



Kansas City Southern

Third Quarter 2008
Earnings Presentation

October 28, 2008





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, 2007 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.





Today's Presenters

Mike Haverty

Chairman & CEO

Dave Starling

President & COO

Pat Ottensmeyer

EVP Sales &
Marketing

Mike Upchurch

EVP & CFO





Third Quarter Highlights

	3Q 08	3Q 07
Earnings per Share	\$0.52	\$0.48
Revenue Growth	+10.7% Over 3Q '07	+6.8% Over 3Q '06
Operating Ratio	77.4%	77.9%



Third Quarter Highlights

- Strong performance despite hurricanes
 - Impact of hurricanes started in late August and extended through September; approximately \$0.07 EPS impact
 - KCS system rebounded quickly after storms, trackage rights service and customers' difficulties lagged
- Continued areas of business strength despite troubled economy
 - Double digit revenue growth
 - Pricing has remained solid
 - If not for the hurricanes, five of six commodity groups would have shown volume growth
 - Operational efficiencies improve as evidenced by performance metrics
- Foreign exchange loss reduced EPS by approximately \$0.05





Management Changes

- Pat Ottensmeyer – EVP Sales & Marketing
 - Excellent opportunity to fill a critical need with a proven internal leader
 - Key architect of KCS' Five-Year Strategic Plan
 - Fully aware of marketing objectives and will continue the momentum
 - Proven leader in establishing a strong team – in two years substantially rebuilt KCS' Finance Department into one of the strongest in the transportation industry
 - Well respected member of the executive management team
 - Strengthening our KCSM marketing effort
- Mike Upchurch – EVP & CFO
 - Strong, varied experience and well-respected member of team
 - While at Price Waterhouse worked on KCS account
 - Broad based, senior level finance experience at Sprint
 - Has built a strong Purchasing Department with enhanced controls and new sourcing strategies
 - Move into CFO position will be seamless





