



Kansas City Southern

Consolidated Investors' Report First Quarter 2011



This document should be read in conjunction with the Company's 10-K, 10-Q, and any 8-K statements filed with the Securities Exchange Commission.

This document 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. 1-04717). The Company will not update any forward-looking statements in this presentation to reflect future events or developments.

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First Quarter Press Release

NEWS RELEASE



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Kansas City Southern Reports First Quarter Revenue Growth of 12% on a 7% Increase in Volumes; Earnings per Share \$0.58

First Quarter 2011 Results

- Revenues of \$489 million, a 12% increase from prior year on a 7% increase in carloadings
- Operating income of \$128 million, an increase of 18% from a year ago
- Operating ratio of 73.8%, a 1.4 point improvement over first quarter 2010
- Diluted earnings per share of \$0.58 for first quarter 2011 up from \$0.34 in the first quarter 2010

Kansas City, MO, April 21, 2011. Kansas City Southern (KCS) (NYSE:KSU) reported first quarter 2011 revenues of \$489 million, a 12% increase compared to the corresponding 2010 period. Overall, carload volumes were 7% higher than in first quarter 2010.

The improvement in revenue was led by Automotive with a 43% increase in first quarter 2011 as compared to the same period a year ago. Intermodal revenues also showed strength increasing 27% over the same time period. Other revenue improvements were 19% for Industrial and Consumer Products; 9% for Coal; and 8% for Chemical and Petroleum. Agriculture and Minerals reported a decline of 1%, attributable to a decline in cross border traffic into Mexico as availability of crops from a strong Mexican harvest has been sufficient to meet the local demand.

Operating expenses for the first quarter of \$361 million were \$33 million higher than the corresponding 2010 period, primarily due to a 31% increase in fuel. Operating income for the first quarter of 2011 was \$128 million, which was 18% higher than 2010. KCS's record first quarter operating ratio of 73.8% compared favorably with the 75.2% operating ratio reported for the corresponding 2010 period.

Net income available to common stockholders in the first quarter totaled \$63 million, or \$0.58 per diluted share, compared to \$33 million, or \$0.34 per diluted share in first quarter 2010.

"KCS's first quarter results came in on track with our internal expectations and consistent with the volume and revenue guidance we provided for full year 2011," stated David L. Starling, president and chief executive officer. "In addition, our first quarter operating ratio improvement of 1.4 points is in line with the 1 to 1.5 point improvement guidance we gave for 2011; this despite higher fuel expense that we were unable to fully recover during the first quarter that cost approximately one point on the operating ratio.

“Business levels continue to be generally strong. We are especially pleased with the expansive growth in our intermodal business highlighted by 44% volume growth out of Lázaro Cárdenas and a 70% increase in our cross-border intermodal traffic. It is apparent that shippers are embracing the service we are providing over these corridors.

“KCS continues to perform at historically high levels of profitability. We believe our substantial market opportunities and determined efforts to control expenses should allow us to maintain our momentum through the year.”

Headquartered in Kansas City, MO, Kansas City Southern is a transportation holding company that has railroad investments in the U.S., Mexico and Panama. Its primary U.S. holding is The Kansas City Southern Railway Company, serving the central and south central U.S. Its international holdings include Kansas City Southern de México, S.A. de C.V., serving northeastern and central Mexico and the port cities of Lázaro Cárdenas, Tampico and Veracruz, and a 50 percent interest in Panama Canal Railway Company, providing ocean-to-ocean freight and passenger service along the Panama Canal. Kansas City Southern's North American rail holdings and strategic alliances are primary components of a NAFTA Railway system, linking the commercial and industrial centers of the U.S., Mexico and Canada.

This press release may include statements concerning potential future events involving KCS and its subsidiaries, which could materially differ from the events that actually occur. The differences could be caused by a number of factors including those factors identified in the "Risk Factors" and the "Cautionary Information" sections of KCS's Form 10-K for the most recently ended fiscal year, filed by KCS with the Securities and Exchange Commission (SEC) (Commission file no. 1-04717). KCS will not update any forward-looking statements in this press release to reflect future events or developments.

