

# *Burlington Northern Santa Fe, LLC*

## 2016 FIXED-INCOME INVESTOR CALL

NOVEMBER 9, 2016



This presentation is intended to provide information to certain investors in Burlington Northern Santa Fe, LLC and BNSF Railway Company debt securities. The information presented should not be distributed to third parties or quoted in analyses prepared based on this presentation.



# Agenda

- Financial Results
- Agriculture Products Spotlight
- Financial Management

# Cautionary Statement Regarding Forward-Looking Statements and Information

Statements made in this presentation relating to the Company's future economic performance or business outlook, projections or expectations of financial or operational results, or statements that refer to matters that are not historical facts, are "forward-looking statements" within the meaning of the federal securities laws. Similarly, statements that describe the Company's objectives, expectations, plans or goals are forward-looking statements. Forward-looking statements involve a number of risks and uncertainties, and actual performance or results may differ materially. For a discussion of material risks and uncertainties that the Company faces, see the discussion in Part I, Item 1A, of the Company's Form 10-K. Important factors that could cause actual results to differ materially include, but are not limited to, the following:

- **Economic and industry conditions:** material adverse changes in economic or industry conditions, both in the United States and globally; volatility in the capital or credit markets including changes affecting the timely availability and cost of capital; changes in customer demand; effects of adverse economic conditions affecting shippers or BNSF's supplier base; effects due to more stringent regulatory policies such as the regulation of carbon dioxide emissions that could reduce the demand for coal or governmental tariffs or subsidies that could affect the demand for grain; the impact of low natural gas or oil prices on energy-related commodities demand; changes in environmental laws and other laws and regulations that could affect the demand for drilling products and products produced by drilling; changes in fuel prices and other key materials, the impact of high barriers to entry for prospective new suppliers and disruptions in supply chains for these materials; competition and consolidation within the transportation industry; and changes in crew availability, labor and benefits costs and labor difficulties, including stoppages affecting either BNSF's operations or customers' abilities to deliver goods to BNSF for shipment;
- **Legal, legislative and regulatory factors:** developments and changes in laws and regulations, including those affecting train operations, the marketing of services or regulatory restrictions on equipment; the ultimate outcome of shipper and rate claims subject to adjudication; claims, investigations or litigation alleging violations of the antitrust laws; increased economic regulation of the rail industry through legislative action and revised rules and standards applied by the U.S. Surface Transportation Board in various areas including rates and services; developments in environmental investigations or proceedings with respect to rail operations or current or past ownership or control of real property or properties owned by others impacted by BNSF operations; losses resulting from claims and litigation relating to personal injuries, asbestos and other occupational diseases; the release of hazardous materials, environmental contamination and damage to property; regulation, restrictions or caps, or other controls on transportation of petroleum-based fuel or other operating restrictions that could affect operations or increase costs; the availability of adequate insurance to cover the risks associated with operations; and changes in tax rates and tax laws; and
- **Operating factors:** changes in operating conditions and costs; operational and other difficulties in implementing positive train control technology, including increased compliance or operational costs or penalties; restrictions on development and expansion plans due to environmental concerns; disruptions to BNSF's technology network including computer systems and software, such as cybersecurity intrusions, misappropriation of assets or sensitive information, corruption of data or operational disruptions; network congestion, including effects of greater than anticipated demand for transportation services and equipment; as well as natural events such as severe weather, fires, floods and earthquakes or man-made or other disruptions of BNSF Railway's or other railroads' operating systems, structures, or equipment including the effects of acts of terrorism on the Company's system or other railroads' systems or other links in the transportation chain.

We caution against placing undue reliance on forward-looking statements, which reflect our current beliefs and are based on information currently available to us as of the date a forward-looking statement is made. We undertake no obligation to revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs. In the event that we do update any forward-looking statements, no inference should be made that we will make additional updates with respect to that statement, related matters, or any other forward-looking statements.





# THIRD QUARTER RESULTS



**JULIE PIGGOTT**

Executive Vice President & Chief Financial Officer

# Q3 Highlights

\$ in Millions

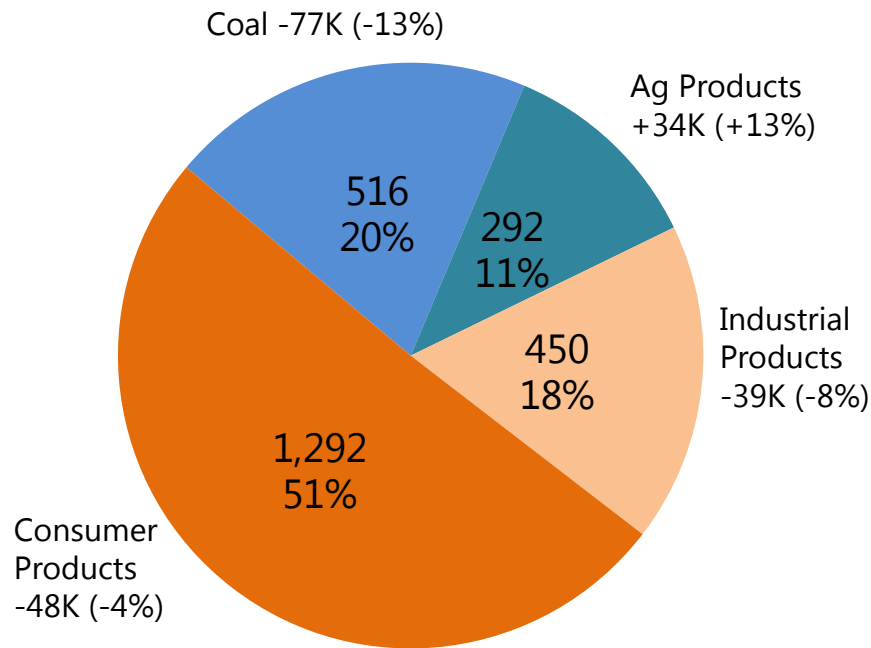
	<b>Nine Months Ended 9/30/2016</b>	<b>Nine Months Ended 9/30/2015</b>	<b>% CHG</b>
Freight Revenue	\$ 13,840	\$ 15,850	-13%
Other Revenue	679	721	-6%
<b>Total Revenue</b>	<b>14,519</b>	<b>16,571</b>	<b>-12%</b>
Operating Expenses	9,647	10,819	-11%
Operating Income	4,872	5,752	-15%
Interest / Other / Taxes	(2,296)	(2,588)	-11%
<b>Net Income</b>	<b>\$2,576</b>	<b>\$3,164</b>	<b>-19%</b>
Units (in thousands)	7,206	7,713	-7%
Average Freight RPU	\$1,921	\$2,055	-7%

