



Kansas City Southern

Consolidated Investors' Report Third 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.

Contents

Third Quarter Press Release	2
Income Information	5
Balance Sheet Information	6
Cash Flow Information	7
Revenue Statistics by Commodity - Quarterly	8
Revenue Statistics by Commodity - Year to Date	9
Revenue by Commodity - 2011	10
Carloads and Units by Commodity - 2011	11
Productivity Statistics	12
Capital Expenditures	13
Debt Summary	14
Free Cash Flow	14
Credit Ratings	15
Non-GAAP Financial Information (Regulation G)	16

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Third Quarter Press Release

NEWS RELEASE



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Kansas City Southern Reports Record Quarterly Revenues & Operating Ratio of 68.7%

Third Quarter 2012 Results

- Record quarterly revenues of \$577 million, a 6% increase over 2011.
- Operating income of \$181 million. Adjusting for the third quarter 2011 gain on hurricane-related insurance recoveries, operating income increased by 16% compared to 2011.
- Operating ratio of 68.7%, a 2.6 point improvement compared to the 2011 adjusted operating ratio.
- Diluted earnings per share of \$0.82 compared to 2011 adjusted diluted earnings per share of \$0.78.

Kansas City, MO, October 19, 2012. Kansas City Southern (KCS) (NYSE:KSU) reported record third quarter 2012 revenues of \$577 million, an increase of 6% over third quarter 2011 on a 7% increase in carloads.

Third quarter revenue growth compared to 2011 was led by a 31% increase in Automotive and a 25% increase in Intermodal revenues. Revenue from Energy was also strong, growing 8% over 2011. Revenues from Chemical & Petroleum and Industrial & Consumer grew by 4% and 1%, respectively, in the third quarter. Agriculture & Minerals revenue declined by 10% compared to 2011.

Operating income for the third quarter of 2012 was \$181 million compared with \$182 million a year ago. Adjusting for the third quarter 2011 gain on insurance recoveries related to Hurricane Alex, operating income increased by 16% over the prior year. KCS reported a third quarter 2012 operating ratio of 68.7%, a 2.6 point improvement over the 2011 adjusted operating ratio and an all-time record.

Operating expenses in the third quarter were \$397 million compared with \$363 million in the corresponding 2011 period. Adjusting for the third quarter 2011 gain on insurance recoveries, operating expense increased by 2% over the prior year.

Reported net income in the third quarter of 2012 totaled \$91 million, or \$0.82 per diluted share, compared with \$100 million, or \$0.91 per diluted share, in the third quarter of 2011. Adjusting for the third quarter 2011 gain on insurance recoveries and debt retirement costs, earnings per diluted share increased by 5% over third quarter 2011.

“The combination of solid top line growth and disciplined operating performance resulted in KCS delivering a third quarter operating ratio of 68.7%, the best in the Company's history,” stated David L. Starling, KCS president and chief executive officer.

“Revenues were primarily driven by KCS' five fastest growing categories - automotive, cross-border intermodal, container traffic through Lázaro Cárdenas, crude oil and frac sand. Collectively, these five categories, which represent approximately 18% of total KCS freight revenues for the third quarter, grew by 46% when compared to the third quarter 2011, and we believe that there is significant long term growth potential in each of these areas.

“On the expense side, what stands out is that while KCS experienced 7% volume growth, year-over-year operating expenses increased only 2% after adjusting for the hurricane-related insurance recoveries in 2011. KCS has firm control over all aspects of its operations and in the third quarter this resulted in industry-leading employee productivity, a 2.6 point improvement in its adjusted operating ratio and excellent incremental margins.

“Given a persistently sluggish U.S. economy and the impact of this summer's drought on the nation's grain harvest, KCS' solid

third quarter operating results speak to the strength of our franchise. More importantly, over the long term we believe that KCS can produce strong and sustained financial and operating results. When we look out to a host of new and expanded business opportunities coming on-line during the second half of 2013 and beyond, there is good reason for investors to be enthusiastic about KCS' continued long-term growth trajectory.”

