

Overview of BNSF's Second-Quarter Financial Performance

Update on BNSF's volumes, revenues and expenses through June 2011

Statement of Income (in millions)	Q2 – 2011	Q2 – 2010	Q/Q % Change	YTD – 2011	YTD – 2010	Y/Y % Change
Total revenues	\$4,790	\$4,094	17%	\$9,323	\$7,958	17%
Operating expenses	3,581	3,008	19%	7,010	5,882	19%
Operating income	1,209	1,086	11%	2,313	2,076	11%
Net income	\$690	\$603	14%	\$1,297	\$1,109	17%
Operating ratio (a)	74.4%	73.1%		74.9%	73.5%	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2011. Note: 2010 year-to-date (YTD) amounts are derived by combining Predecessor and Successor periods. (a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Total revenues for the second-quarter 2011 and six months ended June 30, 2011, were up 17 percent compared with the same periods in 2010. This increase was primarily due to increased volumes, higher fuel surcharges driven by increased fuel prices, and improved yields.

BNSF's units were up 4 percent for the second quarter 2011 and 6 percent for the six months ended June 30, 2011 compared with the same periods in 2010. To put this in perspective, BNSF reached its all-time peak in the fall of 2006 with weekly volumes of 219,000 units. During the recession, BNSF had a full-week low of 152,000 in spring 2009. The post recessionary period peak was 194,000 units in mid-October 2010. So far in 2011, BNSF reported its highest weekly volumes of 189,000 for the week ending April 2, 2011.

Below are some 2011 volume highlights:

- Agricultural Products volumes were up 9 percent in the second quarter and 6 percent in the first half of 2011 compared with the same periods in 2010, primarily due to increased export wheat shipments.
- Industrial Products volumes increased 2 percent in the second quarter and 8 percent in the first half of 2011 compared with the same periods in 2010, primarily due to increased demand in construction products, reflecting increased steel and sand shipments.
- Coal volumes decreased 8 percent in the second quarter and 3 percent in the first half of 2011 compared with the same periods in 2010, partially resulting from the impacts of severe flooding on key coal routes.
- Consumer Products volumes were up 10 percent in second quarter and 11 percent in the first half of 2011 compared with the same periods in 2010, for international and domestic intermodal as a result of increased consumer spending and tightening truck capacity, partially offset by decreased automotive unit volumes as a result of the crisis in Japan.

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

Business Unit	Q2 – 2011	Q2 – 2010	Q/Q % Change	YTD – 2011	YTD – 2010	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$1,499	\$1,227	22%	\$2,827	\$2,319	22%
Coal	1,198	1,057	13%	2,412	2,045	18%
Industrial Products	1,022	903	13%	1,936	1,677	15%
Agricultural Products	<u>926</u>	<u>782</u>	<u>18%</u>	<u>1,875</u>	<u>1,670</u>	<u>12%</u>
Total Freight Revenues	<u>\$4,645</u>	<u>\$3,969</u>	<u>17%</u>	<u>\$9,050</u>	<u>\$7,711</u>	<u>17%</u>
Other Revenues	145	125	16%	273	247	11%
Total Operating Revenues	<u>\$4,790</u>	<u>\$4,094</u>	<u>17%</u>	<u>\$9,323</u>	<u>\$7,958</u>	<u>17%</u>
Volumes (in thousands)						
Consumer Products	1,148	1,046	10%	2,214	2,001	11%
Coal	541	590	-8%	1,124	1,159	-3%
Industrial Products	374	368	2%	726	674	8%
Agricultural Products	<u>267</u>	<u>244</u>	<u>9%</u>	<u>543</u>	<u>513</u>	<u>6%</u>
Total Volumes	<u>2,330</u>	<u>2,248</u>	<u>4%</u>	<u>4,607</u>	<u>4,347</u>	<u>6%</u>
Average Revenue per Car/Unit						
Consumer Products	\$1,306	\$1,173	11%	\$1,277	\$1,159	10%
Coal	2,214	1,792	24%	2,146	1,764	22%
Industrial Products	2,733	2,454	11%	2,667	2,488	7%
Agricultural Products	<u>3,468</u>	<u>3,205</u>	<u>8%</u>	<u>3,453</u>	<u>3,255</u>	<u>6%</u>
Total Freight Revenues	<u>\$1,994</u>	<u>\$1,766</u>	<u>13%</u>	<u>\$1,964</u>	<u>\$1,774</u>	<u>11%</u>

