FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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BURLINGTON NORTHERN SANTA FE CORP

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SIC: **4011** Railroads, line-haul operating

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-11535

BURLINGTON NORTHERN SANTA FE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	41-1804964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2650 Lou Menk Drive Fort Worth, Texas	76131
(Address of principal executive offices)	(Zip Code)

(817) 333-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at July 20, 2001
Common stock, $.01 par value	391,140,599 shares

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BURLINGTON NORTHERN SANTA FE CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Dollars In Millions, Except Per Share Data)
(Unaudited)

<TABLE>
<CAPTION>

<S>	Three Months Ended June 30, 2001 <C>	Three Months Ended June 30, 2000 <C>	Six Months Ended June 30, 2001 <C>	Six Months Ended June 30, 2000 <C>
Revenues	$ 2,271	$ 2,261	$ 4,564	$ 4,525
Operating expenses:				
Compensation and benefits	694	677	1,423	1,375
Purchased services	274	250	536	508
Depreciation and amortization	230	223	458	445
Equipment rents	190	176	377	355
Fuel	246	219	503	430
Materials and other	209	233	420	419
Total operating expenses	1,843	1,778	3,717	3,532
Operating income	428	483	847	993
Interest expense	115	115	235	219
Other income (expense), net	(5)	(8)	(78)	(23)
Income before income taxes and extraordinary charge	308	360	534	751
Income tax expense	113	137	199	285
Income before extraordinary charge	$ 195	$ 223	$ 335	$ 466
Extraordinary charge, net	-	-	(6)	-
Net income	$ 195	$ 223	$ 329	$ 466
Earnings per share (see note 10):				
Basic earnings per share (before extraordinary charge)	$ 0.50	$ 0.53	$ 0.86	$ 1.08
Basic earnings per share (after extraordinary charge)	$ 0.50	$ 0.53	$ 0.85	$ 1.08
Diluted earnings per share (before extraordinary charge)	$ 0.50	$ 0.53	$ 0.85	$ 1.08
Diluted earnings per share (after extraordinary charge)	$ 0.50	$ 0.53	$ 0.84	$ 1.08
Average shares (in millions):				
Basic	389.0	417.1	389.2	430.7
Dilutive effect of stock awards	4.8	1.3	4.7	1.3
Diluted	393.8	418.4	393.9	432.0
Dividends declared per share	$ 0.12	$ 0.12	$ 0.24	$ 0.24

</TABLE>

See accompanying notes to consolidated financial statements.

BURLINGTON NORTHERN SANTA FE CORPORATION and SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Shares in thousands. Dollars in millions.)
(Unaudited)

<TABLE>
<CAPTION>

ASSETS	June 30, 2001	December 31, 2000
Current assets:		
Cash and cash equivalents	$ 26	$ 11
Accounts receivable, net	262	314
Materials and supplies	214	220
Current portion of deferred income taxes	296	299
Other current assets	93	132
Total current assets	891	976
Property and equipment, net	22,590	22,369
Other assets	1,021	1,030
Total assets	$ 24,502	$ 24,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other current liabilities	$ 1,851	$ 1,954
Long-term debt due within one year	236	232
Total current liabilities	2,087	2,186
Long-term debt and commercial paper	6,516	6,614
Deferred income taxes	6,547	6,422
Casualty and environmental liabilities	422	430
Employee merger and separation costs	233	262
Other liabilities	982	981
Total liabilities	16,787	16,895
Commitments and contingencies (see notes 2, 5, and 7)		
Stockholders' equity:		
Common stock, $.01 par value, 600,000 shares authorized; 491,916 shares and 486,637 shares issued, respectively	5	5
Additional paid-in capital	5,570	5,428
Retained earnings	4,739	4,505
Treasury stock, at cost, 100,791 shares and 95,045 shares, respectively	(2,581)	(2,413)
Unearned compensation	(42)	(35)
Accumulated other comprehensive income (deficit)	24	(10)
Total stockholders' equity	7,715	7,480
Total liabilities and stockholders' equity	$ 24,502	$ 24,375

</TABLE>

See accompanying notes to consolidated financial statements.

BURLINGTON NORTHERN SANTA FE CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)
(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
<S>	<C>	<C>
Operating Activities:		
Net income	$ 329	$ 466
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	458	445
Deferred income taxes	107	121
Extraordinary charge	9	-
Employee merger and separation costs paid	(27)	(32)
Other, net	50	48
Changes in current assets and liabilities:		
Accounts receivable, net	52	72
Materials and supplies	6	51
Other current assets	39	(30)
Accounts payable and other current liabilities	(92)	(87)
Net cash provided by operating activities	931	1,054
Investing Activities:		
Capital expenditures	(637)	(636)
Other, net	(16)	(108)
Net cash used for investing activities	(653)	(744)
Financing Activities:		
Net increase (decrease) in commercial paper and bank borrowings	(326)	532
Proceeds from issuance of long-term debt	400	550
Payments on long-term debt	(168)	(198)
Dividends paid	(96)	(108)
Proceeds from stock options exercised	101	3
Purchase of BNSF common stock	(157)	(1,103)
Other, net	(17)	18
Net cash used for financing activities	(263)	(306)
Increase in cash and cash equivalents	15	4
Cash and cash equivalents:		
Beginning of period	11	22
End of period	$ 26	$ 26
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	$ 239	$ 211
Income taxes paid, net of refunds	28	203

</TABLE>

See accompanying notes to consolidated financial statements.

BURLINGTON NORTHERN SANTA FE CORPORATION and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Accounting policies and interim results

The consolidated financial statements should be read in conjunction with the Burlington Northern Santa Fe Corporation Annual Report on Form 10-K for the year ended December 31, 2000, as amended, including the financial statements and notes thereto. The consolidated financial statements include the accounts of Burlington Northern Santa Fe Corporation and its majority-owned subsidiaries, all of which are separate legal entities (collectively, BNSF or Company). The Company's principal operating subsidiary is The Burlington Northern and Santa Fe Railway Company (BNSF Railway). All significant intercompany accounts and transactions have been eliminated. BNSF was incorporated in Delaware on December 16, 1994.

