



Kansas City Southern

Fourth Quarter 2011 Earnings Presentation

January 23, 2012



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Mike Haverty



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Today's Presenters

Mike Haverty

Executive Chairman

Dave Starling

President & CEO

Dave Ebbrecht

EVP Operations

Pat Ottensmeyer

EVP Sales & Marketing

Mike Upchurch

EVP & CFO



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KCS Overview

- 125th Anniversary of Kansas City Southern
- Dramatic turnaround from 2008 to 2011
- 42% stock price appreciation in 2011



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Dave Starling



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Fourth Quarter Results

	Q4 2011	Q4 2010	Variance
Carloads/Units (in thousands)	521.8	488.8	7%
Reported Revenues (in millions)	\$530.3	\$478.6	11%
Reported Operating Ratio	71.6%	71.8%	.2 points
Reported Diluted Earnings per Share	\$0.87	\$0.50	74%
Adjusted Diluted Earnings per Share *	\$1.01	\$0.62	63%



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

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Full Year 2011 Results

	FY 2011	FY 2010	Variance
Carloads/Units (in thousands)	2,013.7	1,859.4	8%
Reported Revenues (in millions)	\$2,098.3	\$1,814.8	16%
Reported Operating Ratio	70.9%	73.2%	2.3 points
Reported Diluted Earnings per Share	\$3.00	\$1.67	80%
Adjusted Diluted Earnings per Share *	\$3.23	\$2.11	53%



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Update for Full Year 2011

Original 2011 Guidance

- Low-double digit revenue growth
- Mid-single digit volume growth
- Mid-single digit pricing
- Annual operating ratio improvement of 100-150 bp

Final 2011 Results

- Full year revenue growth 16%; adjusted revenue growth 14%
- Full year volume growth 8%; adjusted volume growth 7%
- 2011 average same store pricing^(D) up 5.7%; 2011 revenue per unit up 7%
- Full-year operating ratio 70.9% vs. 73.2% in 2010



(D) See definitions in the appendix to this presentation. All reconciliations to GAAP can be found on the KCS website in the Investors section.

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Dave Ebbrecht



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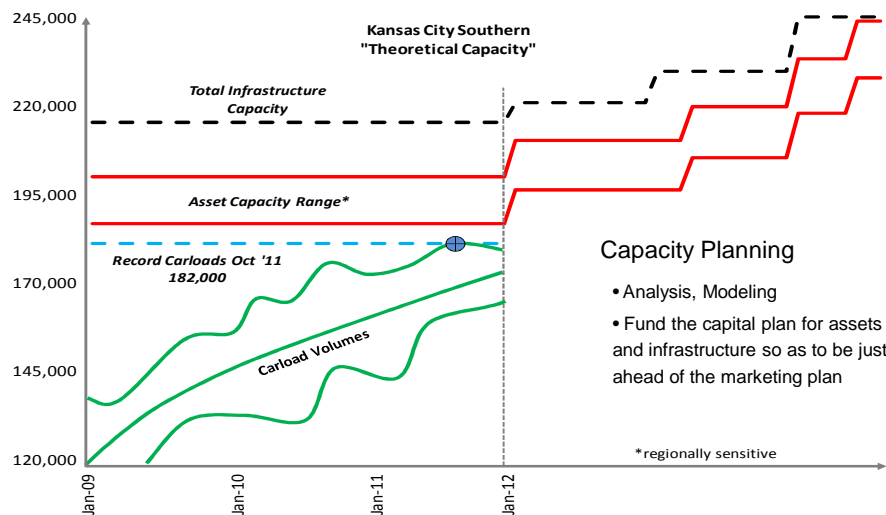
KCS Safety Performance Overview

- Best in class safety performance 6 years straight
- Frequency index improved for the 3rd year straight
- Sustain safety culture through consistently reinforcing expectations