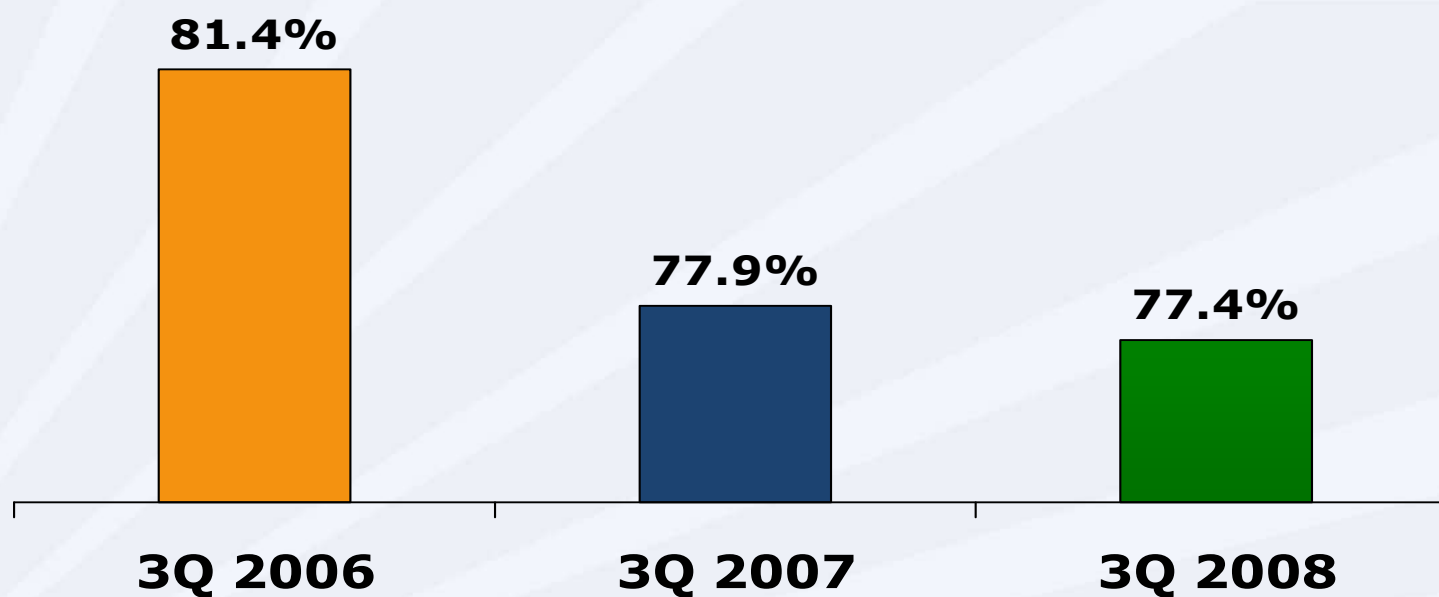
Dave Starling President & COO



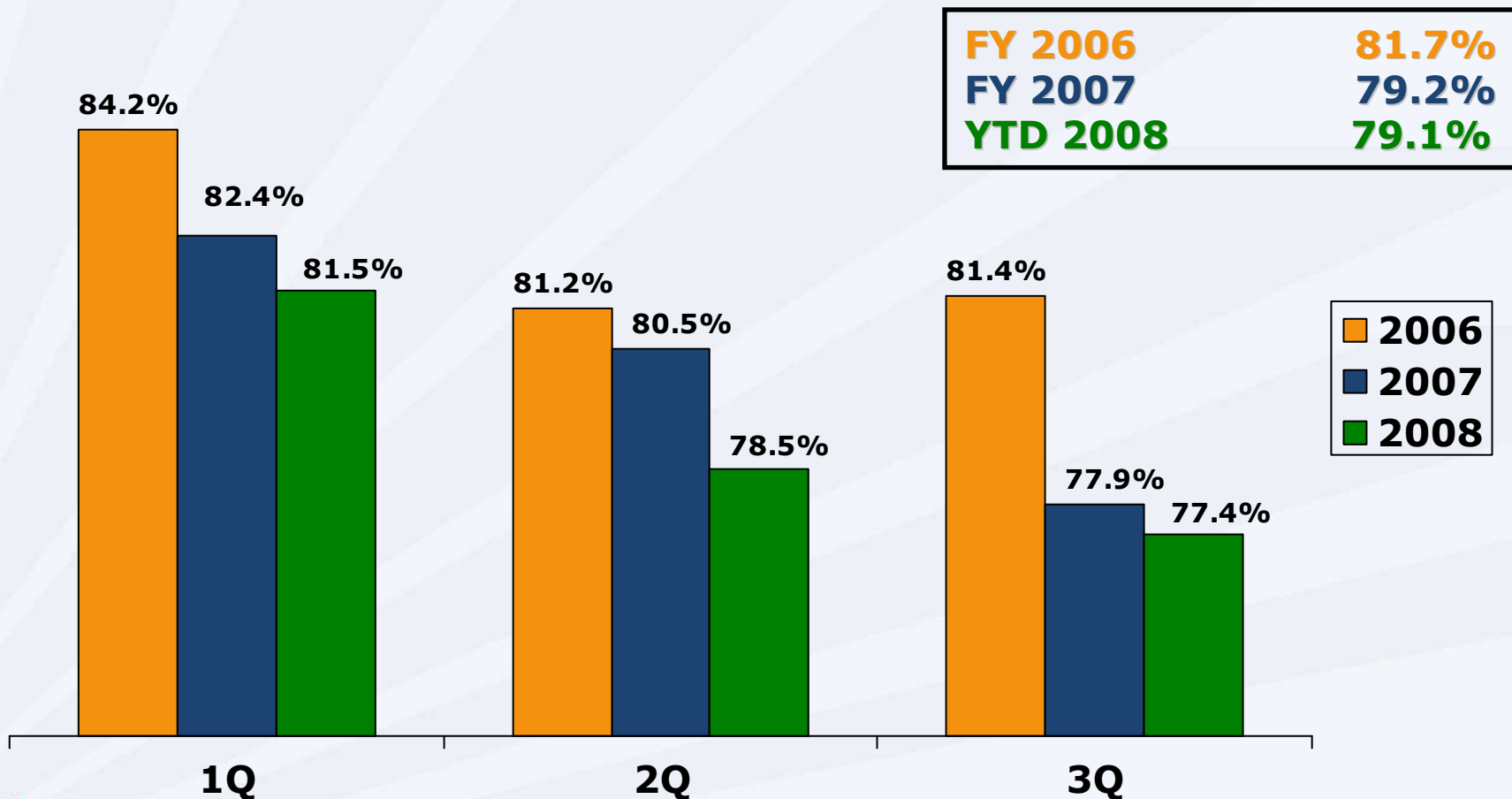


Operating Ratio

Third Quarter Comparison

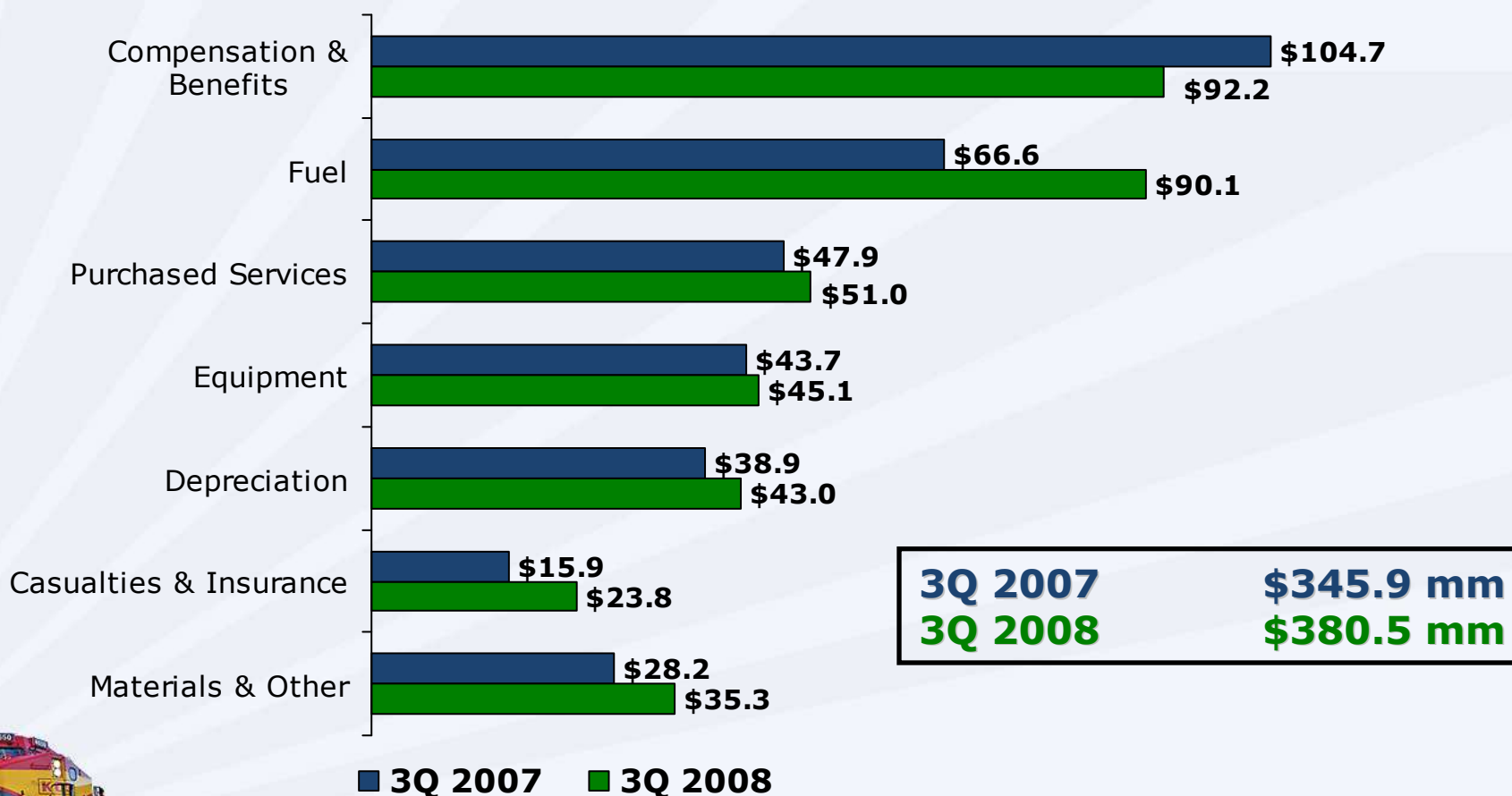


Operating Ratio Trend



Third Quarter Operating Expenses

\$ in millions



Impact of Hurricanes Gustav & Ike

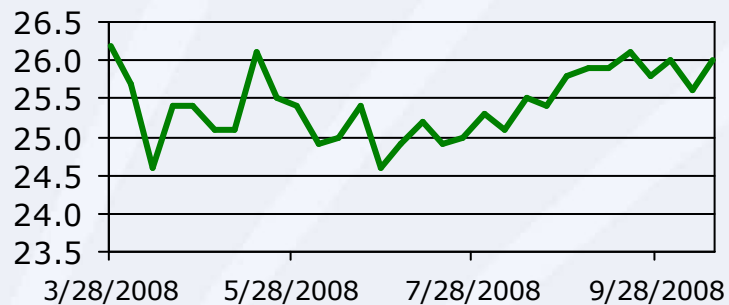
- Began shutdown of southern rail operations on August 27; Gustav made landfall on September 1
- Hurricane Ike hit Texas coast refinery area on September 13
- Both storms negatively impacted revenue
 - 15 refineries and chemical plants out of service in September
 - Cross border traffic stopped from 9/13 to 9/20
- \$3.5 million of expenses recorded
 - Track cleaning
 - KCSR system out of service less than a week
- Despite service interruptions and clean up , KCSR operational metrics remained strong in September and for the entire third quarter



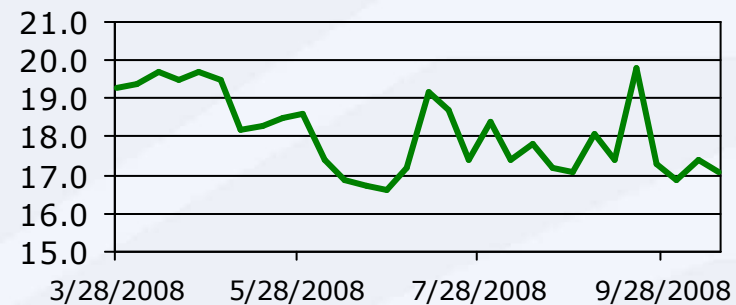


3Q Operations Highlights

Train Speed (mph)



Terminal Dwell (hours)



- Zero FRA Reportable Injuries at KCSR in September, an extraordinary accomplishment
- KCSR leading its category in overall safety performance
- Reportable injuries down 30% at KCSM
- Total train accidents down 23% at KCSM



Source: Railroad Performance Measures

Key Issues

- Stay the course on our expansion plans
 - Extending sidings, relaying new rail
 - Intermodal terminals
 - Victoria-Rosenberg line
- Monitor economic conditions
 - Freeze or reduce headcount
 - Adjust our capital program
 - Other cost control measures





