

Overview of BNSF's Second-Quarter Financial Performance

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

Statement of Income (in millions)	Q2 - 2014	Q2 - 2013	Q/Q % Change	2014 YTD	2013 YTD	Y/Y % Change
Total revenues	\$ 5,735	\$ 5,322	8%	\$ 11,182	\$ 10,606	5%
Operating expenses	\$ 4,055	\$ 3,745	8%	\$ 8,134	\$ 7,561	8%
Operating income	\$ 1,680	\$ 1,577	7%	\$ 3,048	\$ 3,045	—%
Net income	\$ 916	\$ 884	4%	\$ 1,640	\$ 1,682	(2)%
Operating ratio (a)	70.1%	69.8%		72.2%	70.7%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2014.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and revenues

Total revenues for the second quarter and six months ended June 30, 2014, were up 8 and 5 percent, respectively, compared with the same periods in 2013. BNSF's total units for the second quarter and first six months of 2014 were up 5 and 3 percent, respectively, compared with the same periods in 2013, despite our service challenges that muted additional volume growth. Revenue per unit increased for both the second quarter and the first six months of 2014.

Business unit second-quarter and first half of 2014 volume highlights:

- Consumer Products volumes were up 4 percent in the second quarter and 2 percent in the first six months of 2014 compared with the same periods in 2013, primarily due to higher international intermodal traffic.
- Industrial Products volumes increased 5 percent in the second quarter and 3 percent in the first six months of 2014 compared with the same periods in 2013, primarily due to increased shipments of petroleum products, driven mainly by increased crude unit train loadings. Second quarter also increased due to higher drilling related products volumes, primarily frac sand.
- Coal volumes increased 6 percent in the second quarter and 5 percent in the first six months of 2014 compared with the same periods in 2013, due to high demand.
- Agricultural Products volumes were up 8 percent in the second quarter and 2 percent in the first six months of 2014 compared with the same periods in 2013, primarily due to customer demand following a record grain harvest in late 2013.

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

Business Unit	Q2 - 2014	Q2 - 2013	Q/Q % Change	2014 YTD	2013 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 1,811	\$ 1,729	5 %	\$ 3,474	\$ 3,390	2 %
Industrial Products	1,535	1,440	7 %	2,942	2,777	6 %
Coal	1,217	1,181	3 %	2,441	2,390	2 %
Agricultural Products	976	792	23 %	1,952	1,703	15 %
Total Freight Revenues	\$ 5,539	\$ 5,142	8 %	\$ 10,809	\$ 10,260	5 %
Other Revenues	196	180	9 %	373	346	8 %
Total Operating Revenues	\$ 5,735	\$ 5,322	8 %	\$ 11,182	\$ 10,606	5 %
Volumes (in thousands)						
Consumer Products	1,287	1,242	4 %	2,481	2,430	2 %
Industrial Products	492	470	5 %	944	918	3 %
Coal	550	519	6 %	1,113	1,061	5 %
Agricultural Products	243	225	8 %	479	469	2 %
Total Volumes	2,572	2,456	5 %	5,017	4,878	3 %
Average Revenue per Car/Unit						
Consumer Products	\$ 1,407	\$ 1,392	1 %	\$ 1,400	\$ 1,395	— %
Industrial Products	3,120	3,064	2 %	3,117	3,025	3 %
Coal	2,213	2,276	(3) %	2,193	2,253	(3) %
Agricultural Products	4,016	3,520	14 %	4,075	3,631	12 %
Total Freight Revenues	\$ 2,154	\$ 2,094	3 %	\$ 2,154	\$ 2,103	2 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-Q for the periods ended June 30, 2014 and March 31, 2014. Second-quarter revenues and volumes are calculated as the difference between YTD June and YTD March amounts.

Expenses

Operating expenses were up 8 percent for both the second quarter and first six months of 2014. 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 9 percent for the second quarter and 8 percent for the first six months of 2014 primarily due to higher volumes and average headcount, as well as higher overtime, training and wage inflation.

- Fuel expense was up 7 percent in the second quarter and 5 percent for the first half of 2014 compared with the same periods in 2013. Fuel expense increased due to higher volumes. Fuel efficiency improved slightly in the second quarter, but remained slightly unfavorable for the first half of 2014. Locomotive fuel price per gallon increased 1 percent for the second quarter and decreased 1 percent for the first six months of 2014 to \$3.12 for both periods.
- Purchased services, which includes expenses like maintenance contracts and professional services, increased 3 percent for the second quarter and 4 percent for the first half of 2014, compared with the same periods in 2013 due to increased volume-related costs, including purchased transportation for BNSF Logistics, a wholly-owned, third party logistics company.
- Depreciation and amortization expense increased due to additional assets in service.
- Materials and other expenses increased 23 percent for the second quarter and 24 percent for the first six months of 2014 as a result of higher crew transportation, lodging and other travel costs, utilities, and locomotive materials.

Operating Expenses (in millions)	Q2 - 2014	Q2 - 2013	Q/Q % Change	2014 YTD	2013 YTD	Y/Y % Change
Compensation and benefits	\$ 1,234	\$ 1,128	9 %	\$ 2,452	\$ 2,267	8 %
Fuel	1,156	1,076	7 %	2,315	2,198	5 %
Purchased services	634	617	3 %	1,287	1,234	4 %
Depreciation and	523	489	7 %	1,038	972	7 %
Equipment rents	225	205	10 %	440	403	9 %
Materials and other	283	230	23 %	602	487	24 %
Total Operating Expenses	\$ 4,055	\$ 3,745	8%	\$ 8,134	\$ 7,561	8%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2014.

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 2014 capital commitments forecast continues to be \$5.0 billion compared with \$4.0 billion in 2013.

We will spend \$2.3 billion in capital in 2014 on our core network and related assets. In addition, we will continue investing in our locomotive and rail car fleet, in projects that expand and improve the efficiency of our infrastructure, and continue installing positive train control in response to a federal mandate.