

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

Statement of Income (in millions)	Q3 - 2019	Q3 - 2018	Q/Q % Change	2019 YTD	2018 YTD	Y/Y % Change
Total revenues	\$ 6,021	\$ 6,147	(2)%	\$ 17,676	\$ 17,649	— %
Operating expenses	3,841	4,038	(5)%	11,710	11,910	(2)%
Operating income	2,180	2,109	3 %	5,966	5,739	4 %
Other (income) expense, Interest expense and Income tax expense	714	716	— %	1,909	1,892	1 %
Net income	\$ 1,466	\$ 1,393	5 %	\$ 4,057	\$ 3,847	5 %
Operating ratio (a)	62.6%	64.5%		65.1%	66.3%	

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

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Operating income for the third quarter and first nine months of 2019 was \$2.2 billion and \$6.0 billion, respectively, an increase of \$71 million (3%) and \$227 million (4%), respectively, compared to the same periods in 2018. Total revenues for the third quarter of 2019 decreased 2% while revenues for the first nine months of 2019 were slightly up, compared with the same periods in 2018. These changes were primarily due to 1% and 5% increases in average revenue per car / unit, respectively, for the third quarter and first nine 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 3% and 4% decreases in unit volume, respectively, for the third quarter and first nine months of 2019 due to severe winter weather and flooding on parts of the network, as well as the following:

- Consumer Products volumes decreased 1% and 4% for the third quarter and first nine months of 2019 compared with the same periods in 2018 primarily due to lower intermodal volumes, which were driven by overall lower demand and the availability of truck capacity as well as lower international intermodal market share.
- Industrial Products volumes decreased 3% and 1% for the third quarter and first nine months of 2019 compared with the same periods in 2018. These changes were primarily due to overall softness in the industrial sector, lower sand volumes, and reduced car loadings due to the aforementioned challenging weather conditions. Strength in the energy sector, which drove higher demand for petroleum products and liquefied petroleum gas, partially offset the decrease in other volumes.
- Agricultural Products volumes decreased 6% for both the third quarter and first nine months of 2019 compared with the same periods in 2018 primarily due to export competition from non-U.S. sources, the impacts of changes in international trade policies, and the aforementioned challenging weather conditions primarily in the first half of 2019.
- Coal volumes decreased 4% for both the third quarter and first nine months of 2019 compared with the same periods in 2018. Volumes were impacted by adverse weather conditions as well as the effects of lower natural gas prices.

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

Business Unit	Q3 - 2019	Q3 - 2018	Q/Q % Change	2019 YTD	2018 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 1,973	\$ 2,002	(1)%	\$ 5,878	\$ 5,841	1 %
Industrial Products	1,588	1,576	1 %	4,637	4,416	5 %
Agricultural Products	1,166	1,165	— %	3,500	3,499	— %
Coal	996	1,069	(7)%	2,748	2,928	(6)%
Total Freight Revenues	\$ 5,723	\$ 5,812	(2)%	\$ 16,763	\$ 16,684	— %
Other Revenues	298	335	(11)%	913	965	(5)%
Total Operating Revenues	\$ 6,021	\$ 6,147	(2)%	\$ 17,676	\$ 17,649	— %
Volumes (in thousands)						
Consumer Products	1,383	1,400	(1)%	4,014	4,198	(4)%
Industrial Products	504	519	(3)%	1,474	1,483	(1)%
Agricultural Products	282	299	(6)%	856	908	(6)%
Coal	482	502	(4)%	1,338	1,401	(4)%
Total Volumes	2,651	2,720	(3)%	7,682	7,990	(4)%
Average Revenue per Car/Unit						
Consumer Products	\$ 1,427	\$ 1,430	— %	\$ 1,464	\$ 1,391	5 %
Industrial Products	3,151	3,037	4 %	3,146	2,978	6 %
Agricultural Products	4,135	3,896	6 %	4,089	3,854	6 %
Coal	2,066	2,129	(3)%	2,054	2,090	(2)%
Total Freight Revenues per Car/Unit	\$ 2,159	\$ 2,137	1 %	\$ 2,182	\$ 2,088	5 %

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

Expenses

Operating expenses for the third quarter and first nine months of 2019 were down 5% and 2%, compared with the same periods in 2018. This decrease is due to lower volume-related costs and cost controls, partially offset by increased costs related to severe winter weather and flooding, as well as the following:

- Compensation and benefits expense decreased 3% in the third quarter of 2019 and increased 1% in the first nine months of 2019. The decrease for the third quarter is primarily due to lower volume and cost controls. The increase in the first nine months is driven by wage inflation and higher average employee counts offset by lower volume and cost controls.
- Fuel expense was down 16% and 10% in the third quarter and first nine months of 2019, respectively, compared with the same periods in 2018. The decreases were primarily due to lower average fuel prices, lower volumes in both periods, and favorable fuel efficiency in the third quarter. Locomotive fuel price per gallon decreased 12% for the third quarter of 2019 to \$2.03 and 7% for the first nine months of 2019 to \$2.05.
- There were no significant changes in purchased services, depreciation and amortization, equipment rents, materials and other, and interest expense.
- Other (income) expense, net income increased primarily due to a curtailment gain related to a first quarter 2019 amendment to the Company's retirement plans.

Operating Expenses (in millions)	Q3 - 2019	Q3 - 2018	Q/Q % Change	2019 YTD	2018 YTD	Y/Y % Change
Compensation and benefits	\$ 1,337	\$ 1,378	(3)%	\$ 4,071	\$ 4,021	1 %
Fuel	725	859	(16)%	2,211	2,456	(10)%
Purchased services	687	718	(4)%	2,087	2,124	(2)%
Depreciation and amortization	602	580	4 %	1,788	1,726	4 %
Equipment rents	195	183	7 %	573	542	6 %
Materials and other	295	320	(8)%	980	1,041	(6)%
Total Operating Expenses	\$ 3,841	\$ 4,038	(5)%	\$ 11,710	\$ 11,910	(2)%

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

Capital Activities

BNSF's capital commitments plan for 2019 is \$3.67 billion, or \$100 million higher than previously announced, with a continued emphasis on maintaining and expanding its network to operate a safe, reliable, and efficient network that meets customer demands.