



Kansas City Southern

First Quarter 2011 Earnings Presentation

April 21, 2011



Safe Harbor Statement

This presentation includes statements concerning potential future events involving the Company which could materially differ from events that actually occur. The differences could be caused by a number of factors, including those factors identified in the “Risk Factors” section of the Company’s Form 10-K for the year ended December 31, 2010 filed by the Company with the SEC (File No. 1-4717). The Company will not update any forward-looking statements in this presentation to reflect future events or developments. All reconciliations to GAAP can be found on the KCS website, kcsouthern.com/investors.



Mike Haverty



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Today's Presenters

Mike Haverty

Executive Chairman

Dave Starling

President & CEO

Pat Ottensmeyer

EVP Sales & Marketing

Mike Upchurch

EVP & CFO



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First Quarter Results

	Q1 2011	Q1 2010	Variance
Carloads/Units (in thousands)	474.1	443.2	7.0%
Revenue (in millions)	\$488.6	\$436.3	12.0%
Operating Ratio	73.8%	75.2%	1.4 points
Diluted Earnings per Share	\$0.58	\$0.34	70.6%



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Dave Starling



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Update of 2011 Guidance

2011 Guidance

- Low double digit revenue growth
- Mid single digit volume growth
- Mid single digit pricing
- Annual operating ratio improvement of 100-150 bp

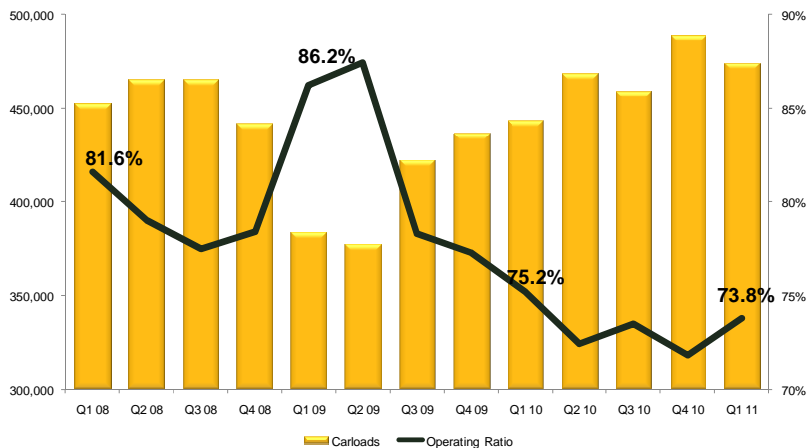
Update

- Q1 revenue growth of 12%
 - Strong Lazaro Cardenas and intermodal cross border growth
- Volumes up 7%
 - April volumes are accelerating compared to first quarter
- Same store sales up 5.6%
 - Revenue per unit up 5.0%
- Operating ratio improved 140bp despite \$6 million fuel lag
 - Continued focus on cost improvements



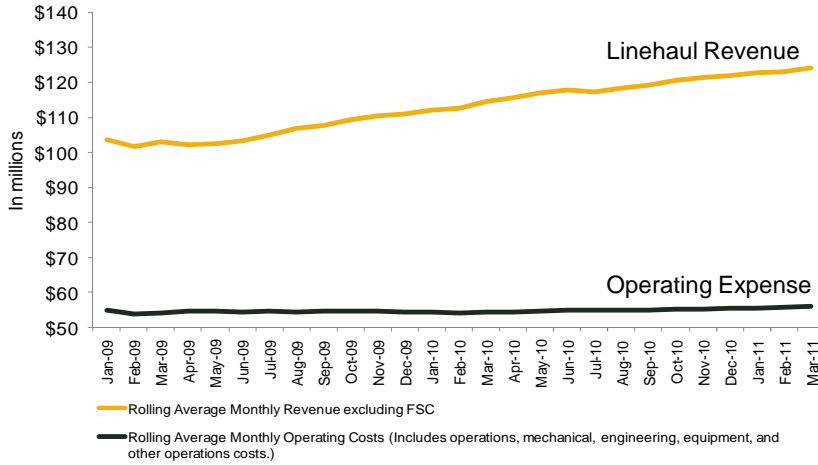
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First Quarter Operating Ratio Improvement