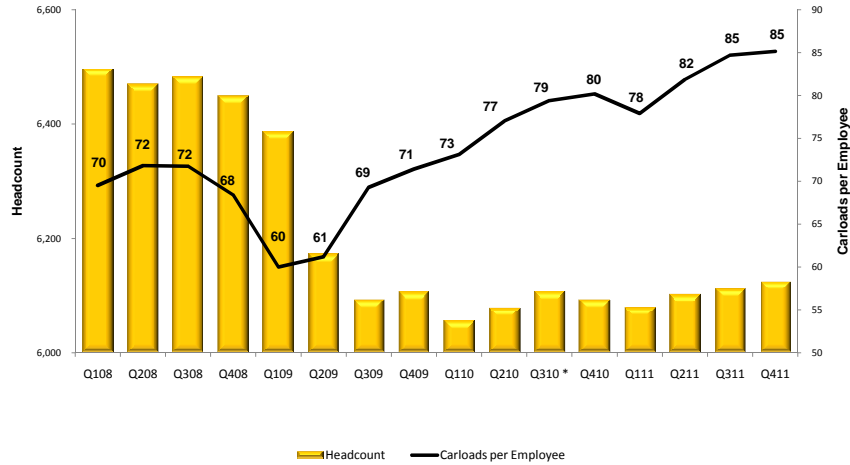
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KCS Staying Ahead of Growth



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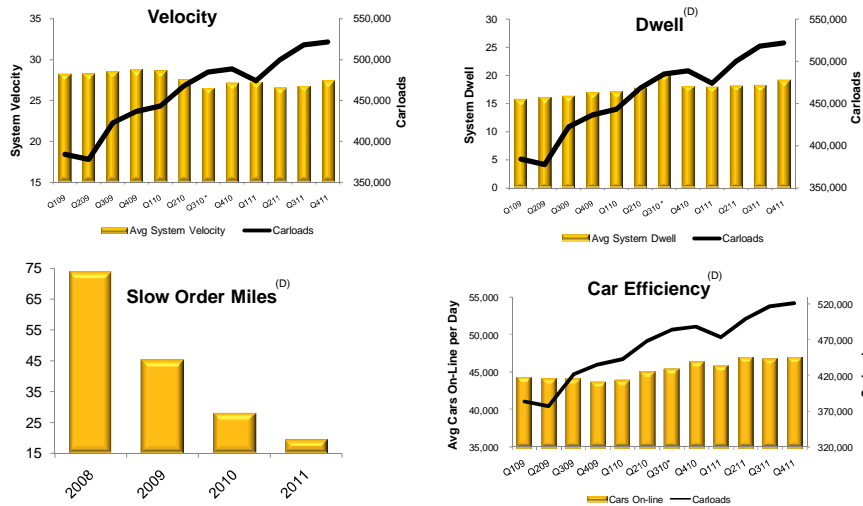
Operations – Industry Leading Productivity



* Q3 2010 carloads per employee adjusted for Hurricane Alex.

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Operations – Consistent Performance with Record Volumes



* Q3 2010 adjusted for Hurricane Alex.

(D) See definitions in the appendix to this presentation.

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KCS Operations - Outlook

Q4 2011 Recap

- Well Executed Holiday Shutdown
- Scaled to Meet Variable Customer Needs
- Unusually Mild & Stable Weather
- New Locomotives On-Line in Late December

2012 Outlook

- Strong Volumes to Start Year, Pacing Ahead of December
- Team Focused on “Staying Ahead of Growth”
 - Priority Investment Areas
 - Shreveport Terminal
 - Capacity in Cross-Border Corridor
 - Mexico Intermodal Lanes
- Continued Productivity Gains
- Strong headcount controls



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Pat Ottensmeyer



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Fourth Quarter Revenues Increased 11%

