



BNSF RAILWAY COMPANY
Consolidated Financial Statements
for the period ended September 30, 2023

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 5,718	\$ 6,530	\$ 17,310	\$ 18,760
Operating expenses:				
Compensation and benefits	1,392	1,480	4,083	3,916
Fuel	863	1,272	2,660	3,409
Depreciation and amortization	654	633	1,946	1,874
Purchased services	515	539	1,539	1,565
Equipment rents	171	180	511	544
Materials and other	320	309	1,094	917
Total operating expenses	3,915	4,413	11,833	12,225
Operating income	1,803	2,117	5,477	6,535
Interest expense	2	1	6	8
Interest income, related parties	(413)	(364)	(1,102)	(671)
Other (income) expense, net	(29)	(23)	(97)	(70)
Income before income taxes	2,243	2,503	6,670	7,268
Income tax expense	544	589	1,581	1,709
Net income	\$ 1,699	\$ 1,914	\$ 5,089	\$ 5,559

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 1,699	\$ 1,914	\$ 5,089	\$ 5,559
Other comprehensive income:				
Change in pension and retiree health and welfare benefits, net of tax	(7)	1	(20)	3
Change in accumulated other comprehensive income (loss) of equity method investees	—	5	(1)	11
Other comprehensive income (loss), net of tax	(7)	6	(21)	14
Total comprehensive income	\$ 1,692	\$ 1,920	\$ 5,068	\$ 5,573

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 289	\$ 547
Accounts receivable, net	2,296	1,809
Materials and supplies	1,098	952
Other current assets	167	188
Total current assets	3,850	3,496
Property and equipment, net of accumulated depreciation of \$18,993 and \$17,831, respectively	68,100	66,636
Goodwill	16,379	14,803
Operating lease right-of-use assets	1,145	1,205
Other assets	3,125	5,017
Total assets	\$ 92,599	\$ 91,157
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 4,281	\$ 4,488
Long-term debt and finance leases due within one year	54	56
Total current liabilities	4,335	4,544
Deferred income taxes	15,338	15,132
Operating lease liabilities	570	658
Long-term debt and finance leases	557	582
Casualty and environmental liabilities	412	428
Pension and retiree health and welfare liability	193	205
Other liabilities	1,107	1,082
Total liabilities	22,512	22,631
Commitments and contingencies (see Note 6)		
Stockholder's equity:		
Common stock, \$1 par value, 1,000 shares authorized; issued and outstanding and paid-in capital	42,920	42,920
Retained earnings	53,732	48,643
Intercompany notes receivable	(26,738)	(23,231)
Accumulated other comprehensive income (loss)	173	194
Total stockholder's equity	70,087	68,526
Total liabilities and stockholder's equity	\$ 92,599	\$ 91,157

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Operating Activities		
Net income	\$ 5,089	\$ 5,559
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,946	1,874
Deferred income taxes	212	61
Other, net	(103)	(154)
Changes in current assets and liabilities:		
Accounts receivable, net	(487)	(632)
Materials and supplies	(110)	(133)
Other current assets	21	38
Accounts payable and other current liabilities	(315)	674
Net cash provided by operating activities	6,253	7,287
Investing Activities		
Capital expenditures excluding equipment	(2,606)	(2,415)
Acquisition of equipment	(252)	(66)
Purchases of investments and investments in time deposits	(24)	(23)
Other, net	(89)	56
Net cash used in investing activities	(2,971)	(2,448)
Financing Activities		
Payments on long-term debt and finance leases	(33)	(307)
Net increase in intercompany notes receivable classified as equity	(3,507)	(4,623)
Net cash used in financing activities	(3,540)	(4,930)
Increase (decrease) in cash and cash equivalents	(258)	(91)
Cash and cash equivalents:		
Beginning of period	547	513
End of period	\$ 289	\$ 422
Supplemental Cash Flow Information		
Interest paid, net of amounts capitalized	\$ (3)	\$ 18
Capital investments accrued but not yet paid	\$ 406	\$ 293
Income taxes paid, net of refunds	\$ 1,459	\$ 1,442
Non-cash asset financing	\$ —	\$ 7

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(In millions)
(Unaudited)

