



Kansas City Southern

Consolidated Investors' Report Second Quarter 2012



This document should be read in conjunction with the Company's 10-K, 10-Q and any 8-K statements filed with the Securities Exchange Commission.

This document includes statements concerning potential future events involving the Company which could materially differ from events that actually occur. The differences could be caused by a number of factors including those factors identified in the "Risk Factors" section of the Company's Form 10-K for the year ended December 31, 2011 filed by the Company with the SEC (File No. 1-04717). The Company will not update any forward looking statements in this presentation to reflect future events or developments.

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For additional information, please contact Investor Relations:

Ashley Thorne, Director Investor Relations
816-983-1501
athorne@kcsouthern.com

Bill Galligan, VP Investor Relations
816-983-1551
bgalligan@kcsouthern.com

Kansas City Southern
PO Box 219335
Kansas City, MO 64121-9335

www.kcsouthern.com

Second Quarter Press Release

NEWS RELEASE



P.O. BOX 219335
KANSAS CITY, MISSOURI 64121-9335

NYSE SYMBOL: KSU
WWW.KCSOUTHERN.COM

Media Contact: William H. Galligan
bgalligan@kcsouthern.com

Phone: 816/983-1551

Kansas City Southern Reports Record Second Quarter Revenues, Operating Ratio & Operating Income

Second Quarter 2012 Results

- Record second quarter revenues of \$545 million.
- Operating income of \$204 million. Adjusted operating income of \$161 million, also a record for the second quarter.
- Operating ratio of 62.6%. Adjusted operating ratio of 70.5%, a 1.2 point improvement over second quarter 2011 and a 0.7 point sequential improvement over first quarter 2012.
- Diluted earnings per share of \$1.09 compared with diluted earnings per share of \$0.64 in second quarter 2011. Adjusted diluted earnings per share of \$0.85 for second quarter 2012 compared with adjusted diluted earnings per share of \$0.71, a 20% improvement over second quarter 2011.

Kansas City, MO, July 17, 2012. Kansas City Southern (KCS) (NYSE:KSU) reported second quarter 2012 revenues of \$545 million, an increase of 2% over second quarter 2011 on a 4% increase in carloads.

Second quarter revenue growth compared to 2011 was led by a 23% increase in Intermodal and a 15% increase in Automotive revenues. Revenue from Industrial and Consumer Products was also strong, growing 10% over 2011. Revenues from Chemical & Petroleum and Agriculture & Minerals each declined by 7% in the second quarter. Energy revenue declined by 12% compared to 2011, primarily caused by a 24% decrease in utility coal revenue.

Operating income for the second quarter of 2012 was \$204 million compared with \$152 million a year ago. Adjusting for a one-time benefit from the elimination of a net deferred liability resulting from an organizational restructuring, operating income was \$161 million, 6% higher than second quarter 2011. KCS reported an adjusted second quarter 2012 operating ratio of 70.5%, a 1.2 point improvement from second quarter 2011. Operating expenses in the second quarter were \$341 million compared with \$383 million in the corresponding 2011 period. Adjusted operating expenses in the second quarter were \$384 million, comparatively flat with the same period in 2011.

Reported net income in the second quarter of 2012 totaled \$120 million, or \$1.09 per diluted share, compared with \$71 million, or \$0.64 per diluted share, in the second quarter of 2011. Excluding debt retirement costs and the one-time benefit from the elimination of a net deferred liability, adjusted diluted earnings per share for second quarter 2012 was \$0.85, compared with adjusted diluted earnings per share of \$0.71 in second quarter 2011.

“While lower than anticipated coal traffic clearly had an impact on second quarter results, KCS still reported a 4% increase in carloads, and excluding utility coal, our volumes rose 7% compared to second quarter 2011,” stated KCS president and chief executive officer David L. Starling. “We also ended the quarter on a strong note by achieving the highest average daily carloads in KCS’ history during the month of June.

