



Kansas City Southern

Third Quarter 2011 Earnings Presentation

October 21, 2011



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Mike Haverty



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Today's Presenters

Mike Haverty

Executive Chairman

Dave Starling

President & CEO

Dave Ebbrecht

EVP Operations

Pat Ottensmeyer

EVP Sales & Marketing

Mike Upchurch

EVP & CFO



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Third Quarter Results

	Q3 2011	Q3 2010	Variance
Carloads/Units (in thousands)	518.0	459.0	13%
Reported Revenues (in millions)	\$544.5	\$438.3	24%
Reported Operating Ratio	66.6%	73.5%	6.9 points
Reported Diluted Earnings per Share	\$0.91	\$0.48	90%
Adjusted Diluted Earnings per Share *	\$0.78	\$0.59	32%



* 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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Update for Full Year 2011

Original 2011 Guidance

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

2011 Update

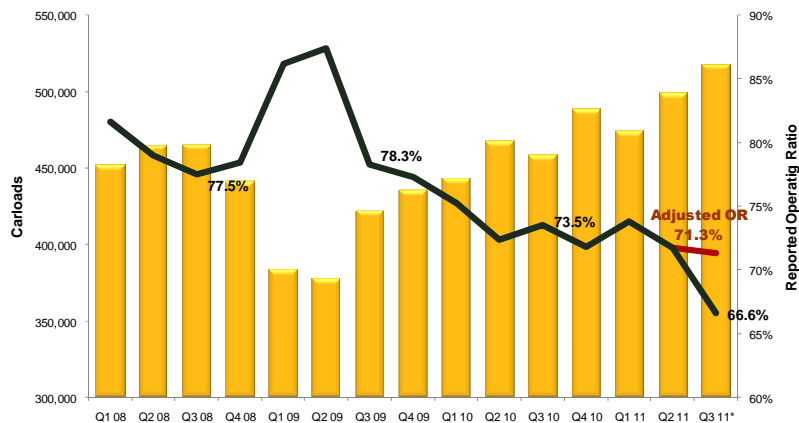
- Adjusted year to date revenue growth 15%
- Full year 2011 revenue growth expected to be comparable to YTD
- Hurricane adjusted YTD volumes up 7%
- Same store pricing[®] in Q3 up 6.1%
 - Same store pricing up 5.7% YTD
 - YTD revenue per unit up 8%
- Adjusted YTD operating ratio improved 95 bp year over year



(D) See definitions in the appendix to this presentation. All reconciliations to GAAP can be found on the KCS website in the Investors section.

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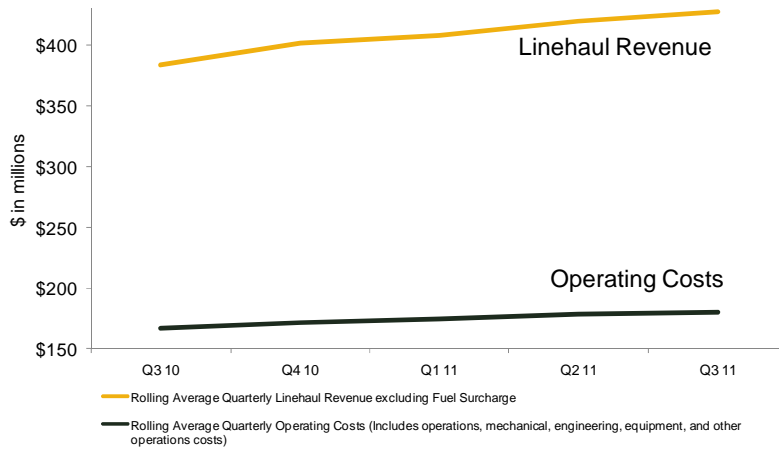
Third Quarter Operating Ratio Improvement



* Operating ratio adjusted for hurricane-related insurance recoveries. All reconciliations to GAAP can be found on the KCS website in the Investors section.