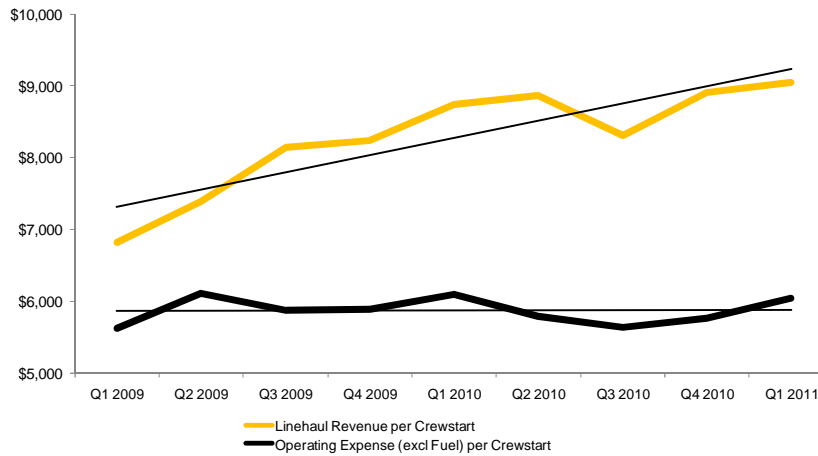
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Operating Leverage Continues Positive Trend



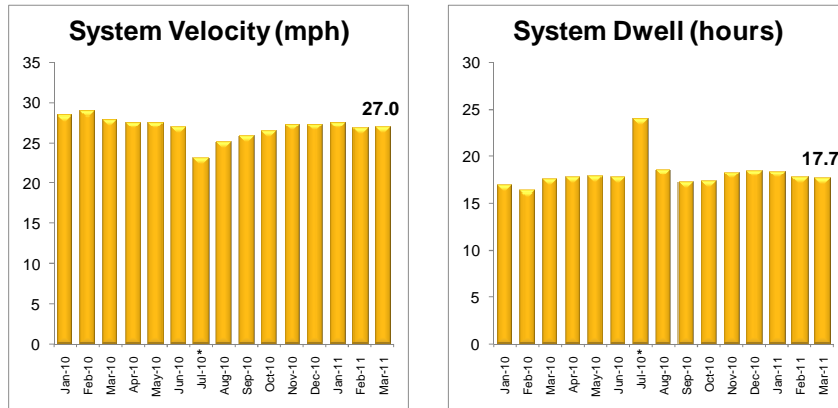
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Expense per Crewstart Under Control



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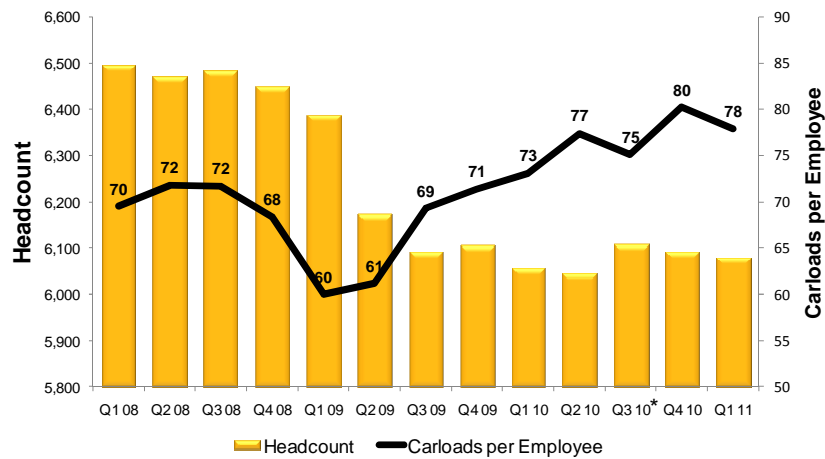
System Metrics



*July 2010 results not adjusted for Hurricane Alex.

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Carloads per Employee Up 7% vs. Q1 2010

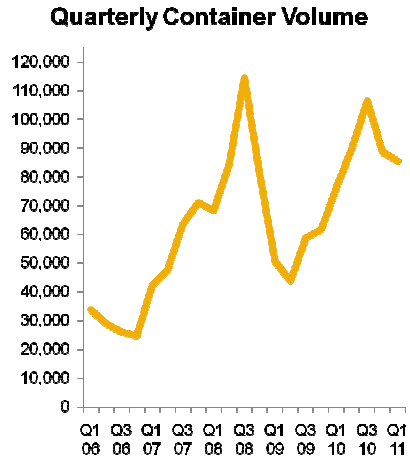


*Q3 2010 carloads not adjusted for Hurricane Alex and includes 33 additional Puerta Mexico employees.