“Despite economic uncertainties that might affect the overall business environment, a number of second quarter achievements provide powerful evidence that KCS’ growth story remains very much intact. Cross border intermodal volumes increased 106% over the prior year. This increase is significant as it is in a business segment that has some of the longest lengths of haul on our network. It also is an area in which KCS, taking advantage of secular changes in transportation, has the opportunity to experience record growth over an extended period of time. Carloads out of Lázaro Cárdenas grew by 20%. With Lázaro Cárdenas being the fastest growing container port in North America, and with a second port concession now being added, these opportunities will benefit the Company for many years.

“Automotive carloads increased 18% in the second quarter. It is anticipated that finished automotive production in Mexico will grow by more than 30% between now and 2015. KCS is well-positioned to benefit from this growth. In addition, the ripple effect from finished auto production on other commodity groups such as plastics, steel, glass and intermodal bodes well for KCS' overall business mix over the long-term.

“These growth opportunities are combined with a steady focus on cost controls and a continual refinement of our overall cost structure. In the second quarter, KCS continued to effectively scale operational expenses to volume changes. As a result, despite a significant decline in utility coal shipments, KCS again achieved strong incremental margins in the second quarter.

“While we appreciate the importance of adjusting spending in response to periodic fluctuations in the business environment, KCS is first and foremost a growth company with excellent business expansion opportunities over a wide variety of commodity areas. We will continue to make the investments necessary to facilitate that growth in the future.”

GAAP RECONCILIATIONS

(\$ in millions, except per share amount)

Reconciliation of Diluted Earnings per Share to Adjusted Diluted Earnings per Share

	Three Months Ended June 30,	
	2012	2011
Diluted earnings per share	\$ 1.09	\$ 0.64
Adjustment for debt retirement costs	0.03	0.07
Adjustment for elimination of net deferred liability	(0.27)	—
Adjusted diluted earnings per share - see (a) below	\$ 0.85	\$ 0.71

Reconciliation of Operating Expenses to Adjusted Operating Expenses

	Three Months Ended June 30,	
	2012	2011
Operating expenses as reported	\$ 341.5	\$ 383.3
Adjustment for elimination of net deferred liability	43.0	—
Adjusted operating expenses - see (a) below	\$ 384.5	\$ 383.3
Operating income as reported	\$ 203.8	\$ 151.6
Adjusted operating income	160.8	151.6
Operating ratio (b) as reported	62.6%	71.7%
Adjusted operating ratio - see (a) below	70.5%	71.7%

(a) The Company believes adjusted diluted earnings per share, operating expenses and operating ratio are meaningful as they allow investors to evaluate the Company's performance for different periods on a more comparable basis by excluding items that do not relate to the ongoing operations of the Company.

(b) Operating ratio is calculated by dividing operating expenses by revenues.

Headquartered in Kansas City, MO, Kansas City Southern is a transportation holding company that has railroad investments in the U.S., Mexico and Panama. Its primary U.S. holding is The Kansas City Southern Railway Company, serving the central and south central U.S. Its international holdings include Kansas City Southern de México, S.A. de C.V., serving northeastern and central Mexico and the port cities of Lázaro Cárdenas, Tampico and Veracruz, and a 50 percent interest in Panama Canal Railway Company, providing ocean-to-ocean freight and passenger service along the Panama Canal. Kansas City Southern's North American rail holdings and strategic alliances are primary components of a NAFTA Railway system, linking the commercial and industrial centers of the U.S., Mexico and Canada.

This news release contains “forward-looking statements” within the meaning of the securities laws concerning potential future events involving KCS and its subsidiaries, which could materially differ from the events that actually occur. The words “projects,” “estimates,” “forecasts,” “believes,” “intends,” “expects,” “anticipates,” and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are based upon information currently available to management and

