


Kansas City Southern

Fourth Quarter 2010 Earnings Presentation

January 27, 2011



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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, 2009 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.

Certain prior year amounts have been adjusted for the retrospective change in accounting principle for rail grinding costs. Refer to the Consolidated Investors’ Report on the KCS website for a reconciliation.



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2

Today's Presenters

Mike Haverty

Executive Chairman

Dave Starling

President & CEO

Pat Ottensmeyer

EVP Sales & Marketing

Mike Upchurch

EVP & CFO

Jose Zozaya

KCSM President &
Executive Representative



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3

Mike Haverty



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4

Fourth Quarter Results

	Q4 2010	Q4 2009
Carloads/Units (in thousands)	488.8	436.5
Revenue (in millions)	\$478.6	\$406.8
Operating Ratio	71.8%	77.3%
Diluted Earnings per Share	\$0.50	\$0.34
Adjusted Diluted Earnings per Share*	\$0.62	\$0.34

* Adjusted diluted EPS reflects exclusion of debt retirement costs. All reconciliations to GAAP can be found on the KCS website in the Investors section.



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5

Full Year 2010 Results

	FY 2010	FY 2009
Carloads/Units (in thousands)	1,859.4	1,620.9
Revenue (in millions)	\$1,814.8	\$1,480.2
Operating Ratio	73.2%	82.0%
Diluted Earnings per Share	\$1.67	\$0.60
Adjusted Diluted Earnings per Share*	\$2.11	\$0.64

* Adjusted diluted EPS reflects exclusion of debt retirement costs. All reconciliations to GAAP can be found on the KCS website in the Investors section.



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6

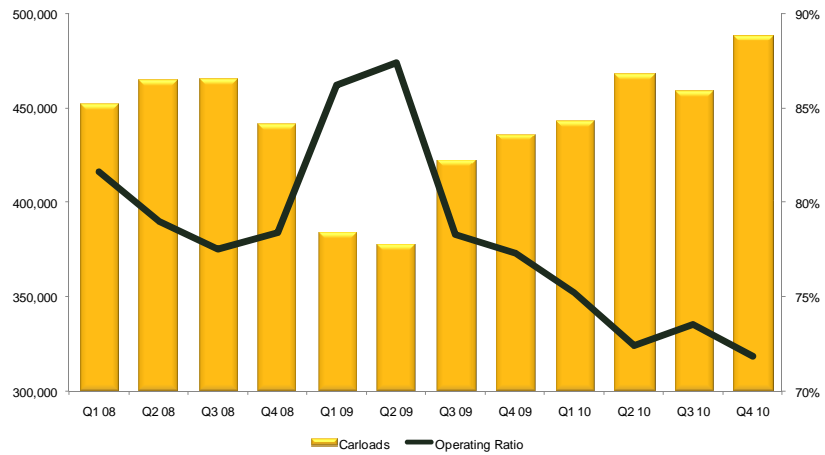
Dave Starling



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7

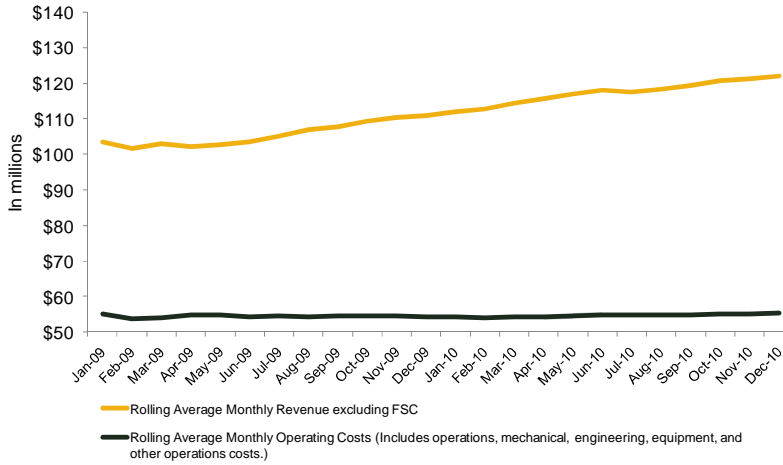
Operating Ratio Improvement Tracking with Recovery in Volume



