



Kansas City Southern

Mike Upchurch –
Executive Vice President Finance & CFO

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KCS Rail Network



- Founded in 1887
- Over 6,400 miles in U.S., Mexico and Panama
- 2013 revenues reached \$2.4 billion
- **Best positioned growth rail story**

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3

Q1 2014 Financial Results



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4

First Quarter Results

	Q1 2014	Q1 2013	Variance
Carloads/Units (in thousands)	535.3	516.4	4%
Reported Revenues (in millions)	\$607.4	\$552.8	10%
Reported Operating Ratio	73.7%	70.5%	3.2 points
Adjusted Operating Ratio *	68.7%	70.5%	(1.8) points
Reported Diluted Earnings per Share	\$0.85	\$0.94	(10%)
Adjusted Diluted Earnings per Share *	\$1.05	\$0.89	18%

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



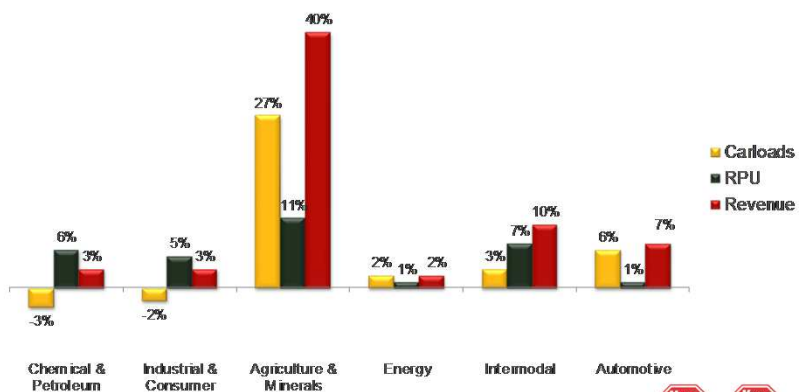
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5

First Quarter Revenue Summary

Q1 2014 vs. Q1 2013


	Q1 2014	Q1 2013	Variance
Reported Revenues (in millions)	\$607.4	\$552.8	10%
Carloads (in thousands)	535.3	516.4	4%



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6

Business Update & Outlook




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Update for Q1 2014

Original 2014 Guidance	Q1 2014 Update
• Mid-single digit volume growth	• Q1 14 volume growth of 4%
• High-single digit revenue growth*	• Q1 14 revenue growth of 10%
• Adjusted operating ratio improvement of 1-1.5 points	• Q1 14 adjusted operating ratio** improved 1.8 points compared to Q1 13
• Mid-teens adjusted diluted EPS growth	• Q1 14 adjusted diluted EPS** growth of 18%

* Depending on F/X impact.
** All reconciliations to GAAP can be found on the KCS website in the Investors section.



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Market Outlook Update – Freight Revenue

Assumes constant F/X

	Previous Outlook	Updated FY 2014 Outlook
Chemical & Petroleum	+	+
Industrial & Consumer	+	+
Agriculture & Minerals	+	+
Energy	+	+
Intermodal	++ ++	++ ++
Automotive	++ ++	++ ++

+ Single digit revenue growth expected during period.
 ++ Double digit revenue growth expected during period.

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Carload & Revenue Growth Accelerating in Q2...