management's perception thereof as of the date of this news release. Differences that actually occur could be caused by a number of external factors over which management has little or no control, including: competition and consolidation within the transportation industry; the business environment in industries that produce and consume rail freight; revocation of the rail concession of KCS's subsidiary, Kansas City Southern de México, S.A. de C.V.; the termination, or failure to renew, agreements with customers, other railroads and third parties; interest rates; access to capital; disruptions to KCS's technology infrastructure, including its computer systems; natural events such as severe weather, hurricanes and floods; market and regulatory responses to climate change; credit risk of customers and counterparties and their failure to meet their financial obligations; legislative and regulatory developments and disputes; rail accidents or other incidents or accidents along KCS's rail network, facilities or customer facilities involving the release of hazardous materials, including toxic inhalation hazards; fluctuation in prices or availability of key materials, in particular diesel fuel; dependency on certain key suppliers of core rail equipment; changes in securities and capital markets; loss of key personnel; labor difficulties, including strikes and work stoppages; insufficiency of insurance to cover lost revenue, profits or other damages; acts of terrorism or risk of terrorist activities; war or risk of war; domestic and international economic conditions; political and economic conditions in Mexico and the level of trade between the United States and Mexico; the outcome of claims and litigation involving KCS or its subsidiaries; and other factors affecting the operation of the business. More detailed information about these factors may be found in filings by KCS with the Securities and Exchange Commission, including KCS's Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 1-4717) and subsequent reports. Forward-looking statements are not, and should not be relied upon as, a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. KCS is not obligated to update any forward-looking statements in this news release to reflect future events or developments.

Income Information

(in millions, except share and per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Revenues	\$ 545.3	\$ 534.9	\$ 1,092.8	\$ 1,023.5
Operating expenses:				
Compensation and benefits	105.8	104.4	215.1	204.8
Purchased services	60.3	54.8	114.7	102.9
Fuel	86.9	92.0	175.2	171.5
Equipment costs	39.5	42.7	77.8	84.1
Depreciation and amortization	48.7	45.5	97.1	91.2
Materials and other	43.3	43.9	94.3	89.6
Elimination of deferred statutory profit sharing liability, net	(43.0)	—	(43.0)	—
Total operating expenses	341.5	383.3	731.2	744.1
Operating income	203.8	151.6	361.6	279.4
Equity in net earnings of unconsolidated affiliates	4.9	5.3	10.7	8.9
Interest expense	(25.3)	(32.4)	(52.5)	(65.5)
Debt retirement costs	(5.1)	(10.3)	(18.0)	(10.3)
Foreign exchange gain (loss)	(3.5)	0.4	0.4	0.3
Other income (expense), net	(0.8)	—	(0.7)	1.7
Income before income taxes	174.0	114.6	301.5	214.5
Income tax expense	53.1	42.9	105.3	78.7
Net income	120.9	71.7	196.2	135.8
Less: Net income attributable to noncontrolling interest	0.5	0.9	0.8	1.0
Net income attributable to Kansas City Southern and subsidiaries	120.4	70.8	195.4	134.8
Preferred stock dividends	—	0.1	0.1	1.5
Net income available to common stockholders	\$ 120.4	\$ 70.7	\$ 195.3	\$ 133.3
Earnings per share:				
Basic earnings per share	\$ 1.10	\$ 0.65	\$ 1.78	\$ 1.25
Diluted earnings per share	\$ 1.09	\$ 0.64	\$ 1.77	\$ 1.23
Average shares outstanding (<i>in thousands</i>):				
Basic	109,689	109,428	109,657	106,858
Potentially dilutive common shares	367	382	371	2,918
Diluted	110,056	109,810	110,028	109,776
Cash dividends declared per common share	\$ 0.195	\$ —	\$ 0.390	\$ —

Balance Sheet Information

(in millions)

(Unaudited)

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 105.5	\$ 72.4
Accounts receivable, net	184.8	166.0
Materials and supplies	117.3	109.6
Deferred income taxes	164.6	225.0
Other current assets	55.2	69.5
<hr/> Total current assets	<hr/> 627.4	<hr/> 642.5
Investments	54.5	50.4
Restricted funds	11.8	21.7
Property and equipment (including concession assets), net	5,479.1	5,349.5
Other assets	118.0	108.9
<hr/> Total assets	<hr/> <u>\$ 6,290.8</u>	<hr/> <u>\$ 6,173.0</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Debt due within one year	\$ 52.2	\$ 36.3
Accounts payable and accrued liabilities	393.2	401.1
<hr/> Total current liabilities	<hr/> 445.4	<hr/> 437.4
Long-term debt	1,570.7	1,602.8
Deferred income taxes	868.1	861.4
Other noncurrent liabilities and deferred credits	174.2	212.7
<hr/> Total liabilities	<hr/> 3,058.4	<hr/> 3,114.3
Commitments and contingencies	—	—
Stockholders' equity	7.2	7.2
Paid-in capital	905.0	884.2
Retained earnings	2,027.7	1,875.3
Accumulated other comprehensive loss	(2.5)	(2.2)
<hr/> Total stockholders' equity	<hr/> 2,937.4	<hr/> 2,764.5
Noncontrolling interest	295.0	294.2
<hr/> Total equity	<hr/> 3,232.4	<hr/> 3,058.7
<hr/> Total liabilities and equity	<hr/> <u>\$ 6,290.8</u>	<hr/> <u>\$ 6,173.0</u>