Pat Ottensmeyer

EVP Sales & Marketing



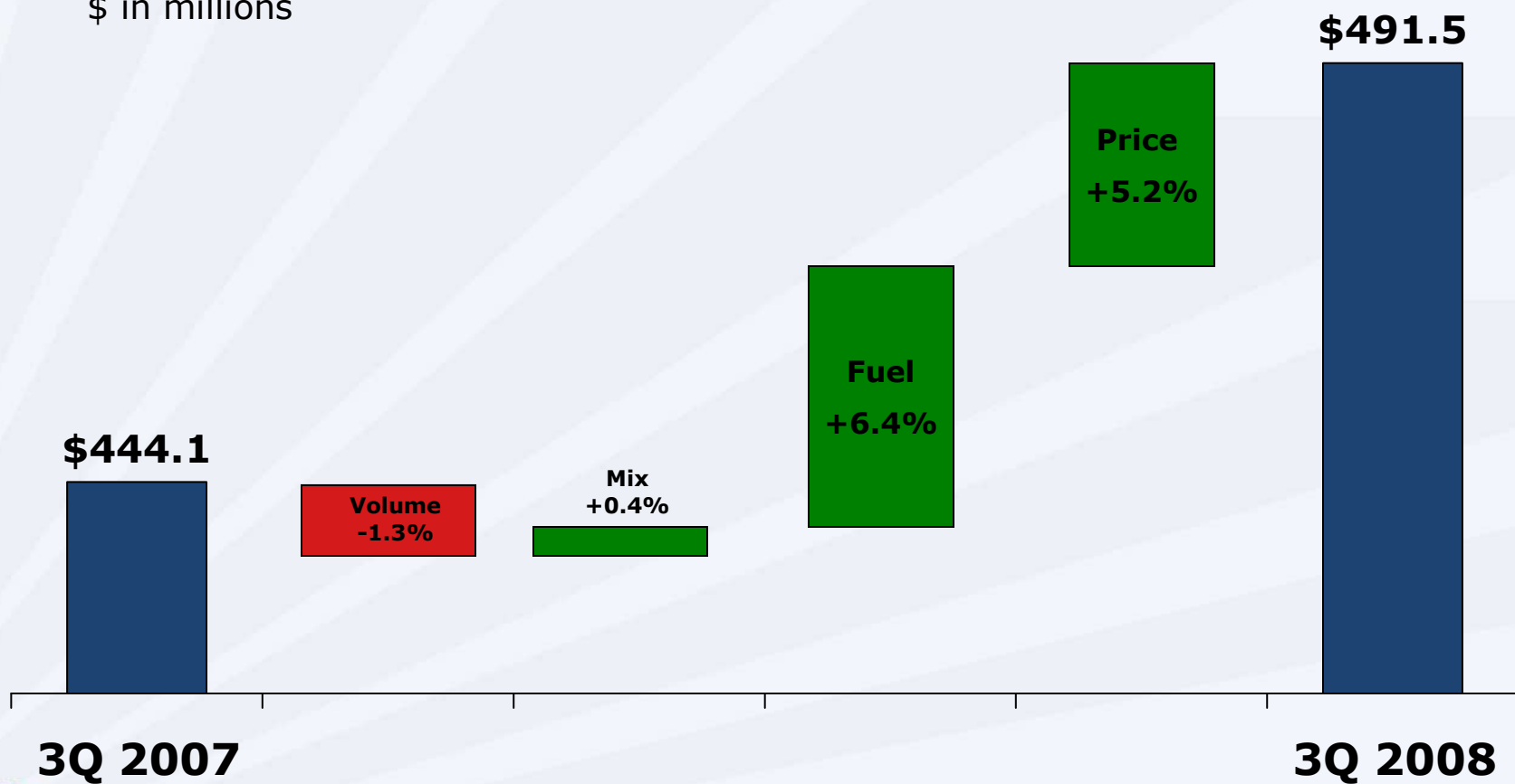
Revenue Highlights

- Quarterly revenues were \$491.5 million, a record for any quarter
 - Up 10.7% from 3Q 2007
 - Up 1.1% from 2Q 2008
- Revenues increased in all segments except for Automotive
- Pricing environment continues to be strong
 - RPU increased by 11.5% including fuel
 - Except for Automotive, volume growth was positive until hurricane Ike
- Fuel surcharge revenue was higher, however overall increase was less than other Class 1 rails



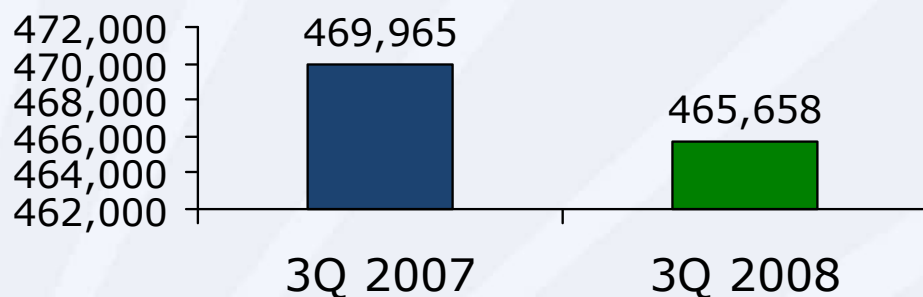
Revenue Growth of 10.7%

\$ in millions

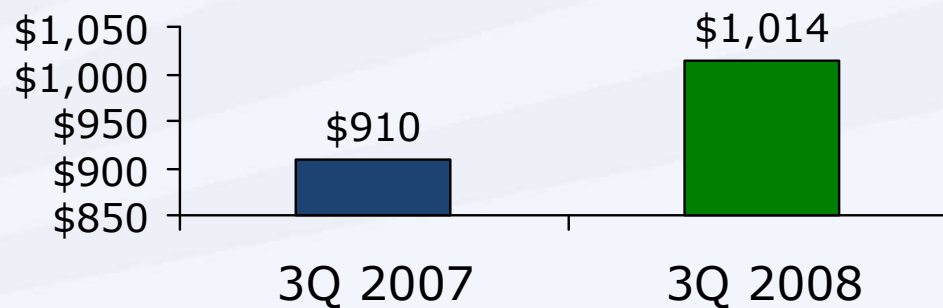


Consolidated Revenue Increases 10.7%

Carloads -0.9%

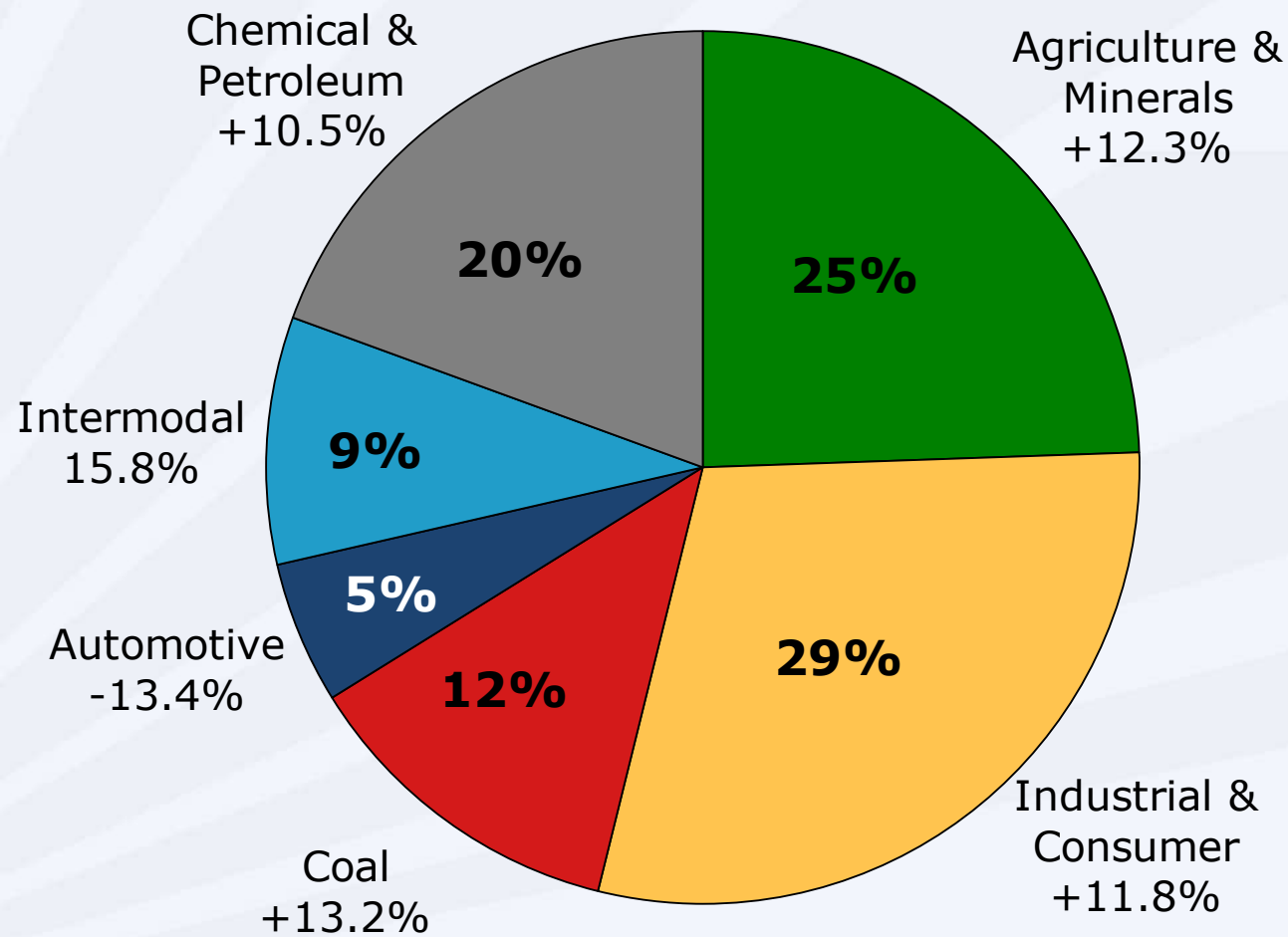


Revenue per Unit +11.5%





Revenue Changes 3Q 2007 vs. 3Q 2008

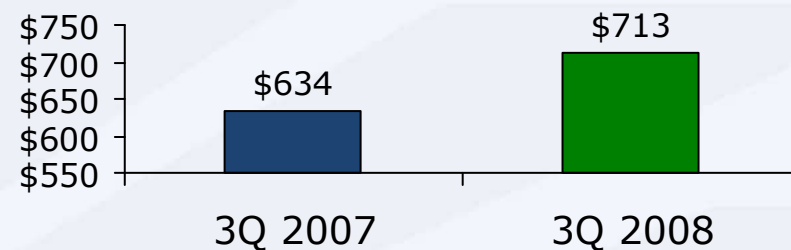




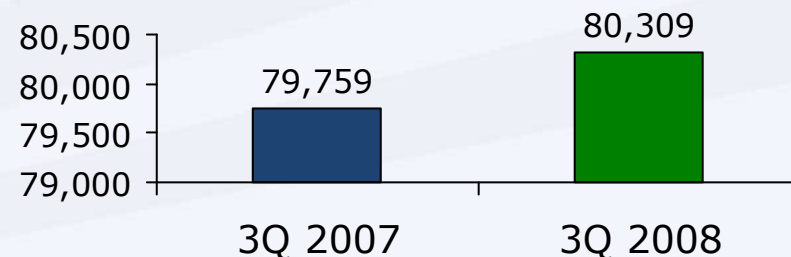
Coal Revenue Increases 13.2%

- Increase in fuel surcharge participation
- Favorable mix and increased length of haul
- Volumes remain strong heading into winter
- Hurricane disruption decreased volume on lower RPU traffic
- 4Q 2008 is expected to be in line with 3Q 2008 results

