



**BNSF RAILWAY COMPANY**  
**Consolidated Financial Statements**  
**for the period ended September 30, 2022**

**BNSF RAILWAY COMPANY and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In millions)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	\$ 6,530	\$ 5,591	\$ 18,760	\$ 16,420
Operating expenses:				
Compensation and benefits	1,480	1,167	3,916	3,476
Fuel	1,272	705	3,409	1,948
Depreciation and amortization	633	608	1,874	1,831
Purchased services	539	518	1,565	1,550
Equipment rents	180	170	544	507
Materials and other	309	151	917	727
Total operating expenses	4,413	3,319	12,225	10,039
Operating income	2,117	2,272	6,535	6,381
Interest expense	1	5	8	22
Interest income, related parties	(364)	(112)	(671)	(318)
Other (income) expense, net	(23)	(24)	(70)	(73)
Income before income taxes	2,503	2,403	7,268	6,750
Income tax expense	589	583	1,709	1,627
Net income	\$ 1,914	\$ 1,820	\$ 5,559	\$ 5,123

See accompanying Notes to Consolidated Financial Statements.

**BNSF RAILWAY COMPANY and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In millions)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	\$ 1,914	\$ 1,820	\$ 5,559	\$ 5,123
Other comprehensive income:				
Change in pension and retiree health and welfare benefits, net of tax	1	1	3	3
Change in accumulated other comprehensive income (loss) of equity method investees	5	—	11	—
Other comprehensive income (loss), net of tax	6	1	14	3
Total comprehensive income	\$ 1,920	\$ 1,821	\$ 5,573	\$ 5,126

See accompanying Notes to Consolidated Financial Statements.

**BNSF RAILWAY COMPANY and SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions)  
(Unaudited)

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 422	\$ 513
Accounts receivable, net	2,320	1,688
Materials and supplies	997	864
Other current assets	178	158
Total current assets	3,917	3,223
Property and equipment, net of accumulated depreciation of \$17,466 and \$14,920, respectively	66,208	65,418
Goodwill	14,803	14,803
Operating lease right-of-use assets	1,341	1,560
Other assets	5,315	5,379
Total assets	\$ 91,584	\$ 90,383
<b>Liabilities and Stockholder's Equity</b>		
Current liabilities:		
Accounts payable and other current liabilities	\$ 4,524	\$ 3,731
Long-term debt and finance leases due within one year	55	332
Total current liabilities	4,579	4,063
Deferred income taxes	15,274	15,212
Operating lease liabilities	748	988
Long-term debt and finance leases	604	629
Casualty and environmental liabilities	434	459
Pension and retiree health and welfare liability	278	291
Other liabilities	948	972
Total liabilities	22,865	22,614
Commitments and contingencies (see Note 5)		
Stockholder's equity:		
Common stock, \$1 par value, 1,000 shares authorized; issued and outstanding and paid-in capital	42,920	42,920
Retained earnings	71,586	66,027
Intercompany notes receivable	(46,154)	(41,531)
Accumulated other comprehensive income (loss)	367	353
Total stockholder's equity	68,719	67,769
Total liabilities and stockholder's equity	\$ 91,584	\$ 90,383

See accompanying Notes to Consolidated Financial Statements.

**BNSF RAILWAY COMPANY and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
<b>Operating Activities</b>		
Net income	\$ 5,559	\$ 5,123
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,874	1,831
Deferred income taxes	61	228
Long-term casualty and environmental liabilities, net	(20)	19
Other, net	(134)	(252)
Changes in current assets and liabilities:		
Accounts receivable, net	(632)	(247)
Materials and supplies	(133)	(83)
Other current assets	38	(15)
Accounts payable and other current liabilities	674	154
Net cash provided by operating activities	7,287	6,758
<b>Investing Activities</b>		
Capital expenditures excluding equipment	(2,415)	(2,021)
Acquisition of equipment	(66)	(106)
Purchases of investments and investments in time deposits	(23)	—
Proceeds from sales of investments and maturities of time deposits	—	1
Other, net	56	(8)
Net cash used in investing activities	(2,448)	(2,134)
<b>Financing Activities</b>		
Payments on long-term debt and finance leases	(307)	(188)
Net increase in intercompany notes receivable classified as equity	(4,623)	(4,387)
Net cash used in financing activities	(4,930)	(4,575)
Increase (decrease) in cash and cash equivalents	(91)	49
Cash and cash equivalents:		
Beginning of period	513	552
End of period	\$ 422	\$ 601
<b>Supplemental Cash Flow Information</b>		
Interest paid, net of amounts capitalized	\$ 18	\$ 20
Capital investments accrued but not yet paid	\$ 293	\$ 193
Income taxes paid, net of refunds	\$ 1,442	\$ 1,436
Non-cash asset financing	\$ 7	\$ 12

See accompanying Notes to Consolidated Financial Statements.