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Operating Leverage Continues Positive Trend



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

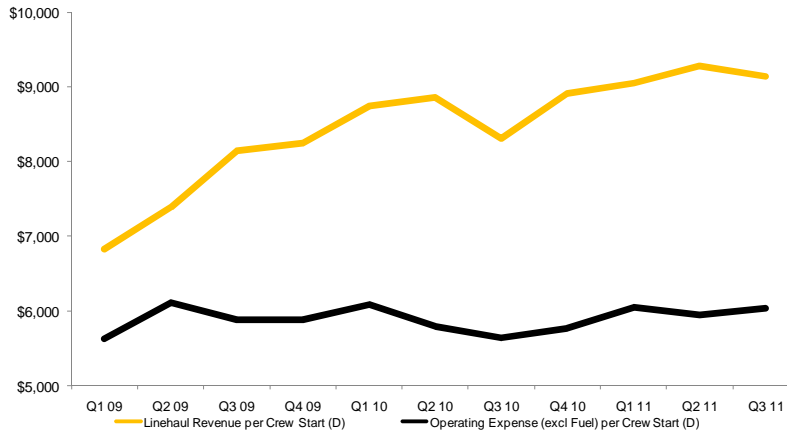
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Dave Ebbrecht



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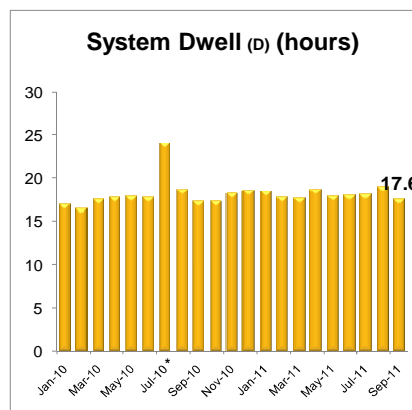
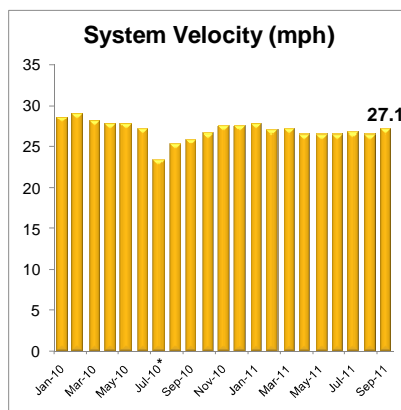
Expense per Crew Start Under Control



All reconciliations to GAAP can be found on the KCS website in the Investors section.
(D) See definitions in the appendix to this presentation.

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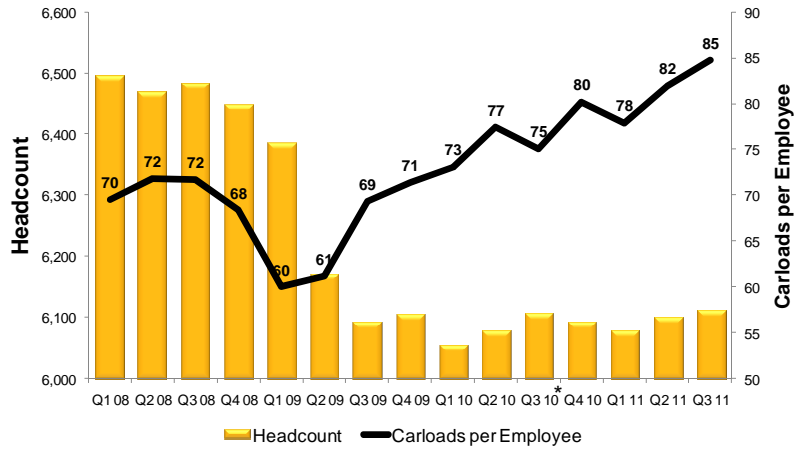
System Metrics Improve



* July 2010 results not adjusted for Hurricane Alex.
(D) See definitions in the appendix to this presentation.

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Carloads per Employee Up 7% on a normalized basis**



* Q3 2010 carloads not adjusted for Hurricane Alex. **Normalized carloads per employee were 79 in Q3 2010.

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Pat Ottensmeyer

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Third Quarter Adjusted Revenues Increased 16%*

