

BNSF's First-Quarter 2017 Financial Performance: Volumes, Revenues and Expenses

| Statement of Income (in millions) | Q1 - 2017 | Q1 - 2016 | Q/Q % Change |
|-----------------------------------|-----------|-----------|--------------|
| Total revenues | \$ 5,185 | \$ 4,767 | 9 % |
| Operating expenses | 3,591 | 3,262 | 10 % |
| Operating income | 1,594 | 1,505 | 6 % |
| Net income | \$ 838 | \$ 784 | 7 % |
| Operating ratio (a) | 68.5% | 67.7% | |

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2017.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

First quarter operating income was \$1.6 billion, an increase of \$89 million (6 percent) versus 2016. Total revenues for the first quarter 2017 were up 9 percent compared with the same period in 2016 as a result of a 6 percent increase in unit volume and higher revenue per unit.

The increase in average revenue per car/unit in 2017 was primarily due to higher fuel surcharges as well as increased rates per car/unit and business mix changes.

Business unit first quarter 2017 volume highlights:

- Consumer Products volumes were up 6 percent in the first quarter of 2017 compared with the same period in 2016 due to higher domestic intermodal, international intermodal, and automotive volumes. The increases were primarily due to higher market share, improving economic conditions, and normalizing of retail inventories.
- Industrial Products volumes were up slightly in the first quarter of 2017 compared with the same period in 2016. Increases in minerals and other commodities that support domestic drilling activity were mostly offset by lower petroleum products volume due to pipeline displacement of U.S. crude traffic and lower plastics volumes.
- Agricultural Products volumes were up 2 percent for the first quarter of 2017 compared with the same period in 2016 primarily driven by higher grain exports, partially offset by lower domestic grain.
- Coal volumes increased 18 percent for the first quarter of 2017 compared with the same period in 2016 due to mild winter weather in the first quarter of 2016 and higher natural gas prices in the first

quarter of 2017, which led to increased utility coal usage, partially offset by the effects of retirements of coal generating facilities.

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

| Business Unit | Q1 - 2017 | Q1 - 2016 | Q/Q % Change |
|-------------------------------------|-----------------|-----------------|--------------|
| Revenues (in millions) | | | |
| Consumer Products | \$ 1,680 | \$ 1,544 | 9 % |
| Industrial Products | 1,224 | 1,178 | 4 % |
| Agricultural Products | 1,108 | 1,048 | 6 % |
| Coal | 960 | 779 | 23 % |
| Total Freight Revenues | \$ 4,972 | \$ 4,549 | 9 % |
| Other Revenues | 213 | 218 | (2) % |
| Total Operating Revenues | \$ 5,185 | \$ 4,767 | 9 % |
| Volumes (in thousands) | | | |
| Consumer Products | 1,299 | 1,230 | 6 % |
| Industrial Products | 426 | 424 | 0 % |
| Agricultural Products | 280 | 275 | 2 % |
| Coal | 475 | 401 | 18 % |
| Total Volumes | 2,480 | 2,330 | 6 % |
| Average Revenue per Car/Unit | | | |
| Consumer Products | \$ 1,293 | \$ 1,255 | 3 % |
| Industrial Products | 2,873 | 2,778 | 3 % |
| Agricultural Products | 3,957 | 3,811 | 4 % |
| Coal | 2,021 | 1,943 | 4 % |
| Total Freight Revenues | \$ 2,005 | \$ 1,952 | 3 % |

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2017.

Expenses

Operating expenses for the first quarter 2017 were up 10 percent as result of increased volumes and inflation, including higher fuel prices, partially offset by productivity improvements. A significant portion of the increase is due to the following factors:

- Compensation and benefits increased 6 percent for the first quarter of 2017 compared with the same period in 2016 primarily due to higher health and welfare costs, wage inflation, and increased volumes partially offset by productivity improvements.

- Fuel expense was up 53 percent in the first quarter compared with the same period in 2016, due to higher average fuel prices and increased volumes, partially offset by improved fuel efficiency of 2 percent. Locomotive fuel price per gallon increased 45 percent for the first quarter of 2017 to \$1.71.
- Depreciation expense increased 10 percent for the first quarter of 2017 compared with the same period in 2016 primarily due to a larger depreciable asset base.

| Operating Expenses (in millions) | Q1 - 2017 | Q1 - 2016 | Q/Q % Change |
|---|------------------|------------------|-------------------------|
| Compensation and benefits | \$ 1,283 | \$ 1,208 | 6 % |
| Purchased services | 626 | 638 | (2)% |
| Fuel | 605 | 395 | 53 % |
| Depreciation and amortization | 573 | 520 | 10 % |
| Equipment rents | 196 | 188 | 4 % |
| Materials and other | 308 | 313 | (2)% |
| Total Operating Expenses | \$ 3,591 | \$ 3,262 | 10 % |

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2017.

Capital Activities

BNSF continues to invest in its network, with a focus on ensuring BNSF continues to operate a safe and reliable network that meets our customers' expectations. Our 2017 planned capital commitments are \$3.4 billion compared with \$3.9 billion in 2016.

Similar to last year's plan, the 2017 capital program focus continues to be maintenance and replacement of BNSF's network and related assets to ensure BNSF continues to operate a safe and reliable network. This year that component is expected to be \$2.4 billion. These projects will primarily go toward replacing and upgrading rail, rail ties and ballast and maintaining rolling stock. BNSF will spend \$400 million on expansion projects, \$200 million for continued implementation of positive train control and \$400 million on locomotives, freight cars and other equipment acquisitions.