



Kansas City Southern

Second Quarter 2011 Earnings Presentation

July 21, 2011



Safe Harbor Statement

This presentation 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 presentation. 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 the 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 obligation; legislative and regulatory developments and disputes; rail accidents or other incidents or accidents along the 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; 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; and other factors affecting the operation of the business; 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 KCS or its subsidiaries. More detailed information about these factors may be found in filings by KCS with the Securities and Exchange Commission, including the KCS's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-4717) and subsequent Quarterly Reports on Form 10-Q. 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 presentation to reflect future events or developments. All reconciliations to GAAP can be found on the KCS website, kcsouthern.com/investors.



Mike Haverty



3

Today's Presenters

Mike Haverty

Executive Chairman

Dave Starling

President & CEO

Pat Ottensmeyer

EVP Sales & Marketing

Mike Upchurch

EVP & CFO



4

Second Quarter Results

	Q2 2011	Q2 2010	Variance
Carloads/Units (in thousands)	499.8	468.4	7%
Revenue (in millions)	\$534.9	\$461.6	16%
Operating Ratio	71.7%	72.4%	0.7 points
Reported Diluted Earnings per Share	\$0.64	\$0.34	88%
Adjusted Diluted Earnings per Share *	\$0.71	\$0.55	29%



* Excludes impact of debt retirement costs of \$0.07 and \$0.21 in Q2 2011 and Q2 2010 respectively. All reconciliations to GAAP can be found on the KCS website in the Investors section.

5

Dave Starling



6

First Half 2011 Update

2011 Guidance

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

2011 Update

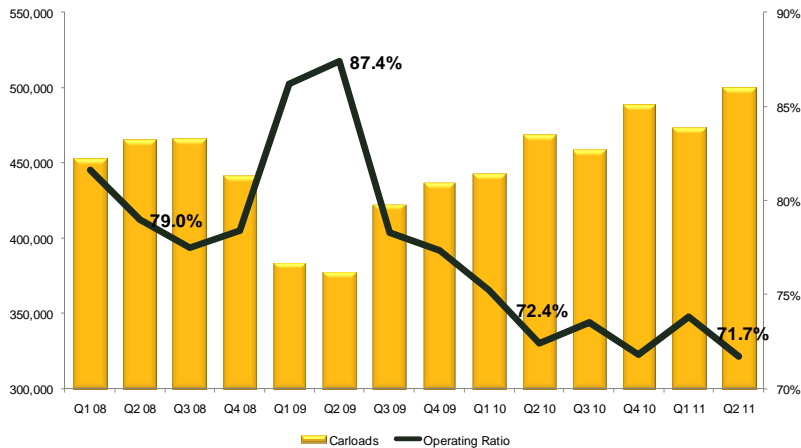
- First half revenue growth of 14%
- Full year 2011 revenue growth expected to be better than first half
- YTD Volumes up 7%
 - Late Q2 volumes impacted by flooding
- Same store pricing ^(D) up 5.5%
 - YTD revenue per unit up 7%
- Operating ratio improved 110 bp despite fuel surcharge headwinds ^(D) of \$8.6 mm



