

KANSAS CITY SOUTHERN FOURTH QUARTER 2014 ANALYST PRESENTATION AND PRESS RELEASE

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 December 31, 2014			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 170.2	\$ 28.5	\$ 141.7	\$ 1.28
Adjustments for:				
Foreign exchange loss	31.4	9.4	22.0	0.20
Foreign exchange component of income taxes	-	22.9	(22.9)	(0.21)
Adjusted	<u>\$ 201.6</u>	<u>\$ 60.8</u>	140.8	
Less: Noncontrolling interest	(i)	(ii)	(0.7)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 140.1</u>	<u>\$ 1.27</u>
Adjusted effective income tax rate - see (a) below			<u>30.2%</u>	
			(ii)/(i)	

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

	Three Months Ended December 31, 2013			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 180.9	\$ 66.5	\$ 114.4	\$ 1.03
Adjustments for:				
Debt retirement costs	5.4	1.6	3.8	0.03
Foreign exchange gain	(4.9)	(1.4)	(3.5)	(0.03)
Foreign exchange component of income taxes	-	0.4	(0.4)	-
Adjusted	<u>\$ 181.4</u>	<u>\$ 67.1</u>	114.3	
Less: Noncontrolling interest	(i)	(ii)	(0.6)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 113.7</u>	<u>\$ 1.03</u>
Adjusted effective income tax rate - see (a) below			<u>37.0%</u>	
			(ii)/(i)	

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

	Twelve Months Ended December 31, 2014			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 713.1	\$ 208.8	\$ 504.3	\$ 4.55
Adjustments for:				
Lease termination costs	38.3	13.0	25.3	0.23
Debt retirement costs	6.6	2.2	4.4	0.04
Foreign exchange loss	35.5	10.6	24.9	0.22
Foreign exchange component of income taxes	-	24.2	(24.2)	(0.22)
Adjusted	<u>\$ 793.5</u>	<u>\$ 258.8</u>	534.7	
Less: Noncontrolling interest and preferred stock dividends	(i)	(ii)	(1.9)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 532.8</u>	<u>\$ 4.82</u>
Adjusted effective income tax rate - see (a) below			<u>32.6%</u>	
			(ii)/(i)	

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

	Twelve Months Ended December 31, 2013			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 551.6	\$ 198.3	\$ 353.3	\$ 3.18
Adjustments for:				
Debt retirement costs	119.2	35.9	83.3	0.76
Foreign exchange loss	5.2	1.6	3.6	0.03
Foreign exchange component of income taxes	-	(1.3)	1.3	0.01
Adjusted	<u>\$ 676.0</u>	<u>\$ 234.5</u>	441.5	
Less: Noncontrolling interest and preferred stock dividends	(i)	(ii)	(2.1)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 439.4</u>	<u>\$ 3.98</u>
Adjusted effective income tax rate - see (a) below			<u>34.7%</u>	
			(ii)/(i)	

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

	Twelve Months Ended December 31, 2012			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 616.4	\$ 237.0	\$ 379.4	\$ 3.43
Adjustments for:				
Debt retirement costs	20.1	7.6	12.5	0.11
Elimination of net deferred statutory profit sharing liability	(43.0)	(12.9)	(30.1)	(0.27)
Foreign exchange gain	(2.7)	(0.8)	(1.9)	(0.02)
Foreign exchange component of income taxes	-	(33.9)	33.9	0.31
Adjusted	<u>\$ 590.8</u>	<u>\$ 197.0</u>	393.8	
Less: Noncontrolling interest and preferred stock dividends	(i)	(ii)	(2.3)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 391.5</u>	<u>\$ 3.56</u>
Adjusted effective income tax rate - see (a) below			<u>33.3%</u>	
			(ii)/(i)	

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

	Twelve Months Ended December 31, 2011			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 455.0	\$ 123.1	\$ 331.9	\$ 3.00
Adjustments for:				
Debt retirement costs	38.7	13.9	24.8	0.23
Gain on insurance recoveries	(25.6)	(8.6)	(17.0)	(0.15)
Foreign exchange loss	9.2	2.8	6.4	0.06
Foreign exchange component of income taxes	-	25.9	(25.9)	(0.24)
Adjusted	<u>\$ 477.3</u>	<u>\$ 157.1</u>	320.2	
Less: Noncontrolling interest and preferred stock dividends	(i)	(ii)	(3.2)	
Add: Effect of dividends on conversion of convertible preferred stock			1.3	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 318.3</u>	<u>\$ 2.90</u>
Adjusted effective income tax rate - see (a) below			<u>32.9%</u>	
			(ii)/(i)	

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

	Twelve Months Ended December 31, 2010			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 289.2	\$ 109.2	\$ 180.0	\$ 1.67
Adjustments for:				
Debt retirement costs	68.3	21.8	46.5	0.44
Foreign exchange gain	(4.7)	(1.4)	(3.3)	(0.03)
Foreign exchange component of income taxes	-	(18.4)	18.4	0.17
Adjusted	<u>\$ 352.8</u>	<u>\$ 111.2</u>	241.6	
Less: Noncontrolling interest and preferred stock dividends	(i)	(ii)	(10.8)	
Add: Effect of dividends on conversion of convertible preferred stock			10.8	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 241.6</u>	<u>\$ 2.25</u>
Adjusted effective income tax rate - see (a) below			<u>31.5%</u>	
			(ii)/(i)	

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

	Twelve Months Ended December 31, 2009			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 102.2	\$ 34.1	\$ 68.1	\$ 0.60
Adjustments for:				
Debt retirement costs	5.9	2.2	3.7	0.04
Foreign exchange gain	(2.1)	(0.6)	(1.5)	(0.02)
Foreign exchange component of income taxes	-	(13.6)	13.6	0.15
Adjusted	<u>\$ 106.0</u>	<u>\$ 22.1</u>	83.9	
Less: Noncontrolling interest and preferred stock dividends	(i)	(ii)	(12.0)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 71.9</u>	<u>\$ 0.77</u>
Adjusted effective income tax rate - see (a) below			<u>20.8%</u>	
			(ii)/(i)	

Reconciliation of Operating Expenses to Adjusted Operating Expenses:

	Twelve Months Ended December 31,	
	2014	2013
Operating expenses as reported	\$ 1,768.0	\$ 1,630.7
Adjustment for lease termination costs	(38.3)	-
Adjusted operating expenses - see (b) below	<u>\$ 1,729.7</u>	<u>\$ 1,630.7</u>
Operating income as reported	\$ 809.1	\$ 738.6
Adjusted operating income - see (b) below	847.4	738.6
Operating ratio (c) as reported	68.6%	68.8%
Adjusted operating ratio - see (b) and (c) below	67.1%	68.8%

(a) The Company believes adjusted diluted earnings per share and the related adjusted effective income tax rate are meaningful as these measures allow investors to evaluate the Company's performance for different periods on a more comparable basis by excluding the impact of changes in foreign currency exchange rates and items that are not directly related to the ongoing operations of the Company.

(b) The Company believes adjusted 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 are not directly related to the ongoing operations of the Company.

(c) Operating ratio is calculated by dividing operating expenses by revenues; or in the case of adjusted operating ratio, adjusted operating expenses divided by revenues.