



# Kansas City Southern

## Second Quarter 2010 Earnings Presentation

July 27, 2010




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***This presentation 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, 2009 filed by the Company with the SEC (File No. 1-4717). The Company will not 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](http://kcsouthern.com/investors).***

***Certain prior year amounts have been adjusted for the retrospective change in accounting principle for rail grinding. Refer to the Consolidated Investors' Report on the KCS website for a reconciliation.***



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## Today's Presenters


<b>Mike Haverty</b>	<b>Chairman &amp; CEO</b>
<b>Dave Starling</b>	<b>President &amp; COO</b>
<b>Pat Ottensmeyer</b>	<b>EVP Sales &amp; Marketing</b>
<b>Mike Upchurch</b>	<b>EVP &amp; CFO</b>






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## Mike Haverty




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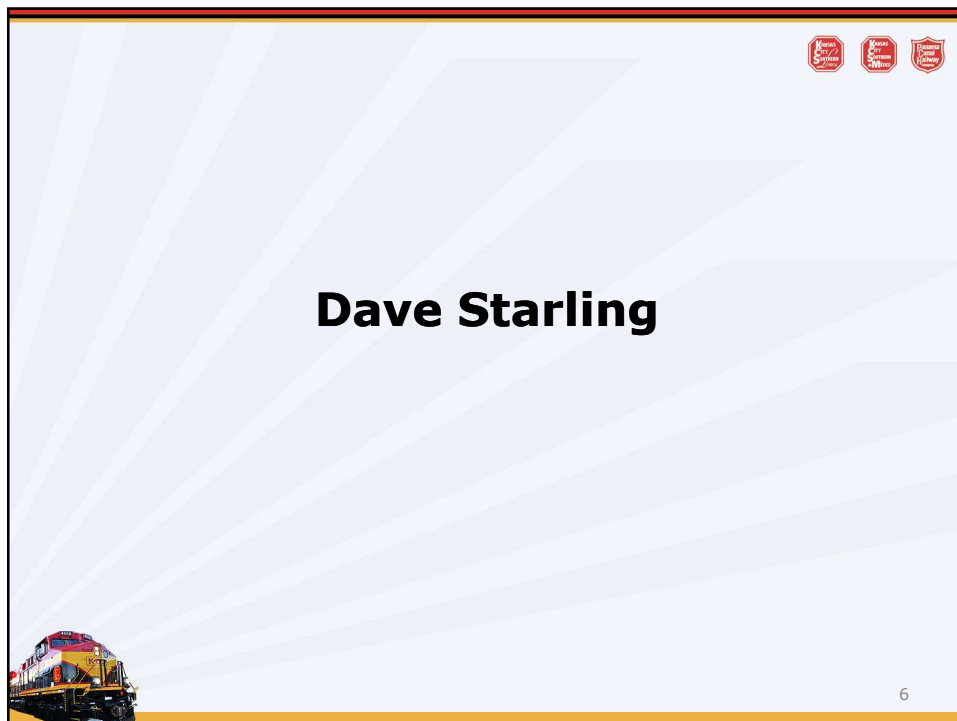
## Second Quarter Posts a Record Operating Ratio

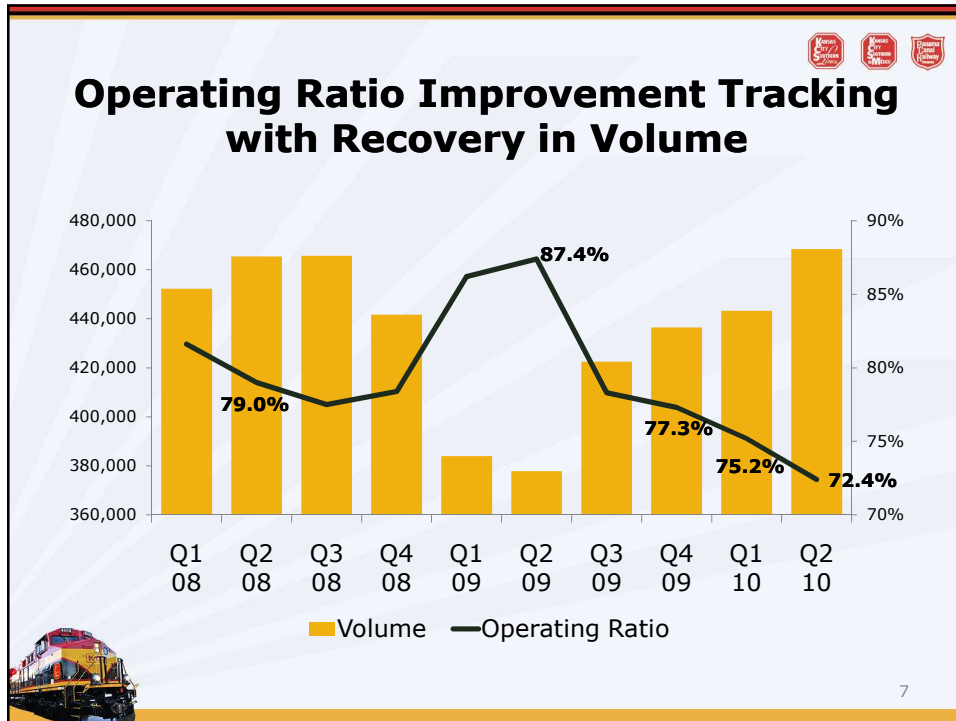
	Q2 10	Q2 09	Q2 08
<b>Carloads / Units</b> (in thousands)	<b>468.4</b>	<b>377.9</b>	<b>465.4</b>
<b>Revenue</b> (in millions)	<b>\$461.6</b>	<b>\$341.3</b>	<b>\$486.2</b>
<b>Operating Ratio</b>	<b>72.4%</b>	<b>87.4%</b>	<b>79.0%</b>
<b>Adjusted Earnings per Share</b>	<b>\$0.55*</b>	<b>\$0.07</b>	<b>\$0.58*</b>

*\*Excludes impact of debt retirement costs of \$0.21 and \$0.04 per share in second quarter 2010 and 2008 respectively. All reconciliations to GAAP can be found on the KCS website in the Investors section.*