	Common Stock and Paid-in Capital	Retained Earnings	Intercompany Notes Receivable	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance as of December 31, 2021	\$ 42,920	\$ 66,027	\$ (41,531)	\$ 353	\$ 67,769
Change in intercompany notes receivable	—	—	(1,240)	—	(1,240)
Comprehensive income (loss), net of tax	—	1,653	—	5	1,658
Balance as of March 31, 2022	42,920	67,680	(42,771)	358	68,187
Change in intercompany notes receivable	—	—	(1,638)	—	(1,638)
Comprehensive income (loss), net of tax	—	1,992	—	3	1,995
Balance as of June 30, 2022	42,920	69,672	(44,409)	361	68,544
Change in intercompany notes receivable	—	—	(1,745)	—	(1,745)
Comprehensive income (loss), net of tax	—	1,914	—	6	1,920
Balance as of September 30, 2022	\$ 42,920	\$ 71,586	\$ (46,154)	\$ 367	\$ 68,719
	Common Stock and Paid-in Capital	Retained Earnings	Intercompany Notes Receivable	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance as of December 31, 2022	\$ 42,920	\$ 48,643	\$ (23,231)	\$ 194	\$ 68,526
Change in intercompany notes receivable	—	—	(747)	—	(747)
Comprehensive income (loss), net of tax	—	1,674	—	(7)	1,667
Balance as of March 31, 2023	42,920	50,317	(23,978)	187	69,446
Change in intercompany notes receivable	—	—	(1,387)	—	(1,387)
Comprehensive income (loss), net of tax	—	1,716	—	(7)	1,709
Balance as of June 30, 2023	42,920	52,033	(25,365)	180	69,768
Change in intercompany notes receivable	—	—	(1,373)	—	(1,373)
Comprehensive income (loss), net of tax	—	1,699	—	(7)	1,692
Balance as of September 30, 2023	\$ 42,920	\$ 53,732	\$ (26,738)	\$ 173	\$ 70,087

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Accounting Policies and Interim Results

The Consolidated Financial Statements should be read in conjunction with BNSF Railway Company's Consolidated Financial Statements for the year ended December 31, 2022, including the financial statements and notes thereto. The Consolidated Financial Statements include the accounts of BNSF Railway Company and its subsidiaries (collectively, BNSF Railway or Company), all of which are separate legal entities. BNSF Railway Company is a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC (BNSF), and is the principal operating subsidiary of BNSF. All intercompany accounts and transactions have been eliminated.

On February 12, 2010, Berkshire Hathaway Inc., a Delaware corporation (Berkshire), acquired 100 percent of the outstanding shares of Burlington Northern Santa Fe Corporation common stock that it did not already own. The acquisition was completed through the merger of a Berkshire wholly-owned merger subsidiary and Burlington Northern Santa Fe Corporation with the surviving entity renamed Burlington Northern Santa Fe, LLC. Earnings per share data is not presented because BNSF Railway has only one holder of its common stock.

The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the entire year. In the opinion of management, the unaudited financial statements reflect all adjustments (consisting of only normal recurring adjustments, except as disclosed) necessary for the fair statement of BNSF Railway's consolidated financial position as of September 30, 2023, and the results of operations for the three and nine months ended September 30, 2023 and 2022 in accordance with generally accepted accounting principles in the United States.

2. Revenue from Contracts with Customers

The Company disaggregates revenue from contracts with customers based on the characteristics of the services provided and the types of products transported (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Consumer Products	\$ 1,982	\$ 2,418	\$ 5,744	\$ 6,951
Agricultural Products	1,220	1,336	3,988	4,081
Industrial Products	1,458	1,468	4,285	4,223
Coal	932	1,101	2,897	2,989
Total freight revenues	5,592	6,323	16,914	18,244
Accessorial and other	126	207	396	516
Total operating revenues	\$ 5,718	\$ 6,530	\$ 17,310	\$ 18,760

Contract assets and liabilities are immaterial. Receivables from contracts with customers is a component of accounts receivable, net on the Consolidated Balance Sheets. As of both September 30, 2023 and December 31, 2022, \$1.1 billion represented net receivables from contracts with customers.

