

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

Statement of Income (in millions)	Q2 - 2020	Q2 - 2019	Q/Q % Change	2020 YTD	2019 YTD	Y/Y % Change
Total revenues	\$ 4,602	\$ 5,893	(22)%	\$ 10,019	\$ 11,655	(14)%
Operating expenses	2,872	3,886	(26)%	6,466	7,869	(18)%
Operating income	1,730	2,007	(14)%	3,553	3,786	(6)%
Other (income) expense, Interest expense and Income tax expense	599	669	(10)%	1,232	1,195	3 %
Net income	\$ 1,131	\$ 1,338	(15)%	\$ 2,321	\$ 2,591	(10)%
Operating ratio (a)	61.1%	64.8%		63.3%	66.4%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-Q for the period ended June 30, 2020.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Operating income for the second quarter and first six months of 2020 was \$1.7 billion and \$3.6 billion, respectively, decreases of \$277 million (14%) and \$233 million (6%) compared to the same periods in 2019. Operating ratios were 61.1% and 63.3% for the second quarter and first six months, respectively, improvements of 3.7% and 3.1% compared to the same periods in 2019.

Total revenues for the second quarter of 2020 decreased 22%, while revenues for the first six months of 2020 were down 14% compared with the same periods in 2019. These changes were primarily due to 18% and 12% decreases in unit volume, respectively, for the second quarter and six months of 2020. Additionally, average revenue per car/unit declined 5% in the second quarter and 3% in the second half of 2020 compared to 2019, driven by a one-time favorable outcome of an arbitration hearing recognized in the first quarter of 2019 and lower fuel surcharges. The volume decreases are primarily due to the COVID-19 pandemic, which negatively impacted volumes beginning late in the first quarter and continued through the second quarter. The decrease in volume also resulted from the following:

- Consumer Products volumes decreased 12% and 10%, respectively, for the second quarter and first six months of 2020 compared with the same periods in 2019, primarily due to lower international intermodal and automotive volumes due to the COVID-19 pandemic.
- Industrial Products volumes decreased 26% and 14%, respectively, for the second quarter and first six months of 2020 compared with the same periods in 2019. These changes were primarily due to a decrease in U.S. industrial production driven by the aforementioned pandemic and reduced demand in the energy sector, which drove lower sand and petroleum products volume.
- Agricultural Products volumes decreased 7% and 2%, respectively, for the second quarter and first six months of 2020 compared with the same periods in 2019, primarily due to the impacts of the COVID-19 pandemic on ethanol and related commodities and due to lower net exports.
- Coal volumes decreased 34% and 21%, respectively, for the second quarter and first six months of 2020 compared with the same periods in 2019. These changes were primarily due to lower electricity demand driven by the COVID-19 pandemic and mild winter weather, low natural gas prices and plant retirements.

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

Business Unit	Q2 - 2020	Q2 - 2019	Q/Q % Change	2020 YTD	2019 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 1,571	\$ 1,903	(17)%	\$ 3,336	\$ 3,905	(15)%
Industrial Products	1,160	1,577	(26)%	2,625	3,049	(14)%
Agricultural Products	1,072	1,221	(12)%	2,216	2,334	(5)%
Coal	541	883	(39)%	1,307	1,752	(25)%
Total Freight Revenues	\$ 4,344	\$ 5,584	(22)%	\$ 9,484	\$ 11,040	(14)%
Other Revenues	258	309	(17)%	535	615	(13)%
Total Operating Revenues	\$ 4,602	\$ 5,893	(22)%	\$ 10,019	\$ 11,655	(14)%
Volumes (in thousands)						
Consumer Products	1,169	1,330	(12)%	2,376	2,631	(10)%
Industrial Products	370	499	(26)%	830	970	(14)%
Agricultural Products	277	298	(7)%	562	574	(2)%
Coal	292	440	(34)%	676	856	(21)%
Total Volumes	2,108	2,567	(18)%	4,444	5,031	(12)%
Average Revenue per Car/Unit						
Consumer Products	\$ 1,344	\$ 1,431	(6)%	\$ 1,404	\$ 1,484	(5)%
Industrial Products	3,135	3,160	(1)%	3,163	3,143	1 %
Agricultural Products	3,870	4,097	(6)%	3,943	4,066	(3)%
Coal	1,853	2,007	(8)%	1,933	2,047	(6)%
Total Freight Revenues per Car/Unit	\$ 2,061	\$ 2,175	(5)%	\$ 2,134	\$ 2,194	(3)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2020 and March 31, 2020. Second-quarter volumes are calculated as the difference between YTD June and YTD March amounts.

Expenses

Operating expenses for the second quarter and first six months of 2020 were down 26% and 18%, respectively, compared with the same periods in 2019. The decrease in expenses reflected lower volume-related costs, productivity improvements and lower costs related to improved weather conditions compared to the first half of 2019, including the following changes in expenses:

- Compensation and benefits expense decreased 26% and 18% in the second quarter and first six months of 2020, respectively, compared to the same periods in 2019. The decreases were primarily due to lower employee counts associated with lower volume and due to improved productivity.
- Purchased services expense decreased 18% and 12% in the second quarter and first six months of 2020, respectively, compared to the same periods in 2019 due to lower volume and improved productivity, lower purchased transportation costs of our logistics services business, as well as insurance recoveries in 2020 related to 2019 flooding.
- Fuel expense decreased 58% and 37% in the second quarter and first six months of 2020, respectively, compared to the same periods in 2019. The decrease was primarily due to lower average fuel prices, lower volumes and improved efficiency. Locomotive fuel price per gallon decreased 46% and 25% in the second quarter and first six months of 2020, respectively, compared to the same periods in 2019.

- Materials and other expense decreased 27% in the second quarter of 2020 and 25% in the first six months of 2020 compared to the same periods in 2019. The decrease was primarily a result of lower volume-related costs, the effects of cost controls and lower personal injury expense.
- There were no significant changes in depreciation and amortization, equipment rents and interest expense.

Operating Expenses (in millions)	Q2 - 2020	Q2 - 2019	Q/Q % Change	2020 YTD	2019 YTD	Y/Y % Change
Compensation and benefits	\$ 993	\$ 1,334	(26)%	\$ 2,237	\$ 2,734	(18)%
Depreciation and amortization	612	595	3 %	1,227	1,186	3 %
Purchased services	560	687	(18)%	1,226	1,400	(12)%
Fuel	327	775	(58)%	941	1,486	(37)%
Equipment rents	154	187	(18)%	319	378	(16)%
Materials and other	226	308	(27)%	516	685	(25)%
Total Operating Expenses	\$ 2,872	\$ 3,886	(26)%	\$ 6,466	\$ 7,869	(18)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2020.

Capital Commitments

BNSF has lowered its capital commitments plan for 2020 to \$3.1 billion, or \$300 million lower than previously announced, given lower volumes being experienced due to the COVID-19 pandemic and productivity improvements. This new level of capital will have a continued emphasis on maintenance and expansion required to continue operating a safe, reliable and efficient network that meets customer demands.