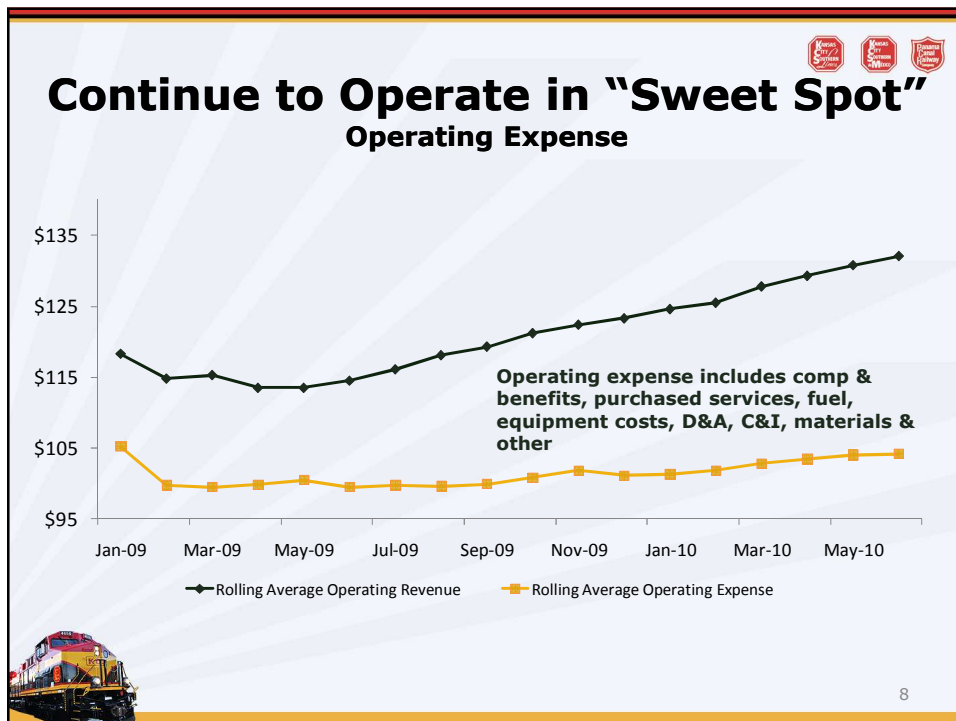


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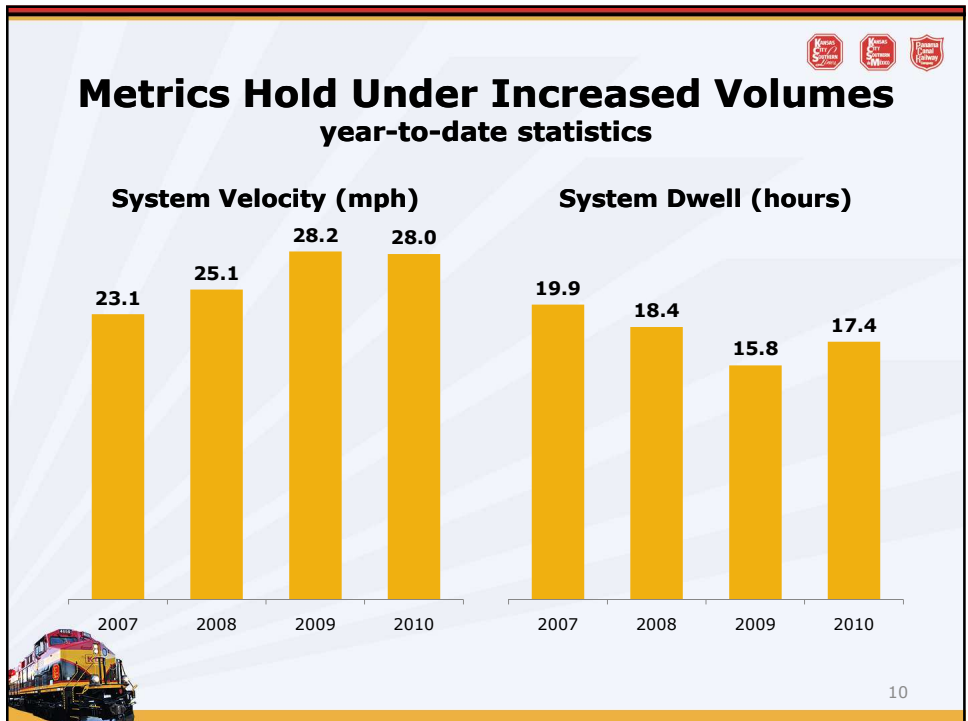
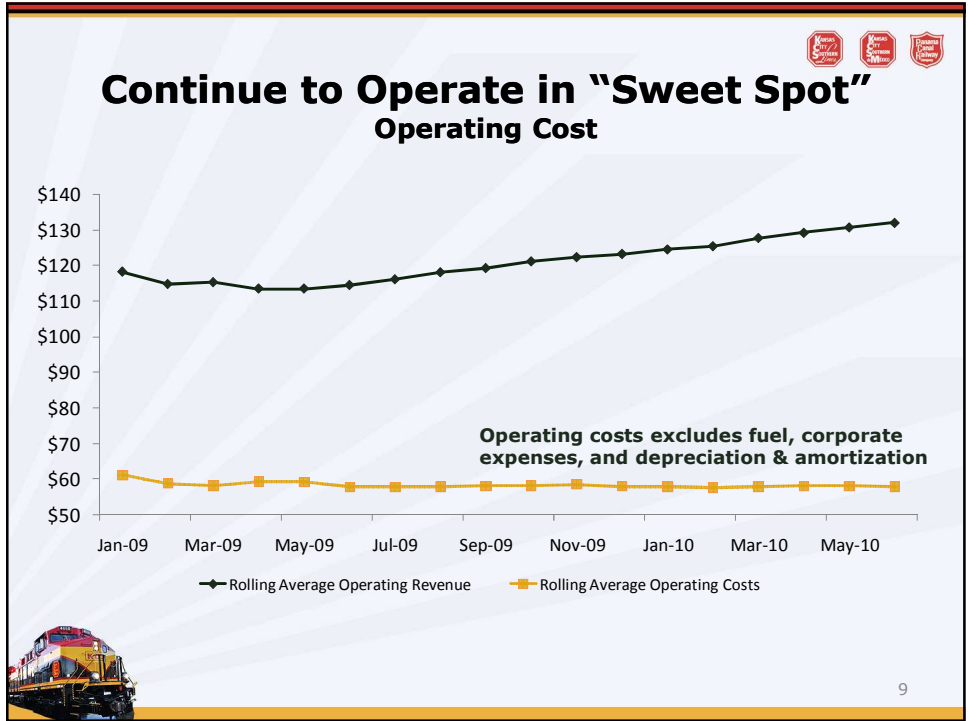