Revenue per Unit +12.5%



Carloads +0.7%

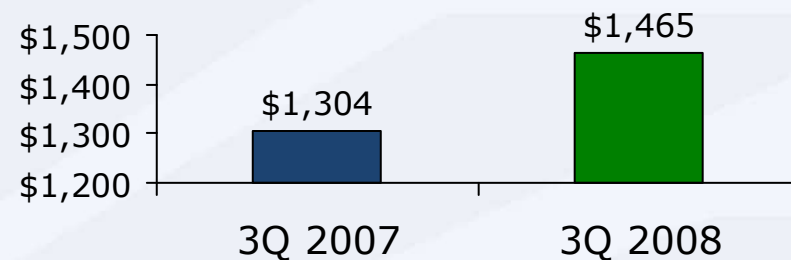




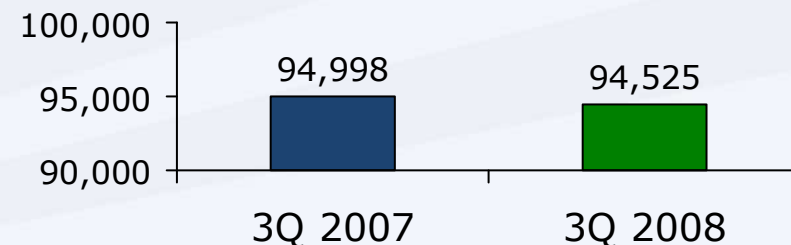
Industrial & Consumer Revenue Increases 11.8%

- Metals shipments remained strong driven by demand for pipe in energy services
- Appliances, Beer, Paper & Lumber all continue to be weak
- The Metals market is expected to weaken
- As steel inventories increase, production cutbacks are anticipated

Revenue per Unit +12.3%



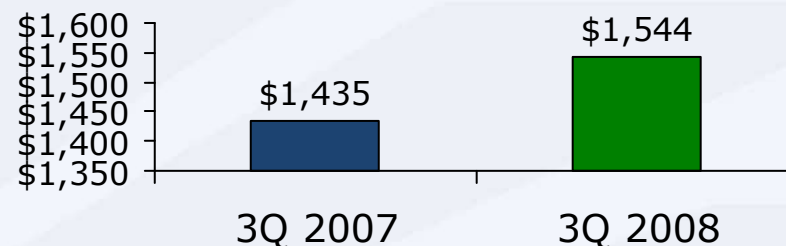
Carloads -0.5%



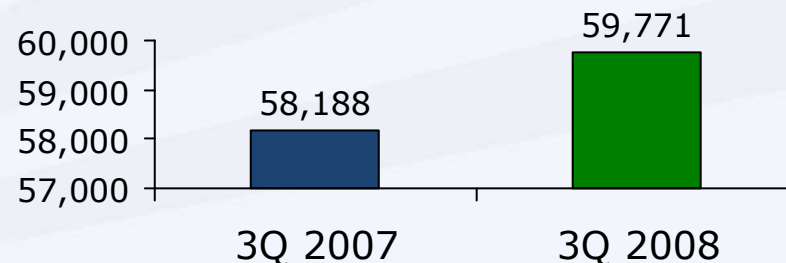
Chemical & Petroleum Revenue Increases 10.5%

- Revenue growth was driven by new agricultural fertilizer and petroleum shipments
- New long term contract for transportation and storage for major plastics producer is ramping up
- Chemical volume would have been even stronger except for hurricane disruption
- Year over year revenue growth is expected to continue as new business volumes materialize and pricing environment remains strong

Revenue per Unit +7.6%

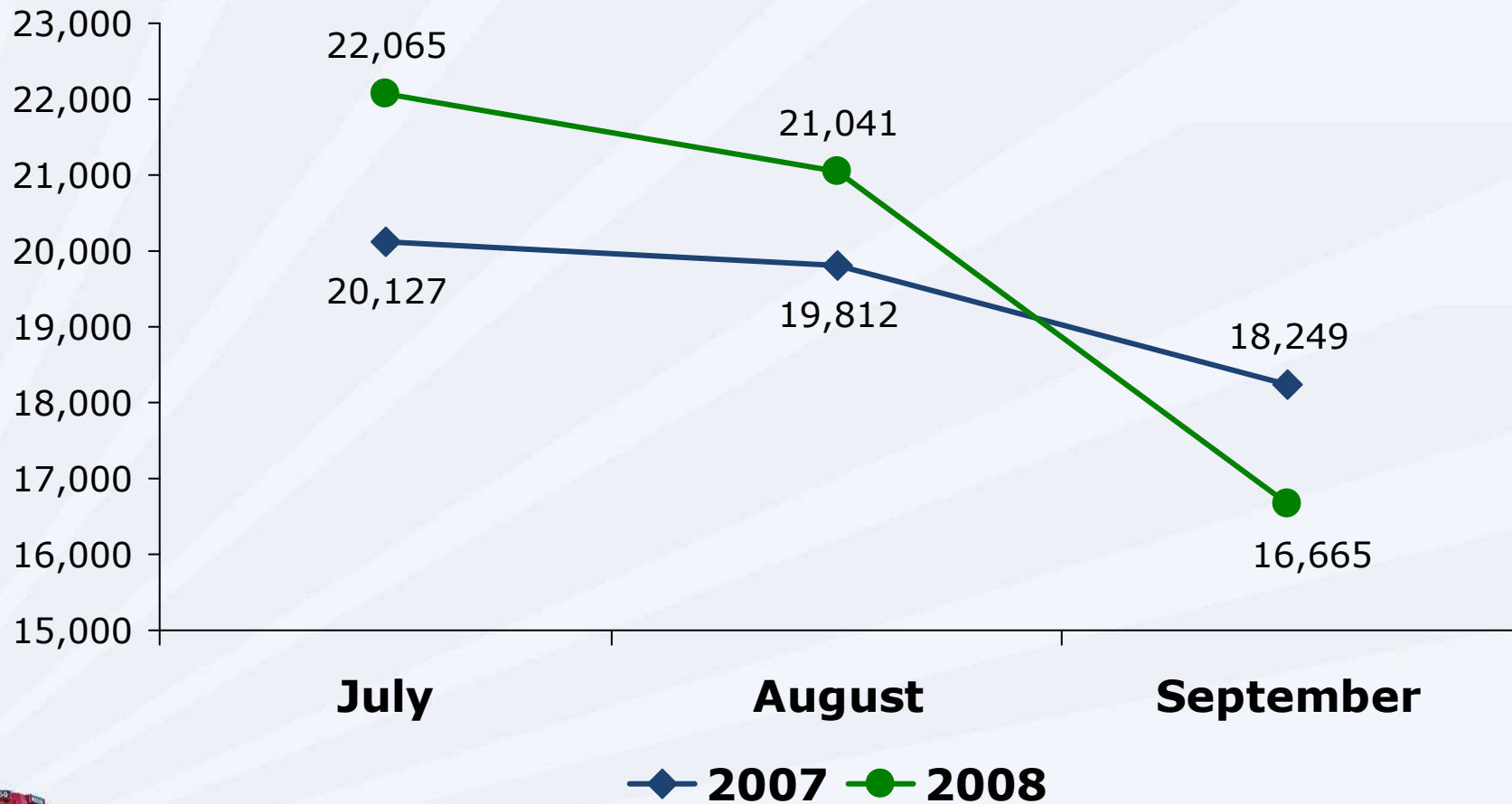


Carloads +2.7%





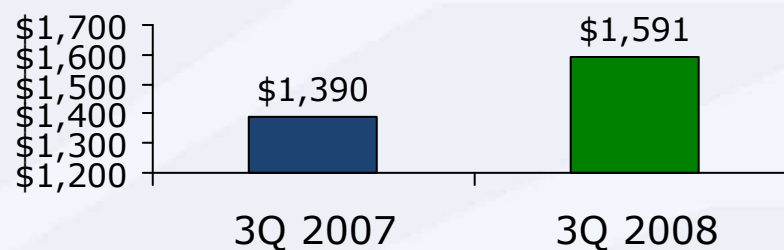
Third Quarter Carloads Chemical & Petroleum



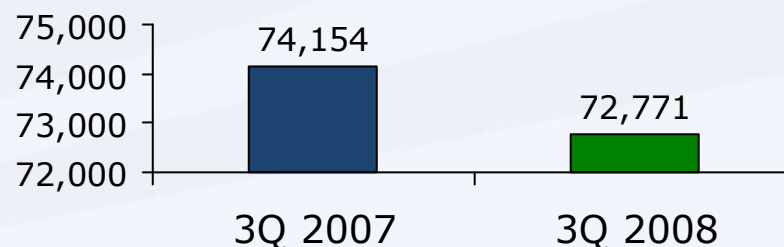
Agriculture & Minerals Revenue Increases 12.3%

- Pricing in segments of the business unit remain strong while volume continues to lag
- Strong 3Q revenue growth in spite of a slower than anticipated September due to the hurricane particularly in grain
- We anticipate recovering the slow September business in the 4Q
- Continued strong cross border traffic