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Panama Canal Railway Company*

	Q1 2011	Q1 2010
Volumes	85,438	76,484
Total Revenues (in millions)	\$12.1	\$10.2
Operating Ratio	56.6%	54.1%



* PCRC is a 50% equity investment

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Pat Ottensmeyer



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First Quarter Revenue Increased 12%

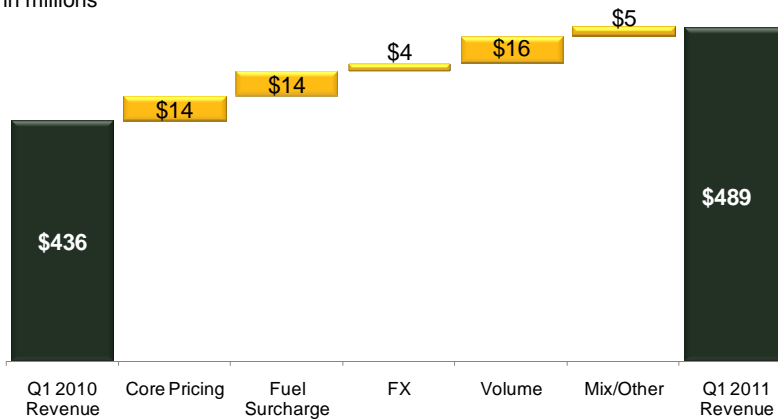
	Q1 2011	Q1 2010	Variance
Total Revenues (in millions)	\$488.6	\$436.3	12%
Carloads (in thousands)	474.1	443.2	7%
Average Revenue per Unit	\$992	\$945	5%



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Revenue Growth Driven by Volume & Pricing

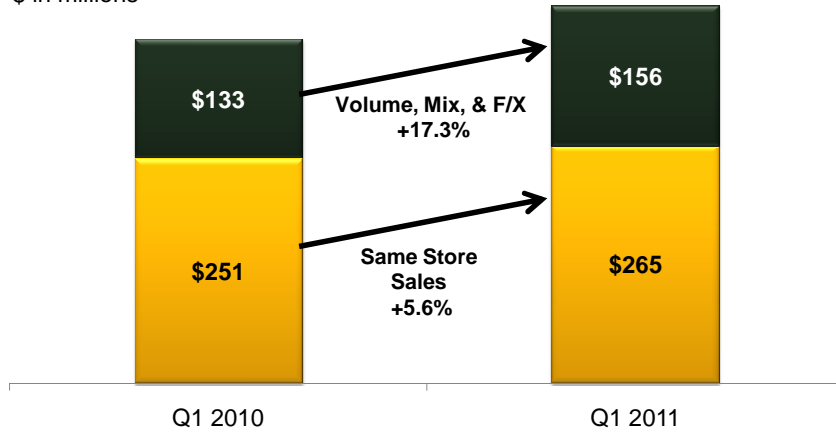
\$ in millions



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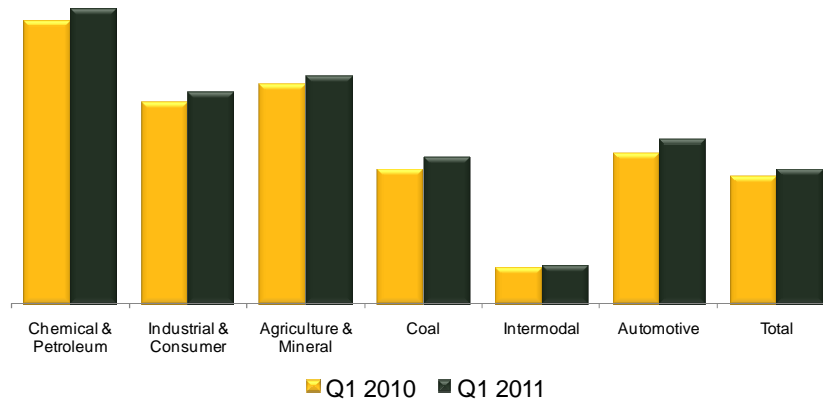
Linehaul Revenue Growth Components