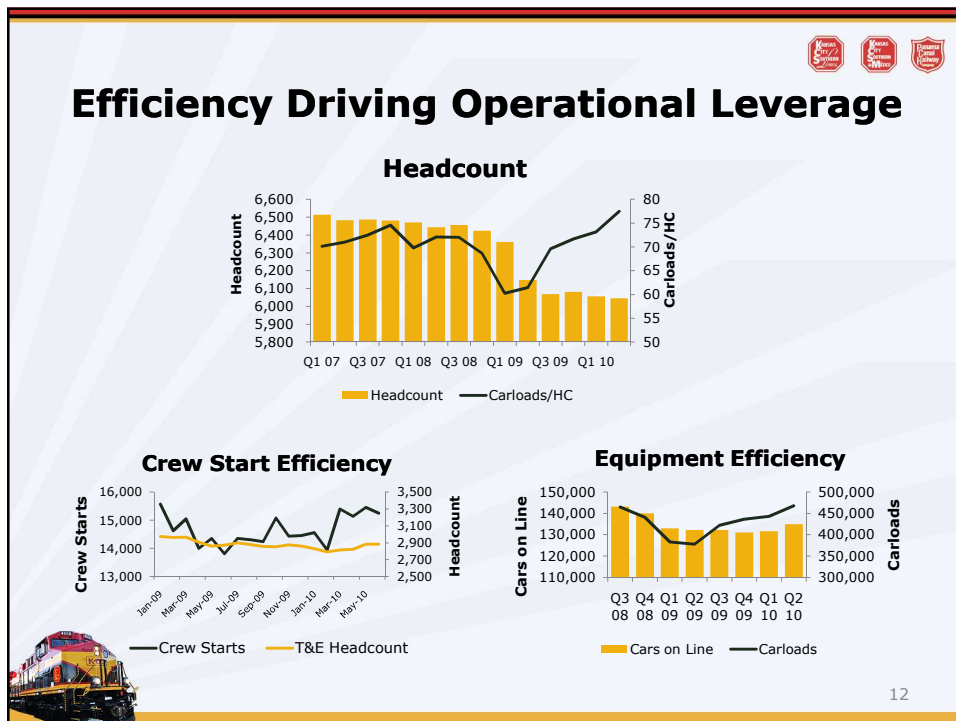
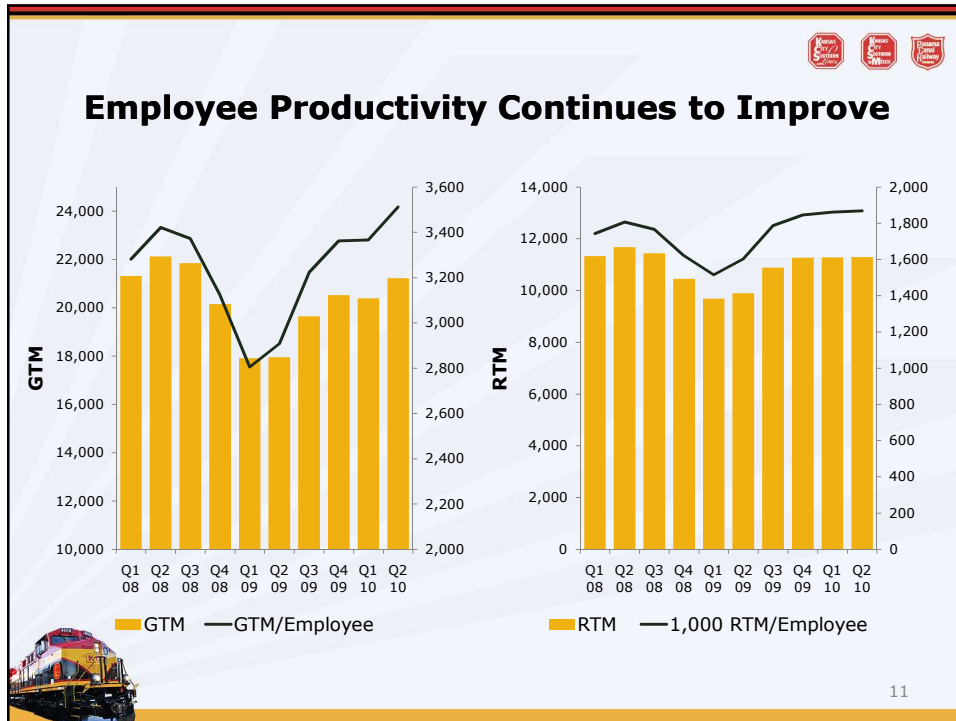


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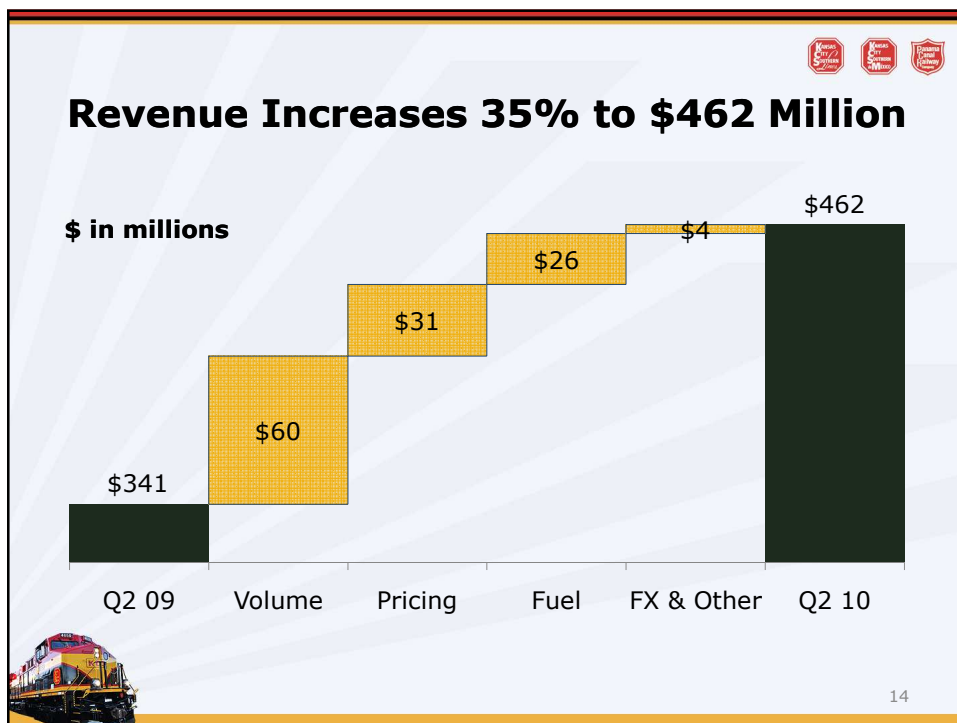