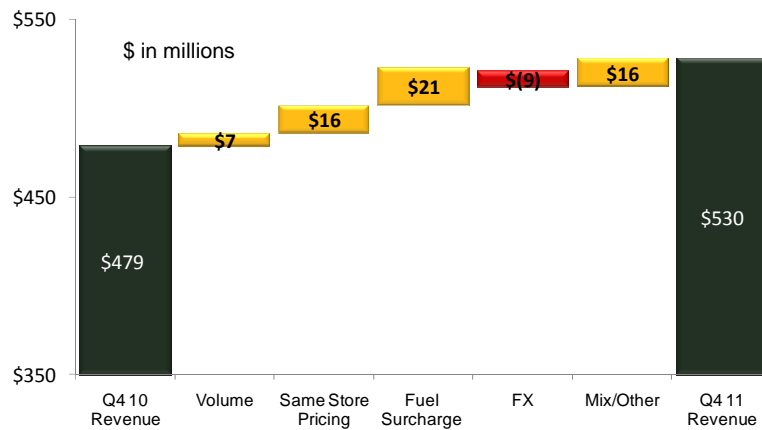
Carloads at All Time Record

	Q4 2011	Q4 2010	Variance
Total Reported Revenues (in millions)	\$530.3	\$478.6	11%
Carloads (in thousands)	521.8	488.8	7%
Average Revenue per Unit	\$978	\$946	3%



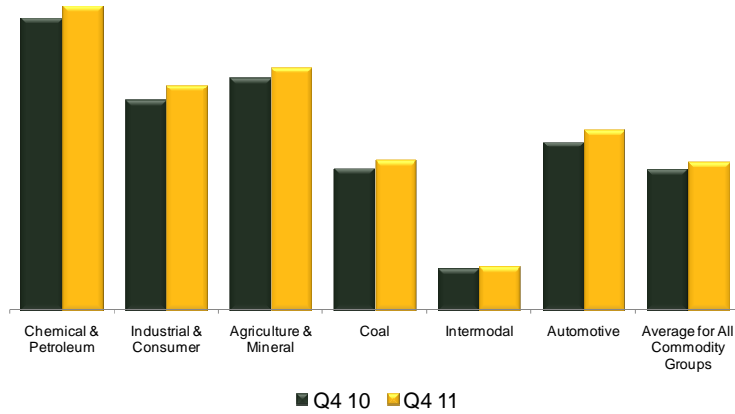
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Multiple Contributors to Revenue Growth



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Same Store Pricing^(D) Up 5.7% in Q4



Linehaul rate excludes fuel surcharge and foreign exchange



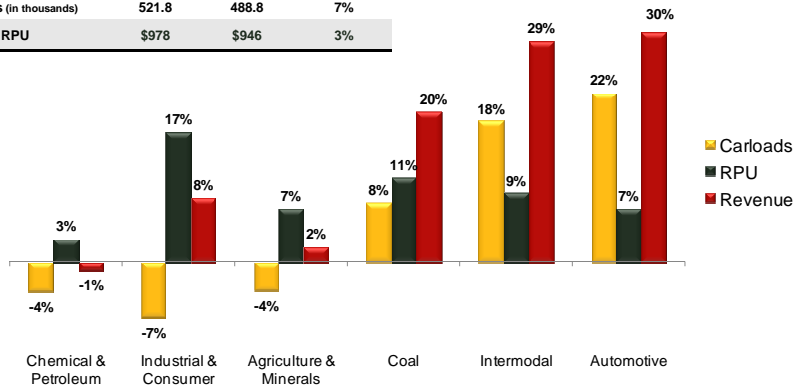
(D) See definitions in the appendix to this presentation.

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Fourth Quarter Commodity Group Results