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, all adjustments (consisting of only normal recurring adjustments, except as disclosed) necessary to present fairly BNSF's consolidated financial position as of June 30, 2001 and the consolidated results of operations for the three and six month periods ended June 30, 2001 and 2000 have been included. During the first quarter of 2001, BNSF recorded $64 million pretax non-recurring losses related to non-rail investments in Other Income (Expense), net. In addition, during the second quarter of 2000, BNSF recorded expense of $42 million pretax, primarily related to employee related severance, medical and other benefit costs and the loss of previously earned state tax incentives.

Certain comparative prior-year amounts in the consolidated financial statements have been reclassified to conform to the current year presentation.

2. Hedging activities

On January 1, 2001, BNSF adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" and recorded a cumulative transition benefit of $58 million, net of tax, to Accumulated Other Comprehensive Income. The standard requires that all derivatives be recorded on the balance sheet at fair value and establishes criteria for documentation and measurement of hedging activities.

The Company currently uses derivatives to hedge against increases in diesel fuel prices and interest rates. The Company formally documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for the use of the hedging instrument. This documentation includes linking the derivatives that are designated as fair value or cash flow hedges to specific assets or liabilities on the balance sheet, commitments, or to forecasted transactions. The Company assesses at the time a derivative contract is entered into, and at least quarterly, whether the derivative item is effective in offsetting the changes in fair value or cash flows. Any change in fair value resulting from ineffectiveness, as defined by SFAS No. 133, is recognized in current period earnings. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is recorded in Accumulated Other Comprehensive Income as a separate component of Stockholders' Equity and reclassified into earnings in the period during which the hedge transaction affects earnings.

FUEL

Fuel costs represented 14 percent and 12 percent of total operating expenses during the first six months of 2001 and 2000, respectively, reflecting significantly higher than historical fuel prices, which have continued to date. Due to the significance of diesel fuel expenses to the operations of BNSF and the historical volatility of fuel prices, the Company maintains a program to hedge against fluctuations in the price of its diesel fuel purchases. The intent of the program is to protect the Company's operating margins and overall profitability from adverse fuel price changes by entering into fuel-hedge instruments based on management's evaluation of current and expected diesel fuel price trends. However, to the extent the Company hedges portions of its fuel purchases, it may not realize the impact of decreases in fuel prices. Conversely, to the extent the Company does not hedge portions of its fuel purchases, it may be adversely affected by increases in fuel prices. Based on annualized fuel consumption during the first six months of 2001 and excluding the impact of the hedging program, each one-cent increase in the price of fuel would result in approximately $12 million of additional fuel expense on an annual basis.

The fuel-hedging program includes the use of derivatives that qualify and are accounted for as cash flow hedges. As of June 30, 2001, BNSF had entered into derivatives for approximately 240 million gallons of diesel fuel at an average price of approximately 50 cents per gallon. The above price does not include taxes, transportation costs, certain other fuel handling costs, and any differences which may occur from time to time between the prices of commodities hedged and the purchase price of BNSF's diesel fuel. Currently, BNSF's fuel-hedging program covers approximately 24 percent of estimated fuel purchases for the remainder of 2001 and 8 percent for 2002. Hedge positions are closely monitored to ensure that they will not exceed actual fuel requirements in any period. BNSF also monitors its hedging positions and credit ratings of its counterparties and does not anticipate losses due to counterparty nonperformance.

As a result of adopting SFAS No. 133, the Company recorded a cumulative transition benefit of $56 million, net of tax, to Accumulated Other Comprehensive Income related to deferred gains on fuel hedge transactions as of January 1, 2001. For the three-month period ended June 30, 2001, the Company recognized a loss of $600 thousand related to the ineffective portion of derivatives in fuel expense. For the six-month period ended June 30, 2001, the Company recognized income of approximately $400 thousand related to the ineffective portion of derivatives in fuel expense. At June 30, 2001, Accumulated Other Comprehensive Income includes a pretax gain of $53 million of which $35 million relates to derivative transactions that will expire in 2001. Receivables of $17 million and $50 million at June 30, 2001 and December 31, 2000, respectively, are recorded in the Company's balance sheet as part of the Other Current Assets and represent amounts due on settled fuel-hedging contracts.

INTEREST RATE

From time to time, the Company enters into various interest rate-hedging transactions for the purpose of managing exposure to fluctuations in interest rates and establishing rates in anticipation of future debt issuances. The Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps generally involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date.

The cumulative transition benefit of adopting SFAS No. 133 as of January 1, 2001 included $2 million, net of tax, related to deferred gains on closed-out derivatives which were used to lock the treasury rate on anticipated borrowings. The deferred gains in Accumulated Other Comprehensive Income are being amortized to interest expense over the life of the related debt.

As discussed in Note 5, in April 2001, BNSF entered into an interest rate swap to fix the LIBOR component of $100 million of commercial paper at 4.59 percent. This swap qualifies and is accounted for as a cash flow hedge under SFAS No. 133. The effective date of the swap was April 19, 2001, and it will expire on April 19, 2002.

At June 30, 2001, Accumulated Other Comprehensive Income includes a pre-tax loss of $500 thousand related to the April 2001 swap. At June 30, 2001, BNSF had no other outstanding interest rate derivatives. BNSF monitors its hedging positions and credit ratings of its counterparties and does not anticipate losses due to counterparty nonperformance.

3. Comprehensive income

BNSF's comprehensive income, net of tax, was $193 million and $363 million for the three and six months ended June 30, 2001, respectively, compared with $223 million and $466 million, for the three and six months ended June 30, 2000, respectively. BNSF's comprehensive income includes net income and adjustments to the minimum pension liability, as well as changes related to derivatives which qualify for cash flow hedge accounting.

The change in Accumulated Other Comprehensive Income (Deficit), net of tax, is presented in the following table:

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
	(in millions)		(in millions)	
<S>	<C>	<C>	<C>	<C>
Balance at beginning of period	$ 26	$ (7)	$ (10)	$ (7)
Cumulative effect of adoption of SFAS No. 133, net.......	-	-	58	-
Gain on derivative instruments, included in net income...	(11)	-	(23)	-
Change in fair value of derivative instruments...........	9	-	(1)	-
Balance at end of period	$ 24	$ (7)	$ 24	$ (7)

</TABLE>

4. Accounts receivable, net

In the first quarter of 2001, BNSF Railway, through a special purpose subsidiary, increased capacity to sell variable rate certificates that mature in 2002 and evidence undivided interests in an accounts receivable master trust. The amount of variable rate certificates which can be sold under the accounts receivable sales agreement increased by $100 million to $700 million. At June 30, 2001, $625 million of certificates were outstanding compared to $600 million at December 31, 2000, which provided $25 million of cash for the first six months of 2001. The master trust's assets include an ownership interest in a revolving portfolio of BNSF Railway's accounts receivable which are used to support the certificates.

