

BNSF's Fourth Quarter 2020 Financial Performance: Volumes, Revenues and Expenses

Statement of Income (in millions)	Q4 - 2020	Q4 - 2019	Q/Q % Change	2020 YTD	2019 YTD	Y/Y % Change
Total revenues	\$ 5,674	\$ 5,839	(3)%	\$ 20,869	\$ 23,515	(11)%
Operating expenses	3,498	3,734	(6)%	13,129	15,444	(15)%
Operating income	2,176	2,105	3%	7,740	8,071	(4)%
Other (income) expense, Interest expense and Income tax expense	683	681	—%	2,579	2,590	—%
Net income	\$ 1,493	\$ 1,424	5%	\$ 5,161	\$ 5,481	(6)%
Operating ratio (a)	60.3%	62.8%		61.6%	64.5%	

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, 2020 and September 30, 2020, respectively. Fourth-quarter amounts are calculated as the difference between YTD December and YTD September amounts.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Operating income for the fourth quarter and full year 2020 was \$2.2 billion and \$7.7 billion, respectively, an increase of \$71 million (3%) and a decrease of \$331 million (4%), respectively, compared to the same periods in 2019. Operating ratios were 60.3% and 61.6% for the fourth quarter and full year, respectively, improvements of 2.5% and 2.9% compared to the same periods in 2019.

Total revenues for the fourth quarter and full year 2020 decreased 3% and 11%, respectively, compared with the same periods in 2019. The changes were primarily due to a 3% increase and 7% decrease in unit volume, respectively, for the fourth quarter and full year 2020. Additionally, average revenue per car / unit declined 6% and 5%, respectively, in the corresponding periods. The full year volume decrease is primarily due to the COVID-19 pandemic, which severely impacted volumes through the first half of the year.

Volumes sequentially improved from earlier periods and recovered overall to pre-pandemic levels by the end of the year. The changes in revenue also resulted from the following:

- Consumer Products volumes increased 13% for the fourth quarter and decreased 1% for the full year 2020, compared with the same periods in 2019. The full year decrease was primarily due to the impact of the COVID-19 pandemic. Lower international intermodal and automotive volumes in the first three quarters were offset by higher domestic intermodal volumes. Increased retail sales, inventory replenishments by retailers, and e-commerce activity resulted in a second half recovery of intermodal volumes, resulting in increases in the fourth quarter compared to the same period in 2019.
- Industrial Products volumes decreased 12% and 16% for the fourth quarter and full year 2020, respectively, compared with the same periods in 2019. These changes were primarily due to a decline in U.S. industrial production driven by the pandemic, including reduced production and demand in the energy sector, which drove lower sand and petroleum products volume, along with reduced steel demand, which drove lower taconite volume.
- Agricultural Products volumes increased 15% and 4% for the fourth quarter and full year 2020, respectively, compared with the same periods in 2019. The full year increase is primarily due to higher grain and soybean meal exports, partially offset by the adverse impacts of the COVID-19 pandemic on volumes, primarily for ethanol and sweeteners shipments. In Q4, grain and meal exports continued to remain strong, while other volumes recovered from the impacts of the pandemic, leading to the increase in the quarter from the prior year.

- Coal volumes decreased 21% and 22% for the fourth quarter and full year 2020, respectively, compared with the same periods in 2019. These changes were primarily due to lower natural gas prices, lower electricity demand driven by the COVID-19 pandemic, utility coal plant retirements and mild temperatures.

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

Business Unit	Q4 - 2020	Q4 - 2019	Q/Q % Change	2020 YTD	2019 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 2,041	\$ 1,982	3 %	\$ 7,262	\$ 7,860	(8)%
Industrial Products	1,224	1,431	(14)%	5,039	6,068	(17)%
Agricultural Products	1,420	1,185	20 %	4,822	4,685	3 %
Coal	697	967	(28)%	2,655	3,715	(29)%
Total Freight Revenues	\$ 5,382	\$ 5,565	(3)%	\$ 19,778	\$ 22,328	(11)%
Other Revenues	292	274	7 %	1,091	1,187	(8)%
Total Operating Revenues	\$ 5,674	\$ 5,839	(3)%	\$ 20,869	\$ 23,515	(11)%
Volumes (in thousands)						
Consumer Products	1,500	1,328	13 %	5,266	5,342	(1)%
Industrial Products	404	457	(12)%	1,622	1,931	(16)%
Agricultural Products	334	290	15 %	1,189	1,146	4 %
Coal	368	464	(21)%	1,404	1,802	(22)%
Total Volumes	2,606	2,539	3 %	9,481	10,221	(7)%
Average Revenue per Car/Unit						
Consumer Products	\$ 1,361	\$ 1,492	(9)%	\$ 1,379	\$ 1,471	(6)%
Industrial Products	3,030	3,131	(3)%	3,107	3,142	(1)%
Agricultural Products	4,251	4,086	4 %	4,056	4,088	(1)%
Coal	1,894	2,084	(9)%	1,891	2,062	(8)%
Total Freight Revenues per Car/Unit	\$ 2,065	\$ 2,192	(6)%	\$ 2,086	\$ 2,185	(5)%

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, 2020 and September 30, 2020. Fourth-quarter revenues and volumes are calculated as the difference between YTD December and YTD September amounts.

