

KANSAS CITY SOUTHERN THIRD QUARTER 2016 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 September 30, 2016			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 158.3	\$ 37.3	\$ 121.0	\$ 1.12
Adjustments for:				
Foreign exchange loss	19.8	5.9	13.9	0.13
Foreign exchange component of income taxes	-	14.1	(14.1)	(0.13)
Adjusted	\$ 178.1	\$ 57.3	120.8	
Less: Noncontrolling interest and preferred stock dividends			(0.5)	
Adjusted net income available to common stockholders - see (a) below			\$ 120.3	\$ 1.12

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

	Three Months Ended September 30, 2015			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 171.9	\$ 40.0	\$ 131.9	\$ 1.20
Adjustments for:				
Foreign exchange loss	30.0	9.0	21.0	0.19
Foreign exchange component of income taxes	-	19.6	(19.6)	(0.18)
Adjusted	\$ 201.9	\$ 68.6	133.3	
Less: Noncontrolling interest and preferred stock dividends			(0.4)	
Adjusted net income available to common stockholders - see (a) below			\$ 132.9	\$ 1.21

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

	Nine Months Ended September 30, 2016			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 497.0	\$ 147.4	\$ 349.6	\$ 3.23
Adjustments for:				
Foreign exchange loss	47.3	14.2	33.1	0.30
Foreign exchange component of income taxes	-	18.2	(18.2)	(0.17)
Adjusted	<u>\$ 544.3</u>	<u>\$ 179.8</u>	<u>364.5</u>	
Less: Noncontrolling interest and preferred stock dividends			(1.3)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 363.2</u>	<u>\$ 3.36</u>

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

	Nine Months Ended September 30, 2015			
	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings per Share
As reported	\$ 485.9	\$ 140.6	\$ 345.3	\$ 3.12
Adjustments for:				
Lease termination costs	9.6	2.9	6.7	\$ 0.06
Foreign exchange loss	52.1	15.6	36.5	0.33
Foreign exchange component of income taxes	-	26.6	(26.6)	(0.24)
Adjusted	<u>\$ 547.6</u>	<u>\$ 185.7</u>	<u>361.9</u>	
Less: Noncontrolling interest and preferred stock dividends			(1.3)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 360.6</u>	<u>\$ 3.27</u>

Reconciliation of Operating Expenses to Adjusted Operating Expenses:

	Nine Months Ended September 30,	
	2016	2015
Operating expenses as reported	\$ 1,128.1	\$ 1,235.9
Adjustment for lease termination costs	-	(9.6)
Adjusted operating expenses - see (b) below	<u>\$ 1,128.1</u>	<u>\$ 1,226.3</u>
Operating income as reported	\$ 607.6	\$ 584.9
Adjusted operating income - see (b) below	607.6	594.5
Operating ratio (c) as reported	65.0%	67.9%
Adjusted operating ratio - see (b) and (c) below	65.0%	67.3%

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
	September 30,		\$	%					
	2016	2015							
Chemicals & Petroleum	\$ 124.3	\$ 123.0	\$ 1.3	1%	\$ 1.4	2%	\$ 1.4	2%	3%
Industrial & Consumer Products	140.5	150.2	(9.7)	(6%)	4.0	(4%)	1.8	(5%)	(3%)
Agriculture & Minerals	113.4	110.6	2.8	3%	1.0	3%	2.2	5%	5%
Energy	62.8	73.7	(10.9)	(15%)	0.8	(14%)	0.8	(14%)	(13%)
Intermodal	88.6	95.2	(6.6)	(7%)	-	(7%)	0.1	(7%)	(7%)
Automotive	51.4	54.6	(3.2)	(6%)	4.9	3%	0.3	(5%)	4%
Other revenues	23.5	24.6	(1.1)	(4%)	0.4	(3%)	-	(4%)	(3%)
Total revenues - see (d) below	\$ 604.5	\$ 631.9	\$ (27.4)	(4%)	\$ 12.5	(2%)	\$ 6.6	(3%)	(1%)
Compensation and benefits	\$ 127.9	\$ 112.7	\$ 15.2	13%	\$ 3.7	17%	\$ -	13%	17%
Purchased services	54.5	57.0	(2.5)	(4%)	1.3	(2%)	-	(4%)	(2%)
Fuel	67.6	78.5	(10.9)	(14%)	5.8	(6%)	2.5	(11%)	(3%)
Mexican fuel excise tax credit	(15.6)	-	(15.6)	100%	-	100%	-	100%	100%
Equipment costs	32.0	31.2	0.8	3%	-	3%	-	3%	3%
Depreciation and amortization	76.9	71.4	5.5	8%	-	8%	-	8%	8%
Materials and other	61.4	61.2	0.2	-	1.6	3%	-	-	3%
Total operating expenses - see (d) below	\$ 404.7	\$ 412.0	\$ (7.3)	(2%)	\$ 12.4	1%	\$ 2.5	(1%)	2%

(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. The income tax expense impacts related to these adjustments are calculated at the applicable statutory tax rate.

(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.