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Dear ICP participant:

Thank you for your continued hard work and commitment while facing many challenges this past year. In this letter, I'll review our 2014 safety, service and financial performance and then describe the payout on our 2014 Incentive Compensation Plan (ICP) for eligible scheduled employees.

We continued to demonstrate our strong safety commitment with best-ever safety metrics in 2014. Our injury frequency ratio of 0.99 was an 8-percent improvement over 2013, and we reduced our severity ratio by 20 percent. We also achieved our best-ever performance in reducing derailments. These results are a testament to each of you and the BNSF team. Thank you for demonstrating that safety and production go hand-in-hand and that our safety culture is embedded and sustainable.

While we work in a safe environment, we know the workplace is unforgiving. In 2014, tragically, we lost three members of the BNSF family and experienced 10 serious life-altering injuries. Nothing is more important than eliminating the loss of life and serious injuries on our railroad. Our ultimate goal is ensuring every employee goes home safely at the end of every workday. Our focus on Approaching Others About Safety is making a fundamental change in strengthening our culture of commitment to the safety of our fellow workers. In thousands of conversations every day across our railroad, employees are focused on minimizing risk and eliminating injuries for themselves and their colleagues. Our performance this year reflects that progress.

In 2014, we experienced an extremely difficult year for service. Customers were significantly impacted, and BNSF's reputation has suffered. We fell short on most of our quarterly velocity goals, as we handled surging volumes on capacity-constrained parts of our network and were impacted by severe weather and other service interruptions. We can be encouraged that, in the final weeks of 2014, we saw signs that our service was getting significantly better, thanks to our extended focus on velocity combined with completion of key capacity projects. Let's build on this positive momentum as we enter 2015. After safety, restoring service and velocity to our customers is the most important thing we do.

Last year, our freight volumes grew 1.8 percent compared with 2013, an increase that fell short of customer needs and market opportunities due to ongoing service challenges. Velocity issues also increased expenses, and we did not meet our operating income goal. We will provide details on our financial performance in early March, following Berkshire Hathaway's announcement of its year-end results.

Each year BNSF sets targets for these key measures building on the previous year's performance, market conditions and customer forecasts, with improvement goals that are challenging but attainable. As for 2014 ICP results in these three areas, our safety performance was significantly better than target, while we fell short of target on our velocity goals and on operating income, resulting in a payout of 63.33 percent, which is 95 percent of target.

As has been true most years since the scheduled employee ICP agreements were implemented, regardless of how your particular ICP labor agreement is structured, this 2014 payout puts you ahead of where you'd be without your ICP agreement.

Across BNSF, we've tackled many challenges with tremendous commitment and focus. These efforts, along with continued record investment in our network, will help us return to growth and restore service to the level our customers expect, where we can take advantage of the full potential of our business. Thank you for all you do each day to ensure our ongoing success.