Expenses

Operating expenses for the fourth quarter and full year 2020 decreased 6% and 15%, respectively, compared with the same periods in 2019. The decrease in expenses is primarily due to volume-related changes, lower fuel prices, productivity improvements, and the effects of cost control initiatives. The full year benefitted from lower costs related to improved weather conditions compared to 2019. Additionally, the following impacted changes in expenses:

- Compensation and benefits expense decreased 2% and 14% in the fourth quarter and full year 2020, respectively, compared to the same periods in 2019. The decreases were primarily due to improved workforce productivity which also resulted in lower employee counts for both periods. In addition, lower volumes contributed to the lower employee counts for the full year.
- Purchased services expense increased 13% and decreased 5% in the fourth quarter and full year 2020, respectively, compared with the same periods in 2019. The full year decrease was a result of lower volume and improved productivity, lower purchased transportation costs of our company's logistics services business, as well as higher insurance recoveries in the first half of 2020 related to network flooding in 2019. The fourth quarter increase is primarily due to insurance recoveries related to network flooding recognized in the fourth quarter of

2019, volume-related cost increases and increased purchased transportation costs of our company's logistics services business, partially offset by improved productivity.

- Fuel expense decreased 38% and 39% in the fourth quarter and full year 2020, respectively, compared with the same periods in 2019. The decreases were primarily due to lower average fuel prices, lower gross ton miles, and improved fuel efficiency. Locomotive fuel price per gallon decreased 34% for the fourth quarter of 2020 to \$1.36 and 30% for the full year 2020 to \$1.44.
- Materials and other expense decreased 4% and 20% in the fourth quarter and full year 2020, respectively, compared with the same periods in 2019. These changes were due to volume-related cost impacts, the effects of cost controls, as well as lower personal injury and derailment expenses.
- There were no significant changes in depreciation and amortization, equipment rents or interest expense.

Operating Expenses (in millions)	Q4 - 2020	Q4 - 2019	Q/Q % Change	2020 YTD	2019 YTD	Y/Y % Change
Compensation and benefits	\$ 1,252	\$ 1,276	(2)%	\$ 4,609	\$ 5,347	(14)%
Purchased services	695	613	13 %	2,554	2,700	(5)%
Fuel	454	733	(38)%	1,789	2,944	(39)%
Depreciation and amortization	628	615	2 %	2,476	2,403	3 %
Equipment rents	171	185	(8)%	664	758	(12)%
Materials and other	298	312	(4)%	1,037	1,292	(20)%
Total Operating Expenses	\$ 3,498	\$ 3,734	(6)%	\$ 13,129	\$ 15,444	(15)%

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, 2020 and September 30, 2020, respectively. Fourth-quarter amounts are calculated as the difference between YTD December and YTD September amounts.

Capital Activities

BNSF's 2020 capital commitments were \$3.08 billion, the largest component of which supported maintenance and expansion of its network to operate a safe, reliable and efficient network that meets customer demands.

Our 2021 planned capital commitments are \$2.99 billion. The 2021 plan is focused on projects that support BNSF's growth and efficiency objectives, while continuing to maintain a safe and reliable railroad. This year, the maintenance and replacement component is expected to be \$2.41 billion. The projects included in this part of the plan mostly entail replacing and upgrading rail, as well as track infrastructure like rail ties and ballast, along with maintaining rolling stock. It will include nearly 11,000 miles of track surfacing and/or undercutting work and the replacement of 428 miles of rail and approximately 2.6 million rail ties. BNSF will spend approximately \$400 million on expansion and efficiency projects. On the Southern Transcon between the West Coast and the Midwest, BNSF will continue a multi-year effort to add several segments of new double-track in eastern Kansas. Once fully completed, BNSF will have 50 miles of additional main track to support traffic growth. In addition, in the Pacific Northwest, BNSF will continue a multi-year bridge project near Sandpoint, Idaho to increase train capacity. Approximately \$180 million of this year's capital plan is for freight cars and other equipment acquisitions.