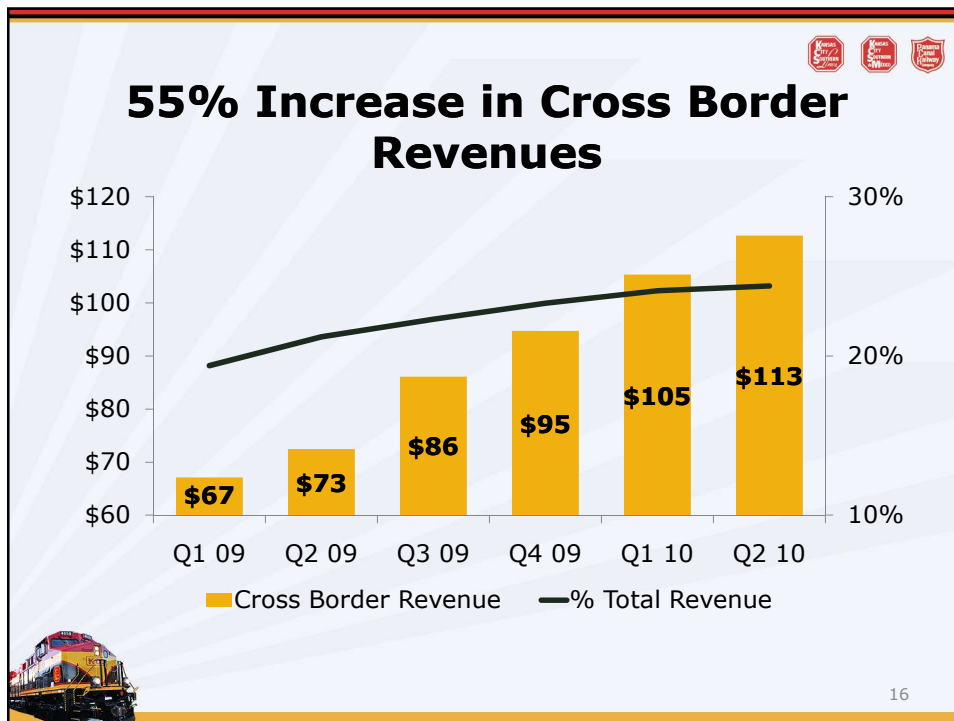
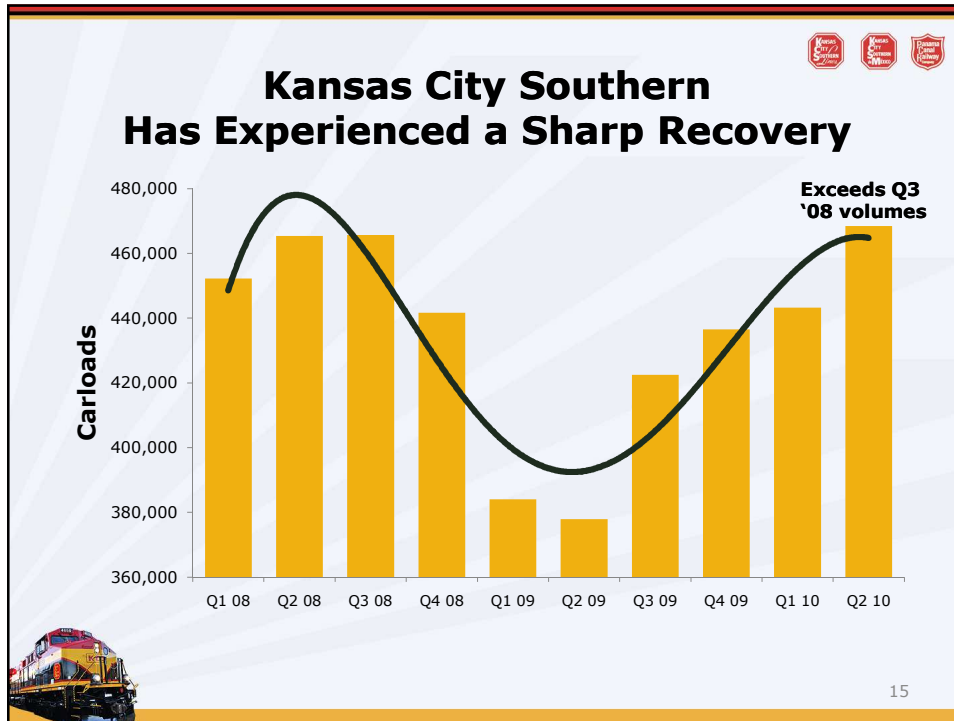
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# Pat Ottensmeyer

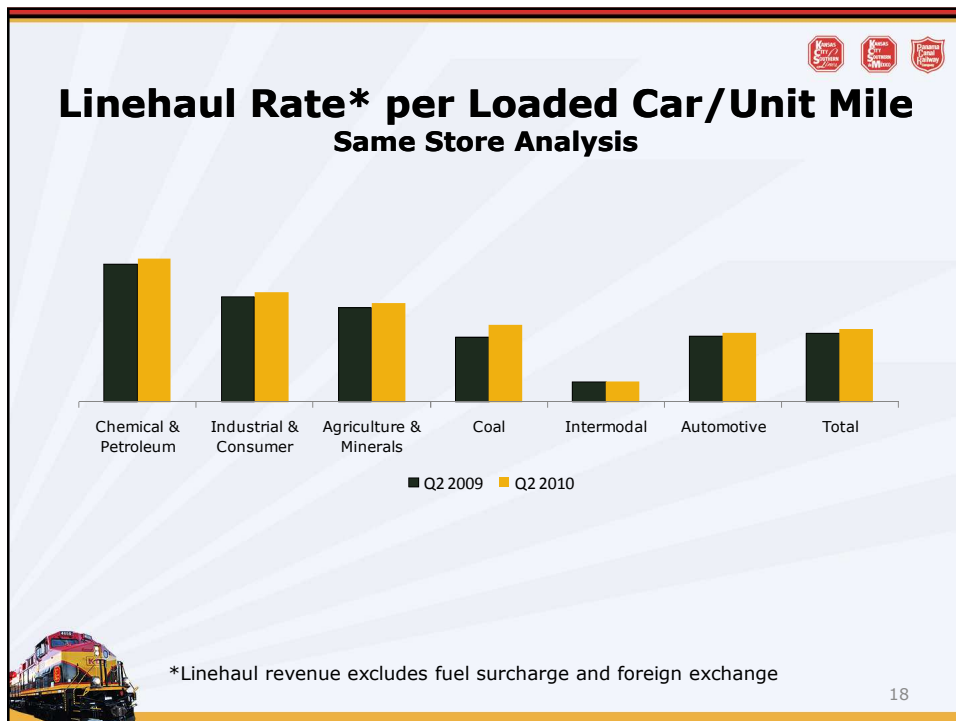
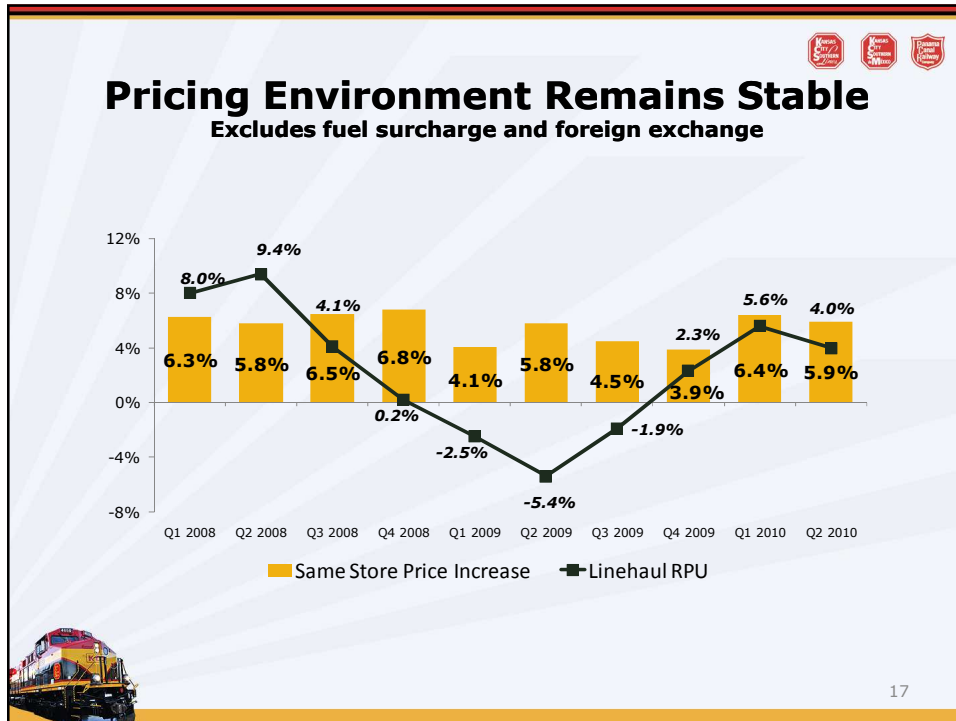