Income Information

(in millions, except share and per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2011	2010
Revenues	\$ 488.6	\$ 436.3
Operating expenses:		
Compensation and benefits	100.4	90.7
Purchased services	48.1	44.9
Fuel	79.5	60.8
Equipment costs	41.4	38.7
Depreciation and amortization	45.7	45.8
Materials and other	45.7	47.2
Total operating expenses	360.8	328.1
Operating income	127.8	108.2
Equity in net earnings of unconsolidated affiliates	3.6	6.4
Interest expense	(33.1)	(44.4)
Debt retirement costs	-	(14.9)
Foreign exchange gain (loss)	(0.1)	2.6
Other income, net	1.7	0.5
Income before income taxes	99.9	58.4
Income tax expense	35.8	24.2
Net income	64.1	34.2
Less: Net income (loss) attributable to noncontrolling interest	0.1	(1.1)
Net income attributable to Kansas City Southern and subsidiaries	64.0	35.3
Preferred stock dividends	1.4	2.7
Net income available to common stockholders	<u>\$ 62.6</u>	<u>\$ 32.6</u>
Earnings per share:		
Basic earnings per share	<u>\$ 0.60</u>	<u>\$ 0.34</u>
Diluted earnings per share	<u>\$ 0.58</u>	<u>\$ 0.34</u>
Average shares outstanding (<i>in thousands</i>):		
Basic	104,269	95,890
Potentially dilutive common shares	5,482	568
Diluted	<u>109,751</u>	<u>96,458</u>

Balance Sheet Information

(in millions)

(Unaudited)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 101.5	\$ 85.4
Accounts receivable, net	180.7	160.0
Materials and supplies	107.7	101.4
Deferred income taxes	142.0	138.2
Other current assets	72.8	91.2
Total current assets	604.7	576.2
Investments	50.4	46.4
Restricted funds	18.6	22.0
Property and equipment (including concession assets), net	4,934.1	4,902.4
Other assets	92.5	93.9
Total assets	<u>\$ 5,700.3</u>	<u>\$ 5,640.9</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Debt due within one year	\$ 18.2	\$ 18.1
Accounts payable and accrued liabilities	370.6	403.0
Total current liabilities	388.8	421.1
Long-term debt	1,616.6	1,621.6
Deferred income taxes	693.6	654.5
Other noncurrent liabilities and deferred credits	222.7	230.0
Total liabilities	2,921.7	2,927.2
Commitments and contingencies	-	-
Stockholders' equity	7.2	7.3
Paid-in capital	880.4	877.2
Retained earnings	1,609.2	1,548.0
Accumulated other comprehensive loss	(0.9)	(1.4)
Total stockholders' equity	2,495.9	2,431.1
Noncontrolling interest	282.7	282.6
Total equity	2,778.6	2,713.7
Total liabilities and equity	<u>\$ 5,700.3</u>	<u>\$ 5,640.9</u>

Cash Flow Information

(in millions)

(Unaudited)

	Three Months Ended	
	March 31,	
	2011	2010
Operating activities:		
Net income	\$ 64.1	\$ 34.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45.7	45.8
Deferred income taxes	35.0	23.7
Equity in undistributed earnings of unconsolidated affiliates	(3.6)	(6.4)
Share-based compensation	4.0	3.2
Excess tax benefit from share-based compensation	-	(11.7)
Deferred compensation	5.9	1.5
Cash payments related to hurricane damage	(1.0)	-
Insurance proceeds related to hurricane damage	10.5	-
Gain on sale of assets	(0.2)	-
Debt retirement costs	-	14.9
Changes in working capital items:		
Accounts receivable	(20.6)	(29.5)
Materials and supplies	(5.8)	(0.9)
Other current assets	6.4	0.9
Accounts payable and accrued liabilities	(13.5)	29.8
Other, net	(9.8)	6.0
Net cash provided by operating activities	<u>117.1</u>	<u>111.5</u>
Investing activities:		
Capital expenditures	(95.2)	(52.3)
Acquisition of an intermodal facility, net of cash acquired	-	(25.0)
Property investments in MSLLC	(6.7)	(4.8)
Insurance proceeds related to hurricane damage	4.5	-
Proceeds from disposal of property	1.5	1.3
Other, net	3.1	(1.0)
Net cash used for investing activities	<u>(92.8)</u>	<u>(81.8)</u>
Financing activities:		
Proceeds from issuance of long-term debt	-	295.7
Repayment of long-term debt	(5.8)	(305.7)
Debt costs	-	(20.6)
Proceeds from employee stock plans	0.4	0.5
Excess tax benefit from share-based compensation	-	11.7
Preferred stock dividends paid	(2.8)	(2.7)
Net cash used for financing activities	<u>(8.2)</u>	<u>(21.1)</u>
Cash and cash equivalents:		
Net increase during each period	16.1	8.6
At beginning of year	85.4	117.5
At end of period	<u>\$ 101.5</u>	<u>\$ 126.1</u>

