

KANSAS CITY SOUTHERN THIRD 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 Earnings Per Share:

	Three Months Ended September 30, 2010
Diluted earnings per share	\$ 0.48
Adjustment for debt retirement costs	0.01
Adjusted earnings per share - see (a) below	<u>\$ 0.49</u>

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

	Nine Months Ended September 30, 2010	Six Months Ended June 30, 2010	Three Months Ended March 31, 2010
Net cash provided by operating activities	\$ 359.9	\$ 220.3	\$ 111.5
Net cash used for investing activities	(225.7)	(145.4)	(81.8)
Preferred stock dividends paid	(8.2)	(5.5)	(2.7)
Free cash flow - see (b) below	126.0	69.4	27.0
Proceeds from issuance of long-term debt	300.7	295.7	295.7
Repayment of long-term debt	(662.0)	(589.0)	(305.7)
Other financing activities	186.6	190.7	(8.4)
GAAP net increases (decreases) in cash and cash equivalents	<u>\$ (48.7)</u>	<u>\$ (33.2)</u>	<u>\$ 8.6</u>

	Three Months Ended September 30, 2010	Three Months Ended June 30, 2010
Net cash provided by operating activities	\$ 139.6	\$ 108.8
Net cash used for investing activities	(80.3)	(63.6)
Preferred stock dividends paid	(2.7)	(2.8)
Free cash flow - see (b) below	56.6	42.4
Proceeds from issuance of long-term debt	5.0	-
Repayment of long-term debt	(73.0)	(283.3)
Other financing activities	(4.1)	199.1
GAAP net decreases in cash and cash equivalents	<u>\$ (15.5)</u>	<u>\$ (41.8)</u>

	Twelve Months Ended December 31, 2009	Nine Months Ended September 30, 2009	Six Months Ended June 30, 2009	Three Months Ended March 31, 2009
Net cash provided by operating activities - see (c) below	\$ 290.5	\$ 206.3	\$ 85.4	\$ 79.3
Net cash used for investing activities - see (c) below	(344.0)	(310.4)	(230.0)	(131.0)
Preferred stock dividends paid	(11.0)	(8.3)	(5.5)	(2.8)
Free cash deficit - see (b) below	(64.5)	(112.4)	(150.1)	(54.5)
Proceeds from issuance of long-term debt	202.1	189.8	189.8	214.0
Repayment of long-term debt	(319.1)	(264.5)	(250.1)	(238.7)
Other financing activities	69.1	66.1	42.8	(9.0)
GAAP net decreases in cash and cash equivalents	<u>\$ (112.4)</u>	<u>\$ (121.0)</u>	<u>\$ (167.6)</u>	<u>\$ (88.2)</u>

	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009
Net cash provided by operating activities - see (c) below	\$ 84.2	\$ 120.9	\$ 6.1
Net cash used for investing activities - see (c) below	(33.6)	(80.4)	(99.0)
Preferred stock dividends paid	(2.7)	(2.8)	(2.7)
Free cash flow (deficit) - see (b) below	47.9	37.7	(95.6)
Proceeds from issuance of long-term debt	12.3	-	(24.2)
Repayment of long-term debt	(54.6)	(14.4)	(11.4)
Other financing activities	3.0	23.3	51.8
GAAP net increases (decreases) in cash and cash equivalents	<u>\$ 8.6</u>	<u>\$ 46.6</u>	<u>\$ (79.4)</u>

- (a) The Company believes adjusted 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) Certain prior year amounts have been adjusted for the retrospective change in accounting principle for rail grinding costs as disclosed in the September 30, 2010 Form 10-Q.