GAAP RECONCILIATIONS

(\$ in millions, except per share amounts)

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

	Three Months Ended September 30,	
	2012	2011
Diluted earnings per share	\$ 0.82	\$ 0.91
Adjustment for debt retirement costs	—	0.02
Adjustment for gain on insurance recoveries	—	(0.15)
Adjusted diluted earnings per share - see (a) below	\$ 0.82	\$ 0.78

Reconciliation of Operating Expenses to Adjusted Operating Expenses

	Three Months Ended September 30,	
	2012	2011
Operating expenses as reported	\$ 396.7	\$ 362.7
Adjustment for gain on insurance recoveries	—	25.6
Adjusted operating expenses - see (a) below	\$ 396.7	\$ 388.3
Operating income as reported	\$ 180.7	\$ 181.8
Adjusted operating income - see (a) below	180.7	156.2
Operating ratio (b) as reported	68.7%	66.6%
Adjusted operating ratio - see (a) below	68.7%	71.3%

(a) The Company believes adjusted diluted earnings per share, operating expenses, operating income 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		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenues	\$ 577.4	\$ 544.5	\$ 1,670.2	\$ 1,568.0
Operating expenses:				
Compensation and benefits	108.4	109.3	323.5	314.1
Purchased services	54.6	50.6	169.3	153.5
Fuel	89.5	86.5	264.7	258.0
Equipment costs	41.9	41.4	119.7	125.5
Depreciation and amortization	49.8	47.9	146.9	139.1
Materials and other	52.5	52.6	146.8	142.2
Elimination of deferred statutory profit sharing liability, net	—	—	(43.0)	—
Gain on insurance recoveries related to hurricane damage	—	(25.6)	—	(25.6)
Total operating expenses	396.7	362.7	1,127.9	1,106.8
Operating income	180.7	181.8	542.3	461.2
Equity in net earnings of unconsolidated affiliates	4.4	4.7	15.1	13.6
Interest expense	(24.1)	(32.2)	(76.6)	(97.7)
Debt retirement costs	—	(3.9)	(18.0)	(14.2)
Foreign exchange gain (loss)	3.7	(7.2)	4.1	(6.9)
Other income (expense), net	(0.1)	0.6	(0.8)	2.3
Income before income taxes	164.6	143.8	466.1	358.3
Income tax expense	73.9	43.7	179.2	122.4
Net income	90.7	100.1	286.9	235.9
Less: Net income attributable to noncontrolling interest	0.6	0.3	1.4	1.3
Net income attributable to Kansas City Southern and subsidiaries	90.1	99.8	285.5	234.6
Preferred stock dividends	0.1	—	0.2	1.5
Net income available to common stockholders	\$ 90.0	\$ 99.8	\$ 285.3	\$ 233.1
Earnings per share:				
Basic earnings per share	\$ 0.82	\$ 0.91	\$ 2.60	\$ 2.16
Diluted earnings per share	\$ 0.82	\$ 0.91	\$ 2.59	\$ 2.13
Average shares outstanding (<i>in thousands</i>):				
Basic	109,739	109,515	109,684	107,752
Potentially dilutive common shares	388	347	377	2,052
Diluted	110,127	109,862	110,061	109,804
Cash dividends declared per common share	\$ 0.195	\$ —	\$ 0.585	\$ —

Balance Sheet Information

(in millions)

(Unaudited)

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 187.0	\$ 72.4
Accounts receivable, net	200.8	166.0
Materials and supplies	123.6	109.6
Deferred income taxes	135.7	225.0
Other current assets	35.3	69.5
<hr/> Total current assets	<hr/> 682.4	<hr/> 642.5
Investments	59.7	50.4
Restricted funds	7.7	21.7
Property and equipment (including concession assets), net	5,551.6	5,349.5
Other assets	122.8	108.9
<hr/> Total assets	<hr/> <u>\$ 6,424.2</u>	<hr/> <u>\$ 6,173.0</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Debt due within one year	\$ 51.8	\$ 36.3
Accounts payable and accrued liabilities	436.3	401.1
<hr/> Total current liabilities	<hr/> 488.1	<hr/> 437.4
Long-term debt	1,557.0	1,602.8
Deferred income taxes	892.0	861.4
Other noncurrent liabilities and deferred credits	173.9	212.7
<hr/> Total liabilities	<hr/> 3,111.0	<hr/> 3,114.3
Commitments and contingencies	—	—
Stockholders' equity	7.2	7.2
Paid-in capital	916.5	884.2
Retained earnings	2,096.2	1,875.3
Accumulated other comprehensive loss	(2.3)	(2.2)
<hr/> Total stockholders' equity	<hr/> 3,017.6	<hr/> 2,764.5
Noncontrolling interest	295.6	294.2
<hr/> Total equity	<hr/> 3,313.2	<hr/> 3,058.7
<hr/> Total liabilities and equity	<hr/> <u>\$ 6,424.2</u>	<hr/> <u>\$ 6,173.0</u>

Cash Flow Information

(in millions)

(Unaudited)