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

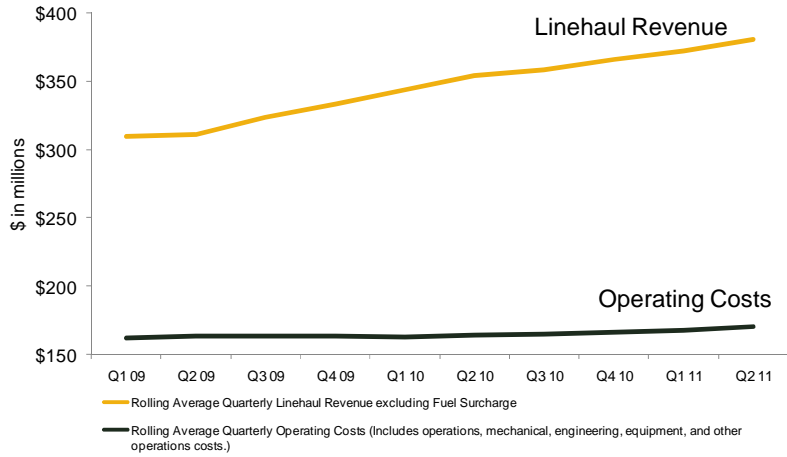
7

Second Quarter Operating Ratio Improvement



8

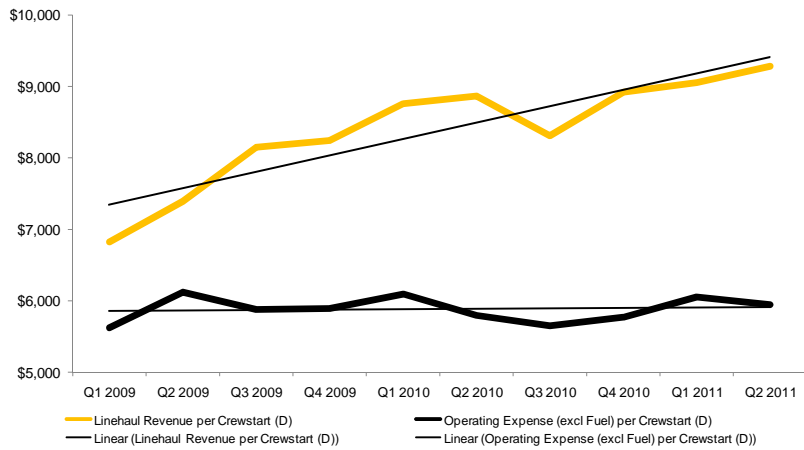
Operating Leverage Continues Positive Trend



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

9

Expense per Crewstart Under Control

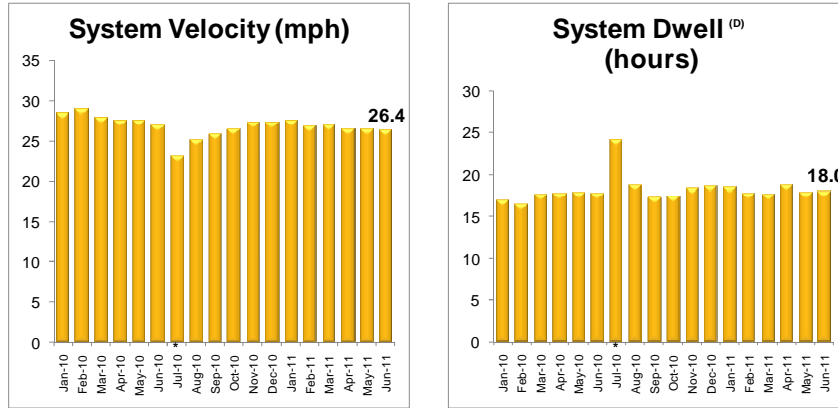


All reconciliations to GAAP can be found on the KCS website in the Investors section.

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

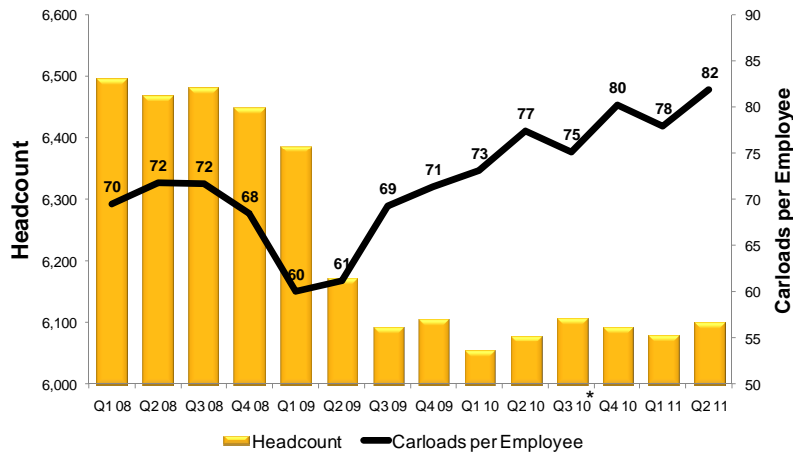
10

System Metrics Remain Consistent



* July 2010 results not adjusted for Hurricane Alex.
(D) See definitions in the appendix to this presentation.