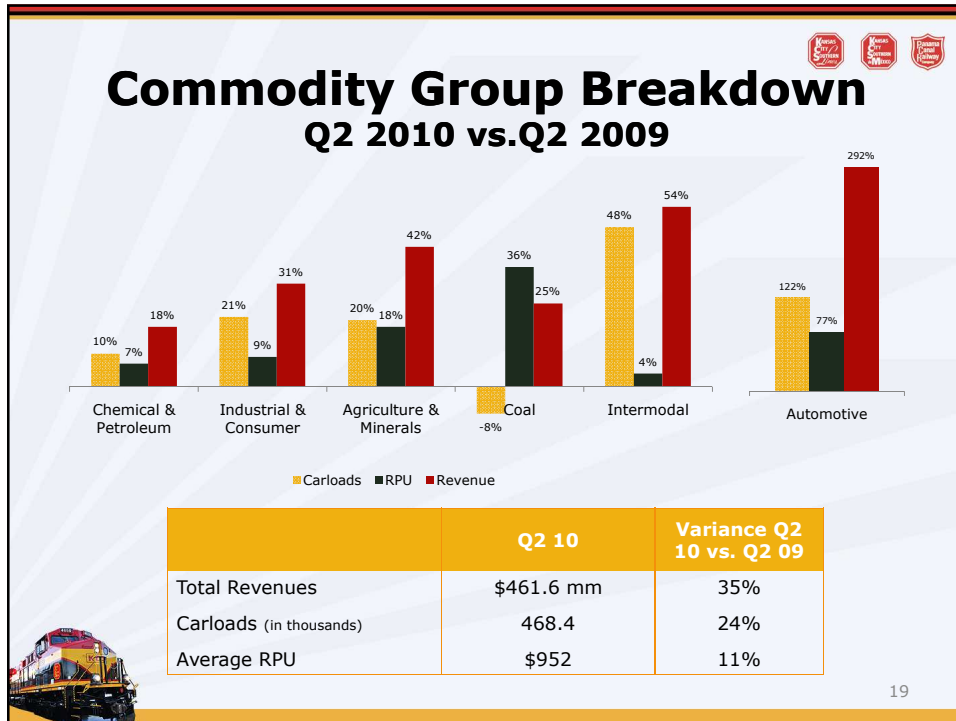
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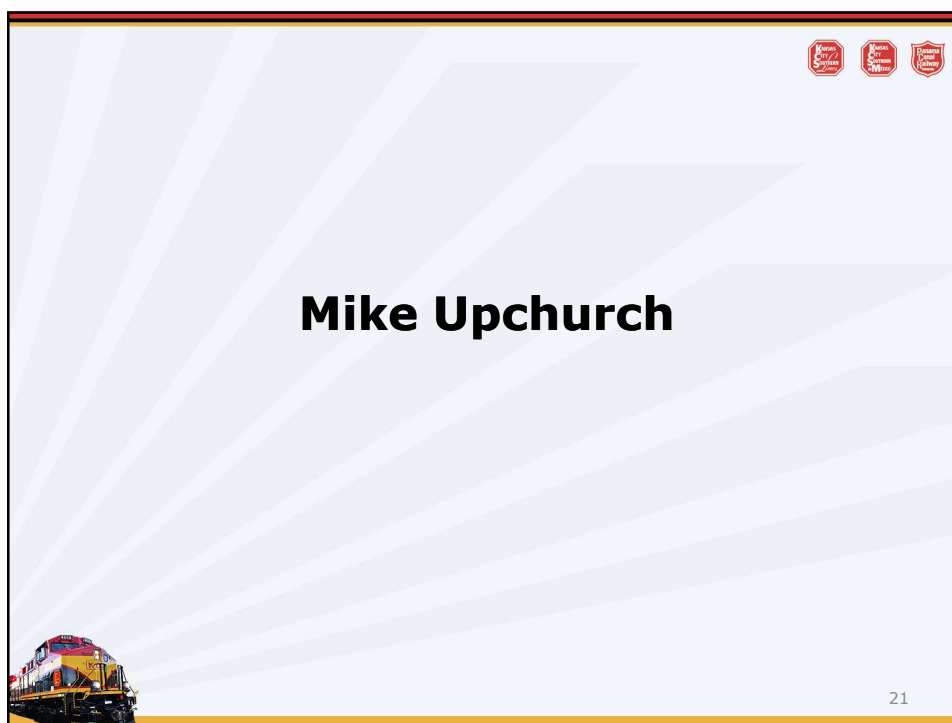







## Market Outlook

- **Hurricane service impact should be limited to Q3**
  - Embargoes have been dropped for cross border traffic
  - 3 to 4 weeks to work off the backlog and get equipment cycles back to normal
  - No major plant outages at KCSM customers
  - No longer term revenue loss expected
- **Economic recovery expected to continue into 2H 2010**
- **Mexican auto production expected to be flat with 1H 2010**
- **Cross border intermodal growth will continue to be strong**
- **Core pricing expected to remain strong throughout the year**
- **New business opportunities and cross border conversion continue to be the primary driver of long term revenue growth**

