500	14.00
1992	153,200	154,200	12.75
1993	259,800	306,800	18.84
1994	372,100	416,700	20.91
1995	451,100	501,400	23.78-25.28
1996	593,800	639,025	23.16-24.91
1997	510,350	550,300	27.44-33.47
1998	504,200	523,350	33.38-39.72
1999	582,550	—	30.78-39.75
Total	3,651,100	3,388,275	$ 9.97-39.75
Options exercisable at December 31	2,691,175	2,459,525	
Options available for future grant at December 31	2,388,041	943,000	

ACCOUNTING FOR STOCK OPTIONS GATX has elected to follow Accounting Principles Board Opinion No. 25–*Accounting for Stock Issued to Employees,* in accounting for its employee stock options. Under these guidelines, no compensation expense is recognized because the exercise price of GATX's employee stock options equals the market price of the underlying stock on the measurement date.

Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standards No. 123–*Accounting for Stock-Based Compensation* (SFAS No. 123), and has been determined as if GATX had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for 1999, 1998 and 1997: dividend yield of 3.1%, 3.1% and 2.8%, respectively; volatility factor of the expected market price of GATX's common stock of .20, .19 and .16, respectively; expected life of the option of six years, six years and four years, respectively; and weighted average risk-free interest rate of 6.5%, 4.8% and 5.9%, respectively.

The Black-Scholes model, one of the most frequently referenced models to value options, was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected stock price volatility. Because GATX's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option vesting period. The resultant pro forma net income (loss) and earnings (loss) per share were (in millions, except for earnings per share information):

YEAR ENDED DECEMBER 31	1999	1998	1997
Pro forma net income (loss)	**$148.5**	$129.8	$(52.2)
Pro forma earnings (loss) per share:			
Basic	**$ 3.01**	$ 2.64	$(1.30)
Diluted	**$ 2.95**	$ 2.57	$(1.30)

Because SFAS No. 123's provisions are prospective (retroactive application is prohibited), awards granted prior to 1995 are not to be considered in pro forma disclosures. Additionally, because options generally are granted late in the year and vest over a three-year period, the pro forma amounts for 1997 above do not reflect a full annualized effect.

NOTE N—COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS OF CREDIT RISK

GATX's revenues are derived from a wide range of industries and companies. Approximately 19% of total revenues are generated from the transportation or storage of products for the chemical industry; for similar services, 19% of revenues are derived from the petroleum industry. GATX also provides services and products to the chemical, petroleum, and technology markets through its affiliates, which are accounted for under the equity method. In addition, approximately 12% of GATX's assets consist of commercial aircraft operated by various domestic and international airlines.

Under its lease agreements, GATX retains legal ownership of the asset except where such assets have been financed by sale-leasebacks. With most loan financings, the loan is collateralized by the equipment. GATX performs credit evaluations prior to approval of a lease or loan contract. Subsequently, the creditworthiness of the customer and the value of the collateral are monitored on an ongoing basis. GATX maintains an allowance for possible losses and other reserves to provide for potential losses which could arise should customers become unable to discharge their obligations to GATX and to provide for permanent declines in investment value.

At December 31, 1999, GATX and its aircraft joint ventures had commitments of $1.5 billion for orders and options for interests in 54 new aircraft to be delivered between 2000 and 2006. GATX also had other firm commitments totaling $472.1 million, primarily to acquire railcars and other equipment, fund technology and telecommunications ventures, and to upgrade terminal and repair facilities.

GATX's subsidiaries issued $381.6 million of residual and rental guarantees at December 31, 1999. Guarantees are commitments issued to guarantee performance of an affiliate to a third party, generally in the form of lease and loan payment guarantees, or to guarantee the value of an asset at the end of a lease. Lease and loan payment guarantees generally involve guaranteeing repayment of the financing required to acquire assets being leased by an affiliate to third parties, and are in lieu of making direct equity investments in the affiliate. Asset value guarantees represent GATX Capital's commitment to a third party that an asset or group of assets will be worth a specified amount at the end of a lease term. Exposure to GATX's subsidiaries for certain supplier and loan payment guarantees is mitigated by, among other things, a third party cross guaranty. Based on known and expected market conditions, management does not believe that the asset value guarantees will result in any adverse financial impact to GATX.