**BNSF**

# BNSF 2016 Volumes

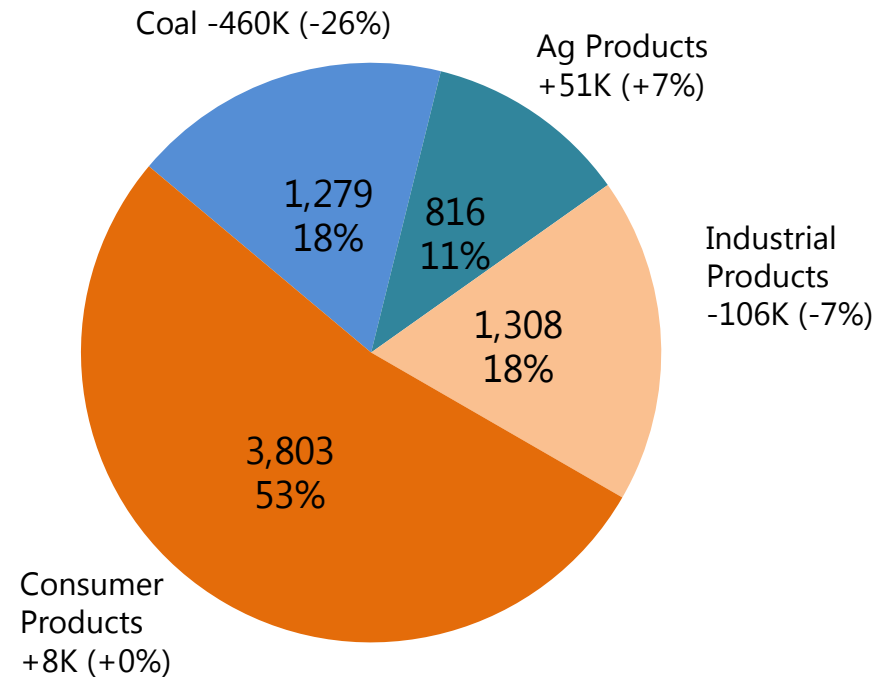
Units in Thousands  
% Change vs. 2015

## THIRD QUARTER



TOTAL UNITS 2,550K  
CHANGE FROM 2015 -130K (-5%)

## NINE MONTHS ENDED 9/30/2016



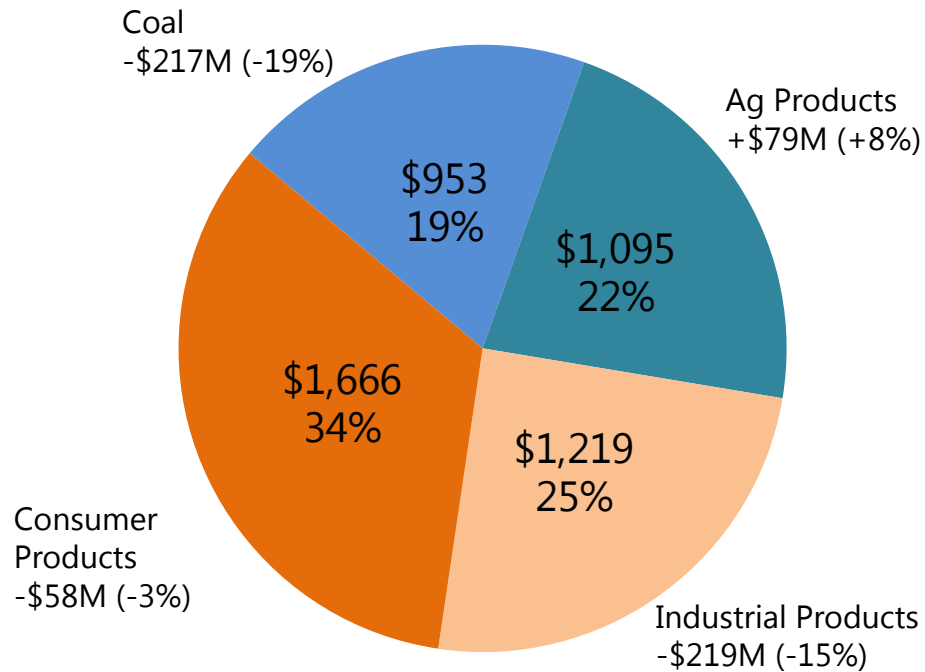
TOTAL UNITS 7,206K  
CHANGE FROM 2015 -507K (-7%)



# BNSF 2016 Freight Revenues

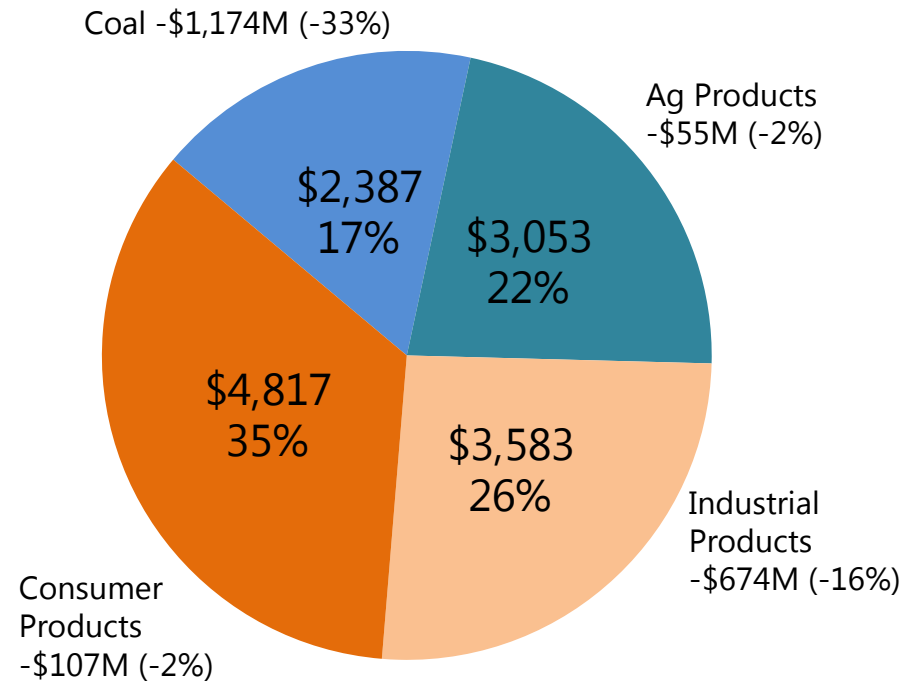
\$ in Millions  
% Change vs. 2015

## THIRD QUARTER



TOTAL FREIGHT REVENUES \$4,933M  
CHANGE FROM 2015 -\$415M (-8%)

## NINE MONTHS ENDED 9/30/2016



TOTAL FREIGHT REVENUES \$13,840M  
CHANGE FROM 2015 -\$2,010M (-13%)





# Consumer Products

## YTD Volume Highlights (through September 30, 2016)

- Consumer Products volumes were relatively flat.
- The addition of a new automotive customer and increased domestic intermodal volume was offset by lower international intermodal volume due to soft economic activity and excess retail inventories.