Revenue Statistics by Commodity

	Revenues <i>(in millions)</i>		Carloads and Units <i>(in thousands)</i>		Revenue Per Carload/Unit	
	Three Months Ended		Three Months Ended		Three Months Ended	
	March 31,		March 31,		March 31,	
	2011	2010	2011	2010	2011	2010
Chemical & Petroleum						
Agri Chemicals	\$ 6.0	\$ 6.2	3.9	4.1	\$ 1,538	\$ 1,512
Other Chemicals	40.3	36.7	24.8	24.0	1,625	1,529
Petroleum	28.0	25.2	18.7	18.9	1,497	1,333
Plastics	22.6	21.5	15.6	15.2	1,449	1,414
Total	96.9	89.6	63.0	62.2	1,538	1,441
Industrial & Consumer Products						
Forest Products	55.1	46.8	32.7	30.6	1,685	1,529
Metals & Scrap	45.2	36.3	29.0	25.0	1,559	1,452
Other	18.2	16.7	20.4	17.8	892	938
Total	118.5	99.8	82.1	73.4	1,443	1,360
Agriculture & Minerals						
Grain	50.3	56.0	30.9	35.1	1,628	1,595
Food Products	34.6	32.5	17.2	17.5	2,012	1,857
Ores & Minerals	14.4	12.4	13.0	11.4	1,108	1,088
Stone, Clay & Glass	5.8	5.1	3.2	3.3	1,813	1,545
Total	105.1	106.0	64.3	67.3	1,635	1,575
Coal						
Unit Coal	55.9	51.7	58.6	61.4	954	842
Other Coal	8.7	7.3	10.1	10.6	861	689
Total	64.6	59.0	68.7	72.0	940	819
Intermodal	54.2	42.6	175.9	150.5	308	283
Automotive	31.1	21.7	20.1	17.8	1,547	1,219
Total for Commodity Groups	470.4	418.7	474.1	443.2	\$ 992	\$ 945
Other Revenue	18.2	17.6				
Total	\$ 488.6	\$ 436.3				

Productivity Statistics

	Three Months Ended March 31,	
	2011	2010
Gross Ton Miles (GTM) in millions (a)	20,847	20,391
Revenue Ton Miles (RTM) in millions	11,134	11,277
Average Employees - Total	6,080	6,056
Average Employees - Union	4,679	4,672
GTM's per Average Employee (in millions)	3.43	3.37
Operating Ratio	73.8%	75.2%

(a) - Excludes Locomotive Gross Ton Miles

Capital Expenditures

(in millions)

	Three Months Ended March 31,	
	2011	2010
Roadway capital program	\$ 59.4	\$ 42.2
Equipment	1.0	3.3
Information technology	1.0	3.4
Capacity	0.1	0.2
Other	13.8	2.6
Total capital expenditures (accrual basis)	75.3	51.7
Change in capital accruals	19.9	0.6
Total cash capital expenditures	<u>\$ 95.2</u>	<u>\$ 52.3</u>
Track Renewal		
Track miles of rail installed	<u>37.0</u>	<u>2.3</u>
Cross ties installed (thousands)	<u>204</u>	<u>165</u>

Debt Summary

(in millions)

	Expiration Date	Interest Rate	March 31, 2011	December 31, 2010
KCS Revolver	4/28/2013	Floating	\$ -	\$ -
KCS Term Loan	4/28/2013	Floating	306.6	307.4
KCSM Revolver	8/30/2013	Floating	-	-
Total Bank Facilities			<u>306.6</u>	<u>307.4</u>
KCSM Senior Notes	12/1/2013	7.625%	32.4	32.4
KCS Senior Notes	12/15/2013	13.000%	114.4	113.7
KCSM Senior Notes	6/1/2014	7.375%	165.0	165.0
KCS Senior Notes	6/1/2015	8.000%	275.0	275.0
KCSM Senior Notes	4/1/2016	12.500%	93.8	93.6
KCSM Senior Notes	2/1/2018	8.000%	296.1	296.0
KCSM Senior Notes	12/15/2020	6.625%	185.0	185.0
Total Unsecured Senior Notes			<u>1,161.7</u>	<u>1,160.7</u>
KCSM Loan and Security Agreement	2/28/2023	5.737%	58.2	60.6
KCSM Loan Agreement	9/29/2023	6.195%	43.5	44.4
Tex Mex RRIF Loan	7/13/2030	4.290%	43.6	43.9
Capital Leases	Various	Various	15.8	16.8
Other	Various	Various	5.4	5.9
Total Debt			<u>\$ 1,634.8</u>	<u>\$ 1,639.7</u>