5. Debt

In May 2001, the Company increased the amount of debt securities under its shelf registration, enabling it to issue debt securities in one or more series at an aggregate-offering price not to exceed $1 billion, and issued $400 million of 6.75 percent notes due July 15, 2011. The net proceeds of the debt issuance were used for general corporate purposes including the repayment of outstanding commercial paper. Subsequent to this debt issuance, the Company has $600 million of capacity under the May 2001 shelf registration statement.

In March 2001, $100 million of 33-year re-marketable bonds issued in 1998 were called by the holder of the call option. BNSF subsequently purchased the option from the holder and retired the bonds, and incurred an extraordinary loss of $6 million, net of tax, due to early retirement.

In March 2001, BNSF issued a $12 million, 5.96 percent note due April 2004.

BNSF issues commercial paper from time to time which is supported by bank revolving credit agreements. At June 30, 2001, there were no bank borrowings against the revolving credit agreements. Outstanding commercial paper balances are considered as reducing the amount of borrowings available under these agreements. The bank revolving credit agreements allow borrowings of up to $1.75 billion. Borrowing rates are based upon (i) LIBOR plus a spread determined by BNSF's senior unsecured debt ratings, (ii) money market rates offered at the option of the lenders, or (iii) an alternate base rate. The Company generally classifies commercial paper as long-term to the extent of its borrowing capacity under these facilities. The commitments of the lenders under the short-term agreement, which were renewed and extended for another year effective June 20, 2001, are scheduled to expire in June 2002, and the Company has the ability to have any amounts then outstanding mature as late as June 2003. The commitments of the lenders under the long-term agreement are scheduled to expire in June 2005.

In April 2001, BNSF entered into an interest rate swap to fix the LIBOR component of $100 million of commercial paper at 4.59 percent. The effective date of the swap is April 19, 2001, and it will expire on April 19, 2002.

The maturity value of commercial paper outstanding as of June 30, 2001 was $317 million, reducing the total capacity available under the revolving credit agreements to $1,433 million. BNSF must maintain compliance with certain financial covenants under its revolving credit agreements and at June 30, 2001, the Company was in compliance.

6. Employee merger and separation costs

Current and long-term employee merger and separation liabilities totaling $279 million are included in the consolidated balance sheet at June 30, 2001, and principally represent: (i) employee-related severance costs for the consolidation of clerical functions; (ii) deferred benefits payable upon separation or retirement to certain active conductors, trainmen and locomotive engineers; and (iii) certain salaried employee severance costs. During the first six months of 2001, the Company made employee merger and separation payments of $27 million and reduced its liability by $4 million to reflect a change in estimates.

During the second quarter of 2000, the Company incurred $22 million of costs for severance, medical and other benefit costs for approximately 150 involuntarily terminated employees, primarily material handlers in mechanical shops and trainmen on reserve boards, as part of the Company's ongoing initiatives to reduce operating expense by improving its efficiency. The initiative eliminated approximately 200 positions, including reductions through the elimination of contract services. The majority of these severed employees have elected to receive payments over the next several years, rather than lump-sum payments.

Liabilities related to the consolidation of clerical functions are paid to affected employees in the form of a lump-sum payment or payments made over five to ten years, or in some cases, through retirement. Liabilities related to deferred benefits payable to certain active conductors, trainmen and locomotive engineers are paid upon the employees' separation or retirement. Liabilities principally related to certain remaining salaried employee severances will be paid in the form of a lump sum payment or over the next several years based on deferral elections made by affected employees. At June 30, 2001, $46 million of the remaining liabilities are included within current liabilities for anticipated costs to be paid over the next twelve months.

7. Commitments and contingencies

ENVIRONMENTAL

BNSF's operations, as well as those of its competitors, are subject to extensive federal, state and local environmental regulation. BNSF'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's land holdings are and 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. As a result, BNSF is subject to environmental clean-up and enforcement actions. In particular, the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), also known as the "Superfund" law, as well as similar state laws generally impose joint and several liability for clean-up and enforcement costs on current and former owners and operators of a site without regard to fault or the legality of the original conduct. BNSF has been notified that it is a potentially responsible party (PRP) for study and clean-up costs at approximately 30 Superfund sites for which investigation and remediation payments are or will be made or are yet to be determined (the Superfund sites) and, in many instances, is one of several PRPs. In addition, BNSF may be considered a PRP under certain other laws. Accordingly, under CERCLA and other federal and state statutes, BNSF may be held jointly and severally liable for all environmental costs associated with a particular site. If there are other PRPs, BNSF generally participates in the clean-up of these sites through cost-sharing agreements with terms that vary from site to site. Costs are typically allocated based on relative volumetric contribution of material, the amount of time the site was owned or operated, and/or the portion of the total site owned or operated by each PRP.

Environmental costs include initial site surveys and environmental studies of potentially contaminated sites as well as costs for remediation and restoration of sites determined to be contaminated. Liabilities for environmental clean-up costs are initially recorded when BNSF's liability for environmental clean-up is both probable and a reasonable estimate of associated costs can be made. Adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. BNSF conducts an ongoing environmental contingency analysis, which considers a combination of factors including independent consulting reports, site visits, legal reviews, analysis of the likelihood of participation in and the ability of other PRPs to pay for clean-up, and historical trend analyses.

BNSF is involved in a number of administrative and judicial proceedings and other mandatory clean-up efforts at approximately 389 sites, including the Superfund sites, at which it is participating in the study or clean-up, or both, of alleged environmental contamination. BNSF paid approximately $44 million during the first six months of 2001 for mandatory and unasserted clean-up efforts, including amounts expended under federal and state voluntary clean-up

programs. BNSF has recorded liabilities for remediation and restoration of all known sites of approximately $208 million at June 30, 2001. BNSF anticipates that the majority of the accrued costs at June 30, 2001 will be paid over the next five years. No individual site is considered to be material.