KCS Carload Growth

Period	Growth
First Quarter '14	+4%
April YTD	+5%

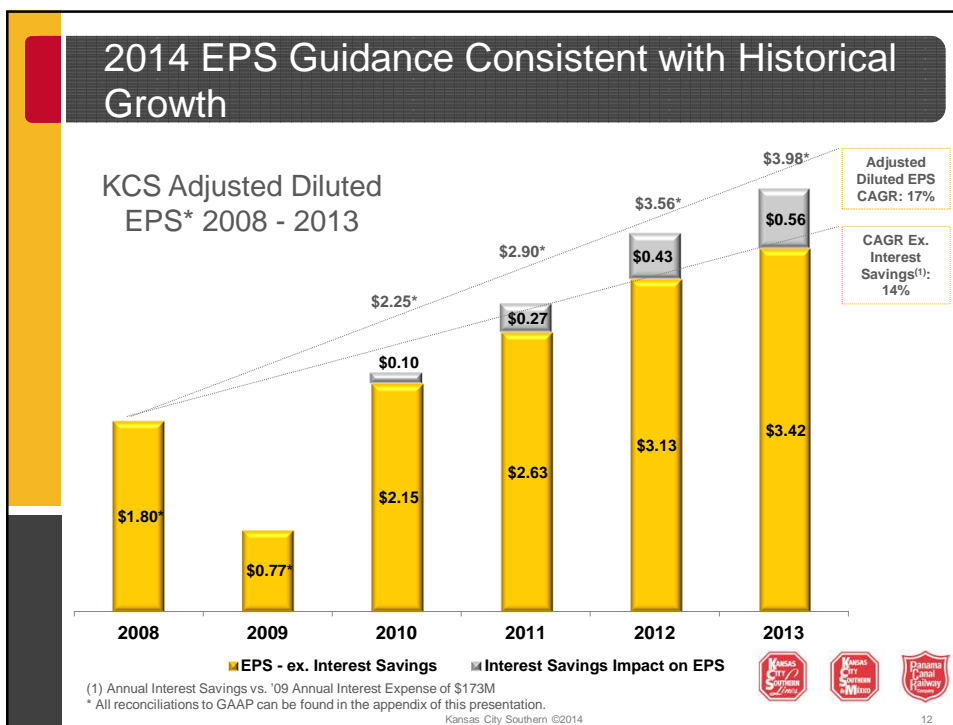
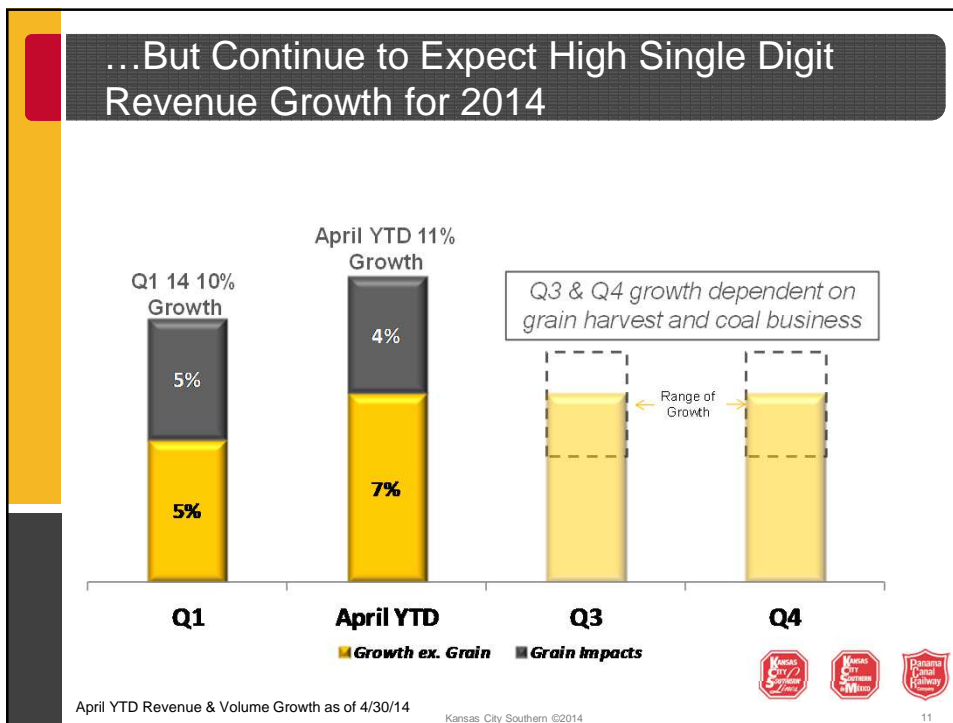
KCS Revenue Growth

Period	Growth
First Quarter 2014	+10%
April YTD	+11%

Acceleration from Q1 '14

- Strength in grain expected to continue through Q2.
 - 2H14 comps will be challenging.
- Growth in coal volumes as utilities replenish stockpiles.
 - Outlook uncertain.
- New Frac Sand destinations.
- Auto volumes strong from favorable GM comps.
 - Beginning to see new plant production.