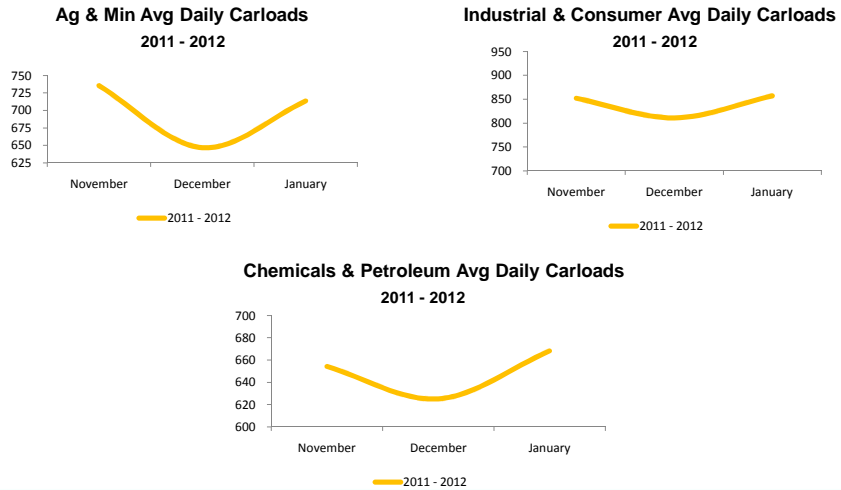
Q4 2011 vs. Q4 2010

	Q4 2011	Q4 2010	Variance
Total Revenues (in millions)	\$530.3	\$478.6	11%
Carloads (in thousands)	521.8	488.8	7%
Average RPU	\$978	\$946	3%



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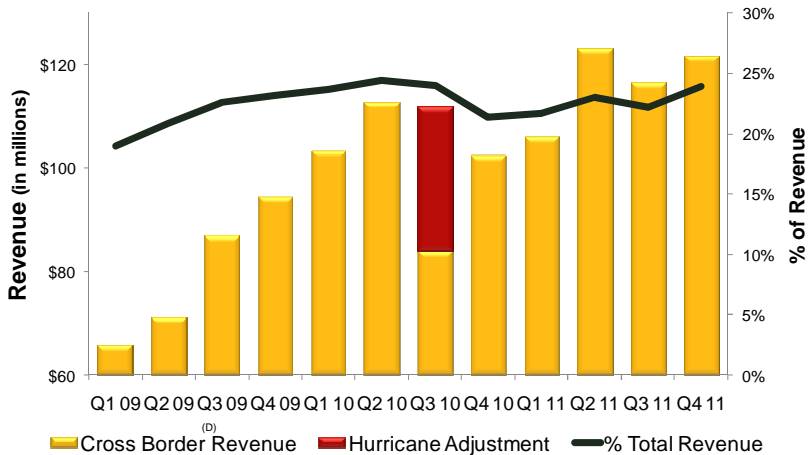
Key Commodity Groups Rebounding from December Levels



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Cross Border Revenue Increases 19%

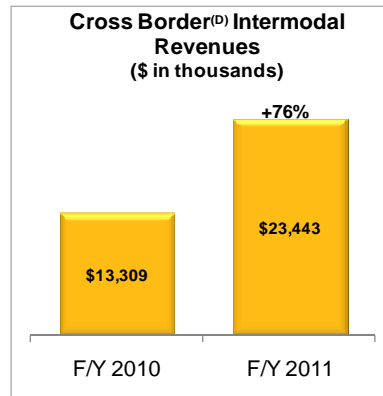
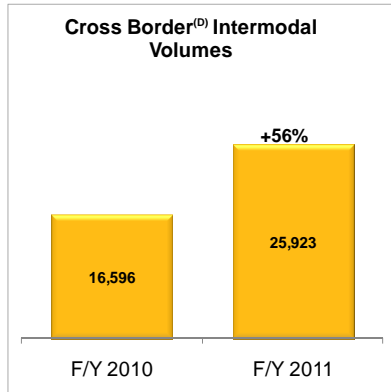
Q4 2011 vs. Q4 2010



(D) See definitions in the appendix to this presentation.