Liabilities recorded for environmental costs represent BNSF's best estimates for remediation and restoration of these sites and include both asserted and unasserted claims. Unasserted claims are not considered to be a material component of the liability. Although recorded liabilities include BNSF's best estimates of all costs, without reduction for anticipated recoveries from third parties, BNSF's total clean-up 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 clean-up efforts, developments in ongoing environmental analyses related to sites determined to be contaminated, and developments in environmental surveys and studies of potentially contaminated sites. As a result, future charges to income for environmental liabilities could have a significant effect on results of operations in a particular quarter or fiscal year as individual site studies and remediation and restoration efforts proceed or as new sites arise. However, management believes that it is unlikely that any identified matters, either individually or in the aggregate, will have a material adverse effect on BNSF's results of operations, financial position or liquidity.

OTHER CLAIMS AND LITIGATION

BNSF and its subsidiaries are parties to a number of legal actions and claims, various governmental proceedings and private civil suits arising in the ordinary course of business, including those related to environmental matters and personal injury claims. While the final outcome of these items cannot be predicted with certainty, considering among other things the meritorious legal defenses available, it is the opinion of management that none of these items, when finally resolved, will have a material adverse effect on the results of operations, financial position or liquidity of BNSF, although an adverse resolution of a number of these items could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

8. Common stock repurchase program

During the second quarter of 2001, BNSF repurchased 3.1 million shares of its common stock at an average price of $29.54 per share under the Company's share repurchase program amounting to a total cost of $92 million. Total repurchases under BNSF's 120 million share-repurchase program were 97 million shares through June 30, 2001 at an average price of $25.69 per share for a total cost of $2.5 billion since the program was announced in July 1997.

9. Income taxes

During the first six months of 2001, the effective tax rate decreased primarily due to permanent adjustments and lower pretax income.

10. Earnings per share

Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on basic earnings per share adjusted for the effect of potential common shares outstanding that were dilutive during the period, arising from employee stock awards and incremental shares calculated using the treasury stock method. For the six months ended June 30, 2001, basic and dilutive shares were 389.2 million and 393.9 million, respectively.

Certain potential common shares outstanding were not included in the computation of earnings per share, assuming dilution, since their exercise prices were greater than the average market price of the common shares during the period and, accordingly, their effect is antidilutive. These shares totaled 8.5 million and 8.6 million for the three and six months ended June 30, 2001, respectively, and 35.6 million and 35.1 million for the three and six months ended June 30, 2000, respectively.

For the six months ended June 30, 2001, the Company recognized an extraordinary charge, net of tax, of $6 million related to the early extinguishment of debt. The effect of this charge on basic and diluted earnings per share was $.02.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis relates to the financial condition and results of operations of Burlington Northern Santa Fe Corporation and its majority-owned subsidiaries (collectively BNSF, Registrant or Company). The principal operating subsidiary of BNSF is The Burlington Northern and Santa Fe Railway Company (BNSF Railway). All earnings per share information is stated on a diluted basis.

Results of Operations

Three months ended June 30, 2001 compared with three months ended June 30, 2000

BNSF recorded net income for the second quarter of 2001 of $195 million, or $0.50 per share, compared with second quarter 2000 net income of $223 million, or $0.53 per share. The decrease in net income is due to a decrease in operating income of $55 million primarily a result of higher fuel costs, flooding in the upper Midwest impacting revenues and expenses, higher wages and increased health and welfare costs. In addition, the second quarter of 2000 included $42 million pretax of non-recurring charges due to employee related severance, medical and other benefit costs and the loss of previously earned state tax incentives.

Revenues

The following table presents BNSF's revenue information by commodity for the three months ended June 30, 2001 and 2000 and includes certain reclassifications of prior year information to conform to current year presentation:

<TABLE>
<CAPTION>

	Revenues		Cars/Units		Average Revenue Per Car/Unit	
	2001	2000	2001	2000	2001	2000
	(In Millions)		(In Thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Consumer	$ 844	$ 853	932	966	$ 906	$ 883
Industrial	587	594	402	409	1,460	1,452
Coal	532	525	527	487	1,009	1,078
Agricultural Commodities	278	265	155	150	1,794	1,767
Total Freight Revenues	2,241	2,237	2,016	2,012	$1,112	$1,112
Other Revenues	30	24				
Total Operating Revenues	$2,271	$2,261				

</TABLE>

Total revenues of $2,271 million for second quarter of 2001 were $10 million higher than revenues of $2,261 million for the second quarter of 2000. The increase primarily reflects increases in coal and agricultural commodities, offset by lower consumer and industrial revenues.

Consumer revenues of $844 million for the second quarter of 2001 were $9 million, or 1 percent, lower than the second quarter of 2000 due to decreases in the direct sector as a result of decreased loadings with UPS, Roadway, and Yellow Freight and decreases in the automotive sector as a result of sluggish industry-wide sales. However, lower revenues in automotive and domestic intermodal shipments were partially offset by double-digit growth in the intermodal truckload business with NUMMI and J.B. Hunt, dry boxcar business due to strong beverage shipments, and a slight increase in international revenues.

Industrial revenues of $587 million for the second quarter of 2001 were $7 million, or 1 percent, lower than the second quarter of 2000 despite the increased revenue per unit reflecting increased length of haul and selected price increases. Revenues for the second quarter of 2001 fell due to continued production cutbacks affecting the chemicals, forest products and metals sectors, partially offset by increases in the minerals sector along with increases in selected commodity groups, including, petroleum, lumber, steel and taconite.

Coal revenues of $532 million for the second quarter of 2001 increased $7 million, or 1 percent, on an 8 percent higher volume as a result of increased demand for electricity, tight eastern coal supplies and high natural gas prices. This was partially offset by lower revenue per car/unit on certain contract renewals and decreased length of haul.

Agricultural products revenues of $278 million for the second quarter of 2001 were $13 million, or 5 percent, higher than revenues for the second quarter of 2000, primarily due to an increased demand for corn, milo and oil seed/meal, partially offset by a decline in wheat exports. Average revenue per car/unit increased 2 percent to $1,794 from $1,767 for the second quarter of 2000 due to increased length of haul.

Expenses

Total operating expenses for the second quarter of 2001 were $1,843 million, an increase of $65 million, or 4 percent, over the second quarter of 2000, reflecting an increase of $27 million in fuel expense as the average cost of diesel fuel per gallon increased approximately 7 cents. Expenses other than fuel were higher primarily due to flooding conditions in the upper Midwest, higher wages and increased health and welfare costs.

Compensation and benefits expenses of $694 million were $17 million, or 3 percent, higher than the second quarter of 2000 primarily due to wage rate increases and higher benefit rates. These expenses were partially offset by lower incentive compensation expense.