Revenue per Unit +14.5%

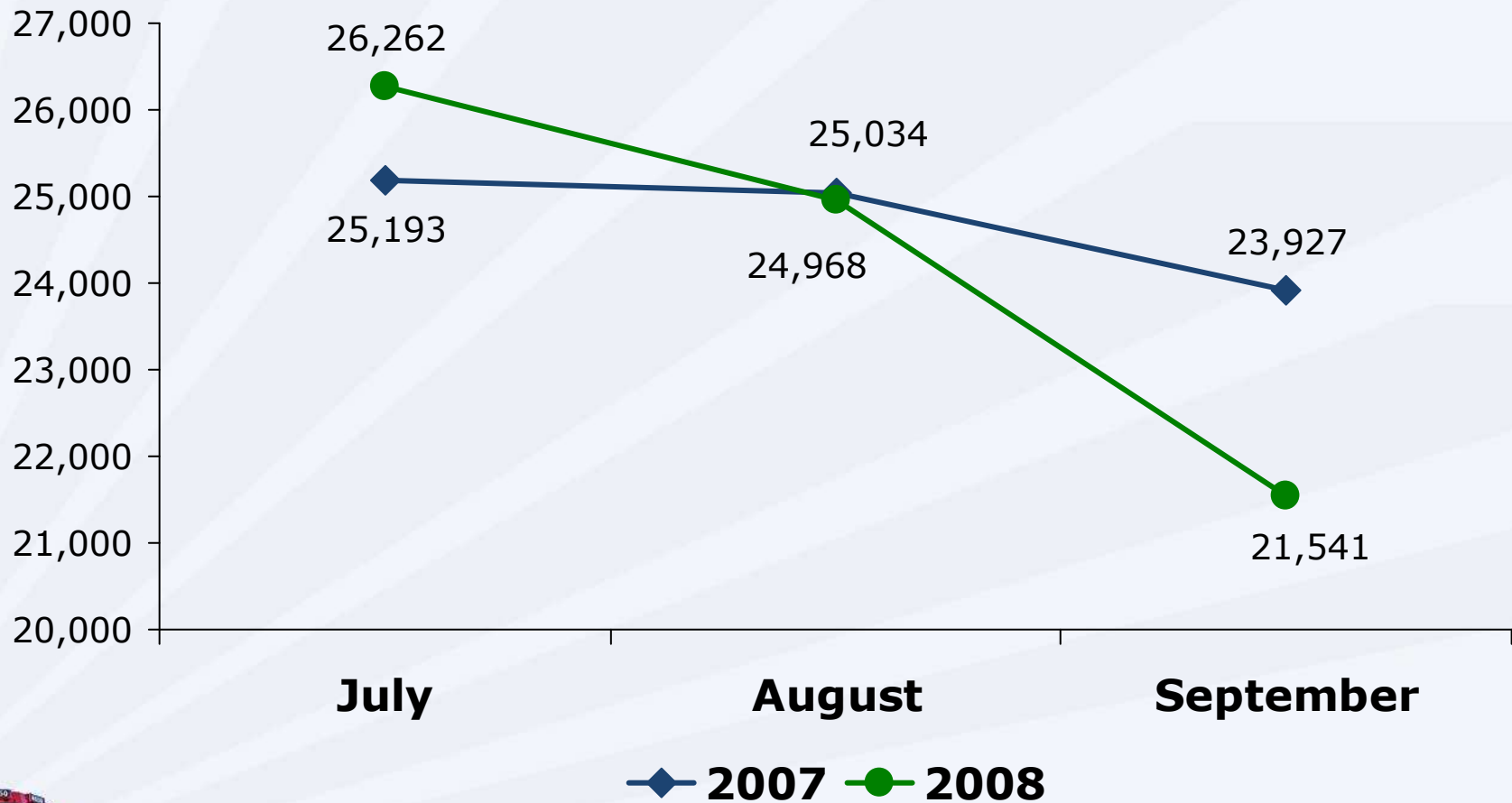


Carloads -1.9%





Third Quarter Carloads Agriculture & Minerals

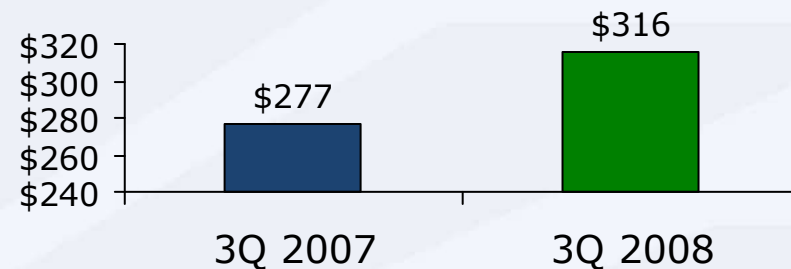




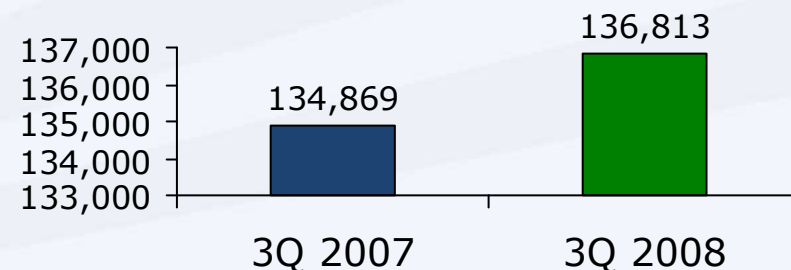
Intermodal Revenue Increases 15.8%

- Lazaro Cardenas volumes grew by 46%
 - Three new carriers began calling in August
- Volume growth was partially offset by a 15% decline in auto parts shipments primarily in Mexico
- Selective rate increases.
- RPU increased due to selective rate increases, lane enhancements, and fuel surcharge
- Volumes and revenue are expected to increase despite current market conditions.

Revenue per Unit +14.1%



Units +1.4%



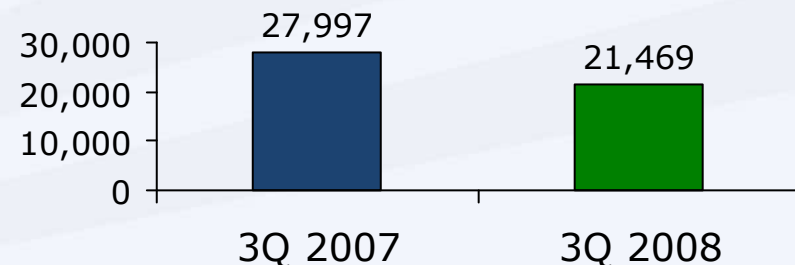
Automotive Revenue Decreases 13.4%

- U.S. sales fell below one million units in August for the first time in 15 years
- RPU rose due to selective pricing increases and fuel surcharge revenue
- Demand for fuel efficient vehicles is strong but not able to overcome a sharp drop in truck and SUV sales
- Fourth quarter and 2009 demand are forecasted to remain weak due to general economic conditions and customer financing issues
- Long term, Mexico will continue to be preferred location for North American vehicle production

**Revenue per Unit
+12.9%**



**Carloads
-23.3%**



Market Outlook

- Pricing trends remain positive
- Chemical & Petroleum and export grain have substantially recovered from hurricane outages
- New business opportunities continue to gain momentum and will drive revenue growth for 2009 and beyond
- Global economy clearly in transition, waiting to see what “new normal” emerges



Sales & Marketing Priorities and Objectives

- Maximize cross border opportunities
 - International intermodal
 - Truck-to-rail conversion
- Complete the intermodal network and build density in key corridors
- Improve cycle times and increase capacity for unit coal, export grain, and automotive
- Heighten focus on yield management and asset utilization
- Organizational development and coordination with operations