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-Q for the periods ended June 30, 2011 and March 31, 2011. Note: 2010 YTD amounts are derived by combining Predecessor and Successor periods. Second-quarter amounts are calculated as the difference between the YTD June and YTD March amounts.

Expenses

Increasing diesel fuel price accounted for approximately 50 percent of the increase in total expenses for the second quarter and first half of 2011. Excluding fuel price, expenses were up approximately 10 percent primarily due to increased volumes and inflation, as well as the impact of the severe weather conditions which impacted efficiency.

- Compensation and benefits increased \$99 million for the second quarter and \$202 million for the first half of 2011 as a result of increased business levels, wage and health and welfare inflation, training and weather-related costs.
- Fuel expense was up approximately 43 percent in the second quarter and first half of 2011 compared with the same periods in 2010. Fuel price (including hedge) accounted for about 90 percent of the fuel expense increase. The remainder of the increase in fuel expense was driven by increased volumes and severe weather conditions which impacted efficiency. Locomotive fuel price per gallon for the second quarter 2011 and 2010 was \$3.22 and \$2.33, respectively and was \$2.96 and \$2.18 for the first half of 2011 and 2010, respectively.
- Purchased services, which includes expenses like maintenance contracts and professional services, increased 7 percent for the second quarter and 5 percent for the first half of 2011 due to increased volume-related costs and weather impacts. First quarter 2010 also includes \$62 million of costs related to the Berkshire Hathaway transaction.

- Materials and other expenses increased \$86 million for the second quarter and \$220 million for the first half of 2011. The first quarter of 2010 included a \$74 million gain from the sale of a line segment in the State of Washington. Additionally, second quarter and the first half of 2011 include higher volume-related costs such as locomotive and freight car material costs, employee relocation and crew transportation costs, and higher personal injury and casualty costs.

Operating Expenses (in millions)	Q2 – 2011	Q2 – 2010	Q/Q % Change	YTD – 2011	YTD – 2010	Y/Y % Change
Compensation and benefits	\$1,072	\$973	10%	\$2,147	\$1,945	10%
Fuel	1,096	762	44%	2,035	1,421	43%
Purchased services	549	515	7%	1,096	1,044	5%
Depreciation and amortization	450	434	4%	896	853	5%
Equipment rents	191	187	2%	383	386	-1%
Materials and other	<u>223</u>	<u>137</u>	<u>63%</u>	<u>453</u>	<u>233</u>	<u>94%</u>
Total Operating Expenses	<u>\$3,581</u>	<u>\$3,008</u>	<u>19%</u>	<u>\$7,010</u>	<u>\$5,882</u>	<u>19%</u>

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2011. Note: 2010 YTD amounts are derived by combining Predecessor and Successor periods.

Capital Activities

BNSF continues to invest heavily in maintaining and renewing its network to provide safe, reliable service to its customers. We anticipate increasing our capital commitments by \$300 million, bringing our total 2011 forecast to approximately \$3.8 billion compared with \$2.7 billion in 2010. The \$300 million increase in the 2011 capital commitment forecast is due to increased capital projects resulting from severe flooding conditions on our network and acceleration of other projects that will utilize economic stimulus incentives, which provide favorable tax treatment.

We will spend about \$2 billion in capital this year on maintaining our core network and related assets. In addition, we will continue investing in our locomotive and rail car fleet, as well as in projects to expand and improve the efficiency of our infrastructure. We also plan to spend about \$300 million this year as we continue installing positive train control in response to a federal mandate.