Cash Flow Information

(in millions)

(Unaudited)

	Six Months Ended	
	June 30,	
	2012	2011
Operating activities:		
Net income	\$ 196.2	\$ 135.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	97.1	91.2
Deferred income taxes	81.5	77.2
Equity in net earnings of unconsolidated affiliates	(10.7)	(8.9)
Share-based compensation	5.7	5.3
Excess tax benefit from share-based compensation	(14.1)	—
Deferred compensation	7.3	9.1
Elimination of deferred statutory profit sharing liability	(47.8)	—
Distributions from unconsolidated affiliates	7.3	6.6
Cash payments related to hurricane damage	—	(1.1)
Insurance proceeds related to hurricane damage	—	21.7
Gain on sale of assets	—	(0.2)
Debt retirement costs	18.0	10.3
Changes in working capital items:		
Accounts receivable	(20.5)	(35.8)
Materials and supplies	(6.6)	(13.8)
Other current assets	6.3	11.2
Accounts payable and accrued liabilities	(1.2)	(5.4)
Other, net	(8.4)	(34.3)
Net cash provided by operating activities	<u>310.1</u>	<u>268.9</u>
Investing activities:		
Capital expenditures	(214.8)	(171.8)
Property investments in MSLLC	(26.6)	(24.2)
Insurance proceeds related to hurricane damage	—	8.3
Proceeds from disposal of property	6.4	4.9
Other, net	3.7	8.7
Net cash used for investing activities	<u>(231.3)</u>	<u>(174.1)</u>
Financing activities:		
Proceeds from issuance of long-term debt	329.6	200.0
Repayment of long-term debt	(349.4)	(209.6)
Debt costs	(19.3)	(12.9)
Proceeds from employee stock plans	0.9	1.2
Excess tax benefit from share-based compensation	14.1	—
Dividends paid	(21.6)	(2.9)
Net cash used for financing activities	<u>(45.7)</u>	<u>(24.2)</u>
Cash and cash equivalents:		
Net increase during each period	33.1	70.6
At beginning of year	72.4	85.4
At end of period	<u>\$ 105.5</u>	<u>\$ 156.0</u>