Mike Upchurch Executive VP & CFO



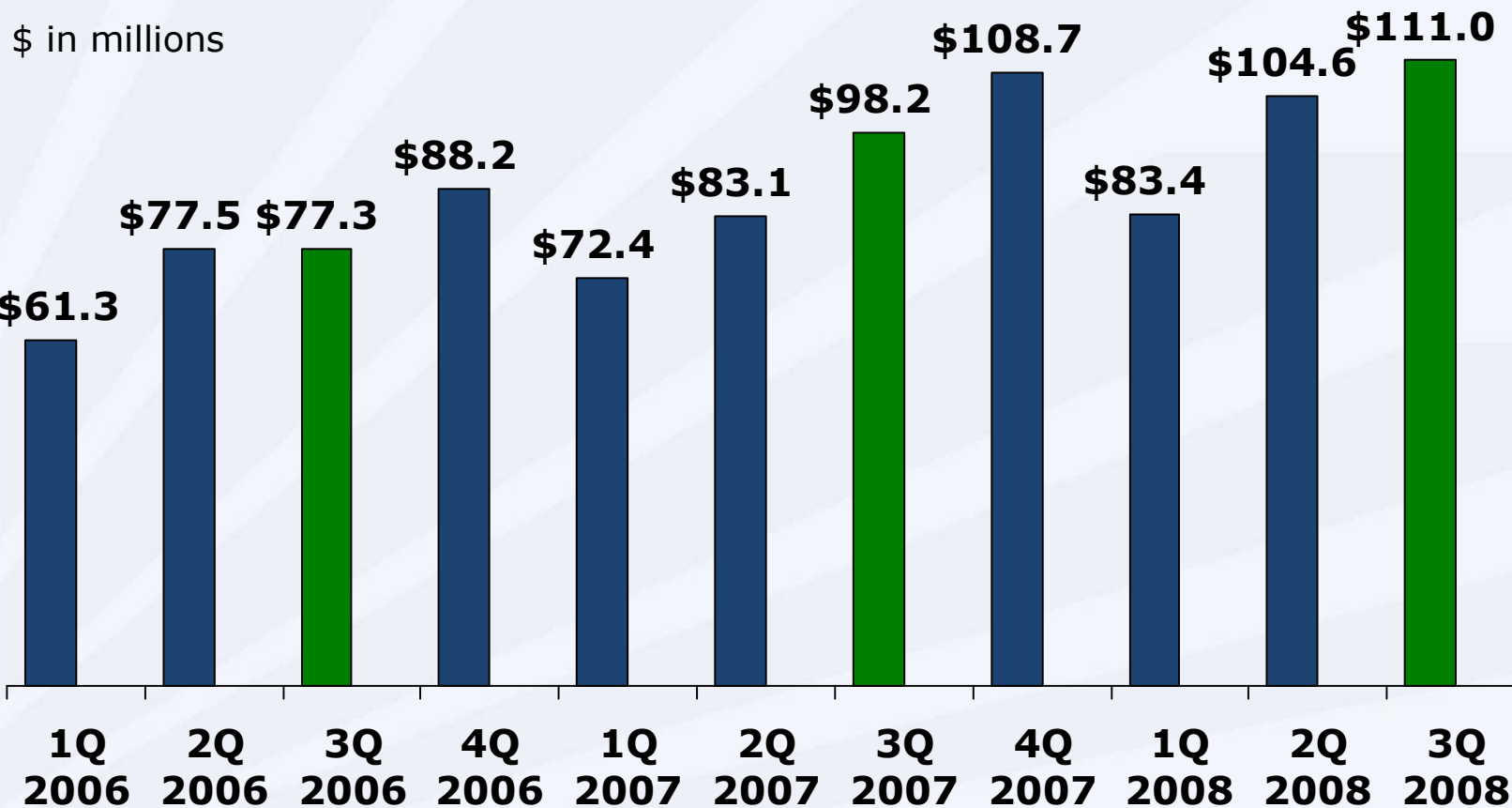


Consolidated Income Statement

\$ in millions	3Q 2008	3Q 2007
Total Revenue	\$491.5	\$444.1
Operating Expense	(380.5)	(345.9)
Operating Income	111.0	98.2
Currency Loss	(7.5)	(1.9)
Equity Earnings	5.0	3.3
Interest & Other	(31.8)	(35.4)
Income Tax	(25.1)	(17.5)
Net Income	\$51.6	\$46.7