**BNSF RAILWAY COMPANY and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
(In millions)  
(Unaudited)

	Common Stock and Paid-in Capital	Retained Earnings	Intercompany Notes Receivable	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance as of December 31, 2020	\$ 42,920	\$ 58,921	\$ (37,053)	\$ 98	\$ 64,886
Change in intercompany notes receivable	—	—	(1,198)	—	(1,198)
Comprehensive income (loss), net of tax	—	1,520	—	1	1,521
Balance as of March 31, 2021	42,920	60,441	(38,251)	99	65,209
Change in intercompany notes receivable	—	—	(1,474)	—	(1,474)
Comprehensive income (loss), net of tax	—	1,783	—	1	1,784
Balance as of June 30, 2021	42,920	62,224	(39,725)	100	65,519
Change in intercompany notes receivable	—	—	(1,715)	—	(1,715)
Comprehensive income (loss), net of tax	—	1,820	—	1	1,821
Balance as of September 30, 2021	\$ 42,920	\$ 64,044	\$ (41,440)	\$ 101	\$ 65,625
	Common Stock and Paid-in Capital	Retained Earnings	Intercompany Notes Receivable	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance as of December 31, 2021	\$ 42,920	\$ 66,027	\$ (41,531)	\$ 353	\$ 67,769
Change in intercompany notes receivable	—	—	(1,240)	—	(1,240)
Comprehensive income (loss), net of tax	—	1,653	—	5	1,658
Balance as of March 31, 2022	42,920	67,680	(42,771)	358	68,187
Change in intercompany notes receivable	—	—	(1,638)	—	(1,638)
Comprehensive income (loss), net of tax	—	1,992	—	3	1,995
Balance as of June 30, 2022	42,920	69,672	(44,409)	361	68,544
Change in intercompany notes receivable	—	—	(1,745)	—	(1,745)
Comprehensive income (loss), net of tax	—	1,914	—	6	1,920
Balance as of September 30, 2022	\$ 42,920	\$ 71,586	\$ (46,154)	\$ 367	\$ 68,719

See accompanying Notes to Consolidated Financial Statements.

# BNSF RAILWAY COMPANY and SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

### 1. Accounting Policies and Interim Results

The Consolidated Financial Statements should be read in conjunction with BNSF Railway Company's Consolidated Financial Statements for the year ended December 31, 2021, including the financial statements and notes thereto. The Consolidated Financial Statements include the accounts of BNSF Railway Company and its majority-owned subsidiaries, all of which are separate legal entities (collectively, BNSF Railway or the Company). BNSF Railway is a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC (BNSF), and is the principal operating subsidiary of BNSF. All intercompany accounts and transactions have been eliminated.

On February 12, 2010, Berkshire Hathaway Inc., a Delaware corporation (Berkshire), acquired 100 percent of the outstanding shares of Burlington Northern Santa Fe Corporation common stock that it did not already own. The acquisition was completed through the merger of a Berkshire wholly-owned merger subsidiary and Burlington Northern Santa Fe Corporation with the surviving entity renamed Burlington Northern Santa Fe, LLC. Earnings per share data is not presented because BNSF Railway has only one holder of its common stock.

The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the entire year. In the opinion of management, the unaudited financial statements reflect all adjustments (consisting of only normal recurring adjustments, except as disclosed) necessary for the fair statement of BNSF Railway's consolidated financial position as of September 30, 2022, and the results of operations for the three and nine months ended September 30, 2022 and 2021 in accordance with generally accepted accounting principles in the United States.