GATX's subsidiaries are also parties to letters of credit and bonds totaling $38.3 million and $23.8 million at December 31, 1999 and 1998, respectively. In GATX's past experience, virtually no claims have been made against these financial instruments. Management does not expect any material losses to result from these off-balance sheet instruments because performance is not expected to be required, and, therefore, is of the opinion that the fair value of these instruments is zero.

GATX and its subsidiaries are engaged in various matters of litigation and have a number of unresolved claims pending, including proceedings under governmental laws and regulations related to environmental matters. While the amounts claimed are substantial and the ultimate liability with respect to such litigation and claims cannot be determined at this time, management believes that damages, if any, required to be paid by GATX and its subsidiaries in the discharge of such liability could be material to the results of operations for a given quarter or year but are not likely to be material to GATX's consolidated financial position.

NOTE O—RESTRUCTURING CHARGES

During 1997, strategic decisions resulted in a $224.8 million ($162.8 million after-tax) restructuring charge related to ISG. Part of the restructuring charge was based on the decision to close, sell or revalue certain domestic and foreign terminal locations to reflect permanent changes in market conditions. Included in the restructuring charge was a $185.8 million pretax charge ($123.8 million after-tax) which primarily represented the write-down of asset values with minor costs related to closure activities. The remaining charge of $39.0 million represented the write-down of goodwill to reflect the impairment of certain acquired logistics and warehousing facilities. The carrying values of certain assets at ISG were written down to fair value as described in Note A.

Subsequently, ISG management acted upon its restructuring plan by divesting certain domestic and foreign terminal locations, most notably the sale of six of its wholly owned terminal sites in the United Kingdom.

IN MILLIONS, EXCEPT PER SHARE DATA	GROSS INCOME	OWNERSHIP COSTS AND OPERATING EXPENSES	NET INCOME	BASIC NET INCOME PER SHARE (A)	DILUTED NET INCOME PER SHARE (A)
1999					
First Quarter	**$ 451.4**	**$ 327.1**	**$ 39.2**	**$ .79**	**$ .78**
Second Quarter	**476.3**	**345.3**	**38.1**	**.77**	**.75**
Third Quarter	**464.4**	**330.4**	**42.2**	**.85**	**.83**
Fourth Quarter	**466.8**	**344.6**	**31.8**	**.65**	**.64**
Total	**$1,858.9**	**$1,347.4**	**$ 151.3**	**$ 3.07**	**$ 3.01**
1998					
First Quarter	$ 430.0	$ 310.6	$ 37.4	$ .76	$ .74
Second Quarter	459.2	342.8	30.8	.63	.61
Third Quarter	479.9	352.9	38.1	.78	.76
Fourth Quarter	481.0	362.4	25.6	.52	.51
Total	$ 1,850.1	$ 1,368.7	$ 131.9	$ 2.68	$ 2.62

(A) Quarterly results may not be additive, as per share amounts are computed independently for each quarter and the full year based on the respective weighted average common shares and common stock equivalents outstanding.

COMMON STOCK INFORMATION GATX common shares are listed on the New York and Chicago Stock Exchanges under ticker symbol GMT.

The approximate number of common stock holders of record as of February 18, 2000 was 3,652. The following table shows the reported high and low sales price of GATX common shares on the New York Stock Exchange, which is the principal market for GATX shares, and the dividends declared per share:

	COMMON STOCK			COMMON STOCK	
	HIGH	LOW		HIGH	LOW
1999			1998		
First Quarter	**$39.31**	**$32.56**	First Quarter	$40.56	$34.00
Second Quarter	**40.19**	**29.75**	Second Quarter	44.13	38.75
Third Quarter	**40.69**	**30.44**	Third Quarter	47.56	31.69
Fourth Quarter	**35.44**	**29.25**	Fourth Quarter	39.00	26.25
Annual Dividends Declared	**$1.10**		Annual Dividends Declared	$1.00	