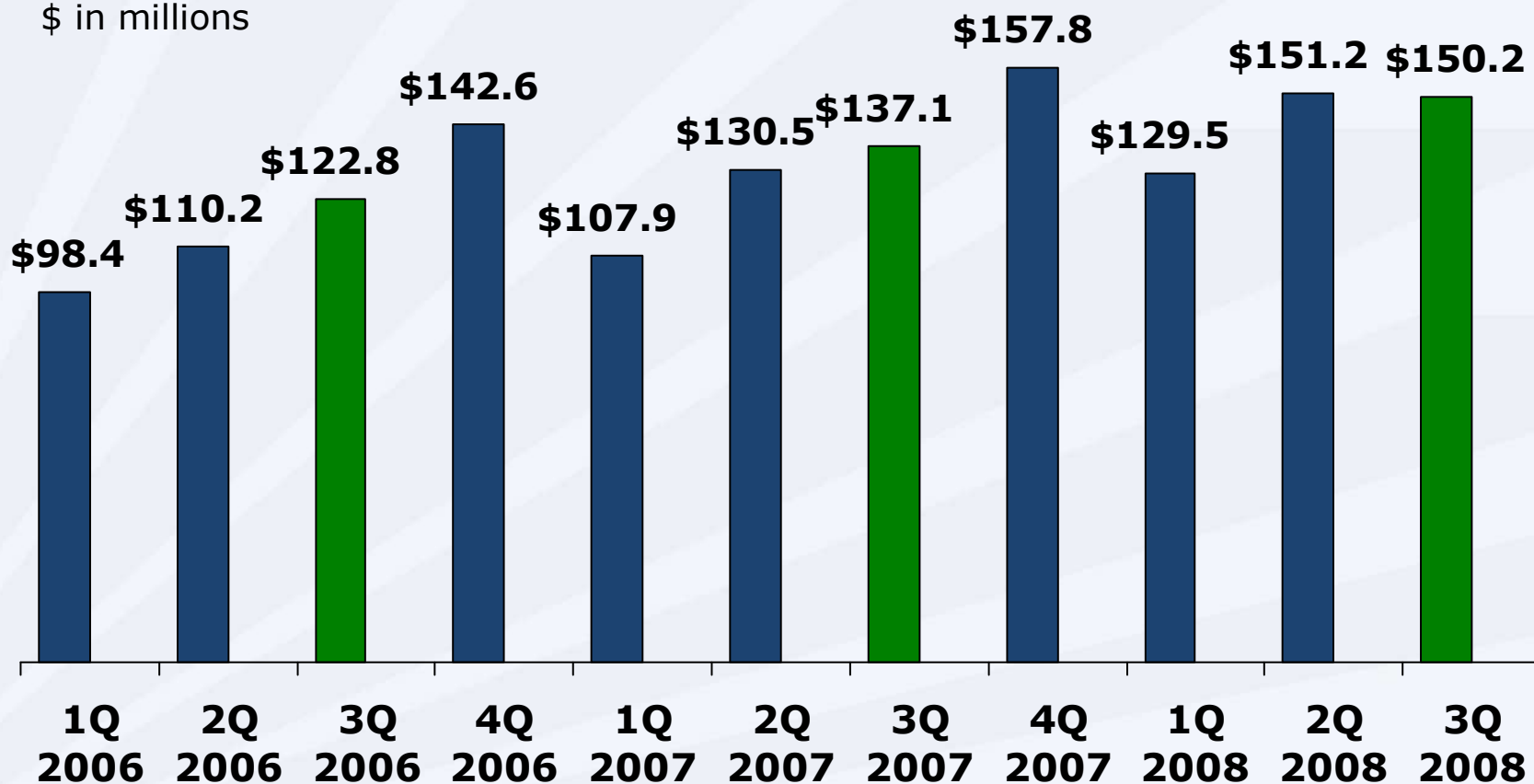


Operating Income



Adjusted EBITDA*

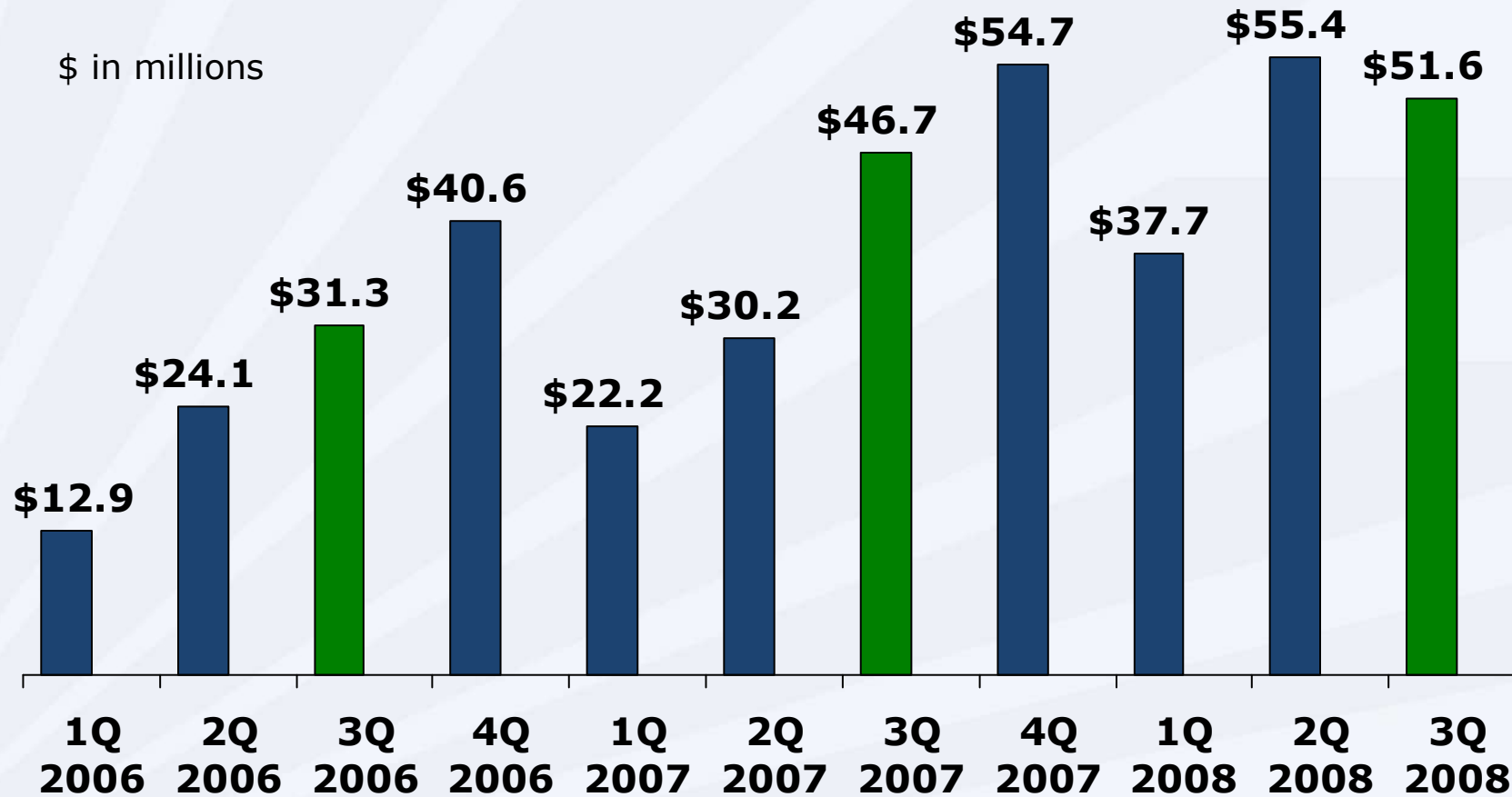
\$ in millions



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

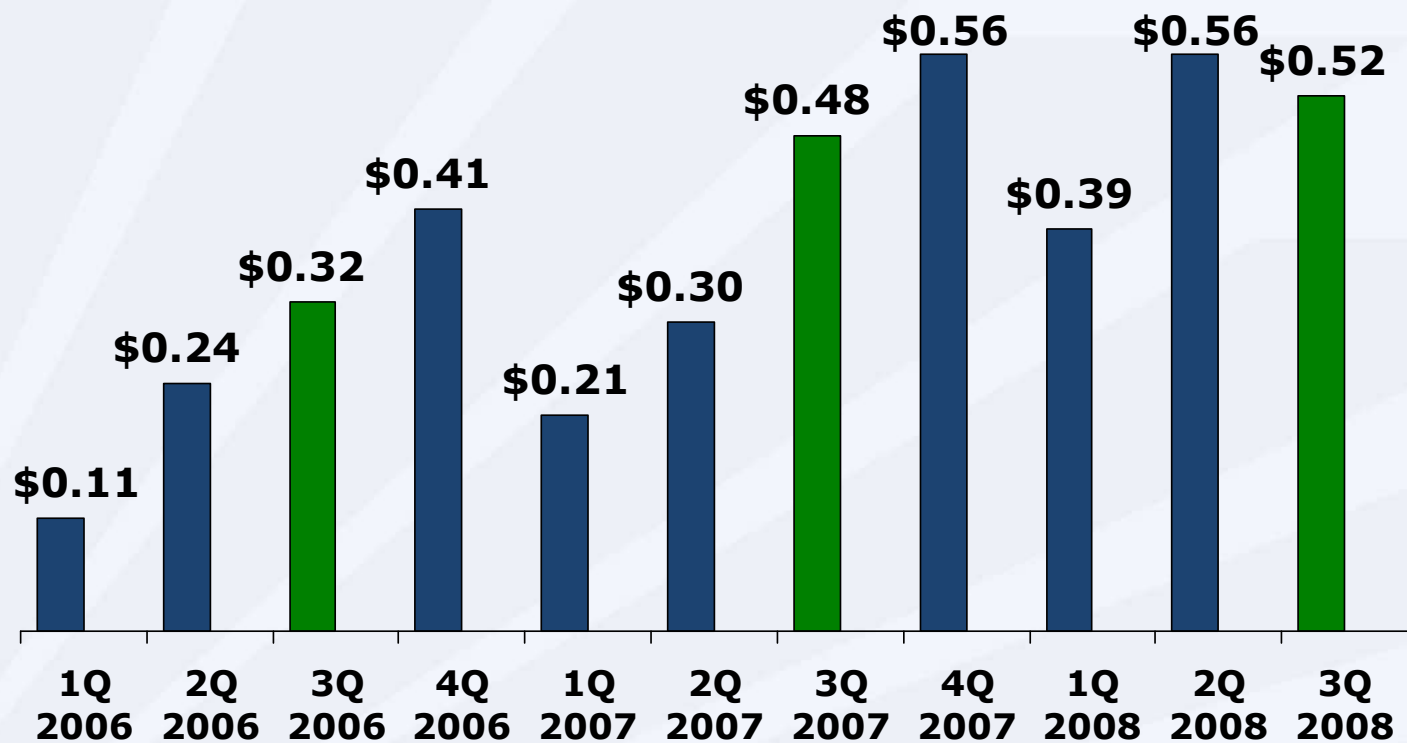
Net Income

\$ in millions





Diluted Earnings per Share



Share count in thousands

75,748 92,552 91,589 99,948 90,335 90,732 97,651 97,733 97,484 99,146 98,918





Free Cash Flow *

\$ in millions

	YTD 2008	YTD 2007
Net cash provided by operating activities	\$333.1	\$296.3
Cash used for capital expenditures	(415.6)	(213.0)
Other investing activities	(1.7)	17.5
Preferred dividends paid	(12.4)	(18.4)
Free cash flow after dividends paid	(\$96.6)	\$82.4