Remaining performance obligations primarily consist of in-transit freight revenues, which will be recognized in the next reporting period. As of September 30, 2023 and December 31, 2022, remaining performance obligations were \$248 million and \$292 million, respectively.

3. Accounts Receivable, Net

Accounts receivable, net consists of freight and other receivables, reduced by an allowance for credit losses which is based upon expected collectability. As of September 30, 2023 and December 31, 2022, \$42 million and \$31 million, respectively, of such allowances had been recorded.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

4. Business Combinations

On March 8, 2023, the Surface Transportation Board issued a decision approving the discontinuance of service by Montana Rail Link, Inc. (MRL) over that certain line owned by BNSF Railway Company and leased to MRL, with BNSF Railway Company to resume providing service over the line. This decision became effective April 7, 2023.

As a result of the approved lease termination, consideration exchanged between BNSF Railway Company and MRL has been accounted for in accordance with ASC Topic 805 (ASC 805). The amount allocable to goodwill under ASC 805 is deductible for U.S. federal income tax purposes. The allocation of the transaction price to assets received is based upon currently available information and is subject to change as preliminary values are reviewed. There were no changes to the purchase price allocation in the third quarter of 2023. Any adjustments to the allocation will be made as soon as practicable but no later than one year from the effective date of the transaction.

The preliminary allocation of total consideration to the fair values of the assets is as follows (in millions):

	April 7, 2023
Property and equipment	\$ 500
Materials and supplies	37
Goodwill	1,576
Fair value of assets	\$ 2,113

Property and equipment of \$500 million includes road and track assets, work equipment, and buildings. As a result of the additional goodwill recorded, total goodwill was \$16.4 billion as of September 30, 2023.

This transaction is not material with respect to BNSF Railway's financial statements when reviewed under the quantitative and qualitative considerations of Regulation S-X Article 11 and ASC 805, so the Company has not provided pro forma information relating to the period prior to the transaction.

5. Debt

Fair Value of Debt Instruments

As of September 30, 2023 and December 31, 2022, the fair value of BNSF Railway's debt, excluding finance leases, was \$476 million and \$501 million, respectively, while the book value, which also excludes finance leases, was \$507 million and \$523 million, respectively. The fair value of BNSF Railway's debt is primarily based on market value price models using observable market-based data for the same or similar issues, or on the estimated rates that would be offered to BNSF Railway for debt of the same remaining maturities (Level 2 inputs).

6. Commitments and Contingencies

Personal Injury

BNSF Railway's personal injury liability includes the cost of claims for employee work-related injuries, third-party claims, and asbestos claims. BNSF Railway records a liability for asserted and unasserted claims when the expected loss is both probable and reasonably estimable. Because of the uncertainty of the timing of future payments, the liability is undiscounted. Defense and processing costs, which are recorded on an as-reported basis, are not included in the recorded liability. Expense accruals and adjustments are classified as materials and other in the Consolidated Statements of Income.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Personal injury claims by BNSF Railway employees are subject to the provisions of the Federal Employers’ Liability Act (FELA) rather than state workers’ compensation laws. Resolution of these cases under FELA’s fault-based system requires either a finding of fault by a jury or an out of court settlement. Third-party claims include claims by non-employees for compensatory damages and may, from time to time, include requests for punitive damages or treatment of the claim as a class action.

BNSF Railway estimates its personal injury liability claims and expense using standard actuarial methodologies based on the covered population, activity levels and trends in frequency, and the costs of covered injuries. The Company monitors actual experience against the forecasted number of claims to be received, the forecasted number of claims closing with payment, and expected claim payments and records adjustments as new events or changes in estimates develop.

The following table summarizes the activity in the Company’s accrued obligations for personal injury claims (in millions):

	Nine Months Ended September 30,	
	2023	2022
Beginning balance	\$ 306	\$ 328
Accruals / changes in estimates	81	46
Payments	(89)	(66)
Ending balance	\$ 298	\$ 308
Current portion of ending balance	\$ 90	\$ 90

The amount recorded by the Company for the personal injury liability is based upon the best information currently available. Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to resolve these claims may be different from the recorded amounts. The Company estimates that costs to resolve the liability may range from approximately \$255 million to \$370 million.

