

# Overview of BNSF's Third-Quarter Financial Performance

## Update on BNSF's volumes, revenues and expenses through September 30

Statement of Income (in millions)	Q3 - 2013	Q3 - 2012	Q/Q % Change	2013 YTD	2012 YTD	Y/Y % Change
<b>Total revenues</b>	5,651	5,343	6%	16,257	15,407	6%
<b>Operating expenses</b>	3,911	3,674	6%	11,472	11,035	4%
<b>Operating income</b>	1,740	1,669	4%	4,785	4,372	9%
<b>Net income</b>	989	937	6%	2,671	2,440	9%
<b>Operating ratio (a)</b>	68.6%	68.3%		70.0%	71.2%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended September 30, 2013.

(a) Operating ratio excludes impacts of BNSF Logistics.

### Volumes and Revenues

Total revenues for the third quarter and nine months 2013 were up 6 percent compared with the same periods in 2012. BNSF's total units for the third quarter and first nine months of 2013 were up 5 percent and 4 percent, respectively, compared with the same periods in 2012, reflecting continued strength in our crude and domestic intermodal businesses, offset by weakness in grain. Revenue also increased due to improved yields.

Business unit third quarter and first nine months of 2013 volume highlights:

- Consumer Products volumes were up 6 percent in the third quarter and 4 percent for the first nine months of 2013 compared with the same periods in 2012, primarily due to higher domestic intermodal volumes as a result of highway conversions to rail.
- Industrial Products volumes increased 9 percent in the third quarter and 12 percent for the first nine months of 2013 compared with the same periods in 2012, primarily due to increased shipments of petroleum products, driven mainly by increased crude unit train loadings.
- Coal volumes increased 5 percent in the third quarter and 3 percent for the first nine months of 2013 compared with the same periods in 2012, primarily due to increased demand resulting from higher natural gas prices and reduced utility stockpiles, partially offset by impacts of weather including flooding on the network.
- Agricultural Products volumes were down 5 percent in the third quarter and 7 percent for the first nine months of 2013 compared with the same periods in 2012, primarily due to lower grain exports as a result of the extreme 2012 U.S. drought and strong global competition.

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

Business Unit	Q3 - 2013	Q3 - 2012	Q/Q % Change	2013 YTD	2012 YTD	Y/Y % Change
<b>Revenues (in millions)</b>						
Consumer Products	\$ 1,789	\$ 1,695	6%	\$ 5,179	\$ 4,904	6%
Industrial Products	1,460	1,302	12%	4,237	3,681	15%
Coal	1,346	1,282	5%	3,736	3,611	3%
Agricultural Products	845	886	-5%	2,548	2,726	-7%
<b>Total Freight Revenues</b>	<b>\$ 5,440</b>	<b>\$ 5,165</b>	<b>5%</b>	<b>\$ 15,700</b>	<b>\$ 14,922</b>	<b>5%</b>
Other Revenues	211	178	19%	557	485	15%
<b>Total Operating Revenues</b>	<b>\$ 5,651</b>	<b>\$ 5,343</b>	<b>6%</b>	<b>\$ 16,257</b>	<b>\$ 15,407</b>	<b>6%</b>
<b>Volumes (in thousands)</b>						
Consumer Products	1,306	1,234	6%	3,736	3,581	4%
Industrial Products	485	444	9%	1,403	1,255	12%
Coal	605	575	5%	1,666	1,623	3%
Agricultural Products	239	251	-5%	708	761	-7%
<b>Total Volumes</b>	<b>2,635</b>	<b>2,504</b>	<b>5%</b>	<b>7,513</b>	<b>7,220</b>	<b>4%</b>
<b>Average Revenue per Car/Unit</b>						
Consumer Products	\$ 1,370	\$ 1,374	—%	\$ 1,386	\$ 1,369	1%
Industrial Products	3,010	2,932	3%	3,020	2,933	3%
Coal	2,225	2,230	—%	2,242	2,225	1%
Agricultural Products	3,536	3,530	—%	3,599	3,582	—%
<b>Total Freight Revenues</b>	<b>\$ 2,065</b>	<b>\$ 2,063</b>	<b>—%</b>	<b>\$ 2,090</b>	<b>\$ 2,067</b>	<b>1%</b>

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-Q for the periods ended September 30, 2013 and June 30, 2013. Third-quarter revenues and volumes are calculated as the difference between YTD September and YTD June amounts.

## Expenses

Operating expenses were up 6 percent for the third quarter and 4 percent for the first nine months of 2013, primarily driven by higher volumes and inflation, partially offset by expense initiatives and a one-time item from first quarter 2012.

- Compensation and benefits increased 4 percent for both the third quarter and the first nine months of 2013 primarily as a result of higher volumes and inflation, partially offset by initiatives.
- Fuel expense was up 5 percent in the third quarter and 2 percent for the first nine months of 2013 compared with the same periods in 2012. Locomotive fuel price per gallon increased 1% for the third quarter and was down slightly for the first nine months of 2013 to \$3.17 and \$3.16, respectively. Additionally, fuel expense was impacted by higher volumes.
- Purchased services, which includes expenses like maintenance contracts and professional services, increased 3 percent for the third quarter and 4 percent for the first nine months of 2013, compared with the same periods in 2012 due to volume-related costs, including purchased transportation for BNSF Logistics, a wholly-owned, third party logistics company.
- Materials and other expenses increased 62 percent for the third quarter and 22 percent for the first nine months of 2013. Both periods noted include higher environmental and personal injury costs as a result of favorable prior year accrual adjustments and higher material costs, property taxes, crew transportation and employee relocation costs. Year-to-date 2012 also includes expense recorded for an unfavorable arbitration ruling.

<b>Operating Expenses (in millions)</b>	<b>Q3 - 2013</b>	<b>Q3 - 2012</b>	<b>Q/Q % Change</b>	<b>2013 YTD</b>	<b>2012 YTD</b>	<b>Y/Y % Change</b>
Compensation and benefits	\$ 1,197	\$ 1,149	4%	\$ 3,464	\$ 3,344	4%
Fuel	1,145	1,089	5%	3,343	3,286	2%
Purchased services	618	601	3%	1,852	1,784	4%
Depreciation and amortization	493	475	4%	1,465	1,408	4%
Equipment rents	205	204	—%	608	605	—%
Materials and other	253	156	62%	740	608	22%
<b>Total Operating Expenses</b>	<b>\$ 3,911</b>	<b>\$ 3,674</b>	<b>6%</b>	<b>\$ 11,472</b>	<b>\$ 11,035</b>	<b>4%</b>

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended September 30, 2013.

### **Capital Activities**

BNSF continues to invest heavily in maintaining and renewing its network to provide safe, reliable service to its customers. BNSF's current capital commitments forecast for 2013 is a record \$4.3 billion compared with \$3.6 billion in 2012.