

BNSF's Second Quarter 2023 Financial Performance: Volumes, Revenues and Expenses

Statement of Income (in millions)	Q2 - 2023	Q2 - 2022	Q/Q % Change	2023 YTD	2022 YTD	Y/Y % Change
Total revenues	\$ 5,828	\$ 6,640	(12)%	\$ 11,847	\$ 12,608	(6)%
Operating expenses	4,018	4,261	(6)%	8,181	8,188	— %
Operating income	1,810	2,379	(24)%	3,666	4,420	(17)%
Income tax expense and other	546	715	(24)%	1,155	1,385	(17)%
Net income	\$ 1,264	\$ 1,664	(24)%	\$ 2,511	\$ 3,035	(17)%
Operating ratio (a)	68.2 %	63.2 %		68.3 %	63.9 %	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Forms 10-Q for the period ended June 30, 2023.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Operating income for the second quarter and first six months of 2023 was \$1.8 billion and \$3.7 billion, respectively, decreases of \$569 million (24%) and \$754 million (17%) compared to the same periods in 2022. Operating ratios were 68.2% and 68.3% for the second quarter and first six months, respectively, increases of 5.0% and 4.4% compared to the same periods in 2022.

Total revenues for the second quarter and first six months of 2023 decreased 12% and 6%, respectively, compared with the same periods in 2022. The decreases reflected lower volumes of 11% in both the second quarter and the first six months of 2023. Average revenue per car/unit decreased slightly in the second quarter, while average revenue per car/unit increased 6% in the first six months of 2023 resulting from higher yield. Revenue changes also resulted from the following:

- Consumer Products volumes decreased 16% for both the second quarter and first six months of 2023 compared with the same periods in 2022 primarily due to lower west coast imports, the loss of an intermodal customer, and competition from lower spot rates in the trucking market which has impacted domestic intermodal demand, partially offset by an increase in automotive volume from higher vehicle production.
- Agricultural Products volumes decreased 8% and 5%, respectively, in the second quarter and first six months of 2023 compared with the same periods in 2022 primarily due to lower grain exports, partially offset by higher volumes of domestic grains, renewable diesel, and feedstocks.
- Industrial Products volumes decreased 3% for both the second quarter and first six months of 2023 compared with the same periods in 2022 primarily due to lower demand for chemicals and plastics and lumber as well as lower shipments of petroleum products resulting from refinery outages.
- Coal volumes decreased 3% and 4%, respectively, in the second quarter and first six months of 2023 compared with the same periods in 2022 primarily due to moderating demand as a result of lower natural gas prices and weather related impacts.

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

Business Unit	Q2 - 2023	Q2 - 2022	Q/Q % Change	2023 YTD	2022 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 1,895	\$ 2,450	(23)%	\$ 3,762	\$ 4,533	(17)%
Agricultural Products	1,292	1,388	(7)%	2,768	2,745	1 %
Industrial Products	1,447	1,458	(1)%	2,827	2,755	3 %
Coal	936	999	(6)%	1,965	1,888	4 %
Total Freight Revenues	\$ 5,570	\$ 6,295	(12)%	\$ 11,322	\$ 11,921	(5)%
Other Revenues	258	345	(25)%	525	687	(24)%
Total Operating Revenues	\$ 5,828	\$ 6,640	(12)%	\$ 11,847	\$ 12,608	(6)%
Volumes (in thousands)						
Consumer Products	1,157	1,379	(16)%	2,223	2,654	(16)%
Agricultural Products	278	303	(8)%	578	608	(5)%
Industrial Products	407	421	(3)%	796	824	(3)%
Coal	360	373	(3)%	729	759	(4)%
Total Volumes	2,202	2,476	(11)%	4,326	4,845	(11)%
Average Revenue per Car/Unit						
Consumer Products	\$ 1,638	\$ 1,777	(8)%	\$ 1,692	\$ 1,708	(1)%
Agricultural Products	4,647	4,581	1 %	4,789	4,515	6 %
Industrial Products	3,555	3,463	3 %	3,552	3,343	6 %
Coal	2,600	2,678	(3)%	2,695	2,487	8 %
Total Freight Revenue per Car/Unit	\$ 2,530	\$ 2,542	— %	\$ 2,617	\$ 2,460	6 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2023 and March 31, 2023. Second-quarter volumes are calculated as the difference between YTD June and YTD March amounts.

Expenses

Operating expenses for the second quarter of 2023 decreased 6% while only decreasing slightly in the first six months of 2023 compared with the same periods in 2022. A significant portion of the decline is due to the following factors:

- Fuel expense decreased 35% and 16% in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022, primarily due to lower average fuel prices, lower volumes, and improved efficiency. Locomotive fuel price per gallon decreased 28% and 10% in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022.
- Compensation and benefits expense increased 13% and 10% in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022, primarily due to increased headcount, wage inflation, and lower productivity.
- Materials and other expense increased 33% and 27% in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022, primarily due to general inflation, increased casualty and litigation costs, higher property and other miscellaneous taxes, as well as lower gains from land and easement sales.
- Purchased services expense decreased 11% and 9% in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022, primarily due to lower purchased transportation by our logistics services business, partially offset by general inflation.
- Depreciation and amortization expense increased 5% and 4% in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022, primary due to higher capital expenditures.
- There were no significant changes in equipment rents.

Other (income) expense, net increased primarily due to higher interest income.

Operating Expenses (in millions)	Q2 - 2023	Q2 - 2022	Q/Q % Change	2023 YTD	2022 YTD	Y/Y % Change
Compensation and benefits	\$ 1,393	\$ 1,231	13 %	\$ 2,723	\$ 2,472	10 %
Purchased services	596	670	(11)%	1,221	1,338	(9)%
Depreciation and amortization	653	620	5 %	1,300	1,247	4 %
Fuel	833	1,276	(35)%	1,797	2,137	(16)%
Equipment rents	171	185	(8)%	340	364	(7)%
Materials and other	372	279	33 %	800	630	27 %
Total Operating Expenses	\$ 4,018	\$ 4,261	(6)%	\$ 8,181	\$ 8,188	— %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended June 30, 2023.