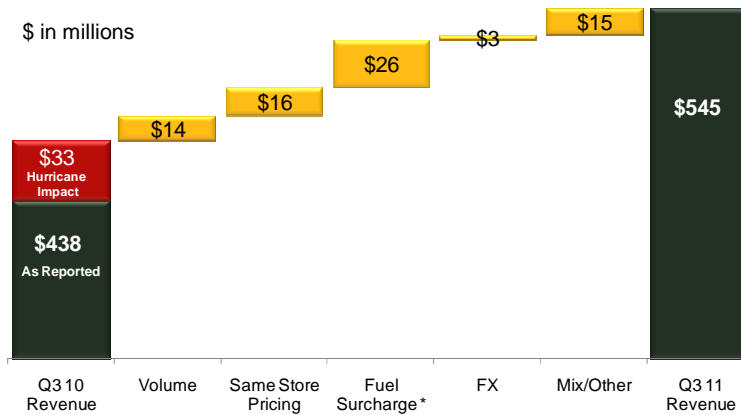
	Q3 2011	Q3 2010	Variance
Total Reported Revenues (in millions)	\$544.5	\$438.3	24%
Total Adjusted Revenues* (in millions)	\$544.5	\$471.3	16%
Carloads (in thousands)	518.0	459.0	13%
Adjusted Carloads (in thousands)	518.0	485.6	7%
Average Revenue per Unit	\$1,014	\$920	10%



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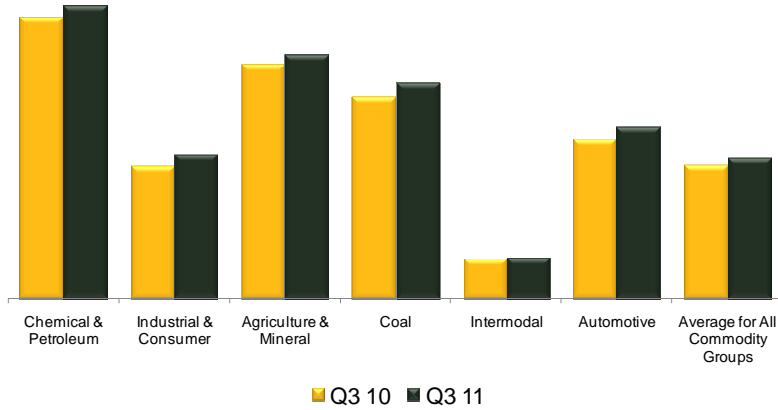
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Multiple Contributors to Revenue Growth



* Fuel surcharge is hurricane-adjusted in this analysis. All reconciliations to GAAP can be found on the KCS website in the Investors section. ¹⁶

Same Store Pricing Up 6.1%



Linehaul rate excludes fuel surcharge and foreign exchange

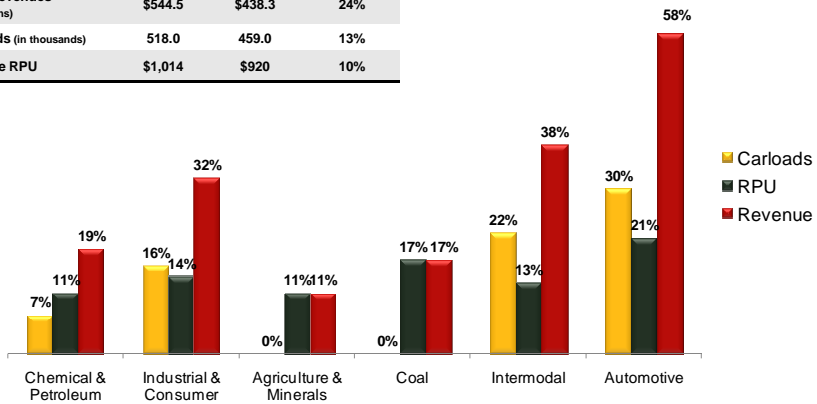


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Third Quarter Commodity Group Results

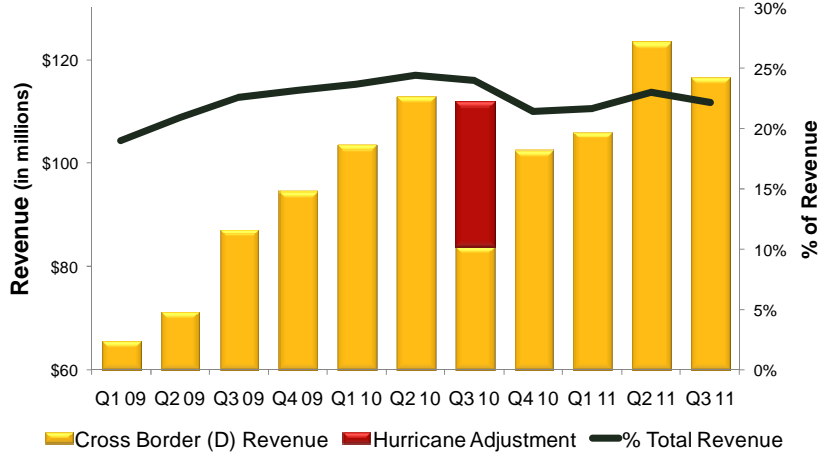
Q3 2011 vs. Q3 2010

	Q3 2011	Q3 2010	Variance
Total Revenues (in millions)	\$544.5	\$438.3	24%
Carloads (in thousands)	518.0	459.0	13%
Average RPU	\$1,014	\$920	10%



