

KANSAS CITY SOUTHERN FOURTH QUARTER 2010 ANALYST PRESENTATION
RECONCILIATION TO GAAP
(in millions, except per share amounts)

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.

Reconciliation of Diluted Earnings Per Share to Adjusted Diluted Earning Per Share:

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2009
Diluted earnings per share - see (d) below	\$ 0.50	\$ 0.34	\$ 1.67	\$ 0.60
Adjustment for debt retirement costs	0.12	-	0.44	0.04
Adjusted diluted earnings per share - see (a) below	<u>\$ 0.62</u>	<u>\$ 0.34</u>	<u>\$ 2.11</u>	<u>\$ 0.64</u>

Reconciliation of Free Cash Flow (Deficit) to Net Increases (Decreases) in Cash and Cash Equivalents:

	Year Ended December 31, 2010	Nine Months Ended September 30, 2010	Three Months Ended December 31, 2010	Year Ended December 31, 2009
Net cash provided by operating activities - see (d) below	\$ 496.3	\$ 359.9	\$ 136.4	\$ 290.5
Net cash used for investing activities - see (d) below	(311.5)	(225.7)	(85.8)	(344.0)
Preferred stock dividends paid	(11.0)	(8.2)	(2.8)	(11.0)
Free cash flow - see (b) below	173.8	126.0	47.8	(64.5)
Proceeds from issuance of long-term debt	480.7	300.7	180.0	202.1
Repayment of long-term debt	(839.7)	(662.0)	(177.7)	(319.1)
Other financing activities	153.1	186.6	(33.5)	69.1
GAAP net increases (decreases) in cash and cash equivalents	<u>\$ (32.1)</u>	<u>\$ (48.7)</u>	<u>\$ 16.6</u>	<u>\$ (112.4)</u>

Reconciliation of Net Cash from Operations to Net Cash Provided by Operating Activities:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Net cash from operations - see (c) below	\$ 528.8	\$ 224.2
Adjustment for capital accruals included in accounts payable and accrued liabilities		
Beginning of period	24.9	91.2
End of period	(57.4)	(24.9)
Net cash provided by operating activities - see (d) below	<u>\$ 496.3</u>	<u>\$ 290.5</u>

Reconciliation of Capital Spending to Cash Capital Expenditures:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Capital spending - see (c) below	\$ 319.8	\$ 280.5
Adjustment for capital accruals included in accounts payable and accrued liabilities		
Beginning of period	24.9	91.2
End of period	(57.4)	(24.9)
Cash capital expenditures	<u>\$ 287.3</u>	<u>\$ 346.8</u>

(a) The Company believes adjusted diluted earnings per share is meaningful as it allows investors to evaluate the Company's performance for different periods on a more comparable basis by excluding items that do not relate to the ongoing operations of the Company.

(b) 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.

(c) The Company manages its capital investment program based on when spending is incurred (accrual basis), while the related cash payments are managed under an overall cash management process. Accordingly, the Company believes it is meaningful to provide information regarding accrued capital expenditures in addition to cash capital expenditures, as presented in the consolidated statement of cash flows.

(d) 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.