Purchased services of $274 million for the second quarter of 2001 were $24 million, or 10 percent, higher than the second quarter of 2000 principally due to higher ramping expenses incurred as a result of new services added which improve efficiency and safety at the intermodal ramp facilities and increased drayage and other expenses as a result of flooding in the upper Midwest. In addition, there were other increases in costs for computer maintenance resulting from an increase in software purchases, and haulage expense as compared with the second quarter of 2000.

Depreciation and amortization expenses of $230 million for the second quarter of 2001 were $7 million, or 3 percent, higher than the second quarter of 2000, primarily due to a higher capital base.

Equipment rents expenses for the second quarter of 2000 of $190 million were $14 million, or 8 percent, higher than the second quarter of 2000 as a result of increased rental expense due to more railcars and locomotives under lease.

Fuel expenses of $246 million for the second quarter of 2001 were $27 million, or 12 percent, higher than the second quarter of 2000, as a result of a 7-cent, or 10 percent, increase in the average all-in cost per gallon of diesel fuel. Consumption was higher in the second quarter of 2001 at 293 million gallons compared with 286 million gallons in the second quarter of 2000 primarily due to an increase in ton-miles and a decrease of fuel efficiency attributable to train delays and routing caused by flooding in the upper Midwest. The increase in the average all-in cost per gallon of diesel fuel includes a 3-cent increase in the average purchase price as well as a decrease in the hedge benefit of 4 cents per gallon as compared with a 9-cent per gallon hedge benefit in the second quarter of 2000.

Materials and other expenses of $209 million for the second quarter of 2001 were $24 million, or 10 percent, lower than the second quarter of 2000 primarily because of $42 million pretax of second quarter 2000 non-recurring charges for employee-related severance, medical and other benefit costs and a loss of previously earned state tax incentives. This was partially offset by increases in second quarter of 2001 related to higher environmental and casualty expenses and increased costs caused by flooding in the upper Midwest.

Interest expense of $115 million for the second quarter of 2001 was even compared with the second quarter of 2000. The impact of higher average outstanding debt in the second quarter of 2001 was offset by lower interest rates as compared with the same period in 2000.

Income tax expense of $113 million for the second quarter of 2001 was $24 million, or 18 percent, lower than the second quarter of 2000 primarily due to permanent adjustments and lower pretax income.

Six months ended June 30, 2001 compared with six months ended June 30, 2000

BNSF recorded net income for the first six months of 2001 of $329 million, or $0.84 per share, after first quarter extraordinary charge of $6 million, net of tax, related to the early extinguishment of debt obligation, compared to the first six months of 2000 net income of $466 million, or $1.08 per share. The decrease in net income is due to a $146 million decrease in operating income primarily as a result of significantly higher fuel costs and higher compensation and benefit costs principally due to wage rate increases and higher health and welfare costs. Additionally, the first quarter of 2001 was impacted by more severe winter weather conditions, non-recurring losses of $40 million, net of tax, related to non-rail investments and the second quarter of 2001 was impacted by flooding in the upper Midwest. In addition, the second quarter of 2000 included $42 million pretax of non-recurring charges due to employee related severance, medical and other benefit costs and the loss of previously earned state tax incentives.

Revenues

The following table presents BNSF's revenue information by commodity for the six months ended June 30, 2001 and 2000 and includes certain reclassifications of prior year information to conform to current year presentation:

	Revenues (In Millions)		Cars/Units (In Thousands)		Average Revenue Per Car/Unit	
	2001	2000	2001	2000	2001	2000
Consumer	$1,651	$1,654	1,832	1,869	$ 901	$ 885
Industrial	1,156	1,181	781	812	1,480	1,454
Coal	1,058	1,054	1,043	994	1,014	1,060
Agricultural Commodities	639	590	346	325	1,847	1,815
Total Freight Revenues	4,504	4,479	4,002	4,000	$1,125	$1,120
Other Revenues	60	46				
Total Operating Revenues	$4,564	$4,525				

Total revenues of $4,564 million for the first six months of 2001 were $39 million higher than revenues of $4,525 million for the first six months of 2000. The increase primarily reflects increases in the coal and agricultural commodities sectors, partially offset by lower consumer and industrial revenues. Average revenue per car/unit increased slightly to $1,125 from $1,120 for the first six months of 2000.

Consumer revenues of $1,651 million for the first six months of 2001 were $3 million lower than the first six months of 2000 as a result of decreased loadings with UPS, Roadway, and Yellow Freight. The loss in late 2000 of some automotive contract business as well as decreases in the automotive sector as a result of sluggish industry-wide sales affected automotive revenues. Additionally, the recent loss in 2001 of some automotive contract business is expected to affect future automotive revenues. However, lower revenues in automotive and domestic intermodal shipments were partially offset by significant growth in intermodal truckload business with NUMMI and J.B. Hunt, increased international revenues, and dry boxcar business due to strong beverage shipments.

Industrial revenues of $1,156 million for the first six months of 2001 were $25 million, or 2 percent, lower than the first six months of 2000, despite the increased revenue per unit reflecting increased length of haul and selected price increases. Revenues for the first six months of 2001 fell due to continued production cutbacks affecting the chemicals, forest products and metals sectors, partially offset by increases in the minerals and machinery sectors resulting from government shipments of machinery and increased demand for clay and sand in the drilling industry as a result of high import oil prices.

Coal revenues of $1,058 million for the first six months of 2001 increased $4 million as a result of increased demand for electricity, tight eastern coal supplies and high natural gas prices. This was partially offset by lower revenue per car/unit on certain contract renewals.

Agricultural products revenues of $639 million for the first six months of 2001 were $49 million, or 8 percent, higher than revenues for the first six months of

2000, primarily due to an increased demand in all sectors. Average revenue per car/unit increased 2 percent to $1,847 from $1,815 for the first six months of 2000 due to increased in length of haul.

Expenses

Total operating expenses for the first six months of 2001 were $3,717 million, an increase of $185 million, or 5 percent, over the first six months of 2000, primarily due to an increase of $73 million in fuel expense over the first six months of 2000 as the average cost of diesel fuel per gallon increased approximately 11 cents. Expenses other than fuel were higher primarily due to flooding in the upper Midwest, more severe winter weather conditions, higher wages and increased health and welfare costs.

