

BNSF's second-quarter 2019 financial performance: Volumes, revenues and expenses

Statement of Income (in millions)	Q2 - 2019	Q2 - 2018	Q/Q % Change	2019 YTD	2018 YTD	Y/Y % Change
Total revenues	\$ 5,893	\$ 5,878	— %	\$ 11,655	\$ 11,502	1 %
Operating expenses	3,886	3,995	(3)%	7,869	7,872	— %
Operating income	2,007	1,883	7 %	3,786	3,630	4 %
Other (income) expense, Interest expense and Income tax expense	669	574	17 %	1,195	1,176	2 %
Net income	\$ 1,338	\$ 1,309	2 %	\$ 2,591	\$ 2,454	6 %
Operating ratio (a)	64.8%	66.8%		66.4%	67.3%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2019.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Second quarter and first six months of 2019 operating income were \$2 billion and \$3.8 billion, respectively, increases of \$124 million (7%) and \$156 million (4%), respectively, compared to the same periods in 2018. Total revenues for the second quarter of 2019 were slightly up while revenues for the first six months of 2019 were up 1%, compared with the same periods in 2018. These changes were primarily due to 4% and 6% increases in average revenue per car / unit, respectively, for the second quarter and first six months of 2019 as a result of increased rates per car / unit and a favorable outcome of an arbitration hearing.

These increases were partially offset by 4% and 5% decreases in unit volume, respectively, for the second quarter and first six months of 2019 due to severe winter weather and flooding on parts of the network, as well as the following:

- Consumer Products volumes decreased 6% for both the second quarter and first six months of 2019 compared with the same periods in 2018 primarily due to lower intermodal volumes, which were driven by reduced consumer demand and available truck capacity as well as lower international intermodal market share and decreased imports.
- Industrial Products volumes were flat for the second quarter of 2019 and increased 1% for the first six months of 2019 compared with the same periods in 2018. These changes were primarily due to strength in the energy sector, which drove higher demand for petroleum products and liquefied petroleum gas, offset by lower sand volumes and reduced loadings due to the aforementioned challenging weather conditions.
- Agricultural Products volumes decreased 4% and 6% for the second quarter and first six months of 2019 compared with the same periods in 2018 primarily due to export competition from non-U.S. sources, trade policy, and the aforementioned challenging weather conditions.
- Coal volumes increased 1% and decreased 5% for the second quarter and first six months of 2019 compared with the same periods in 2018. Volumes in the first half of 2019 were impacted by the weather conditions, and volumes in the second quarter of 2019 increased due to customer demand.

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

Business Unit	Q2 - 2019	Q2 - 2018	Q/Q % Change	2019 YTD	2018 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 1,903	\$ 1,979	(4)%	\$ 3,905	\$ 3,839	2 %
Industrial Products	1,577	1,482	6 %	3,049	2,840	7 %
Agricultural Products	1,221	1,182	3 %	2,334	2,334	— %
Coal	883	911	(3)%	1,752	1,859	(6)%
Total Freight Revenues	\$ 5,584	\$ 5,554	1 %	\$ 11,040	\$ 10,872	2 %
Other Revenues	309	324	(5)%	615	630	(2)%
Total Operating Revenues	\$ 5,893	\$ 5,878	— %	\$ 11,655	\$ 11,502	1 %
Volumes (in thousands)						
Consumer Products	1,330	1,419	(6)%	2,631	2,798	(6)%
Industrial Products	499	499	— %	970	964	1 %
Agricultural Products	298	311	(4)%	574	609	(6)%
Coal	440	435	1 %	856	899	(5)%
Total Volumes	2,567	2,664	(4)%	5,031	5,270	(5)%
Average Revenue per Car/Unit						
Consumer Products	\$ 1,431	\$ 1,395	3 %	\$ 1,484	\$ 1,372	8 %
Industrial Products	3,160	2,970	6 %	3,143	2,946	7 %
Agricultural Products	4,097	3,801	8 %	4,066	3,833	6 %
Coal	2,007	2,094	(4)%	2,047	2,068	(1)%
Total Freight Revenues per Car/Unit	\$ 2,175	\$ 2,085	4 %	\$ 2,194	\$ 2,063	6 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the periods ended June 30, 2019 and March 31, 2019. Second-quarter volumes are calculated as the difference between YTD June and YTD March amounts.

Expenses

Operating expenses for the second quarter of 2019 were down 3% and for the first six months of 2019 decreased slightly, compared with the same periods in 2018. This decrease is due to the following changes in expenses, which include increased costs related to severe winter weather and flooding more than offset by lower volume-related costs and cost controls:

- Compensation and benefits expense increased slightly in the second quarter of 2019 and 3% in the first six months of 2019 primarily due to wage inflation and higher employee counts.
- Fuel expense was down 7% in both the second quarter and first six months of 2019, compared with the same periods in 2018. The decreases were primarily due to lower average fuel prices and lower volumes. Locomotive fuel price per gallon decreased 4% for the second quarter of 2019 to \$2.16 and 5% for the first six months of 2019 to \$2.06.
- Materials and other expense decreased 19% and 5% in the second quarter and first six months of 2019 primarily due to lower casualty-related costs, lower locomotive and other material costs, and higher gains on land sales. The first half of 2019 also included higher personal injury expenses.

- There were no significant changes in purchased services, depreciation and amortization, equipment rents, and interest expense.
- Other (income) expense, net income increased in the first six months of 2019 primarily due to a curtailment gain related to a first quarter 2019 amendment to the Company's retirement plans.

Operating Expenses (in millions)	Q2 - 2019	Q2 - 2018	Q/Q % Change	2019 YTD	2018 YTD	Y/Y % Change
Compensation and benefits	\$ 1,334	\$ 1,328	— %	\$ 2,734	\$ 2,643	3 %
Fuel	775	830	(7)%	1,486	1,597	(7)%
Purchased services	687	714	(4)%	1,400	1,406	— %
Depreciation and amortization	595	575	3 %	1,186	1,146	3 %
Equipment rents	187	167	12 %	378	359	5 %
Materials and other	308	381	(19)%	685	721	(5)%
Total Operating Expenses	\$ 3,886	\$ 3,995	(3)%	\$ 7,869	\$ 7,872	— %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2019.