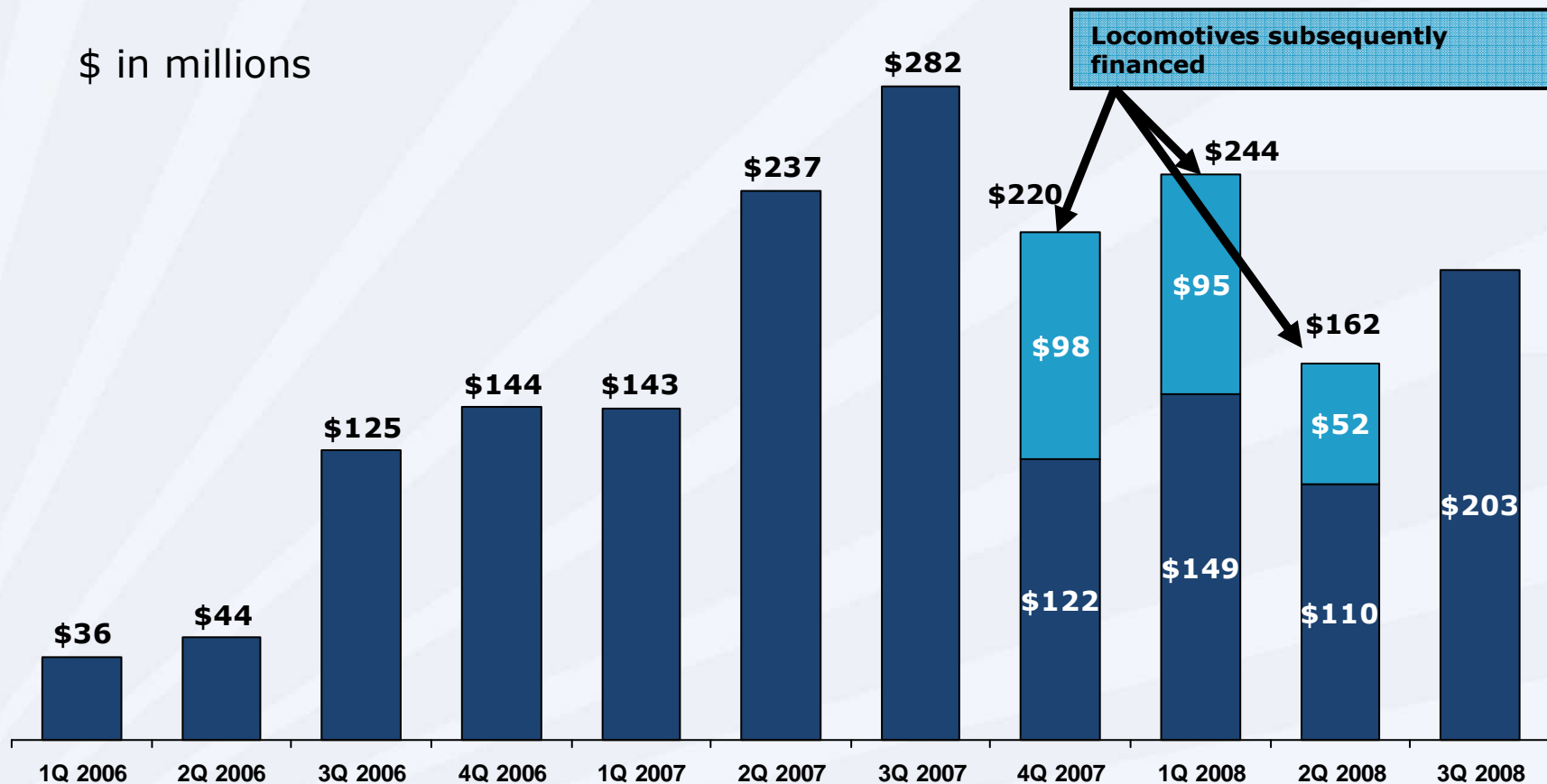


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Liquidity Summary

Unrestricted cash plus unused bank credit commitments

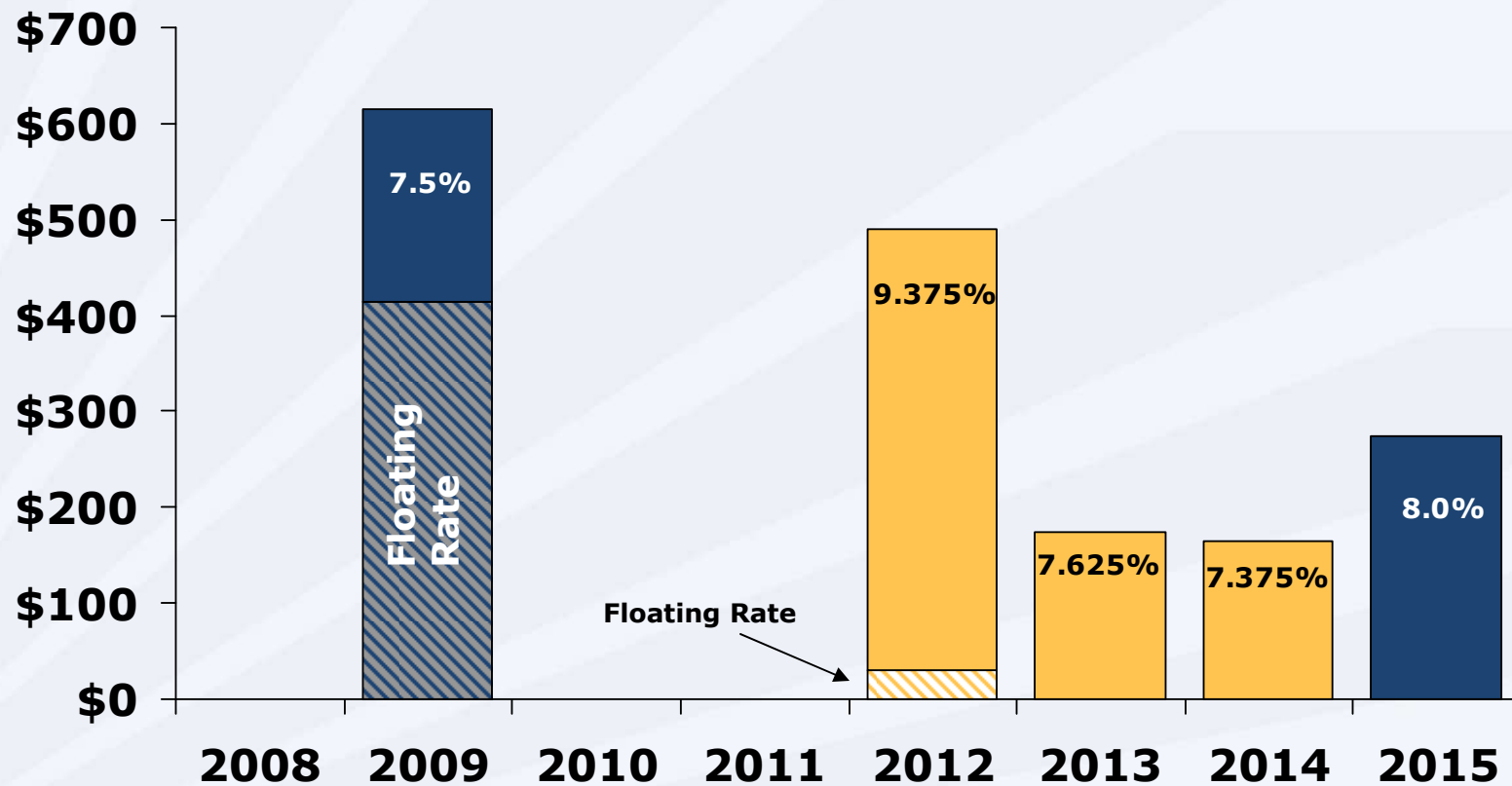
\$ in millions





Major Debt Maturities

\$ in millions



■ KCS debt

■ KCSM debt



Financing Summary

- Credit markets are difficult but remain open for KCS
 - High yield bond market is available
 - Double digit interest rate
 - Leverage loan bank market is not available in size
- Closed locomotive financing at KCSM at debt rate of 6.195%
- Liquidity remains stable as capex funded from cash flow and revolver
 - May pursue small bank financing for liquidity
 - Bridge loan when market tone improves
 - Apply for RRIF loan to refinance in 2009





Mike Haverty

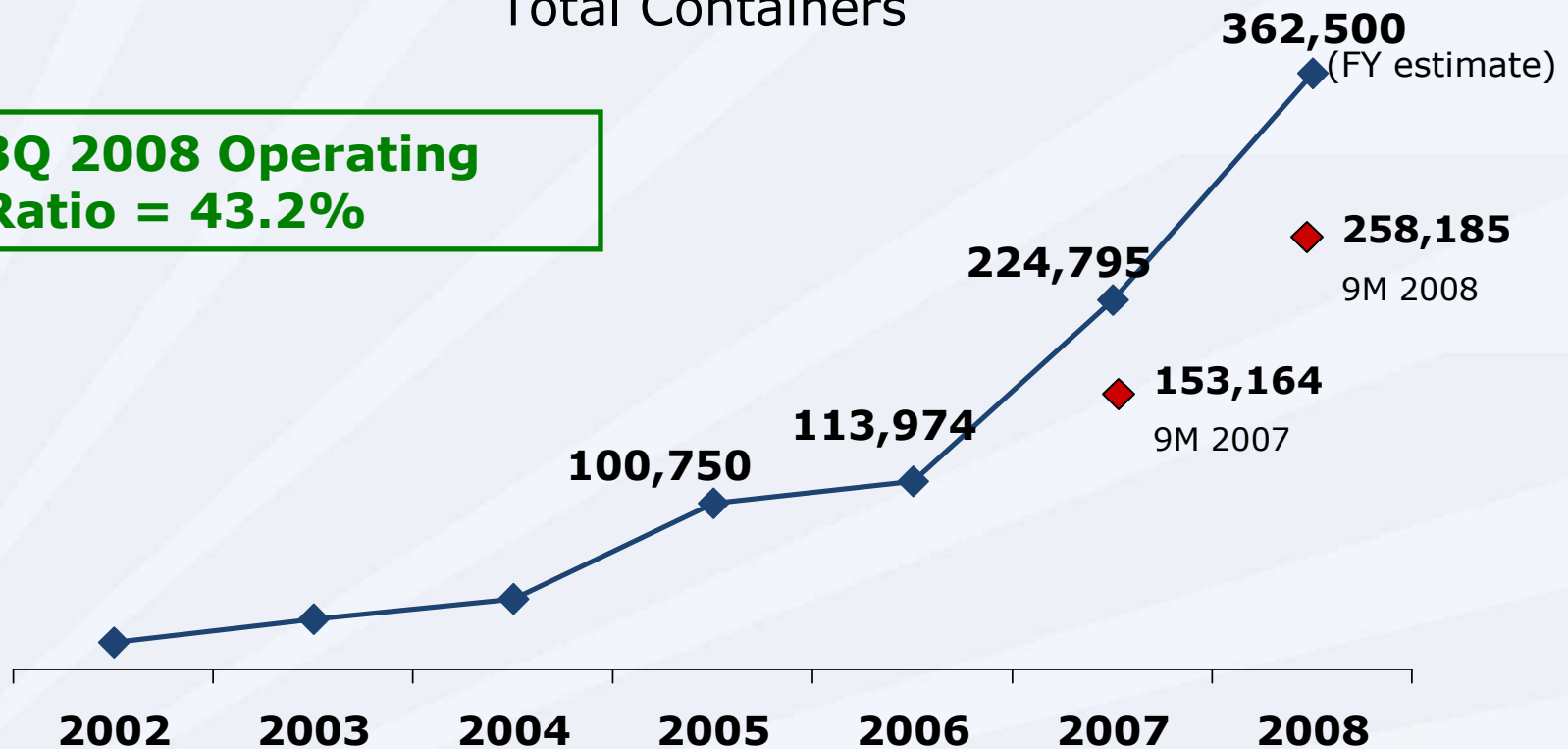




Panama Canal Railway – Setting New Growth Records

Total Containers

3Q 2008 Operating Ratio = 43.2%



Summary & Outlook

- Despite a challenging economy, we envision remaining on our five-year plan for this year
- KCS is a flexible and opportunistic company
 - We can adapt quickly to changes in economy and operating environment
 - We remain committed to our capital plan but can make adjustments when necessary
- Bottom line is that we feel good about our fourth quarter but need to see how things develop as a result of the recent economic turbulence before we talk about 2009





www.kcsouthern.com