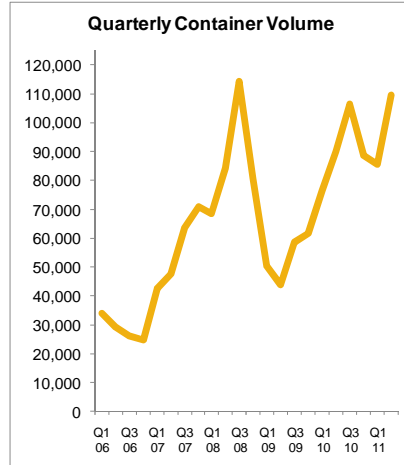
Carloads per Employee Up 6% vs. Q2 2010



* Q3 2010 carloads not adjusted for Hurricane Alex.

Panama Canal Railway Company*

	Q2 2011	Q2 2010
Volumes	109,698	89,965
Total Revenues (in millions)	\$15.2	\$12.3
Operating Ratio	46.9%	47.5%



* PCRC is a 50% equity investment.

Pat Ottensmeyer



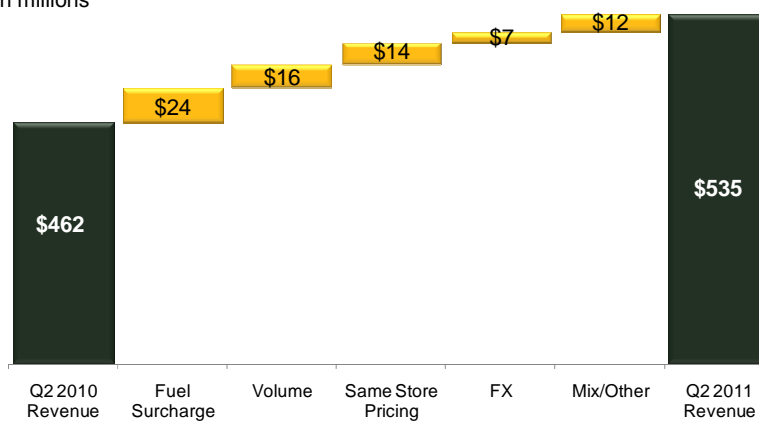
Second Quarter Revenue Increased 16%

	Q2 2011	Q2 2010	Variance
Total Revenues (in millions)	\$534.9	\$461.6	16%
Carloads (in thousands)	499.8	468.4	7%
Average Revenue per Unit	\$1,036	\$952	9%