	Nine Months Ended	
	September 30,	
	2012	2011
Operating activities:		
Net income	\$ 286.9	\$ 235.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	146.9	139.1
Deferred income taxes	142.3	120.2
Equity in net earnings of unconsolidated affiliates	(15.1)	(13.6)
Share-based compensation	8.3	6.4
Excess tax benefit from share-based compensation	(22.2)	—
Deferred compensation	7.3	15.9
Elimination of deferred statutory profit sharing liability	(47.8)	—
Distributions from unconsolidated affiliates	7.3	9.1
Gain on insurance recoveries related to hurricane damage	—	(25.6)
Cash payments related to hurricane damage	—	(1.9)
Insurance proceeds related to hurricane damage	—	36.6
Debt retirement costs	18.0	14.2
Changes in working capital items:		
Accounts receivable	(38.9)	(26.9)
Materials and supplies	(10.0)	(11.8)
Other current assets	3.0	(0.1)
Accounts payable and accrued liabilities	49.6	14.9
Other, net	(19.6)	(47.3)
Net cash provided by operating activities	<u>516.0</u>	<u>465.1</u>
Investing activities:		
Capital expenditures	(319.2)	(284.0)
Property investments in MSLLC	(31.4)	(29.0)
Insurance proceeds related to hurricane damage	—	12.4
Proceeds from disposal of property	12.2	6.8
Other, net	10.2	1.6
Net cash used for investing activities	<u>(328.2)</u>	<u>(292.2)</u>
Financing activities:		
Proceeds from issuance of long-term debt	329.7	500.0
Repayment of long-term debt	(363.8)	(521.9)
Debt costs	(19.3)	(18.2)
Proceeds from employee stock plans	1.1	1.8
Excess tax benefit from share-based compensation	22.2	—
Dividends paid	(43.1)	(2.9)
Net cash used for financing activities	<u>(73.2)</u>	<u>(41.2)</u>
Cash and cash equivalents:		
Net increase during each period	114.6	131.7
At beginning of year	72.4	85.4
At end of period	<u>\$ 187.0</u>	<u>\$ 217.1</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 September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2012	2011 ⁽ⁱ⁾	2012	2011 ⁽ⁱ⁾	2012	2011 ⁽ⁱ⁾
Chemical & Petroleum						
Chemicals	\$ 51.4	\$ 50.1	28.1	29.6	\$ 1,829	\$ 1,693
Petroleum	27.9	26.5	18.7	18.3	1,492	1,448
Plastics	27.1	26.0	16.0	16.6	1,694	1,566
Total	<u>106.4</u>	<u>102.6</u>	<u>62.8</u>	<u>64.5</u>	<u>1,694</u>	<u>1,591</u>
Industrial & Consumer Products						
Forest Products	63.5	62.5	32.0	33.3	1,984	1,877
Metals & Scrap	54.8	54.2	31.8	32.5	1,723	1,668
Other	19.7	20.1	21.7	21.0	908	957
Total	<u>138.0</u>	<u>136.8</u>	<u>85.5</u>	<u>86.8</u>	<u>1,614</u>	<u>1,576</u>
Agriculture & Minerals						
Grain	44.6	48.2	26.4	29.4	1,689	1,639
Food Products	34.4	38.5	15.4	17.3	2,234	2,225
Ores & Minerals	5.4	7.5	5.3	6.9	1,019	1,087
Stone, Clay & Glass	6.3	6.6	3.1	3.6	2,032	1,833
Total	<u>90.7</u>	<u>100.8</u>	<u>50.2</u>	<u>57.2</u>	<u>1,807</u>	<u>1,762</u>
Energy (i)						
Utility Coal	62.5	64.6	61.0	63.1	1,025	1,024
Coal & Petroleum Coke	8.4	9.8	11.9	11.2	706	875
Frac Sand	13.4	7.3	6.9	5.0	1,942	1,460
Crude Oil	5.0	1.1	2.7	0.8	1,852	1,375
Total	<u>89.3</u>	<u>82.8</u>	<u>82.5</u>	<u>80.1</u>	<u>1,082</u>	<u>1,034</u>
Intermodal	<u>82.0</u>	<u>65.7</u>	<u>243.3</u>	<u>208.0</u>	<u>337</u>	<u>316</u>
Automotive	<u>48.2</u>	<u>36.7</u>	<u>28.1</u>	<u>21.4</u>	<u>1,715</u>	<u>1,715</u>
Total for Commodity Groups	<u>554.6</u>	<u>525.4</u>	<u>552.4</u>	<u>518.0</u>	<u>\$ 1,004</u>	<u>\$ 1,014</u>
Other Revenue	<u>22.8</u>	<u>19.1</u>				
Total	<u>\$ 577.4</u>	<u>\$ 544.5</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 Statistics by Commodity - Year to Date