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8

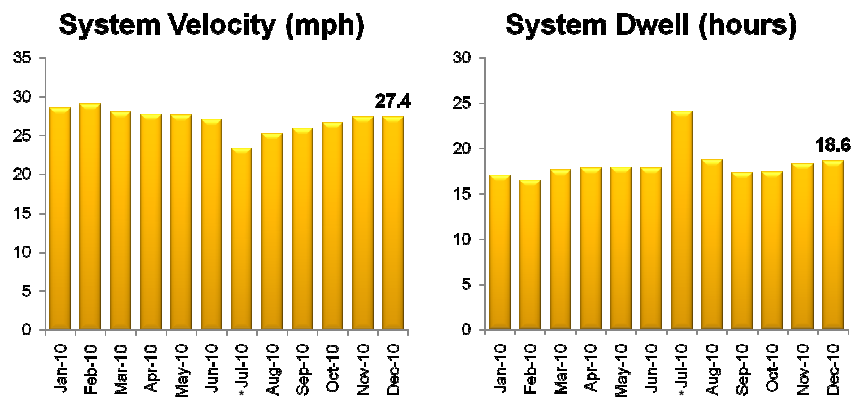
“Sweet Spot” Still Driving Improved Operating Income



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9

System Metrics



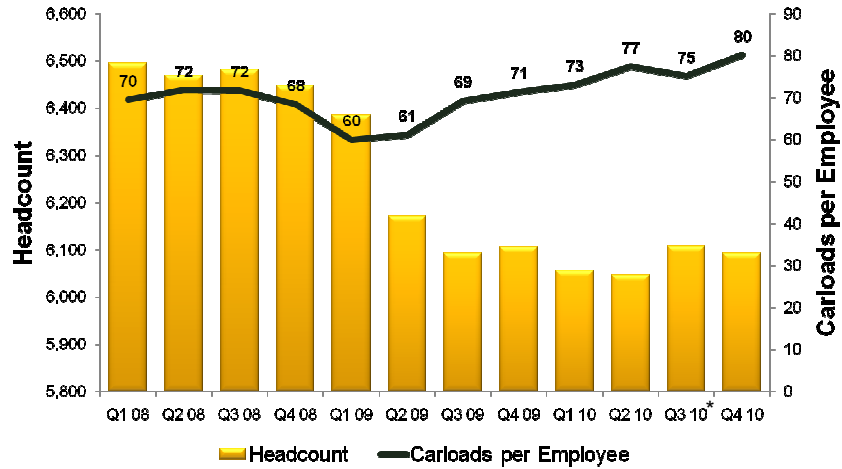
*July 2010 results not adjusted for Hurricane Alex.



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10

Employee Productivity Improves

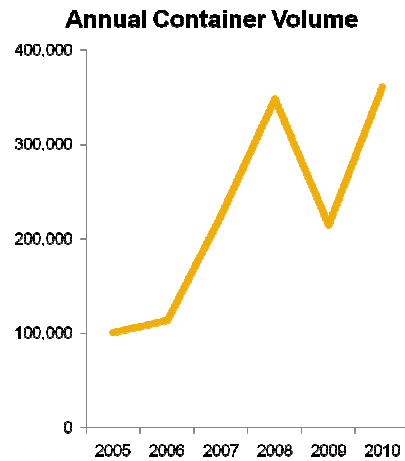


*Q3 2010 carloads not adjusted for Hurricane Alex and includes 33 additional Puerto Mexico employees.