# Industrial Products

## YTD Volume Highlights (through September 30, 2016)

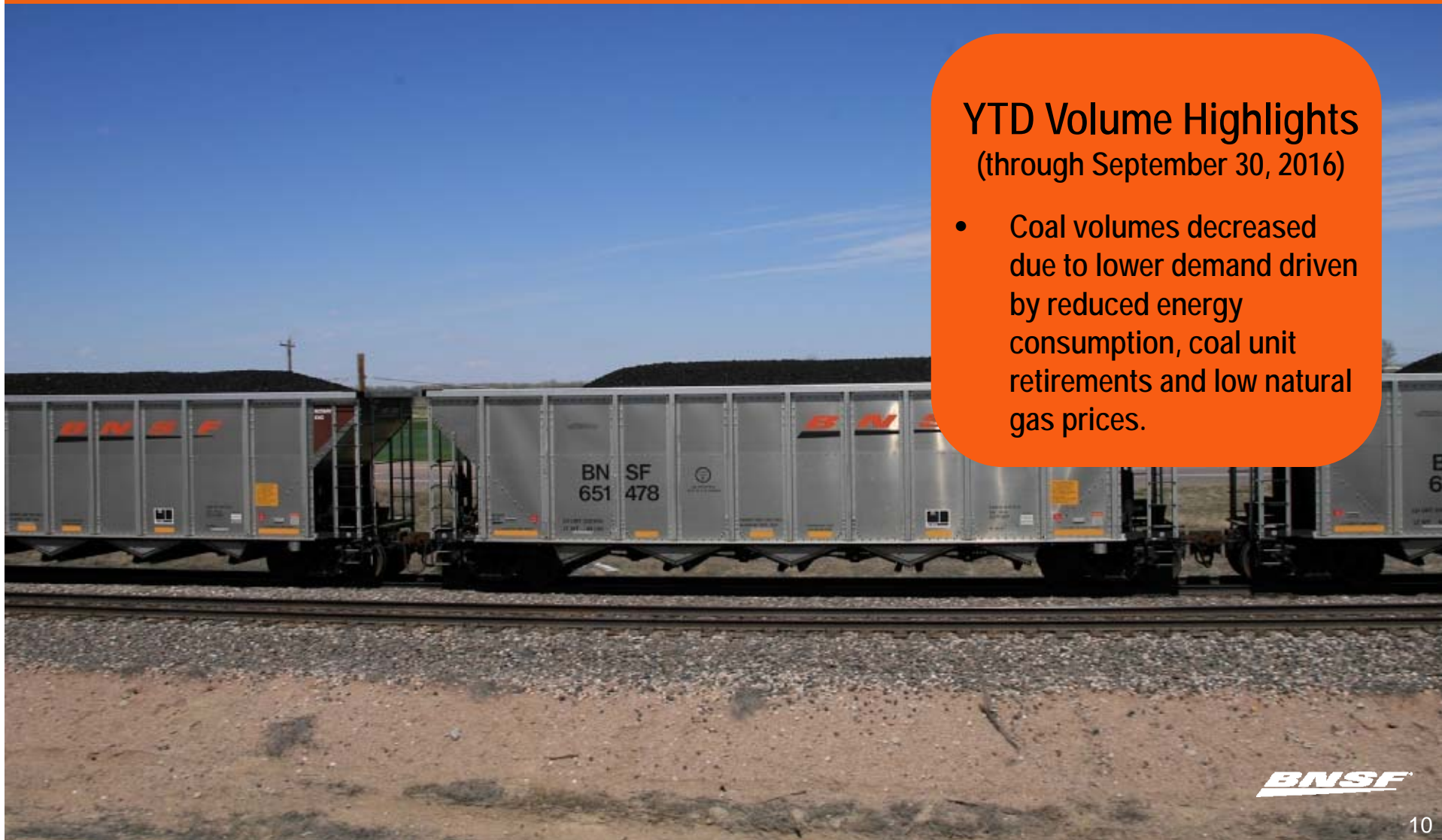
- Industrial Products unit volumes decreased primarily due to lower petroleum products and commodities that support drilling due to pipeline displacement of U.S. crude traffic, along with lower U.S. production.
- In addition, there was lower demand for steel and taconite, partially offset by increased movements of non-owned rail equipment and increased plastic product volumes.



# Coal

## YTD Volume Highlights (through September 30, 2016)

- Coal volumes decreased due to lower demand driven by reduced energy consumption, coal unit retirements and low natural gas prices.



# Agricultural Products

## YTD Volume Highlights (through September 30, 2016)

- Agricultural Products unit volumes increased due to higher corn, soybeans, and wheat exports.

The BNSF logo is located in the bottom right corner of the slide. It consists of the letters "BNSF" in a bold, white, sans-serif font, with a horizontal line underneath the letters.