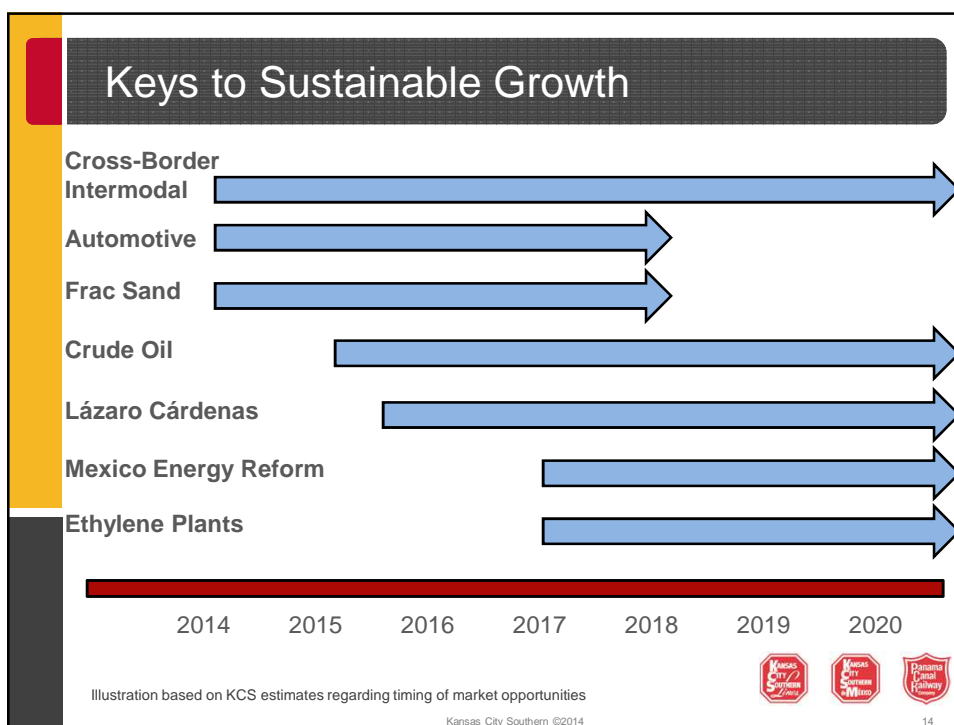
April YTD Revenue & Volume Growth as of 4/30/14 10

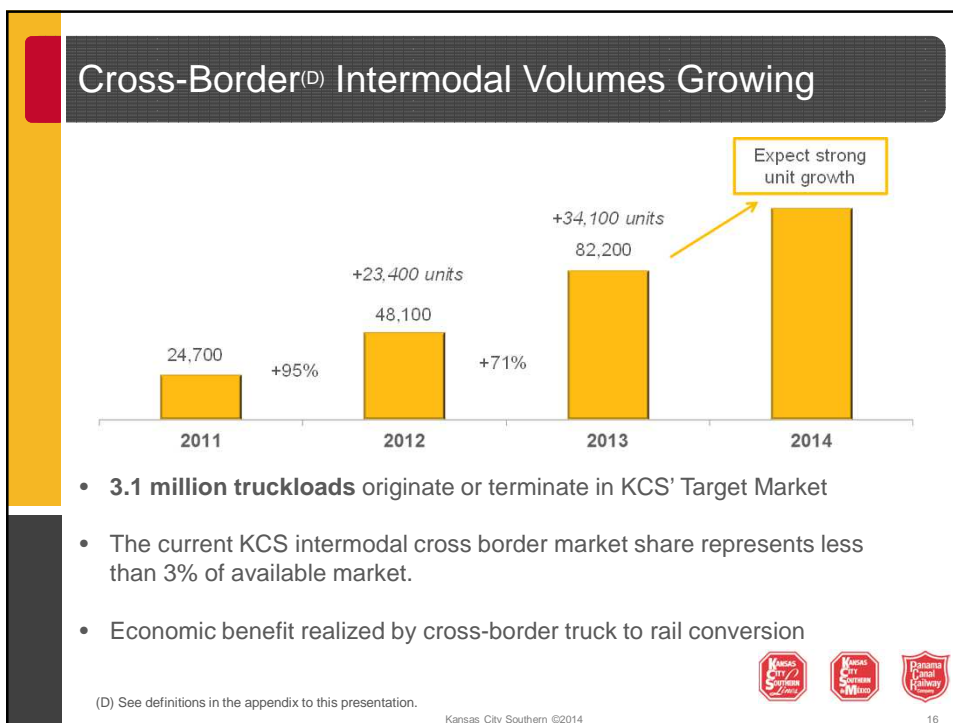
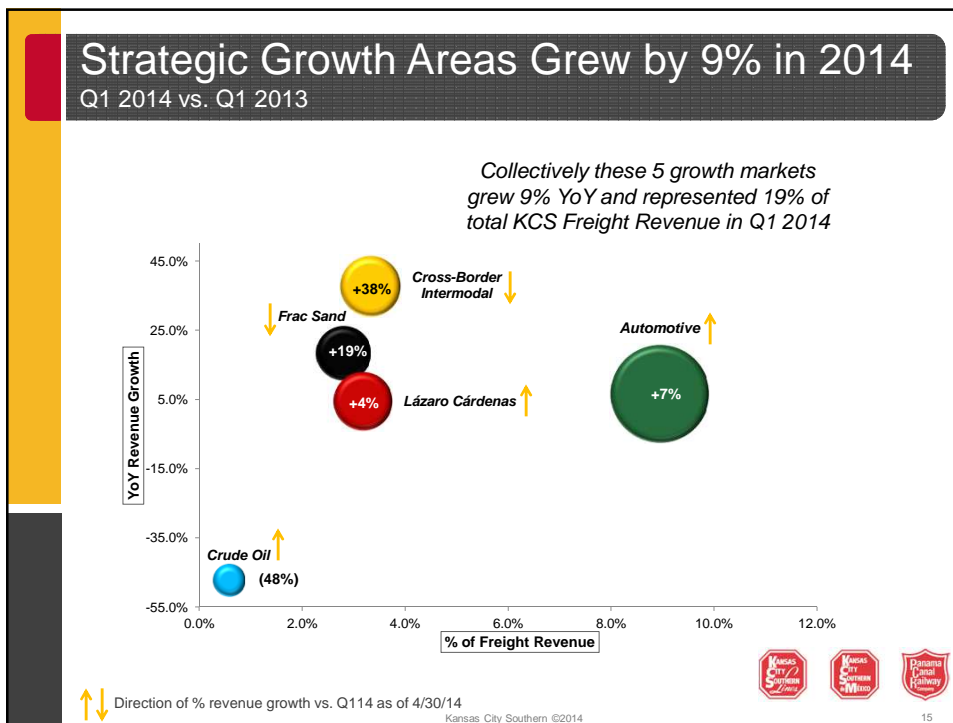