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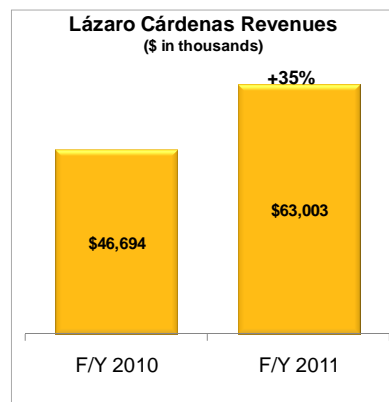
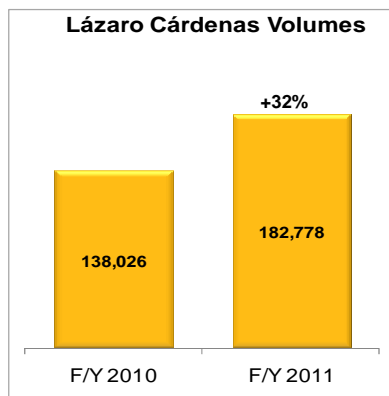
Cross Border Intermodal Growth



(D) See definitions in the appendix to this presentation.

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Lázaro Cárdenas Container Growth



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Market Outlook – Linehaul Revenue net FX Impact

	Q1 2012	FY 2012
Chemical & Petroleum	+	+
Industrial & Consumer	+	++
Agriculture & Minerals	+	+
Coal	+	++
Intermodal	++	++
Automotive	++	++



+ Single digit revenue growth expected during period. ++ Double digit revenue growth expected during period. 25

Market Developments

- Economic outlook is positive in both U.S. and Mexico
 - Key indices continue to signal growth in U.S. carloads
 - Mexico's GDP expected to be 3%-4% for 2012
- Cross border intermodal conversion momentum is at a very high level and growing
- Automotive growth outlook remains strong as Mexico vehicle production is poised to benefit from four new assembly plants
- Core pricing in line with prior guidance
- Long term new business opportunities continue to grow
 - Mexico "near sourcing"
 - Port Arthur Crude Terminal
 - Lázaro Cárdenas port expansion
 - Export coal



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Mike Upchurch



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Condensed Income Statement Data – Fourth Quarter

(\$ in millions, except EPS Diluted)	Q4 2011	Q4 2010
Revenues	\$530.3	\$478.6
Operating Expenses	<u>379.9</u>	<u>343.5</u>
Operating Income	150.4	135.1
Equity Earnings	4.6	3.5
Interest Expense	(31.4)	(35.6)
Foreign Exchange Gain (Loss)	(2.3)	1.5
Debt Retirement Costs & Other	<u>(24.6)</u>	<u>(18.2)</u>
Pre-tax Income	96.7	86.3
Income Tax Expense	<u>(0.7)</u>	<u>(30.7)</u>
Net Income	\$96.0	\$55.6
Reported EPS Diluted	\$0.87	\$0.50
Adjusted EPS Diluted*	\$1.01	\$0.62
Average Diluted Share Count (in thousands)	109,912	109,638



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

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Condensed Income Statement Data – Full Year

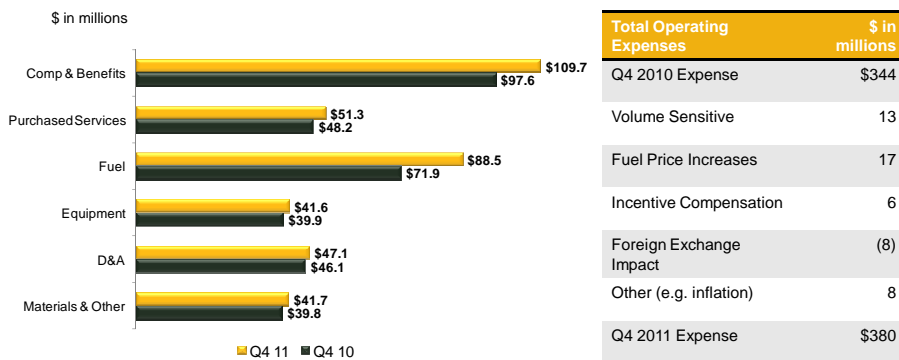
(\$ in millions, except EPS Diluted)	FY 2011	FY 2010
Revenues	\$2,098.3	\$1,814.8
Operating Expenses	<u>1,486.7</u>	<u>1,328.3</u>
Operating Income	611.6	486.5
Equity Earnings	18.2	19.7
Interest Expense	(129.1)	(158.1)
Foreign Exchange Gain (Loss)	(9.2)	4.7
Debt Retirement Costs & Other	<u>(36.5)</u>	<u>(63.6)</u>
Pre-tax Income	455.0	289.2
Income Tax Expense	<u>(123.1)</u>	<u>(109.2)</u>
Net Income	\$331.9	\$180.0
Reported EPS Diluted	\$3.00	\$1.67
Adjusted EPS Diluted*	\$3.23	\$2.11
Average Diluted Share Count (in thousands)	109,830	107,534



