

KANSAS CITY SOUTHERN FOURTH QUARTER 2015 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 December 31, 2015			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 186.7	\$ 46.7	\$ 140.0	\$ 1.28
Adjustments for:				
Debt retirement and exchange costs	7.6	2.7	4.9	\$ 0.05
Foreign exchange loss	4.5	1.4	3.1	0.03
Foreign exchange component of income taxes	-	13.9	(13.9)	(0.13)
Adjusted	<u>\$ 198.8</u>	<u>\$ 64.7</u>	134.1	
Less: Noncontrolling interest			(0.7)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 133.4</u>	<u>\$ 1.23</u>

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			(0.7)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 140.1</u>	<u>\$ 1.27</u>

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

	Twelve Months Ended December 31, 2015			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 672.6	\$ 187.3	\$ 485.3	\$ 4.40
Adjustments for:				
Lease termination costs	9.6	2.9	6.7	0.06
Debt retirement and exchange costs	7.6	2.7	4.9	0.04
Foreign exchange loss	56.6	17.0	39.6	0.36
Foreign exchange component of income taxes	-	40.5	(40.5)	(0.37)
Adjusted	<u>\$ 746.4</u>	<u>\$ 250.4</u>	496.0	
Less: Noncontrolling interest and preferred stock dividends			(2.0)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 494.0</u>	<u>\$ 4.49</u>

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 and exchange 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			(1.9)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 532.8</u>	<u>\$ 4.82</u>

Reconciliation of Operating Expenses to Adjusted Operating Expenses:

	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015	Three Months Ended March 31, 2015
Operating expenses as reported	\$ 379.1	\$ 412.0	\$ 399.0	\$ 424.9
Adjustment for lease termination costs	-	-	-	(9.6)
Adjusted operating expenses - see (b) below	<u>\$ 379.1</u>	<u>\$ 412.0</u>	<u>\$ 399.0</u>	<u>\$ 415.3</u>
Operating income as reported	\$ 218.9	\$ 219.9	\$ 186.8	\$ 178.2
Adjusted operating income - see (b) below	218.9	219.9	186.8	187.8
Operating ratio (c) as reported	63.4%	65.2%	68.1%	70.5%
Adjusted operating ratio - see (b) and (c) below	63.4%	65.2%	68.1%	68.9%

Reconciliation of Operating Expenses to Adjusted Operating Expenses:

	Three Months Ended December 31, 2014	Three Months Ended September 30, 2014	Three Months Ended June 30, 2014	Three Months Ended March 31, 2014
Operating expenses as reported	\$ 428.6	\$ 448.1	\$ 443.9	\$ 447.4
Adjustment for lease termination costs	-	-	(8.4)	(29.9)
Adjusted operating expenses - see (b) below	<u>\$ 428.6</u>	<u>\$ 448.1</u>	<u>\$ 435.5</u>	<u>\$ 417.5</u>
Operating income as reported	\$ 213.9	\$ 229.4	\$ 205.8	\$ 160.0
Adjusted operating income - see (b) below	213.9	229.4	214.2	189.9
Operating ratio (c) as reported	66.7%	66.1%	68.3%	73.7%
Adjusted operating ratio - see (b) and (c) below	66.7%	66.1%	67.0%	68.7%

Reconciliation of Operating Expenses to Adjusted Operating Expenses:

	Twelve Months Ended December 31,	
	2015	2014
Operating expenses as reported	\$ 1,615.0	\$ 1,768.0
Adjustment for lease termination costs	(9.6)	(38.3)
Adjusted operating expenses - see (b) below	<u>\$ 1,605.4</u>	<u>\$ 1,729.7</u>
Operating income as reported	\$ 803.8	\$ 809.1
Adjusted operating income - see (b) below	813.4	847.4
Operating ratio (c) as reported	66.8%	68.6%
Adjusted operating ratio - see (b) and (c) below	66.4%	67.1%

Estimated Foreign Exchange and U.S. Fuel Price Impacts

	Three Months Ended		Reported Change		Estimated Adjustment for Foreign Exchange	Foreign Exchange Adjusted Change	Estimated Adjustment for U.S. Fuel Price	U.S Fuel Price Adjusted Change	Foreign Exchange and U.S. Fuel Price Adjusted Change
	December 31,		\$	%					
	2015	2014							
Chemicals & Petroleum	\$ 120.4	\$ 115.3	\$ 5.1	4%	\$ 3.5	7%	\$ 4.3	8%	11%
Industrial & Consumer Products	129.6	151.1	(21.5)	(14%)	4.5	(11%)	6.1	(10%)	(7%)
Agriculture & Minerals	108.6	113.7	(5.1)	(4%)	1.9	(3%)	8.1	3%	4%
Energy	67.8	76.5	(8.7)	(11%)	0.9	(10%)	4.6	(5%)	(4%)
Intermodal	93.4	102.4	(9.0)	(9%)	0.1	(9%)	3.3	(6%)	(5%)
Automotive	54.7	60.6	(5.9)	(10%)	8.6	4%	0.8	(8%)	6%
Other revenues	23.5	22.9	0.6	3%	0.7	6%	-	3%	6%
Total revenues - see (d) below	\$ 598.0	\$ 642.5	\$ (44.5)	(7%)	\$ 20.2	(4%)	\$ 27.2	(3%)	-
Compensation and benefits	\$ 103.9	\$ 123.2	\$ (19.3)	(16%)	\$ 5.8	(11%)	\$ -	(16%)	(11%)
Purchased services	50.9	62.0	(11.1)	(18%)	2.4	(14%)	-	(18%)	(14%)
Fuel	69.9	95.1	(25.2)	(26%)	9.3	(17%)	15.2	(11%)	(1%)
Equipment costs	29.2	29.6	(0.4)	(1%)	-	(1%)	-	(1%)	(1%)
Depreciation and amortization	73.9	67.3	6.6	10%	-	10%	-	10%	10%
Materials and other	51.3	51.4	(0.1)	-	2.9	5%	-	-	5%
Total operating expenses - see (d) below	\$ 379.1	\$ 428.6	\$ (49.5)	(12%)	\$ 20.4	(7%)	\$ 15.2	(8%)	(3%)

(a) The Company believes adjusted diluted earnings per share is meaningful as it allows 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.

(d) The Company believes revenue and operating expense changes excluding foreign exchange and U.S. fuel price impacts are meaningful measures as they allow investors to evaluate the Company's performance for different periods on a more comparable basis by excluding the impacts of fluctuations in foreign currency exchange rates and U.S. fuel price by holding these rates constant between the reporting periods.