

BNSF's Third Quarter 2022 Financial Performance: Volumes, Revenues and Expenses

Statement of Income (in millions)	Q3 - 2022	Q3 - 2021	Q/Q % Change	2022 YTD	2021 YTD	Y/Y % Change
Total revenues	\$ 6,693	\$ 5,790	16 %	\$ 19,301	\$ 17,000	14 %
Operating expenses	4,585	3,528	30 %	12,773	10,631	20 %
Operating income	2,108	2,262	(7)%	6,528	6,369	2 %
Other (income) expense, Interest expense and Income tax expense	666	724	(8)%	2,051	2,064	(1)%
Net income	\$ 1,442	\$ 1,538	(6)%	\$ 4,477	\$ 4,305	4 %
Operating ratio (a)	67.7 %	59.5 %		65.2 %	61.2 %	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-Q for the period ended September 30, 2022.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Operating income for the third quarter and first nine months of 2022 was \$2.1 billion and \$6.5 billion, respectively, a decrease of \$154 million (7%) and an increase of \$159 million (2%), respectively, compared to the same periods in 2021. Operating ratios were 67.7% and 65.2% for the third quarter and first nine months, respectively, increases of 8.2% and 4% compared to the same periods in 2021.

Total revenues for the third quarter and first nine months of 2022 increased 16% and 14%, respectively, compared with the same periods in 2021, reflecting decreased volumes of 5% in both periods. The average revenue per car/unit increased 23% for the third quarter and increased 20% for the first nine months of 2022 when compared to the corresponding periods in 2021 resulting from higher fuel surcharge revenue driven by higher fuel prices, along with increased rates per car. Revenue changes also resulted from the following:

- Consumer Products volumes decreased 7% and 8%, respectively, for the third quarter and first nine months of 2022 compared with the same periods in 2021 primarily due to lower international intermodal shipments resulting from supply chain challenges.
- Agricultural Products volumes increased 4% and decreased 1%, respectively, for the third quarter and first nine months of 2022 compared with the same periods in 2021. The volume increase in the third quarter was due to higher domestic grain shipments and increased renewable diesel and oil feedstock shipments, while the volume decrease for the first nine months of 2022 was primarily due to lower grain exports, partially offset by higher volumes of domestic grains, renewable diesel and oil feedstocks.
- Industrial Products volumes decreased 7% and 3%, respectively, for the third quarter and first nine months of 2022 compared with the same periods in 2021 primarily due to lower petroleum related to lower demand for shipments of crude by rail and lower building products shipments.
- Coal volumes decreased 1% and increased 3%, respectively, for the third quarter and first nine months of 2022 compared with the same periods in 2021. The volume decrease in the third quarter was primarily due to network challenges, while the volume increase for the first nine months of 2022 was due to increased electricity generation, higher natural gas prices and improved export demand.

Listed below are details by business units, including revenues, volumes and average revenue per car/unit.

Business Unit	Q3 - 2022	Q3 - 2021	Q/Q % Change	2022 YTD	2021 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 2,418	\$ 2,097	15 %	\$ 6,951	\$ 6,070	15 %
Agricultural Products	1,336	1,063	26 %	4,081	3,643	12 %
Industrial Products	1,468	1,371	7 %	4,223	3,949	7 %
Coal	1,101	867	27 %	2,989	2,320	29 %
Total Freight Revenues	\$ 6,323	\$ 5,398	17 %	\$ 18,244	\$ 15,982	14 %
Other Revenues	370	392	(6)%	1,057	1,018	4 %
Total Operating Revenues	\$ 6,693	\$ 5,790	16 %	\$ 19,301	\$ 17,000	14 %
Volumes (in thousands)						
Consumer Products	1,323	1,425	(7)%	3,977	4,307	(8)%
Agricultural Products	276	265	4 %	884	896	(1)%
Industrial Products	413	443	(7)%	1,237	1,280	(3)%
Coal	399	404	(1)%	1,158	1,127	3 %
Total Volumes	2,411	2,537	(5)%	7,256	7,610	(5)%
Average Revenue per Car/Unit						
Consumer Products	\$ 1,828	\$ 1,472	24 %	\$ 1,748	\$ 1,409	24 %
Agricultural Products	4,841	4,011	21 %	4,617	4,066	14 %
Industrial Products	3,554	3,095	15 %	3,414	3,085	11 %
Coal	2,759	2,146	29 %	2,581	2,059	25 %
Total Freight Revenue per Car/Unit	\$ 2,623	\$ 2,128	23 %	\$ 2,514	\$ 2,100	20 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended September 30, 2022 and June 30, 2022. Third-quarter volumes are calculated as the difference between YTD September and YTD June amounts.

Expenses

Operating expenses for the third quarter and first nine months of 2022 increased 30% and 20%, respectively, compared with the same periods in 2021. The increase in expenses reflected significant increases in the cost of fuel, as well as higher compensation and benefits expenses, including the following changes in expenses:

- Fuel expense increased 80% and 75% in the third quarter and first nine months of 2022, respectively, compared to the same periods in 2021. The increases were primarily due to higher average fuel prices, partially offset by lower volumes. Locomotive fuel price per gallon increased 81% and 77% in the third quarter and first nine months of 2022, respectively, compared to the same periods in 2021.
- Compensation and benefits expense increased 26% and 12% in the third quarter and first nine months of 2022, respectively, compared to the same periods in 2021. The increases were primarily due to wage inflation, including the impact from tentative or ratified union labor agreements, higher health and welfare costs and lower productivity.
- Materials and other expense increased 94% and 25% in the third quarter and first nine months of 2022, respectively, compared to the same periods in 2021. The increases were primarily due to general inflation, lower gains from land and easement sales as well as higher casualty costs.
- There were no significant changes in purchased services, depreciation and amortization, equipment rents or interest expense.

Operating Expenses (in millions)	Q3 - 2022	Q3 - 2021	Q/Q % Change	2022 YTD	2021 YTD	Y/Y % Change
Compensation and benefits	\$ 1,496	\$ 1,183	26 %	\$ 3,968	\$ 3,529	12 %
Purchased services	670	688	(3)%	2,008	2,039	(2)%
Depreciation and amortization	636	611	4 %	1,883	1,842	2 %
Fuel	1,272	705	80 %	3,409	1,948	75 %
Equipment rents	180	170	6 %	544	507	7 %
Materials and other	331	171	94 %	961	766	25 %
Total Operating Expenses	\$ 4,585	\$ 3,528	30 %	\$ 12,773	\$ 10,631	20 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended September 30, 2022.