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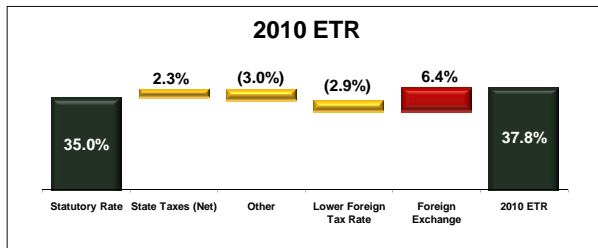
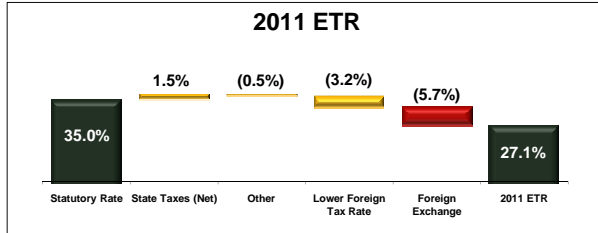
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4Q Operating Expense Increases



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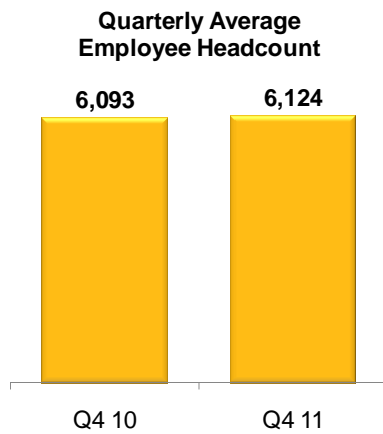
Effective Tax Rate Driven by FX Fluctuation



FX Rates	MXP/USD
Y/E 2009	13.1
Y/E 2010	12.4
Y/E 2011	14.0
<i>Estimate at Q3 2011</i>	<i>12.6</i>



Compensation & Benefits Expense Increase

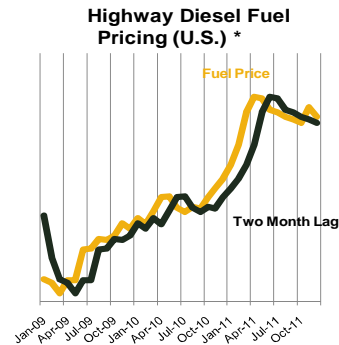


Compensation & Benefits	\$ in millions
Q4 2010 Expense	\$98
Wage Inflation / Volume Sensitive	7
Incentive Compensation	6
Foreign Exchange	(3)
Other	2
Q4 2011 Expense	\$110



Fuel Expense Increased 24% Due to Price

Fuel Expense	\$ in millions
Q4 2010 Expense	\$72
Price	17
Volume	3
FX & Other	(3)
Q4 2011 Expense	\$89



* Source: U.S. Energy Information Administration

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Generated \$175m Free Cash Flow* in 2011

De-lever

- \$123.5m 13% senior notes retired in Q4 with cash
- Moody's upgrade to Ba1

Invest in Business

- Core capital expenditures* -18% of revenue
 - Acceleration of locomotive purchase +3%
 - Lease buy-outs +2%
- Adjusted capital expenditures* - 23% of revenue

