

BNSF's 2014 financial performance: volumes, revenues and expenses

Statement of Income (in millions)	Q4 - 2014	Q4 - 2013	Q/Q % Change	2014 YTD	2013 YTD	Y/Y % Change
Total revenues	\$ 6,176	\$ 5,757	7%	\$ 23,239	\$ 22,014	6%
Operating expenses	4,079	3,875	5%	16,226	15,347	6%
Operating income	2,097	1,882	11%	7,013	6,667	5%
Net income	\$ 1,194	\$ 1,122	6%	\$ 3,869	\$ 3,793	2%
Operating ratio (a)	65.3%	66.6%		69.2%	69.1%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended December 31, 2014 and September 30, 2014, 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 2014 were up 7 percent and 6 percent, respectively, compared with the same periods in 2013. BNSF's total units for the fourth quarter and full year 2014 were up 3 percent and 2 percent, respectively, compared with the same periods in 2013. Revenue per unit increased for both the fourth quarter and full year 2014.

Business unit fourth quarter and full year 2014 volume highlights:

- Consumer Products volumes were flat for the full year 2014 compared with the same period in 2013. Service challenges hindered Consumer Products volumes for much of 2014. Automotive and international intermodal volume increases were mostly offset by domestic intermodal decreases. In the fourth quarter, Consumer Products volumes were down 1 percent as international volumes were also impacted by U.S. West Coast port labor disruptions.
- Industrial Products volumes increased 9 percent in the fourth quarter and 6 percent for the full year 2014 compared with the same periods in 2013, primarily due to increased crude unit train loadings and frac sand volumes. Service challenges muted the potential for additional volume growth. Despite the increased volume, BNSF fell short of customer demand and market opportunities.
- Coal volumes increased 5 percent for the fourth quarter and 2 percent for the full year 2014 compared with the same periods in 2013, despite ongoing service challenges that kept BNSF from meeting customer demand.
- Agricultural Products volumes were up 6 percent for the fourth quarter and 2 percent for the full year 2014 compared with the same periods in 2013, primarily due to heightened customer export demand following record grain harvests in late 2013 and 2014. Service challenges muted the potential for additional volume growth, but improvements late in the fourth quarter helped lead to record quarterly Pacific Northwest grain exports.

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

Business Unit	Q4 - 2014	Q4 - 2013	Q/Q % Change	2014 YTD	2013 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 1,800	\$ 1,821	(1) %	\$ 7,048	\$ 7,000	1 %
Industrial Products	1,616	1,466	10 %	6,211	5,703	9 %
Coal	1,296	1,250	4 %	4,980	4,986	— %
Agricultural Products	1,230	1,030	19 %	4,162	3,578	16 %
Total Freight Revenues	\$ 5,942	\$ 5,567	7 %	\$ 22,401	\$ 21,267	5 %
Other Revenues	234	190	23 %	838	747	12 %
Total Operating Revenues	\$ 6,176	\$ 5,757	7 %	\$ 23,239	\$ 22,014	6 %
Volumes (in thousands)						
Consumer Products	1,281	1,297	(1) %	5,040	5,033	— %
Industrial Products	512	471	9 %	1,991	1,874	6 %
Coal	592	564	5 %	2,270	2,230	2 %
Agricultural Products	262	248	6 %	974	956	2 %
Total Volumes	2,647	2,580	3 %	10,275	10,093	2 %
Average Revenue per Car/Unit						
Consumer Products	\$ 1,405	\$ 1,404	— %	\$ 1,398	\$ 1,391	1 %
Industrial Products	3,156	3,113	1 %	3,120	3,043	3 %
Coal	2,189	2,216	(1) %	2,194	2,236	(2) %
Agricultural Products	4,695	4,153	13 %	4,273	3,743	14 %
Total Freight Revenues	\$ 2,245	\$ 2,158	4 %	\$ 2,180	\$ 2,107	3 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended December 31, 2014 and September 30, 2014, 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 2014 were up 5 percent and 6 percent, respectively. A significant portion of the increase is due to the following factors, including increased costs related to severe weather issues and service-related challenges.

- Compensation and benefits increased 12 percent for the fourth quarter and 8 percent for the full year 2014 primarily due to increased volumes and higher average headcount, as well as higher overtime, training and wage inflation.
- Fuel expense was down 10 percent in the fourth quarter and 1 percent for the full year 2014, compared with the same periods in 2013. Locomotive fuel price per gallon decreased 14 percent for the fourth quarter and 5 percent for the full year 2014 to \$2.66 and \$2.98, respectively. This was offset by higher volumes throughout the year. Fuel efficiency improved in the fourth quarter, but was flat for the full year 2014.
- Purchased services, which includes expenses such as maintenance contracts and professional services, increased 18 percent for the fourth quarter and increased 7 percent for the full year 2014, compared with the same periods in 2013. These increases were due to higher volume-related costs, including purchased transportation for BNSF Logistics, a wholly-owned, third party logistics company and a prior year insurance recovery that reduced expense in 2013.
- Depreciation and amortization expense increased because additional assets were in service.
- Materials and other expenses increased 16 percent for the fourth quarter and 17 percent for the full year 2014 as a result of higher crew transportation, lodging and other travel costs, and utilities.

Operating Expenses (in millions)	Q4 - 2014	Q4 - 2013	Q/Q % Change	2014 YTD	2013 YTD	Y/Y % Change
Compensation and benefits	\$ 1,328	\$ 1,187	12 %	\$ 5,023	\$ 4,651	8 %
Fuel	1,040	1,160	(10) %	4,478	4,503	(1) %
Purchased services	668	566	18 %	2,592	2,418	7 %
Depreciation and amortization	554	508	9 %	2,123	1,973	8 %
Equipment rents	211	214	(1) %	867	822	5 %
Materials and other	278	240	16 %	1,143	980	17 %
Total Operating Expenses	\$ 4,079	\$ 3,875	5 %	\$ 16,226	\$ 15,347	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 December 31, 2014 and September 30, 2014, 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 its customers. The 2014 capital commitments were \$5.5 billion compared with \$4.0 billion in 2013.

BNSF's 2015 capital commitments plan is \$6 billion. The 2015 plan 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.