\$ in millions



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Same Store Pricing Up 5.6%



*Linehaul rate excludes fuel surcharge and foreign exchange

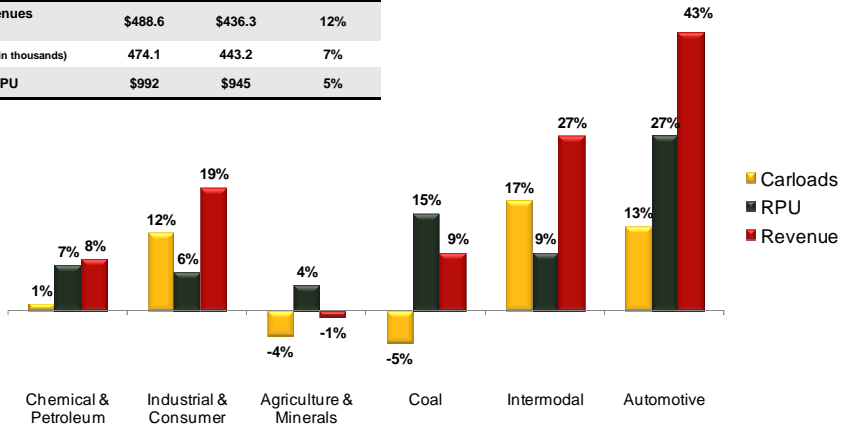


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First Quarter Commodity Group Results

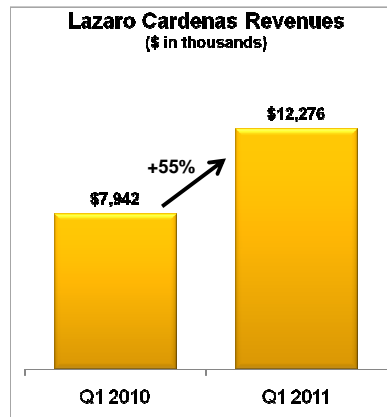
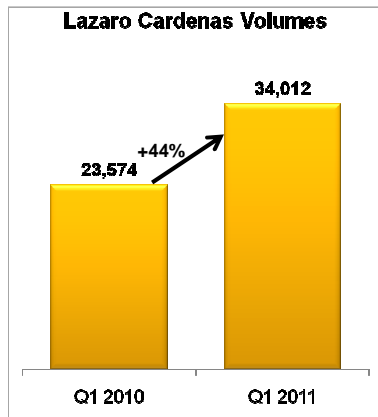
Q1 2011 vs. Q1 2010

	Q1 2011	Q1 2010	Variance
Total Revenues (in millions)	\$488.6	\$436.3	12%
Carloads (in thousands)	474.1	443.2	7%
Average RPU	\$992	\$945	5%



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Lazaro Cardenas Growth



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Market Outlook – Linehaul Revenue

	Q2 2011	FY 2011
Chemical & Petroleum	++	++
Industrial & Consumer	++	++
Agriculture & Minerals	=	+
Coal	++	+
Intermodal	++	++
Automotive	++	++



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Market Developments

- Economic outlook continues to be positive in both U.S. and Mexico
- Pricing in line with prior guidance
- New business opportunities continue to grow
 - Mexico “near sourcing” phenomenon
 - Port Arthur Crude Terminal
 - Lazaro Cardenas port expansion
- Cross border revenue as a percent of total revenue was 22%
 - Grain continued to be weaker
- Intermodal cross border revenues increased 81% versus Q1 2010
 - Volumes increased 70%



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Mike Upchurch



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Condensed Income Statement Data

(\$ in millions, except EPS Diluted)	Q1 2011	Q1 2010
Revenues	\$488.6	\$436.3
Operating Expenses	360.8	328.1
Operating Income	127.8	108.2
Equity Earnings	3.6	6.4
Interest Expense	(33.1)	(44.4)
Other	1.6	(11.8)
Pre-tax Income	99.9	58.4
Income Tax Expense	(35.8)	(24.2)
Net Income	\$64.1	\$34.2
EPS Diluted	\$0.58	\$0.34
Average Diluted Share Count (in thousands)	109,751	96,458*

