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To all of our BNSF team members,

In this letter, I'd like to take a few minutes to reflect on our achievements in 2018 and look ahead to 2019. Thanks to our company's performance against our shared goals, eligible employees will receive a payout that exceeds target on their 2018 Incentive Compensation (ICP) award. Your commitment and dedication make a difference, and I am proud of what we accomplished together as a team during a challenging year!

As always, we begin with safety. As you know, one of our team members, Joshua Crocram, a 26-year-old trackman, was fatally injured on Sept. 4, when he fell from a bridge while his team assisted on a bridge maintenance project. We continue to keep Mr. Crocram's family and loved ones in our thoughts and prayers following this tragic accident. Safety is the most important thing we do, and we cannot consider ourselves successful until we have eliminated the loss of life on our railroad. By the close of 2018, we'd improved our frequency and severity compared with 2017, which is a positive advance as we work to reach and sustain the next level of safety. Let's continue to assess our approach, keeping the proven safety processes that work while addressing what is not working as well.

After safety, service is the most important thing we do. In 2018, we were not consistent in delivering the level of service our customers expect. We know we must do better. We have invested in our railroad, and we have enough capacity to take on more business and handle it efficiently. A great indicator of our ability to provide best-in-class service was that we delivered another perfect Peak Season, handling more than 34,000 UPS loads. This was our third perfect Peak in four years - a true reflection of the dedication and professionalism of all our employees. I am confident that we will continue to build on that positive performance across all business areas this year.

In 2018, we handled all-time record volumes, topping our previous record set in 2006. Our 4 percent volume increase reflected a robust freight environment and our ability to capture higher market share, particularly in our agricultural, industrial and domestic intermodal business. We also increased revenues and the value we receive for the service we provide. Thank you for working hard to move these high volumes while facing many challenges.

At the same time, we must consider the economic environment and review our results in a balanced way. We are experiencing one of the best freight markets ever, and so we expect to grow and to be able to charge competitive prices. Despite the growth, however, our efficiency is not where it needs to be. Our costs increased at a higher rate than our volumes and revenues, which lowered our margins, and we did not manage to offset any of inflation last year with productivity initiatives. We need to find another gear on reducing expenses. We can't stand still while our competitors work hard to reduce costs and improve efficiency.

So, while it was a record year in some areas, we fell short in some other important areas. As communicated earlier, our 2018 ICP award is based on discretion taking into account our performance, including safety, service, growth and efficiency. Recognizing the many factors that determine our collective success, our 2018 ICP award is 105 percent of target. We'll share more information about our financial performance when Berkshire Hathaway releases its annual results at the end of February.

In 2019, we expect continued volume growth, but we've moderated our expectations based on what we're seeing and hearing from our customers. We also need to improve our performance in terms of safety, service and efficiency, along with continuing to increase the value we receive for the service we provide. If you're wondering where to focus, it's on the drivers, the things we do every day that move the needle on reducing costs, such as reducing dwell and increasing fuel efficiency and units per train, while continuing to grow volumes and revenues. We must take a critical eye to everything we do to make sure we're making the right choices to best operate our network, control costs and meet our customers' expectations.

Thanks for all you do and all you're going to do in the year ahead. Let's take care of each other and stay safe as we work together to serve our customers and run a reliable, efficient railroad.