

BNSF's First-Quarter 2016 Financial Performance: Volumes, Revenues and Expenses

Statement of Income (in millions)	Q1 - 2016	Q1 - 2015	Q/Q % Change
Total revenues	\$ 4,767	\$ 5,602	(15)%
Operating expenses	3,262	3,708	(12)%
Operating income	1,505	1,894	(21)%
Net income	\$ 784	\$ 1,045	(25)%
Operating ratio (a)	67.7%	65.5%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2016.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

First quarter operating income was \$1.5 billion, a decrease of \$389 million (21 percent) versus 2015. Our lower earnings for the first quarter of 2016 were a result of a continued decline in demand for coal, energy-related commodities and certain other industrial products categories.

Total revenues for the first quarter 2016 were down 15 percent compared with the same period in 2015 as a result of a 6 percent decline in unit volume and due to lower fuel surcharge revenues, primarily a result of lower fuel prices.

The decline in average revenue per car/unit in 2016 was primarily due to lower fuel surcharges driven by lower fuel prices and business mix changes partially offset by increased rate per car/unit. The impact of lower fuel surcharge revenues affected revenue of all product lines.

Business unit first quarter 2016 volume highlights:

- Consumer Products volumes were up 9 percent in the first quarter of 2016 compared with the same period in 2015 due to increased international intermodal volumes received from U.S. West Coast ports. During the first quarter of 2015 unit volumes were negatively impacted by congestion on the U.S. West Coast caused by port labor disruptions.
- Industrial Products volumes decreased 9 percent in the first quarter of 2016 compared with the same period in 2015, primarily due to lower crude prices impacting petroleum products and frac sand demand. Additionally, there was lower demand for taconite and steel products.
- Agricultural Products volumes were up 1 percent for the first quarter of 2016 compared with the same period in 2015. Increases were driven by higher ethanol shipments, as well as a first quarter record for soybean exports through the PNW.
- Coal volumes decreased 33 percent for the first quarter of 2016 compared with the same period in 2015. The decrease was due to lower demand driven by high customer inventories, low natural gas prices and reduced electricity generation in part due to historically mild winter weather.

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

Business Unit	Q1 - 2016	Q1 - 2015	Q/Q % Change
Revenues (in millions)			
Consumer Products	\$ 1,544	\$ 1,503	3 %
Industrial Products	1,178	1,435	(18)%
Agricultural Products	1,048	1,166	(10)%
Coal	779	1,269	(39)%
Total Freight Revenues	\$ 4,549	\$ 5,373	(15)%
Other Revenues	218	229	(5)%
Total Operating Revenues	\$ 4,767	\$ 5,602	(15)%
Volumes (in thousands)			
Consumer Products	1,230	1,128	9 %
Industrial Products	424	467	(9)%
Agricultural Products	275	271	1 %
Coal	401	600	(33)%
Total Volumes	2,330	2,466	(6)%
Average Revenue per Car/Unit			
Consumer Products	\$ 1,255	\$ 1,332	(6)%
Industrial Products	2,778	3,073	(10)%
Agricultural Products	3,811	4,303	(11)%
Coal	1,943	2,115	(8)%
Total Freight Revenues	\$ 1,952	\$ 2,179	(10)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2016.

Expenses

Operating expenses for the first quarter 2016 were down 12 percent as a result of lower volume, lower fuel prices and productivity improvements. A significant portion of the decrease is due to the following factors:

- Compensation and benefits decreased 10 percent for the first quarter of 2016 compared with the same period in 2015 primarily due to lower average headcount resulting from lower volume and productivity improvements and lower overtime and training costs, partially offset by wage inflation.
- Fuel expense was down 45 percent in the first quarter compared with the same period in 2015. Locomotive fuel price per gallon decreased 37 percent for the first quarter of 2016 to \$1.18. Lower volumes also contributed to lower fuel expense, partially offset by a decrease in fuel efficiency of 1 percent.
- Purchased services expense, depreciation and amortization, equipment rents expense and materials and other expense did not change significantly from the prior year.

Operating Expenses (in millions)	Q1 - 2016	Q1 - 2015	Q/Q % Change
Compensation and benefits	\$ 1,208	\$ 1,338	(10)%
Purchased services	638	648	(2)%
Depreciation and amortization	520	496	5%
Fuel	395	713	(45)%
Equipment rents	188	191	(2)%
Materials and other	313	322	(3)%
Total Operating Expenses	\$ 3,262	\$ 3,708	(12)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2016.

Capital Activities

BNSF continues to invest in its network, with a focus on ensuring BNSF continues to operate a safe and reliable network that meets our customers' expectations. Our 2016 planned capital commitments were reduced by \$150 million to \$4.150 billion compared with \$5.8 billion in 2015.

The 2016 capital program reflects BNSF's success in adding sufficient capacity to support customer demand while investing \$2.8 billion to continue to maintain and renew its core network and related assets to keep its railroad infrastructure in top condition. These projects will go toward replacing and upgrading rail, ties and ballast on BNSF's network. BNSF will spend \$300 million for continued implementation of positive train control and will invest \$600 million for locomotives, freight cars and other equipment acquisitions. This includes the acquisition of 150 locomotives under a minimum purchase agreement with the manufacturer. BNSF will spend approximately \$500 million on various capacity expansion projects, primarily a continuation of projects that were started in 2015.