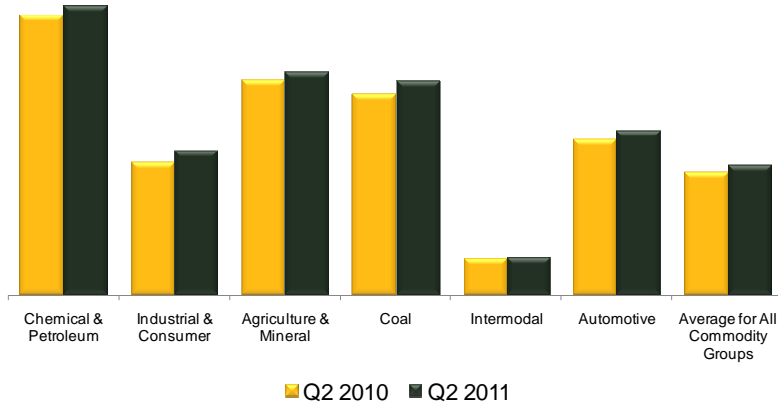


Multiple Contributors to Revenue Growth

\$ in millions



Same Store Pricing Up 5.4%



Linehaul rate excludes fuel surcharge and foreign exchange

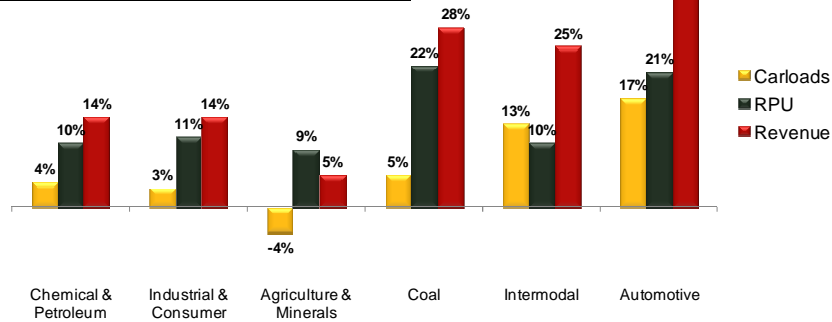


17

Second Quarter Commodity Group Results

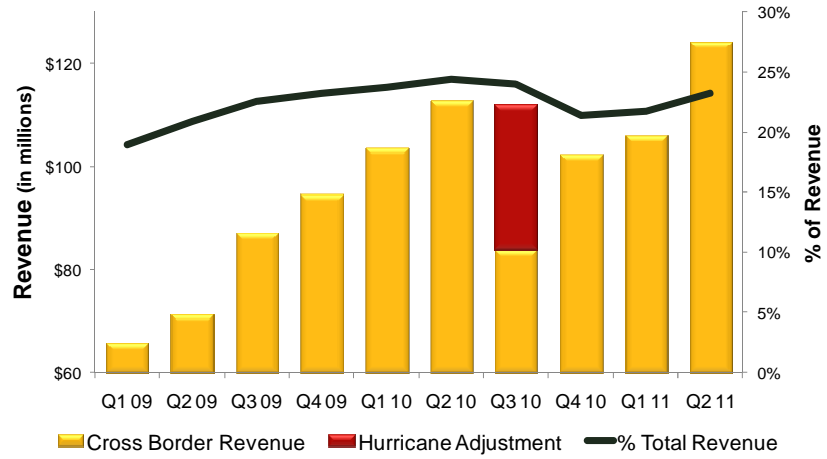
Q2 2011 vs. Q2 2010

	Q2 2011	Q2 2010	Variance
Total Revenues (in millions)	\$534.9	\$461.6	16%
Carloads (in thousands)	499.8	468.4	7%
Average RPU	\$1,036	\$952	9%



18

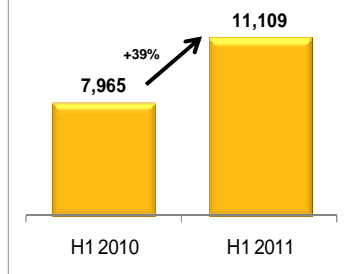
Cross Border Revenue Growth Accelerates



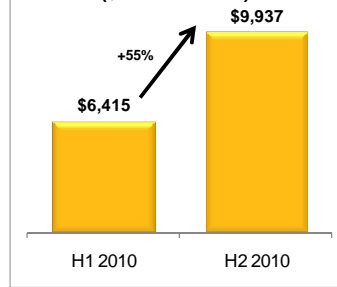
19

Cross Border Intermodal Growth

Cross Border Intermodal Volumes

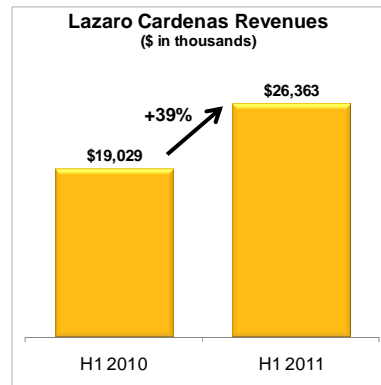
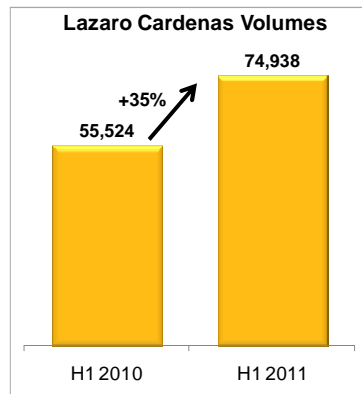


Cross Border Intermodal Revenues (\$ in thousands)



20

Lazaro Cardenas Growth



21

Market Outlook – Linehaul Revenue

	Q3 2011	FY 2011
Chemical & Petroleum	++	++
Industrial & Consumer	++	++
Agriculture & Minerals	++	+
Coal	++	++
Intermodal	++	++
Automotive	++	++



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

22

Market Developments

- Economic outlook continues to be positive in both U.S. and Mexico
 - Key indices continue to signal growth in U.S. carloads
 - Mexico's GDP still expected to grow 4-5% in 2011
- Pricing in line with prior guidance
- Cross border revenue increased 17% sequentially and as a percent of total revenue was 23%
 - Cross border Agriculture & Mineral up 26% sequentially, driven by grain shipments; a reversal of late '10 / early '11 trends
- Long term new business opportunities continue to grow
 - Mexico "near sourcing" phenomenon
 - Port Arthur Crude Terminal
 - Lazaro Cardenas port expansion
 - Cross border intermodal
- Customer satisfaction survey completed in second quarter
 - Established a benchmark
 - Results were very positive



