



December 03, 2020

INFORMATION NOTE

Update of the Policy of Reduction on Rate Discount applicable to Public Rail Freight Transportation due to the fuel price variations

Dear Intermodal Customer,

Effective January 01, 2021, Kansas City Southern de Mexico, S.A. de CV. (KCSM) will update its policy of reduction on Linehaul Rate¹ discount applicable to Public Rail Freight Transportation² due to fuel price variations (RDD³) to include an option to assess as a factor of a percent of revenue based on the Linehaul Rate, according to the process below. KCSM will continue to offer the existing programs for RDD of Per Mile and the Linehaul Option. Depending on the renewal of your agreements with KCSM, the effective date on waybills may vary as to when this change takes place

The RDD for the Percent of Revenue option is calculated monthly and added to the Linehaul Rate in accordance to the methodology described below:

1. The first step to calculate the RDD is to determine the adjustment factor to apply (hereinafter, the "RDD Factor") during a given month. The RDD Factor will be determined in accordance with the values indicated in the factor chart included in **Exhibit 1**. The calculation will use the Fuel Price⁴ from two months prior to the current month when calculating the RDD.

The RDD Factors established in the Exhibit 1 of this document are published for Intermodal Equipment⁵.

¹ **Linehaul Rate.** It is the rate applicable to the Public Rail Freight Transportation services which considers discounts from the TUCE (maximum rate registered before the authority that a Rail Concessionaire is allowed to apply for Public Rail Freight Transportation services) corresponding to a customer and service in particular. The RDD should be added to this rate.

² **Public Rail Freight Transportation Service.** It is the public service of rail freight transportation that KCSM provides in accordance with its Concession Title, the Rail Service Regulatory Law and its Regulations, which only considers the rail transportation of cargo from a point of origin to a point of destination, without including any accessorial or additional services that may be generated.

³ **RDD.** Reduction on Linehaul Rate Discount due to Fuel Price variation, which will be used to calculate the Total Rate.

⁴ **Fuel Price.** It is the diesel fuel price at the Storage and Distribution Terminal at Irapuato (Terminal de Almacenamiento y Reparto - TAR) published by PEMEX; available at <http://www.comercialrefinacion.pemex.com> in the "Current product prices" section inside the "General Consult". The price will be calculated based on the average daily price for the month (before VAT), two months prior to the application of RDD. The Fuel Price for each month will be published on the KCS webpage <http://www.kcsouthern.com>.

⁵ **Intermodal Equipment.** Equipment that requires underlying rail car to secure the unit for rail service. Examples of intermodal equipment include, but are not limited to containers, Isotanks, bulk tanks, chassis, and trailers.



- 2. After having determined the RDD factor applicable for the month, it is multiplied by the Linehaul Rate of the corresponding route. KCS reserves the right to periodically review and edit the fuel programs to ensure the factors properly reflect changes in foreign exchange and fuel costs.

The RDD is the result of multiplying the Linehaul Rate for the route by the RDD Factor (RDD= RDD Factor * Linehaul Rate).

The Total Rate⁶ will be the addition of the Linehaul Rate plus the RDD.

Total Rate = Linehaul Rate + RDD

RDD=RDD Factor * Linehaul Rate

The RDD for any equipment type will not apply when the Fuel Price is less than \$11.232 pesos per liter.

- 3. The RDD has an adjustment factor to incorporate the average Foreign Exchange rate corresponding to the same reference month as the Fuel Price. The average Foreign Exchange rate will be calculated based on the average rate published by Banco de Mexico to pay obligations entered in USD payable in the Mexican Republic during the reference month, and rounded to the nearest hundredth or two decimal places.

EXAMPLES

- Determining the RDD Factor during November 2020 for an intermodal container:

Fuel Price during September: \$14.958 pesos per liter

Average foreign exchange rate to pay obligations entered in USD payable in the Mexican Republic published daily by Banco de Mexico during September: \$21.61

- Determining the RDD Factor for Percent of Revenue corresponding to the Fuel Price for September:

		Average Foreign Exchange Rate
Foreign Exchange Adj >		-1.50%
Pemex - per Liter Price		21.50-21.99
\$14.957	\$15.105	11.0%

- Calculating the RDD for a Container on Salinas Victoria to Laredo route during November:

RDD Percent of Revenue Factor applicable during November = 11.0%

Linehaul Rate = \$400.00

RDD: \$400 x 11% = \$44.00

Total Rate: \$444.00

⁶ **Total Rate.** It is the total rate paid for the Rail Freight Transportation services, calculated by adding the corresponding RDD to the applicable Linehaul Rate. Under no circumstances may the Total Rate exceed the corresponding TUCE to the service in question.