	Revenues <i>(in millions)</i>		Carloads and Units <i>(in thousands)</i>		Revenue per Carload/Unit	
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011 ⁽ⁱ⁾	2012	2011 ⁽ⁱ⁾	2012	2011 ⁽ⁱ⁾
Chemical & Petroleum						
Chemicals	\$ 149.5	\$ 147.9	84.2	89.2	\$ 1,776	\$ 1,658
Petroleum	79.2	83.2	52.8	55.5	1,500	1,499
Plastics	77.6	73.6	48.2	48.7	1,610	1,511
Total	<u>306.3</u>	<u>304.7</u>	<u>185.2</u>	<u>193.4</u>	<u>1,654</u>	<u>1,575</u>
Industrial & Consumer Products						
Forest Products	189.9	174.0	97.4	96.8	1,950	1,798
Metals & Scrap	168.6	149.1	95.5	90.4	1,765	1,649
Other	55.3	57.2	61.3	62.3	902	918
Total	<u>413.8</u>	<u>380.3</u>	<u>254.2</u>	<u>249.5</u>	<u>1,628</u>	<u>1,524</u>
Agriculture & Minerals						
Grain	167.2	158.1	95.5	95.0	1,751	1,664
Food Products	105.0	113.6	46.5	53.0	2,258	2,143
Ores & Minerals	16.6	21.8	16.2	21.4	1,025	1,019
Stone, Clay & Glass	19.8	19.1	9.9	10.3	2,000	1,854
Total	<u>308.6</u>	<u>312.6</u>	<u>168.1</u>	<u>179.7</u>	<u>1,836</u>	<u>1,740</u>
Energy (i)						
Utility Coal	156.9	178.6	160.1	179.1	980	997
Coal & Petroleum Coke	24.5	28.4	33.3	32.2	736	882
Frac Sand	37.7	22.1	19.7	15.6	1,914	1,417
Crude Oil	9.1	2.8	5.2	1.9	1,750	1,474
Total	<u>228.2</u>	<u>231.9</u>	<u>218.3</u>	<u>228.8</u>	<u>1,045</u>	<u>1,014</u>
Intermodal	<u>226.5</u>	<u>181.9</u>	<u>679.4</u>	<u>578.5</u>	<u>333</u>	<u>314</u>
Automotive	<u>125.3</u>	<u>102.2</u>	<u>75.2</u>	<u>62.0</u>	<u>1,666</u>	<u>1,648</u>
Total for Commodity Groups	<u>1,608.7</u>	<u>1,513.6</u>	<u>1,580.4</u>	<u>1,491.9</u>	<u>\$ 1,018</u>	<u>\$ 1,015</u>
Other Revenue	<u>61.5</u>	<u>54.4</u>				
Total	<u>\$ 1,670.2</u>	<u>\$ 1,568.0</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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Gross Ton Miles (GTM) (in millions) (a)	22,665	21,932	66,198	65,006
Average Employees - Total	6,106	6,112	6,088	6,098
Average Employees - Union	4,698	4,723	4,685	4,702
GTM's per Average Employee (in millions)	3.71	3.59	10.87	10.66
Operating Ratio	68.7%	66.6%	67.5%	70.6%
Adjusted Operating Ratio *	68.7%	71.3%	70.1%	72.2%
Locomotive Fuel Statistics				
Locomotive fuel consumed in gallons (in millions)	31.9	30.9	94.2	93.2
Average price per gallon	\$2.80	\$2.80	\$2.81	\$2.76
AAR Reported Performance Measures				
Average train speed (miles per hour)	27.1	26.8	27.4	26.8
Average terminal dwell times (hours)	18.3	18.3	19.0	18.1
Revenue Ton Miles (in Millions)				
Chemical & Petroleum	1,827	1,824	5,432	5,459
Industrial & Consumer Products	2,416	2,404	7,261	6,802
Agriculture & Minerals	2,526	2,808	8,709	9,197
Energy	3,470	3,347	8,759	9,543
Intermodal	1,081	962	3,081	2,715
Automotive	356	253	875	657
Total	<u>11,676</u>	<u>11,598</u>	<u>34,117</u>	<u>34,373</u>

(a) Excludes Locomotive Gross Ton Miles

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

Capital Expenditures

(in millions)