# SPOTLIGHT TOPIC UPDATE AGRICULTURAL PRODUCTS

John Miller  
Group Vice President  
Agricultural Products  
BNSF Railway





# Agricultural Products Commodity Breakdown



Grain

Wheat  
Barley  
Corn  
Soybeans  
Milo



Bulk Foods

Sweeteners  
Syrups  
Animal Products  
Starch



Other Grain Products

Oils  
Feeds  
Flour  
Specialty Grains  
Oilseeds & Meals  
Malt



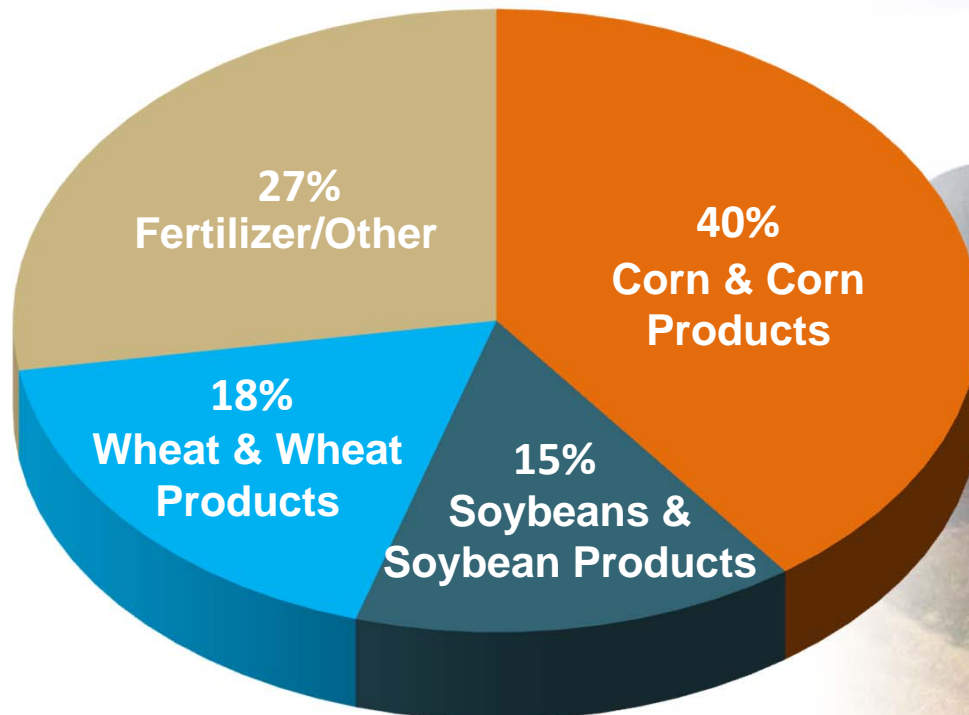
Fertilizer



Ethanol

# BNSF Agricultural Commodity Breakdown

**Volume Breakdown %**



*Based on 2015 BNSF volumes*

# BNSF Diverse Ag Network



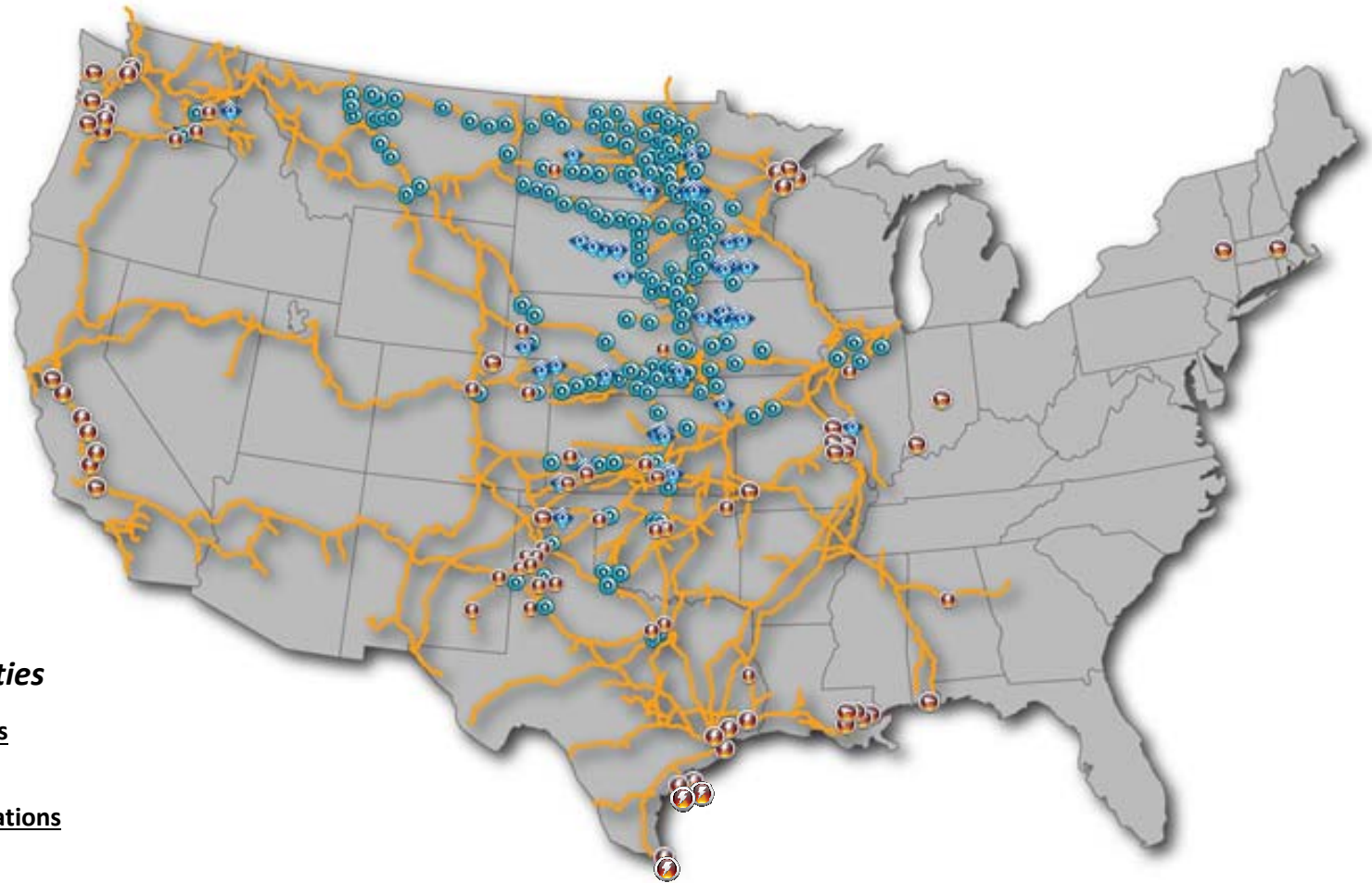
# Shuttle Train Service



- Trainload movements of freight from one origin to one destination
- Minimum of 110-car trains with dedicated power
- Our most efficient and cost competitive service
- Maximizes network capacity



# BNSF Grain Shuttle Network



## ***Grain Shuttle Facilities***

- 242 Shuttle Origins
- 99 Shuttle Destinations  
Mexico (34)



*Projected year-end 2016 counts*

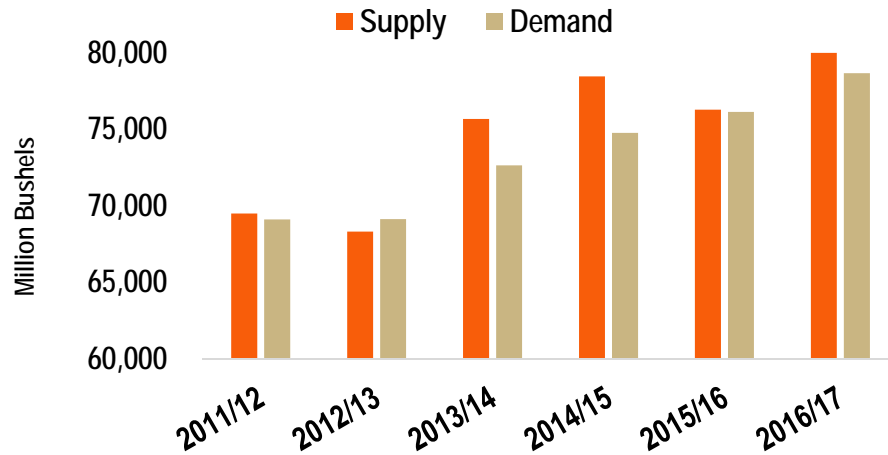
# Agricultural Products Outlook

- U.S. grain supplies are at their highest levels in almost 30 years after three consecutive large crops, incentivizing farmers to store grain until commodity prices increase
- After flat year over year growth early in the year, a stronger Brazilian Real, reduced South American crop supplies and higher wheat yields drove strong grain exports this summer
- Corn and Soybean production for the 2016/17 crop is estimated to reach record levels, leading to an expected strong export program into 2017