EXHIBIT 1: Charts of RDD Factors for the Percent of Revenue option for Intermodal shipments.

		Average Foreign Exchange Rate												
Foreign Exchange Adj >		2.00%	1.50%	1.00%	0.50%	0.00%	-0.50%	-1.00%	-1.50%	-2.00%	-2.50%	-3.00%	-3.50%	-4.00%
Pemex - per Liter Price		18.00-18.49	18.50-18.99	19.00-19.49	19.5-19.99	20.00-20.49	20.50-20.99	21.00-21.49	21.50-21.99	22.00-22.49	22.50-22.99	23.00-23.49	23.50-23.99	24.00-24.49
\$11.232	\$11.380	2.0%	1.5%	1.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$11.381	\$11.529	2.5%	2.0%	1.5%	1.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$11.530	\$11.678	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$11.679	\$11.827	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$11.828	\$11.976	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
\$11.977	\$12.125	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%	0.0%	0.0%	0.0%	0.0%
\$12.126	\$12.274	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%	0.0%	0.0%	0.0%
\$12.275	\$12.423	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%	0.0%	0.0%
\$12.424	\$12.572	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%	0.0%
\$12.573	\$12.721	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%
\$12.722	\$12.870	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%
\$12.871	\$13.019	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%
\$13.020	\$13.168	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%
\$13.169	\$13.317	8.5%	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%
\$13.318	\$13.466	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%
\$13.467	\$13.615	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%
\$13.616	\$13.764	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%
\$13.765	\$13.913	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%
\$13.914	\$14.062	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%
\$14.063	\$14.211	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%
\$14.212	\$14.360	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%	6.0%
\$14.361	\$14.509	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%
\$14.510	\$14.658	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%
\$14.659	\$14.807	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%
\$14.808	\$14.956	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%



EXHIBIT 1: Charts of RDD Factors for the Percent of Revenue option for Intermodal shipments (continued)

Foreign Exchange Adj >		Average Foreign Exchange Rate												
		2.00%	1.50%	1.00%	0.50%	0.00%	-0.50%	-1.00%	-1.50%	-2.00%	-2.50%	-3.00%	-3.50%	-4.00%
Pemex - per Liter Price		18.00-18.49	18.50-18.99	19.00-19.49	19.5-19.99	20.00-20.49	20.50-20.99	21.00-21.49	21.50-21.99	22.00-22.49	22.50-22.99	23.00-23.49	23.50-23.99	24.00-24.49
\$14.957	\$15.105	14.5%	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%
\$15.106	\$15.254	15.0%	14.5%	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%
\$15.255	\$15.403	15.5%	15.0%	14.5%	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%
\$15.404	\$15.552	16.0%	15.5%	15.0%	14.5%	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%
\$15.553	\$15.701	16.5%	16.0%	15.5%	15.0%	14.5%	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%
\$15.702	\$15.850	17.0%	16.5%	16.0%	15.5%	15.0%	14.5%	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%
\$15.851	\$15.999	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%	14.5%	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%
\$16.000	\$16.148	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%	14.5%	14.0%	13.5%	13.0%	12.5%	12.0%
\$16.149	\$16.297	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%	14.5%	14.0%	13.5%	13.0%	12.5%
\$16.298	\$16.446	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%	14.5%	14.0%	13.5%	13.0%
\$16.447	\$16.595	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%	14.5%	14.0%	13.5%
\$16.596	\$16.745	20.0%	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%	14.5%	14.0%
\$16.746	\$16.895	20.5%	20.0%	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%	14.5%
\$16.896	\$17.045	21.0%	20.5%	20.0%	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%
\$17.046	\$17.195	21.5%	21.0%	20.5%	20.0%	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%
\$17.196	\$17.345	22.0%	21.5%	21.0%	20.5%	20.0%	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%
\$17.346	\$17.495	22.5%	22.0%	21.5%	21.0%	20.5%	20.0%	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%
\$17.496	\$17.645	23.0%	22.5%	22.0%	21.5%	21.0%	20.5%	20.0%	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%
\$17.646	\$17.795	23.5%	23.0%	22.5%	22.0%	21.5%	21.0%	20.5%	20.0%	19.5%	19.0%	18.5%	18.0%	17.5%
\$17.796	\$17.945	24.0%	23.5%	23.0%	22.5%	22.0%	21.5%	21.0%	20.5%	20.0%	19.5%	19.0%	18.5%	18.0%
\$17.946	\$18.095	24.5%	24.0%	23.5%	23.0%	22.5%	22.0%	21.5%	21.0%	20.5%	20.0%	19.5%	19.0%	18.5%
\$18.096	\$18.245	25.0%	24.5%	24.0%	23.5%	23.0%	22.5%	22.0%	21.5%	21.0%	20.5%	20.0%	19.5%	19.0%
\$18.246	\$18.395	25.5%	25.0%	24.5%	24.0%	23.5%	23.0%	22.5%	22.0%	21.5%	21.0%	20.5%	20.0%	19.5%
\$18.396	\$18.545	26.0%	25.5%	25.0%	24.5%	24.0%	23.5%	23.0%	22.5%	22.0%	21.5%	21.0%	20.5%	20.0%
\$18.546	\$18.695	26.5%	26.0%	25.5%	25.0%	24.5%	24.0%	23.5%	23.0%	22.5%	22.0%	21.5%	21.0%	20.5%



