

BNSF's Fourth Quarter 2019 Financial Performance: Volumes, Revenues and Expenses

Statement of Income (in millions)	Q4 - 2019	Q4 - 2018	Q/Q % Change	2019 YTD	2018 YTD	Y/Y % Change
Total revenues	\$ 5,839	\$ 6,206	(6)%	\$ 23,515	\$ 23,855	(1)%
Operating expenses	3,734	4,145	(10)%	15,444	16,055	(4)%
Operating income	2,105	2,061	2 %	8,071	7,800	3 %
Other (income) expense, Interest expense and Income tax expense	681	689	(1)%	2,590	2,581	— %
Net income	\$ 1,424	\$ 1,372	4 %	\$ 5,481	\$ 5,219	5 %
Operating ratio (a)	62.8%	65.6%		64.5%	66.2%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended December 31, 2019 and September 30, 2019, respectively. Fourth-quarter amounts are calculated as the difference between YTD December and YTD September amounts.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Operating income for the fourth quarter and full year 2019 was \$2.1 billion and \$8.1 billion, respectively, an increase of \$44 million (2%) and \$271 million (3%), respectively, compared to the same periods in 2018.

Total revenues for the fourth quarter and full year 2019 decreased 6% and 1%, respectively, compared with the same periods in 2018. The decrease in revenue is partially offset by a 1% and 4% increase in average revenue per car/unit, respectively, for the fourth quarter and full year 2019 as a result of increased rates per car/unit and a favorable outcome of an arbitration hearing.

The decrease in revenue is primarily due to a 6% and 4% decrease in unit volume, respectively, for the fourth quarter and full year 2019. Full year volumes were lower due to severe winter weather and flooding on parts of the network. Full year and fourth quarter volumes were also impacted by the following:

- Consumer Products volumes decreased 5% for both the fourth quarter and full year 2019, compared with the same periods in 2018 primarily due to lower intermodal volumes, which were driven by moderated demand and the availability of truck capacity as well as lower west coast imports.
- Industrial Products volumes decreased 10% and 3% for the fourth quarter and full year 2019, respectively, compared with the same periods in 2018. These changes were primarily due to overall softness in the industrial sector and lower sand volumes. The full year also included reduced loadings due to severe winter weather and flooding on parts of the network, partially offset by higher demand for petroleum products and liquefied petroleum gas.
- Agricultural Products volumes decreased 3% and 5% for the fourth quarter and full year 2019, respectively, compared with the same periods in 2018, primarily due to export competition from non-U.S. sources and the impacts of international trade policies. The full year also included the aforementioned challenging weather conditions that lowered volumes.

- Coal volumes decreased 7% and 5% for the fourth quarter and full year 2019, respectively, compared with the same periods in 2018. These changes were primarily due to lower natural gas prices. Additionally, the full year also included the aforementioned challenging weather conditions that lowered volumes.

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

Business Unit	Q4 - 2019	Q4 - 2018	Q/Q % Change	2019 YTD	2018 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 1,982	\$ 2,061	(4)%	\$ 7,860	\$ 7,902	(1)%
Industrial Products	1,431	1,551	(8)%	6,068	5,967	2 %
Agricultural Products	1,185	1,198	(1)%	4,685	4,697	— %
Coal	967	1,084	(11)%	3,715	4,012	(7)%
Total Freight Revenues	\$ 5,565	\$ 5,894	(6)%	\$ 22,328	\$ 22,578	(1)%
Other Revenues	274	312	(12)%	1,187	1,277	(7)%
Total Operating Revenues	\$ 5,839	\$ 6,206	(6)%	\$ 23,515	\$ 23,855	(1)%
Volumes (in thousands)						
Consumer Products	1,328	1,399	(5)%	5,342	5,597	(5)%
Industrial Products	457	508	(10)%	1,931	1,991	(3)%
Agricultural Products	290	300	(3)%	1,146	1,208	(5)%
Coal	464	501	(7)%	1,802	1,902	(5)%
Total Volumes	2,539	2,708	(6)%	10,221	10,698	(4)%
Average Revenue per Car/Unit						
Consumer Products	\$ 1,492	\$ 1,473	1 %	\$ 1,471	\$ 1,412	4 %
Industrial Products	3,131	3,053	3 %	3,142	2,997	5 %
Agricultural Products	4,086	3,993	2 %	4,088	3,888	5 %
Coal	2,084	2,164	(4)%	2,062	2,109	(2)%
Total Freight Revenues per Car/Unit	\$ 2,192	\$ 2,177	1 %	\$ 2,185	\$ 2,110	4 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended December 31, 2019 and September 30, 2019. Fourth-quarter revenues and volumes are calculated as the difference between YTD December and YTD September amounts.

