



Greg Fox
Executive Vice President,
Operations

BNSF Railway Company

P.O. Box 961034
Fort Worth, Texas 76161-0034
2600 Lou Menk Drive
Fort Worth, Texas 76131-2830

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Dear ICP participant:

Thank you for your continued hard work and commitment in 2013. Let me provide some more information on our performance in safety, service and financial measures and the annual payout on our Incentive Compensation Plan (ICP) for eligible scheduled employees.

In safety, we continued to improve and achieved strong performance on reportable frequency and severity. Our injury frequency ratio of 1.08 was a 3-percent improvement over 2012, and we reduced our severity ratio by 16 percent, for an overall safety performance above target. These safety performance metrics, individually and collectively, reflect continued strong improvements in safety and move us toward achieving our vision of an injury- and accident-free workplace.

We are confident that we have the right processes in place to run this railroad without loss of life or serious injury. At the same time, we know that the workplace is unforgiving. In October and November, we lost two members of the BNSF family in work-related incidents. Nothing is more important than eliminating the loss of life on our railroad. Our focus on Approaching Others about Safety is a key line of defense that will help us achieve our safety vision. Our ultimate goal is to ensure every employee goes home safely at the end of every workday.

In velocity, despite a lot of hard work by employees across the network, we did not provide the service our customers expect from us. We measure our velocity-related ICP goals on a quarterly basis, and we earned a partial ICP for the first quarter of 2013 and earned no ICP for the second, third and fourth quarters. Average railcar velocity of 206.5 and average on-time performance of 80.2 percent fell short of our goals and 2012 levels. Our performance was impacted by weather-related and other service interruptions – as well as traffic that surged more quickly than expected where major capital work was underway. Our continuing investments in major maintenance and expansion projects are essential to safe, efficient operations and growth, and we must be able to execute this work while maintaining service levels and velocity. Each of us has a role in improving velocity, and it will take our collective effort to achieve the level of service that meets our customers' expectations.

Our freight volumes increased 4.5 percent over 2012, reflecting particularly strong growth in crude-by-rail and domestic intermodal. In fact, BNSF absorbed more than half of the overall U.S. rail industry unit growth in 2013. Despite that growth, the service/velocity challenges and related expenses resulted in our missing our operating income goal. We will provide details on our financial performance, including operating income, in early March following Berkshire Hathaway's announcement of its year-end results.

Thank you again for your commitment through the challenges we faced in 2013. I want to let you know that you have earned a 61.33 percent payout on your scheduled ICP. This payout puts you ahead of where you'd be without ICP. While the strictly formula-driven payout was somewhat lower based on our performance against the ICP goals for safety, velocity and operating income detailed above, we increased the payout percentage to recognize the difficulties overcome during the year.

Let's continue our focus on safety, service, growth and efficiency as we enter 2014. Thank you for all you do to contribute to our success as we work together to meet customer expectations.

Sincerely,