EXHIBIT 1: Charts of RDD Factors for the Percent of Revenue option for Intermodal shipments (continued)

Foreign Exchange Adj >		Average Foreign Exchange Rate												
		2.00%	1.50%	1.00%	0.50%	0.00%	-0.50%	-1.00%	-1.50%	-2.00%	-2.50%	-3.00%	-3.50%	-4.00%
Pemex - per Liter Price		18.00-18.49	18.50-18.99	19.00-19.49	19.5-19.99	20.00-20.49	20.50-20.99	21.00-21.49	21.50-21.99	22.00-22.49	22.50-22.99	23.00-23.49	23.50-23.99	24.00-24.49
\$18.996	\$19.145	28.0%	27.5%	27.0%	26.5%	26.0%	25.5%	25.0%	24.5%	24.0%	23.5%	23.0%	22.5%	22.0%
\$19.146	\$19.295	28.5%	28.0%	27.5%	27.0%	26.5%	26.0%	25.5%	25.0%	24.5%	24.0%	23.5%	23.0%	22.5%
\$19.296	\$19.445	29.0%	28.5%	28.0%	27.5%	27.0%	26.5%	26.0%	25.5%	25.0%	24.5%	24.0%	23.5%	23.0%
\$19.445	\$19.593	29.5%	29.0%	28.5%	28.0%	27.5%	27.0%	26.5%	26.0%	25.5%	25.0%	24.5%	24.0%	23.5%
\$19.594	\$19.742	30.0%	29.5%	29.0%	28.5%	28.0%	27.5%	27.0%	26.5%	26.0%	25.5%	25.0%	24.5%	24.0%
\$19.743	\$19.891	30.5%	30.0%	29.5%	29.0%	28.5%	28.0%	27.5%	27.0%	26.5%	26.0%	25.5%	25.0%	24.5%
\$19.892	\$20.040	31.0%	30.5%	30.0%	29.5%	29.0%	28.5%	28.0%	27.5%	27.0%	26.5%	26.0%	25.5%	25.0%
\$20.041	\$20.189	31.5%	31.0%	30.5%	30.0%	29.5%	29.0%	28.5%	28.0%	27.5%	27.0%	26.5%	26.0%	25.5%
\$20.190	\$20.338	32.0%	31.5%	31.0%	30.5%	30.0%	29.5%	29.0%	28.5%	28.0%	27.5%	27.0%	26.5%	26.0%

*If diesel price exceeds \$20.338 pesos/liter, then, each increase on diesel price of \$0.149 pesos/liter will result in additional 0.5% increase in the RDD Factor, with the final RDD Factor rounded to one decimal place.

Do not hesitate to contact your Sales representative should you have any question or comment. Thanks in advance.

Sincerely,

Kansas City Southern de México, S.A. de C.V