

BNSF's First-Quarter 2019 Financial Performance: Volumes, Revenues and Expenses

Statement of Income (in millions)	Q1 - 2019	Q1 - 2018	Q/Q % Change
Total revenues	\$ 5,762	\$ 5,624	2%
Operating expenses	3,983	3,877	3%
Operating income	1,779	1,747	2%
Other (income) expense, Interest expense and Income tax expense	526	602	(13)%
Net income	\$ 1,253	\$ 1,145	9%
Operating ratio (a)	68.1%	67.9%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2019.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

First quarter 2019 operating income was \$1.8 billion, an increase of \$32 million (2%), compared to the same period in 2018. Total revenues for the first quarter of 2019 were up 2%, compared with the same period in 2018 primarily due to an 8% increase in average revenue per car/unit, as a result of increased rates per car/unit, a favorable outcome of an arbitration hearing, and higher fuel surcharges.

This increase was partially offset by a 5% decrease in unit volume due to severe winter weather and flooding on parts of the network, as well as the following individual business unit drivers:

- Consumer Products volumes decreased 6% for the first quarter of 2019 compared with the same period in 2018 primarily due to lower intermodal volumes, which were driven by lower international intermodal market share, increased truck competition, and the aforementioned challenging weather conditions.
- Industrial Products volumes increased 1% for the first quarter of 2019 compared with the same period in 2018 primarily due to strength in the energy and industrial sectors, which drove higher demand for petroleum products, liquefied petroleum gas, and aggregates. This increase was partially offset by lower sand and taconite volumes as well as the aforementioned challenging weather conditions.
- Agricultural Products volumes decreased 7% for the first quarter of 2019 compared with the same period in 2018 primarily due to the aforementioned challenging weather conditions, partially offset by higher soybean exports.
- Coal volumes decreased 10% for the first quarter of 2019 compared with the same period in 2018 primarily due to the aforementioned challenging weather conditions, partially offset by higher market share.

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

Business Unit	Q1 - 2019	Q1 - 2018	Q/Q % Change
Revenues (in millions)			
Consumer Products	\$ 2,002	\$ 1,860	8 %
Industrial Products	1,472	1,358	8 %
Agricultural Products	1,113	1,152	(3)%
Coal	869	948	(8)%
Total Freight Revenues	\$ 5,456	\$ 5,318	3 %
Other Revenues	306	306	— %
Total Operating Revenues	\$ 5,762	\$ 5,624	2 %
Volumes (in thousands)			
Consumer Products	1,301	1,379	(6)%
Industrial Products	471	465	1 %
Agricultural Products	276	298	(7)%
Coal	416	464	(10)%
Total Volumes	2,464	2,606	(5)%
Average Revenue per Car/Unit			
Consumer Products	\$ 1,539	\$ 1,349	14 %
Industrial Products	3,125	2,920	7 %
Agricultural Products	4,033	3,866	4 %
Coal	2,089	2,043	2 %
Total Freight Revenues per Car/Unit	\$ 2,214	\$ 2,041	8 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2019.

Expenses

Operating expenses for the first quarter of 2019 were up 3%, compared with the same period in 2018. A significant portion of this increase is due to the following changes in expenses, which include increased costs related to severe winter weather and flooding offset by lower volume-related costs:

- Compensation and benefits expense increased 6% in the first quarter of 2019 primarily due to wage inflation and higher employee counts and related training costs.
- Fuel expense was down 7% in the first quarter of 2019, compared with the same period in 2018. The decrease was primarily due to lower average fuel prices and lower volumes, partially offset by unfavorable efficiency. Locomotive fuel price per gallon decreased 5% for the first quarter of 2019 to \$1.97.
- Materials and other expense increased 11% in the first quarter of 2019 primarily as a result of higher personal injury expenses and casualty-related costs.
- There were no significant changes in purchased services, depreciation and amortization, equipment rents, and interest expense.

- Other (income) expense, net increased due to a curtailment gain related to a first quarter 2019 amendment to the Company's retirement plans.

Operating Expenses (in millions)	Q1 - 2019	Q1 - 2018	Q/Q % Change
Compensation and benefits	\$ 1,400	\$ 1,315	6 %
Purchased services	713	692	3 %
Fuel	711	767	(7)%
Depreciation and amortization	591	571	4 %
Equipment rents	191	192	(1)%
Materials and other	377	340	11 %
Total Operating Expenses	\$ 3,983	\$ 3,877	3 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2019.

Capital Activities

BNSF's capital commitments plan for 2019 is \$3.57 billion, with a continued emphasis on maintaining and expanding its network to operate a safe and reliable network that meets customer demands. Like last year's plan, the largest component of the plan will be to replace and maintain BNSF's core network and related assets with a focus on a commitment to safety, maximizing efficiency and continuing to meet customers' expectations.