Revenue Statistics by Commodity - Quarterly

	Revenues <i>(in millions)</i>		Carloads and Units <i>(in thousands)</i>		Revenue per Carload/Unit	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2012	2011 ⁽ⁱ⁾	2012	2011 ⁽ⁱ⁾	2012	2011 ⁽ⁱ⁾
Chemical & Petroleum						
Chemicals	\$ 48.1	\$ 51.5	27.8	30.9	\$ 1,730	\$ 1,667
Petroleum	25.1	29.3	17.2	18.9	1,459	1,550
Plastics	24.8	25.0	15.9	16.5	1,560	1,515
Total	<u>98.0</u>	<u>105.8</u>	<u>60.9</u>	<u>66.3</u>	<u>1,609</u>	<u>1,596</u>
Industrial & Consumer Products						
Forest Products	61.5	56.4	31.4	30.8	1,959	1,831
Metals & Scrap	56.1	49.7	30.6	28.9	1,833	1,720
Other	19.6	18.9	21.6	20.9	907	904
Total	<u>137.2</u>	<u>125.0</u>	<u>83.6</u>	<u>80.6</u>	<u>1,641</u>	<u>1,551</u>
Agriculture & Minerals						
Grain	59.3	59.6	33.4	34.7	1,775	1,718
Food Products	35.2	40.5	15.4	18.5	2,286	2,189
Ores & Minerals	4.8	6.6	5.0	6.6	960	1,000
Stone, Clay & Glass	6.7	6.7	3.4	3.5	1,971	1,914
Total	<u>106.0</u>	<u>113.4</u>	<u>57.2</u>	<u>63.3</u>	<u>1,853</u>	<u>1,791</u>
Energy (i)						
Utility Coal	44.2	58.1	47.1	57.4	938	1,012
Coal & Petroleum Coke	8.0	9.9	10.9	10.9	734	908
Frac Sand	12.9	8.1	6.4	5.5	2,016	1,473
Crude Oil	2.8	1.1	1.7	0.7	1,647	1,571
Total	<u>67.9</u>	<u>77.2</u>	<u>66.1</u>	<u>74.5</u>	<u>1,027</u>	<u>1,036</u>
Intermodal	<u>76.4</u>	<u>62.0</u>	<u>228.0</u>	<u>194.6</u>	<u>335</u>	<u>319</u>
Automotive	<u>39.6</u>	<u>34.4</u>	<u>24.1</u>	<u>20.5</u>	<u>1,643</u>	<u>1,678</u>
Total for Commodity Groups	<u>525.1</u>	<u>517.8</u>	<u>519.9</u>	<u>499.8</u>	<u>\$ 1,010</u>	<u>\$ 1,036</u>
Other Revenue	<u>20.2</u>	<u>17.1</u>				
Total	<u>\$ 545.3</u>	<u>\$ 534.9</u>				

(i) Effective January 1, 2012, the Company established the Energy commodity group which includes the previous Coal commodity group and certain amounts previously included within the Agriculture & Minerals and Chemicals & Petroleum commodity groups. Prior period amounts have been reclassified to conform to the current year presentation. See page 10 and 11 for the summary of the 2011 quarterly and full year impacts.

Revenue Statistics by Commodity - Year to Date

	Revenues (in millions)		Carloads and Units (in thousands)		Revenue per Carload/Unit	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2012	2011 ⁽ⁱ⁾	2012	2011 ⁽ⁱ⁾	2012	2011 ⁽ⁱ⁾
Chemical & Petroleum						
Chemicals	\$ 98.1	\$ 97.8	56.1	59.6	\$ 1,749	\$ 1,641
Petroleum	51.3	56.7	34.1	37.2	1,504	1,524
Plastics	50.5	47.6	32.2	32.1	1,568	1,483
Total	<u>199.9</u>	<u>202.1</u>	<u>122.4</u>	<u>128.9</u>	<u>1,633</u>	<u>1,568</u>
Industrial & Consumer Products						
Forest Products	126.4	111.5	65.4	63.5	1,933	1,756
Metals & Scrap	113.8	94.9	63.7	57.9	1,786	1,639
Other	35.6	37.1	39.6	41.3	899	898
Total	<u>275.8</u>	<u>243.5</u>	<u>168.7</u>	<u>162.7</u>	<u>1,635</u>	<u>1,497</u>
Agriculture & Minerals						
Grain	122.6	109.9	69.1	65.6	1,774	1,675
Food Products	70.6	75.1	31.1	35.7	2,270	2,104
Ores & Minerals	11.2	14.3	10.9	14.5	1,028	986
Stone, Clay & Glass	13.5	12.5	6.8	6.7	1,985	1,866
Total	<u>217.9</u>	<u>211.8</u>	<u>117.9</u>	<u>122.5</u>	<u>1,848</u>	<u>1,729</u>
Energy (i)						
Utility Coal	94.4	114.0	99.1	116.0	953	983
Coal & Petroleum Coke	16.1	18.6	21.4	21.0	752	886
Frac Sand	24.3	14.8	12.8	10.6	1,898	1,396
Crude Oil	4.1	1.7	2.5	1.1	1,640	1,545
Total	<u>138.9</u>	<u>149.1</u>	<u>135.8</u>	<u>148.7</u>	<u>1,023</u>	<u>1,003</u>
Intermodal	<u>144.5</u>	<u>116.2</u>	<u>436.1</u>	<u>370.5</u>	<u>331</u>	<u>314</u>
Automotive	<u>77.1</u>	<u>65.5</u>	<u>47.1</u>	<u>40.6</u>	<u>1,637</u>	<u>1,613</u>
Total for Commodity Groups	<u>1,054.1</u>	<u>988.2</u>	<u>1,028.0</u>	<u>973.9</u>	<u>\$ 1,025</u>	<u>\$ 1,015</u>
Other Revenue	<u>38.7</u>	<u>35.3</u>				
Total	<u>\$ 1,092.8</u>	<u>\$ 1,023.5</u>				