Compensation and benefits expenses of $1,423 million were $48 million, or 4 percent, higher than the first six months of 2000 primarily due to wage rate increases and higher benefit rates. In addition, significant increases in scheduled wages were due to more severe winter weather conditions resulting in higher maintenance and additional crews. These increases were partially offset by lower employment levels and lower incentive compensation expense.

Purchased services of $536 million for the first six months of 2001 were $28 million, or 6 percent, higher than the first six months of 2000 primarily due to higher ramping expenses incurred as a result of new services added which improve efficiency and safety at the intermodal ramp facilities, increased drayage and other expenses as a result of flooding in the upper Midwest, higher equipment maintenance due to more locomotives under contract, and increased haulage expense.

Depreciation and amortization expenses of $458 million for the first six months of 2001 were $13 million, or 3 percent, higher than the second quarter of 2000, primarily due to a higher capital base.

Equipment rents expenses for the first six months of 2001 of $377 million were $22 million, or 6 percent, higher than the first six months of 2000 as a result of increased rental expense due to more railcars and locomotives under lease.

Fuel expenses of $503 million for the first six months of 2001 were $73 million, or 17 percent, higher than the first six months of 2000, as a result of a 11-cent, or 15 percent, increase in the average all-in cost per gallon of diesel fuel. Consumption was higher in the first six months of 2001 at 590 million gallons compared with 578 million gallons in the first six months of 2000 due to an increase in ton-miles. This was partially offset by gross ton-miles per gallon which increased to 751 from 745 compared with the first six months of 2000, principally due to a shift in commodity mix. This was attributable to more fuel efficient commodity mix and newer locomotive fleet. The increase in the average all-in cost per gallon of diesel fuel includes a 7-cent increase in the average purchase price as well as a decrease in the hedge benefit of 4 cents per gallon as compared with a 10-cent hedge benefit for the first six months of 2000.

Materials and other expenses of $420 million for the first six months of 2001 were $1 million higher than the first six months of 2000 principally reflecting increased utilities as a result of higher rates and increased consumption due to more severe winter weather conditions, lower income from easements, increased locomotive servicing and freight car repair due to more severe winter weather conditions, increased costs caused by flooding in the upper Midwest and higher environmental and casualty expenses. Offsetting these increases were $42 million pretax of non-recurring charges in the first six months of 2000 due to employee related severance, medical and other benefit costs and the loss of previously earned state tax incentives.

Interest expense of $235 million for the first six months of 2001 was $16 million, or 7 percent, higher than in the first six months of 2000, reflecting higher debt levels, primarily resulting from the Company's share repurchase program and higher interest rates. Total debt increased to $6,752 million at

June 30, 2001 from $6,696 million at June 30, 2000.

Other income (expense), net was $55 million higher than in the first six months of 2000 primarily due to $64 million pretax of non-recurring losses related to non-rail investments, principally: FreightWise, an Internet transportation exchange; Pathnet, a telecommunications venture; and a portfolio of other non-core real-estate investments.

Income tax expense of $199 million for the first six months of 2001 was $86 million, or 30 percent, lower than the first six months of 2000 primarily due to lower pretax income and permanent adjustments.

Capital Resources and Liquidity

Cash generated from operations is BNSF's principal source of liquidity. BNSF generally funds any additional liquidity requirements through debt issuance, including commercial paper, or leasing of assets.

OPERATING ACTIVITIES

Net cash provided by operating activities was $931 million for the six months ended June 30, 2001, compared with $1,054 million for the six months ended June 30, 2000. The decrease in cash from operations was primarily due to a decrease in net income and the receipt of a $43 million special, non-recurring dividend from the Company's equity investment in TTX Company in the first quarter 2000.

In the first quarter of 2001, BNSF Railway, through a special purpose subsidiary, increased capacity to sell variable rate certificates that evidence undivided interests in an accounts receivable master trust that matures in 2002. The amount of variable rate certificates, which can be sold under the accounts receivable sales agreement, increased by $100 million to $700 million. At June 30, 2001, $625 million of certificates were outstanding compared to $600 million at December 31, 2000, which provided $25 million of cash for the first six

months of 2001. The master trust's assets included an ownership interest in a revolving portfolio of BNSF Railway's accounts receivable which are used to support the certificates.

INVESTING ACTIVITIES

Net cash used for investing activities was $653 million for the six months ended June 30, 2001, compared with $744 million for the six months ended June 30, 2000. The decrease in cash used primarily reflects the temporary acquisition of equipment in 2000, which the company ultimately sold and leased back through operating leases. The cash used for the six months ended June 30, 2001, reflected $637 million of capital expenditures, as discussed below, and $16 million of other investing activities that primarily reflects retired track structure removal costs and participation in joint investment projects, and advances for future investment transactions.

A breakdown of cash capital expenditures for the six months ended June 30, 2001 and 2000, is set forth in the following table (in millions):

Six Months Ended June 30,	2001	2000
Maintenance of Way	$ 432	$ 435
Mechanical	70	90
Information Services	31	27
Other	27	54
Total Maintenance of Business	$ 560	$ 606
Terminal and Line Expansion	61	26
Other Projects	16	4

Total..	$ 637	$ 636
	========	========

Through June 30, 2001, BNSF has acquired 65 of the 100 locomotives it has committed to acquire in 2001 through operating leases. The locomotives will be financed from one or a combination of sources including, but not limited to, cash from operations, capital or operating leases, and debt issuances. The decision on the method used will depend upon the current market conditions and other factors.

FINANCING ACTIVITIES

Net cash used for financing activities during the first six months of 2001 was $263 million, primarily related to common stock repurchases of $157 million, dividend payments of $96 million and a net reduction in borrowings of $94 million, partially offset by proceeds of $101 million primarily due to the exercise of 4.6 million stock options.

During the first six months of 2001, BNSF repurchased 5.4 million shares of its common stock at an average price of $29.26 per share under the Company's share repurchase program amounting to a total cost of $157 million.

In May 2001, the Company increased the amount of debt securities under its shelf registration, enabling it to issue debt securities in one or more series at an aggregate-offering price not to exceed $1 billion, and issued $400 million of 6.75 percent notes due July 15, 2011. The net proceeds of the debt issuance were used for general corporate purposes including the repayment of outstanding commercial paper. Subsequent to this debt issuance, the Company has $600 million of capacity under the May 2001 shelf registration statement.