11

PCRC*

	FY 10	FY 09
Volumes	361,371	214,723
Total Revenues (in millions)	\$46.1	\$29.6
Operating Ratio	52.4%	65.4%



* PCRC is a 50% equity investment

12

Pat Ottensmeyer



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13

Fourth Quarter Revenue Increased 18%

	Q4 2010	Q4 2009	Variance
Total Revenues (in millions)	\$478.6	\$406.8	18%
Carloads (in thousands)	488.8	436.5	12%
Average Revenue per Unit	\$946	\$892	6%

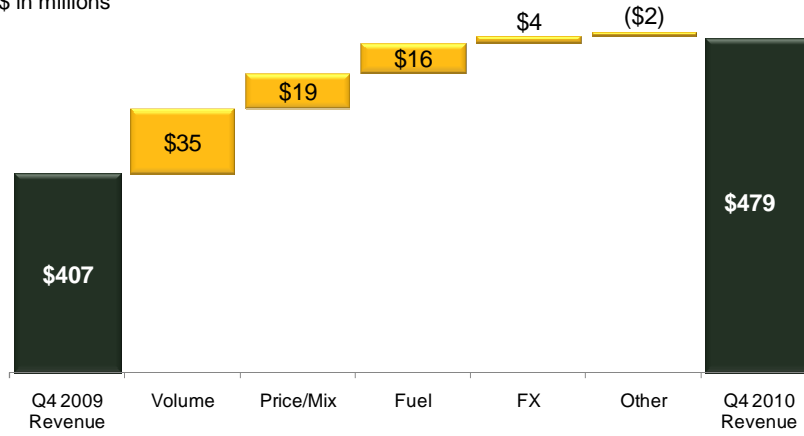


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14

Volume, Fuel and Price Drive Revenue Growth

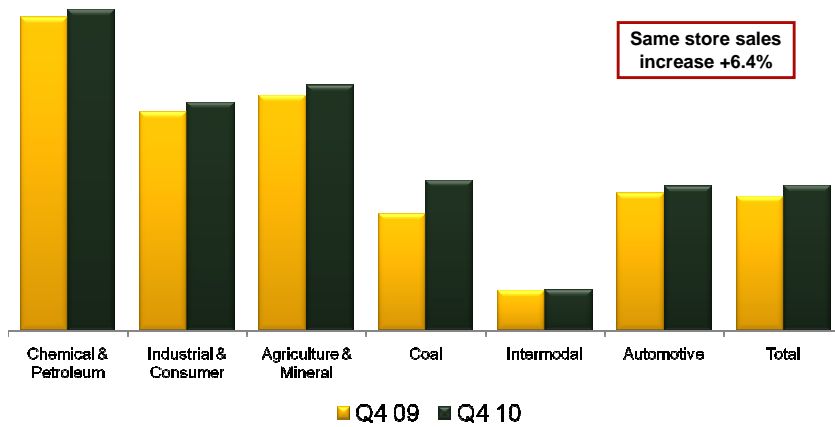
\$ in millions



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15

Linehaul Rate* per Loaded Car/Unit Mile



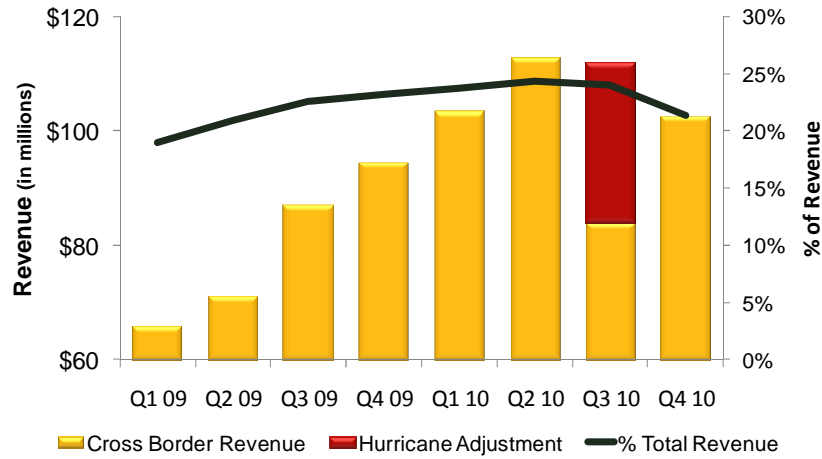
*Linehaul rate excludes fuel surcharge and foreign exchange