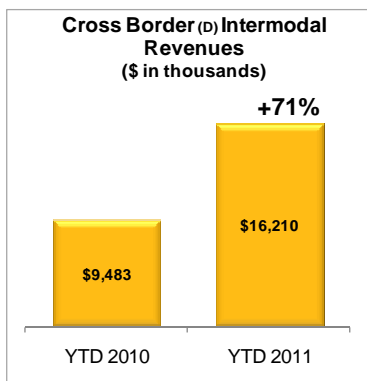
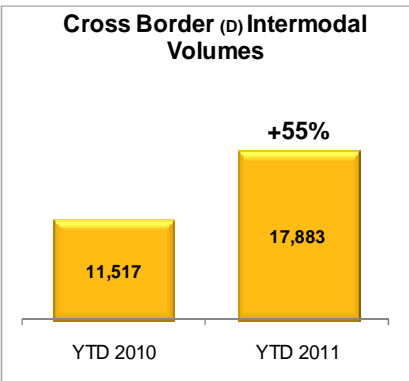
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Cross Border Revenue



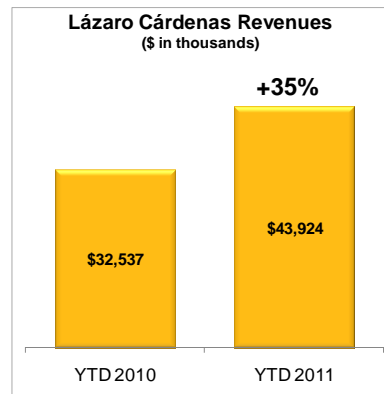
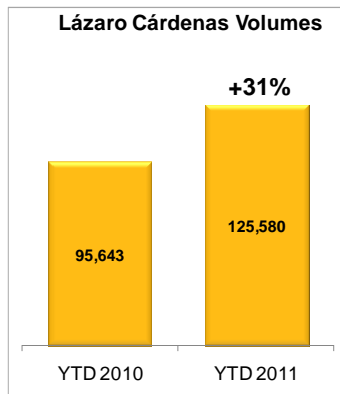
(D) See definitions in the appendix to this presentation.

Cross Border Intermodal Growth



(D) See definitions in the appendix to this presentation.

Lázaro Cárdenas Growth



International Intermodal Corridor Interpuerto Intermodal Terminal San Luis Potosi

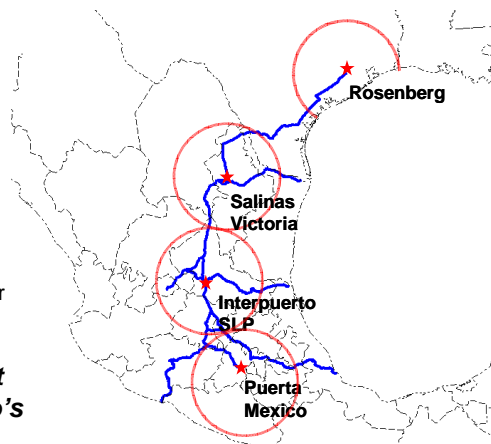
Strategic Location

- In the heart of the KCS cross border intermodal corridor
- Footprint reaches about 5 million people and about 10% of Mexico's GDP

Facility

- 240 acres of land, 4.7 miles of rail
- 7,000 lifts per month, ample space for expansion

KCS now controls facilities that effectively cover 60% of Mexico's population and 63% of GDP



Market Outlook – Linehaul Revenue

	Q4 2011	FY 2011
Chemical & Petroleum	+	++
Industrial & Consumer	++	++
Agriculture & Minerals	++	+
Coal	++	++
Intermodal	++	++
Automotive	++	++



+ Single digit revenue growth expected during period ++ Double digit revenue growth expected during period 23

