

BNSF's 2015 Financial Performance: Volumes, Revenues and Expenses

Statement of Income (in millions)	Q4 - 2015	Q4 - 2014	Q/Q % Change	2015 YTD	2014 YTD	Y/Y % Change
Total revenues	\$ 5,396	\$ 6,176	(13)%	\$ 21,967	\$ 23,239	(5)%
Operating expenses	3,424	4,079	(16)%	14,243	16,226	(12)%
Operating income	1,972	2,097	(6)%	7,724	7,013	10 %
Net income	\$ 1,084	\$ 1,194	(9)%	\$ 4,248	\$ 3,869	10 %
Operating ratio (a)	62.6%	65.3%		64.0%	69.2%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended Dec. 31, 2015 and Sept. 30, 2015, respectively. Fourth-quarter amounts are calculated as the difference between the YTD December and YTD September amounts.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Total revenues for the fourth quarter and full year 2015 were down 13 percent and 5 percent, respectively, compared with the same periods in 2014. Results in 2015 benefitted from improved operating performance as both velocity and on-time performance were significantly better than 2014 service levels. The operational improvements in 2015 reflected the capacity added in 2014 and 2015 through capital investments.

BNSF's total units for the fourth quarter were down 3 percent, while full year 2015 was flat, compared with the same periods in 2014. During the second half of 2015 and particularly in the fourth quarter, we experienced declining demand, especially in coal and certain industrial products. And while our long-term outlook for the business remains unchanged, 2016 will be challenging because the rail industry is facing major economic headwinds that are impacting energy-related commodities and several other parts of our business.

Revenue per unit decreased by 10 percent for the fourth quarter and 6 percent for the full year 2015 as lower fuel surcharges across all business units were partially offset by increased rate per car/unit year over year. Fuel surcharge revenues declined 55 percent or \$1.6 billion versus 2014, primarily due to lower highway diesel fuel prices.

Business unit fourth quarter and full year 2015 volume highlights:

- Consumer Products volumes decreased 1 percent in the fourth quarter of 2015 and increased 1 percent for the full year 2015 compared with the same periods in 2014. International volumes finished the year down 2 percent due to the lingering effects of freight diversions from U.S. West Coast ports to other import gateways in early 2015 as a result of port labor disruptions. Domestic and automotive volumes finished the year up 2.5 percent due to increased demand.
- Industrial Products volumes decreased 10 percent in the fourth quarter and 6 percent for the full year 2015 compared with the same periods in 2014, primarily due to the impact of lower crude oil prices on petroleum products and frac sand demand. In addition, demand was lower for domestic steel products and taconite.
- Coal volumes decreased 8 percent for the fourth quarter of 2015 compared with the same period in 2014 as demand softened due to higher utility coal inventory levels and increased usage of other fuel sources for generating electricity due to low natural gas prices. Coal volumes for full year 2015 increased 1 percent compared with the same period in 2014 primarily due to higher demand at the beginning of the year as utility customers restocked coal inventories.
- Agricultural Products volumes were up 6 percent for the fourth quarter and 7 percent for the full year 2015 compared with the same periods in 2014, primarily due to increased domestic grain shipments and milo exports.