(i) Effective January 1, 2012, the Company established the Energy commodity group which includes the previous Coal commodity group and certain amounts previously included within the Agriculture & Minerals and Chemicals & Petroleum commodity groups. Prior period amounts have been reclassified to conform to the current year presentation. See page 10 and 11 for the summary of the 2011 quarterly and full year impacts.

Revenue by Commodity - 2011

(in millions)

The following 2011 quarterly and full-year revenue information has been reclassified to conform to the 2012 commodity group presentation. These reclassifications relate to presenting the Energy commodity group, which includes the previous Coal commodity group, and certain amounts previously included in the Agriculture & Minerals and Chemical & Petroleum commodity groups.

	Three Months Ended				Year Ended
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	December 31, 2011
Chemical & Petroleum					
Chemicals	\$ 46.3	\$ 51.5	\$ 50.1	\$ 44.1	\$ 192.0
Petroleum	27.4	29.3	26.5	23.6	106.8
Plastics	22.6	25.0	26.0	23.9	97.5
Total	96.3	105.8	102.6	91.6	396.3
Industrial & Consumer Products					
Forest Products	55.1	56.4	62.5	59.0	233.0
Metals & Scrap	45.2	49.7	54.2	46.2	195.3
Other	18.2	18.9	20.1	18.1	75.3
Total	118.5	125.0	136.8	123.3	503.6
Agriculture & Minerals					
Grain	50.3	59.6	48.2	54.0	212.1
Food Products	34.6	40.5	38.5	36.7	150.3
Ores & Minerals	7.7	6.6	7.5	5.7	27.5
Stone, Clay & Glass	5.8	6.7	6.6	6.6	25.7
Total	98.4	113.4	100.8	103.0	415.6
Energy					
Utility Coal	55.9	58.1	64.6	66.9	245.5
Coal & Petroleum Coke	8.7	9.9	9.8	8.1	36.5
Frac Sand	6.7	8.1	7.3	9.7	31.8
Crude Oil	0.6	1.1	1.1	0.8	3.6
Total	71.9	77.2	82.8	85.5	317.4
Intermodal	54.2	62.0	65.7	69.9	251.8
Automotive	31.1	34.4	36.7	37.0	139.2
Total for Commodity Groups	470.4	517.8	525.4	510.3	2,023.9
Other Revenue	18.2	17.1	19.1	20.0	74.4
Total	\$ 488.6	\$ 534.9	\$ 544.5	\$ 530.3	\$ 2,098.3

Carloads and Units by Commodity - 2011

(in thousands)

The following 2011 quarterly and full-year carloads and units information has been reclassified to conform to the 2012 commodity group presentation. These reclassifications relate to presenting the Energy commodity group, which includes the previous Coal commodity group, and certain amounts previously included in the Agriculture & Minerals and Chemical & Petroleum commodity groups.