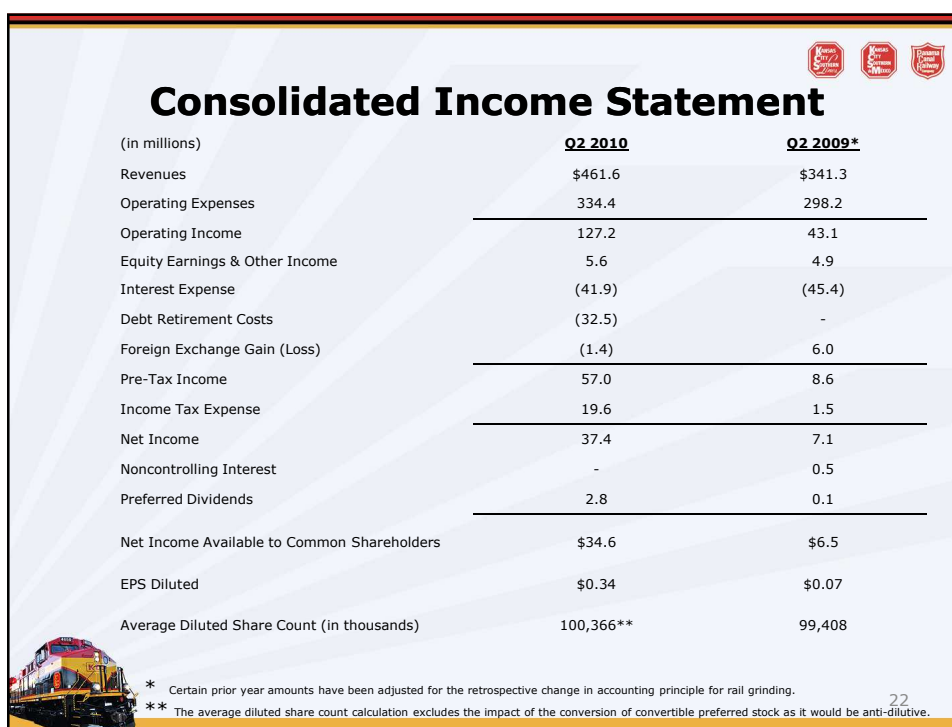
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# Mike Upchurch

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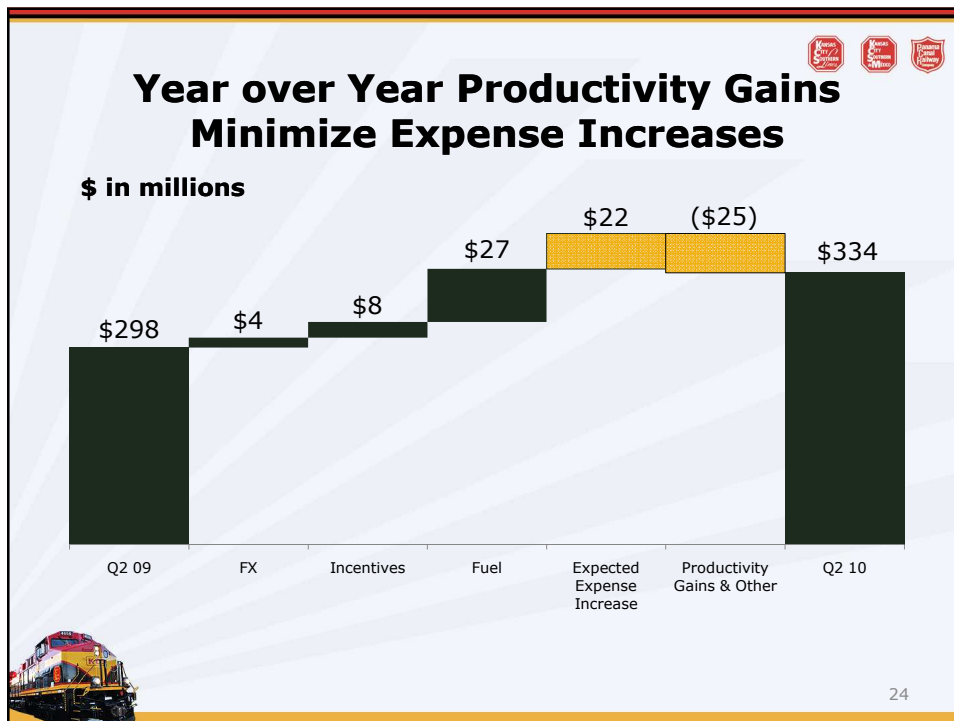
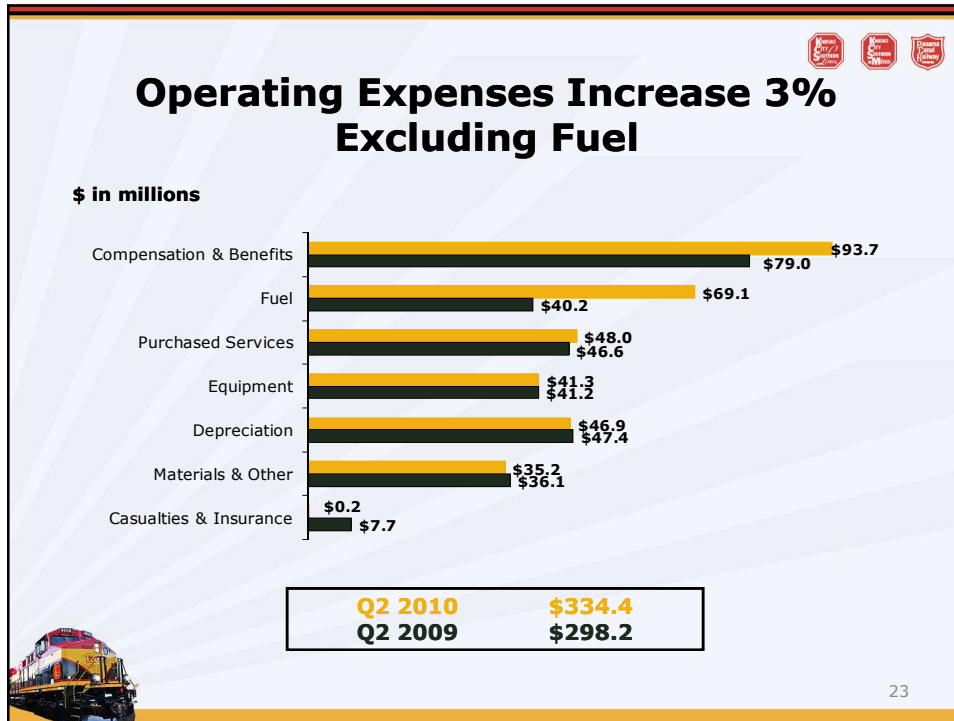
## Consolidated Income Statement