Free Cash Flow *

(in millions)

	Three Months Ended March 31,	
	2011	2010
Net cash provided by operating activities	\$ 117.1	\$ 111.5
Cash used for capital expenditures	(95.2)	(52.3)
Other investing activities, net	2.4	(29.5)
Preferred stock dividends paid	(2.8)	(2.7)
Free cash flow after dividends paid	<u>\$ 21.5</u>	<u>\$ 27.0</u>

* All reconciliations to GAAP can be found on page 11.

Credit Ratings and Statistics

Credit ratings are subject to change at any point in time. These ratings were applicable as of March 31, 2011.

	<u>S&P</u>	<u>Moody's</u>
KCS		
Outlook	Stable	Positive
Senior Secured	BB+	Ba1
Senior Unsecured	BB-	B1
Corporate	BB-	Ba3
KCSM		
Outlook	Stable	Positive
Senior Secured	BB	Ba3
Senior Unsecured	BB-	B1
Corporate	BB-	B1
	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Debt/Capitalization Ratio (Total Debt/Total Debt + Equity)	37.0%	37.7%

Non-GAAP Financial Information (Regulation G)

(in millions)

KCS reports its financial results in accordance with generally accepted accounting principles ("GAAP"). However, management believes that certain non-GAAP financial measures used to review and in certain cases manage the Company's business that fall within the meaning of Regulation G (Disclosure of non-GAAP financial measures) may provide its users of the financial information with additional meaningful comparison when reviewing the Company's results.

In press releases and analyst presentations, KCS has provided financial information adjusted for certain items, which are non-GAAP financial measures. KCS management uses non-GAAP information in its planning and forecasting processes and to further analyze its own financial trends and operational performance, as well as making financial comparisons to prior periods presented on a similar basis. The Company also uses some of these measures internally as part of its incentive compensation plans for management employees. Management believes investors and users of the Company's financial information should consider all of the above factors when evaluating KCS's results.

These non-GAAP measures should not be considered a substitute for GAAP measures. Some of KCS's non-GAAP measures may differ from similar measures used by other companies, even if similar terms are used to identify such measures.

	Three Months Ended	
	March 31,	
Reconciliation of Free Cash Flow to Net Increases in Cash and Cash Equivalents:	2011	2010
Net cash provided by operating activities	\$ 117.1	\$ 111.5
Net cash used for investing activities	(92.8)	(81.8)
Preferred stock dividends paid	(2.8)	(2.7)
Free cash flow - see (a) below	21.5	27.0
Proceeds from issuance of long-term debt	-	295.7
Repayment of long-term debt	(5.8)	(305.7)
Other financing activities	0.4	(8.4)
GAAP net increases in cash and cash equivalents	<u>\$ 16.1</u>	<u>\$ 8.6</u>

(a) The Company believes this measure provides the amount of liquidity generated by operations that can be used for the combination or any one of the following: debt reduction, capital investment, and other investments.

Basic and Diluted Earnings Per Share Calculation

(in millions, except per share amounts; shares in thousands)

**Three Months
Ended
March 31, 2011**

Net income available for common stockholders for BASIC:	A	\$ 62.6
Net income identified below as DILUTIVE:	I (If Dilutive)	1.3
Net income available for diluted stockholders for DILUTIVE:	C	\$ 63.9
Weighted average shares outstanding	B	104,269
Impact on Diluted shares of stock options		435
Incremental Shares - Preferred Stock 5.125%	H (If Dilutive)	5,047
Total Diluted Shares	D	109,751
EPS - Basic - Net Income	A/B	\$ 0.6004
EPS - Diluted - Net Income	C/D	\$ 0.5822

DILUTIVE TEST

DECEMBER 5, 2005 TRANSACTION

Preferred Shares 5.125%				
Weighted average number of shares	Shares	H		5,047
	Earnings	I	\$	1.3
				Shares
		B + H = J		109,316
EPS > Basic EPS = Not Dilutive or EPS < Basic EPS = Dilutive		(A + I) / J	\$	0.5845
				DILUTIVE