In March 2001, $100 million of 33-year remarketable bonds issued in 1998 were called by the holder of the call option. BNSF subsequently purchased the option from the holder and retired the bonds, and incurred an extraordinary loss of $6 million, net of tax, due to early retirement.

In March 2001, BNSF issued a $12 million, 5.96 percent note due April 2004.

BNSF's ratio of total debt to total capital was 46.7 percent at June 30, 2001 compared to 47.8 percent at December 31, 2000.

CREDIT AGREEMENTS

BNSF issues commercial paper from time to time which is supported by bank revolving credit agreements. At June 30, 2001, there were no bank borrowings against the revolving credit agreements. Outstanding commercial paper balances are considered as reducing the amount of borrowings available under these agreements. The bank revolving credit agreements allow borrowings of up to $1.75 billion. The commitments of the lenders under the short-term agreement, which were renewed and extended for another year effective on June 20, 2001, allow borrowings of up to $1.0 billion. The commitments under the short-term agreement are scheduled to expire in June 2002, and the Company has the ability to have any amounts then outstanding mature as late as June 2003. The remaining $750 million of commitments of the lenders are scheduled to expire in June 2005. Annual facility fees for the short-term and long-term facilities are currently 0.1 percent and 0.125 percent, respectively, and are subject to change based upon changes in BNSF's senior unsecured debt ratings. Borrowing rates are based upon (i) LIBOR plus a spread determined by BNSF's senior unsecured debt ratings, (ii) money market rates offered at the option of the lenders, or (iii) an alternate base rate. The Company generally classifies commercial paper as long-term to the extent of its borrowing capacity under these facilities.

The maturity value of commercial paper outstanding as of June 30, 2001, was $317 million, reducing the total capacity available under the revolving credit agreements to $1,433 million. BNSF must maintain compliance with certain financial covenants under its revolving credit agreements and at June 30, 2001, the Company was in compliance.

DIVIDENDS

Common stock dividends declared for the six months ended June 30, 2001 and 2000, were 24 cents per share, respectively. Dividends paid on common stock during the six months of 2001 and 2000 were $96 million and $108 million, respectively. On April 19, 2001, the Board of Directors declared a regular quarterly common stock dividend of 12 cents per share upon its outstanding shares of common stock, $0.01 par value, which was paid on July 2, 2001 to shareholders of record on June 11, 2001. On July 19, 2001, the Board of Directors declared a regular quarterly common stock dividend of 12 cents per share upon its outstanding shares of common stock, $0.01 par value, payable October 1, 2001 to shareholders of record on September 10, 2001.

Other Matters

Other Claims and Litigation

BNSF and its subsidiaries are parties to a number of legal actions and claims, various governmental proceedings and private civil suits arising in the ordinary course of business, including those related to environmental matters and personal injury claims. While the final outcome of these items cannot be predicted with certainty, considering among other things the meritorious legal defenses available, it is the opinion of management that none of these items, when finally resolved, will have a material adverse effect on the results of operations, financial position or liquidity of BNSF, although an adverse resolution of a number of these items in a single period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Labor

Labor unions represent approximately 88 percent of BNSF Railway's employees under collective bargaining agreements with 13 different labor organizations. The negotiating process for new, major collective bargaining agreements covering all of BNSF Railway's union employees has been underway since the bargaining round was initiated November 1, 1999. Wages, health and welfare benefits, work rules, and other issues have traditionally been addressed through industry-wide negotiations. These negotiations have generally taken place over a number of months and have previously not resulted in any extended work stoppages. The existing agreements have remained in effect and will continue to remain in effect until new agreements are reached or the Railway Labor Act's procedures (which include mediation, cooling-off periods, and the possibility of Presidential intervention) are exhausted. The current agreements provide for periodic wage increases until new agreements are reached. The National Carriers' Conference Committee (NCCC), BNSF's multi-employer collective bargaining representative, has reached a final agreement with the Brotherhood of Maintenance of Way Employees (BMWE) resolving wage, work rule and benefit issues through 2004 which was implemented July 2001. BMWE represents BNSF's track, bridge and building maintenance employees, or about one-fourth of BNSF's unionized workforce. In June 2001, the NCCC reached a tentative agreement with the International Brotherhood of Electrical Workers (IBEW) resolving wage and work rule issues through 2004. The agreement leaves health and welfare benefit issues for settlement in separate talks with other railroad unions, and is subject to ratification by IBEW members. The ratification process should be

completed in the third quarter of 2001. IBEW represents about five percent of BNSF's unionized workforce. During the third quarter of 2000, the NCCC reached a tentative agreement with the United Transportation Union (UTU) covering wage and work rule issues through the year 2004 for conductors, brakemen, yardmen, yardmasters and firemen, approximately one-third of BNSF's unionized workforce. This agreement is also subject to ratification by the UTU's membership. As in the tentative IBEW agreement, health and welfare benefit issues were not resolved with UTU, and remain the subject of continuing negotiations.

Accounting Pronouncements

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," which was effective for all business combinations initiated after June 30, 2001 and SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141, which is effective for fiscal years after December 15, 2001, eliminates the pooling method of accounting for a business combination and requires that all combinations be accounted for using the purchase method. SFAS No. 142 addresses accounting for identifiable intangible assets, eliminates the amortization of goodwill, and provides specific steps for testing the impairment of goodwill. The Company's historical consolidated financial statements will be unaffected by these new standards.

Forward-Looking Information

To the extent that statements made by the Company relate to the Company's future economic performance or business outlook, predictions or expectations of financial or operational results, or refer to matters which are not historical facts, such statements are "forward-looking" statements within the meaning of the federal securities laws. Forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially. Factors that could cause actual results to differ materially include, but are not limited to, economic and industry conditions: material adverse changes in economic or industry conditions, both within the United States and globally, customer demand, effects of adverse economic conditions affecting shippers, adverse economic conditions in the industries and geographic areas that produce and consume freight, competition and consolidation within the transportation industry, the extent to which the Company is successful in gaining new long-term relationships or retaining existing ones, changes in fuel prices, and changes in labor costs and labor difficulties including stoppages; legal and regulatory factors: developments and changes in laws and regulations and the ultimate outcome of shipper claims, environmental investigations or proceedings and other types of claims and litigation; and operating factors: technical difficulties, changes in operating conditions and costs, competition and commodity concentrations, the Company's ability to achieve its operational and financial initiatives, as well as natural events such as severe weather, floods and earthquakes. The factors noted, individually or in combination could, among other things, limit demand and pricing, affect costs and the feasibility of certain operations, or affect traffic and pricing levels.