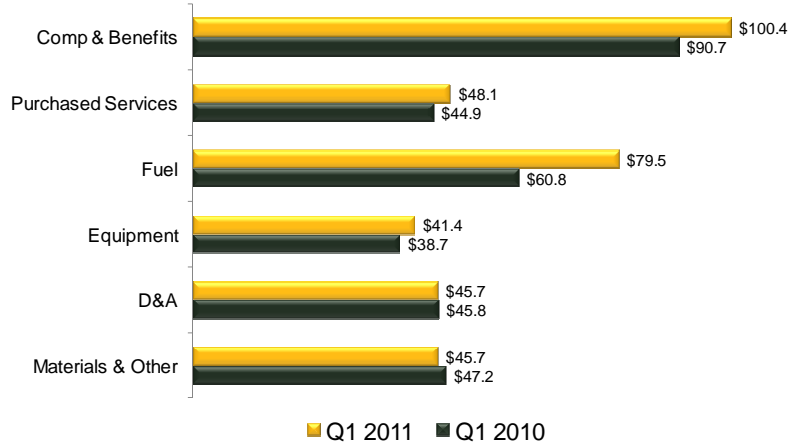


* The average diluted share count calculation excludes the impact on the conversion of convertible preferred stock as it would be anti-dilutive.

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Operating Expenses Increase 5% Excluding Fuel

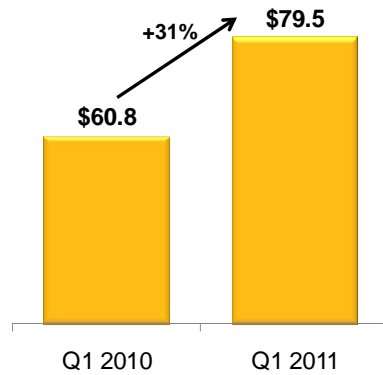
\$ in millions



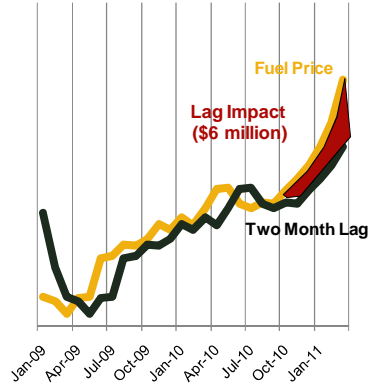
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Fuel Expense Increased 31% Due to Price

Fuel Expense
\$ in millions



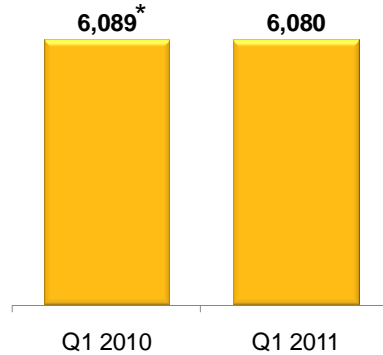
Highway Diesel Fuel Pricing



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Headcount Remains Flat

Quarterly Average Employee Headcount



	\$ in millions
Q1 2010 Expense	\$91
Core Compensation	4
Fringe Benefits	3
Foreign Exchange	2
Q1 2011 Expense	\$100

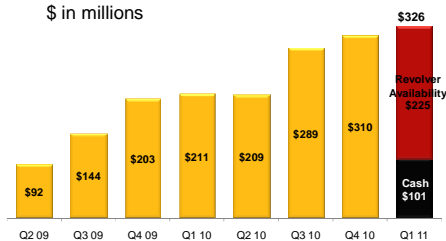


* For comparability, Q1 2010 employee count includes 33 employees from Puerta Mexico acquisition added in 2010

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Liquidity Continues to Improve

\$ in millions



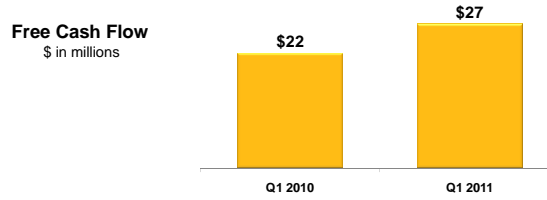
Capital Structure

- Converted preferred stock to common
- Considering retirement of 13% notes with cash
- Refinancing of term loans
- Refinancing KCSM notes



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Increasing Capital Spending



	% of 2011 Revenue
2011 capital expenditure guidance	17%
Accelerated 2012 locomotive purchases	3%
Lease buyouts – cash requirements	1%
Leased intermodal facility acquisition	1%
Cash capital requirements	22%

Will provide approximately 40bp annual OR improvement



All reconciliations to GAAP can be found on the KCS website in the Investors section.

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Dave Starling



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Summary

- Volumes are on target or better
- Pricing story consistent with prior guidance
- Strong expense controls in place
 - Headcount
- Acceleration of capital program
- Possible additional capital structure improvements
- New business opportunities emerge



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