Expenses

Operating expenses for the fourth quarter and full year 2019 decreased 10% and 4%, respectively, compared with the same periods in 2018. Full year operating expenses were impacted by increased costs related to severe winter weather and flooding. Fourth quarter and full year operating expenses decreased due to lower volume-related costs and cost controls as well as the following:

- Compensation and benefits expense decreased 7% and 1% in the fourth quarter and full year 2019, respectively, compared to the same periods in 2018. The decreases were primarily due to lower headcount, lower volumes and productivity improvements.
- Fuel expense decreased 18% and 12% in the fourth quarter and full year 2019, respectively, compared with the same periods in 2018. The decreases were primarily due to lower average fuel prices, lower volumes and

improved fuel efficiency. Locomotive fuel price per gallon decreased 11% for the fourth quarter of 2019 to \$2.07 and 8% for the full year 2019 to \$2.06.

- Purchased services expense decreased 18% and 6% in the fourth quarter and full year 2019, respectively, compared with the same periods in 2018 as a result of lower purchased transportation costs of our logistics services business, lower drayage, lower services expense, and higher recoveries.
- Materials and other expense decreased 12% and 7% in the fourth quarter and full year 2019, respectively, compared with the same periods in 2018. The decreases were due to lower material and other miscellaneous costs associated with lower volumes and cost controls.
- There were no significant changes in depreciation and amortization, equipment rents, and interest expense.

For the full year 2019, other (income) expense, net income increased primarily due to a curtailment gain related to a first quarter 2019 amendment to the Company's retirement plans.

Operating Expenses (in millions)	Q4 - 2019	Q4 - 2018	Q/Q % Change	2019 YTD	2018 YTD	Y/Y % Change
Compensation and benefits	\$ 1,276	\$ 1,373	(7)%	\$ 5,347	\$ 5,394	(1)%
Purchased services	613	746	(18)%	2,700	2,870	(6)%
Fuel	733	890	(18)%	2,944	3,346	(12)%
Depreciation and amortization	615	591	4 %	2,403	2,317	4 %
Equipment rents	185	190	(3)%	758	732	4 %
Materials and other	312	355	(12)%	1,292	1,396	(7)%
Total Operating Expenses	\$ 3,734	\$ 4,145	(10)%	\$ 15,444	\$ 16,055	(4)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended December 31, 2019 and September 30, 2019, respectively. Fourth-quarter amounts are calculated as the difference between YTD December and YTD September amounts.

Capital Activities

BNSF's 2019 capital commitments were \$3.6 billion, the largest component of which supported maintenance and expansion of its network to operate a safe, reliable, and efficient network that meets customer demands.

Our 2020 planned capital commitments are \$3.4 billion. The 2020 plan is focused on projects that support BNSF's growth and efficiency objectives, while continuing to maintain a safe and reliable railroad. This year, the maintenance and replacement component is expected to be \$2.55 billion. These projects will primarily go toward replacing and upgrading rail, rail ties and ballast, along with maintaining rolling stock. BNSF will spend approximately \$581 million on expansion and efficiency projects supporting capacity and performance improvements across BNSF's Southern Transcon route, routes to and from Texas and intermodal facilities. BNSF will also spend approximately \$270 million on equipment acquisitions in 2020.