

## BNSF's second-quarter 2015 financial performance: Volumes, revenues and expenses

| Statement of Income (in millions) | Q2 - 2015 | Q2 - 2014 | Q/Q % Change | 2015 YTD  | 2014 YTD  | Y/Y % Change |
|-----------------------------------|-----------|-----------|--------------|-----------|-----------|--------------|
| <b>Total revenues</b>             | \$ 5,369  | \$ 5,735  | (6)%         | \$ 10,971 | \$ 11,182 | (2)%         |
| <b>Operating expenses</b>         | 3,600     | 4,055     | (11)%        | 7,308     | 8,134     | (10)%        |
| <b>Operating income</b>           | 1,769     | 1,680     | 5 %          | 3,663     | 3,048     | 20 %         |
| <b>Net income</b>                 | \$ 963    | \$ 916    | 5 %          | \$ 2,008  | \$ 1,640  | 22 %         |
| <b>Operating ratio (a)</b>        | 66.3%     | 70.1%     |              | 65.9%     | 72.2%     |              |

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2015.

(a) Operating ratio excludes impacts of BNSF Logistics.

### Volumes and revenues

Total revenues for the second quarter and first six months of 2015 were down 6 percent and 2 percent, respectively, compared with the same periods in 2014. BNSF's total units for the second quarter and first six months of 2015 were flat compared with the same periods in 2014. Revenue per unit decreased by 7 percent and 3 percent for the second quarter and first six months of 2015 as lower fuel surcharges were partially offset by increased rate per car/unit and business mix changes.

Business unit second quarter and first half of 2015 volume highlights:

- Consumer Products volumes were down 1 percent for the first six months of 2015 as some freight was diverted to other import gateways, due to the U.S. West Coast port productivity slow-down. Consumer Products volumes were up 3 percent in the second quarter of 2015 compared with the same period in 2014, as ports resumed normal operations and the backlog was worked off.
- Industrial Products volumes decreased 2 percent for the first six months of 2015 and decreased 7 percent in the second quarter of 2015 compared with the same periods in 2014, primarily due to the impact of lower crude oil prices on petroleum products and frac sand and the impact of the strong dollar on demand for domestically produced steel.
- Coal volumes increased 3 percent for the first six months of 2015, due to higher demand as BNSF worked to rebuild customer stockpiles. Coal volumes decreased 1 percent for the second quarter of 2015 compared with the same period in 2014 as demand softened due to competition from low natural gas prices.
- Agricultural Products volumes were up 6 percent for the first six months of 2015, compared with the same period in 2014, due to increased domestic grain shipments and Gulf exports. Agricultural Products volumes were down 3 percent for the second quarter of 2015 compared with the same period in 2014, primarily due to strong global competition for export grains and lower demand for fertilizer, partially offset by increased movements of domestic grains.

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

| Business Unit                       | Q2 - 2015       | Q2 - 2014       | Q/Q %<br>Change | 2015 YTD         | 2014 YTD         | Y/Y %<br>Change |
|-------------------------------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|
| <b>Revenues (in millions)</b>       |                 |                 |                 |                  |                  |                 |
| Consumer Products                   | \$ 1,697        | \$ 1,811        | (6)%            | \$ 3,200         | \$ 3,474         | (8)%            |
| Industrial Products                 | 1,384           | 1,535           | (10)%           | 2,819            | 2,942            | (4)%            |
| Coal                                | 1,122           | 1,217           | (8)%            | 2,391            | 2,441            | (2)%            |
| Agricultural Products               | 926             | 976             | (5)%            | 2,092            | 1,952            | 7%              |
| <b>Total Freight Revenues</b>       | <b>\$ 5,129</b> | <b>\$ 5,539</b> | <b>(7)%</b>     | <b>\$ 10,502</b> | <b>\$ 10,809</b> | <b>(3)%</b>     |
| Other Revenues                      | 240             | 196             | 22%             | 469              | 373              | 26%             |
| <b>Total Operating Revenues</b>     | <b>\$ 5,369</b> | <b>\$ 5,735</b> | <b>(6)%</b>     | <b>10,971</b>    | <b>11,182</b>    | <b>(2)%</b>     |
| <b>Volumes (in thousands)</b>       |                 |                 |                 |                  |                  |                 |
| Consumer Products                   | 1,327           | 1,287           | 3%              | 2,455            | 2,481            | (1)%            |
| Industrial Products                 | 458             | 492             | (7)%            | 925              | 944              | (2)%            |
| Coal                                | 546             | 550             | (1)%            | 1,146            | 1,113            | 3%              |
| Agricultural Products               | 236             | 243             | (3)%            | 507              | 479              | 6%              |
| <b>Total Volumes</b>                | <b>2,567</b>    | <b>2,572</b>    | <b>—%</b>       | <b>5,033</b>     | <b>5,017</b>     | <b>—%</b>       |
| <b>Average Revenue per Car/Unit</b> |                 |                 |                 |                  |                  |                 |
| Consumer Products                   | \$ 1,279        | \$ 1,407        | (9)%            | \$ 1,303         | \$ 1,400         | (7)%            |
| Industrial Products                 | 3,022           | 3,120           | (3)%            | 3,048            | 3,117            | (2)%            |
| Coal                                | 2,055           | 2,213           | (7)%            | 2,086            | 2,193            | (5)%            |
| Agricultural Products               | 3,924           | 4,016           | (2)%            | 4,126            | 4,075            | 1%              |
| <b>Total Freight Revenues</b>       | <b>\$ 1,998</b> | <b>\$ 2,154</b> | <b>(7)%</b>     | <b>\$ 2,087</b>  | <b>\$ 2,154</b>  | <b>(3)%</b>     |