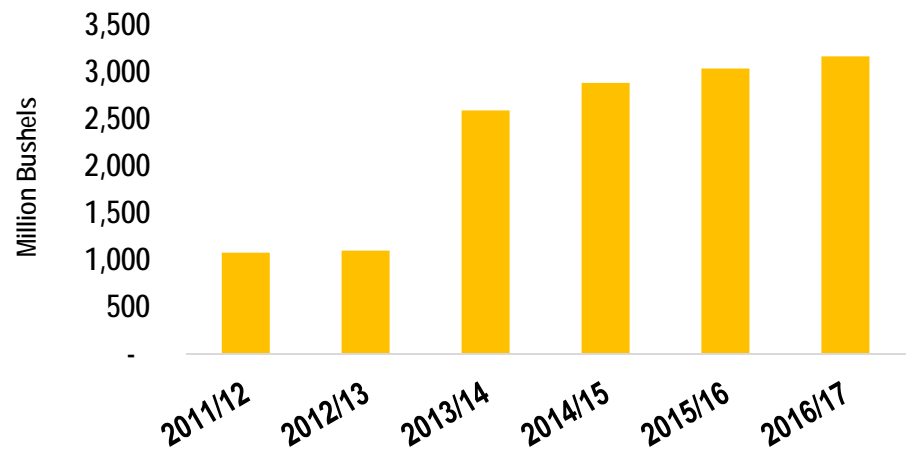


# Agricultural Products Market Drivers

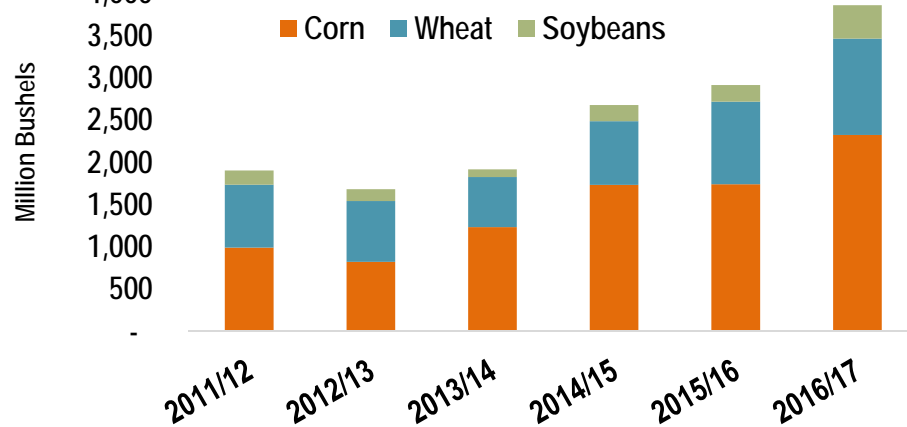
WORLD GRAIN SUPPLY OUTPACING DEMAND



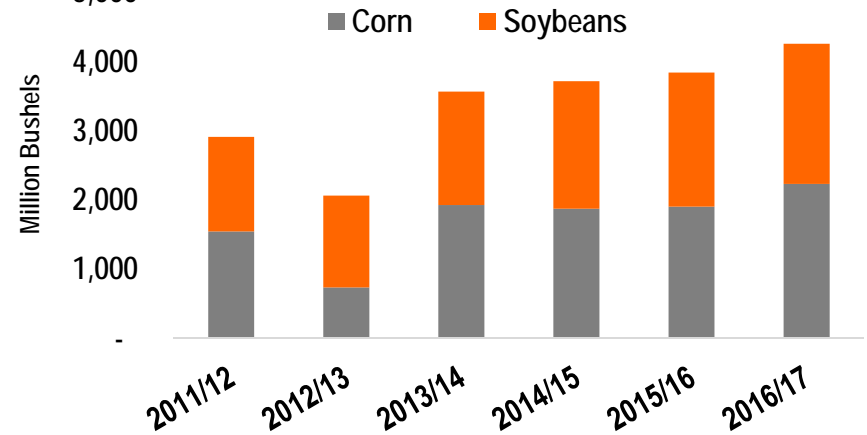
CHINESE SOYBEAN IMPORTS



U.S. RECORD ENDING GRAIN STOCKS



U.S. CORN AND SOYBEAN EXPORTS



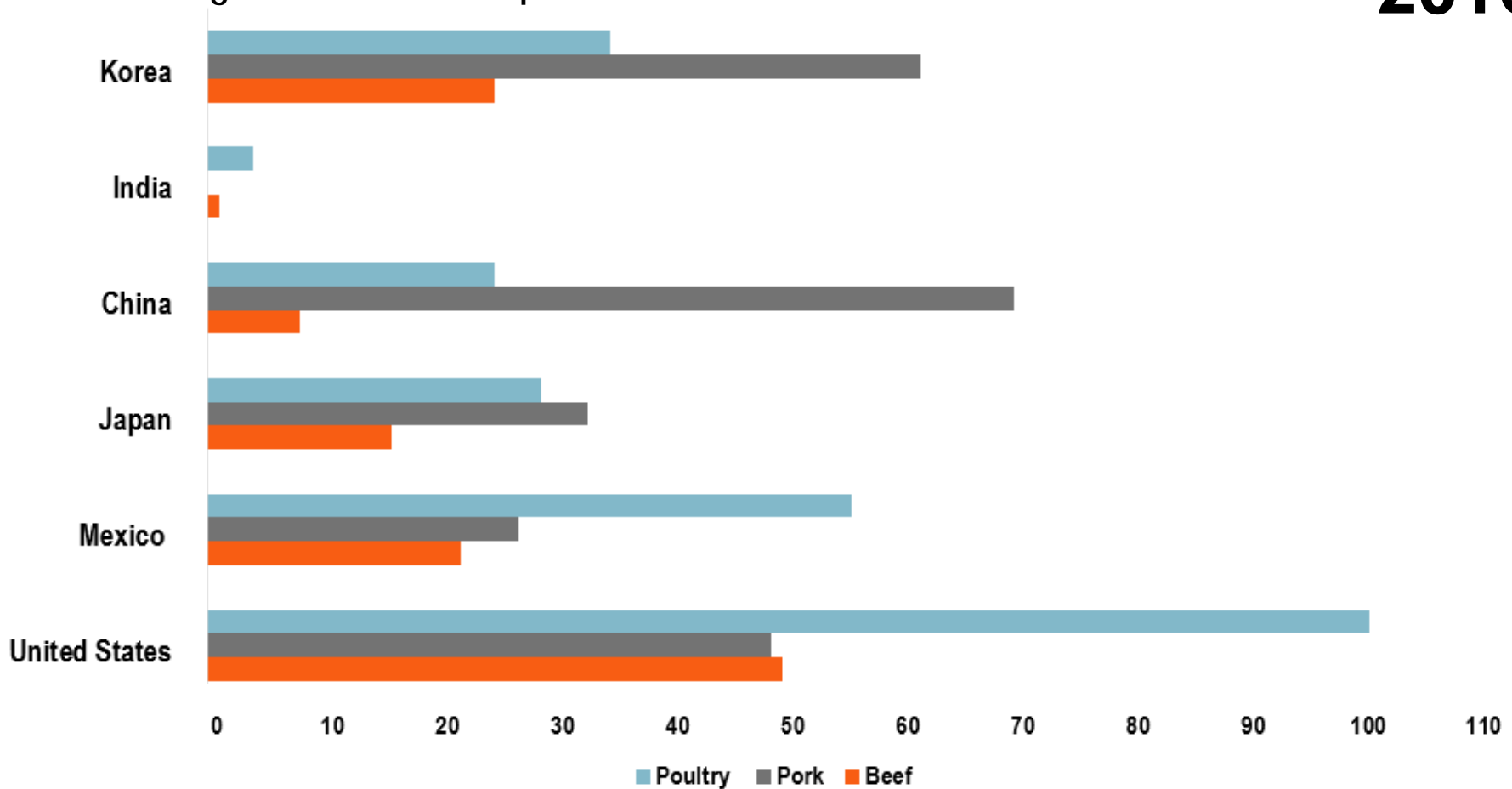
Source: USDA.gov - October 2016 WASDE



# Global Meat Consumption per Capita

**2016**

% Change of Total Consumption vs. 1980



Source: UN Department of Economic and Social Affairs – Population Division; Consumption in pounds





# Agricultural Products Summary

- Growing yields and production
- Demand-led world markets
- Geographically advantaged and diversified network
- Efficient, competitive supply chain