Shareholder Returns

- Continue to evaluate return to shareholders in 2012



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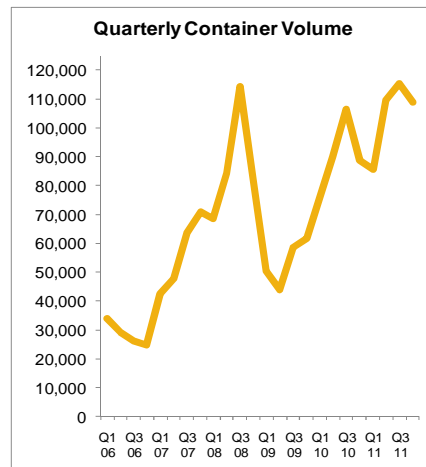
Dave Starling



Panama Canal Railway Company*

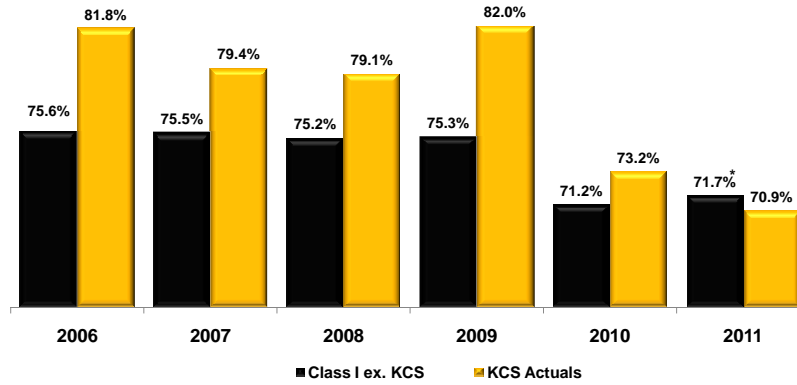
	Q4 2011	Q4 2010
Volumes	108,716	88,545
Total Revenues (in millions)	\$13.6	\$10.4
Operating Ratio	52.9%	63.6%

	F/Y 2011	F/Y 2010
Operating Ratio	50.9%	52.4%



* PCRC is a 50% equity investment.

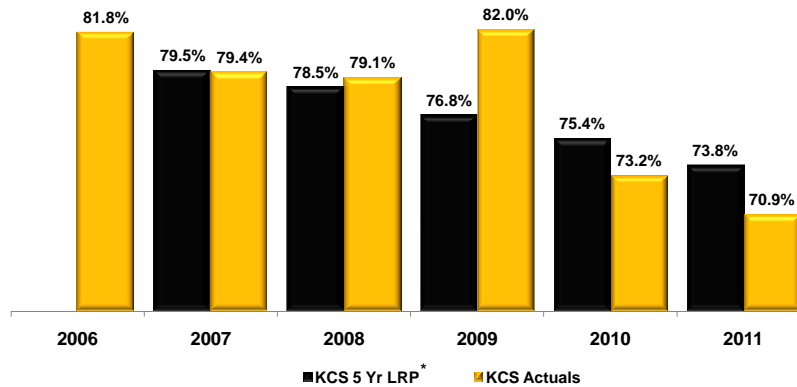
KCS vs. Industry Operating Ratio Performance



* 2011 Class I's represents YTD September 2011

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KCS Operating Ratio Performance



* 5 Year Long Range Plan presented at Analyst Meeting on March 14th 2007

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2012 Guidance

- Mid-single digit volume growth
- Mid-single digit pricing
- Low-double digit revenue growth (depending on fx impact)
- Continued operating ratio improvement on a year-to-year basis
- Capex – 17% to 18% of revenue



Closing Comments





Appendix

- **Same store pricing** is defined as revenue generated from same customer, same origin, same destination, same commodity, same equipment.
- **Crew start** is defined as the event where a team of employees begin a work shift on a train. A single train trip can involve multiple crew starts, based on trip length.
- **System dwell** is defined as the average time a car resides at the specified terminal location.
- **Slow order miles** are defined as speed restrictions on a rail line, which are set below the track's normal speed limit and tend to disrupt timetables and time-sensitive shipments.
- **Car Efficiency** is defined as a measure of productivity that compares total units of shipped goods (carloads) to total cars online.
- **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.