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the periods ended June 30, 2015 and March 31, 2015. Second-quarter revenues and volumes are calculated as the difference between YTD June and YTD March amounts.

## Expenses

Operating expenses for the second quarter and first half of 2015 were down 11 percent and 10 percent, respectively, compared with the same periods in 2014. A significant portion of the decrease reflects the increased costs in 2014 related to severe weather issues and service-related challenges, as well as other factors described below.

- Compensation and benefits increased 3 percent and 6 percent for the second quarter and first six months of 2015, respectively, compared with the same periods in 2014 primarily due to higher average headcount and wage inflation.
- Fuel expense was down 40 percent and 39 percent in the second quarter and first six months of 2015, respectively, compared with the same periods in 2014 due to significantly lower average fuel prices and improved efficiency. Locomotive fuel price per gallon decreased 38 percent for the second quarter of 2015 to \$1.94 and decreased 39 percent for the first six months of 2015 to \$1.91.
- Depreciation expense was down 7 percent and 5 percent for the second quarter and first six months of 2015, compared to the same periods in 2014, primarily due to internally developed software becoming fully amortized during the first quarter of 2015.
- Purchased services expense, equipment rents expense and materials and other expense did not change significantly from the prior year.

| <b>Operating Expenses (in millions)</b> | <b>Q2 - 2015</b> | <b>Q2 - 2014</b> | <b>Q/Q %<br/>Change</b> | <b>YTD<br/>2015</b> | <b>YTD<br/>2014</b> | <b>Y/Y %<br/>Change</b> |
|---|------------------|------------------|-------------------------|---------------------|---------------------|-------------------------|
| Compensation and benefits               | \$ 1,268         | \$ 1,234         | 3 %                     | \$ 2,606            | \$ 2,452            | 6 %                     |
| Fuel                                    | 697              | 1,156            | (40)%                   | 1,410               | 2,315               | (39)%                   |
| Purchased services                      | 628              | 634              | (1)%                    | 1,276               | 1,287               | (1)%                    |
| Depreciation and amortization           | 489              | 523              | (7)%                    | 985                 | 1,038               | (5)%                    |
| Equipment rents                         | 207              | 225              | (8)%                    | 398                 | 440                 | (10)%                   |
| Materials and other                     | 311              | 283              | 10 %                    | 633                 | 602                 | 5 %                     |
| <b>Total Operating Expenses</b>         | <b>\$ 3,600</b>  | <b>\$ 4,055</b>  | <b>(11)%</b>            | <b>\$ 7,308</b>     | <b>\$ 8,134</b>     | <b>(10)%</b>            |

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2015.

## Capital activities

BNSF continues to invest heavily in maintaining and renewing its network to increase capacity for growth and to provide safe, reliable service to its customers. Our 2015 capital commitments forecast continues to be \$6 billion compared with \$5.5 billion in 2014.

The 2015 forecast marks the third year in a row that BNSF has committed a record amount for capital investments. BNSF will spend \$2.9 billion on maintaining and renewing its core network and related assets. BNSF will continue investing in its locomotive and railcar fleets, in projects that expand and improve the efficiency of its infrastructure, and continue installing positive train control in response to a federal mandate. In 2015, BNSF plans to acquire 330 new energy and fuel-efficient locomotives. Expansion spending will be focused on line capacity and terminal improvements to restore service and handle growth, and facility improvements to enable capacity, productivity and velocity improvements.