23

Mike Upchurch



24

Condensed Income Statement Data

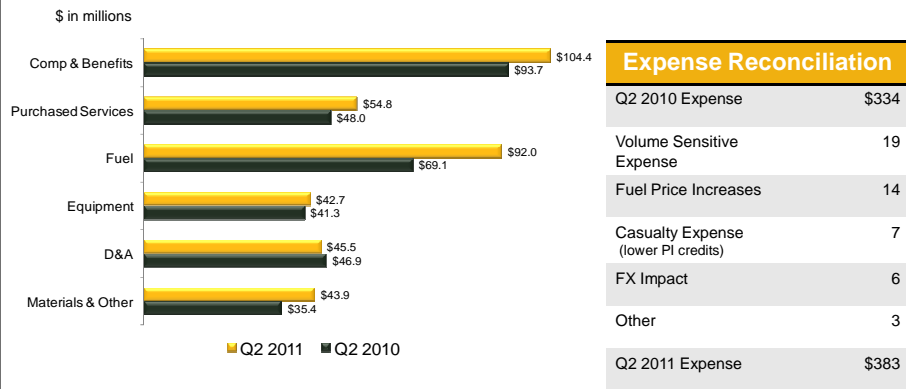
(\$ in millions, except EPS Diluted)	Q2 2011	Q2 2010
Revenues	\$534.9	\$461.6
Operating Expenses	<u>383.3</u>	<u>334.4</u>
Operating Income	151.6	127.2
Equity Earnings	5.3	4.6
Interest Expense	(32.4)	(41.9)
Debt Retirement Costs & Other	<u>(9.9)</u>	<u>(32.9)</u>
Pre-tax Income	114.6	57.0
Income Tax Expense	<u>(42.9)</u>	<u>(19.6)</u>
Net Income	\$71.7	\$37.4
Reported EPS Diluted	\$0.64	\$0.34
Adjusted EPS Diluted	\$0.71*	\$0.55*
Average Diluted Share Count (in thousands)	109,810	100,366**



* Excludes impact of debt retirement costs of \$0.07 and \$0.21 in Q2 2011 and Q2 2010 respectively. All reconciliations to GAAP are available on the KCS website in the Investors section.
 ** The average diluted share count calculation excludes the impact on the conversion of convertible preferred stock as it would be anti-dilutive.

25

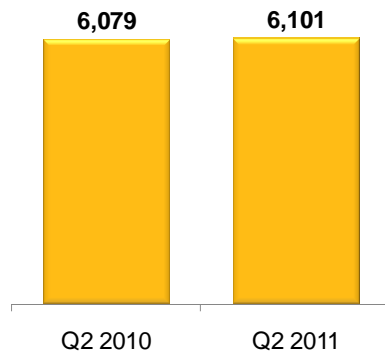
Operating Expenses



26

Headcount Essentially Flat on 7% Increase in Volumes

Quarterly Average Employee Headcount



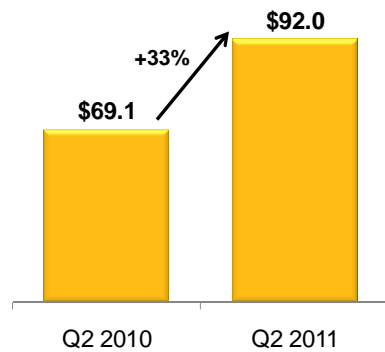
Compensation & Benefits	\$ in millions
Q2 2010 Expense	\$94
Inflation	4
Volume Sensitive Expense	3
Foreign Exchange	2
Other	1
Q2 2011 Expense	\$104



