

**KANSAS CITY SOUTHERN FOURTH 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:**

	<b>Three Months Ended December 31, 2016</b>			
	<b>Income Before Income Taxes</b>	<b>Income Tax Expense</b>	<b>Net Income</b>	<b>Diluted Earnings per Share</b>
As reported	\$ 165.7	\$ 35.4	\$ 130.3	\$ 1.21
Adjustments for:				
Foreign exchange loss	24.7	7.4	17.3	0.16
Foreign exchange component of income taxes	-	26.8	(26.8)	(0.25)
Adjusted	\$ 190.4	\$ 69.6	120.8	
Less: Noncontrolling interest			(0.7)	
Adjusted net income available to common stockholders - see (a) below			\$ 120.1	\$ 1.12

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

	<b>Three Months Ended December 31, 2015</b>			
	<b>Income Before Income Taxes</b>	<b>Income Tax Expense</b>	<b>Net Income</b>	<b>Diluted Earnings per Share</b>
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	\$ 198.8	\$ 64.7	134.1	
Less: Noncontrolling interest			(0.7)	
Adjusted net income available to common stockholders - see (a) below			\$ 133.4	\$ 1.23

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

	<b>Year Ended December 31, 2016</b>			
	<b>Income Before Income Taxes</b>	<b>Income Tax Expense</b>	<b>Net Income</b>	<b>Diluted Earnings per Share</b>
As reported	\$ 662.7	\$ 182.8	\$ 479.9	\$ 4.43
Adjustments for:				
Foreign exchange loss	72.0	21.6	50.4	0.47
Foreign exchange component of income taxes	-	45.0	(45.0)	(0.42)
Adjusted	<u>\$ 734.7</u>	<u>\$ 249.4</u>	485.3	
Less: Noncontrolling interest and preferred stock dividends			(2.0)	
Adjusted net income available to common stockholders - see (a) below			<u>\$ 483.3</u>	<u>\$ 4.48</u>

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

	<b>Year Ended December 31, 2015</b>			
	<b>Income Before Income Taxes</b>	<b>Income Tax Expense</b>	<b>Net Income</b>	<b>Diluted Earnings per Share</b>
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 Operating Expenses to Adjusted Operating Expenses:**

	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Operating expenses as reported	\$ 1,515.7	\$ 1,615.0
Adjustment for lease termination costs	-	(9.6)
Adjusted operating expenses - see (b) below	<u>\$ 1,515.7</u>	<u>\$ 1,605.4</u>
Operating income as reported	\$ 818.5	\$ 803.8
Adjusted operating income - see (b) below	818.5	813.4
Operating ratio (c) as reported	64.9%	66.8%
Adjusted operating ratio - see (b) and (c) below	64.9%	66.4%

**Reconciliation of Free Cash Flow to Net Increase in Cash and Cash Equivalents:**

	<b>Year Ended December 31, 2016</b>
Net cash provided by operating activities	\$ 913.3
Net cash used for investing activities	(628.2)
Purchase or replacement of equipment under operating leases	26.6
Dividends paid	(142.8)
Free cash flow - see (d) below	168.9
Proceeds from short-term borrowings	8,698.7
Repayment of short-term borrowings	(8,597.9)
Proceeds from issuance of long-term debt	248.7
Repayment of long-term debt	(276.4)
Shares repurchased	(185.4)
Purchase or replacement of equipment under operating leases	(26.6)
Other financing activities	4.0
GAAP net increase in cash and cash equivalents	<u>\$ 34.0</u>

## Estimated Foreign Exchange Impact

	Three Months Ended		Reported Change		Estimated Adjustment for Foreign Exchange	Foreign Exchange Adjusted Change
	December 31,		\$	%		
	2016	2015				
Chemicals & Petroleum	\$ 111.4	\$ 120.4	\$ (9.0)	(7%)	\$ 2.0	(6%)
Industrial & Consumer Products	136.0	129.6	6.4	5%	4.9	9%
Agriculture & Minerals	122.5	108.6	13.9	13%	1.2	14%
Energy	60.7	67.8	(7.1)	(10%)	0.9	(9%)
Intermodal	92.5	93.4	(0.9)	(1%)	-	(1%)
Automotive	52.9	54.7	(1.8)	(3%)	7.2	10%
Other revenue	22.5	23.5	(1.0)	(4%)	0.7	(1%)
Total revenues - see (e) below	\$ 598.5	\$ 598.0	\$ 0.5	-	\$ 16.9	3%
Compensation and benefits	\$ 115.4	\$ 103.9	\$ 11.5	11%	\$ 5.0	16%
Purchased services	49.4	50.9	(1.5)	(3%)	2.0	1%
Fuel	67.8	69.9	(2.1)	(3%)	7.1	7%
Mexican fuel excise tax credit	(13.2)	-	(13.2)	100%	-	100%
Equipment costs	34.1	29.2	4.9	17%	-	17%
Depreciation and amortization	78.1	73.9	4.2	6%	-	6%
Materials and other	56.0	51.3	4.7	9%	2.2	13%
Total operating expenses - see (e) below	\$ 387.6	\$ 379.1	\$ 8.5	2%	\$ 16.3	7%

	Years Ended		Reported Change		Estimated Adjustment for Foreign Exchange	Foreign Exchange Adjusted Change
	December 31,		\$	%		
	2016	2015				
Chemicals & Petroleum	\$ 475.4	\$ 474.2	\$ 1.2	-	\$ 10.2	2%
Industrial & Consumer Products	554.0	570.4	(16.4)	(3%)	19.8	1%
Agriculture & Minerals	461.0	429.3	31.7	7%	5.0	9%
Energy	202.7	252.3	(49.6)	(20%)	3.4	(18%)
Intermodal	357.6	381.5	(23.9)	(6%)	-	(6%)
Automotive	189.9	218.7	(28.8)	(13%)	25.1	(2%)
Other revenue	93.6	92.4	1.2	1%	2.5	4%
Total revenues - see (e) below	\$ 2,334.2	\$ 2,418.8	\$ (84.6)	(3%)	\$ 66.0	(1%)
Compensation and benefits	\$ 462.4	\$ 442.2	\$ 20.2	5%	\$ 19.4	9%
Purchased services	208.5	223.0	(14.5)	(7%)	6.9	(3%)
Fuel	253.8	306.9	(53.1)	(17%)	27.9	(8%)
Mexican fuel excise tax credit	(62.8)	-	(62.8)	100%	-	100%
Equipment costs	120.0	119.4	0.6	1%	-	1%
Depreciation and amortization	305.0	284.6	20.4	7%	-	7%
Materials and other	228.8	229.3	(0.5)	-	8.6	4%
Total adjusted operating expenses - see (e) below	\$ 1,515.7	\$ 1,605.4	\$ (89.7)	(6%)	\$ 62.8	(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 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, share repurchase and other investments.

(e) The Company believes revenue and operating expense changes excluding foreign exchange impact 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 by holding these rates constant between the reporting periods.