SELECTED CONSOLIDATED FINANCIAL DATA

IN MILLIONS, EXCEPT PER SHARE DATA/YEAR ENDED OR AT DECEMBER 31	1999	1998	1997 (A)	1996	1995
Results of Operations					
Gross Income	**$1,858.9**	$ 1,850.1	$ 1,767.1	$ 1,473.5	$ 1,308.3
Costs and Expenses	**1,605.0**	1,618.3	1,805.3	1,298.3	1,140.7
Income (Loss) Before Income Taxes	**253.9**	231.8	(38.2)	175.2	167.6
Income Taxes	**102.6**	99.9	12.7	72.5	66.8
Net Income (Loss)	**$ 151.3**	$ 131.9	$ (50.9)	$ 102.7	$ 100.8
Per Share Data					
Net Income (Loss) Applicable to Common Stock, as Adjusted	**$ 151.2**	$ 131.8	$ (57.6)	$ 89.5	$ 87.6
Per Share of Common Stock and Common Stock Equivalents:					
Net Income (Loss), Basic	**$ 3.07**	$ 2.68	$ (1.28)	$ 2.22	$ 2.19
Shares Used in Computation (in thousands)	**49,296**	49,178	45,084	40,379	40,005
Per Share Assuming Conversion, Except in 1997, of All Outstanding Preferred Stock:					
Net Income (Loss), Diluted	**$ 3.01**	$ 2.62	$ (1.28)	$ 2.10	$ 2.07
Shares Used in Computation (in thousands)	**50,301**	50,426	45,084	48,924	48,731
Dividends Declared Per Share of Common Stock	**$ 1.10**	$ 1.00	$ .92	$ .86	$ .80
Financial Condition					
Total Assets	**$5,866.8**	$ 5,006.8	$ 4,990.2	$ 4,784.1	$ 4,057.8
Total Long-term Debt and Capital Lease Obligations	**3,432.6**	2,821.7	2,841.7	2,664.1	2,092.5
Shareholders' Equity	**836.0**	732.9	655.4	774.9	717.8
Common Shareholders' Equity	**835.4**	732.1	654.7	609.2	551.8
Common Shareholders' Equity Per Share	**17.17**	14.84	13.36	14.79	13.44

(A) The 1997 restructuring charge was $224.8 million on a pretax basis, $162.8 million on an after-tax basis.

GATX RAIL (RAIL) Rail's gross income of $535 million increased 8.3% from 1997, with approximately 4,000 more railcars on lease throughout North America. Average rental rates in 1998 were also slightly higher. At year end 1998, there were 81,600 railcars on lease, representing 95% utilization of the total North American fleet of 85,700 cars. Utilization at the end of 1997 was almost 96%, with 77,700 cars on lease.

Rail's share of its two European affiliates' earnings was $3 million in 1998 compared to $1 million in the prior year. The increase was primarily due to owning one of the affiliates for an entire year as Rail's interest was acquired in the fourth quarter of 1997.

Based on the revenues generated by the growing fleet, net income increased 7.0% to $67 million. Repair costs increased $10 million to support a larger fleet, but as a percentage of revenues, were consistent with 1997. Selling, general and administrative expenses increased, primarily to support a major information systems initiative. Asset ownership costs increased by 6.6% primarily due to an increase in operating lease expense. Though the fleet grew substantially, depreciation and interest did not change appreciably from 1997 due to Rail's continued use of sale-leaseback financing. In 1998, $208 million of railcars were sold and leased back, and the resultant cost is included in operating lease expense.

FINANCIAL SERVICES Financial Services' gross income of $730 million increased $26 million from 1997. Higher lease, interest and asset remarketing income were offset in part by a significant decrease in technology equipment sales. Lease income was $22 million higher predominantly due to the growing leasing technology portfolio. Interest income increased $11 million as market opportunities resulted in Financial Services extending $162 million in new loans in 1998. Asset remarketing income of $93 million exceeded 1997's record $85 million. Asset remarketing, which does not fall evenly from period to period, includes both gains from the sale of assets out of Financial Services' own portfolio as well as residual sharing fees from the sale of managed assets. While technology investing and leasing continued to grow, value-added reselling (VAR) sales of technology equipment in the U.S. and Europe experienced difficulties; sales of technology equipment decreased $31 million from the prior year.

During 1998, Financial Services continued to emphasize its strategy of joining with partners to finance and manage assets. Financial Services' share of earnings in such joint ventures was $46 million in 1998, a 64.2% increase over the prior year. Most of the increase was attributable to the joint venture formed with Pitney Bowes at the end of 1997. A number of new joint ventures were formed in 1998, including GATX Flightlease Ltd. (aircraft), Rolls-Royce and Partners Finance Ltd. (aircraft engines), and GATX Telecom Investors (telecommunications). Financial Services also made incremental investments in several existing joint ventures to acquire additional aircraft.