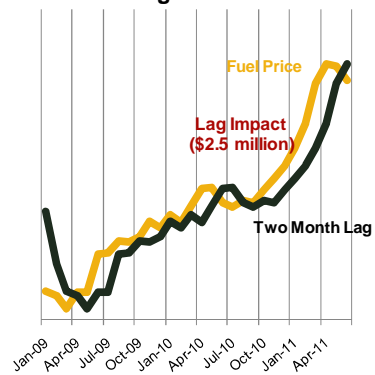
27

Fuel Expense Increased 33%

Fuel Expense \$ in millions



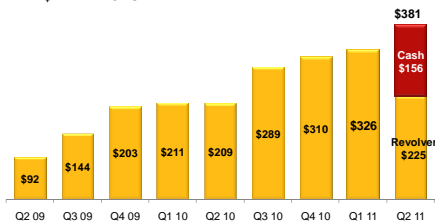
Highway Diesel Fuel Pricing



28

Liquidity Continues to Improve

\$ in millions



- YTD free cash flow* of \$92 million increased 32%
- In July, established new KCSR credit facility
 - Increased revolver by \$75 million to \$200 million
 - Refinanced \$300 million term loan to 2017
 - Provides flexibility for dividends and buyback of stock/debt



* All reconciliations to GAAP are available on the KCS website in the Investors section.

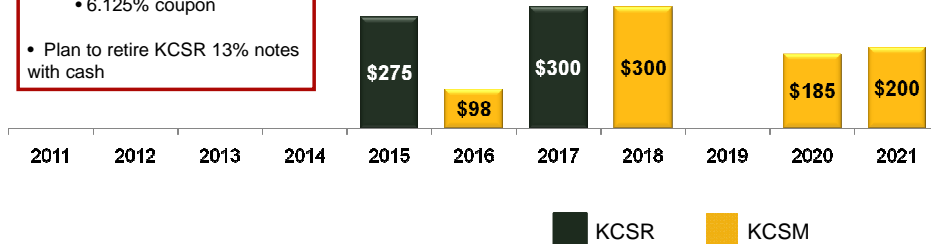
29

Significant Progress Extending & Smoothing Maturities

\$ in millions

- At 12/31/09, 2012 & 2013 maturities were \$1.1 billion
- In May, KCSM notes refinanced
 - \$200 mm due 2021
 - 6.125% coupon
- Plan to retire KCSR 13% notes with cash

Pro forma Maturities at 12/31/2011



30

Hurricane Claim Update

- Effective July 7, 2011, settled insurance claim for lost profits, property damages, and related incremental expenses resulting from Hurricane Alex for \$66 million, before the related self-insured retention of \$10.0 million
 - Received \$40 million of proceeds as of June 30, 2011
 - Expect to receive remaining \$16 million of proceeds in Q3 2011
- Settlement will result in a \$19.8 million pre-tax gain
 - Recovery of lost profits + gain on property replacement - self-insured retention
 - Report as a separate line item within operating expenses
- General liability claim for \$7.6 million related to third party damages is still outstanding
 - Received \$3 million in proceeds in July 2011 – expect additional proceeds in Q3
 - Record related gain upon final settlement (expected in Q3 2011)
- Continue to estimate that the cumulative earnings per share impact of Hurricane Alex will be a loss of approximately \$0.05, consistent with guidance provided since our Q3 2010 earnings conference call



31



Appendix

- **Same store pricing** is defined as revenue generated from same customer, same origin, same destination, same commodity, same equipment.
- **Fuel Surcharge Headwind/Tailwind** is defined as the impact on fuel surcharge revenue created by the timing difference between current ("spot") fuel prices and those passed onto customers in the fuel surcharge program (national average price from 2 months prior). In a rising fuel price environment a "headwind" situation is created as spot prices are greater than the rate charged to customers (two-month prior national average). In a declining fuel price environment a "tailwind" is created as spot prices are less than the rate charged to customers (two-month prior national average).
- **Crewstart** is defined as the event where a team of employees begin a work shift on a train. A single train trip can involve multiple crewstarts, based on trip length.
- **System dwell** is defined as the average time a car resides at the specified terminal location.

Intermodal Cross Border Volume & Revenue History

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10*	Q4 10	Q1 11	Q2 11
Volumes	654	1,892	2,273	2,908	3,099	4,867	3,552	5,079	5,274	5,835
Revenue (in thousands)	\$746	\$1,929	\$2,268	\$2,703	\$2,541	\$3,874	\$3,067	\$3,826	\$4,600	\$5,337



* Q3 2010 results not adjusted for Hurricane Alex.

33