# EXPENSES & CAPITAL



PAUL BISCHLER

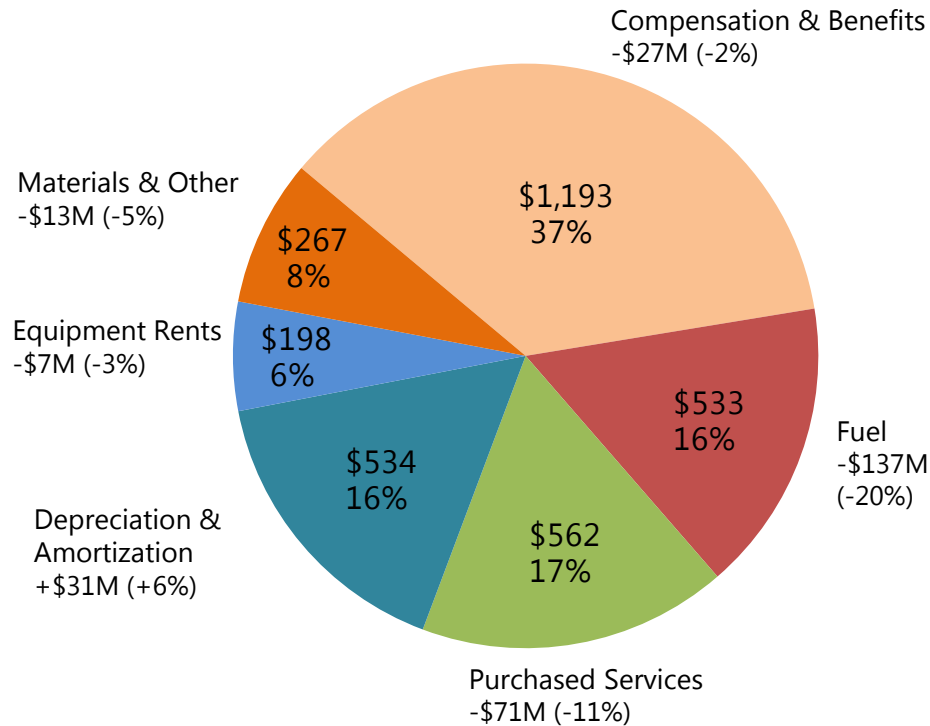
Vice President Finance and Treasurer

# BNSF 2016 Operating Expenses

\$ in Millions

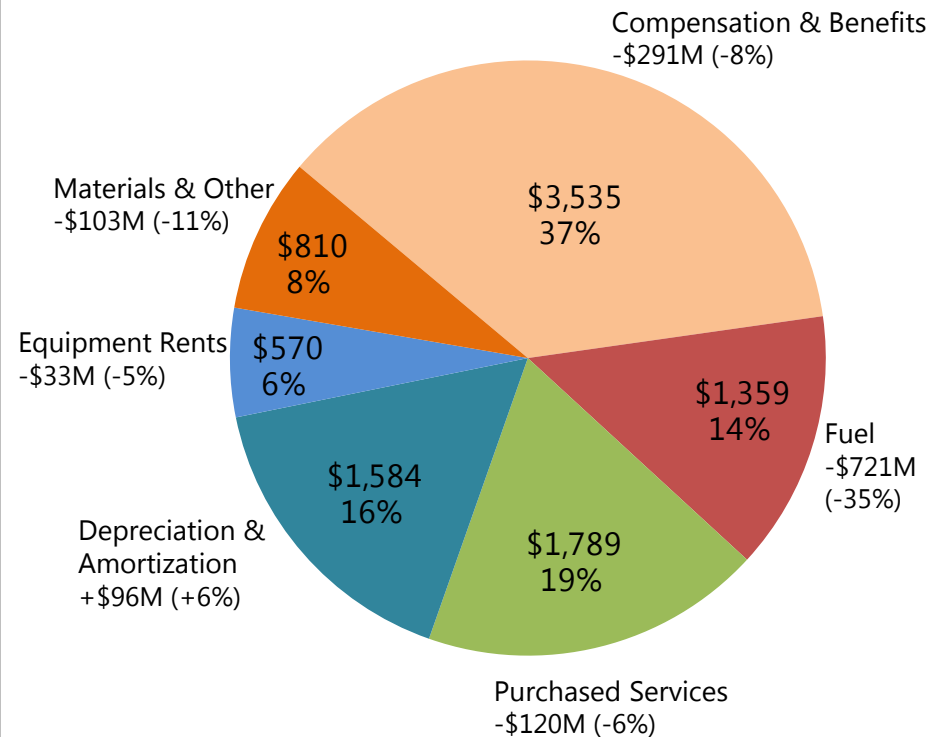
% Change vs. 2015

## THIRD QUARTER



**TOTAL OPERATING EXPENSES** \$3,287M  
**CHANGE FROM 2015** -\$224M (-6%)

## NINE MONTHS ENDED 9/30/2016



**TOTAL OPERATING EXPENSES** \$9,647M  
**CHANGE FROM 2015** -\$1,172M (-11%)



# Operating Expenses

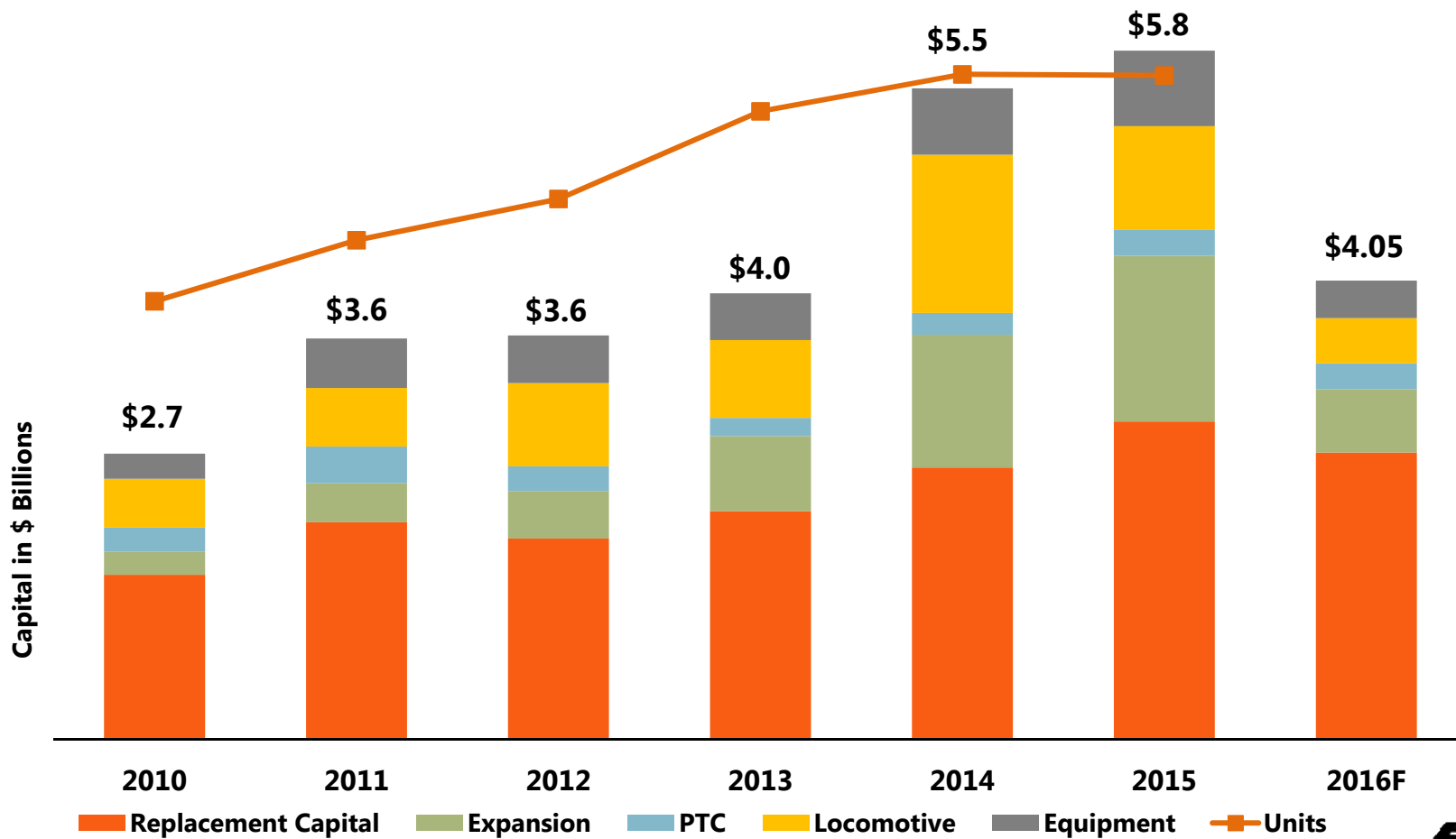
Operating expenses for the nine months ending September 30, 2016 decreased \$1,172 million, or 11%, compared to nine months ending September 30, 2015. A significant portion of this decrease is due to the following:

- Fuel expense decreased primarily due to lower average fuel prices and lower volumes.
- Compensation and benefits decreased due to lower headcount driven by lower volumes and productivity improvements, partially offset by inflation.
- Purchased services decreased due to lower volumes and cost reductions.
- Materials and other expense decreased primarily as a result of lower crew transportation, lodging and other travel costs, locomotive and freight car materials, and derailment-related costs.