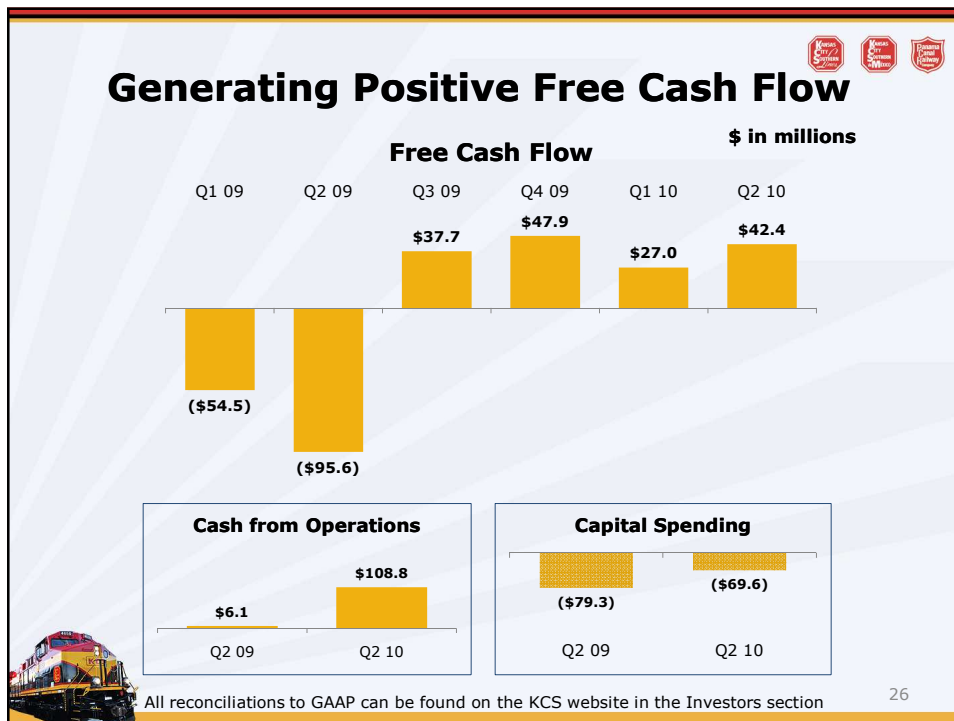
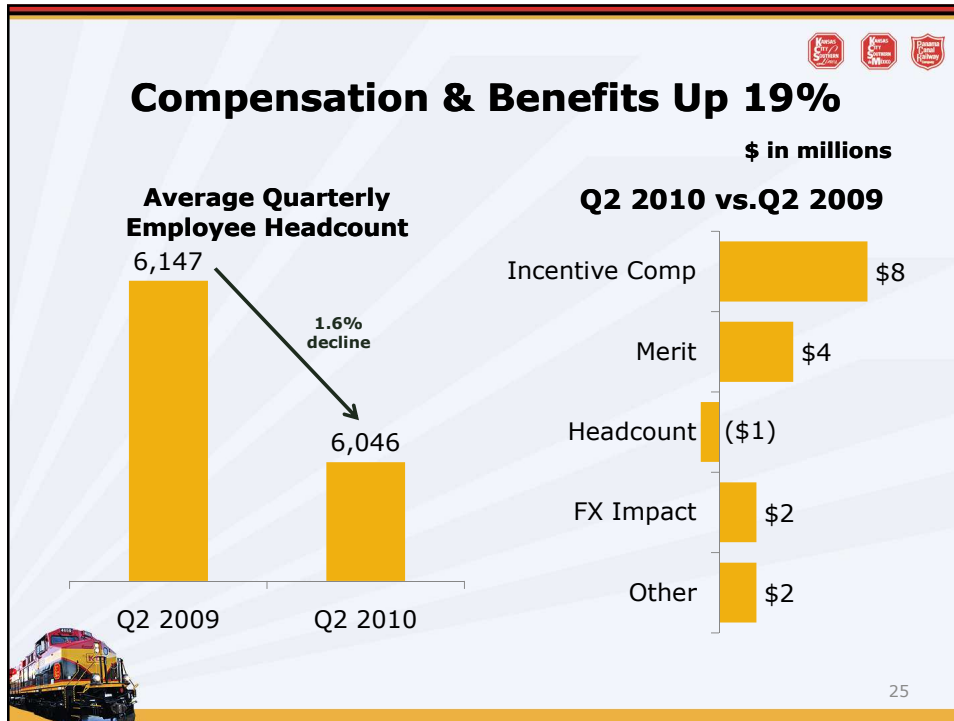
(in millions)	<u>Q2 2010</u>	<u>Q2 2009*</u>
Revenues	\$461.6	\$341.3
Operating Expenses	334.4	298.2
Operating Income	127.2	43.1
Equity Earnings & Other Income	5.6	4.9
Interest Expense	(41.9)	(45.4)
Debt Retirement Costs	(32.5)	-
Foreign Exchange Gain (Loss)	(1.4)	6.0
Pre-Tax Income	57.0	8.6
Income Tax Expense	19.6	1.5
Net Income	37.4	7.1
Noncontrolling Interest	-	0.5
Preferred Dividends	2.8	0.1
Net Income Available to Common Shareholders	\$34.6	\$6.5
EPS Diluted	\$0.34	\$0.07
Average Diluted Share Count (in thousands)	100,366**	99,408