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16

Cross Border Revenues Drop Due to Lower Grain Shipments

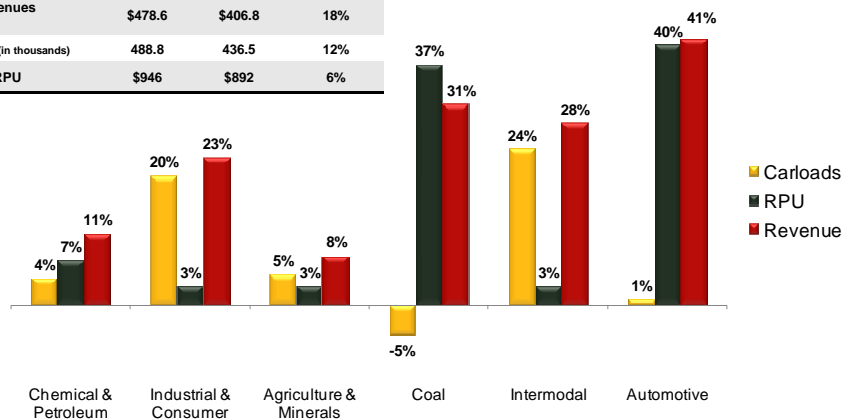


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17

Fourth Quarter Commodity Group Results Q4 2010 vs. Q4 2009

	Q4 2010	Q4 2009	Variance
Total Revenues (in millions)	\$478.6	\$406.8	18%
Carloads (in thousands)	488.8	436.5	12%
Average RPU	\$946	\$892	6%



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18

Strategic Initiative Progress

- **New business opportunities continue to grow**
- **Growth in rail volumes from Lazaro Cardenas was 53% Q4 2010 vs. Q4 2009**
 - Phase II development underway
 - Upon completion, capacity estimated to be 1.7 million TEUs
 - Ocean carriers' interest in cross border opportunity is gaining strength
- **Intermodal cross border carloads increased 68% Q4 2010 vs. Q4 2009**
 - Terminal capacity expansion at Puerta Mexico, Salinas Victoria (Monterrey) and Rosenberg will be completed in Q2 2011
- **Yield management initiatives are producing tangible results**



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19

Market Outlook

	Q1 11	FY 2011
Chemical & Petroleum	++	++
Industrial & Consumer	++	++
Agriculture & Minerals	+	+
Coal	=	+
Intermodal	++	++
Automotive	++	++



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20

Mike Upchurch



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21

Condensed Income Data - Fourth Quarter

(\$ in millions, except EPS Diluted)	Q4 10	Q4 09*
Revenues	\$478.6	\$406.8
Operating Expenses	343.5	314.6
Operating Income	135.1	92.2
Equity Earnings	3.5	2.8
Interest Expense	(35.6)	(45.3)
Other	(16.7)	3.2
Pre-tax Income	86.3	52.9
Income Tax Expense	(30.7)	(17.7)
Net Income	\$55.6	\$35.2
EPS Diluted	\$0.50	\$0.34
Average Diluted Share Count (in thousands)	109,638	95,914**



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*Certain prior year amounts have been adjusted for the respective change in accounting principle for rail grinding costs.

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

22

Condensed Income Data – Full Year

(\$ in millions, except EPS diluted)	FY 2010	FY 2009*
Revenues	\$1,814.8	\$1,480.2
Operating Expenses	1,328.3	1,213.4
Operating Income	486.5	266.8
Equity Earnings	19.7	7.7
Interest Expense	(158.1)	(173.7)
Other	(58.9)	1.4
Pre-tax Income	289.2	102.2
Income Tax Expense	109.2	34.1
Net Income	\$180.0	\$68.1
EPS Diluted	\$1.67	\$0.60
Average Diluted Share Count (in thousands)	107,534	93,649**