	Three Months Ended				Year Ended
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	December 31, 2011
Chemical & Petroleum					
Chemicals	28.7	30.9	29.6	26.3	115.5
Petroleum	18.3	18.9	18.3	16.6	72.1
Plastics	15.6	16.5	16.6	15.8	64.5
Total	62.6	66.3	64.5	58.7	252.1
Industrial & Consumer Products					
Forest Products	32.7	30.8	33.3	32.0	128.8
Metals & Scrap	29.0	28.9	32.5	26.7	117.1
Other	20.4	20.9	21.0	18.4	80.7
Total	82.1	80.6	86.8	77.1	326.6
Agriculture & Minerals					
Grain	30.9	34.7	29.4	33.3	128.3
Food Products	17.2	18.5	17.3	16.8	69.8
Ores & Minerals	7.9	6.6	6.9	5.7	27.1
Stone, Clay & Glass	3.2	3.5	3.6	3.1	13.4
Total	59.2	63.3	57.2	58.9	238.6
Energy					
Utility Coal	58.6	57.4	63.1	66.7	245.8
Coal & Petroleum Coke	10.1	10.9	11.2	10.1	42.3
Frac Sand	5.1	5.5	5.0	5.7	21.3
Crude Oil	0.4	0.7	0.8	0.7	2.6
Total	74.2	74.5	80.1	83.2	312.0
Intermodal	175.9	194.6	208.0	220.3	798.8
Automotive	20.1	20.5	21.4	23.6	85.6
Total for Commodity Groups	474.1	499.8	518.0	521.8	2,013.7

Productivity Statistics

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Operating/Performance Statistics				
Gross Ton Miles (GTM) (in millions) (a)	21,515	22,227	43,533	43,074
Average Employees - Total	6,070	6,101	6,079	6,091
Average Employees - Union	4,666	4,704	4,678	4,692
GTM's per Average Employee (in millions)	3.54	3.64	7.16	7.07
Operating Ratio	62.6%	71.7%	66.9%	72.7%
Adjusted Operating Ratio *	70.5%	71.7%	70.8%	72.7%
Locomotive Fuel Statistics				
Locomotive fuel consumed in gallons (in millions)	31.2	32.0	62.3	62.3
Average price per gallon	\$2.78	\$2.87	\$2.81	\$2.75
AAR Reported Performance Measures				
Average train speed (miles per hour)	27.4	26.5	27.5	26.8
Average terminal dwell times (hours)	18.6	18.2	19.3	18.1
Revenue Ton Miles (in Millions)				
Chemical & Petroleum	1,717	1,869	3,605	3,635
Industrial & Consumer Products	2,430	2,198	4,845	4,398
Agriculture & Minerals	2,934	3,305	6,183	6,389
Energy	2,526	3,106	5,289	6,196
Intermodal	1,033	925	2,000	1,753
Automotive	266	238	519	404
Total	10,906	11,641	22,441	22,775

(a) Excludes Locomotive Gross Ton Miles

* All reconciliations to GAAP can be found on page 16.

Capital Expenditures

(in millions)

	Six Months Ended	
	June 30,	
	2012	2011
Roadway capital program	\$ 129.7	\$ 117.2
Equipment (i)	29.0	9.1
Capacity	13.6	3.4
Information technology	3.3	3.4
Other	10.4	24.5
Total capital expenditures (accrual basis)	<u>186.0</u>	<u>157.6</u>
Change in capital accruals	28.8	14.2
Total cash capital expenditures	<u>\$ 214.8</u>	<u>\$ 171.8</u>

- (i) In the second quarter of 2012, KCSR paid \$19.6 million to purchase 315 jumbo covered hoppers that were previously leased under an operating lease.

Track Renewal

Track miles of rail installed	<u>84.1</u>	<u>63.0</u>
Cross ties installed (thousands)	<u>292</u>	<u>404</u>

Debt Summary

(in millions)