Strategic Growth Update



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KCS is well-positioned to benefit from growth in Mexico automotive plants



KCS currently has access to eleven automotive plants in Mexico:

- Chrysler Fiat (Toluca), (Encantada)
- Ford (Cuautitlán)
- GM (San Luis Potosí), (Rojas), (Silao)
- Nissan (Aguascalientes), (Cuernavaca)
- VW (Puebla)
- Honda (Celaya)
- Mazda (Salamanca)

Additional plant openings:

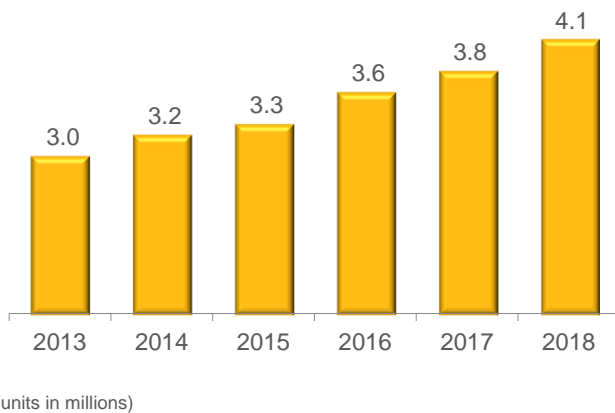
- Audi (San Jose Chiapa)



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17

Mexico's Auto Production to Increase by 1 Million Units




Source: Autocast, February 2014



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18

Capital Structure



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Capital Structure Priorities

Invest in Business


- Committed to superior growth profile
- 2014 Capex – 22% of revenue
 - Up to an additional 6% of revenue for new locomotives

Shareholder Returns

- Increased the quarterly dividend by 30%
- Q1 cash dividend declared on January 27, 2014; paid April 2, 2014
- Quarterly payout of \$0.28 per share or \$30.9 million
- Annualized payout of \$1.12 per share or \$123.6 million