Although the final outcome of these personal injury matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Environmental

BNSF Railway Company is subject to extensive federal, state, and local environmental regulation. The Company’s operating procedures include practices to protect the environment from the risks inherent in railroad operations, which frequently involve transporting chemicals and other hazardous materials. Additionally, many of BNSF Railway’s land holdings are or have been used for industrial or transportation-related purposes or leased to commercial or industrial companies whose activities may have resulted in discharges onto the property. Under federal (in particular, the Comprehensive Environmental Response, Compensation, and Liability Act) and state statutes, the Company may be held jointly and severally liable for cleanup and enforcement costs associated with a particular site without regard to fault or the legality of the original conduct. The Company participates in the study, cleanup, or both of environmental contamination at approximately 185 sites.

Environmental costs may include, but are not limited to, site investigations, remediation, and restoration. The liability is recorded when the expected loss is both probable and reasonably estimable and is undiscounted due to uncertainty of the timing of future payments. Expense accruals and adjustments are classified as materials and other in the Consolidated Statements of Income.

BNSF Railway estimates the cost of cleanup efforts at its known environmental sites based on experience gained from cleanup efforts at similar sites, estimated percentage to closure ratios, possible remediation work plans, estimates of the costs and likelihood of each possible outcome, historical payment patterns, and benchmark patterns developed from data accumulated from industry and public sources. The Company monitors actual experience against expectations and records adjustments as new events or changes in estimates develop.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

The following table summarizes the activity in the Company’s accrued obligations for environmental matters (in millions):

	Nine Months Ended September 30,	
	2023	2022
Beginning balance	\$ 247	\$ 251
Accruals / changes in estimates	6	13
Payments	(14)	(13)
Ending balance	\$ 239	\$ 251
Current portion of ending balance	\$ 35	\$ 35

The amount recorded by the Company for the environmental liability is based upon the best information currently available. It has not been reduced by anticipated recoveries from third parties and includes both asserted and unasserted claims. BNSF Railway’s total cleanup costs at these sites cannot be predicted with certainty due to various factors, such as the extent of corrective actions that may be required, evolving environmental laws and regulations, advances in environmental technology, the extent of other parties’ participation in cleanup efforts, developments in ongoing environmental analyses related to sites determined to be contaminated, and developments in environmental surveys and studies of contaminated sites. Because of the uncertainty surrounding various factors, it is reasonably possible that future costs to settle these claims may be different from the recorded amounts. The Company estimates that costs to settle the liability may range from approximately \$210 million to \$275 million.

Although the final outcome of these environmental matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Other Claims and Litigation

In addition to personal injury and environmental matters, BNSF Railway is a party to a number of other legal actions and claims, governmental proceedings, and private civil suits arising in the ordinary course of business, including those related to disputes and complaints involving certain transportation rates and charges. Some of the legal proceedings include claims for compensatory damages and may, from time to time, include requests for punitive damages or treatment of the claim as a class action. Although the final outcome of these matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

7. Employment Benefit Plans

BNSF provides a funded, noncontributory qualified pension plan (BNSF Retirement Plan), which covered most non-union employees through March 31, 2019, and an unfunded non-tax-qualified pension plan (BNSF Supplemental Retirement Plan), which covered certain officers and other employees through March 31, 2019. The benefits under these pension plans are based on years of credited service and the highest consecutive sixty months of compensation for the last ten years of salaried employment with the Company. In 2019, BNSF amended the BNSF Retirement Plan and the BNSF Supplemental Retirement Plan. Non-union employees hired on or after April 1, 2019 are not eligible to participate in these retirement plans and instead receive an additional employer contribution as part of the qualified 401(k) plan based on the employees’ age and years of service. Current plan participants are being transitioned away from the retirement plans and upon transition are eligible for the additional employer contribution.

BNSF Railway Company also provides a funded, noncontributory qualified pension plan which covers certain union employees of the former The Atchison, Topeka and Santa Fe Railway Company (Union Plan). The benefits under this pension plan are based on elections made at the time the plan was implemented.

