

# BNSF's Fourth Quarter 2022 Financial Performance: Volumes, Revenues and Expenses

Statement of Income (in millions)	Q4 - 2022	Q4 - 2021	Q/Q % Change	2022 YTD	2021 YTD	Y/Y % Change
<b>Total revenues</b>	\$ 6,587	\$ 6,282	5 %	\$ 25,888	\$ 23,282	11 %
<b>Operating expenses</b>	4,515	3,853	17 %	17,288	14,484	19 %
<b>Operating income</b>	2,072	2,429	(15)%	8,600	8,798	(2)%
<b>Other (income) expense, Interest expense and Income tax expense</b>	603	744	(19)%	2,654	2,808	(5)%
<b>Net income</b>	\$ 1,469	\$ 1,685	(13)%	\$ 5,946	\$ 5,990	(1)%
<b>Operating ratio (a)</b>	67.8 %	60.0 %		65.9 %	60.9 %	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended December 31, 2022 and September 30, 2022, respectively. Fourth-quarter amounts are calculated as the difference between YTD December and YTD September amounts.

(a) Operating ratio excludes impacts of BNSF Logistics.

## Volumes and Revenues

Operating income for the fourth quarter and full year 2022 was \$2.1 billion and \$8.6 billion, respectively, a decrease of \$357 million (15%) and \$198 million (2%) compared to the same periods in 2021. Operating ratios were 67.8% and 65.9% for the fourth quarter and full year, respectively, increases of 7.8% and 5.0% compared to the same periods in 2021.

Total revenues for the fourth quarter and full year 2022 increased 5% and 11%, respectively, compared with the same periods in 2021. The increases were primarily due to an increase in average revenue per car / unit of 17% in the fourth quarter and 19% for full year 2022 resulting from higher fuel surcharge revenue driven by higher fuel prices, partially offset by lower volumes of 9% in the fourth quarter and 6% for full year 2022. Revenue changes also resulted from the following:

- Consumer Products volumes decreased 10% and 8% for the fourth quarter and full year 2022, respectively, compared with the same periods in 2021 primarily due to lower intermodal shipments resulting from supply chain challenges and lower west coast imports during the second half of the year.
- Industrial Products volumes decreased 11% and 5% for the fourth quarter and full year 2022, respectively, compared with the same periods in 2021. The full year decrease was primarily due to a decrease in petroleum related to lower demand for shipments of crude by rail, lower building products shipments due to lower wind volumes, and lower steel and taconite shipments due to network rail challenges, partially offset by increased mineral shipments. The fourth quarter decrease was primarily due to lower chemical shipments and lower steel and taconite shipments due to network rail challenges.
- Agricultural Products volumes decreased 4% and 2% for the fourth quarter and full year 2022, respectively, compared with the same periods in 2021 primarily due to lower grain exports and fertilizer shipments, partially offset by higher volumes of domestic grains, renewable diesel, and feedstocks.

- Coal volumes decreased 8% for the fourth quarter and were flat for the full year 2022, compared with the same periods in 2021. The volume decrease in the fourth quarter was primarily due to network service challenges.

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

Business Unit	Q4 - 2022	Q4 - 2021	Q/Q % Change	2022 YTD	2021 YTD	Y/Y % Change
<b>Revenues (in millions)</b>						
Consumer Products	\$ 2,283	\$ 2,186	4 %	\$ 9,234	\$ 8,256	12 %
Industrial Products	1,364	1,342	2 %	5,587	5,291	6 %
Agricultural Products	1,662	1,457	14 %	5,743	5,100	13 %
Coal	938	907	3 %	3,927	3,227	22 %
<b>Total Freight Revenues</b>	<b>\$ 6,247</b>	<b>\$ 5,892</b>	<b>6 %</b>	<b>\$ 24,491</b>	<b>\$ 21,874</b>	<b>12 %</b>
Other Revenues	340	390	(13)%	1,397	1,408	(1)%
<b>Total Operating Revenues</b>	<b>\$ 6,587</b>	<b>\$ 6,282</b>	<b>5 %</b>	<b>\$ 25,888</b>	<b>\$ 23,282</b>	<b>11 %</b>
<b>Volumes (in thousands)</b>						
Consumer Products	1,225	1,366	(10)%	5,202	5,673	(8)%
Industrial Products	381	429	(11)%	1,618	1,709	(5)%
Agricultural Products	316	328	(4)%	1,200	1,224	(2)%
Coal	371	402	(8)%	1,529	1,529	— %
<b>Total Volumes</b>	<b>2,293</b>	<b>2,525</b>	<b>(9)%</b>	<b>9,549</b>	<b>10,135</b>	<b>(6)%</b>
<b>Average Revenue per Car/Unit</b>						
Consumer Products	\$ 1,864	\$ 1,600	17 %	\$ 1,775	\$ 1,455	22 %
Industrial Products	3,580	3,128	14 %	3,453	3,096	12 %
Agricultural Products	5,259	4,442	18 %	4,786	4,167	15 %
Coal	2,528	2,256	12 %	2,568	2,111	22 %
<b>Total Freight Revenues per Car/Unit</b>	<b>\$ 2,724</b>	<b>\$ 2,333</b>	<b>17 %</b>	<b>\$ 2,565</b>	<b>\$ 2,158</b>	<b>19 %</b>

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended December 31, 2022 and September 30, 2022. Fourth-quarter revenues and volumes are calculated as the difference between YTD December and YTD September amounts.