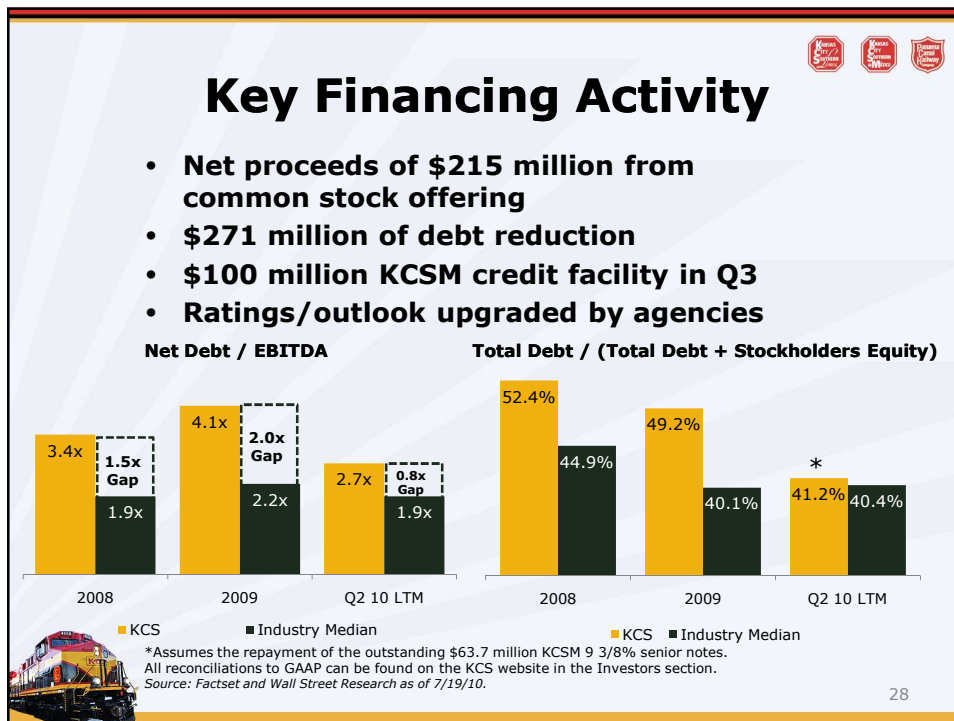
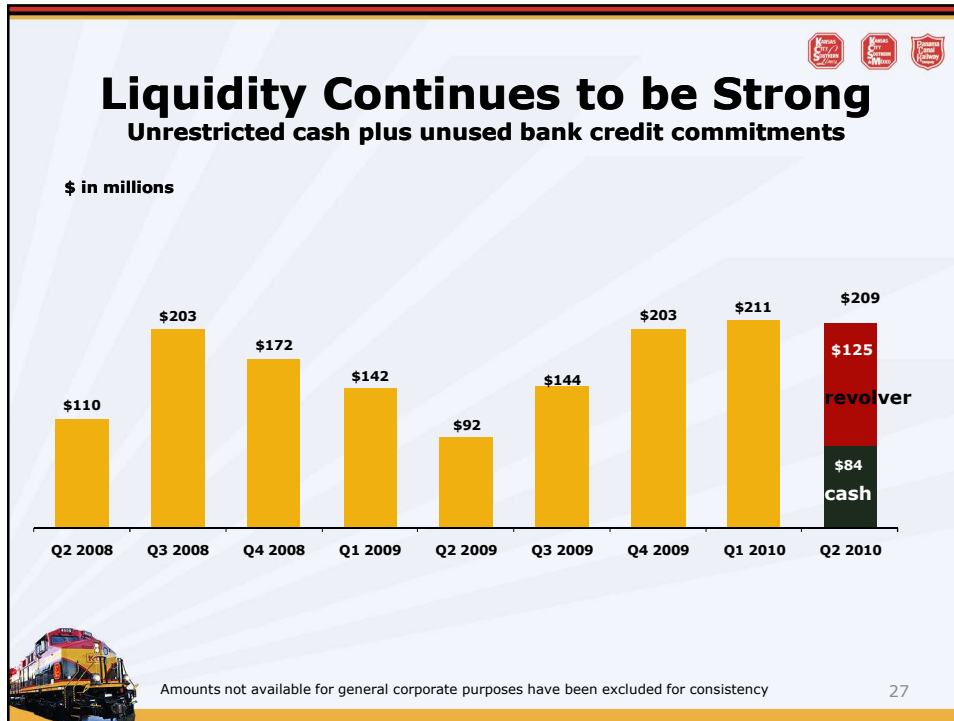
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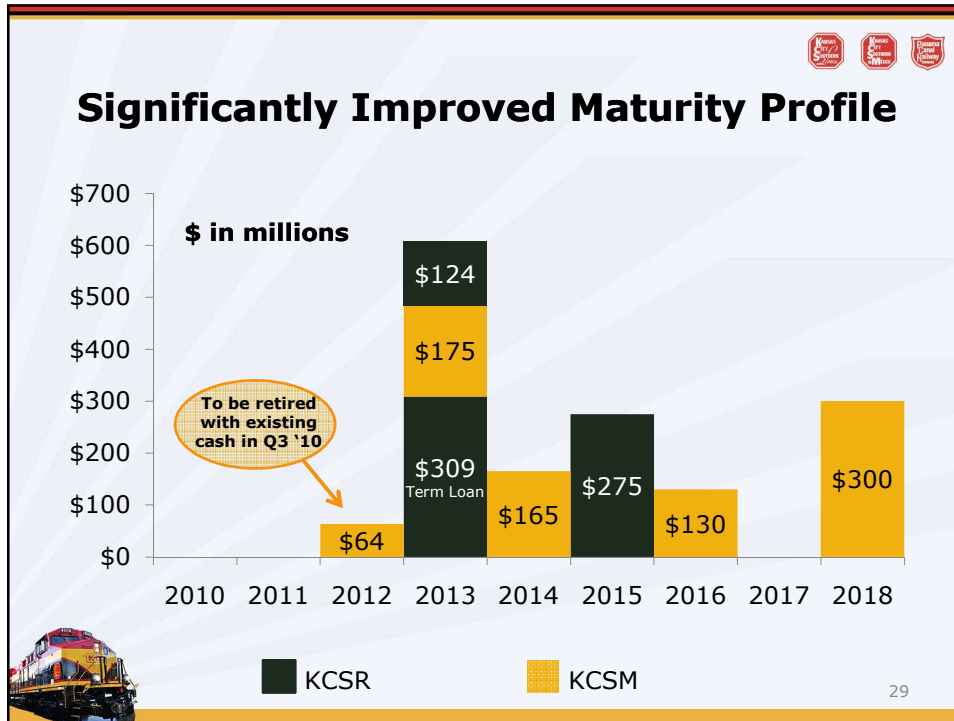
\*\* The average diluted share count calculation excludes the impact of the conversion of convertible preferred stock as it would be anti-dilutive.

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## Estimate of Hurricane Impacts

- **Loss covered under two insurance policies**
  - Property and casualty with a \$10 million deductible for flood related damage
  - General liability with a \$1 million deductible in Mexico
- **Loss expected to be below policy limits**
- **Claim will take several quarters to finalize**
  - Initial claim to be filed in early August, expect progress payments beginning Q3
- **Still early to quantify total damage estimates, particularly lost profits**
  - Third party, with hurricane experience, is assisting in claim preparation
- **Expect net cash outlay of \$11 million**
  - Income statement and balance sheet impacts dependent on type of loss
  - Preliminary EPS estimate for 2010 is \$0.05 or less
    - Expect losses recognized primarily in Q3 and insurance recoveries in Q3-Q4
  - Possible credits depending on net book value versus replacement cost


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# Mike Haverty




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## PCRC\* Doubles Second Quarter Volumes

	2Q 2010	2Q 2009	2Q 2008
Volumes	89,965 containers	43,815 containers	84,274 containers
Total Revenues	\$12.3 million	\$6.5 million	\$10.7 million
Operating Ratio	47.5%	72.2%	54.2%
Cash at End of Period	\$12.9 million	\$8.7 million	\$3.1 million

\*PCRC is a 50% equity investment



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## Closing Comments

- **Economy continues to show select signs of recovery**
- **Management transition**



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