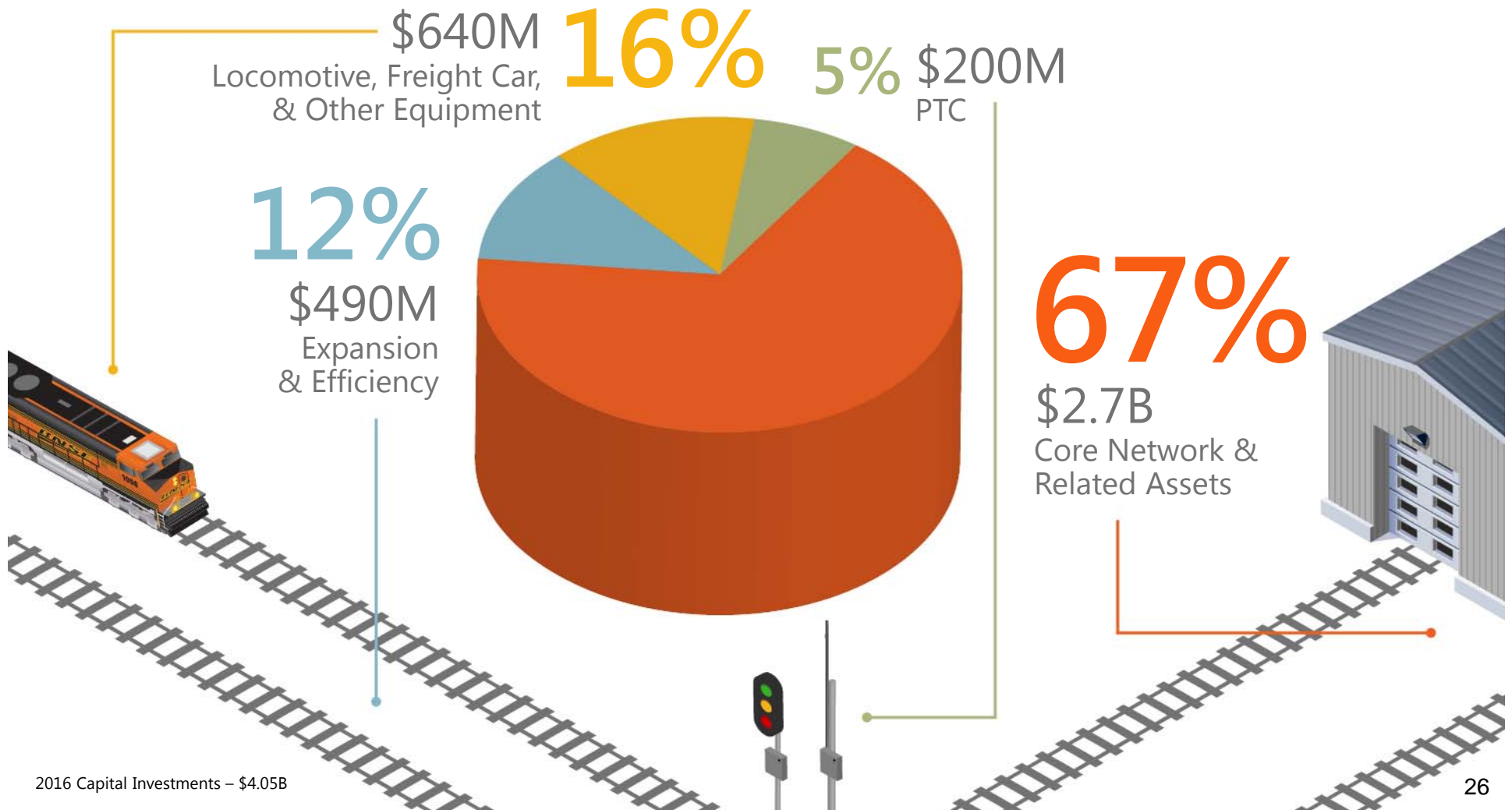


# Capital Investments in line with Volumes

Capital Commitments vs. Units



# 2016 Capital – Focus on Maintenance



# FINANCIAL MANAGEMENT



PAUL BISCHLER

Vice President Finance and Treasurer

# Financial Management

- Shareholder Returns
  - Flexible – No target/minimum requirement
  - Excess cash – defined as cash after:
    - Maintenance capital
    - Expansion capital
    - Liquidity
- Manage Metrics to Target Ranges<sup>1</sup>
  - Adjusted debt to EBITDAR less maintenance capital – 3 to 4x
  - EBITDAR less maintenance capital interest coverage – 5 to 6x

1. Metrics are non-GAAP. Please refer to the Appendix of this presentation for a Non-GAAP Reconciliation of the "Adjusted Debt to EBITDAR Less Maintenance Capital" and "EBITDAR less Maintenance Capital Interest Coverage" pursuant to SEC Regulation G.



# Cash Flow Summary

	<u>Twelve Months Ended 9/30/16</u>	<u>2015</u>	<u>2014</u>	
				\$ in Millions
<b>Cash From Operations</b>	<b>6,796</b>	<b>7,175</b>	<b>6,581</b>	
<b>Investment/CapEx</b>	<b>(4,648)</b>	<b>(5,827)</b>	<b>(5,249)</b>	
<b>Free Cash Flow<sup>1</sup></b>	<b>2,148</b>	<b>1,348</b>	<b>1,332</b>	
<b>Shareholder Returns</b>	<b>(2,750)</b>	<b>(4,000)</b>	<b>(3,500)</b>	
<b>Net Borrowings</b>	<b>450</b>	<b>2,629</b>	<b>2,359</b>	
<b>Other</b>	<b>(13)</b>	<b>(32)</b>	<b>(32)</b>	
<b>Change in cash</b>	<b>(165)</b>	<b>(55)</b>	<b>159</b>	
<b>Cash Balance</b>	<b>2,875</b>	<b>2,329</b>	<b>2,384</b>	
<b><u>Credit Metrics<sup>(1)(2)</sup></u></b>				<b>Target</b>
<b>Adjusted Debt to EBITDAR less Maintenance Capital</b>	<b>3.5</b>	<b>3.0</b>	<b>2.8</b>	<b>3x to 4x</b>
<b>EBITDAR less Maintenance Capital Interest Coverage</b>	<b>5.3</b>	<b>6.1</b>	<b>6.5</b>	<b>5x to 6x</b>

