

**KANSAS CITY SOUTHERN SECOND QUARTER 2012 ANALYST PRESENTATION**  
**RECONCILIATION TO GAAP**  
(in millions, except per share amounts)

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.

**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	<u>\$ 0.85</u>	<u>\$ 0.71</u>

**Reconciliation of Free Cash Flow to Net Increase in Cash and Cash Equivalents:**

	Six Months Ended June 30,	
	2012	2011
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 (b) 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	<u>\$ 33.1</u>	<u>\$ 70.6</u>

**Reconciliation of Operating Expenses to Adjusted Operating Expenses:**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
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 (a) below	<u>\$ 384.5</u>	<u>\$ 383.3</u>	<u>\$ 774.2</u>	<u>\$ 744.1</u>
Operating ratio (c) as reported	62.6%	71.7%	66.9%	72.7%
Adjusted operating ratio - see (a) below	70.5%	71.7%	70.8%	72.7%

**Reconciliation of Total Revenue to Linehaul Revenue:**

	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012
	Total Revenue	\$ 545.3
Fuel Surcharge Revenue	(69.8)	(66.6)
Other Revenue	(20.2)	(18.5)
Linehaul Revenue - see (d) below	<u>\$ 455.3</u>	<u>\$ 462.4</u>

**Reconciliation of Total Revenue to Linehaul Revenue:**

	Three Months Ended December 31, 2011	Three Months Ended September 30, 2011	Three Months Ended June 30, 2011	Three Months Ended March 31, 2011
	Total Revenue	\$ 530.3	\$ 544.5	\$ 534.9
Fuel Surcharge Revenue	(64.0)	(67.9)	(63.5)	(49.2)
Other Revenue	(20.0)	(19.1)	(17.1)	(18.2)
Linehaul Revenue - see (d) below	<u>\$ 446.3</u>	<u>\$ 457.5</u>	<u>\$ 454.3</u>	<u>\$ 421.2</u>

**Reconciliation of Total Revenue to Linehaul Revenue:**

	Three Months Ended December 31, 2010	Three Months Ended September 30, 2010	Three Months Ended June 30, 2010	Three Months Ended March 31, 2010
	Total Revenue	\$ 478.6	\$ 438.3	\$ 461.6
Fuel Surcharge Revenue	(43.1)	(38.6)	(39.6)	(34.8)
Other Revenue	(16.0)	(15.8)	(15.9)	(17.6)
Linehaul Revenue - see (d) below	<u>\$ 419.5</u>	<u>\$ 383.9</u>	<u>\$ 406.1</u>	<u>\$ 383.9</u>

	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009	Three Months Ended March 31, 2009
<b>Reconciliation of Total Revenue to Linehaul Revenue:</b>				
Total Revenue	\$ 406.8	\$ 386.1	\$ 341.3	\$ 346.0
Fuel Surcharge Revenue	(26.8)	(20.9)	(13.4)	(16.8)
Other Revenue	(17.4)	(15.6)	(16.2)	(19.7)
Linehaul Revenue - see (d) below	<u>\$ 362.6</u>	<u>\$ 349.6</u>	<u>\$ 311.7</u>	<u>\$ 309.5</u>

	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012
<b>Reconciliation of Total Operating Expenses to Operating Costs:</b>		
Total Operating Expenses	\$ 341.5	\$ 389.7
Fuel	(86.9)	(88.3)
Depreciation and Amortization	(48.7)	(48.4)
Selling, General & Administrative; Casualties & Insurance; and Other	(14.9)	(66.6)
Operating Costs - see (e) below	<u>\$ 191.0</u>	<u>\$ 186.4</u>

	Three Months Ended December 31, 2011	Three Months Ended September 30, 2011	Three Months Ended June 30, 2011	Three Months Ended March 31, 2011
<b>Reconciliation of Total Operating Expenses to Operating Costs:</b>				
Total Operating Expenses	\$ 379.9	\$ 362.7	\$ 383.3	\$ 360.8
Fuel	(88.5)	(86.5)	(92.0)	(79.5)
Depreciation and Amortization	(47.1)	(47.9)	(45.5)	(45.7)
Selling, General & Administrative; Casualties & Insurance; and Other	(60.8)	(40.3)	(54.7)	(55.7)
Operating Costs - see (e) below	<u>\$ 183.5</u>	<u>\$ 188.0</u>	<u>\$ 191.1</u>	<u>\$ 179.9</u>

	Three Months Ended December 31, 2010	Three Months Ended September 30, 2010	Three Months Ended June 30, 2010	Three Months Ended March 31, 2010
<b>Reconciliation of Total Operating Expenses to Operating Costs:</b>				
Total Operating Expenses	\$ 343.5	\$ 322.3	\$ 334.4	\$ 328.1
Fuel	(71.9)	(61.8)	(69.1)	(60.8)
Depreciation and Amortization	(46.1)	(46.1)	(46.9)	(45.8)
Selling, General & Administrative; Casualties & Insurance; and Other	(49.0)	(48.0)	(45.9)	(60.4)
Operating Costs - see (e) below	<u>\$ 176.5</u>	<u>\$ 166.4</u>	<u>\$ 172.5</u>	<u>\$ 161.1</u>

	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009	Three Months Ended March 31, 2009
<b>Reconciliation of Total Operating Expenses to Operating Costs:</b>				
Total Operating Expenses	\$ 314.6	\$ 302.2	\$ 298.2	\$ 298.4
Fuel	(56.2)	(49.7)	(40.2)	(43.3)
Depreciation and Amortization	(42.7)	(44.6)	(47.4)	(46.9)
Selling, General & Administrative; Casualties & Insurance; and Other	(52.9)	(44.3)	(46.2)	(46.0)
Operating Costs - see (e) below	<u>\$ 162.8</u>	<u>\$ 163.6</u>	<u>\$ 164.4</u>	<u>\$ 162.2</u>

- (a) The Company believes adjusted 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 adjusting for items that do not relate to the ongoing operations of the Company.
- (b) The Company believes this measure is meaningful as it 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.
- (c) Operating ratio is calculated by dividing operating expenses by revenues.
- (d) The Company believes this measure is meaningful as it provides the amount of revenue provided by transportation services, excluding fuel surcharge and other revenue, that trend with changes in volume over time.
- (e) The Company believes this measure is meaningful as it provides the amount of operating expenses, excluding fuel, depreciation and amortization, selling, general, and administrative, casualties and insurance and other that trend with changes in volume over time.