Market Developments

- Economic outlook is softening but continues to be positive in both U.S. and Mexico
 - Key indices continue to signal growth in U.S. carloads
 - Mexico's GDP revised down to 3%-4% for 2011
- Cross border intermodal conversion momentum is at a very high level and growing
- Automotive growth outlook remains strong as Mexico vehicle production is poised to benefit from four new assembly plants
- Core pricing in line with prior guidance
- Long term new business opportunities continue to grow
 - Mexico "near sourcing" phenomenon
 - Port Arthur Crude Terminal
 - Lázaro Cárdenas port expansion



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Mike Upchurch



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Condensed Income Statement Data

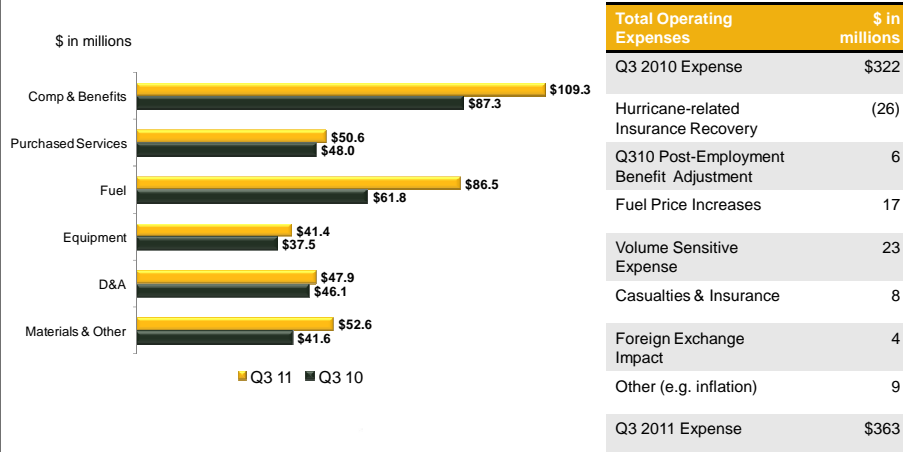
(\$ in millions, except EPS Diluted)	Q3 2011	Q3 2010
Revenues	\$544.5	\$438.3
Operating Expenses	<u>362.7</u>	<u>322.3</u>
Operating Income	181.8	116.0
Equity Earnings	4.7	5.2
Interest Expense	(32.2)	(36.2)
Foreign Exchange Gain (Loss)	(7.2)	2.0
Debt Retirement Costs & Other	<u>(3.3)</u>	<u>0.5</u>
Pre-tax Income	143.8	87.5
Income Tax Expense	<u>(43.7)</u>	<u>(34.7)</u>
Net Income	\$100.1	\$52.8
Reported EPS Diluted	\$0.91	\$0.48
Adjusted EPS Diluted*	\$0.78	\$0.59
Average Diluted Share Count (in thousands)	109,862	109,510



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Operating Expenses Increase



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Third Quarter Adjusted Operating Ratio

	Q3 2011	Q3 2010
Reported Operating Ratio	66.6%	73.5%
Insurance Proceeds	4.7%	-
Hurricane Loss Estimate	-	(3.0%)
Post-Employment Benefit	-	1.5%
Estimated Adjusted Operating Ratio	71.3%	72.0%

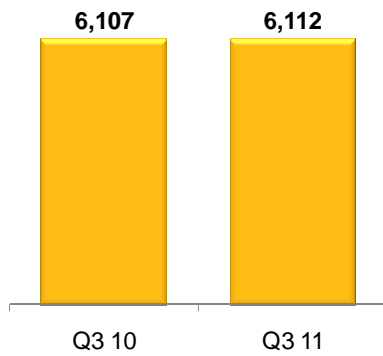


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Compensation & Benefits Expense Increase

Quarterly Average Employee Headcount



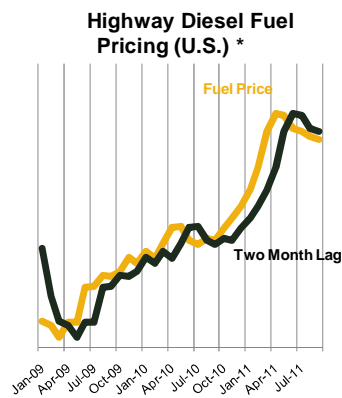
Compensation & Benefits	\$ in millions
Q3 2010 Expense	\$87
Wage Inflation / Volume Sensitive	10
Q310 Post-Employment Benefit Adjustment	6
Incentives	4
Foreign Exchange	2
Q3 2011 Expense	\$109