1. Free Cash Flow and Credit Metrics are non-GAAP financial measures

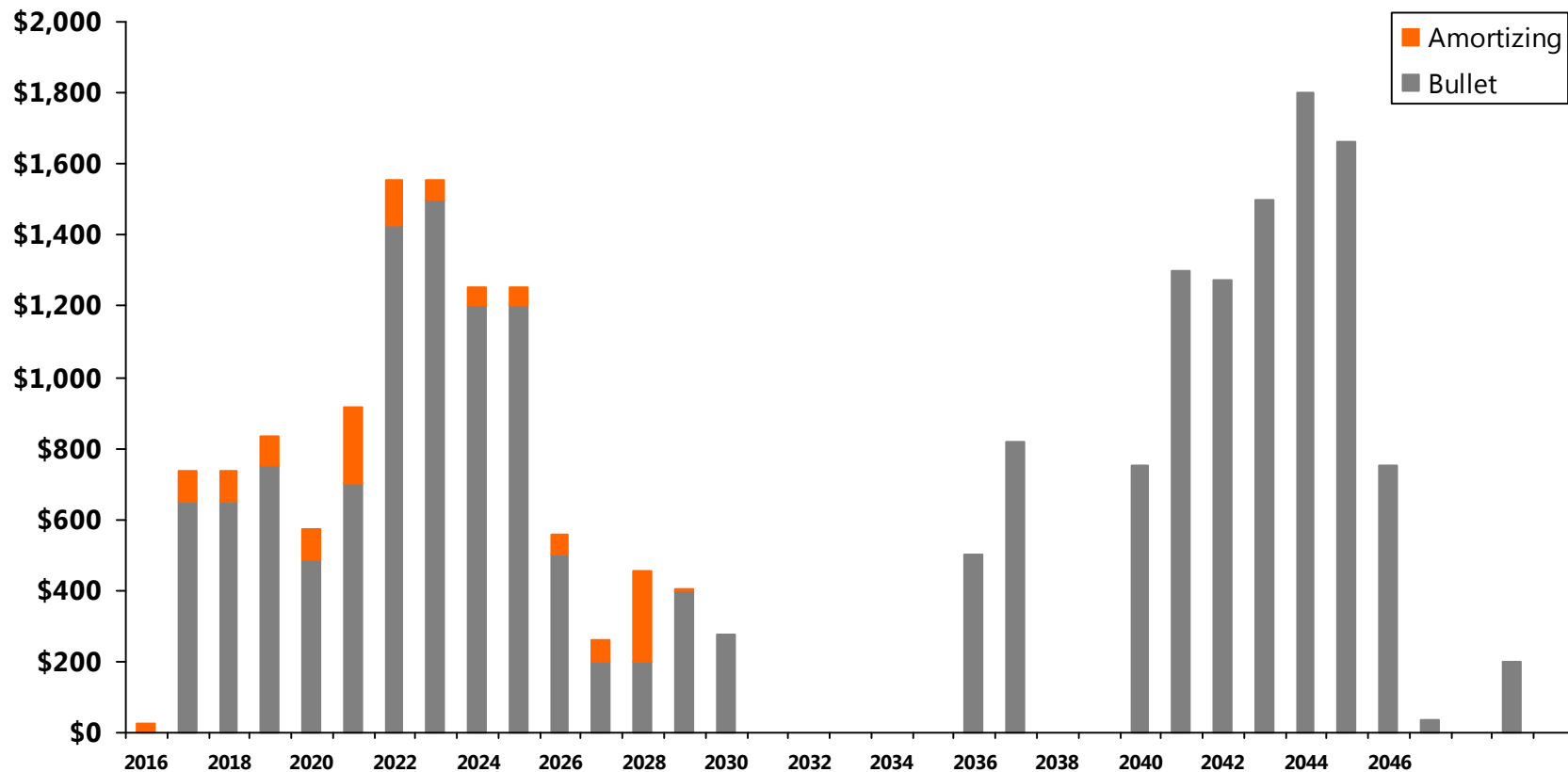
2. Please refer to the Appendix of this presentation for a Non-GAAP Reconciliation of the "Adjusted Debt to EBITDAR Less Maintenance Capital" and "EBITDAR less Maintenance Capital Interest Coverage" measures used on this page pursuant to SEC Regulation G.



# Debt Maturities

*Scheduled Principal Payments*

\$ in Millions



Excludes: Liabilities related to German leveraged leases which have been defeased with deposits.  
 Includes: \$500 million, 50-year Junior Subordinated Debt issued in 12/05 and callable 1/15/26.



# BNSF – Investor Relations Contact

Prospectively, direct your questions to:

Beth Miller

Assistant Treasurer

817-352-3478

[BNSFInvestorInquiries@bnsf.com](mailto:BNSFInvestorInquiries@bnsf.com)

# APPENDIX



BNSF reports its results in accordance with generally accepted accounting principles (“GAAP”). Management believes, however, that certain non-GAAP financial measures used in the management of its business may provide users of the information with additional comparisons to publicly reported results. These non-GAAP measures are used by management in the evaluation of the business and in making certain operating decisions. These non-GAAP measures should not be considered a substitute for GAAP measures.



# Reconciliation to GAAP

## Computation of Adjusted Debt to EBITDAR less Maintenance Capital and EBITDAR less Maintenance Capital Interest Coverage

	Twelve Months Ended 9/30/16	12/31/2015	12/31/2014
Net Income	\$ 3,660	\$ 4,248	\$ 3,869
Add: Taxes	2,197	2,527	2,300
Add: Interest Expense	989	928	833
Add: Other (Income) Expense - net	(2)	21	11
Operating Income	\$ 6,844	\$ 7,724	\$ 7,013
Add: Depreciation & Amortization	\$ 2,097	\$ 2,001	\$ 2,123
Add: Rent Expense	564	605	613
EBITDAR	\$ 9,505	\$ 10,330	\$ 9,749
Less: Replacement capital	(2,766)	(2,944)	(2,539)
Less: Locomotive Replacement	(459)	(480)	(450)
EBITDAR Less Maintenance Capital	\$ 6,280	\$ 6,906	\$ 6,760
Debt (a)	\$ 22,166	\$ 21,737	\$ 19,204
Other adjustments (b)	72	(925)	(323)
Adjusted Debt	\$ 22,238	\$ 20,812	\$ 18,881
Adjusted Debt to EBITDAR less Maintenance Capital	<u>3.5x</u>	<u>3.0x</u>	<u>2.8x</u>
EBITDAR Less Maintenance Capital	\$ 6,280	\$ 6,906	\$ 6,760
Interest	989	928	833
Adjustments including interest portion of rent expense	187	202	205
Adjusted Interest	\$ 1,176	\$ 1,130	\$ 1,038
EBITDAR less Maintenance Capital Interest Coverage	<u>5.3x</u>	<u>6.1x</u>	<u>6.5x</u>

\$ in Millions

(a) Debt was restated to reclassify debt issuance costs from other assets to long term debt with the adoption of ASU 2015-03 in 2015. Restatement period was December 2014 and 2015  
(b) Primarily long-term operating leases offset by cash



# Operating & Financial Information

Reports currently on BNSF website ([www.bnsf.com](http://www.bnsf.com)):

- SEC filings
- Annual R-1 Report to the Surface Transportation Board
  - Operating expenses, operating statistics, equipment inventories, maintenance information, etc.
- Weekly carload data
  - Weekly, QTD & YTD volumes by major commodity group compared to same period last year



**BNSF**<sup>®</sup>