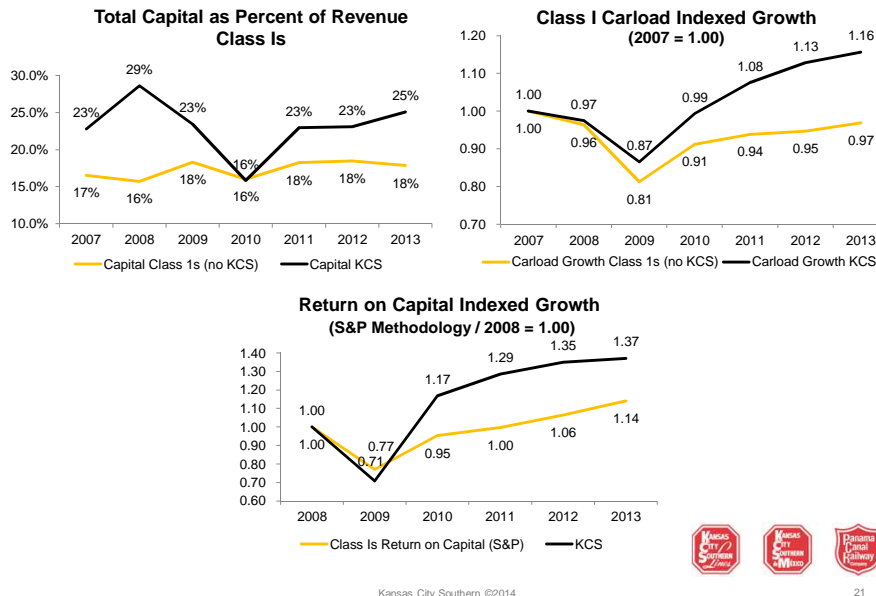
Optimize Capital Structure

- Continue lease conversions
 - \$127 million of equipment purchased during Q1 2014
 - \$3 million net operating income benefit in Q1 2014
- Percentage of owned equipment increased from 31% at 12/31/13 to 44% at 3/31/14
- \$63M of remaining 8% notes redeemed in Q1 2014



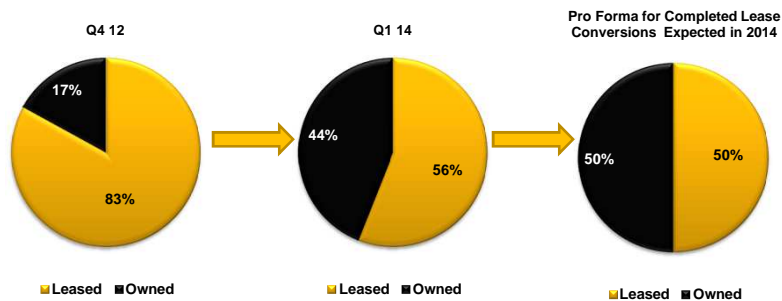
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Higher Capital Spend at KCS Supports Industry Leading Volume Growth / KCS Able to Generate Greater Improvement in Return Since '08



Lease Conversion Progress Creates Positive Economics, with Additional Opportunities Available

Kansas City Southern: Car & Loco Fleet Ownership %



- Positive NPV
- Interest expense estimated to be \$75M for 2014
- One-time charge of \$29.9 million for lease termination in Q1 2014
- Additional lease termination charges likely



Conclusion



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23

KSU Investment Highlights

- ✓ Best-positioned growth story in the industry with unique U.S.-Mexico cross-border network
- ✓ Track record of strong financial and operating performance
- ✓ Well-diversified customer base and commodity mix
- ✓ Excellent strategic positioning with multiple growth drivers
- ✓ Solid balance sheet with a commitment to maintaining investment grade credit rating



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24

Appendix

- **Cross-border** is defined as traffic that moves on Kansas City Southern both north and south of the U.S. / Mexico border. Traffic interchanged with a competing railroad at the border is not considered cross border.

Reconciliation of Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
As reported	\$ 1.84	\$ 0.60	\$ 1.67	\$ 3.00	\$ 3.43	\$ 3.18
Adjustments for:						
Debt retirement costs	0.04	0.04	0.44	0.23	0.11	0.76
Gain on insurance recoveries	-	-	-	(0.15)	-	-
Elimination of net deferred statutory profit sharing liability	-	-	-	-	(0.27)	-
Foreign exchange (gain) loss	0.15	(0.02)	(0.03)	0.06	(0.02)	0.03
Foreign exchange component of income taxes	(0.23)	0.15	0.17	(0.24)	0.31	0.01
Adjusted diluted earnings per share - see (a) below	<u>\$ 1.80</u>	<u>\$ 0.77</u>	<u>\$ 2.25</u>	<u>\$ 2.90</u>	<u>\$ 3.56</u>	<u>\$ 3.98</u>

(a) The Company believes adjusted diluted earnings per share is meaningful as this measure allows investors to evaluate the Company's performance for different periods on a more comparable basis by excluding the impact of changes in foreign currency exchange rates and items that are not directly related to the ongoing operations of the Company.