	Nine Months Ended September 30,	
	2012	2011
Roadway capital program	\$ 210.8	\$ 189.4
Locomotive acquisitions	—	103.8
Equipment (i)	37.7	10.6
Capacity	25.3	12.5
Information technology	4.7	6.7
Other	18.4	34.8
Total capital expenditures (accrual basis)	<u>296.9</u>	<u>357.8</u>
Locomotives financed under operating lease buyout	—	(91.0)
Change in capital accruals	22.3	17.2
Total cash capital expenditures	<u>\$ 319.2</u>	<u>\$ 284.0</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>108.0</u>	<u>92.1</u>
Cross ties installed (thousands)	<u>623</u>	<u>532</u>

Debt Summary

(in millions)

	Expiration Date	Interest Rate	September 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	285.0	296.3
KCSR Term Loan A-2	1/15/2017	Floating	265.9	—
Total Bank Facilities			<u>550.9</u>	<u>346.3</u>
KCSR Senior Notes	6/1/2015	8.000%	—	275.0
KCSM Senior Notes	4/1/2016	12.500%	94.8	94.3
KCSM Senior Notes	2/1/2018	8.000%	296.8	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>776.6</u>	<u>1,050.8</u>
KCSM GE Loan Agreement (Operating lease buyout)	12/15/2020	9.311%	83.3	88.1
KCSM Loan and Security Agreement	2/28/2023	5.737%	48.4	52.8
KCSM Loan Agreement	9/29/2023	6.195%	38.3	40.9
Tex Mex RRIF Loan	7/13/2030	4.290%	41.4	42.5
KCSR RRIF Loan	2/24/2037	2.960%	53.9	—
Capital Leases	Various	Various	12.4	13.2
Other	Various	Various	3.6	4.5
Total Debt			<u>\$ 1,608.8</u>	<u>\$ 1,639.1</u>

Free Cash Flow*

(in millions)

	Nine Months Ended September 30,	
	2012	2011
Net cash provided by operating activities	\$ 516.0	\$ 465.1
Cash used for capital expenditures	(319.2)	(284.0)
Other investing activities, net	(9.0)	(8.2)
Dividends paid	(43.1)	(2.9)
Free cash flow	<u>\$ 144.7</u>	<u>\$ 170.0</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 September 30, 2012.

	<u>S&P</u>	<u>Moody's</u>	<u>Fitch ⁽¹⁾</u>
KCS			
Outlook	Positive	Stable	Stable
Corporate	BB+	Ba1	BBB-
KCSR			
Outlook	Positive	Stable	Stable
Senior Secured	BBB	Baa3	BBB
Senior Unsecured	BB+	Ba2	BBB-
KCSM			
Outlook	Positive	Stable	Stable
Corporate	N/A	Ba2	N/A
Senior Secured	BBB-	Ba1	N/A
Senior Unsecured	BB+	Ba2	BBB-

(1) In the third quarter of 2012, Fitch Ratings ("Fitch") initiated coverage of KCS and KCSR and assigned an investment grade Issuer Default Rating (IDR) (equivalent to a Corporate rating for a company that does not issue debt and a senior unsecured rating for an entity that issues debt) to KCS and KCSR. Fitch also assigned an investment grade rating to the KCSR Credit Agreement. In addition, Fitch upgraded KCSM's IDR and senior unsecured debt rating to investment grade during the third quarter.

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.

	Nine Months Ended	
	September 30,	
	2012	2011
Reconciliation of Free Cash Flow to Net Increase in Cash and Cash Equivalents:		
Net cash provided by operating activities	\$ 516.0	\$ 465.1
Net cash used for investing activities	(328.2)	(292.2)
Dividends paid	(43.1)	(2.9)
Free cash flow - see (a) below	144.7	170.0
Proceeds from issuance of long-term debt	329.7	500.0
Repayment of long-term debt	(363.8)	(521.9)
Other financing activities	4.0	(16.4)
GAAP net increase in cash and cash equivalents	<u>\$ 114.6</u>	<u>\$ 131.7</u>

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Reconciliation of Operating Expenses to Adjusted Operating Expenses:				
Operating expenses as reported	\$ 396.7	\$ 362.7	\$ 1,127.9	\$ 1,106.8
Adjustment for elimination of net deferred liability	—	—	43.0	—
Adjustment for gain on insurance recoveries	—	25.6	—	25.6
Adjusted operating expenses - see (b) below	<u>\$ 396.7</u>	<u>\$ 388.3</u>	<u>\$ 1,170.9</u>	<u>\$ 1,132.4</u>
Operating ratio (c) as reported	68.7%	66.6%	67.5%	70.6%
Adjusted operating ratio - see (b) below	68.7%	71.3%	70.1%	72.2%

- (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.