

**KANSAS CITY SOUTHERN SECOND QUARTER 2007 ANALYST PRESENTATION AND PRESS RELEASE**  
**RECONCILIATION TO GAAP**  
(in millions)

KCS reports its financial statements 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 may provide its users of the financial information with additional meaningful comparison when reviewing the Company's results.

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' results.

Some of KCS' non-GAAP measures may differ from similar measures used by other companies, even if similar terms are used to identify such measures.

<b>Non-GAAP amounts exclude charges taken in the 2nd quarter of 2005 related to the acquisition of KCSM and the write-off of the deferred profit sharing:</b>	<b>As Reported</b>		<b>Non-GAAP</b>
	<b>Three months ended</b>		
	<b>June 30,</b>	<b>Adjustments</b>	<b>2005</b>
	<b>2005</b>		
Revenues	\$ 381.1	\$ -	\$ 381.1
KCSM employees' statutory profit sharing	38.7	(35.6)	3.1
Other operating expenses	350.7	(15.8)	334.9
Total operating expenses	389.4	(51.4)	338.0
Operating income (loss)	(8.3)	51.4	43.1
Other income (expense)	(33.0)	(2.8)	(35.8)
Income before income taxes	(41.3)	48.6	7.3
Income tax (benefit)	1.6	4.4	6.0
Minority interest	17.8	(15.9)	1.9
Net income	(25.1)	28.3	3.2
Preferred stock dividends	2.2	-	2.2
Net income available to common shareholders	\$ (27.3)	\$ 28.3	\$ 1.0
Operating ratio			88.7%

**EPS Effect of Debt Retirement Costs:**

As Reported net income available to common stockholders for purposes of computing EPS  
Effect of debt retirement costs, net of Mexico segment tax  
Effect of additional income due to dilution of convertible preferred stock  
Net income available to common stockholders for purposes of computing EPS

<b>June 30,</b>
<b>2007</b>
\$ 27.4
5.2
2.7
\$ 35.3

As reported diluted shares  
Additional preferred stock dilutive shares due to additional income  
Adjusted diluted shares

90,732
7,000
97,732

As reported diluted earnings per share  
EPS excluding debt retirement costs  
Difference

\$ 0.30
0.36
\$ (0.06)

**Calculation of Earnings Before Interest, Income Taxes, Depreciation and Amortization and Non-cash Equity Earnings from Unconsolidated Subsidiaries (a):**

GAAP Net Income  
Income tax expense  
Interest expense  
Debt Retirement Costs  
Gain in equity in earnings of unconsolidated subs - see (a) below  
Depreciation and amortization  
EBITDA

	<b>For the three months ended:</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2007</b>	<b>2006</b>
	\$ 30.2	\$ 24.1
	13.8	8.5
	41.6	40.6
	6.9	2.2
	(2.8)	(2.0)
	40.8	36.8
	\$ 130.5	\$ 110.2

**Calculation of Earnings Before Interest, Income Taxes, Depreciation and Amortization and Non-cash Equity Earnings from Unconsolidated Subsidiaries (a):**

GAAP Net Income  
Income tax expense  
Interest expense  
Debt Retirement Costs  
Gain in equity in earnings of unconsolidated subs - see (a) below  
Depreciation and amortization  
EBITDA

	<b>For the six months ended:</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2007</b>	<b>2006</b>
	\$ 52.4	\$ 37.0
	23.1	15.5
	81.0	81.2
	6.9	2.2
	(3.9)	(2.5)
	78.9	75.2
	\$ 238.4	\$ 208.6

(a) For consistency, the Company uses the format of EBITDA specified in its bank covenants which also excludes non-cash earnings from unconsolidated subsidiaries.

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
<b>Calculation of interest expense:</b>		
GAAP Interest Expense	\$ 81.0	\$ 81.2
EBITDA	\$ 238.4	\$ 208.6
EBITDA Interest Coverage Ratio	2.94	2.57

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
<b>Reconciliation of Free Cash Flow to Net Increases (Decreases) in Cash and Cash Equivalents:</b>		
Net cash provided by operating activities	\$ 160.1	\$ 55.9
Net cash used for investing activities	(115.3)	(54.9)
Dividends paid	(13.6)	(4.2)
Free Cash Flow - see (b) below	31.2	(3.2)
Proceeds from issuance of long-term debt	326.2	405.2
Repayment of long-term debt	(351.8)	(406.6)
Other financing activities	(18.3)	(4.3)
GAAP Net Increase (Decrease) in cash and cash equivalents	\$ (12.7)	\$ (8.9)

(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, other investments, and future dividends to shareholders.