

# Overview of BNSF's 2011 Financial Performance

Update on BNSF's 2011 volumes, revenues and expenses

Statement of Income (in millions)	Q4 – 2011	Q4 – 2010	Q/Q % Change	2011 YTD	2010 YTD	Y/Y % Change
<b>Total revenues</b>	\$5,264	\$4,501	17%	\$19,548	\$16,850	16%
<b>Operating expenses</b>	3,647	3,334	9%	14,238	12,346	15%
<b>Operating income</b>	1,617	1,167	39%	5,310	4,504	18%
<b>Net income</b>	\$909	\$644	41%	\$2,972	\$2,459	21%
<b>Operating ratio (a)</b>	68.9%	73.7%		72.4%	72.9%	

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, 2011, and Sept. 30, 2011, respectively. Note: 2010 year-to-date (YTD) amounts are derived by combining Predecessor and Successor periods. 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 2011 increased 17 percent and 16 percent, respectively, compared with the same periods in 2010. This increase was primarily due to improved yields / mix, increased volumes and higher fuel surcharges driven by increased fuel prices. BNSF's units were up 4 percent for the fourth quarter 2011 and 3 percent for the full year of 2011 compared with the same periods in 2010.

Below are some 2011 volume highlights:

- Consumer Products volumes were up 6 percent in fourth quarter and 7 percent for full year 2011 compared with the same periods in 2010. Domestic intermodal increased as a result of tightening truck capacity and highway conversions to rail. Additionally, international volumes were higher as a result of increased demand for inland international movements.
- Coal volumes were flat in the fourth quarter and decreased 4 percent for full year 2011 compared with the same periods in 2010. The full year 2011 volume decrease partially resulted from the impacts of severe flooding on key coal routes and share shift of some Midwest utility tons.
- Industrial Products volumes increased 9 percent in the fourth quarter and 7 percent for full year 2011 compared with the same periods in 2010, primarily due to increased demand in construction products, resulting from strong sand and steel shipments, as well as increased demand in petroleum products.
- Agricultural Products volumes were down 4 percent in the fourth quarter and flat for full year 2011 compared with the same periods in 2010. Higher U.S. corn shipments were more than offset by lower soybean exports and declining wheat exports in the fourth quarter. For the full year, this impact was offset by strong export wheat shipments during the first half of 2011.

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

Business Unit	Q4 – 2011	Q4 – 2010	Q/Q % Change	2011 YTD	2010 YTD	Y/Y % Change
<b>Revenues (in millions)</b>						
Consumer Products	\$1,602	\$1,357	18%	\$6,005	\$5,031	19%
Coal	1,408	1,172	20%	5,066	4,348	17%
Industrial Products	1,090	878	24%	4,104	3,460	19%
Agricultural Products	<u>1,002</u>	<u>961</u>	<u>4%</u>	<u>3,769</u>	<u>3,493</u>	<u>8%</u>
<b>Total Freight Revenues</b>	<b><u>\$5,102</u></b>	<b><u>\$4,368</u></b>	<b><u>17%</u></b>	<b><u>\$18,944</u></b>	<b><u>\$16,332</u></b>	<b><u>16%</u></b>
Other Revenues	<u>162</u>	<u>133</u>	<u>22%</u>	<u>604</u>	<u>518</u>	<u>17%</u>
<b>Total Operating Revenues</b>	<b><u>\$5,264</u></b>	<b><u>\$4,501</u></b>	<b><u>17%</u></b>	<b><u>\$19,548</u></b>	<b><u>\$16,850</u></b>	<b><u>16%</u></b>
<b>Volumes (in thousands)</b>						
Consumer Products	1,189	1,121	6%	4,595	4,287	7%
Coal	633	634	--%	2,309	2,415	-4%
Industrial Products	383	350	9%	1,498	1,397	7%
Agricultural Products	<u>269</u>	<u>281</u>	<u>-4%</u>	<u>1,056</u>	<u>1,058</u>	<u>--%</u>
<b>Total Volumes</b>	<b><u>2,474</u></b>	<b><u>2,386</u></b>	<b><u>4%</u></b>	<b><u>9,458</u></b>	<b><u>9,157</u></b>	<b><u>3%</u></b>
<b>Average Revenue per Car/Unit</b>						
Consumer Products	\$1,347	\$1,211	11%	\$1,307	\$1,174	11%
Coal	2,224	1,849	20%	2,194	1,800	22%
Industrial Products	2,846	2,509	13%	2,740	2,477	11%
Agricultural Products	<u>3,725</u>	<u>3,420</u>	<u>9%</u>	<u>3,569</u>	<u>3,302</u>	<u>8%</u>
<b>Total Freight Revenues</b>	<b><u>\$2,062</u></b>	<b><u>\$1,831</u></b>	<b><u>13%</u></b>	<b><u>\$2,003</u></b>	<b><u>\$1,784</u></b>	<b><u>12%</u></b>