Net income for 1998 was $67 million, exceeding 1997 by 8.1%. The earnings were achieved despite absorbing a $6 million goodwill write-down related to the VAR sector due to the market difficulties facing the business. Marine operations contributed $7 million to net income in 1998 versus $8 million in 1997, which included a $1 million remarketing gain.

Financial Services' allowance for possible losses increased by $8 million to $130 million, representing 5.9% of net investments, up from 5.4% at the end of 1997. The loss provision for 1998 was consistent with the prior year.

Compared to the prior year, the asset mix of Financial Services' portfolio at the end of 1998 showed a higher percentage of technology leasing equipment and a lower percentage of rail assets. Over $300 million was added to the technology leasing portfolio and approximately $170 million of rail assets were sold.

GATX INTEGRATED SOLTIONS GROUP GATX Integrated Solutions Group's gross income of $587 million increased by 2.9% over 1997 with new business and growth initiatives being partially offset by the sale of the Norco, Louisiana, terminal facility in 1997. For ongoing wholly owned operations, gross income grew by 5.0% reflecting new business and improved pricing.

In ISG's ongoing bulk liquid terminal and pipeline operation, throughput and capacity utilization were 531 million barrels and 94% in 1998 compared to 527 million barrels and 92% in 1997. Space utilization for the dry goods integrated logistics operation remained at 95% in 1998 as it was in 1997.

ISG's joint ventures, which primarily serve the European and Asian markets, contributed $21 million, up 2.5% from 1997. Results in 1998 were hampered by unfavorable foreign exchange and the economic downturn in Asia but overall were comparable to 1997.

During 1997, ISG recorded an after-tax charge of $163 million related to restructuring and a write-down of goodwill. Specifically, a $124 million after-tax charge was taken for the sale or closure of certain nonstrategic terminal locations and other impaired facilities. Also during 1997, ISG recorded a $39 million after-tax charge for the write-down of goodwill related to the public warehousing logistics operations.

Net income of $18 million in 1998 increased significantly from 1997's operating earnings of $9 million (before the $163 million after-tax restructuring charge and goodwill write-down) based primarily on improving chemical and petroleum market conditions, benefits from the restructuring, and lower selling, general and administrative expenses in 1998. Partially offsetting these improvements was a $3 million write-off for a customer that ceased operations and lower volumes with certain customers.

CORPORATE AND OTHER Corporate and Other net expense of $18 million in 1998 was $3 million favorable to 1997 reflecting a decrease in interest expense.

GATX RAIL

HEADQUARTERS
Chicago, Illinois

BUSINESS OFFICES
Valencia, California
Atlanta, Georgia
Chicago, Illinois
Hackensack, New Jersey
Philadelphia, Pennsylvania
Pittsburgh, Pennsylvania
Houston, Texas
Mexico City, Mexico
Calgary, Alberta
Toronto, Ontario
Montreal, Quebec

MAJOR SERVICE CENTERS
Colton, California
Waycross, Georgia
East Chicago, Indiana
Hearne, Texas
Tierra Blanca, Mexico
Red Deer, Alberta
Montreal, Quebec
Moose Jaw, Saskatchewan
Sarnia, Ontario

MINI SERVICE CENTERS
Macon, Georgia
Terre Haute, Indiana
Geismar, Louisiana
Plaquemine, Louisiana
Midland, Michigan
Cincinnati, Ohio
Catoosa, Oklahoma
Copper Hill, Tennessee
Freeport, Texas (2)
Cd Valles, Mexico
Coatcacoalcos, Mexico
Guaymas, Mexico
Hibueras, Mexico
Miramar, Mexico
Monterrey, Mexico
Orizaba, Mexico
Tlalnepantla, Mexico

MOBILE SERVICE UNITS
Mobile, Alabama
Colton, California
Lake City, Florida
East Chicago, Indiana
Norco, Louisiana
Carteret, New Jersey
Las Cruces, New Mexico
Albany, New York
Masury, Ohio
Galena Park, Texas
Nederland, Texas
Olympia, Washington
Altamira, Mexico
Coatcacoalcos, Mexico
Guaymas, Mexico
Edmonton, Alberta
Red Deer, Alberta
Vancouver, British Columbia
Montreal, Quebec
Moose Jaw, Saskatchewan