## Expenses

Operating expenses for the fourth quarter and full year 2022 increased 17% and 19%, respectively, compared with the same periods in 2021. The increase in expenses reflected significant increases in the cost of fuel, as well as higher compensation and benefits expenses, including the following changes in expenses:

- Fuel expense increased 43% and 66% in the fourth quarter and full year 2022, respectively, compared with the same periods in 2021. The increases were primarily due to higher average fuel price, partially offset by lower volumes. Locomotive fuel price per gallon increased 48% and 69% in the fourth quarter and full year 2022, respectively, compared to the same periods in 2021.

- Compensation and benefits expense increased 9% and 12% in the fourth quarter and full year 2022, respectively, compared to the same periods in 2021 primarily due to wage inflation, including the impact from the ratified union labor agreements, higher health and welfare costs, and lower productivity due to supply chain challenges.
- Depreciation and amortization expense increased 5% and 3% in the fourth quarter and full year 2022, respectively, compared with the same periods in 2021. The fourth quarter increase was primarily due to net incremental assets placed in service throughout the year. Changes were not significant for the full year compared to the same period in 2021.
- Materials and other expense increased 42% and 31% in the fourth quarter and full year 2022, respectively, compared with the same periods in 2021. The full year increase was primarily due to general inflation, lower gains from land and easement sales, and higher casualty and litigation costs, while the fourth quarter increase was primarily due to general inflation and litigation costs.
- There were no significant changes in purchased services or equipment rents.

There were no significant changes in interest expense or other (income) expense, net.

Operating Expenses (in millions)	Q4 - 2022	Q4 - 2021	Q/Q % Change	2022 YTD	2021 YTD	Y/Y % Change
Compensation and benefits	\$ 1,353	\$ 1,238	9 %	\$ 5,321	\$ 4,767	12 %
Fuel	\$ 1,172	\$ 818	43 %	\$ 4,581	\$ 2,766	66 %
Purchased services	\$ 689	\$ 676	2 %	\$ 2,697	\$ 2,715	(1)%
Depreciation and amortization	\$ 645	\$ 614	5 %	\$ 2,528	\$ 2,456	3 %
Equipment rents	\$ 176	\$ 170	4 %	\$ 720	\$ 677	6 %
Materials and other	\$ 480	\$ 337	42 %	\$ 1,441	\$ 1,103	31 %
<b>Total Operating Expenses</b>	<b>\$ 4,515</b>	<b>\$ 3,853</b>	<b>17 %</b>	<b>\$ 17,288</b>	<b>\$ 14,484</b>	<b>19 %</b>

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-K and 10-Q for the periods ended December 31, 2022 and September 30, 2022, respectively. Fourth-quarter amounts are calculated as the difference between YTD December and YTD September amounts.

## Capital Activities

BNSF's 2022 capital commitments were \$3.67 billion, which included activities that supported our efficiency and long-term growth objectives while ensuring we maintained a safe and reliable railroad.

The 2023 planned capital commitments are \$3.96 billion. BNSF's 2023 plan is focused on projects that are devoted to maintaining BNSF's core network and related assets. In 2023, the maintenance and replacement component is expected to be \$2.85 billion. The projects included in this part of the plan will primarily be for replacing and upgrading rail, track infrastructure like ballast and rail ties, and maintaining rolling stock. It will consist of nearly 14,000 miles of track surfacing and/or undercutting work and the replacement of 346 miles of rail and approximately 2.8 million rail ties.

Approximately \$709 million of the capital plan will be for expansion and efficiency projects to support the growth of BNSF Intermodal and Automotive, Agricultural and Industrial Products customers. On its Southern Transcon route between the West Coast and Midwest, BNSF will support traffic growth by beginning the construction of a second bridge over the Missouri River at Sibley, Missouri, completing double track for one of the last segments of single track along the Southern Transcon. The plan continues projects that add several segments of new track in Eastern Kansas and Southern California. It will also begin a multi-year terminal and fueling project near Belen, New Mexico. All four projects will increase capacity throughout the corridor.

Also, in the South, BNSF will complete a second main track expansion in Fort Worth. In the Pacific Northwest, BNSF will begin a multi-year project to add double track near Spokane, Washington, including over the Spokane River and by constructing a siding near Pasco, Washington. BNSF will continue multi-year intermodal facility expansion projects in Chicago (Cicero) and Stockton, California. Also, in California, BNSF will continue its track efficiency improvement projects in San Bernardino, along with property acquisitions in the Barstow area, enabling future rail facility and infrastructure development for the Barstow International Gateway Project. Approximately \$402 million of the capital plan is for equipment acquisitions.