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, 2011, and Sept. 30, 2011, respectively. Note: 2010 YTD amounts are derived by combining Predecessor and Successor periods. Fourth-quarter amounts are calculated as the difference between the YTD December and YTD September amounts.

## Expenses

Increasing diesel fuel price accounted for approximately 85 and 60 percent of the increase in total expenses for the fourth quarter and full year of 2011, respectively. Excluding fuel price, expenses were up approximately 1 and 6 percent.

- Compensation and benefits increased 6 percent for the fourth quarter and 8 percent for full year 2011 as a result of increased business levels, wage and health and welfare inflation, training and weather related costs.
- Fuel expense was up 35 and 41 percent in the fourth quarter and full year 2011 compared to the same periods in 2010. Fuel price accounted for about 90 percent of the fuel expense increase in the fourth quarter and full year 2011. The remainder of the increase in fuel expense was driven by increased volumes and severe weather conditions which impacted efficiency. Locomotive fuel price per gallon for the fourth quarter 2011 and 2010 was \$3.09 and \$2.36, respectively, and was \$3.05 and \$2.23 for full year 2011 and 2010, respectively.
- Purchased services, which includes expenses like maintenance contracts and professional services, decreased 5 percent for the fourth quarter and increased 2 percent for full year 2011 due to higher volume-related costs and weather impacts, offset by lower locomotive maintenance costs. Full year 2010 also includes \$62 million of costs related to the Berkshire Hathaway transaction.
- Materials and other expenses decreased 20 percent for the fourth quarter and increased 28 percent for full year 2011. Both periods noted include higher locomotive and freight car material costs, increased crew

transportation, travel costs, property taxes and casualty costs. Fourth quarter 2010 included approximately \$100 million for higher environmental expenses due to changes in estimates at certain of BNSF's more complex sites. Additionally, full year 2010 included a \$74 million gain from the sale of a line segment in the State of Washington.

<b>Operating Expenses (in millions)</b>	<b>Q4 – 2011</b>	<b>Q4 – 2010</b>	<b>Q/Q % Change</b>	<b>2011 YTD</b>	<b>2010 YTD</b>	<b>Y/Y % Change</b>
Compensation and benefits	\$1,099	\$1,040	6%	\$4,315	\$4,004	8%
Fuel	1,143	847	35%	4,267	3,016	41%
Purchased services	551	583	-5%	2,218	2,169	2%
Depreciation and amortization	457	436	5%	1,807	1,724	5%
Equipment rents	204	186	10%	779	767	2%
Materials and other	<u>193</u>	<u>242</u>	<u>-20%</u>	<u>852</u>	<u>666</u>	<u>28%</u>
<b>Total Operating Expenses</b>	<b><u>\$3,647</u></b>	<b><u>\$3,334</u></b>	<b><u>9%</u></b>	<b><u>\$14,238</u></b>	<b><u>\$12,346</u></b>	<b><u>15%</u></b>

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### **Capital Activities**

BNSF continues to invest heavily in maintaining and renewing its network to provide safe, reliable service to its customers. Our 2011 capital commitments were \$3.5 billion compared with \$2.7 billion in 2010.

Our 2012 capital commitments forecast is \$3.9 billion. We will spend \$2.1 billion in capital in 2012 on maintaining our core network and related assets. In addition, we will continue investing in our locomotive and rail car fleet, as well as in projects to expand and improve the efficiency of our infrastructure. We also plan to spend about \$300 million in 2012 as we continue installing positive train control in response to a federal mandate.