The Company cautions against placing undue reliance on forward-looking statements, which reflect its current beliefs and are based on information currently available to it as of the date a forward-looking statement is made. The Company undertakes no obligation to revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, BNSF utilizes various financial instruments which inherently have some degree of market risk. The qualitative and quantitative information presented in the Management's Discussion and Analysis of Financial Condition and Results of Operations section and in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as amended, describes significant aspects of BNSF's financial instrument programs which have material market risk. Presented below is updated quantitative information for those programs that have changed significantly from the information reported in BNSF's Form 10-K for the year ended December 31, 2000, as amended.

COMMODITY PRICE SENSITIVITY

As discussed in Note 2 to the Company's consolidated financial statements, BNSF has a program to hedge against fluctuations in the price of its diesel fuel purchases. The table below provides information about BNSF's diesel fuel hedging instruments that are sensitive to changes in diesel fuel prices. The table presents notional amounts in gallons and the weighted average contract price by contractual maturity date as of June 30, 2001. The prices included in the table below do not include taxes, transportation costs, certain other fuel handling costs and any differences which may occur from time to time between the prices of commodities hedged and the purchase price of BNSF's diesel fuel.

	June 30, 2001			
	Maturity Date			
	2001	2002	Total	Fair Value(1)
Diesel Fuel Swaps:				
Gallons (in millions)................	139	101	240	$53
Weighted average price per gallon.....	$0.49	$0.50	$0.50	-

(1) Represents gains (in millions) in Accumulated Other Comprehensive Income based on the price of Gulf Coast #2 heating oil.

INTEREST RATE

From time to time, BNSF enters into various interest rate-hedging transactions for purposes of managing exposure to fluctuations in interest rates and establishing rates in anticipation of future debt issuances. As discussed in Notes 2 and 5 in the Company's consolidated financial statements, in April 2001, BNSF entered into an interest rate swap to fix the LIBOR component of $100 million of commercial paper at 4.59 percent which is reflected in the table below. The effective date of the swap is April 19, 2001, with an expiration date of April 19, 2002. The Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps generally involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional amount and maturity date.

	June 30, 2001	
	Maturity Date 2002	Fair Value (1)
Variable to fixed swaps (in millions)....	$ 100	$(0.5)
Average pay rate.........................	4.59%	
Average receive rate.....................	4.48%	

(1) Represents losses (in millions) in Accumulated Other Comprehensive Income.

BURLINGTON NORTHERN SANTA FE CORPORATION and SUBSIDIARIES
PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

See Index to Exhibits on page E-1 for a description of the exhibits filed as part of this report.

B. Reports on Form 8-K

The Company filed a Current Report on Form 8-K (Date of earliest event reported: April 24, 2001) in which it referenced under Item 5, Other Events, and included as an exhibit under Item 7, Financial Statements and Exhibits, its April 24, 2001 press release, and also included under Item 7 its calculation of the ratio of earnings to fixed charges for the first quarter of 2001. The Company filed a Current Report on

Form 8-K (Date of earliest event reported: May 24, 2001) in which it referenced under Item 5, Other Events, and included in an exhibit under Item 7, Financial Statements and Exhibits, its press release dated May 24, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BURLINGTON NORTHERN SANTA FE CORPORATION
(Registrant)

By: /s/ Dennis R. Johnson

Dennis R. Johnson
Vice President and Controller
(On behalf of the Registrant and as principal accounting officer)

Fort Worth, Texas
August 2, 2001

BURLINGTON NORTHERN SANTA FE CORPORATION

Exhibit Index

4.1 Form of Burlington Northern Santa Fe Corporation's 6.75 Percent Note due July 15, 2011

12.1 Computation of Ratio of Earnings to Fixed Charges

Exhibit 4.1

Burlington Northern Santa Fe Corporation

6.750% Note due July 15, 2011

CUSIP No. 12189T AT 1 $ 400,000,000.00

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

BURLINGTON NORTHERN SANTA FE CORPORATION, a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO. or registered assigns, the principal sum of Four Hundred Million Dollars ($400,000,000.00) on July 15, 2011, and to pay interest thereon from May 15, 2001 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on January 15 and July 15 in each year, commencing January 15, 2002, at the rate of 6.750% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the January 1 or July 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: May 15, 2001 BURLINGTON NORTHERN SANTA FE CORPORATION

By...
Thomas N. Hund
Executive Vice President and Chief Financial Officer

Attest:

....
Jeffrey T. Williams
Assistant Secretary

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

BANK ONE TRUST COMPANY, N.A.
As Trustee

By...
Authorized Officer

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of December 1, 1995 (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and Bank One Trust Company, N.A., as successor to The First National Bank of Chicago, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof and will initially be offered in the principal amount of $400,000,000. The Company may, without the consent of the Holders, issue additional Securities and thereby increase such principal amount in the future, on the same terms and conditions and with the same CUSIP number as this Security.

The Securities of this series are subject to redemption upon not less than 30 and not more than 60 days' notice by mail, at any time, as a whole or in part, at the election of the Company, at a redemption price equal to the greater of (i) 100% of their principal amount or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the Officers' Certificate establishing the Securities of this series), plus 20 basis points, plus in either case accrued interest to the date of redemption.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder, upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the

Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and the Trustee shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

EXHIBIT 12.1

BURLINGTON NORTHERN SANTA FE CORPORATION and SUBSIDIARIES
COMPUTATION of RATIO of EARNINGS to FIXED CHARGES
(In Millions, Except Ratio Amounts)
(Unaudited)

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Earnings:		
Pre-tax income	$ 534	$ 751
Add:		
Interest and fixed charges, excluding capitalized interest	235	219
Portion of rent under long-term operating leases representative of an interest factor	96	84
Distributed income of investees accounted for under the equity method	3	45
Amortization of capitalized interest	4	3
Less: Undistributed equity in earnings of investments accounted for under the equity method	12	9
Total earnings available for fixed charges	$ 860	$1,093
Fixed charges:		
Interest and fixed charges	$ 243	$ 223
Portion of rent under long-term operating leases representative of an interest factor	96	84
Total fixed charges	$ 339	$ 307

Ratio of earnings to fixed charges	2.54 x	3.56x