

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

Statement of Income (in millions)	Q1 - 2020	Q1 - 2019	Q/Q % Change
Total revenues	\$ 5,417	\$ 5,762	(6)%
Operating expenses	3,594	3,983	(10)%
Operating income	1,823	1,779	2 %
Other (income) expense, Interest expense and Income tax expense	633	526	20 %
Net income	\$ 1,190	\$ 1,253	(5)%
Operating ratio (a)	65.2%	68.1%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-Q for the period ended March 31, 2020.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

First quarter of 2020 operating income was \$1,823 million, an increase of \$44 million or 2.5% compared to the same period in 2019. Total revenues for the first quarter of 2020 decreased 6% compared with the same period in 2019. The decrease in revenue is primarily due to a 5% decrease in unit volume and a 1% decrease in average revenue per car / unit driven by a one-time favorable outcome of an arbitration hearing recognized in the first quarter of 2019, in addition to lower fuel surcharges. First quarter volumes were impacted by the following:

- Consumer Products volumes decreased 7% for the first quarter of 2020 compared with the same period in 2019 primarily due to lower international intermodal volumes as the COVID-19 pandemic contributed to lower U.S. West Coast imports. Volumes further decelerated late in the quarter in the domestic intermodal and automotive segments as the COVID-19 pandemic's impact to U.S. consumers intensified.
- Industrial Products volumes decreased 2% for the first quarter of 2020 compared with the same period in 2019. These changes were primarily due to lower sand volumes driven by increased competition from in-basin sand and due to lower liquefied petroleum gas volume attributable to increased pipeline takeaway capacity. These decreases were partially offset by higher demand for petroleum products.
- Agricultural Products volumes increased 3% for the first quarter of 2020 compared with the same period in 2019, primarily due to higher domestic grain and soybean meal shipments, partially offset by lower grain exports.
- Coal volumes decreased 8% for the first quarter of 2020 compared with the same period in 2019. These changes were primarily due to low natural gas prices, mild winter weather, and plant retirements.

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

Business Unit	Q1 - 2020	Q1 - 2019	Q/Q % Change
Revenues (in millions)			
Consumer Products	\$ 1,765	\$ 2,002	(12)%
Industrial Products	1,465	1,472	— %
Agricultural Products	1,144	1,113	3 %
Coal	766	869	(12)%
Total Freight Revenues	\$ 5,140	\$ 5,456	(6)%

Other Revenues	277	306	(9)%
Total Operating Revenues	\$ 5,417	\$ 5,762	(6)%
Volumes (in thousands)			
Consumer Products	1,207	1,301	(7)%
Industrial Products	460	471	(2)%
Agricultural Products	285	276	3 %
Coal	384	416	(8)%
Total Volumes	2,336	2,464	(5)%
Average Revenue per Car/Unit			
Consumer Products	\$ 1,462	\$ 1,539	(5)%
Industrial Products	3,185	3,125	2 %
Agricultural Products	4,014	4,033	— %
Coal	1,995	2,089	(4)%
Total Freight Revenues per Car/Unit	\$ 2,200	\$ 2,214	(1)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2020.

Expenses

Operating expenses for the first quarter of 2020 were \$3,594 million, a decrease of \$389 million or 10% compared with the same period in 2019. The decrease in expenses is primarily due to lower volume-related costs, productivity improvements, and lower costs related to improved weather conditions compared to the first quarter of 2019, including the following changes in expenses:

- Compensation and benefits expense decreased 11% in the first quarter of 2020 compared to the same period in 2019. The decrease was primarily due to lower employee counts associated with lower volume and improved productivity.
- Purchased services expense decreased 7% in the first quarter of 2020 compared to the same period in 2019 due to flood insurance recoveries related to the 2019 flooding.
- Fuel expense decreased 14% in the first quarter of 2020 compared to the same period in 2019. The decrease was primarily due to improved efficiency, lower volumes, and lower average fuel prices. Locomotive fuel price per gallon decreased 4% in the first quarter of 2020 compared to the same period in 2019.
- Materials and other expense decreased 23% in the first quarter of 2020 compared to the same period in 2019. The decrease was primarily a result of lower volume-related costs, personal injury expense, casualty-related costs, miscellaneous taxes, and cost controls.
- There were no significant changes in depreciation and amortization, equipment rents expense and interest expense.

Operating Expenses (in millions)	Q1 - 2020	Q1 - 2019	Q/Q % Change
Compensation and benefits	\$ 1,244	\$ 1,400	(11)%
Purchased services	666	713	(7)%
Depreciation and amortization	615	591	4 %

Fuel	614	711	(14)%
Equipment rents	165	191	(14)%
Materials and other	290	377	(23)%
Total Operating Expenses	\$ 3,594	\$ 3,983	(10)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended March 31, 2020.