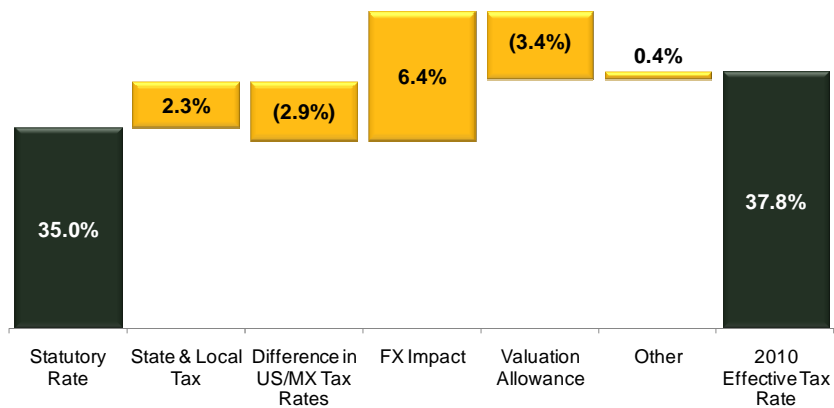


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23

2010 Effective Tax Rate

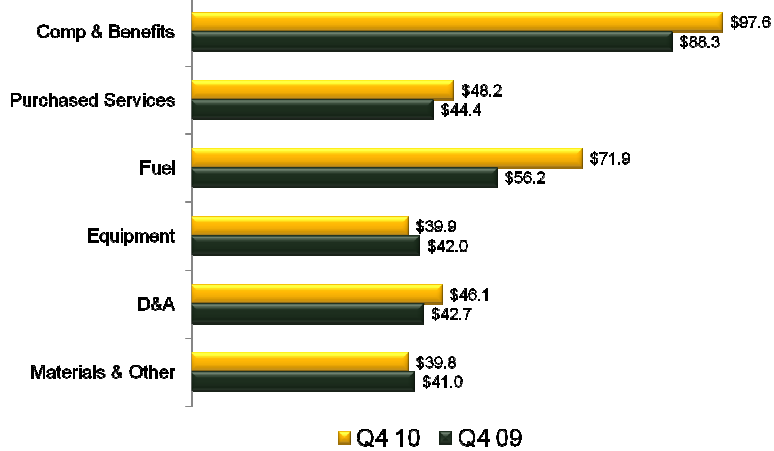


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24

Operating Expenses Increase 9% on 18% Revenue Growth

\$ in millions

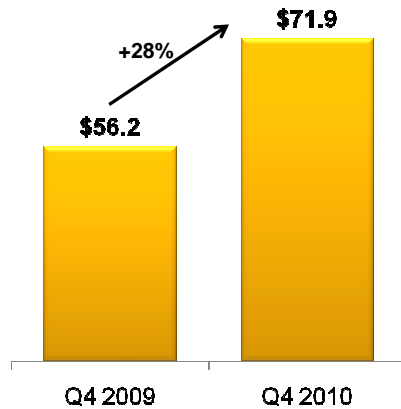


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25

Fuel Prices Drive Expense Increase

Fuel Expense
\$ in millions



Q4 2009 Average Fuel Price per Gallon	\$1.98
Q4 2010 Average Fuel Price per Gallon	\$2.34

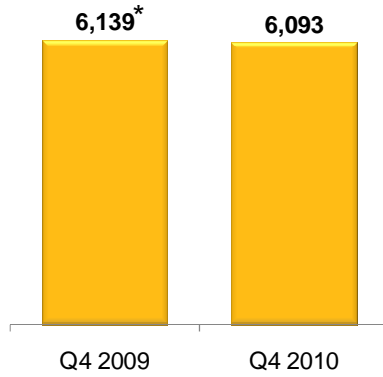


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Compensation & Benefits Increase Well Below Revenue Growth

Quarterly Average Employee Headcount



	\$ in millions
Q4 2009 Expense	\$88
Core Comp & Benefits	7
Incentive Compensation	2
FX	1
Q4 2010 Expense	\$98