	Expiration Date	Interest Rate	June 30, 2012	December 31, 2011
KCSR Revolver	7/15/2016	Floating	\$ —	\$ 50.0
KCSM Revolver	9/30/2016	Floating	—	—
KCSR Term Loan	1/15/2017	Floating	288.8	296.3
KCSR Term Loan A-2	1/15/2017	Floating	269.4	—
Total Bank Facilities			<u>558.2</u>	<u>346.3</u>
KCSR Senior Notes	6/1/2015	8.000%	—	275.0
KCSM Senior Notes	4/1/2016	12.500%	94.6	94.3
KCSM Senior Notes	2/1/2018	8.000%	296.7	296.5
KCSM Senior Notes	12/15/2020	6.625%	185.0	185.0
KCSM Senior Notes	6/15/2021	6.125%	200.0	200.0
Total Unsecured Senior Notes			<u>776.3</u>	<u>1,050.8</u>
KCSM GE Loan Agreement (Operating lease buyout)	12/15/2020	9.311%	85.0	88.1
KCSM Loan and Security Agreement	2/28/2023	5.737%	50.7	52.8
KCSM Loan Agreement	9/29/2023	6.195%	39.1	40.9
Tex Mex RRIF Loan	7/13/2030	4.290%	41.8	42.5
KCSR RRIF Loan	2/24/2037	2.960%	54.3	—
Capital Leases	Various	Various	13.7	13.2
Other	Various	Various	3.8	4.5
Total Debt			<u>\$ 1,622.9</u>	<u>\$ 1,639.1</u>

Free Cash Flow*

(in millions)

	Six Months Ended	
	June 30,	
	2012	2011
Net cash provided by operating activities	\$ 310.1	\$ 268.9
Cash used for capital expenditures	(214.8)	(171.8)
Other investing activities, net	(16.5)	(2.3)
Dividends paid	(21.6)	(2.9)
Free cash flow	<u>\$ 57.2</u>	<u>\$ 91.9</u>

* All reconciliations to GAAP can be found on page 16.

Credit Ratings and Statistics

Credit ratings are subject to change at any point in time. These ratings were applicable as of June 30, 2012.

	<u>S&P</u>	<u>Moody's</u>
KCS		
Outlook	Positive	Stable
Corporate	BB+	Ba1
KCSR		
Outlook	Positive	Stable
Senior Secured	BBB	Baa3
Senior Unsecured	BB+	Ba2
KCSM		
Outlook	Positive	Stable
Senior Secured	BBB-	Ba1
Senior Unsecured	BB+	Ba2
Corporate	N/A	Ba2
	June 30,	December 31,
	2012	2011
Debt/Capitalization Ratio (Total Debt/Total Debt + Equity)	<u>33.4%</u>	<u>34.9%</u>

Non-GAAP Financial Information (Regulation G)

(in millions)

KCS reports its financial results 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 that fall within the meaning of Regulation G (Disclosure of non-GAAP financial measures) may provide its users of the financial information with additional meaningful comparison when reviewing the Company's results.

In press releases and analyst presentations, KCS has provided financial information adjusted for certain items, which are non-GAAP financial measures. 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's results.

These non-GAAP measures should not be considered a substitute for GAAP measures. Some of KCS's non-GAAP measures may differ from similar measures used by other companies, even if similar terms are used to identify such measures.

	Six Months Ended	
	June 30,	
	2012	2011
Reconciliation of Free Cash Flow to Net Increase in Cash and Cash Equivalents:		
Net cash provided by operating activities	\$ 310.1	\$ 268.9
Net cash used for investing activities	(231.3)	(174.1)
Dividends paid	(21.6)	(2.9)
Free cash flow - see (a) below	57.2	91.9
Proceeds from issuance of long-term debt	329.6	200.0
Repayment of long-term debt	(349.4)	(209.6)
Other financing activities	(4.3)	(11.7)
GAAP net increase in cash and cash equivalents	\$ 33.1	\$ 70.6

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Reconciliation of Operating Expenses to Adjusted Operating Expenses:				
Operating expenses as reported	\$ 341.5	\$ 383.3	\$ 731.2	\$ 744.1
Adjustment for elimination of net deferred liability	43.0	—	43.0	—
Adjusted operating expenses - see (b) below	\$ 384.5	\$ 383.3	\$ 774.2	\$ 744.1
Operating ratio (c) as reported	62.6%	71.7%	66.9%	72.7%
Adjusted operating ratio - see (b) below	70.5%	71.7%	70.8%	72.7%

- (a) 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, incremental capital investment, and other investments.
- (b) The Company believes adjusted operating expenses and operating ratio are meaningful as they allow investors to evaluate the Company's performance for different periods on a more comparable basis by adjusting for items that do not relate to the ongoing operations of the Company.
- (c) Operating ratio is calculated by dividing operating expenses by revenues.