### 2. Revenue from Contracts with Customers

The Company disaggregates revenue from contracts with customers based on the characteristics of the services provided and the types of products transported (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Consumer Products	\$ 2,418	\$ 2,097	\$ 6,951	\$ 6,070
Agricultural Products	1,336	1,063	4,081	3,643
Industrial Products	1,468	1,371	4,223	3,949
Coal	1,101	867	2,989	2,320
Total freight revenues	6,323	5,398	18,244	15,982
Accessorial and other	207	193	516	438
Total operating revenues	\$ 6,530	\$ 5,591	\$ 18,760	\$ 16,420

Contract assets and liabilities are immaterial. Receivables from contracts with customers is a component of accounts receivable, net on the Consolidated Balance Sheets. As of September 30, 2022 and December 31, 2021, \$1.2 billion and \$1.0 billion, respectively, represented net receivables from contracts with customers.

Remaining performance obligations primarily consist of in-transit freight revenues, which will be recognized in the next reporting period. As of September 30, 2022 and December 31, 2021, remaining performance obligations were \$298 million and \$272 million, respectively.

### 3. Accounts Receivable, Net

Accounts receivable, net consists of freight and other receivables, reduced by an allowance for credit losses which is based upon expected collectability. As of September 30, 2022 and December 31, 2021, \$31 million and \$38 million, respectively, of such allowances had been recorded.

**BNSF RAILWAY COMPANY and SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)**

**4. Debt**

**Fair Value of Debt Instruments**

As of September 30, 2022 and December 31, 2021, the fair value of BNSF Railway’s debt, excluding finance leases, was \$516 million and \$903 million, respectively, while the book value, which also excludes finance leases, was \$537 million and \$822 million, respectively. The fair value of BNSF Railway’s debt is primarily based on market value price models using observable market-based data for the same or similar issues, or on the estimated rates that would be offered to BNSF Railway for debt of the same remaining maturities (Level 2 inputs).

**5. Commitments and Contingencies**

**Personal Injury**

BNSF Railway’s personal injury liability includes the cost of claims for employee work-related injuries, third-party claims, and asbestos claims. BNSF Railway records a liability for asserted and unasserted claims when the expected loss is both probable and reasonably estimable. Because of the uncertainty of the timing of future payments, the liability is undiscounted. Defense and processing costs, which are recorded on an as-reported basis, are not included in the recorded liability. Expense accruals and adjustments are classified as materials and other in the Consolidated Statements of Income.

Personal injury claims by BNSF Railway employees are subject to the provisions of the Federal Employers’ Liability Act (FELA) rather than state workers’ compensation laws. Resolution of these cases under the FELA’s fault-based system requires either a finding of fault by a jury or an out of court settlement. Third-party claims include claims by non-employees for compensatory damages and may, from time to time, include requests for punitive damages or treatment of the claim as a class action.

BNSF Railway estimates its personal injury liability claims and expense using standard actuarial methodologies based on the covered population, activity levels and trends in frequency, and the costs of covered injuries. The Company monitors actual experience against the forecasted number of claims to be received, the forecasted number of claims closing with payment, and expected claim payments and records adjustments as new events or changes in estimates develop.

BNSF Railway is party to asbestos claims by employees and non-employees who may have been exposed to asbestos. Because of the relatively finite exposed population, the Company has recorded an estimate for the full amount of probable exposure. This is determined through an actuarial analysis based on estimates of the exposed population, the number of claims likely to be filed, the number of claims that will likely require payment, and the cost per claim. Estimated filing and dismissal rates and average cost per claim are determined utilizing recent claim data and trends.

The following table summarizes the activity in the Company’s accrued obligations for personal injury claims (in millions):

	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 328	\$ 296
Accruals / changes in estimates	46	55
Payments	(66)	(27)
Ending balance	\$ 308	\$ 324
Current portion of ending balance	\$ 90	\$ 80

The amount recorded by the Company for the personal injury liability is based upon the best information currently available. Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to resolve these claims may be different from the recorded amounts. The Company estimates that costs to resolve the liability may range from approximately \$260 million to \$375 million.



**BNSF RAILWAY COMPANY and SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)**

Although the final outcome of these personal injury matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

**Environmental**

BNSF Railway is subject to extensive federal, state, and local environmental regulation. The Company’s operating procedures include practices to protect the environment from the risks inherent in railroad operations, which frequently involve transporting chemicals and other hazardous materials. Additionally, many of BNSF Railway’s land holdings are or have been used for industrial or transportation-related purposes or leased to commercial or industrial companies whose activities may have resulted in discharges onto the property. Under federal (in particular, the Comprehensive Environmental Response, Compensation, and Liability Act) and state statutes, the Company may be held jointly and severally liable for cleanup and enforcement costs associated with a particular site without regard to fault or the legality of the original conduct. The Company participates in the study, cleanup, or both of environmental contamination at approximately 185 sites.

