

KANSAS CITY SOUTHERN FOURTH QUARTER 2006 ANALYST PRESENTATION AND PRESS RELEASE
COMPUTATION OF VARIOUS NON-GAAP FINANCIAL MEASURES
(in millions)

Summary calculation of 2005 year to date earnings includes KCSM's first quarter 2005 amounts prior to its consolidation on April 1, 2005 and excludes charges related to the acquisition and the write-off of deferred profit sharing in the second quarter of 2005, the charge to casualty and insurance expense and the one-time non-cash gain as a result of the VAT settlement with the Mexican Government in the third quarter of 2005.

	As Reported December 31, 2005	YTD Adjustments	Pro forma December 31, 2005
Revenues	\$ 1,352.0	170.1	\$ 1,522.1
Depreciation and amortization	127.7	18.4	146.1
Casualties and insurance	103.4	(34.8)	68.6
KCSM employees' statutory profit sharing	41.1	(35.1)	6.0
Other operating expenses	1,017.5	105.8	1,123.3
Total operating expenses	<u>1,289.7</u>	<u>54.3</u>	<u>1,344.0</u>
Operating income (loss)	62.3	115.8	178.1
VAT/Put settlement gain, net	131.9	(131.9)	-
Other income (expense)	(118.2)	(29.2)	(147.4)
Income before income taxes	<u>76.0</u>	<u>(45.3)</u>	<u>30.7</u>
Income tax (benefit)	(7.1)	17.8	10.7
Minority interest	17.8	(16.1)	1.7
Net income	<u>100.9</u>	<u>(79.2)</u>	<u>21.7</u>
Preferred stock dividends	9.5	-	9.5
Net income available to common shareholders	<u>91.4</u>	<u>(79.2)</u>	<u>12.2</u>
Diluted Shares	92,747		77,002
Diluted EPS	\$ 1.10		\$ 0.16

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

	Adjusted YTD 2005	YTD 2006
GAAP Net Income	\$ 100.9	\$ 108.9
Impact for YTD non-recurring items	(79.2)	-
Adjusted net income	<u>21.7</u>	<u>108.9</u>
Adjusted Income tax provision (benefit)	10.7	45.4
Interest expense	163.6	167.2
Loss in equity in earnings of unconsolidated subs	(3.7)	(7.3)
Depreciation and amortization	146.1	155.0
EBITDA	<u>\$ 338.4</u>	<u>\$ 469.2</u>

Calculation of pro forma interest expense to include first quarter KCSM interest

	Pro Forma 12 Months Ended 12/31/05	12 Months Ended 12/31/06
GAAP Interest Expense	\$ 133.5	\$ 167.2
Pro forma adjustment for first quarter KCSM	30.1	-
	<u>\$ 163.6</u>	<u>\$ 167.2</u>
EBITDA	\$ 338.4	\$ 469.2
EBITDA Interest Coverage Ratio	<u>2.07</u>	<u>2.81</u>

Reconciliation of Free Cash Flow to Net Cash Provided by Operating Activities

	12 months ended 12/31/05	12 months ended 12/31/06
Free Cash Flow	\$ (119.4)	\$ 97.0
Proceeds from issuance of long-term debt	644.7	616.3
Repayment of long-term debt	(521.5)	(658.5)
Other financing activities	(11.3)	(7.0)
GAAP Net Increase (Decrease) in cash and cash equivalents	<u>\$ (7.5)</u>	<u>\$ 47.8</u>

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