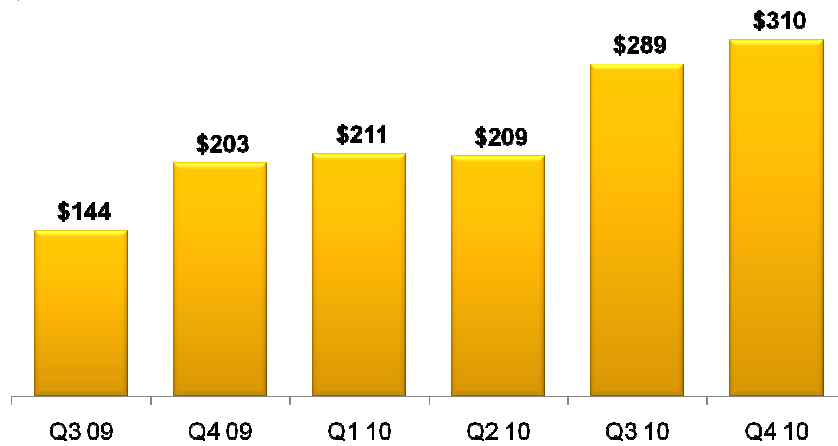
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* For comparability, Q4 2009 employee count includes 33 employees from Puerta Mexico acquisition added in 2010

27

Liquidity Improves

\$ in millions

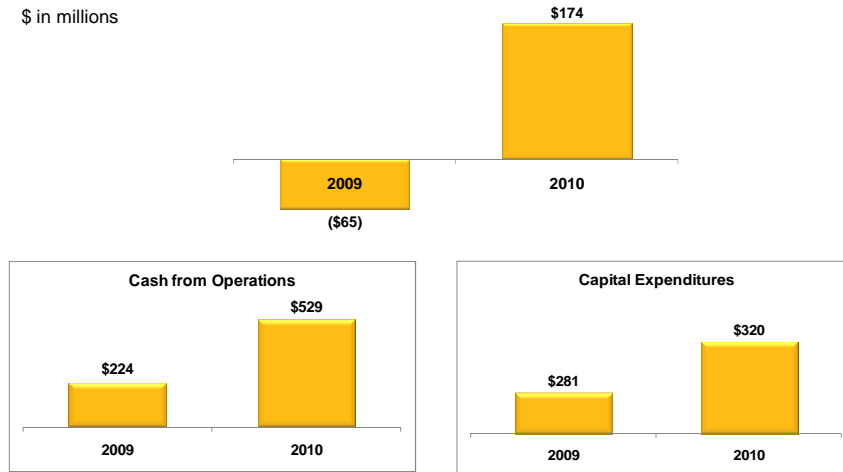


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28

Strong Free Cash Flow Generation

\$ in millions



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

29

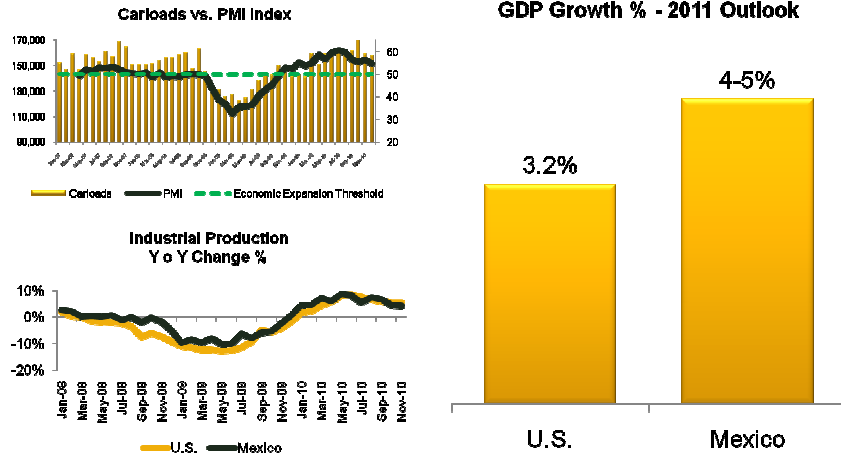
Dave Starling



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30

Economic Indicators Continue to Reflect Growth Opportunity



* Industrial production data from "INEGI" (Instituto Nacional De Estadística Y Geografía, Mexico)

31

2011 Outlook

- **Low double digit revenue growth**
 - Economy improving
 - Mid-single digit volume and pricing growth
 - January volume and revenue tracking above budget
- **Operating Ratio in Lower 70s**
 - Revenue growth
 - Continued focus on cost control
- **Capital expenditures 17.5% of revenue**
 - May accelerate 2012 capital based on tax incentives
- **Continued focus on balance sheet improvement**



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32

Mike Haverty - Questions



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33

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