AFFILIATES
Buenos Aires, Argentina
Vienna, Austria
Hamburg, Germany
Zug, Switzerland

FINANCIAL SERVICES

HEADQUARTERS
San Francisco, California

OFFICES
Burbank, California
Tampa, Florida
Chicago, Illinois
Williamsville, New York
Toledo, Ohio
Sydney, Australia
Toronto, Canada
Blagnac, France
Frankfurt, Germany
Singapore, Republic of Singapore
Tokyo, Japan

AFFILIATES
Sydney, Australia
San Francisco, California
LaGrange, Illinois
Toronto, Ontario
Zug, Switzerland
Elstree, United Kingdom
Woking, United Kingdom

GATX INTEGRATED SOLUTIONS GROUP

HEADQUARTERS
Chicago, Illinois

WAREHOUSING AND LOGISTICS LOCATIONS
Conway, Arkansas
Little Rock, Arkansas
Bell, California
Industry, California
Mira Loma, California
Ontario, California
Stockton, California
Walnut, California
Danbury, Connecticut
Jacksonville, Florida
Atlanta, Georgia
Dacula, Georgia
Doraville, Georgia
Duluth, Georgia
Bedford Park, Illinois
Bloomington, Illinois
Bolingbrook, Illinois
Hodgkins, Illinois
Normal, Illinois
Romeoville, Illinois
Woodridge, Illinois
Indianapolis, Indiana
Richmond, Indiana
Seymour, Indiana
Hebron, Kentucky
Shreveport, Louisiana
Elkridge, Maryland
Coloma, Michigan
Grand Rapids, Michigan
Kalamazoo, Michigan
Delisle, Mississippi
Sardis, Mississippi
Berkeley Heights, New Jersey
West Patterson, New Jersey
New York, New York
Syracuse, New York
Greensboro, North Carolina
Winston-Salem, North Carolina
Columbus, Ohio
Grove City, Ohio
Westerville, Ohio
Oklahoma City, Oklahoma
Bedford, Pennsylvania
Exton, Pennsylvania
Langhorn, Pennsylvania
Pottstown, Pennsylvania
Smyrna, Tennessee
Arlington, Texas
Carrolton, Texas
DeSoto, Texas
El Paso, Texas
Grand Prairie, Texas
Greenville, Texas
Clearfield, Utah
Seattle, Washington
Racine, Wisconsin
Sturtevant, Wisconsin
Toronto, Canada
Juarez, Mexico
Mexico City, Mexico
Corby, Northamptonshire
Puerto Rico

WAREHOUSING AND LOGISTICS AFFILIATES
Los Angeles, California
San Francisco, California
Denver, Colorado
Atlanta, Georgia
Chicago, Illinois
Cranberry, New Jersey
Cincinnati, Ohio
Dallas, Texas
Pacheo, Argentina
Santiago, Chile
San Jose, Costa Rica

TERMINAL LOCATIONS
Carson, California
Richmond, California
San Pedro, California
Orlando, Florida
Tampa, Florida
Argo, Illinois
Carteret, New Jersey
Paulsboro, New Jersey
Portland, Oregon (2)
Philadelphia, Pennsylvania
Galena Park, Texas
Pasadena, Texas
Seattle, Washington
Altamira, Mexico

TERMINAL AFFILIATES
Antwerpen/Lillo, Belgium
Lanshan, China
Kawasaki, Japan
Kobe, Japan
Yokohama, Japan
Kertih, Malaysia
Jurong Town, Singapore
Pulau Busing, Singapore
Barcelona, Spain
Bilboa, Spain
Tarragona, Spain
Valencia, Spain
Seal Sands, United Kingdom
Wymondham, United Kingdom

PIPELINE LOCATIONS
CALNEV PIPELINE
Adelanto, California
Barstow, California
Colton, California
Las Vegas, Nevada

CENTRAL FLORIDA PIPELINE
Orlando, Florida
Tampa, Florida

MANCHESTER JET LINE
Manchester, United Kingdom

PIPELINE AFFILIATE
OLYMPIC PIPELINE
Renton, Washington

DISTILLATE AND BLENDING DISTRIBUTION AFFILIATE
Houston, Texas

GATX BOARD OF DIRECTORS

Rod F. Dammeyer
Managing Partner,
Equity Group Corporate
Investments

James M. Denny [2,3]
Senior Advisor,
William Blair
Capital Partners, LLC

Richard Fairbanks [1,3]
President and Chief
Executive Officer,
Center for Strategic &
International Studies

William C. Foote [1,3]
Chairman, President and
Chief Executive Officer,
USG Corporation

Deborah M. Fretz [1,4]
Senior Vice President,
Lubricants and Logistics,
Sunoco, Inc.