Environmental costs may include, but are not limited to, site investigations, remediation, and restoration. The liability is recorded when the expected loss is both probable and reasonably estimable and is undiscounted due to uncertainty of the timing of future payments. Expense accruals and adjustments are classified as materials and other in the Consolidated Statements of Income.

BNSF Railway estimates the cost of cleanup efforts at its known environmental sites based on experience gained from cleanup efforts at similar sites, estimated percentage to closure ratios, possible remediation work plans, estimates of the costs and likelihood of each possible outcome, historical payment patterns, and benchmark patterns developed from data accumulated from industry and public sources. The Company monitors actual experience against expectations and records adjustments as new events or changes in estimates develop.

The following table summarizes the activity in the Company’s accrued obligations for environmental costs (in millions):

	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 251	\$ 265
Accruals / changes in estimates	13	4
Payments	(13)	(13)
Ending balance	\$ 251	\$ 256
Current portion of ending balance	\$ 35	\$ 35

The amount recorded by the Company for the environmental liability is based upon the best information currently available. It has not been reduced by anticipated recoveries from third parties and includes both asserted and unasserted claims. BNSF Railway’s total cleanup costs at these sites cannot be predicted with certainty due to various factors, such as the extent of corrective actions that may be required, evolving environmental laws and regulations, advances in environmental technology, the extent of other parties’ participation in cleanup efforts, developments in ongoing environmental analyses related to sites determined to be contaminated, and developments in environmental surveys and studies of contaminated sites. Because of the uncertainty surrounding various factors, it is reasonably possible that future costs to settle these claims may be different from the recorded amounts. The Company estimates that costs to settle the liability may range from approximately \$215 million to \$315 million.

Although the final outcome of these environmental matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

**BNSF RAILWAY COMPANY and SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)**

**Other Claims and Litigation**

In addition to personal injury and environmental matters, BNSF Railway and its subsidiaries are also parties to a number of other legal actions and claims, governmental proceedings, and private civil suits arising in the ordinary course of business, including those related to disputes and complaints involving certain transportation rates and charges. Some of the legal proceedings include claims for compensatory damages and may, from time to time, include requests for punitive damages or treatment of the claim as a class action. Although the final outcome of these matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

On April 4, 2019, a class action complaint was filed against BNSF Railway alleging that BNSF obtained biometric identifiers from third-party truck drivers using the auto-gate system at BNSF's facilities within the State of Illinois without obtaining their informed written consent in violation of the Illinois Biometric Information Privacy Act (BIPA). On October 12, 2022, a judgement was entered against BNSF in the amount of \$228 million. Decisions by the Illinois Supreme Court are pending in other cases that are expected to provide binding guidance on the interpretation of BIPA that may significantly impact issues relevant to BNSF's case. BNSF is evaluating options and expects to appeal the judgement entered against the Company. While the ultimate resolution of this matter is subject to further developments, the Company does not believe that the outcome will have a material adverse effect on its financial position, results of operations or liquidity.

**6. Employment Benefit Plans**

BNSF provides a funded, noncontributory qualified pension plan (BNSF Retirement Plan), which covered most non-union employees through March 31, 2019, and an unfunded non-tax-qualified pension plan (BNSF Supplemental Retirement Plan), which covered certain officers and other employees through March 31, 2019. The benefits under these pension plans are based on years of credited service and the highest consecutive sixty months of compensation for the last ten years of salaried employment with the Company. In 2019, the Company amended the BNSF Retirement Plan and the BNSF Supplemental Retirement Plan. Non-union employees hired on or after April 1, 2019 are not eligible to participate in these retirement plans and instead receive an additional employer contribution as part of the qualified 401(k) plan based on the employees' age and years of service. Current plan participants are being transitioned away from the retirement plans and upon transition are eligible for the additional employer contribution.

BNSF Railway also provides a funded, noncontributory qualified pension plan which covers certain union employees of the former The Atchison, Topeka and Santa Fe Railway Company (Union Plan). The benefits under this pension plan are based on elections made at the time the plan was implemented.