With respect to the funded plans, BNSF’s funding policy is to contribute annually not less than the regulatory minimum and not more than the maximum amount deductible for income tax purposes. The BNSF Retirement Plan, the BNSF Supplemental Retirement Plan, and the Union Plan are collectively referred to herein as the Pension Plans.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Components of the net (benefit) cost for the Pension Plans were as follows (in millions):

	Pension Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Service cost	\$ 2	\$ 4	\$ 7	\$ 13
Interest cost	21	15	63	46
Expected return on plan assets	(47)	(45)	(139)	(135)
Amortization of net (gain) loss	(8)	1	(25)	2
Net (benefit) cost recognized	\$ (32)	\$ (25)	\$ (94)	\$ (74)

Service cost is included in compensation and benefits expense and the other components of net periodic benefit costs are included in other (income) expense, net in the Consolidated Statements of Income.

8. Related Party Transactions

BNSF Railway is involved with BNSF and certain of its subsidiaries in related party transactions in the ordinary course of business, which include payments made on each other's behalf and performance of services. Under the terms of a tax allocation agreement with BNSF, BNSF Railway made federal and state income tax payments, net of refunds, of \$1.4 billion during both of the nine-month periods ended September 30, 2023 and 2022, which are reflected in changes in current assets and liabilities in the Consolidated Statements of Cash Flows. As of September 30, 2023 and December 31, 2022, BNSF Railway had a tax payable to BNSF of \$421 million and \$566 million, respectively.

North American railroads pay TTX Company (TTX) car hire to use TTX's freight equipment to serve their customers. BNSF Railway owns 17.4 percent of TTX while other North American railroads own the remaining interest. As the Company possesses the ability to exercise significant influence, but not control, over the operating and financial policies of TTX, BNSF Railway applies the equity method of accounting to its investment. The investment in TTX is recorded in other assets in the Consolidated Balance Sheets, and equity income or losses are recorded in materials and other in the Consolidated Statements of Income. The Company's investment in TTX was \$837 million and \$807 million as of September 30, 2023 and December 31, 2022, respectively. The Company incurred car hire expenditures with TTX of \$92 million and \$106 million for the three-months and \$277 million and \$311 million for the nine-months ended September 30, 2023 and 2022, respectively.

9. Accumulated Other Comprehensive Income

Other comprehensive income refers to revenues, expenses, gains, and losses that under generally accepted accounting principles are included in accumulated other comprehensive income, a component of equity within the Consolidated Balance Sheets, rather than net income on the Consolidated Statements of Income. Under existing accounting standards, other comprehensive income may include, among other things, unrecognized gains and losses and prior service credit related to pension and other postretirement benefit plans.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

The following table provides the components of accumulated other comprehensive income (loss) (AOCI) by component (in millions):

	Pension and Retiree Health and Welfare Benefit Items	Equity Method Investments	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2021	\$ 356	\$ (3)	\$ 353
Other comprehensive income (loss), net before reclassifications	—	11	11
Amounts reclassified from AOCI:			
Amortization of actuarial (gains) losses ^a	4	—	4
Tax expense (benefit)	(1)	—	(1)
Balance as of September 30, 2022	\$ 359	\$ 8	\$ 367
Balance as of December 31, 2022	\$ 185	\$ 9	\$ 194
Other comprehensive income (loss), net before reclassifications	—	(1)	(1)
Amounts reclassified from AOCI:			
Amortization of actuarial (gains) losses ^a	(26)	—	(26)
Tax expense (benefit)	6	—	6
Balance as of September 30, 2023	\$ 165	\$ 8	\$ 173

^a This accumulated other comprehensive income component is included in the computation of net periodic pension and retiree health and welfare costs (see Note 7 for additional details on pension costs).

BNSF RAILWAY COMPANY and SUBSIDIARIES

Certification by Vice President

With respect to the quarterly financial statements and related footnotes of BNSF Railway Company and subsidiaries for the period ended September 30, 2023, the undersigned, Candace I. Palmarozzi, Vice President and Controller, hereby certifies that, to her knowledge as of the date hereof, the information contained in such attached financial statements and related footnotes fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2023

/s/ Candace I. Palmarozzi

Candace I. Palmarozzi
Vice President and Controller