Richard A. Giesen [2,4]
Chairman and Chief
Executive Officer,
Continental Glass & Plastic, Inc.

Miles L. Marsh [2,3]
Chairman, President and
Chief Executive Officer,
Fort James Corporation

Michael E. Murphy [2,4]
Retired: Former Vice Chairman
and Chief Administrative Officer,
Sara Lee Corporation

John W. Rogers, Jr. [1,4]
President and Co-Chief
Investment Officer,
Ariel Capital
Management, Inc.

Ronald H. Zech
Chairman, President and
Chief Executive Officer,
GATX Corporation

1 Member, Audit Committee
2 Member, Compensation Committee
3 Member, Nominating Committee
4 Member, Retirement Funds Review Committee

GATX OFFICERS

Ronald H. Zech
Chairman, President and
Chief Executive Officer
(Shown on page 2)

David M. Edwards
Senior Vice President
(Shown on page 2)

David B. Anderson
Vice President,
Corporate Development,
General Counsel and
Secretary

Gail L. Duddy
Vice President,
Human Resources

William J. Hasek
Treasurer

Brian A. Kenney
Vice President and
Chief Financial Officer

Ralph L. O'Hara
Controller

Clifford J. Porzenheim
Vice President,
Corporate Strategy

ANNUAL MEETING
Friday, April 28, 2000, 9:00 a.m.
Northern Trust Company
Assembly Room, 6th Floor
50 South LaSalle Street
Chicago, Illinois 60675

FINANCIAL INFORMATION AND PRESS RELEASES
A copy of the company's annual report on Form 10-K for 1999 and selected other information are available without charge.

Corporate information and press releases may be found at **http://www.gatx.com.** A variety of current financial information, historical financial information, press releases and photographs are available at this site.

GATX press releases may be obtained by automated PR Newswire Company News On-Call's automated fax service at (800) 758-5804. The company identification number for GATX is 105121.

INQUIRIES
Inquiries regarding dividend checks, the dividend reinvestment plan, stock certificates, replacement of lost certificates, address changes, account consolidation, transfer procedures and year end tax information should be addressed to GATX Corporation's Transfer Agent and Registrar:

Chase Mellon Shareholder Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
Telephone: (800) 851-9677
Internet: **http://www.chasemellon.com**

Information relating to shareholder ownership, dividend payments, or share transfers:

Lisa M. Ibarra, Assistant Corporate Secretary
Telephone: (312) 621-6603
Fax: (312) 621-6647
Email: lmibarra@gatx.com

GATX Corporation welcomes and encourages questions and comments from its shareholders, potential investors, financial professionals and the public at large. To better serve interested parties, the following GATX personnel may be contacted by letter, telephone and/or fax.

Requests for information or brochures may be made through GATX's website. Many GATX publications may be directly viewed or downloaded from it.

To request published financial information and financial reports, contact:

GATX CORPORATION
Investor Relations Department
500 West Monroe Street
Chicago, Illinois 60661-3676
Telephone: (800) 428-8161
Email: ir@gatx.com

Automated request line for materials:
(312) 621-6300

Individual investors inquiries:

Tammy McKinney, Investor Relations Coordinator
Telephone: (312) 621-8799
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Email: tlmckinney@gatx.com

Analysts, institutional shareholders and financial community professionals:

Robert C. Lyons, Director of Investor Relations
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Email: rclyons@gatx.com

Questions regarding sales, service, lease information, or customer solutions
Email: cs@gatx.com

GATX Rail—(312) 621-6564

Financial Services:
GATX Capital Corporation—(415) 955-3200
American Steamship Company—(716) 635-0222

GATX Integrated Solutions Group—(877) 558-8784
GATX Chemical Logistics, Inc.
GATX Logistics Corporation
GATX Rail Logistics, Inc.
GATX Terminals Corporation

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