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

Business Unit	Q4 - 2015	Q4 - 2014	Q/Q % Change	2015 YTD	2014 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 1,667	\$ 1,800	(7)%	6,591	7,048	(6)%
Industrial Products	1,295	1,616	(20)%	5,552	6,211	(11)%
Coal	1,064	1,296	(18)%	4,625	4,980	(7)%
Agricultural Products	1,126	1,230	(8)%	4,234	4,162	2 %
Total Freight Revenues	\$ 5,152	\$ 5,942	(13)%	\$ 21,002	\$ 22,401	(6)%
Other Revenues	244	234	4 %	965	838	15 %
Total Operating Revenues	\$ 5,396	\$ 6,176	(13)%	\$ 21,967	\$ 23,239	(5)%
Volumes (in thousands)						
Consumer Products	1,271	1,281	(1)%	5,066	5,040	1 %
Industrial Products	459	512	(10)%	1,873	1,991	(6)%
Coal	547	592	(8)%	2,286	2,270	1 %
Agricultural Products	279	262	6 %	1,044	974	7 %
Total Volumes	2,556	2,647	(3)%	10,269	10,275	— %
Average Revenue per Car/Unit						
Consumer Products	\$ 1,312	\$ 1,405	(7)%	\$ 1,301	\$ 1,398	(7)%
Industrial Products	2,821	3,156	(11)%	2,964	3,120	(5)%
Coal	1,945	2,189	(11)%	2,023	2,194	(8)%
Agricultural Products	4,036	4,695	(14)%	4,056	4,273	(5)%
Total Freight Revenues	\$ 2,016	\$ 2,245	(10)%	\$ 2,045	\$ 2,180	(6)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended Dec. 31, 2015 and Sept. 30, 2015, respectively. Fourth-quarter amounts are calculated as the difference between YTD December and YTD September amounts.

Expenses

Operating expenses for the fourth quarter and full year 2015 were down 16 percent and 12 percent, respectively. A significant portion of this decrease is due to the following changes in underlying trends in expenses, which includes increased costs in 2014 related to severe weather issues and service-related challenges:

- Compensation and benefits decreased 8 percent for the fourth quarter of 2015 compared with the same period in 2014 primarily due to lower average headcount as well as lower training and overtime costs. Employment levels were reduced in the latter half of 2015 in response to weakening customer demand. For the full year 2015, compensation and benefits expense was flat compared with the same period in 2014.
- Fuel expense was down 45 percent and 41 percent for the fourth quarter and full year 2015, respectively, compared with the same periods in 2014 due to significantly lower average fuel prices, improved efficiency and lower volumes. Locomotive fuel price per gallon decreased 40 percent for both the fourth quarter and full year 2015 to \$1.57 and \$1.80, respectively.
- Depreciation and amortization expense was down 7 percent and 6 percent in the fourth quarter and full year 2015, respectively, 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.

Operating Expenses (in millions)	Q4 - 2015	Q4 - 2014	Q/Q % Change	2015 YTD	2014 YTD	Y/Y % Change
Compensation and benefits	\$ 1,217	\$ 1,328	(8)%	\$ 5,043	\$ 5,023	— %
Fuel	576	1,040	(45)%	2,656	4,478	(41)%
Purchased services	637	668	(5)%	2,546	2,592	(2)%
Depreciation and amortization	513	554	(7)%	2,001	2,123	(6)%
Equipment rents	198	211	(6)%	801	867	(8)%
Materials and other	283	278	2 %	1,196	1,143	5 %
Total Operating Expenses	\$ 3,424	\$ 4,079	(16)%	\$ 14,243	\$ 16,226	(12)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended Dec. 31, 2015 and Sept. 30, 2015, respectively. Fourth-quarter amounts are calculated as the difference between YTD December and YTD September amounts.

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 customers. Our 2015 capital commitments were \$5.8 billion compared with \$5.5 billion in 2014.

BNSF's 2016 capital commitments plan is \$4.3 billion, with a focus on ensuring BNSF continues to operate a safe and reliable network. The 2016 capital program reflects BNSF's success in adding sufficient capacity to support customer demand while investing \$2.8 billion to continue to maintain and renew its core network and related assets to keep its railroad infrastructure in top condition. These projects will go toward replacing and upgrading rail, ties and ballast on BNSF's network. BNSF will spend \$300 million for continued implementation of positive train control and will invest more than \$600 million for locomotives, freight cars and other equipment acquisitions. This includes the acquisition of 150 locomotives under a minimum purchase agreement with the manufacturer. BNSF will spend approximately \$500 million on various capacity expansion projects, including a continuation of projects that were started in 2015.