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Dear ICP participant:

In this letter, I'll review our 2017 results and the things we achieved together as a company this past year. I'll also explain the payout on our Incentive Compensation (ICP) award for eligible employees.

In safety, we must begin with the loss of three of our co-workers in the first weeks of 2017. We also remain concerned that our injury rate was higher year-over-year and fell short of our goal. Injury severity showed improvement, however, particularly in the final months of the year. We will not be successful until we eliminate the loss of life and life-altering injuries, and we must continue our focus on identifying and eliminating at-risk behaviors. Nothing is more important than working safely every day.

Our velocity was impacted by a number of challenges in 2017 -- including ice storms, avalanches and hurricane flooding, as well as the need to ramp up resources while handling higher-than-expected volumes. Our service steadily improved, however, as we approached the close of 2017, thanks to the dedicated focus of employees across the network.

In particular, I'd like to recognize our ability to provide best-in-class service during our 2017 UPS Peak Season. In that 31-day period, we handled nearly 35,000 UPS loads -- more than 10 percent higher than in 2016 -- without a single service failure. We improved our velocity measures despite a bitter arctic blast of winter in the final weeks of the year. Let's build on that performance in the months ahead to ensure we meet our customers' expectations consistently and across all areas of our business.

As noted, our volumes in 2017 were stronger than we expected at the beginning of the year. Our 5.3 percent volume increase reflected a strengthening economy as well as our success in capturing more market share for many commodities we handle. In fact, we ended the year with a record 50.9 percent market share. We also set a new weekly volume record of nearly 220,000 units in the week after Thanksgiving, due to high domestic intermodal volumes during a record online holiday shopping season. That is definitely something to celebrate, especially since parcel shipment volumes are expected to continue to rise. At the same time, we need to keep this weekly volume record in perspective. Our record for the number of weeks over 200,000 units is still 39 weeks in 2006, compared with 22 weeks in 2017, and our annual volumes also fell short of what we handled in 2006. The trends are positive and we will work to continue that growth, but we still have a way to go to match our annual peak volumes in the past.

As communicated earlier, our 2017 Incentive Compensation (ICP) award is based on discretion, taking into account our performance in safety, service, growth, market share and our financial results. Understanding the factors that determine our collective success, as discussed above, our 2017 ICP award is 100 percent of target. I believe this is a strong and appropriate payout following this year's performance. We'll share more information about our financial performance when Berkshire Hathaway releases its annual results at the end of February.

Looking ahead to 2018, while we believe the economy will continue to be strong, we expect a somewhat slower pace of growth. Historically, our annual growth rate has averaged about 2 percent, and our 2018 volume increase will likely be closer to that rate. The growth we are expecting will be primarily in our domestic intermodal business, a highly competitive business segment. Although change is nothing new at BNSF, we are definitely in a time where things change quickly and by a lot. We need to be agile and flexible, capturing new opportunities and gaining new efficiencies as conditions evolve.

Thank you for all of your contributions in 2017 and for all you are doing to ensure our success today and into the future. I am optimistic about what's ahead because I have confidence in this team and have seen what we can accomplish together.

Sincerely,