With respect to the funded plans, the Company's funding policy is to contribute annually not less than the regulatory minimum and not more than the maximum amount deductible for income tax purposes. The BNSF Retirement Plan, the BNSF Supplemental Retirement Plan, and the Union Plan are collectively referred to herein as the Pension Plans.

Components of the net (benefit) cost for the Pension Plans were as follows (in millions):

	<b>Pension Benefits</b>			
	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Service cost	\$ 4	\$ 7	\$ 13	\$ 19
Interest cost	15	14	46	42
Expected return on plan assets	(45)	(44)	(135)	(132)
Amortization of net loss	1	1	2	2
Net (benefit) cost recognized	<b>\$ (25)</b>	<b>\$ (22)</b>	<b>\$ (74)</b>	<b>\$ (69)</b>

Service cost is included in compensation and benefits expense and the other components of net periodic benefit costs are included in other (income) expense, net in the Consolidated Statements of Income.

**BNSF RAILWAY COMPANY and SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)**

**7. Related Party Transactions**

BNSF Railway is involved with BNSF and certain of its subsidiaries in related party transactions in the ordinary course of business, which include payments made on each other's behalf and performance of services. Under the terms of a tax allocation agreement with BNSF, BNSF Railway made federal and state income tax payments, net of refunds, of \$1.4 billion during both of the nine-month periods ended September 30, 2022 and 2021, which are reflected in changes in current assets and liabilities in the Consolidated Statements of Cash Flows. As of September 30, 2022 and December 31, 2021, BNSF Railway had a tax payable to BNSF of \$533 million and \$377 million, respectively.

North American railroads pay TTX Company (TTX) car hire to use TTX's freight equipment to serve their customers. BNSF Railway owns 17.3 percent of TTX while other North American railroads own the remaining interest. As the Company possesses the ability to exercise significant influence, but not control, over the operating and financial policies of TTX, BNSF Railway applies the equity method of accounting to its investment. The investment in TTX is recorded in other assets in the Consolidated Balance Sheets, and equity income or losses are recorded in materials and other in the Consolidated Statements of Income. The Company's investment in TTX was \$793 million and \$749 million as of September 30, 2022 and December 31, 2021, respectively. The Company incurred car hire expenditures with TTX of \$311 million and \$295 million for the nine-month periods ended September 30, 2022 and 2021, respectively.

**8. Accumulated Other Comprehensive Income**

Other comprehensive income refers to revenues, expenses, gains, and losses that under generally accepted accounting principles are included in accumulated other comprehensive income, a component of equity within the Consolidated Balance Sheets, rather than net income on the Consolidated Statements of Income. Under existing accounting standards, other comprehensive income may include, among other things, unrecognized gains and losses and prior service credit related to pension and other postretirement benefit plans.

The following table provides the components of accumulated other comprehensive income (loss) (AOCI) by component (in millions):

	<b>Pension and Retiree Health and Welfare Benefit Items</b>	<b>Equity Method Investments</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>
Balance as of December 31, 2020	\$ 101	\$ (3)	\$ 98
Other comprehensive income (loss), net before reclassifications	—	—	—
Amounts reclassified from AOCI:			
Amortization of actuarial losses <sup>a</sup>	4	—	4
Tax expense (benefit)	(1)	—	(1)
Balance as of September 30, 2021	\$ 104	\$ (3)	\$ 101
Balance as of December 31, 2021	\$ 356	\$ (3)	\$ 353
Other comprehensive income (loss), net before reclassifications	—	11	11
Amounts reclassified from AOCI:			
Amortization of actuarial losses <sup>a</sup>	4	—	4
Tax expense (benefit)	(1)	—	(1)
Balance as of September 30, 2022	\$ 359	\$ 8	\$ 367

<sup>a</sup> This accumulated other comprehensive income component is included in the computation of net periodic pension and retiree health and welfare costs (see Note 6 for additional details on pension costs).

**BNSF RAILWAY COMPANY and SUBSIDIARIES**

**Certification by Vice President**

With respect to the quarterly financial statements and related footnotes of BNSF Railway Company (the Company) for the period ended September 30, 2022, the undersigned, Candace I. Palmarozzi, Vice President and Controller of the Company, hereby certifies that, to her knowledge as of the date hereof, the information contained in such attached financial statements and related footnotes fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2022

/s/ Candace I. Palmarozzi

Candace I. Palmarozzi  
Vice President and Controller