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Fuel Expense Increased 40% Due to Price

Fuel Expense	\$ in millions
Q3 2010 Expense	\$62
Price	17
Volume	6
FX & Other	2
Q3 2011 Expense	\$87



* Source: U.S. Energy Information Administration

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YTD Free Cash Flow* Increased 35% to \$170 million

De-lever

- Buy-out of locomotive operating lease
 - GAAP debt increase \$91 million
- Call \$124 million of 13% senior notes in Q4
- RRIF loan of \$55 million to acquire new locomotives in Q4

Invest in Business

- Capital expenditures 23% of revenue
 - Acceleration of locomotive purchase +3%
 - Lease buy-outs +2%
- Core capex of 17%-18% of revenues

Shareholder Returns

- Continue to evaluate return to shareholders in 2012

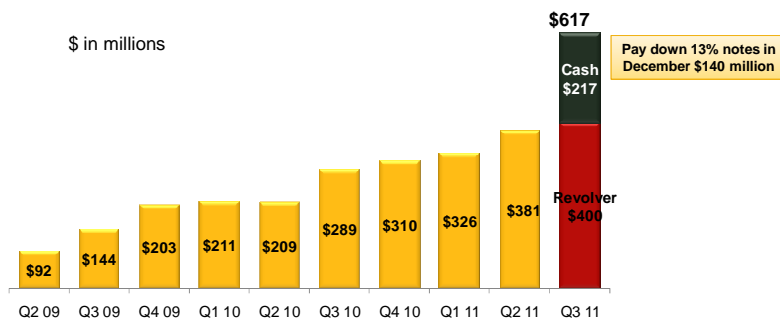


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Liquidity Continues to Improve

\$ in millions



- Amended and restated revolving credit facilities
 - Increased KCS and KCSM revolvers from \$225 million to \$400 million
 - Improved financial flexibility



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Hurricane Claim Update

- During Q3 2011, settled all insurance claims related to Hurricane Alex
 - Claim for property damages, lost profits, and related incremental expenses settled for \$66 million, before the self-insured retention of \$10 million
 - Claim for general liability related to third party damages settled for \$7.6 million, before the related self-insured retention of \$1 million
 - Received \$62.6 million of proceeds
- Settlements result in a \$25.6 million pre-tax gain in Q3 2011
 - Recovery of lost profits and gain on property replacement
 - Gain benefits operating ratio by 470 bp and diluted EPS by \$0.15
- Final cumulative EPS impact approximately \$0.04 loss, slightly better than prior estimates



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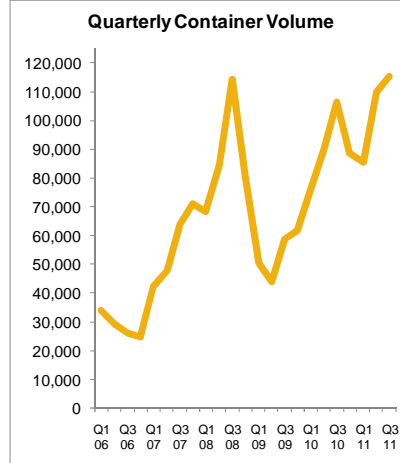
Dave Starling



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Panama Canal Railway Company*

	Q3 2011	Q3 2010
Volumes	115,205	106,377
Total Revenues (in millions)	\$14.2	\$13.2
Operating Ratio	48.3%	46.8%



* PCRC is a 50% equity investment.

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Closing Comments



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Appendix

- **Same store pricing** is defined as revenue generated from same customer, same origin, same destination, same commodity, same equipment.
- **Fuel Surcharge Headwind/Tailwind** is defined as the impact on fuel surcharge revenue created by the timing difference between current ("spot") fuel prices and those passed onto customers in the fuel surcharge program (national average price from 2 months prior). In a rising fuel price environment a "headwind" situation is created as spot prices are greater than the rate charged to customers (two-month prior national average). In a declining fuel price environment a "tailwind" is created as spot prices are less than the rate charged to customers (two-month prior national average).
- **Crew start** is defined as the event where a team of employees begin a work shift on a train. A single train trip can involve multiple crew starts, based on trip length.
- **System dwell** is defined as the average time a car resides at the specified terminal location.
- **Cross border** is defined as traffic that moves on Kansas City Southern both north and south of the U.S. / Mexico border. Traffic interchanged with a competing railroad at the border is not considered cross border.

